

Jan. 2008

Pristine

LEHMAN BROTHERS HOLDINGS INC.
COMPENSATION AND BENEFITS COMMITTEE
OF THE BOARD OF DIRECTORS

January 28, 2008

LEHMAN BROTHERS

2008 Annual Incentive Formulas (Page 1 of 2)

Pursuant to the schedule below, each individual will be paid incentive compensation using a combination of cash bonus and equity awards for the 2008 performance year. The formulas establish the maximum incentive compensation levels based on a percentage of Holding's pre-tax income for the same period, with individual awards subject to negative discretion by the Committee. For purposes of determining this compensation, pre-tax income is Lehman Brothers Holdings Inc. consolidated income before taxes and dividends paid or payable, if any, for the performance period (i.e., December 1, 2007 through November 30, 2008) excluding the effect of any change in accounting principles and any extraordinary items pursuant to GAAP. Incentive compensation for performance between the specified pre-tax income levels will be determined by interpolation. RSUs, or other equity-based awards, will be deemed to be awarded at the end of the performance period and may be discounted (current discount is 30%), consistent with equity awards to Managing Directors. RSUs will vest and convert to Common Stock subject to conditions established by the Committee at the time of award.

Annual Incentives as a Percent of Pre-tax Income (\$mm)

	Less than or Equal to <u>\$500</u>	<u>\$2,000</u>	<u>\$4,000</u>	<u>\$6,000</u>	Greater than or Equal to <u>\$10,000</u>
Fuld	1.80%	1.00%	0.85%	0.75%	0.70%
Gregory	1.50%	0.80%	0.70%	0.65%	0.60%
Russo	1.40%	0.75%	0.60%	0.55%	0.50%
Callan	1.10%	0.40%	0.25%	0.20%	0.15%
Freidheim	1.10%	0.40%	0.25%	0.20%	0.15%
Lowitt	1.10%	0.40%	0.25%	0.20%	0.15%
Exec. Comm.*	1.40%	0.75%	0.60%	0.55%	0.50%

Note: Annual Compensation, including base salary pursuant to page 2 of this Exhibit A, will be awarded in cash and Lehman Brothers equity. We anticipate that no less than 50% of total compensation will be paid in the form of Lehman equity awards. However, the Committee, in its sole discretion, may adjust the mix of cash and equity provided that any substitution will be for economically equivalent value. The number of RSUs awarded will be based on the discounted stock price, if any, as described above.

* Other Executive Committee members include J. Bhattal, D. Goldfarb, J. Issacs, T. Janulis, S. Lessing, B. McDade, S. McGee, R. Nagioff and G. Walker.

2008 Total Annual Compensation (Page 2 of 2)

(\$000s)

Provided that performance criteria are met as specified on page 1, our formula for the maximum total annual pay (including base salary, cash bonus, and equity awards) will be as indicated below.

	<i>Addition for Base Salary</i>	<u>Pre-Tax Income (\$MM)</u>					
		<u>\$500</u>	<u>\$2,000</u>	<u>\$4,000</u>	<u>\$6,000</u>	<u>\$8,000</u>	<u>\$10,000</u>
Fuld	\$750	\$9,750	\$20,750	\$34,750	\$45,750	\$58,250	\$70,750
Gregory	\$450	\$7,950	\$16,450	\$28,450	\$39,450	\$49,950	\$60,450
Russo	\$450	\$7,450	\$15,450	\$24,450	\$33,450	\$41,950	\$50,450
Callan	\$450	\$5,950	\$8,450	\$10,450	\$12,450	\$13,950	\$15,450
Freidheim	\$200	\$5,700	\$8,200	\$10,200	\$12,200	\$13,700	\$15,200
Lowitt	\$200	\$5,700	\$8,200	\$10,200	\$12,200	\$13,700	\$15,200
<u>Exec. Comm.*</u>	<u>\$450</u>	<u>\$7,450</u>	<u>\$15,450</u>	<u>\$24,450</u>	<u>\$33,450</u>	<u>\$41,950</u>	<u>\$50,450</u>
<i>Total</i>	<i>\$6,550</i>	<i>\$109,550</i>	<i>\$216,550</i>	<i>\$338,550</i>	<i>\$456,550</i>	<i>\$569,050</i>	<i>\$681,550</i>

* Other Executive Committee members including J. Bhattal, D. Goldfarb, J. Issacs, T. Janulis, S. Lessing, B. McDade, S. McGee, R. Nagioff and G. Walker.

