

LEHMAN BROTHERS HOLDINGS INC.

**COMPENSATION AND BENEFITS COMMITTEE
OF THE BOARD OF DIRECTORS**

April 14, 2008

LEHMAN BROTHERS

CONFIDENTIAL

LB 010939

**FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.**

LBHI_SEC07940_027849

AGENDA

LEHMAN BROTHERS HOLDINGS INC.

COMPENSATION AND BENEFITS COMMITTEE MEETING

April 14, 2008
745 Seventh Avenue
31st Floor Executive Conference Room
5:15 p.m.

1. Approval of minutes from March 4, 2008 and March 12, 2008 Compensation and Benefits Committee meetings
2. Review and approval of Director compensation
3. Review of Executive Committee equity ownership and liquidity guidelines
4. Approval of equity awards for new hires and a special separation award
5. Discussion of alternatives to annual employee equity award program

Termination Provisions - RSUs

Event	Treatment
Voluntary Termination	All unvested RSUs will be immediately forfeited and cancelled upon termination. Vested RSUs will convert to shares of Lehman Brothers common stock on the Share Payment Dates, provided the employee does not engage in Detrimental Activity ¹ through that date.
Involuntary Termination without Cause ²	All RSUs will vest and convert to shares of common stock on the Share Payment Dates, provided the employee does not engage in Detrimental Activity through such dates.
Involuntary Termination with Cause	All outstanding RSUs will be immediately forfeited and cancelled upon termination.
Termination Due to Death or Disability ³	100% of RSUs will immediately vest, and shares of Lehman Brothers common stock will be issued on the 30 th day following the date employment ends.

¹ "Detrimental Activity" means (i) using information received during a person's employment with Holdings or any of its subsidiaries related to the business affairs of Holdings or any of its subsidiaries, affiliates or their clients, in breach of such person's undertaking to keep such information confidential; (ii) directly or indirectly persuading or attempting to persuade, by any means, any employee of Holdings or any of its subsidiaries or affiliates to terminate employment with any of the foregoing or to breach any of the terms of his or her employment with the foregoing; (iii) directly or indirectly making any statement that is, or could be, disparaging of Holdings, its subsidiaries or affiliates, or any or their employees (except as necessary to respond truthfully to any inquiry from applicable regulatory authorities or to provide information pursuant to legal process); or (iv) directly or indirectly engaging in any activity that is, or could be, substantially injurious to the financial condition, reputation, or goodwill of Holdings of its subsidiaries or affiliates, in each case as determined in the sole discretion of the Chief Executive Officer or Chief Operating Officer of Lehman Brothers Holdings Inc. (or their respective designees).

² "Cause" means a material breach by a person of an employment contract between the person and Holdings or any subsidiary, failure by a person to devote substantially all business time exclusively to the performance of his or her duties for Holdings or any subsidiary, willful misconduct, dishonesty related to the business and affairs of Holdings or any subsidiary, conviction of a felony or of a misdemeanor constituting a statutory disqualification under U.S. securities laws (or failure to contest prosecution for a felony or such a misdemeanor), habitual or gross negligence in the performance of a person's duties, solicitation of employees of Holdings or any subsidiary to work at another company, improper use or disclosure of confidential information, the violation of policies and practices adopted by Holdings or any subsidiary, including but not limited to the Code of Conduct, or a material violation of the conflict of interest, proprietary information or business ethics policies of Holdings or any subsidiary, or such other circumstances as may be determined in the sole discretion of the Chief Executive Officer or Chief Operating Officer of Lehman Brothers Holdings Inc. (or their respective designees).

³ "Disability" means a disability under both the Long-Term Disability Insurance Plan and Social Security Act.

Termination Provisions - Options

Event	Treatment
Voluntary Termination	All stock options that are not vested and exercisable will be immediately forfeited and cancelled upon termination. Exercisable options will remain exercisable for a period of six months following termination, provided the employee does not engage in Detrimental Activity through that date.
Involuntary Termination without Cause	All stock options will become vested according to the original vesting schedule and will remain exercisable until the later of i) the date the last tranch becomes vested and ii) six months following termination, provided the employee does not engage in Detrimental Activity through that date.
Involuntary Termination with Cause	All outstanding stock options, whether or not exercisable, will be immediately forfeited and cancelled upon termination.
Termination Due to Death or Disability	Stock options become immediately vested and exercisable and remain exercisable until their stated expiration date.

Change in Control Provisions

Exercisability of Stock Options

Following a Change in Control (as defined in the 2005 Stock Incentive Plan), except to the extent that, and without limiting the provisions under the terms of the Option Award Agreement that specify that, Options would otherwise vest earlier or be forfeited in the event of Detrimental Activity, Termination with Cause or voluntary termination or otherwise under the Option Award Agreement, all options shall become exercisable upon the later of (x) the 18 month anniversary date following a Change in Control or (y) a date determined by the Committee that is within 15 days of the November 30 of the Fiscal Year immediately following the Fiscal Year in which the Change in Control occurs (such later date, the "Change in Control Vesting Date"), and such exercisable options shall remain exercisable until the scheduled expiration date.

Additionally, all options shall become immediately exercisable, and remain exercisable until the scheduled expiration date, in the event of any involuntary Termination without Cause following a Change in Control occurring prior to the Change in Control Vesting Date.

For purposes of this Exhibit C, "Fiscal Year" shall mean December 1 through November 30 of the relevant calendar year.

LEHMAN BROTHERS HOLDINGS INC.

2005 STOCK INCENTIVE PLAN

1) Purpose of the Plan

The purpose of the Plan is to aid the Company and its Affiliates in recruiting and retaining employees, directors and consultants and to motivate such employees, directors and consultants to exert their best efforts on behalf of the Company and its Affiliates by providing incentives through the granting of Awards. The Company expects that it will benefit from the added interest which such employees, directors and consultants will have in the welfare of the Company as a result of their proprietary interest in the Company's success.

2) Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) "*Act*" means The Securities Exchange Act of 1934, as amended, or any successor thereto.
- (b) "*Affiliate*" means any entity that is consolidated with the Company for financial reporting purposes or any other entity designated by the Board in which the Company or an Affiliate has a direct or indirect interest of at least twenty-five percent (25%).
- (c) "*Award*" means an Option, Stock Appreciation Right or Other Stock-Based Award granted pursuant to the Plan.
- (d) "*Award Agreement*" means the written document or documents by which each Award is evidenced.
- (e) "*Board*" means the Board of Directors of the Company.
- (f) "*Change in Control*" means, with respect to any Award granted on or prior to November 8, 2007, the occurrence of any of the following events:
 - (i) The occurrence of an event described in paragraph (ii), (iii), (iv), (v) or (vi) below involving any entity (or an affiliate thereof) which had previously commenced (within the meaning of Rule 14d-2 under the Act), without the approval of the Board, a tender offer for shares having more than 20% of the combined voting power of the Company's outstanding shares of capital stock having ordinary voting power in the election of directors of the Company (the "Voting Securities");
 - (ii) An acquisition (other than directly from the Company) of any Voting Securities by any "Person" (as the term "person" is used for purposes of Section 13(d) or 14(d) of the Act) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof or a trustee thereof acting solely in its capacity as trustee) maintained by (I) the Company or (II) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned,

directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary Entity"), (B) the Company or any of its Subsidiary Entities, or (C) any Person who files in connection with such acquisition a Schedule 13D which expressly disclaims any intention to seek control of the Company and does not expressly reserve the right to seek such control; provided, however, that any amendment to such statement of intent which either indicates an intention or reserves the right to seek control shall be deemed an "acquisition" of the securities of the Company reported in such filing as beneficially owned by such Person for purposes of this paragraph (ii);

- (iii) The individuals who, as of the Effective Date, are members of the Board (the "Incumbent Board"), ceasing for any reason to constitute at least a majority of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (in each case, a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Proxy Contest; or
- (iv) A merger, consolidation, recapitalization or reorganization involving the Company, unless such merger, consolidation or reorganization is a "Non-Control Transaction"; i.e., meets each of the requirements described in subparagraphs (A), (B) and (C) below:
 - (A) the stockholders of the Company, immediately before such merger, consolidation, recapitalization or reorganization, own, directly or indirectly, immediately following such merger, consolidation, recapitalization or reorganization, at least 50% of the combined voting power of the outstanding voting securities of the Company, the corporation resulting from such merger or consolidation, recapitalization or reorganization, or any parent thereof (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation, recapitalization or reorganization;
 - (B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation, recapitalization or reorganization constitute at least 50% of the members of the board of directors of the Surviving Corporation immediately following the consummation of such merger, consolidation, recapitalization or reorganization; and
 - (C) no Person other than the Company, any Subsidiary Entity, any employee benefit plan (or any trust forming a part thereof or a trustee thereof acting solely in its capacity as trustee) maintained by the Company, the Surviving Corporation, or any Subsidiary Entity, or any Person who, immediately prior to such merger, consolidation, recapitalization or reorganization had Beneficial Ownership of 20% or more of the then outstanding Voting Securities has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Corporation's then outstanding voting securities immediately following the consummation of such merger, consolidation, recapitalization or reorganization;
- (v) A complete liquidation or dissolution of the Company;
- (vi) Sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary Entity); or
- (vii) An event that would constitute a "Change in Control" within the meaning of Section 2(g).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted percentage set forth in paragraph (ii) or subparagraph (iv)(A) or (C) above, as applicable, of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and thereafter such Beneficial Owner acquires any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

A "Hostile Change in Control" shall mean the occurrence of an event as contemplated in paragraph (i) above. A "Friendly Change in Control" shall mean any Change in Control that is not a Hostile Change in Control.

- (g) "**Change in Control**" means, with respect to any Award granted after November 8, 2007, the occurrence of any of the following events:
- (i) An acquisition (other than directly from the Company, but including any acquisition in connection with any merger, consolidation, recapitalization or reorganization involving the Company) of the Company's outstanding shares of capital stock having ordinary voting power in the election of directors ("Voting Securities") by any "Person" (as the term "person" is used for purposes of Section 13(d) or 14(d) of the Exchange Act) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 70% or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities that are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition that would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof or a trustee thereof acting solely in its capacity as trustee) maintained by (I) the Company or (II) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary Entity"), (B) the Company or any of its Subsidiary Entities, or (C) any Person who files in connection with such acquisition a Schedule 13D that expressly disclaims any intention to seek control of the Company and does not expressly reserve the right to seek such control; provided, however, that any amendment to such statement of intent that either indicates an intention or reserves the right to seek control shall be deemed an "acquisition" of the securities of the Company reported in such filing as beneficially owned by such Person for purposes of this paragraph (i);
 - (ii) Any merger, consolidation, recapitalization or reorganization involving the Company, unless such merger, consolidation, recapitalization or reorganization is a "Non-Control Transaction"; i.e., meets each of the requirements described in subparagraphs (A), (B) and (C) below:
 - (A) the stockholders of the Company, immediately before such merger, consolidation, recapitalization or reorganization, own, directly or indirectly, immediately following such merger, consolidation, recapitalization or reorganization, at least 30% of the combined voting power of the outstanding voting securities of the Company, the corporation resulting from such merger, consolidation, recapitalization or reorganization, or any parent thereof (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation, recapitalization or reorganization;
 - (B) the individuals who were members of the Board immediately prior to the execution of the agreement providing for such merger, consolidation, recapitalization or reorganization constitute at least 50% of the members of the board of directors of the Surviving

Corporation immediately following the consummation of such merger, consolidation, recapitalization or reorganization; and

- (C) no Person other than the Company, any Subsidiary Entity, any employee benefit plan (or any trust forming a part thereof or a trustee thereof acting solely in its capacity as trustee) maintained by the Company, the Surviving Corporation, or any Subsidiary Entity, or any Person who, immediately prior to such merger, consolidation, recapitalization or reorganization had Beneficial Ownership of 70% or more of the then outstanding Voting Securities has Beneficial Ownership of 70% or more of the combined voting power of the Surviving Corporation's then outstanding voting securities immediately following the consummation of such merger, consolidation, recapitalization or reorganization;
- (iii) Replacement within a consecutive twelve month period of a majority of the individuals who are members of the Board with individuals ("Replacement Board Members") who do not receive endorsement by a majority of the Board before the date of the appointment or election of such Replacement Board Member; or
- (iv) Sale or other disposition (other than a transfer to a Subsidiary Entity) of all or substantially all of the assets of the Company to any Person, or any Person acquires such amount of assets in any consecutive twelve-month period ending on the most recent acquisition by such Person.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted percentage set forth in paragraph (i) of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company that, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and thereafter such Subject Person acquires any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur. In addition, notwithstanding the foregoing a Change in Control shall not be deemed to occur unless such transaction or occurrence constitutes a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code.

