

**LEHMAN BROTHERS HOLDINGS INC.**  
**Minutes of the Compensation and Benefits Committee**  
**September 12, 2008**

A telephonic meeting of the Compensation and Benefits Committee (the "Committee") of the Board of Directors of Lehman Brothers Holdings Inc. (the "Corporation" or "Holdings" and collectively with its subsidiaries, the "Firm") was held on September 12, 2008 at 5:00 p.m., pursuant to written notice.

**PRESENT - COMPENSATION AND BENEFITS COMMITTEE MEMBERS**

Mr. John F. Akers (Chairman)  
Ms. Marsha Johnson Evans  
Sir Christopher Gent  
Mr. John D. Macomber

**ALSO PRESENT BY INVITATION**

Ms. Tracy A. Binkley

**Separation Arrangements for Executives**

Mr. Akers opened the meeting by asking Ms. Binkley how the benefits to the executives set forth in the summary documents would be handled in the event that the Firm were not in business, either through bankruptcy or acquisition of the Firm. Ms. Binkley described that upon a stock acquisition, the arrangements would become an obligation of the acquirer and the material terms would be disclosed as part of the diligence associated with any such acquisition, and that in the event of bankruptcy, the separation arrangements may be invalidated by the bankruptcy court, but if not, the executives could present their claims for payment pursuant to their separation agreements along with other unsecured creditors in their particular jurisdiction. Ms. Binkley informed the Committee that, upon advice of legal counsel, she would not execute the separation agreements until the subsequent week, dependent upon the status of the Firm at that time.

Then Ms. Binkley summarized the terms of the separation agreements for Jeremy Isaacs, Benoit Savoret, and Andrew Morton. A document summarizing the separation agreements had been distributed to the Committee members and reviewed with each of them individually in advance of the meeting. The Committee discussed the arrangements and noted that Mr. Savoret's separation payment, while quite large, was the amount he was contractually entitled to receive upon an involuntary termination without cause, as specified in his compensation guarantee dated February 2008 for his retention with the Firm. The Committee also noted that they would not approve amounts for Mr. Isaacs beyond the \$5 million specified in the summary.

LBEX-AM 003922

After discussion, upon motion duly made and seconded, the following was unanimously resolved:

WHEREAS, Jeremy Isaacs, Benoit Savoret, and Andrew Morton (the "Terminating Executives") are very experienced senior executives with valuable business skills and experience that the Corporation may wish to continue to leverage as a resource following their separation of employment, and the Corporation would face significant impact if the Terminating Executives should, following their separation of employment, fail to provide appropriate transition assistance, solicit clients or employees, or engage in other behavior that may be detrimental to the Corporation or its affiliates; and

WHEREAS, the Committee deems it appropriate for the Corporation to enter into separation arrangements with the Terminating Executives; now therefore be it

RESOLVED, that the Global Director of Human Resources is hereby authorized and directed to cause the Corporation to enter into separation agreements between the Corporation and the Terminating Executives on substantially the terms summarized on Exhibit A attached hereto, with such changes therein as the Global Director of Human Resources shall approve, and contingent upon such execution occurring subsequent to September 15 and on the basis that the separation agreements not be executed before the Company's status is clarified; and be it further

RESOLVED, that the proper officers of the Corporation are each hereby authorized and directed to take or do any and all actions or things which any such officer deems necessary, appropriate or desirable to carry out the purpose and intent of the foregoing resolutions, including, without limitation, preparing and distributing award agreements and/or statements and executing such further documents and taking such further action as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions, or to comply with law; and with respect to those awards which are subject to the laws of any foreign jurisdiction, the officers of the Corporation are each hereby authorized and directed to determine the form of awards to employees who are personally residing outside the United States and to take such actions and to make such amendments including, without limitation, preparing and executing such trust instruments or other documents as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions and to achieve tax efficiency (including by awarding discounted options or using deferrals) and to comply with the provisions of any relevant local law or regulations in those territories, provided such actions do not result in an incremental material cost to the Corporation.

Compensation Arrangement for Gerald Donini

The Committee also approved a minimum compensation guarantee for Mr. Donini, Global Head of Equities, of \$20 million for fiscal 2008 and 2009, to facilitate his retention with the Firm.

WHEREAS the Committee in its discretion deems it appropriate to provide special compensation arrangements to facilitate the retention of key employees, now therefore be it

RESOLVED, that the Committee hereby approves and authorizes management to enter into a compensation arrangement with Mr. Gerald A. Donini, Global Head of Equities, to provide minimum compensation of \$20,000,000 for each of fiscal 2008 and 2009, provided that the Committee will retain the authority to determine and approve the annual salary, cash bonus, equity awards, other long-term incentives, and other benefits to be paid to Mr. Donini; and be it further

RESOLVED, that the proper officers of the Corporation are each hereby authorized and directed to take or do any and all actions or things which any such officer deems necessary, appropriate or desirable to carry out the purpose and intent of the foregoing resolutions, including, without limitation, preparing and distributing award agreements and/or statements and executing such further documents and taking such further action as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions, or to comply with law; and with respect to those awards which are subject to the laws of any foreign jurisdiction, the officers of the Corporation are each hereby authorized and directed to determine the form of awards to employees who are personally residing outside the United States and to take such actions and to make such amendments including, without limitation, preparing and executing such trust instruments or other documents as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions and to achieve tax efficiency (including by awarding discounted options or using deferrals) and to comply with the provisions of any relevant local law or regulations in those territories, provided such actions do not result in an incremental material cost to the Corporation.