Eligibility Criteria

The group of employees as defined below is eligible to receive special Managing Director RSU awards:

All active bonus-eligible employees with 2007 Compensation of \$5 million or greater and with a corporate title of Managing Director, Senior Managing Director, Vice Chairman, or such other corporate title equivalent to Managing Director of Holdings or Lehman Brothers Inc., (hereafter referred to collectively as "Managing Directors" or "MDs") and MDs on leaves of absence from the Corporation as of the Grant Date, excluding non-Board Executive Committee members, employees on long-term disability, employees notified prior to the Grant Date of their pending termination, employees who notify the Firm prior to the Grant Date of their termination with the Firm or their intent to terminate employment with the Firm, and individuals employed by the following subsidiaries: Aurora Loan Services (except corporate officers), Capital Crossing, Champion Energy Services, Campus Door (except selected corporate officers), Capstone Mortgage Services Limited (except corporate officers), ELQ Hypotheken (except corporate officers), Lehman Brothers Services India Private Ltd. (except corporate officers), Lehman Brothers Financial Services India Private Ltd. (except corporate officers), Liberty View (except selected executives), MNG Securities, and Small Business Finance (except selected corporate officers).

"2007 Compensation" means fiscal year 2007 salary earnings, bonus, cash flow, commissions, salary supplements, the value of 2007 car allowances, and housing allowances for local employees (i.e., non-expatriates).

2007 Special Managing Director RSU Award Levels

All eligible MD employees will be awarded special RSUs under the SIP as of the Grant Date. The portion of compensation payable in special RSUs will be calculated as 12% of 2007 Compensation. The number of special RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 30%.

The special RSUs will vest 100% on November 30, 2009, unless otherwise provided in Exhibit D. Special RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit D.

Note: Amount of compensation awarded in special RSUs, as calculated above may be off-set by the pre-tax equivalent of participation in Private Equity investment vehicles established to align investment professionals with the funds they invest and manage.

Termination Provisions – Special Managing Director Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 70%)	Gross-up Portion (Portion related to discount, 30%)
Voluntary Termination	<p>Forfeit entire Principal Portion if termination occurs prior to November 30, 2009.</p> <p>If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Principal Portion on the scheduled payment date, provided no Detrimental Activity¹ through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2009.</p> <p>If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.</p>
Involuntary Termination with Cause ²	Forfeit entire Principal Portion.	Forfeit entire Gross-up Portion.
Involuntary Termination without Cause	Participant is entitled to entire Principal Portion on the scheduled payment date, provided such participant signs a Release Agreement and does not engage in Detrimental Activity through the payment date of November 30, 2012.	Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2009. If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.
Death, Disability ³ , or Termination for Select Government Service ⁴	Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.	Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.

Eligibility, Award Levels, and Vesting Schedule

The three employees set forth below are eligible to receive 2007 Retention RSU awards in the amounts listed below:

<u>Employee</u>	<u>Corporate Title</u>	<u>Division</u>	<u>Amount in RSUs (US\$)</u>
1. Dorsey, Alan	MD	IMD	\$2,000,000
2. Lee, Wai	MD	IMD	\$3,000,000
3. McKinney, Richard S.	MD	FID	\$10,000,000
4. Amin, Kaushik	MD	FID	<u>\$10,000,000</u>
Total			\$25,000,000

The number of 2007 Retention RSUs for each employee set forth above shall be determined by dividing the award amount by the closing price of the Corporation's Common Stock on the New York Stock Exchange on December 7, 2007.

Unless otherwise provided in Exhibit F, these RSUs will vest 1/3 per year in years 3, 4 and 5 (on November 30, 2010, November 30, 2011, and November 30, 2012), and convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012 ("the Share Payment Date").