- (h) "*Code*" means the Internal Revenue Code of 1986, as amended, or any successor thereto.
- (i) "*Committee*" means the Compensation and Benefits Committee of the Board.
- (j) "*Company*" means Lehman Brothers Holdings Inc.
- (k) "*Dividend Equivalent Right*" means a dividend equivalent right granted under the Plan, which represents an unfunded and unsecured promise to pay to the Participant amounts equal to all or any portion of the regular cash dividends that would be paid on Shares covered by an Award if such shares were delivered pursuant to an Award.
- (l) "*Effective Date*" means May 1, 2005.
- (m) "*Employment*" means (i) a Participant's employment if the Participant is an employee of the Company or any of its Affiliates, (ii) a Participant's services as a consultant, if the Participant is consultant to the Company or any of its Affiliates and (iii) a Participant's services as a Non-Employee Director, if the Participant is a non-employee member of the Board; provided however that unless otherwise determined by the Committee, a change in a Participant's status from employee to non-employee (other than a director of the Company or an Affiliate) shall constitute a termination of employment hereunder. For purposes of the Plan, unless the Committee determines otherwise: (a) a transfer of a Participant's employment, without an intervening period of separation, between the Company and any Affiliate shall not be deemed a termination of employment, and

- (b) a Participant who is granted in writing a leave of absence shall be deemed to have remained in the employ of the Company during such leave of absence.
- (n) **"Fair Market Value"** means, on a given date, (i) if there should be a public market for the Shares on such date, the closing price of the Shares on the New York Stock Exchange, or, if the Shares are not listed or admitted on any national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted) (the "NASDAQ"), or, if no sale of Shares shall have been reported on the New York Stock Exchange or quoted on the NASDAQ on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used, and (ii) if there should not be a public market for the Shares on such date, the Fair Market Value shall be the value established by the Committee in good faith and, in the case of an ISO, in accordance with Section 422 of the Code.
- (o) **"ISO"** means an Option that is also an incentive stock option granted pursuant to Section 5(d).
- (p) **"Non-Employee Director"** means a director of the Company who is not an employee of the Company or a Subsidiary.
- (q) **"Option"** means (i) a non-qualified stock option or (ii) an ISO, as applicable, granted pursuant to Section 5.
- (r) **"Option Price"** means the purchase price per Share of an Option, as determined pursuant to Section 5(a).
- (s) **"Other Stock-Based Award"** means an award granted pursuant to Section 7.
- (t) **"Participant"** means an employee, prospective employee, director or consultant of the Company or an Affiliate who is selected by the Committee to participate in the Plan.
- (u) **"Performance-Based Award"** means an Other Stock-Based Award granted pursuant to Section 7(c).
- (v) **"Plan"** means the Lehman Brothers Holdings Inc. 2005 Stock Incentive Plan, as amended from time to time.
- (w) **"Shares"** means shares of common stock of the Company.
- (x) **"Stock Appreciation Right"** means a stock appreciation right granted pursuant to Section 6.
- (y) **"Subsidiary"** means a subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto), of the Company.
- 3) **Shares Subject to the Plan**
- (a) The total number of Shares that may be issued under the Plan is one hundred forty-five (145) million, plus the number of Shares calculated as set forth in subsection (c) below, subject to adjustment as provided in Section 9. Shares of Common Stock issued under the Plan may be authorized but unissued shares or authorized and issued shares held in the Company's treasury, or any combination thereof. No participant may be granted Options, Stock Appreciation Rights or Other Stock-Based Awards covering in excess of four million Shares in any fiscal year of the Company, and the maximum number of Shares that may be subject to Awards that are ISOs is twenty (20) million, subject to adjustment as provided in Section 9.

- (b) In calculating the number of Shares remaining available for grants of Awards at any given time during the term of the Plan, the following rules shall apply:
- (i) the number of Shares remaining for issuance shall be reduced by the number of outstanding Awards that consist of, or that are payable in Shares;
 - (ii) the number of Shares remaining for issuance shall be increased by the number of Shares withheld or tendered (by actual delivery or attestation) to pay the exercise price of an Option and by the number of shares withheld from any grant of Awards to satisfy tax withholding obligations;
 - (iii) the number of Shares remaining for issuance shall be increased by the number of Shares that have been granted, or reserved for distribution in satisfaction of Awards, that are later forfeited, or that expire or terminate or, for any other reason, are not payable or distributable under the Plan; and
 - (iv) the number of Shares remaining for issuance shall be increased by the number of Shares that have been granted in respect of Awards that are settled in cash under the Plan.
- (c) The following numbers of Shares shall be added to the one hundred forty-five (145) million Shares expressly identified in subsection (a) above: the number of Shares that, on the date that is immediately prior to the applicable date of expiration of each of the Lehman Brothers Holdings Inc. Employee Incentive Plan and the Lehman Brothers Holdings Inc. 1996 Management Ownership Plan (each, a "Prior Plan"), are available for issuance and not otherwise subject to outstanding Awards granted under the Prior Plans, increased by the number of Shares that, as of each such applicable expiration date, were subject to Awards granted and outstanding under the Prior Plans (the "Prior Awards") but which are subsequently not payable or distributable under the Prior Awards under any of the circumstances described in paragraph (ii), (iii) or (iv) of subsection (b) above.

4) Administration

- (a) The Plan shall be administered by the Committee, the members of which shall be "independent" in accordance with all applicable stock exchange or market listing requirements. The Committee may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are intended to qualify as "non-employee directors" within the meaning of Rule 16b-3 under the Act (or any successor rule thereto) and, to the extent required by Section 162(m) of the Code (or any successor section thereto), "outside directors" within the meaning thereof. In addition, to the extent consistent with Rule 16b-3 under the Act, the Committee may delegate the authority to grant Awards under the Plan to officers or employees of the Company.
- (b) The Committee is authorized to construe, interpret, implement and administer the Plan and any Award, to establish, amend and rescind any rules and regulations relating to the Plan and each Award, and to make any other determinations that it deems necessary or desirable for the administration of the Plan or with respect to any Award. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the construction, interpretation, implementation and administration of the Plan or any Award, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). The Committee shall have the full and exclusive power and authority to make, and establish the terms and conditions of, any Award to any person eligible to be a Participant, consistent with the provisions of the Plan and to amend or waive any such terms and conditions at

any time (including, without limitation, accelerating or waiving any conditions on vesting), provided, however, the Committee shall not have such power and authority to accelerate or otherwise provide for the times at which Shares with respect to any Award are delivered if any Award is subject to Section 409A of the Code in a manner that would result in the imposition upon any Participant of an additional tax under Section 409A of the Code, and provided further, in the event that it is reasonably determined by the Committee that, as a result of Section 409A of the Code, a Participant is deemed to be a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code), payments and/or deliveries of Shares in respect of any Award subject to Section 409A of the Code shall not be made prior to the date which is six (6) months after the date of such Participant's separation from service from the Company and all Subsidiaries, determined in accordance with Section 409A of the Code and the regulations promulgated thereunder. None of Committee's determinations under the Plan and under any Award Agreement need be uniform and any such determinations may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). Without limiting the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations under Award Agreements, and to enter into non-uniform and selective Award Agreements, as to (i) the persons to receive Awards, (ii) the terms and provisions of Awards, (iii) whether a Participant's Employment has been terminated for purposes of the Plan and (iv) any adjustments to be made to Awards pursuant to Section 9 or otherwise.

- (c) The Committee shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes or to otherwise satisfy any tax obligations due as a result of the exercise, grant, vesting of, or payment pursuant to, an Award. Unless the Committee specifies otherwise, the Participant may elect to pay a portion or all of such withholding or other taxes by (i) delivery, in cash or by check, (ii) delivery in Shares or (iii) having Shares withheld by the Company with a market value equal to the minimum statutory withholding rate from any Shares that would have otherwise been received by the Participant.
- (d) Deliveries of Shares may be rounded to avoid fractional shares. In addition, the Company may pay cash in lieu of fractional shares.

5) Terms and Conditions of Options

Options granted under the Plan shall be, as determined by the Committee, non-qualified or ISOs for federal income tax purposes, as evidenced by the related Award agreements, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

- (a) *Option Price.* The Option Price per Share shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of the Shares on the date an Option is granted.
- (b) *Exercisability.* Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event shall an Option be exercisable more than ten years after the date it is granted.
- (c) *Exercise of Options.* Except as otherwise provided in the Plan or in an Award Agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of this Section 5, the exercise date of an Option shall be the date a notice of exercise is received by the Company, together with provision for payment of the full purchase price in accordance with this subsection (c). The Option Price for the Shares as to which an Option is exercised shall be paid to the Company, at the election of the Committee, pursuant to one or more of the following methods: (i) in cash; (ii) in Shares having a market value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as

may be imposed by the Committee; provided, that such Shares have been held by the Participant for no less than six months (or such other period as established from time to time by the Committee in order to avoid adverse accounting treatment applying generally accepted accounting principles); (iii) partly in cash and partly in such Shares; (iv) if there is a public market for the Shares at such time, through the delivery of irrevocable instructions to a broker to sell Shares obtained upon the exercise of the Option and to deliver promptly to the Company an amount out of the proceeds of such Sale equal to the aggregate Option Price for the Shares being purchased or (v) by such other means as the Committee deems appropriate. No Participant shall have any rights to dividends or other rights of a stockholder with respect to Shares subject to an Option, and shall not otherwise be entitled to delivery of any Shares (or cash or other property in lieu thereof) underlying any such Option, until the Participant has given written notice of exercise of the Option, paid in full for such Shares and, if applicable, has satisfied any other conditions imposed by the Committee pursuant to the Plan, and such Shares have been issued hereunder.

- (d) *ISOs.* The Committee may grant Options under the Plan that are intended to be ISOs. Such ISOs shall comply with the requirements of Section 422 of the Code (or any successor section thereto). No ISO may be granted to any Participant who, at the time of such grant, owns more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless (i) the Option Price for such ISO is at least 110% of the Fair Market Value of a Share on the date the ISO is granted and (ii) the date on which such ISO terminates is a date not later than the day preceding the fifth anniversary of the date on which the ISO is granted. Any Participant who disposes of Shares acquired upon the exercise of an ISO either (i) within two years after the date of grant of such ISO or (ii) within one year after the transfer of such Shares to the Participant, shall notify the Company immediately of such disposition and of the amount realized upon such disposition. All Options granted under the Plan are intended to be nonqualified stock options, unless the applicable Award Agreement expressly states that the Option is intended to be an ISO. If an Option is intended to be an ISO, and if for any reason such Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a nonqualified stock option granted under the Plan, provided that such Option (or portion thereof) otherwise complies with the Plan's requirements relating to nonqualified stock options. In no event shall any member of the Committee, the Company or any of its Affiliates (or their respective employees, officers or directors) have any liability to any Participant (or any other Person) due to the failure of an Option to qualify for any reason as an ISO.
- (e) *Attestation.* Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the exercise price of an Option or withholding taxes relating to the exercise of an Option or delivery of Shares pursuant to an Award by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option or pursuant to the other Award.
- (f) *Section 409A Restrictions on Option Awards.* Options shall only be granted to employees, independent contractors or Non-Employee Directors providing direct services to any corporation in a chain of corporations or other entities in which each corporation or other entity, starting with the Company, has a controlling interest in another corporation or other entity in the chain, ending with the corporation or other entity for which the service provider provides direct services on the date of grant of the Option. For this purpose, the term controlling interest has the same meaning as provided in Treas. Reg. Section 1.414(c)-2(b)(2)(i) of the Code, provided that the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Treas. Reg. Section 1.414(c)-2(b)(2)(i). In addition, where the use of such stock with respect to the grant of an option to such service provider is based upon legitimate business criteria, the term controlling interest has the same meaning as provided in Treas. Reg. Section 1.414(c)-2(b)(2)(i), provided that the language "at least 20 percent" is used instead of "at least 80 percent" each place it appears in

Treas. Reg. Section 1.414(c)-2(b)(2)(i). For purposes of determining ownership of an interest in an organization, the rules of Treas. Reg. Section 1.414(c)-3 and 1.414(c)-4 of the Code apply.