Discussion of Compensation Arrangement for Eric Felder

Ms. Binkley also informed the Committee of a compensation arrangement for Eric Felder, who had been recently appointed Global Co-Head of Fixed Income and to the Firm's Executive Committee. The Committee asked that Mr. Akers and Ms. Binkley determine a process to apprise the Committee on a regular basis going forward of significant compensation guarantees for employees at the level below the Executive Committee.

There being no further business to be conducted by the Committee at this meeting, upon motion duly made and seconded, the meeting was adjourned.

Respectfully submitted,



Tracy Binkley  
Secretary for the Meeting

## SUMMARY OF KEY TERMINATION PROVISIONS

ITEM	BENOIT SAVORET LOS: 11 years 2007 comp: \$18.0 mm 2006 comp: \$12.0 mm	ANDY MORTON LOS: 15 years 2007 comp: \$12.5 mm 2006 comp: \$14.0 mm	JEREMY ISAACS LOS: 12 years 2007 comp: \$22.0 mm 2006 comp: \$21.0 mm
Termination Description	Involuntary termination	Involuntary termination	Voluntary termination
Last Day Worked	Week of September 8	Week of September 8	December 2008 (working through year end)
Termination Date	December 1, 2008 (after 12 week notice period, per UK policy)	December 1, 2008 (after 12 week notice period, per UK policy)	March 2009 (after 12 week notice period, per UK policy)
Special Payment	\$16.2 mm (guarantee amount under contract)  <ul style="list-style-type: none"> <li>Remainder of guaranteed total comp of \$20mm, less salary and bonus advance of \$3.3mm</li> <li>Payable in advance in September 2008, but recoverable in the event of Detrimental Activity or breach of agreement through the Firm's regular bonus payment date</li> </ul>	\$2 mm  Plus one year's base salary (\$200,000), as standard severance	\$5 mm payment  Described as a minimum amount in Mr. Isaacs' agreement letter.
RSUs	Standard treatment for involuntary termination:  Retains nearly all of his RSUs (over 90%), which convert to freely tradable shares over a period of years through 2012, assuming no Detrimental Activity	Standard treatment for involuntary termination:  Forfeits 46% of his RSUs, primarily due to forfeiture of a special award from March 2008. He retains nearly all RSUs related to his annual pay, which convert to freely tradable shares over a period of years through 2012, assuming no Detrimental Activity	Standard treatment for resignation ("full career" for 2006 RSUs):  Forfeits 30% of RSUs, if no Competitive Activity; 59% if Competitive Activity. All subject to forfeiture for Detrimental Activity

Item	Benoit Savoret	Andy Morton	Jeremy Isaacs
Stock Options:	Standard treatment per plan: Options remain exercisable through the stated expiration date (6 months following separation for MD awards and the full term for his special award), assuming no Detrimental Activity	Standard treatment per plan: Options remain exercisable for 6 months following separation, assuming no Detrimental Activity.	Standard treatment per plan: Options remain exercisable for 6 months for his 2001 special award and until the 5-year expiration date for his Exec Committee awards, assuming no Competitive Activity or Detrimental Activity
Investment Partnerships	Standard treatment per applicable partnership agreements	Standard treatment per applicable partnership agreements	Standard treatment per applicable partnership agreements
Other benefits	Standard UK benefits per policy	Continued tax preparation assistance, per standard practice and standard benefits per policy	SERP benefits per plan and standard UK benefits per policy
Restrictive covenants/ continued cooperation	<p>Benoit releases the Firm of any claims and agrees to the following:</p> <ul style="list-style-type: none"> <li>• Not to engage in Detrimental Activity (including employee solicitation) through January 2009</li> <li>• Not to disparage the Firm (with limited mutuality)</li> <li>• Cooperate with the Firm</li> <li>• Keep information confidential, including the content of his agreement with the Firm</li> </ul> <p>In addition, Detrimental Activity restrictions continue to apply to equity awards through 2012.</p>	<p>Andy releases the Firm of any claims and agrees to the following:</p> <ul style="list-style-type: none"> <li>• Not to engage in Detrimental Activity (including employee solicitation) through January 2009</li> <li>• Not to disparage the Firm</li> <li>• Cooperate with the Firm</li> <li>• Keep information confidential, including the content of his agreement with the Firm</li> </ul> <p>In addition, Detrimental Activity restrictions continue to apply to equity awards through 2012.</p>	<p>Jeremy releases the Firm of any claims and agrees to the following:</p> <ul style="list-style-type: none"> <li>• Not to engage in Detrimental Activity (including employee solicitation) through November 2009</li> <li>• Not to work for a direct competitor through November 2009</li> <li>• Not to disparage the Firm</li> <li>• Cooperate with the Firm</li> <li>• Keep information confidential, including the content of his agreement with the Firm</li> </ul> <p>In addition, Detrimental Activity restrictions continue to apply to equity awards through 2012.</p>