Termination Provisions

Event	Treatment
Voluntary Termination	All unvested RSUs will be immediately forfeited upon termination. Vested RSUs will convert to shares of Lehman Brothers common stock on the Share Payment Date, provided the employee does not engage in Detrimental Activity through that date
Involuntary Termination without Cause	20% of RSUs will vest for each full fiscal year of service following the Grant Date. Shares of Lehman Brothers common stock will be issued on the Share Payment Date, provided the employee does not engage in Detrimental Activity through that date.
Involuntary Termination with Cause	All RSUs will be immediately forfeited upon termination.
Termination Due to Death or Disability	100% of RSUs will immediately vest, and shares of Lehman Brothers common stock will be issued on the 30 th day following the termination date.

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>Total Unvested RSUs</u>
1. Kanaan, Khalil A.	SVP	1,185.48	3,878.18	5,172.95	23,836.47	34,073.08
2. Locher, Kurt A.	MD	18,325.76	26,593.00	29,022.37	22,451.40	96,392.53
3. Modukuri, Srinivas	MD	5,643.63	7,656.89	7,524.30	28,603.80	49,428.62
4. Prezioso, Frank C.	MD	1,445.76	9,049.03	32,247.11	28,046.22	70,788.12
5. Ziffer, Matthew J.	SVP	<u>751.72</u>	<u>1,515.58</u>	<u>3,224.65</u>	<u>10,687.08</u>	<u>16,179.03</u>
Total		27,352.35	48,692.68	77,191.38	113,624.97	266,861.38