6) **Terms and Conditions of Stock Appreciation Rights**

- (a) *Grants.* The Committee may grant (i) a Stock Appreciation Right independent of an Option or (ii) a Stock Appreciation Right in connection with an Option, or a portion thereof. A Stock Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Shares covered by an Option (or such lesser number of Shares as the Committee may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 6 (or such additional limitations as may be included in an Award agreement).
- (b) *Terms.* The exercise price per Share of a Stock Appreciation Right shall be an amount determined by the Committee but in no event shall such amount be less than the Fair Market Value of a Share on the date the Stock Appreciation Right is granted; provided, however, that notwithstanding the foregoing in the case of a Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option. Each Stock Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount, in cash and/or Shares, equal to (i) the excess of (A) the market value on the exercise date of one Share over (B) the exercise price per Share, times (ii) the number of Shares covered by the Stock Appreciation Right. Each Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Company the unexercised Option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to (i) the excess of (A) the market value on the exercise date of one Share over (B) the Option Price per Share, times (ii) the number of Shares covered by the Option, or portion thereof, which is surrendered. Payment shall be made in Shares or in cash, or partly in Shares and partly in cash (any such Shares valued at such market value), as shall be determined by the Committee. Stock Appreciation Rights may be exercised from time to time upon actual receipt by the Company of written notice of exercise stating the number of Shares with respect to which the Stock Appreciation Right is being exercised. The date a notice of exercise is received by the Company shall be the exercise date. No fractional Shares will be issued in payment for Stock Appreciation Rights, but instead cash will be paid for a fraction or, if the Committee should so determine, the number of Shares will be rounded downward to the next whole Share.
- (c) *Limitations.* The Committee may impose, in its discretion, such conditions upon the exercisability or transferability of Stock Appreciation Rights as it may deem fit.
- (d) *Section 409A Restrictions on Stock Appreciation Right Awards.* Stock Appreciation Rights shall only be granted to employees, independent contractors or Non-Employee Directors providing direct services to any corporation in a chain of corporations or other entities in which each corporation or other entity, starting with the Company, has a controlling interest in another corporation or other entity in the chain, ending with the corporation or other entity for which the service provider provides direct services on the date of grant of the Stock Appreciation Right. For this purpose, the term controlling interest has the same meaning as provided in Treas. Reg. Section 1.414(c)-2(b)(2)(i) of the Code, provided that the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Treas. Reg. Section 1.414(c)-2(b)(2)(i). In addition, where the use of such stock with respect to the grant of a Stock Appreciation Right to such service provider is based upon legitimate business criteria, the term controlling interest has the same meaning as provided in Treas. Reg. Section 1.414(c)-2(b)(2)(i), provided that the language "at least 20 percent" is used instead of "at least 80 percent" each place it appears in Treas. Reg. Section 1.414(c)-2(b)(2)(i). For purposes of determining ownership of an interest in an organization, the rules of Treas. Reg. Section 1.414(c)-3 and 1.414(c)-4 of the Code apply.

7) Other Stock-Based Awards

- (a) The Committee, in its sole discretion, may grant or sell Awards of Shares and Awards that are valued in whole or in part by reference to, or otherwise based on the Fair Market Value of, Shares (all such Awards being referred to herein as "Other Stock-Based Awards"). Other Stock-Based Awards shall be in such form, and be subject to such terms and conditions, as the Committee shall determine, including without limitation, the following forms: (i) the right to purchase Shares, (ii) Shares subject to restrictions on transfer until the completion of a specified period of service, the occurrence of an event or the attainment of performance objectives, each as specified by the Committee, and (iii) Shares issuable upon the completion of a specified period of service, the occurrence of an event or the attainment of performance objectives, each as specified by the Committee. Other Stock-Based Awards may be granted alone or in addition to any other Awards made under the Plan. All references in the preceding sentence to "specified period of service," in the case of Other Stock-Based Awards which (i) are not in lieu of cash compensation to employees generally, (ii) are not paid to recruit a new employee in an amount of less than 5% of the total awards available for grant under the Plan or (iii) are not subject to the attainment of performance objectives, shall provide that vesting, restrictions on transfer or some other comparable restriction which incents continued performance of the Participant, will be for a period of not less than three years (although vesting or lapsing may occur in tranches over the three years), unless there is a Change in Control or the Participant retires, becomes disabled or dies. Subject to the provisions of the Plan, the Committee shall have sole and absolute discretion to determine to whom and when such Other Stock-Based Awards will be made, the number of shares of Common Stock to be awarded under (or otherwise related to) such Other Stock-Based Awards and all other terms and conditions of such Awards. The Committee shall determine whether Other Stock-Based Awards shall be settled in cash, Common Stock or a combination of cash and Common Stock.
- (b) With respect to any restricted stock units granted under the Plan, the obligations of the Company or any Subsidiary are limited solely to the delivery of Shares (or, at the discretion of the Committee, cash in lieu thereof to the extent necessary to comply with applicable law, regulation or other local practice, as determined by the Committee) on the date when such Shares are due to be delivered under each Award Agreement. The Company or any Subsidiary may deliver cash to Participants for dividends paid to a holder of shares of Common Stock, for fractional shares or for any amounts payable in cash upon the occurrence of a Change in Control.
- (c) The Committee may establish performance objectives that must be attained in order for the Company to make payments pursuant to Other Stock-Based Awards. The performance objectives for Awards will be based upon one or more of the following criteria: (i) before-tax income and/or net income; (ii) earnings per share; (iii) book value per share; (iv) stock price; (v) return on equity; (vi) expense management; (vii) return on investment; (viii) improvements in capitalization; (ix) profitability of an identifiable business unit or product; (x) profit margins; (xi) budget comparisons; (xii) total return to Stockholders; (xiii) net revenue; and (xiv) economic value added. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the performance goals may be calculated without regard to extraordinary items. The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given Participant and, if they have, shall so certify and ascertain the amount of the applicable Performance-Based Award. No Performance-Based Awards will be paid for such performance period until such certification is made by the Committee. The amount of the Performance-Based Award actually paid to a given Participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance-Based Award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of

such performance period; provided, however, that a Participant may, if and to the extent permitted by the Committee and consistent with the provisions of Sections 162(m) and 409A of the Code, elect to defer payment of a Performance-Based Award. The maximum amount of Other Stock-Based Awards that may be granted during a fiscal year of the Company to any Participant shall be (x) with respect to Other Stock-Based Awards that are denominated or payable in Shares, four million Shares, and (y) with respect to Other Stock-Based Awards that are not denominated or payable in Shares, \$50 million.

- (d) The Committee may grant Participants Dividend Equivalent Rights with respect to any Common Stock subject to any Award. The Committee shall specify at the time of grant of any Dividend Equivalent Right whether dividends shall be paid at the time dividends in respect of Common Stock are paid to other shareholders or accumulated and paid out at the time payment is called for under the Awards to which the Dividend Equivalent Right relates. Other Stock-Based Awards may, at the discretion of the Committee, provide the Participant with dividends or dividend equivalents and voting rights prior to either vesting or earnout.

8) Unfunded Status of Plan; No Rights as a Shareholder.

The Plan is intended to constitute an "unfunded" plan for long-term incentive compensation. With respect to any payments not yet made to a Participant, including any Participant-optionee, by the Company, nothing herein contained shall give any Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares or payments in lieu thereof or with respect to Options, Stock Appreciation Rights and Other Stock-Based Awards under the Plan; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan. Except as otherwise provided in a Participant's Award Agreement, no Participant (or other person having rights pursuant to an Award) shall have any of the rights of a shareholder of the Company with respect to Shares subject to an Award until the delivery of such Shares. Except as otherwise provided in Section 9, no adjustments shall be made for dividends or distributions on (whether ordinary or extraordinary, and whether in cash, Shares, other securities or other property), or other events relating to, Shares subject to an Award for which the record date is prior to the date such Shares are delivered.

9) Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

- (a) *Generally.* In the event of any change in the outstanding Shares after the Effective Date by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or transaction or exchange of Shares or other corporate exchange, or any distribution to shareholders of Shares other than regular cash dividends, or any transaction similar to the foregoing, the Committee in its sole discretion and without liability to any person may make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of Shares or other securities issued or reserved for issuance pursuant to the Plan or pursuant to outstanding Awards, (ii) the maximum number of Shares for which Awards may be granted during a fiscal year of the Company to any Participant, (iii) the Option Price or exercise price of any Stock Appreciation Right and/or (iv) any other affected terms of such Awards.
- (b) *Change in Control.* If a Change in Control occurs after the Effective Date, at any time before such Change in Control the Committee may, but shall not be obligated to, (i) accelerate, vest or cause the restrictions to lapse with respect to, all or any portion of an Award, (ii) cancel Awards for fair value (as determined in the sole discretion of the Committee) which, in the case of Options and Stock Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in

the Change in Control transaction to holders of the same number of Shares subject to such Options or Stock Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Shares subject to such Options or Stock Appreciation Rights) over the aggregate exercise price of such Options or Stock Appreciation Rights, (iii) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Committee in its sole discretion or (iv) provide that for a period of at least 30 days prior to the Change in Control, such Options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change in Control, such Options shall terminate and be of no further force and effect, provided in any such case the Committee shall not have such power and authority to accelerate the times at which Shares with respect to any Award are delivered if any Award is subject to Section 409A of the Code in a manner that would result in the imposition upon any Participant of an additional tax under Section 409A of the Code.

10) No Right to Employment or Awards

The granting of an Award under the Plan shall impose no obligation on the Company or any Affiliate to continue the Employment of a Participant and shall not lessen or affect the Company's or Subsidiary's right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

11) Successors and Assigns

The Plan and any Award Agreement shall be binding on all successors and assigns of the Company and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

12) Transferability of Awards

Unless otherwise determined by the Committee or as otherwise set forth in any Award Agreement, an Award shall not be sold, transferred, assigned, pledged, hypothecated or otherwise disposed of by the Participant otherwise than by will or by the laws of descent and distribution. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant. Any sale, transfer, assignment, pledge, hypothecation or other disposition in violation of the provisions of this Section 12 shall be void.

13) Amendments or Termination

The Board may amend or terminate the Plan, but no amendment or termination shall be made, (a) without the approval of the shareholders of the Company, if such action would (i) (except as is provided in Section 9), increase the total number of Shares reserved for the purposes of the Plan or increase the maximum number of Shares that may be issued hereunder, or the maximum number of Shares for which Awards may be granted to any Participant, (ii) change the class of persons eligible to be Participants; or (iii) extend the date after which Awards cannot be granted under the Plan; or (b) without the consent of a Participant, if such action would diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided, however, that the Committee may amend the Plan and/or any outstanding Awards in such manner as it deems necessary to permit the Plan and/or any outstanding Awards to satisfy applicable requirements of the Code or other applicable laws.

14) Treatment of Awards

Absent express provisions to the contrary, an Award under this Plan shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or its Affiliates and shall not affect any benefits under any other benefit plan of any kind now or subsequently in effect under which the availability or amount of benefits is related to level of compensation. This Plan is not a "Pension Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

15) Choice of Law

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of laws.

16) Effectiveness of the Plan

The Plan shall be effective as of the Effective Date and shall terminate immediately prior to the tenth anniversary of the Effective Date, subject to earlier termination by the Board pursuant to Section 13.

2007 - 2008 NEW HIRES STOCK AWARDS

NAME	FUNCTION	DATE OF HIRE	TOTAL VALUE OF AWARD	NUMBER OF RSUs	Vesting Schedule
Ghavami, Peter	MD, Sr Mgr, Administration	1/21/2008	\$3,754,711	70,511	Buyout RSUs that vest and convert to stock over 3 years beginning in 2008.
Ghavami, Peter	MD, Sr Mgr, Administration	1/21/2008	\$5,000,000	93,897	Inducement RSUs vest over 3 years beginning in 2008 and convert to stock in 2011.
Baccar, Slim Ben Ahmed	MD, Technology Head, Administration	9/3/2007	\$1,246,999	22,743	RSUs vest and convert to stock over 3 years beginning in 2008.
Blewitt, Richard	MD, Desk Mgr, Global Prin. Strategies	12/10/2007	\$1,327,443	20,220	RSUs vest and convert to stock over 3 years beginning in 2008.
Grezo, Charlotte Brereton	MD, Comm, Mktg & Branding Strategy	10/22/2007	\$1,144,670	19,890	RSUs vest and convert to stock over 3 years beginning in 2008.
Shingler, Alexander	SVP, Sr Trader, Global Principal Strategies	12/3/2007	\$825,684	13,452	RSUs vest and convert to stock over 3 years beginning in 2008.
Gregson, Andrew	MD, CFO/Finance	10/1/2007	\$673,608	10,583	RSUs vest and convert to stock over 4 years beginning in 2008.
Treacy, Shaun	MD, Australia	10/29/2007	\$640,466	10,205	RSUs vest and convert to stock over 3 years beginning in 2008.
Liu, Yixin David	MD, Sr Research Analyst, Derivatives	11/19/2007	\$598,295	9,881	RSUs vest and convert to stock over 3 years beginning in 2008.
Hajdukiewicz, Richard	MD, Desk Mgr, Energy	12/18/2007	\$547,735	8,994	RSUs vest and convert to stock over 3 years beginning in 2008.
Bijaoui, David	SVP, Sr Trader, Global Opp. Group	1/1/2008	\$545,377	8,334	RSUs vest and convert to stock over 4 years beginning in 2008.
Pilz, Arno	SVP, Sr Trader, Commodities	1/31/2008	\$512,016	7,994	RSUs vest and convert to stock over 3 years beginning in 2008.
Jarc, Franca	MD, Desk Mgr, CDO	10/1/2007	\$477,375	7,500	RSUs vest and convert to stock over 3 years beginning in 2008.
Emmert, Jonathan Adam	VP, Private Equity	1/22/2008	\$400,000	7,282	RSUs vest and convert to stock over 3 years beginning in 2008.
Mautone, Pablo	SVP, Sr Trader, Global Principal Strategies	12/11/2007	\$430,242	7,037	RSUs vest and convert to stock over 3 years beginning in 2008.
Aldama, Jaime Reyero	SVP, Sr Structurer, CDO	10/31/2007	\$425,898	6,724	RSUs vest and convert to stock over 4 years beginning in 2008.
Goold, Nicholas	SVP, Sr Trader, Commodities	1/7/2008	\$347,139	5,980	RSUs vest and convert to stock over 4 years beginning in 2008.
Bedwick, Allan	MD, Desk Mgr., Global Opp. Group	1/19/2008	\$316,412	5,942	RSUs vest and convert to stock over 4 years beginning in 2008.
Ho, Henry	SVP, Sr Research Analyst, Telecom	8/28/2007	\$265,375	4,889	RSUs vest and convert to stock over 3 years beginning in 2008.
Rizzo, Andrea	SVP, Trader, Governments	9/9/2007	\$221,596	4,185	RSUs vest over 6 years beginning in 2007. RSUs convert to stock over 4 years.
Vetere, Rhonda	SVP, Sr Mgr, Mortgage Capital	11/26/2007	\$198,180	3,449	RSUs vest and convert to stock over 3 years beginning in 2008.
Findlay, Paul	SVP, Sr Sales Trader, Japanese Product	7/12/2007	\$247,185	3,375	RSUs vest and convert to stock over 4 years beginning in 2008.
Shapiro, Julie	MD, Sr Mgr, Risk Mgmt	2/4/2008	\$210,287	3,295	RSUs vest and convert to stock over 2 years beginning in 2009.
Whamond, Christian	VP, Trader, Global Principal Strategies	11/9/2007	\$186,927	3,219	RSUs vest and convert to stock over 3 years beginning in 2008.
Gupta, Nirjhar	SVP, Desk Mgr, India Equities	9/17/2007	\$164,253	2,802	RSUs vest and convert to stock over 2 years beginning in 2007.
Panagoplos, Ty	SVP, Sr Mgr, Lehman Brothers Bank	11/19/2007	\$154,584	2,553	RSUs vest and convert to stock over 3 years beginning in 2008.
Duval-Kieffer, Christopher	SVP, Sr Research Analyst, Derivatives	6/19/2007	\$198,128	2,437	RSUs vest and convert to stock over 3 years beginning in 2008.
Kontominas, Konstantinos	SVP, Sr Salesperson, Derivatives	8/20/2007	\$118,649	2,079	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 4 years.
Galloway, Peter	SVP, Pension Solutions	9/4/2007	\$115,574	2,047	RSUs vest and convert to stock over 4 years beginning in 2008.
How, Desmond	SVP, Sr Trader, Global Opp. Group	1/1/2008	\$128,524	1,964	RSUs vest and convert to stock over 3 years beginning in 2008.
Glenn, Richard	VP, Banker, Insurance Solutions	10/29/2007	\$117,110	1,866	RSUs vest over 4 years beginning in 2009. RSUs convert to stock over 2 years.
Stern, Jerome	SVP, Switzerland	10/8/2007	\$116,143	1,850	RSUs vest and convert to stock over 3 years beginning in 2008.
Weingarth, John	VP, Sr Sales Trader, Grange Securities	5/21/2007	\$132,838	1,812	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 2 years.
Partridge, Luke	VP, Trader, High Yield	10/2/2007	\$114,684	1,772	RSUs vest and convert to stock over 4 years beginning in 2008.
Jerrom, Peter	SVP, Sr Trader, Foreign Exchange	6/18/2007	\$132,312	1,642	RSUs vest over 3 years beginning in 2009. RSUs convert to stock over 2 years.
Billion, Ralph	SVP, Sr Sales Trader, Pan Europe Product	10/1/2007	\$99,931	1,570	RSUs vest and convert to stock over 3 years beginning in 2008.
Ryans, Paul	SVP, Project Mgr., Risk Mgmt.	1/7/2008	\$85,101	1,466	RSUs vest and convert to stock over 3 years beginning in 2008.
Tschauder, Jens	SVP, Sr Salesperson, Pan Europe Product	10/1/2007	\$92,611	1,455	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Phillippe, Carole	SVP, Legal Dir. - Europe, LCA	9/4/2007	\$78,931	1,398	RSUs vest and convert to stock over 4 years beginning in 2008.
Marsh, Nicholas	SVP, Sr Trader, Synthetics Trading	7/26/2007	\$67,983	1,054	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Shah, Devin	SVP, Sr Mgr, Technology Support	10/1/2007	\$55,248	868	RSUs vest and convert to stock over 3 years beginning in 2008.
O'Shea, Dan	SVP, Sr Sales., Non-Japanese Product	6/19/2007	\$66,991	824	RSUs vest and convert to stock over 3 years beginning in 2009.
TOTAL	41 Employees		\$22,583,215	391,040	

* Additional grant to true-up original buyout.

** Date of re-hire

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Weingarth, John	VP, Sr Sales Trader, Grange Securities	5/21/2007	\$132,838	1,812	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 2 years.
Partridge, Luke	VP, Trader, High Yield	10/2/2007	\$114,684	1,772	RSUs vest and convert to stock over 4 years beginning in 2008.
Jerrom, Peter	SVP, Sr Trader, Foreign Exchange	6/18/2007	\$132,312	1,642	RSUs vest over 3 years beginning in 2009. RSUs convert to stock over 2 years.
Billion, Ralph	SVP, Sr Sales Trader, Pan Europe Product	10/1/2007	\$99,931	1,570	RSUs vest and convert to stock over 3 years beginning in 2008.
Ryans, Paul	SVP, Project Mgr., Risk Mgmt.	1/7/2008	\$85,101	1,466	RSUs vest and convert to stock over 3 years beginning in 2008.
Tschauder, Jens	SVP, Sr Salesperson, Pan Europe Product	10/1/2007 **	\$92,611	1,455	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Philippe, Carole	SVP, Legal Dir. - Europe, LCA	9/4/2007	\$78,931	1,398	RSUs vest and convert to stock over 4 years beginning in 2008.
Marsh, Nicholas	SVP, Sr Trader, Synthetics Trading	7/26/2007	\$87,983	1,054	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Shah, Devin	SVP, Sr Mgr, Technology Support	10/1/2007	\$55,248	868	RSUs vest and convert to stock over 3 years beginning in 2008.
O'Shea, Dan	SVP, Sr Sales., Non-Japanese Product	6/19/2007	\$66,991	824	RSUs vest and convert to stock over 3 years beginning in 2009.
TOTAL	41 Employees		\$22,583,215	391,040	

* Additional grant to true-up original buyout.

** Date of re-hire

3. Director
Compensation

**BOARD OF DIRECTOR
ANNUAL COMPENSATION REVIEW**

**Compensation and Benefits Committee
of the Board of Directors
of Lehman Brothers Holdings, Inc.**

April 14, 2008

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OVERVIEW

- A review of the Board of Director compensation program was conducted to ensure our program remains competitive with our peers and the broader market.
- Overall, market compensation levels for Board members appear to have leveled off in 2007 after increasing significantly from 2004 to 2006.
 - In 2007, pay levels among our peers in investment banking remained unchanged relative to 2006.
 - Among the 100 largest NYSE companies, median director pay increased by just 2% in 2007, to \$205,300. This compares to increases of approximately 15% in 2006 and 17% in 2005.¹
 - Only 33% of companies used stock options in 2007 compared to about 50% in 2005, continuing a declining trend in prevalence.
- Our Director pay program currently consists of the following components:
 - Annual Board Retainer \$75,000
 - Annual Equity Award 3,400 RSUs / 10,200 options
 - Committee Chair Retainer \$25,000 for the Audit Committee; \$15,000 for other Committees
 - Committee Meeting Fee \$2,500 per meeting
 - Unanimous Written Consent \$1,500 per consent
- In 2007, for a Director that served on 2 Committees and was Chairman of one of them, this provided approximately \$375,000 in total annual compensation (based on a 2007 stock grant price of \$72).
- In 2007, our Board compensation program, including both pay levels and the cash/equity mix, was consistent with our peer group.

¹ Fred W. Cook & Co., 2007, Director Compensation: NASDAQ 100 vs NYSE 100.

SUMMARY OF COMPETITOR PROGRAM CHANGES

- As provided in the table below, none of our competitors made changes to their Board pay programs in 2007.

	Total Compensation ^(a)			2006-07 Change		Basis for Equity Award	Reason for Variance
	Proj. 2008	2007	2006	\$	%		
Bear Stearns	\$238,818	\$238,818	\$232,500	\$6,318	+3%	Value	No change to program in 2007. Difference reflects rounding of the number of shares for equity grants.
Goldman Sachs	625,000	\$692,064	\$701,152	-\$9,088	-1%	Share	No change to program in 2007. Decrease reflects change in stock price. <i>(Compensation surveys frequently note GS as having one of the highest Board pay programs across all industries)</i>
JPMorganChase	260,000	\$260,000	\$260,000	\$0	+0%	Value	No change to program in 2007.
Merrill Lynch	280,000	\$280,000	\$280,000	\$0	+0%	Value	No change to program in 2007.
Morgan Stanley	\$355,000	\$355,000	\$355,000	\$0	+0%	Value	No change to program in 2007.
Lehman Brothers ^(b)	\$266,000	\$375,038	\$393,095	-\$18,057	-5%	Share	No change to program in 2007. Decrease reflects change in stock price.

(a) Assumes committees meet 8 times per year and Director is a member of two committees and chairman of one. Incorporates value of equity awards for 2006 and 2007 as reported in proxy statement. For projected 2008, assumes no changes to pay programs and equity values based on 5-day average stock price as of March 31, 2008.