2007 NEW HIRES STOCK AWARDS

NAME	FUNCTION	DATE OF HIRE	TOTAL VALUE OF AWARD	NUMBER OF RSUs	Vesting Schedule
Rowe, Stanley	MD, Sr Mgr, Administration	9/26/2007	\$3,526,169	57,702	RSUs vest and convert to stock over 4 years beginning in 2008.
Schechner, Paul Sheridan	MD, Sr Banker, Real Estate IBD	10/15/2007	\$2,685,613	43,087	RSUs vest and convert to stock over 3 years beginning in 2008.
Banfield, Colin	MD, Global M & A	9/17/2007	\$2,043,376	34,858	RSUs vest and convert to stock over 4 years beginning in 2008.
Matsui, Hiroyasu	MD, Desk Mgr, Generalist	9/19/2007	\$1,875,218	29,250	RSUs vest and convert to stock over 4 years beginning in 2008.
Ahrens, Nikolai	MD, Natural Resources	5/16/2007	\$1,662,698	22,668	RSUs vest and convert to stock over 4 years beginning in 2008.
Hakanoglu, Erol	MD, Global Finance Analytics	10/15/2007	\$1,156,969	18,562	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Ruffini, Ronald	SVP, Sr Salesperson, Commodities	10/16/2007	\$1,004,877	16,563	RSUs vest and convert to stock over 3 years beginning in 2008.
Giovanelli, Corrado	MD, Desk Mgr, Governments	4/5/2007	\$957,225	13,399	RSUs vest and convert to stock over 4 years beginning in 2008.
Gerlach, Christian	MD, Corporate Finance Team	9/20/2007	\$878,883	14,105	RSUs vest and convert to stock over 3 years beginning in 2008.
Lesin, Alexander	SVP, Sr Trader, Commodities	10/1/2007	\$870,541	13,677	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Sun, George	MD, Sr Mgr, High Grade	7/27/2007	\$699,805	10,897	RSUs vest and convert to stock over 3 years beginning in 2008.
James, Elton	SVP, Sr Trader, Equity Strategies	7/4/2007	\$620,747	8,321	RSUs vest and convert to stock over 5 years beginning in 2007.
Cameron, Ray	MD, Marketing Mgr, Account Mgmt	8/21/2007	\$615,908	10,704	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 3 years.
Adair, John	MD, Desk Mgr, Administration	9/4/2007	\$571,319	10,119	RSUs vest over 1 years beginning in 2008. RSUs convert to stock over 3 years.
Holt, Stephen	SVP, IR, Private Investment Mgmt	4/16/2007	\$444,336	5,855	RSUs vest and convert to stock over 3 years beginning in 2008.
Harris, Richard	SVP, Sr Salesperson, Non-Japanese Product	6/21/2007	\$394,536	4,979	RSUs vest and convert to stock over 4 years beginning in 2008.
Easthope, Julian	MD, Sr Research Analyst, Svcs./Spec. Situations	9/17/2007	\$358,344	6,113	RSUs vest and convert to stock over 3 years beginning in 2008.
Miller, Jonathan	SVP, Sr Marketer, Structured	10/16/2007	\$330,712	5,451	RSUs vest and convert to stock over 4 years beginning in 2008.
Maruo, Masanori	MD, Sr Research Analyst, Administration	10/3/2007	\$328,628	5,130	RSUs vest and convert to stock over 3 years beginning in 2007.
Witwer, Beat	SVP, Sr Salesperson, Foreign Exchange	11/8/2007	\$272,695	4,860	RSUs vest and convert to stock over 2 years beginning in 2007.
Dortand, Christopher	SVP, Sr Trader, Commodities	9/12/2007	\$263,538	4,617	RSUs vest and convert to stock over 4 years beginning in 2007.
Legmann, Frederic	SVP, Financial Services	9/17/2007	\$249,428	4,255	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Bruman, Brian	MD, Head of Analytics, Asset Mgmt	9/10/2007	\$246,956	4,586	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 3 years.
Day, Charles	SVP, Sr Trader, Synthetics Trading	6/4/2007	\$242,753	3,238	RSUs vest and convert to stock over 2 years beginning in 2009.
Mittal, Ashok	MD, India	10/24/2007	\$223,421	3,891	RSUs vest and convert to stock over 3 years beginning in 2008.
Giacone, Peter	SVP, Director, Finance	10/29/2007	\$221,543	3,530	RSUs vest and convert to stock over 3 years beginning in 2008.
Rutherford, Alastair	VP, Sr Mgr, Support & Control	7/4/2007	\$206,642	2,770	RSUs vest and convert to stock over 2 years beginning in 2008.
King, Richard Yun Zing	SVP, Sr Banker, Real Estate IBD	9/17/2007	\$194,032	3,310	RSUs vest and convert to stock over 3 years beginning in 2008.
Geary, James	SVP, Equity Capital	10/1/2007	\$181,721	2,855	RSUs vest and convert to stock over 3 years beginning in 2008.
Goldschild, Alain	VP, IR, Private Investment Mgmt	10/1/2007	\$172,428	2,709	RSUs vest and convert to stock over 2 years beginning in 2008.
DeilaVolpe, Brett	SVP, Director, Finance	11/15/2007	\$169,011	2,684	RSUs vest and convert to stock over 3 years beginning in 2008.
Cartwright, Neil	SVP, Sr Desk Specialist, Pan European Product	8/16/2007	\$162,279	2,964	RSUs vest and convert to stock over 2 years beginning in 2008.
Fletcher, Luke	VP, Salesperson, Flow	5/25/2007	\$161,818	2,224	RSUs vest and convert to stock over 2 years beginning in 2007.
Raynaud, Jean-Michel	VP, Trader, Alternative Portfolio Solution	7/23/2007	\$146,306	2,125	RSUs vest and convert to stock over 4 years beginning in 2008.
Kallsperas, Costas	VP, Industrial	9/24/2007	\$143,656	2,350	RSUs vest and convert to stock over 3 years beginning in 2008.
Corpuz, June	SVP, Sr Project Mgr, Risk Mgmt	9/3/2007	\$143,216	2,612	RSUs vest and convert to stock over 1 year in 2008.
Cyrot, Benjamin	VP, Salesperson, Structured	4/16/2007	\$141,990	1,871	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 2 years.
Sanghvi, Chirag	VP, Sr Research Analyst, India Equities	9/3/2007	\$141,845	2,587	RSUs vest and convert to stock over 2 years beginning in 2007.
Lee, Victoria	VP, Sr Research Analyst, Svcs./Spec. Situations	9/17/2007	\$130,957	2,234	RSUs vest and convert to stock over 3 years beginning in 2008.
Wolfe, Bruce	SVP, Project Manager, Analytics	8/6/2007	\$106,809	1,833	RSUs vest and convert to stock over 4 years beginning in 2008.
Stefani, John	SVP, Sr Mgr, Mortgage Capital Division	9/10/2007	\$93,591	1,738	RSUs vest and convert to stock over 3 years beginning in 2008.
Rizzo, Andrea	SVP, Trader, Governments	6/27/2007	\$90,818	1,192	RSUs vest and convert to stock over 1 year in 2010.
Wong, Carman	SVP, Asia Ex-Japan Mgmt	10/1/2007	\$79,117	1,243	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Wolf, Joseph	SVP, Sr Research Analyst, Emerging Markets	8/17/2007	\$77,172	976	RSUs vest and convert to stock over 3 years beginning in 2008.
Reed, Paul	VP, Mgr, Finance	9/4/2007	\$68,260	1,209	RSUs vest and convert to stock over 4 years beginning in 2008.
Schwarz, Christoph	VP, Banker, ABS	4/10/2007	\$55,480	768	RSUs vest and convert to stock over 3 years beginning in 2008.
TOTAL	46		\$25,413,386	402,871	