(b) Incorporates value of equity awards for 2007 using the grant date price of \$72.07 and an assumed 2008 price of \$40 based on the 5-day average price as of March 31, 2008.

COMPETITOR BOARD COMPENSATION

- Board compensation levels for our Firm relative to our primary competitors are provided in the table below.
 - For 2007, the Firm's Director pay program provided total compensation levels that rank 2nd among our peers, consistent with our 2006 ranking.

	Compensation Components (a)						2007 Compensation (b)			2006
	Board		Committee			Annual Equity Awards (c)	Board Only	Member of Two Committees	Member of Two Comm. (Chair of One)	Member of Two Comm. (Chair of One)
	Annual Retainer	Fee per Meeting	Annual Retainer		Fee per Meeting					
			Member	Chairman						
Bear Stearns	\$50,000	\$1,500	\$0	\$7,000 (e)	\$1,500	\$141,318	\$207,818	\$231,818	\$238,818	\$232,500
Goldman Sachs <i>2008 Proj.</i>	\$75,000	\$0	\$0	\$25,000	\$0	\$592,064 (d) \$525,000	\$667,064 \$600,000	\$667,064 \$600,000	\$692,064 \$625,000	\$701,152
JPMorganChase	\$75,000	\$0	\$0	\$15,000 (f)	\$0	\$170,000	\$245,000	\$245,000	\$260,000	\$260,000
Merrill Lynch	\$75,000	\$0	\$0	\$20,000 (g)	\$0	\$185,000	\$260,000	\$260,000	\$280,000	\$280,000
Morgan Stanley	\$75,000	\$0	\$10,000	\$20,000 (h)	\$0	\$250,000	\$325,000	\$345,000	\$355,000	\$355,000
2007 Average	\$70,000	\$300	\$2,000	\$17,400	\$300	\$267,676	\$340,976	\$349,776	\$365,176	\$365,730
Lehman Brothers <i>2008 Proj.</i>	\$75,000	\$0	\$0	\$15,000 (i)	\$2,500	\$245,038 (d) \$136,000	\$320,038 \$211,000	\$360,038 \$251,000	\$375,038 \$266,000	\$393,095
Ranking	1 of 6	2 of 6	2 of 6	4 of 6	1 of 6	3 of 6	3 of 6	2 of 6	2 of 6	2 of 6

- (a) Compensation levels are based on disclosed compensation for 2006 as disclosed in 2007 proxy statements.
- (b) Assumes Board and Committees meet 11 and 8 times per year, respectively.
- (c) Value of stock grants and options based on amount disclosed in proxy statement.
- (d) Grants based on a specified number of shares; value fluctuates with market price of stock.
- (e) Audit and Compensation Committee Chairmen will receive retainers of \$25k and \$10k, respectively. Chairmen of other 3 committees receive no retainer. Amount represents average.
- (f) Audit Committee members receive additional retainer of \$10k.
- (g) The Lead Director and the Chairmen of the Audit and Compensation Committee receive annual retainers of \$25k while the Chairmen of other committees receive a retainer of \$15k.
- (h) The Lead Director and the Chairman of the Audit Committee receive annual retainers of \$30k while members of the Audit Committee receive a retainer of \$15k.
- (i) Audit Committee Chairman retainer is \$25,000.

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IMPACT ON COMPENSATION BASED ON STOCK PRICE VARIABILITY

- The Firm has historically allowed the value of the equity retainer to float with the stock price, subject to the pay program remaining within competitive norms. The Firm lowered the number of RSUs granted in 2006 to account for growth in the Firm's stock price.
- The tables below provide the value of our equity retainers granted over time as well as projected values at alternative stock prices.

Historical Value of Lehman Brothers Equity Retainer

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Stock Price At Grant	\$31.45	\$30.44	\$41.34	\$46.65	\$74.23	\$72.07
Number of RSUs	5,000	5,000	5,000	5,000	3,400	3,400
Value of Equity Retainer	\$157,250	\$152,175	\$206,675	\$233,250	\$252,382	\$245,038

Projected Compensation at Alternative Stock Prices (a)

	Annual Equity Retainer				Total Compensation
	Cash	Basis for Equity Award	Stock Price	Award Value (b)	
Bear Stearns	\$97,500	Value	\$147	\$141,318	\$238,818
Goldman Sachs	\$100,000	Shares	\$219	\$592,064	\$692,064
<i>2008 Proj.</i>			<i>\$175</i>	<i>\$525,000</i>	<i>\$625,000</i>
JPMorganChase	\$90,000	Value	\$40	\$170,000	\$260,000
Merrill Lynch	\$95,000	Value	\$87	\$185,000	\$280,000
Morgan Stanley	\$105,000	Value	\$81	\$250,000	\$355,000
Lehman Brothers	\$130,000	Shares	\$72	\$245,038	\$375,038
		(3,400)	\$60	\$204,000	\$334,000
			\$50	\$170,000	\$300,000
			\$40	\$136,000	\$266,000

(a) For competitors values reflect 2007 compensation. Assumes committees meet 8 times per year and Director is a member of two committees and chairman of one.

(b) Value of stock grants and options based on amount disclosed in proxy statement.

CASH / EQUITY MIX

- In 2007, our Board pay program provided 68% of compensation in the form of equity and 32% in cash, which was consistent with our peers. However, based on a \$40 stock price, 54% of compensation would be in equity.
 - Among the largest 100 NYSE companies, typically 61% of compensation is delivered in equity.

<u>Company</u>	<u>Compensation Mix (a)</u>		<u>Equity Program Design</u>
	<u>Equity</u>	<u>vs.</u> <u>Cash</u>	
Bear Stearns	61%	39%	Approx. 50% Options / 50% RSUs
Goldman Sachs	89%	11%	Choice of RSUs or Options
JPMorganChase	69%	31%	RSUs Only
Merrill Lynch	71%	29%	RSUs Only
Morgan Stanley	72%	28%	RSUs Only
2007 Average	73%	27%	
Lehman Brothers	68%	32%	Choice of RSUs or Options
<i>2008 Proj.</i>	<i>54%</i>	<i>46%</i>	
2007 Ranking	5 of 6	2 of 6	

(a) Assumes committees meet 8 times per year and Director is a member of two committees.

EQUITY RETAINER – Providing a choice for stock options

- Board members continue to be given the choice to receive their annual equity retainer in the form of stock options rather than RSUs.
 - For 2008, four Directors chose to receive options (Ainslie, Grundhofer, Hernandez and Kaufman).

- In past years, the Committee discussed eliminating the choice to receive options in light of:
 - Declining prevalence of options in Board pay programs. However, Goldman Sachs continues to use options.
 - RSUs are considered more ownership oriented and provide stronger shareholder alignment.
 - Options require more shares than RSUs to deliver the same value.
 - Under the new deferred compensation rules (IRC 409A), the election must be made during the prior calendar year (4 months prior to the grant date) which limits a Director’s choice should the economic environment change.

- If the Committee decides to continue to retain options in the 2008 program, we need to review the number of stock options granted. Since 1998 we have granted options using a 3:1 options to RSU exchange ratio. However, based on our current stock price volatility used in the Black-Scholes stock option valuation model, the value of the option award will exceed the value of RSUs by approx. \$54,000 (i.e., \$153,000 for 3,400 RSUs vs. \$206,550 for 10,200 options).²
 - We can choose to either accept this difference in pay levels or adjust the exchange ratio. Based on the current option valuation, the ratio for equivalent value is 2.2:1. An intermediate approach would be 2.5:1, resulting in 8,500 options valued at approx. \$172,000.

² For reference, at a \$45 stock price the Black-Scholes value per option is approximately \$20.25, which would equate to \$60.75 for 3 options.

CHANGE IN CONTROL PROVISIONS FOR EQUITY AWARDS

- Last November we made changes to the Change in Control (“CIC”) provisions of equity awards to employees in order to comply with IRC 409A and to enhance the strategic flexibility of the Firm. In light of the changes, we propose to make corresponding changes to the provisions within Director grants.

- The following suggested CIC provisions would mirror those used for employees. However, since equity awards to Directors are fully vested upon grant, the provisions will only accelerate the delivery of RSUs and the exercisability of stock options in the event of a CIC:
 - Stock Options: All options will become exercisable upon the later of (a) 18 months following a CIC or (b) a date determined by the Committee that is within 15 days of November 30 of the Fiscal Year following the Fiscal Year in which the CIC occurs.

 - RSUs: All RSUs will be delivered upon the later of (a) 18 months following a CIC or (b) a date determined by the Committee that is within 15 days of November 30 of the Fiscal Year following the Fiscal Year in which the CIC occurs.

CONCLUSIONS AND NEXT STEPS

- Board compensation levels in 2007 were competitive among our peers and general industry. However, based on the Firm's current depressed stock price, the program is currently at the low end of the comparator group.
 - In the current environment and our expected stock price levels over the near term, the Committee may want to consider shifting to an equity retainer based on value, rather than fixed shares, and should consider if it feels appropriate to amend the program this year or wait until 2009.
 - In addition, the Committee may also want to address the option-RSU exchange ratio given the difference in equity award grant values.

- In addition, changes to the CIC provisions made by the Committee will be reflected in amended award agreements that will be filed by 8-k prior to the awards being made on April 15th.

- Given the need to attract and retain qualified Directors, we will continue to review the Board compensation program annually and monitor the market for changes to make sure our program remains competitive.

APPENDIX

COMMITTEE COMPOSITION AND MEETING FREQUENCY

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<u>Company</u>	<u>Num. of Directors</u>		<u>Term</u>	<u>Number of Meetings in FY2007*</u>						
	<u>Total</u>	<u>Outsiders</u>	<u>(# Years)</u>	<u>Board</u>	<u>Audit</u>	<u>Finance</u>	<u>Compensation</u>	<u>Executive</u>	<u>Nominating</u>	<u>Other ⁽¹⁾</u>
Bear Stearns	13	9	1	6	10		6		4	2
Goldman Sachs	12	9	1	10	10		6		5	
JPMorganChase	12	11	1	9	11		6		3	6
Merrill Lynch	11	10	3	12	11	12	13		7	3
Morgan Stanley	12	11	1	15	10		7		5	
<i>Average</i>	<i>12</i>	<i>10</i>	<i>1</i>	<i>10</i>	<i>10</i>	<i>12</i>	<i>8</i>	<i>NA</i>	<i>5</i>	<i>4</i>
Lehman Brothers	11	10	1	9	11	2	8	8	5	

* Actions by unanimous written consent are counted as 1/2 meeting. FY2006 for Bear Stearns and JP MorganChase.

¹ Average of other committees:

- Bear Stearns: Legal Compliance - 1; Finance and Risk - 2
- JP Morgan Chase : Public Responsibility - 4; Risk Policy - 7
- Merrill Lynch: Public Policy - 3

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DIRECTOR EQUITY AWARDS

WHEREAS, on an annual basis, each of the members of the board of directors (the "Board of Directors") of Lehman Brothers Holdings Inc. (the "Corporation") who is not an employee of the Corporation (each such individual, a "Non-employee Director") has historically been granted an award based on the common stock, par value \$.10 per share, of the Corporation (the "Common Stock"), at each annual meeting of the Corporation's shareholders (the "Annual Meeting");

WHEREAS, the Corporation intends to hold its Annual Meeting on April 15, 2008, and the Compensation and Benefits Committee of the Board of Directors (the "Committee") in its discretion has determined that it is in the best interests of the Corporation and its stockholders to continue to grant an award of either restricted stock units ("RSUs") or options to purchase shares of Common Stock ("Stock Options"), as applicable, to each of the Non-employee Directors (collectively, the "Annual Equity Retainers"), pursuant to the Lehman Brothers Holdings Inc. 2005 Stock Incentive Plan (the "SIP");

NOW, THEREFORE, BE IT RESOLVED, that the Committee recommends, and it hereby does so recommend, to the Board of Directors that: (i) an Annual Equity Retainer be granted to each Non-employee Director, in the form of RSUs or Stock Options, as applicable, and in each case on such number of shares of Common Stock and subject to the terms as set forth on Exhibit A attached to these minutes; (ii) the Annual Equity Retainer be granted in each case pursuant to, and subject to the terms and conditions of, the SIP and the applicable form of RSU or Stock Option award agreement filed on April [11], 2008 by the Corporation with the United States Securities and Exchange Commission under a Form 8-K ; and (iii) in accordance with the provisions of the SIP, the per share exercise price of any Stock Options granted hereunder be equal to the Fair Market Value (as such term is defined in the SIP) of one share of Common Stock on April 15, 2008; and further

RESOLVED, that, subject in all events to the approval of the grants of the Annual Equity Retainers described above by the Board of Directors, such grants are hereby approved by the Committee; and further

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to the foregoing plans and programs including, without limitation, preparing and distributing award agreements and/or statements, making adjustments for amounts due the Corporation by the award recipient, and executing such further documents and taking such further action as they may, with the advise 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 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.