* Additional grant to true-up original buyout award; date of grant is based on date of notification.

** Date of re-hire

2007 EXECUTIVE COMMITTEE AND EXECUTIVE OFFICER CASH BONUS AND RSUs

(\$000s)

	<i>For Reference</i>		<i>For Reference</i>	<i>For Reference</i>			<i>For Reference</i>
	<u>Salary</u>	<u>Cash Bonus</u>	<u>Total Cash</u>	<u>RSU Bonus</u>	<u>Total Special Bonus</u>	<u>Number of Year-end RSUs*</u>	<u>Total Cash + RSUs</u>
Fuld Jr., Richard S.	\$750			\$24,500		551,441.63	
Gregory, Joseph	\$450	\$4,550	\$5,000	\$20,300	\$24,850	456,908.78	\$25,300
McDade III, Herbert	\$450	\$9,550	\$10,000	\$18,000	\$27,550	405,140.79	\$28,000
Callan, Erin	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
McGee III, Hugh	\$450	\$8,550	\$9,000	\$14,000	\$22,550	315,109.50	\$23,000
Janulis, Theodore	\$450	\$4,550	\$5,000	\$5,000	\$9,550	112,539.11	\$10,000
Walker, George	\$450	\$7,050	\$7,500	\$10,500	\$17,550	236,332.13	\$18,000
Goldfarb, David	\$450	\$7,550	\$8,000	\$15,500	\$23,050	348,871.23	\$23,500
Lessing, Stephen	\$450	\$4,550	\$5,000	\$10,000	\$14,550	225,078.21	\$15,000
Isaacs, Jeremy	\$579	\$8,421	\$9,000	\$13,000	\$21,421	292,601.68	\$22,000
Nagioff, Roger	\$579	\$8,421	\$9,000	\$13,000	\$21,421	292,601.68	\$22,000
Bhattal, Jasjit	\$450	\$7,050	\$7,500	\$12,500	\$19,550	281,347.77	\$20,000
Russo, Thomas	\$450	\$4,550	\$5,000	\$6,300	\$10,850	141,799.28	\$11,300
O'Meara, Christopher	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
Lowitt, Ian	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
Freidheim, Scott	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
TOTAL	\$6,008	\$85,392	\$91,400	\$181,200	\$242,092	4,078,417.27	\$248,100

*Number of RSUs calculated using a price of \$44.429 (\$63.47 NYSE closing stock price on Dec. 7, 2007, less a 30% discount).

2007 Executive Committee Restricted Stock Unit Awards

Unless otherwise provided in this Exhibit J, Principal RSUs will vest 29% on November 30, 2008, 29% on November 30, 2009, and 42% on November 30, 2010 and 100% of Gross-up RSUs will vest on November 30, 2010. The combined vesting of such Principal and Gross-up RSUs results in 20% becoming vested on November 30, 2008, 20% on November 30, 2009, and 60% on November 30, 2010. All such vested RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in this Exhibit B.

Termination Provisions – Executive Committee Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 70%)	Gross-up Portion (Portion related to discount, 30%)
Voluntary Termination	Participant is entitled to all vested shares related to the Principal Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.	Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2010. If termination occurs after November 30, 2010, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.
Involuntary Termination with Cause	Forfeit entire Principal Portion.	Forfeit entire Gross-up Portion.
Involuntary Termination without Cause	Participant is entitled to entire Principal Portion on the scheduled payment date, provided such participant signs a Release Agreement and does not engage in Detrimental Activity through the payment date of November 30, 2012.	Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2010. If termination occurs after November 30, 2010, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.
Death, Disability, or Termination for Select Government Service	Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.	Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.

Change in Control ProvisionsVesting of RSUs

Following a Change in Control (as defined in the SIP), except to the extent that, and without limiting the provisions hereunder that specify that, RSUs would otherwise vest earlier or be forfeited in the event of Detrimental Activity, Termination with Cause or voluntary termination or otherwise under this Agreement, all RSUs (Principal and Discount portions) shall vest 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").

Additionally, all RSUs shall become immediately vested in the event of any involuntary Termination without Cause following a Change in Control occurring prior to the Change in Control Vesting Date.

Delivery of Shares

Following a Change in Control, except to the extent that, and without limiting the provisions hereunder that specify that, shares would otherwise be delivered earlier hereunder or RSUs are forfeited due to engagement in Detrimental Activity, Termination with Cause or voluntary termination or otherwise hereunder, shares with respect to RSUs will be delivered on the Change in Control Vesting Date; provided that in the event of Termination for any reason other than death or Disability occurring after a Change in Control but prior to the Change in Control Vesting Date, shares with respect to then vested RSUs will be delivered upon the earlier of (x) the end of the fiscal quarter one year following the termination date or (y) the Change in Control Vesting Date.

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

Footnotes:

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 of 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 or 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.

⁴ In the event of a termination for select government service, shares will be issued as soon as practicable following the date of termination, subject to the provisions of Code Section 409A(a)(1).

CEO
Compensation

Note: Values in millions

Company	CEO	2005			2006			Estimated 2007			Commentary
		ROE	Net Income	Total Comp ⁽¹⁾⁽²⁾	ROE	Net Income	Total Comp ⁽¹⁾⁽²⁾	ROE ⁽³⁾	Net Income ⁽³⁾	Total Comp ⁽¹⁾⁽²⁾	
Bear Stearns	Cayne, J.E.	14.8%	\$1,462	\$30.2	17.9%	\$2,054	\$38.9	1.5%	\$193	≈ \$0.25	Weaknesses in subprime mortgages and fixed income along with significant losses in its hedge funds. Mr. Cayne has stepped down as CEO to become chairman. Mr. Cayne has elected forgo both his cash and equity bonus for '07
Merrill Lynch	Thain, J.	15.3%	\$5,116	---	20.1%	\$7,499	---	-8.0%	-\$2,974	\$50-\$55	Significant write-downs on subprime mortgages and CDOs including losses on fixed income overshadow strong performance across investment banking, wealth management, and equity. Estimate for O'Neal on full '07 year. For Thain, includes 500K special restricted stock units and 1.8M stock options this year to join Firm. (R.S. annualized over 5 yrs and Stock Options annualized over 2 yrs). Conservative estimate for Thain due to contingent performance measures embedded in 2/3 of sign-on bonus
	O'Neal, S. (assuming entire '07 fiscal year)			\$37.0			\$48.0			\$25	
Goldman Sachs	Blankfein, L.C.	21.2%	\$5,526	\$36.6	29.9%	\$9,537	\$54.0	29.9% (21.6% Net Income Growth)	\$11,599	\$67.9 ⁽⁴⁾	Record results across major businesses. Increase for Blankfein consistent with Goldman's philosophy and strong results
Morgan Stanley	Mack, J.	17.2%	\$4,939	\$33.8 (incl annualized special RSU)	23.2%	\$6,335 (excl Discover)	\$45.2 (incl annualized special RSU)	9.1%	\$3,202 (excl Discover)	\$5-\$6.5 (incl annualized special RSU)	Mr. Mack has elected to forgo entire bonus for '07, including both cash and equity awards due to weak performance resulting from write-downs on subprime mortgages. Received 500K special restricted stock units in 2005 to join Firm (annualized here over 5 yrs, valued ≈ \$5M per annum)
JPMorgan Chase	Dimon, J.	8.0%	\$8,483	\$22.0	13.0%	\$14,444	\$27.0	13.9%	\$16,222	\$30-\$35	Despite challenging credit environment, strong results across asset management, commercial banking, and retail in the third quarter. However, expect to take larger write-downs in the fourth quarter through its exposure of subprime mortgages and CDOs.
Lehman Brothers Fuld, R.S.											