April 15, 2008 Equity Awards to Non-employee Directors

<u>Name</u>	<u>RSUs</u>	<u>Stock Options</u>
Ainslie, Michael	0	10,200
Akers, John	3,400	0
Berlind, Roger	3,400	0
Cruikshank, Thomas	3,400	0
Evans, Marsha Johnson	3,400	0
Gent, Sir Christopher	3,400	0
Grundhofer, Jerry	0	10,200
Hernandez, Roland	0	10,200
Kaufman, Henry	0	10,200
Macomber, John	<u>3,400</u>	<u>0</u>
Total	20,400	40,800

All RSUs vest immediately and are payable in Common Stock upon death, disability or termination of service. As of each date that a dividend is paid on Common Stock, each Non-employee Director holding RSUs is credited with a number of additional RSUs equal to the product of (A) the dividend paid on one share of Common Stock, multiplied by (B) the number of RSUs held by the Non-employee Director, divided by (C) the closing price of the Common Stock on the New York Stock Exchange on such date. Additional award terms and conditions are provided in the applicable award agreements evidencing these grants.

All Stock Options have an exercise price per share equal to the closing price of the Common Stock on the New York Stock Exchange on the date the award is made. Stock Options have a ten-year term and become exercisable in one-third increments on each of the first three anniversaries of the award date or, if sooner, upon a termination of service. Additional award terms and conditions are provided in the applicable award agreements evidencing these grants.

4. Equity and Liquidity
Guidelines

**STOCK OWNERSHIP AND LIQUIDITY FOR
EXECUTIVE COMMITTEE MEMBERS**

**Compensation and Benefits Committee
of the Board of Directors
of Lehman Brothers Holdings, Inc.**

April 14, 2008

BACKGROUND

- A key principal of the Firm's compensation philosophy is to create high employee ownership levels that align employee and stockholder interests.
- The Firm's equity award programs have created ownership stakes among our Executive Committee ("EC") members that are high relative to both our peers and general industry.
- In order to reinforce Lehman Brothers' employee ownership culture, the Firm imposes a limit on the amount of equity that each EC member may sell during the year.
 - As a result of increases in ownership levels from 2005 through 2007, the limit was set at 20% of the total value of their holdings for both 2006 and 2007. Prior to 2006, the limit was 15%.
 - The liquidity limit is in addition to the insider blackout periods and the vesting and sales restriction features that are incorporated into equity awards.
 - All sales are cleared in advance with both the CEO and the Chief Legal Officer to ensure appropriate disclosure and compliance with any other potential restrictions.
- In light of the current economic environment, our depressed stock price, and lower cash compensation levels provided in 2007, we recommend that the liquidity limit be maintained at 20% for 2008 to ensure executives have sufficient flexibility to manage their personal finances.

EXECUTIVE COMMITTEE EQUITY OWNERSHIP LEVELS

- Every year we calculate the ownership of each EC member based on the 30-day average stock price as of Jan. 1 and fix this value so that the liquidity limit does not change throughout the year. For 2008 the stock price was set at \$62 (refer to pg. 11 for value at current stock price).
- Ownership is calculated as the sum of:
 - 1) Outstanding equity awards, including RSUs, PSUs, and the in-the-money value of options (pre-tax), and
 - 2) Shares owned outright (grossed-up to their approximate pre-tax value).

Jan. 1, 2008 Equity Holdings

Based on \$62 FMV

\$MM (Except Share Prices)

Name	Outstanding Equity Awards (Pre-Tax)						Shares Owned		Total Pre-tax Value	
	RSUs / PSUs			Stock Options			Pre-tax Value	Owned Shares		Pre-tax Value*
	RSUs	PSUs	Total	Avg. Strike Price	Options	In-the-money Value				
Richard Fuld, Jr	1,677,174	5,815,487	7,492,661	\$46.17	2,500,000	\$40.9	\$505.4	3,414,191	\$399.4	\$904.8
Joe Gregory	1,350,674	4,086,790	5,437,464	\$52.18	1,300,000	\$13.4	\$350.5	751,086	\$87.9	\$438.4
Tom Russo	454,098	910,808	1,364,906	\$54.39	350,000	\$2.9	\$87.5	89,880	\$10.5	\$98.0
Erin Callan	294,101	0	294,101	\$33.12	41,344	\$1.2	\$19.4	4,352	\$0.5	\$19.9
Bart McDade	1,272,372	82,437	1,354,809	\$36.08	1,400,000	\$36.7	\$120.7	153,678	\$18.0	\$138.7
David Goldfarb	757,876	82,437	840,313	\$37.50	2,518,624	\$62.1	\$114.2	211,569	\$24.7	\$139.0
Skip McGee	900,673	0	900,673	\$41.85	2,006,812	\$40.8	\$96.7	54,068	\$6.3	\$103.0
Ted Janulis	605,879	75,531	681,409	\$41.93	1,900,684	\$38.6	\$80.8	474,303	\$55.5	\$136.3
Steve Lessing	479,097	2,326,272	2,805,369	\$47.20	1,200,000	\$18.2	\$192.1	1,751,807	\$204.9	\$397.0
George Walker	491,984	0	491,984	\$71.77	750,000	\$0.0	\$30.5	106,769	\$12.5	\$43.0
Jeremy Isaacs	1,005,346	128,885	1,134,231	\$40.02	2,600,000	\$57.5	\$127.9	275,001	\$32.2	\$160.0
Jesse Bhattal	635,587	43,394	678,982	\$49.88	1,046,746	\$13.1	\$55.2	47,640	\$5.6	\$60.8
Benoit Savoret	544,498	0	544,498	\$30.43	44,090	\$1.4	\$35.2	10,729	\$1.3	\$36.4
Andy Morton	582,369	0	582,369	\$29.46	232,654	\$7.57	\$43.7	0	\$0.0	\$43.7
Total	11,051,728	13,552,040	24,603,768	\$44.00	17,890,954	\$334.2	\$1,860	7,345,073	\$859.2	\$2,718.9

* The value of shares owned has been grossed up at an assumed income tax rate of 47% to provide comparability with other pre-tax equity holdings.

2008 EXECUTIVE COMMITTEE LIQUIDITY LIMITS

- The following table provides the change in equity ownership levels from Jan. 1, 2007 to 2008 as well as the value of vested stock options and shares owned that could be sold, irrespective of the liquidity limit.
- Resulting primarily from a lower stock price, equity holdings of EC members decreased by 20% from 2007. However, we recommend keeping the liquidity limit at 20% to enable EC members sufficient flexibility to manage their personal situations.

Based on a \$62 stock price for 2008 and \$78 for 2007

\$MM

Name	Total Pre-tax Value				20% Liquidity Limit	Vested & Owned Shares*	
	2007	2008	YOY Increase			Value	Percent of Holdings
			\$	%			
Richard Fuld, Jr	\$1,165.9	\$904.8	-\$261	-22%	\$181.0	\$440.3	49%
Joe Gregory	\$601.8	\$438.4	-\$163	-27%	\$87.7	\$101.2	23%
Tom Russo	\$132.9	\$98.0	-\$35	-26%	\$19.6	\$13.4	14%
Erin Callan	NA	\$19.9	N/A	N/A	NA	\$1.7	9%
Bart McDade	\$206.7	\$138.7	-\$68	-33%	\$27.7	\$54.7	39%
David Goldfarb	\$190.3	\$139.0	-\$51	-27%	\$27.8	\$38.1	27%
Skip McGee	\$136.7	\$103.0	-\$34	-25%	\$20.6	\$47.2	46%
Ted Janulis	\$173.0	\$136.3	-\$37	-21%	\$27.3	\$94.0	69%
Steve Lessing	\$526.4	\$397.0	-\$129	-25%	\$79.4	\$223.1	56%
George Walker	\$32.8	\$43.0	\$10	31%	\$8.6	\$12.5	29%
Jeremy Isaacs	\$231.0	\$160.0	-\$71	-31%	\$32.0	\$89.7	56%
Jesse Bhattal	\$74.7	\$60.8	-\$14	-19%	\$12.2	\$18.7	31%
Benoit Savoret	NA	\$36.4	N/A	N/A	NA	\$2.6	7%
Andy Morton	NA	\$43.7	N/A	N/A	NA	\$7.6	17%
Total	\$3,472.1	\$2,718.9	-\$853	-20%	\$523.8	\$1,144.7	42%

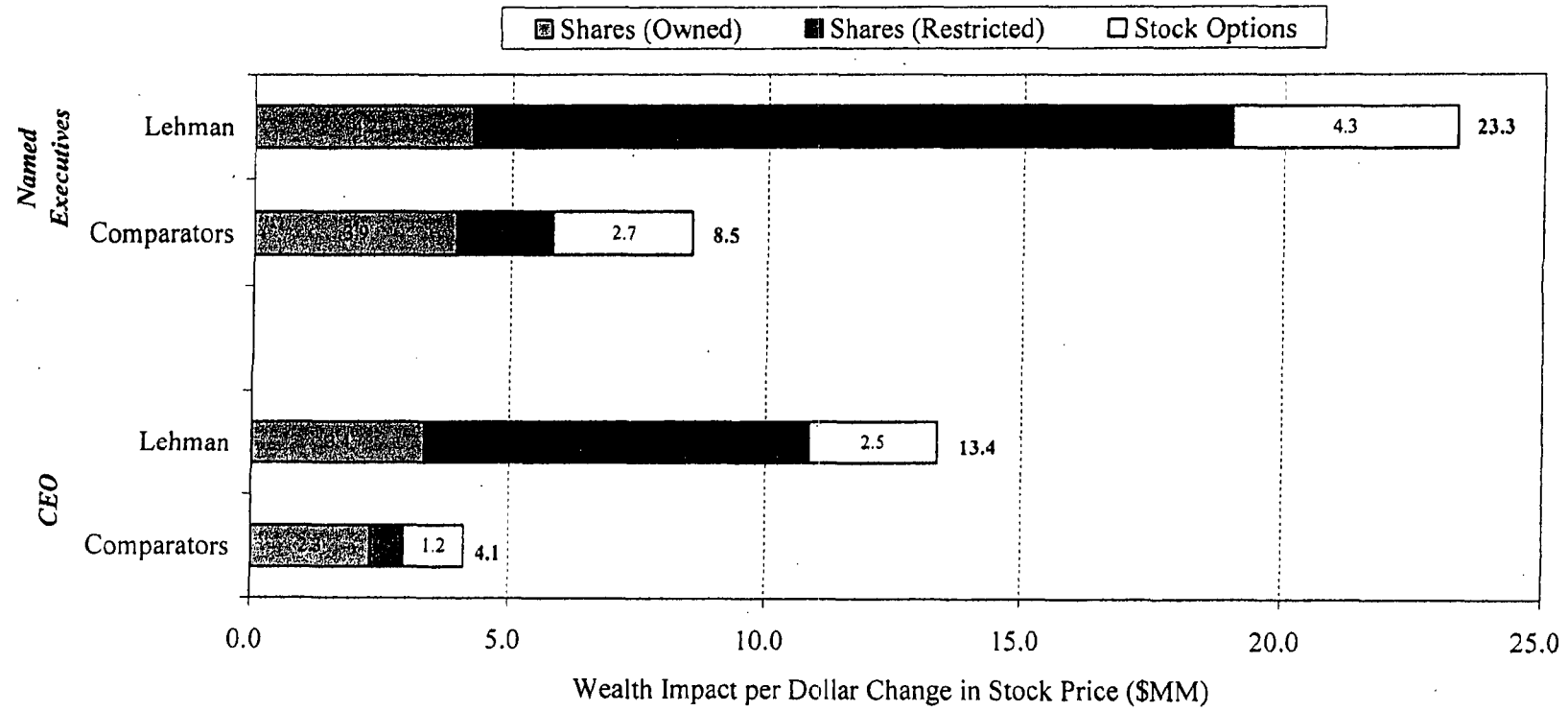
* Includes shares owned plus the in-the-money value of vested stock options.