(1) Beginning in 2006, options value is reported by firms using Black-Scholes
 (2) Excludes value of perquisites and benefits
 (3) Estimated using Múltex 4th quarter earnings estimates
 (4) Actual Total Comp reported

2007 CEO Compensation Estimates – Secondary Group

Note: Value in millions

Company	CEO	2005			2006			Estimated 2007			Commentary
		ROE	Net Income	Total Comp ⁽¹⁾⁽²⁾	ROE	Net Income	Total Comp ⁽¹⁾⁽²⁾	ROE ⁽³⁾	Net Income ⁽³⁾	Total Comp ⁽¹⁾⁽²⁾	
Bank of America	Lewis, K.D.	16.3%	\$16,465	\$24.1	17.8%	\$21,133	\$22.6	14.0%	\$19,276	\$18-\$20	Weakening credit market having negative impact on investment and commercial banking. Continuing diversification in business mix limiting such impact.
Wells Fargo	Kovacevich, R.M. ⁽⁴⁾	19.5%	\$7,671	\$21.9	19.6%	\$8,482	\$24.0	19.4%	\$9,142	\$26-\$28	Reduction in mortgage loan origination offset otherwise record results. Subprime negatively impact strong results across asset management, real estate brokerage, and insurance.
	Stumpf, J. ⁽⁵⁾			\$9.2			\$11.8			\$16-\$18	
Wachovia	Thompson, G.K.	14.0%	\$6,643	\$17.7	13.3%	\$7,791	\$21.2	10.6%	\$7,474	\$18-\$20	Strength in commercial banking and brokerage businesses offset by reduced origination and distribution revenues in the Corporate and Investment Bank from weak credit market.
Citigroup	Prince, C. (assuming entire '07 fiscal year) ⁽⁶⁾	22.2%	\$24,589	\$22.7	18.5%	\$21,538	\$24.8	9.3%	\$11,408	\$14-\$16	Larger than expected write-downs on subprime mortgages and CDOs accompanied with significant decline in fixed income and higher credit costs in global consumer. Estimate on full '07 fiscal year.

(1) Beginning in 2006, options value is reported by firms using Black-Scholes

(2) Excludes value of perquisites and benefits

(3) Estimated using Multex 4th quarter earnings estimates

(4) No longer CEO, however continues as Chairman

(5) Appointed to CEO in June 2007; former President and COO; retains President title; Compensation est. for a transitional CEO

(6) Did not receive an equity award; Compensation all in cash bonus and base salary

2007 CEO COMPENSATION

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

January 28, 2008

LB 010231

LBHI_SEC07940_027141

CONFIDENTIAL

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

CHIEF EXECUTIVE OFFICER COMPENSATION

Compensation for 2007 and Prior Years - Including Realignment

(\$000s)