PROXY OFFICER SHARE EXPOSURE

The chart below summarizes share exposure (i.e., change in wealth for every dollar increase in stock price) for our 5 named proxy officers relative to our primary competitors. Our proxy officers continue to have greater stock exposure than our competitors. This exposure is primarily through RSUs, consistent with our compensation program.

Executive Stock Ownership: Estimated Impact of \$1 Change in Stock Price

Data from 2008 Public Filings



Notes:

- (a) Comparator group comprises Bear Stearns, Goldman Sachs, Morgan Stanley and Merrill Lynch. Data reflects year end 2007, based on 2008 proxy statements.
- (b) Lehman ownership data excludes stock options granted in Feb. 2008.
- (c) Based on actual number of shares held (pre-tax for restricted shares and stock options).

PROXY OFFICER OWNERSHIP LEVELS

We also analyzed stock ownership levels as a multiple of salary and as a percent of shares outstanding. As indicated in the table below, the stock ownership of our named executive officers continues to be higher than that of our competitors using both measures.

Executive Stock Ownership: Total Equity Exposure

Data from 2008 Public Filings

		As of Dec. 31, 2007			As of March 31, 2008	
		Value of Holdings ^(a) <u>(\$MM)</u>	Holdings As a Multiple <u>of Salary</u>	Percent of Diluted <u>Shares O/S</u>	Value of Holdings <u>(\$MM)</u>	Holdings As a Multiple <u>of Salary</u>
CEO	Lehman	\$758	1,011	2.4%	\$457	609
	Comparator Group ^(b)	\$326	565	0.6%	\$159	215
Named Executives ^(c)	Lehman ^(d)	\$1,318	643	4.2%	\$790	385
	Comparator Group ^(b)	\$725	331	1.6%	\$418	82

Notes:

- (a) Includes the in-the-money value of vested and unvested stock options based on closing stock prices on 12/31/2007 (\$65.44 for Lehman).
- (b) Comparators includes Bear Stearns, Goldman Sachs, Morgan Stanley and Merrill Lynch. Data reflects year end 2007, based on 2008 proxies.
- (c) Proxy named executive officers.
- (d) Lehman ownership data excludes stock options granted in Feb. 2008.

CONCLUSIONS & RECOMMENDATIONS

- Liquidity limits for EC members have been successful in building high ownership levels that are consistent with our competitors.
- We propose to maintain the liquidity limit for 2008 at 20%
- We will continue to monitor the program to ensure that the limit continues to balance executives' needs for liquidity and diversification with the Firm's goal of maintaining high executive ownership levels that create strong shareholder alignment.

APPENDIX

EXECUTIVE COMMITTEE 2008 LIQUIDITY LIMIT

The proposed rules for EC members taking liquidity in 2008, consistent with prior years, are as follows:

- Individuals may sell up to 20% of the pre-tax value of their equity holdings during any calendar year. Equity holdings are calculated as the sum of:
 - 1) The value of outstanding equity awards, including RSUs, PSUs, and the in-the-money value of stock options (pre-tax), and
 - 2) The value of shares owned outright (grossed-up to their approximate pre-tax value).
- The value of equity that may be sold is determined at the beginning of the year based on the Firm's stock price at that time.
- New EC members receive a one-year grace period from the liquidity limit.
- All sales by EC members are to be cleared in advance with both:
 - The CEO, to ensure coordination in terms of the timing of sales; and
 - The Chief Legal Officer, Tom Russo, to make certain there are no existing blackout periods or other potential restrictions, and that any sales are appropriately disclosed.
- The Chairman has discretion to approve liquidity in excess of 20%, based on individual circumstances. Any substantial deviations from the limits, or significant transactions within the limit, will be discussed with the Compensation Committee.

PROXY OFFICER STOCK OWNERSHIP VS COMPETITORS

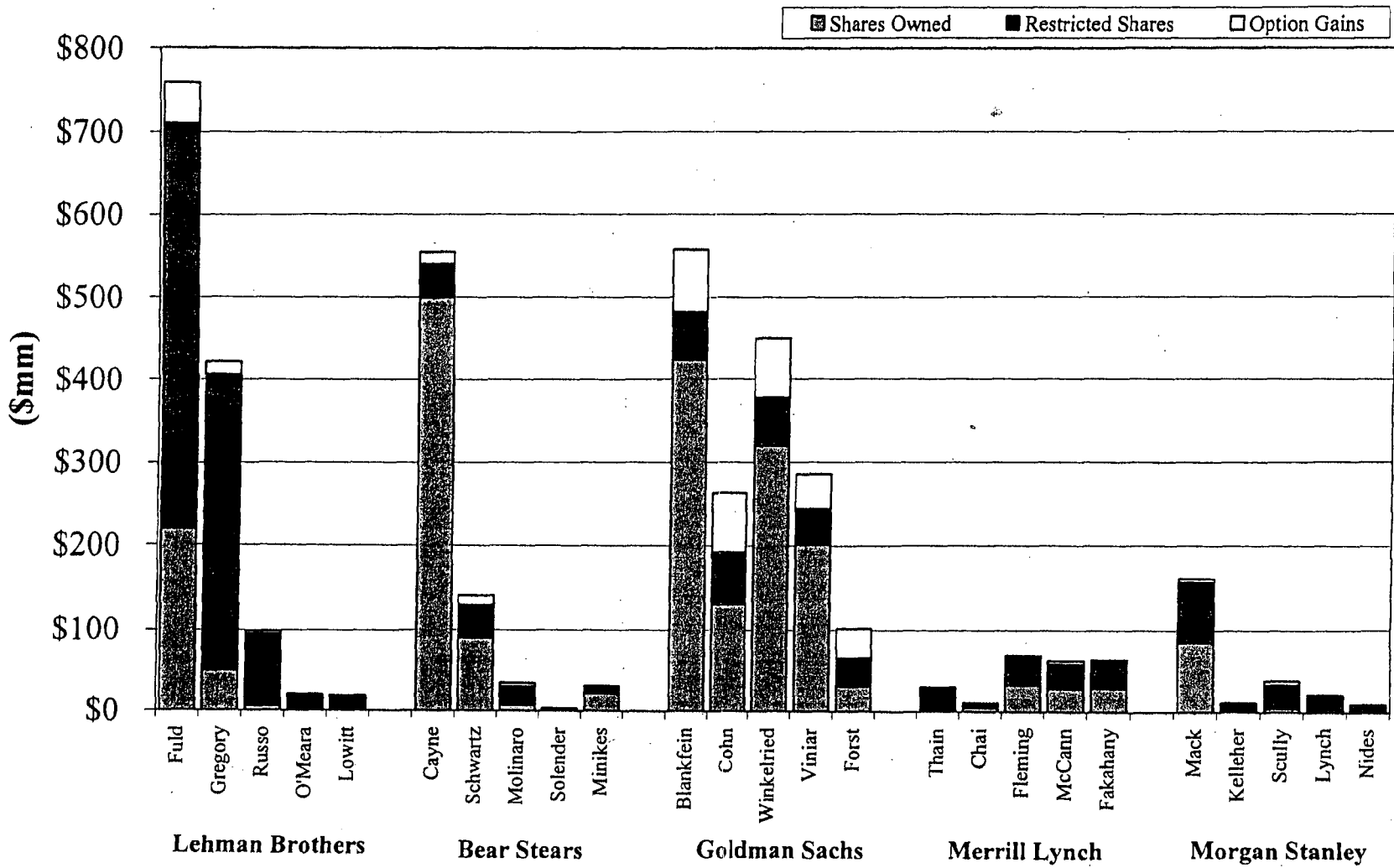
Total Holdings at Fiscal Year End 2007 (\$000's)

Company	Name	Title	Number of Shares ('000)				Total Value (a)	Value as a Multiple of 2006 Salary	Percentage of Diluted Shares O/S	2006 Salary
			Owned	Restricted	Stock Options	Total Holdings				
Bear Stearns	Cayne, J.E.	Chairman	5,660	464	797	6,921	\$554,549	2,218	4.8%	\$250
	Schwartz, A.D.	CEO	1,028	438	727	2,193	\$141,559	566	1.5%	\$250
	Molinaro, S.	COO & CFO	83	256	345	684	\$33,940	136	0.5%	\$250
	Solender, M. S.	General Counsel	0	35	18	53	\$3,223	13	0.0%	\$250
	Minikes, M.	CEO, BSC Securities	250	96	24	371	\$30,544	122	0.3%	\$250
	Total		7,021	1,290	1,911	10,222	\$763,816	611	7.0%	\$1,250
Goldman Sachs	Blankfein, L.C.	Chairman & CEO	1,971	271	837	3,079	\$556,624	928	0.8%	\$600
	Cohn, G. D.	Pres. & Co-COO	609	284	828	1,722	\$264,298	440	0.4%	\$600
	Winkelried, J.	Pres. & Co-COO	1,486	270	817	2,573	\$449,889	750	0.7%	\$600
	Viniar, D. A.	EVP & CFO	935	201	506	1,643	\$286,153	477	0.4%	\$600
	Forst, E. C.	CAO	142	162	431	735	\$101,923	170	0.2%	\$600
	Total		5,143	1,189	3,420	9,751	\$1,658,888	553	2.5%	\$3,000
Merrill Lynch	Thain, J. A.	Chairman & CEO	10	546	1,843	2,399	\$29,873	43	0.2%	\$700
	Chai, N.	EVP & CFO	99	99	279	477	\$10,626	16	0.0%	\$650
	Fleming, G.J.	Pres. & COO	601	665	255	1,521	\$68,861	197	0.2%	\$350
	McCann, R. J.	EVP	524	548	659	1,730	\$62,339	178	0.2%	\$350
	Fakahany, A. L.	Former Co-Pres. & COO	542	604	338	1,484	\$63,460	181	0.2%	\$350
	Total		1,776	2,462	3,374	7,612	\$235,160	98	0.8%	\$2,400
Morgan Stanley	Mack, J. J.	Chairman & CEO	1,588	1,367	1,152	4,108	\$162,072	203	0.4%	\$800
	Kelleher, C.	CFO	11	191	260	462	\$11,512	34	0.0%	\$340
	Scully, R. W.	Co-President	81	528	702	1,311	\$38,135	76	0.1%	\$500
	Lynch, G. G.	Chief Legal Officer	71	327	41	440	\$21,142	70	0.0%	\$300
	Nides, T. R.	CAO	13	175	18	206	\$10,000	33	0.0%	\$300
	Total		1,765	2,588	2,173	6,526	\$242,861	108	0.6%	\$2,240
Averages										
CEO			2,307	662	1,157	4,127	\$325,780	565	0.6%	
Officer Group (Incl. CEO)			3,926	1,882	2,719	8,528	\$725,181	331	1.6%	
Lehman Brothers	Fuld Jr., R.S.	Chairman & CEO	3,359	7,493	2,500	13,352	\$758,315	1,011	2.4%	\$750
	Gregory, J.M.	Pres. & COO	751	5,437	1,300	7,489	\$421,749	937	1.4%	\$450
	Russo, T.A.	Chief Legal Officer	90	1,365	350	1,805	\$98,907	220	0.3%	\$450
	O'Meara, C. M.	CFO	12	248	92	351	\$20,343	102	0.1%	\$200
	Lowitt, I. T.	Co-CAO	21	227	75	323	\$18,954	95	0.1%	\$200
	Total		4,233	14,770	4,317	23,320	\$1,318,268	643	4.2%	\$2,050

(a) Lehman values include vested and unvested RSUs and PSUs. All dollar values have been calculated based on closing stock prices on 12/31/2007. Value of stock options reflects the in-the-money value.

PROXY OFFICER STOCK OWNERSHIP VS COMPETITORS

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 BY LEHMAN BROTHERS HOLDINGS INC.



LBHI_SEC07940_027894

HISTORICAL STOCK OWNERSHIP – Executive Committee Members

2006 - 2008 Ownership as of January 1

Name	2008				2007		2006	
	Current \$42 Stock Price		Jan. 1, 2008 \$62 Stock Price		Total Value	YOY Increase	Total Value	YOY Increase
	Value	YOY Increase	Value	YOY Increase				
Richard Fuld, Jr	\$591	-49%	\$905	-22%	\$1,166	28%	\$914	47%
Joe Gregory	\$288	-52%	\$438	-27%	\$602	56%	\$385	57%
Tom Russo	\$64	-51%	\$98	-26%	\$133	62%	\$82	N/A
Erin Callan*	\$13	N/A	\$20	N/A	N/A	N/A	N/A	N/A
Bart McDade	\$86	-58%	\$139	-33%	\$207	18%	\$175	90%
David Goldfarb	\$72	-62%	\$139	-27%	\$190	36%	\$140	100%
Skip McGee	\$52	-62%	\$103	-25%	\$137	46%	\$94	151%
Ted Janulis	\$75	-56%	\$136	-21%	\$173	41%	\$123	88%
Steve Lessing	\$259	-51%	\$397	-25%	\$526	45%	\$364	52%
George Walker	\$29	-11%	\$43	31%	\$33	N/A	N/A	N/A
Jeremy Isaacs	\$84	-64%	\$160	-31%	\$231	17%	\$197	72%
Jesse Bhattal	\$33	-56%	\$61	-19%	\$75	-25%	\$99	133%
Benoit Savoret*	\$24	N/A	\$36	N/A	N/A	N/A	N/A	N/A
Andy Morton*	\$27	N/A	\$44	N/A	N/A	N/A	N/A	N/A
Total	\$1,698	-51%	\$2,719	-20%	\$3,472	32%	\$2,573	88%
Stock Price for Ownership Calculation	\$42	-46%	\$62	-21%	\$78	22%	\$64	51%

* Newly appointed member of Executive Committee; not subject to liquidity limit during first year.

5. Equity Awards for
new hires

NEW HIRE RSU AWARDS

WHEREAS, the Committee deems it appropriate to grant RSU awards to facilitate the hiring of key employees, and

WHEREAS, the Committee has delegated its authority to award RSUs to new employees to certain officers in the Firm's Human Resources division; now therefore be it

RESOLVED, that the Committee acknowledges and approves the grants of RSUs made under the Lehman Brothers Holdings Inc. (the "Corporation") 2005 Stock Incentive Plan as set forth on Exhibit A attached hereto, which RSUs will be subject to the terms and conditions (a) set forth on Exhibit A and (b) of the 2007 Stock Award Program; and

RESOLVED, that all actions previously taken by any officer, director, representative or agent of the Corporation, in the name or on behalf of the Committee, in connection with the matters contemplated by the foregoing resolutions be, and each of the same hereby is, adopted, ratified, confirmed and approved in all respects as the act and deed of the Committee.

2007 - 2008 NEW HIRES STOCK AWARDS

NAME	FUNCTION	DATE OF HIRE	TOTAL VALUE OF AWARD	NUMBER OF RSUs	Vesting Schedule
Reitzes, Benjamin	MD, Sr Mgr, Technology	3/5/2008	\$2,674,683	55,653	RSUs vest and convert to stock over 4 years beginning in 2008.
Loffredo, David	MD, Change Mgmt Team	3/10/2008	\$963,225	22,411	RSUs vest and convert to stock over 7 years beginning in 2008.
Slape, Nicholas	MD, CFO/Finance	12/17/2007	\$655,971	10,661	RSUs vest and convert to stock over 3 years beginning in 2008.
Murthy, Arun	MD, Desk Mgr, Oil	12/3/2007	\$592,501	9,653	RSUs vest over 2 years beginning in 2008. RSUs convert to stock over 2 years.
Mamai, Pavel	SVP, Sr Desk Analyst, High Yield	9/3/2007	\$395,105	7,206	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 4 years.
Richmond, Lee	SVP, Sr Mgr, Fixed Income	12/4/2007	\$354,203	5,942	RSUs vest over 5 years beginning in 2008. RSUs convert to stock over 3 years.
Varma, Nikolai	SVP, Financial Services	2/18/2008	\$327,798	5,985	RSUs vest and convert to stock over 3 years beginning in 2008.
Stone, Lee	SVP, Sr Trader, Flow	6/26/2007	\$277,509	3,739	RSUs vest and convert to stock over 4 years beginning in 2008.
Richardson, Lee	SVP, Sr Trader, High Grade	1/7/2008	\$268,307	4,622	RSUs vest over 4 years beginning in 2008. RSUs convert to stock over 3 years.
Menezes, Andrea	SVP, Sr Sales., Foreign Exchange	2/18/2008	\$169,842	3,101	RSUs vest and convert to stock over 4 years beginning in 2009.
Suwa, Motonori	SVP, Sr Trader, Governments	1/15/2008	\$141,949	2,548	RSUs vest and convert to stock over 2 years beginning in 2008.
Lee, Stephanie	VP, Trader, Equity Strategies	2/12/2008	\$109,032	1,938	RSUs vest and convert to stock over 3 years beginning in 2008.
Seel, John	SVP, Credit Risk Sr Mgr, Risk Mgmt	10/15/2007	\$92,809	1,489	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 3 years.
Total	13 Employees		\$7,022,934	134,948	

SPECIAL SEPARATION TREATMENT FOR KEY DEPARTING EMPLOYEE

- In December 2007, the Committee approved special separation treatment of RSUs for a small number of key employees who were allowed to resign to work for a start-up hedge fund run by David Sherr, One William Street Capital Partners, in which the Firm has a significant ownership stake.
- One additional employee (Christopher Epes, a Senior Vice President in Fixed Income) has been identified to move to One William Street Capital Partners, and we are requesting similar treatment for him.
- Consistent with the prior approval, we ask that the Committee:
 - Accelerate the vesting of approximately 19,000 outstanding unvested RSUs, with a current market value of about \$875,000, to his termination date.
 - Provide for any 2003 - 2005 RSUs to be subject to Competitive Activity and Detrimental Activity until the share delivery date (end of the fiscal quarter one year following the termination date); and
 - Provide for any 2006 RSUs and 2007 RSUs to be subject to Competitive Activity for 2 years following the termination date and to Detrimental Activity until the share delivery date on November 30, 2011.

SPECIAL SEPARATION TREATMENT FOR KEY DEPARTING EMPLOYEE

WHEREAS the Committee in its discretion has determined that certain equity awards for selected individuals be amended due to the proposed employment of these individuals by an entity in which the Firm will have a substantial ownership interest, now therefore be it

RESOLVED, that with respect to the portion of the outstanding awards identified for the individual listed on Exhibit A the vesting conditions of which have not been met as of the date hereof (the "Unvested RSUs"), notwithstanding any provision to the contrary in any award agreement governing such outstanding awards, the Committee shall treat the Unvested RSUs as vested as of the date that such individual's employment with the Firm is terminated, and that such RSUs will convert to Common Stock on the originally scheduled payment dates (the "Share Payment Date"), provided the individual (1) becomes employed by One William Street Capital Partners substantially contemporaneously with such individual's termination of employment with the Firm and at a reasonable interval following commencement of One William Street Capital Partners' operations; (2) does not engage in any Detrimental Activity on or prior to the Share Payment Date; and (3) does not engage in Competitive Activity (each such term herein shall have the meanings assigned to them in the applicable award agreement) through the earlier of (i) two years from the termination of employment from the Corporation or its subsidiaries or (ii) the Share Payment Date; and be it further

RESOLVED, that the Global Head of Human Resources shall have the sole discretion to determine whether the foregoing conditions have been satisfied for the acceleration of vesting and the delivery of the Unvested RSUs; and be it further

RESOLVED, that except as expressly provided herein, the terms and conditions of the awards listed on Exhibit A shall otherwise remain in full force and effect.

Delegation of Authority

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to all the foregoing plans and programs 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.

EXHIBIT A

Outstanding Unvested Restricted Stock Unit ("RSU") Awards

<u>Employee</u>	<u>Corp. Title</u>	<u>Number of Outstanding Unvested 2003 RSUs</u>	<u>Number of Outstanding Unvested 2004 RSUs</u>	<u>Number of Outstanding Unvested 2005 RSUs</u>	<u>Number of Outstanding Unvested 2006 RSUs</u>	<u>Number of Outstanding Unvested 2007 RSUs</u>	<u>Total Unvested RSUs</u>
Epes, Christopher R.	SVP	560.69	3,710.76	2,749.72	7,882.84	4,441.81	19,345.82

2008 CASH DEFERRAL PROGRAM

**Compensation and Benefits Committee
of the Board of Directors
of Lehman Brothers Holdings, Inc.**

April 14, 2008

LB 010993

LBHI_SEC07940_027903

CONFIDENTIAL

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

BACKGROUND

- If shareholders do not approve the addition of 50 million shares to the 2005 Stock Incentive Plan, the Firm will not have enough shares to grant employee equity awards in fiscal 2008 at the same level as in 2007. As of 1Q 2008, we have approximately 27 million shares available for grant.

Revenues	Est. Equity Award (\$mm)	Estimated Shares Required at Stock Price of: (millions)				
		\$40	\$45	\$50	\$55	\$60
\$13bb	\$1,775	44	39	36	32	30
\$15bb	\$2,200	55	49	44	40	37
\$17bb	\$2,625	66	58	53	48	44
\$19bb	\$3,050	76	68	61	55	51

- In order to maintain compensation levels in line with performance and the market, we will need to replace the deferred equity with a vehicle other than stock-based awards.
 - We would need to provide comparable vesting (3 to 5 years) to manage compensation expense in 2008 and future years.
- The chart on the following pages summarizes issues associated with the design of a cash deferral program and potential design alternatives.

CONSIDERATIONS

Issue	Description	Considerations
Accounting	<ul style="list-style-type: none"> • Non-stock-based deferrals are subject to “liability” accounting. 	<p><u>Notional Investment</u></p> <ul style="list-style-type: none"> • Unlike stock-based awards, which are expensed at the grant date fair value, a cash program requires “mark to market” of deferral value, creating volatility in compensation expense. The higher the return on investment, the greater the compensation expense. <p><u>Investment Hedged by Firm</u></p> <ul style="list-style-type: none"> • If investments are hedged by the Firm (for example, by investing in underlying vehicles), gains/losses are accounted for in revenues and would not fully offset the compensation expense (since compensation expense accrues at approximately 50% of revenues). • A “perfect” hedge would require doubling up on the investment, potentially utilizing significant balance sheet.
Tax	<ul style="list-style-type: none"> • Deferred compensation plans are subject to 409A tax rules. 	<ul style="list-style-type: none"> • New 409A rules governing deferred compensation require fixed payment dates, deferral levels (for certain types of employees), minimum holding periods, and complicate certain types of investments (such as private equity).

DESIGN ALTERNATIVES

- Ability to diversify net worth away from Lehman Brothers stock may be seen as a positive by employees, but diminishes shareholder alignment.
- Will likely require separate infrastructure for administration.

Design Alternatives	Advantages / Considerations
T-Bill interest	<ul style="list-style-type: none">• Low risk, low return investment; relatively low volatility in compensation expense.
Mutual Funds	<ul style="list-style-type: none">• Use of proprietary (Neuberger Berman) mutual funds allows for range of risks/returns and increases AUM in strategically important growth business.
Private Equity/ Alternative Investments	<ul style="list-style-type: none">• High risk, high return investment; high volatility in compensation expense.• Investment returns could be enhanced by leverage.• May be complicated to offer under 409A rules.
“Basket” of investments	<ul style="list-style-type: none">• More simple to administer; provides for diversification of investments; risk/return profile may be determined by the Firm.