	2005 Total Comp		2006 Total Comp		2007 Total Comp		'06-'07 Chg. Total Comp.	
	Total Comp.	Total w/ PSUs	Total Comp.	Total w/ PSUs	Total Comp	Percent Equity		
Fuld	\$31,418	\$33,033	\$19,882	\$21,497				
Gregory	\$25,615	\$26,826	\$16,500	\$17,711	\$25,300	80%	53%	
McDade	\$23,000	\$23,808	\$27,000	\$27,808	\$28,000	64%	4%	
Callan	\$5,000	NA	\$6,150	NA	\$7,500	62%	22%	
McGee	\$19,000	NA	\$22,500	NA	\$23,000	61%	2%	
Janulis	\$13,000	\$13,719	\$15,000	\$15,719	\$10,000	50%	-33%	
Walker	NA	NA	\$18,000	NA	\$18,000	58%	0%	
Goldfarb	\$13,330	\$14,138	\$9,360	\$10,168	\$23,500	96%	NA	
Lessing	\$21,000	\$21,808	\$4,000	\$4,808	\$15,000	67%	NA	
Isaacs	\$15,830	\$17,041	\$19,800	\$21,011	\$22,000	59%	11%	
Nagioff	\$14,500	\$15,219	\$19,300	\$20,019	\$22,000	59%	14%	
Bhattal	\$13,500	\$13,979	\$16,000	\$16,479	\$20,000	63%	25%	
Russo	\$9,165	\$9,884	\$10,723	\$11,442	\$11,300	56%	5%	
O'Meara	\$4,500	\$4,500	\$5,000		\$7,500	62%	50%	
Lowitt	\$3,000	\$3,000	\$4,500		\$7,500	62%	67%	
Freidheim	\$4,000	\$4,000	\$5,000		\$7,500	62%	50%	
Average Increase			3%	¹			9%	²

Proxy CD&A Disclosure:

	2005 Total Comp	2006 Total Comp	2007 Total Comp		'06-'07 Chg.	
			Total Comp	Percent Equity	As Reported	Realigned
Fuld	\$39,515	\$37,927				
Gregory	\$32,176	\$30,412	\$34,000	85%	3%	12%
Russo	\$11,192	\$17,929	\$14,000	64%	-24%	-22%
O'Meara	NA	\$6,071	\$9,493	70%	56%	56%
Lowitt	NA	NA	\$9,493	70%	NA	NA
Freidheim	NA	\$6,071	\$9,493	70%	56%	56%

¹ Excluding Walker, Goldfarb and Lessing.

² Excluding Gregory, Goldfarb and Lessing.

CONFIDENTIAL
 FOIA CONFIDENTIAL TREATMENT REQUESTED
 BY LEHMAN BROTHERS HOLDINGS INC.

LBHL_SEC07940_027142

LB 010232

CHIEF EXECUTIVE OFFICER COMPENSATION

CEO Compensation Scenarios
(\$000s)

	2006 Proxy Compensation		2007 Proxy Disclosed Compensation							2006 - 2007 Change	
	<u>Original</u>	<u>Realigned</u>	<u>Scenario</u>	<u>Cash</u>	<u>RSUs</u>		<u>Total</u>	<u>Total Comp</u>	<u>Percent Equity</u>	<u>Original</u>	<u>Realigned</u>
					<u>Principal</u>	<u>Discount</u>					
Fuld Jr., Richard S.	\$40,500	\$37,927	A	\$750	\$24,500	\$10,500	\$35,000	\$35,750	98%	-12%	-6%
			B	\$2,500	\$24,500	\$10,500	\$35,000	\$37,500	93%	-7%	-1%
			C	\$5,000	\$24,500	\$10,500	\$35,000	\$40,000	88%	-1%	5%
			D	\$7,500	\$24,500	\$10,500	\$35,000	\$42,500	82%	5%	12%
Gregory, Joseph	\$33,046	\$30,412		\$5,000	\$20,300	\$8,700	\$29,000	\$34,000	85%	3%	12%
Russo, Thomas	\$18,307	\$17,929		\$5,000	\$6,300	\$2,700	\$9,000	\$14,000	64%	-24%	-22%
O'Meara, Christopher	\$6,071	\$6,071		\$2,850	\$4,650	\$1,993	\$6,643	\$9,493	70%	56%	56%
Lowitt, Ian	NA	NA		\$2,850	\$4,650	\$1,993	\$6,643	\$9,493	70%	NA	NA
Freidheim, Scott	\$6,071	\$6,071		\$2,850	\$4,650	\$1,993	\$6,643	\$9,493	70%	56%	56%

CONFIDENTIAL
FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

LBHL_SEC07940_027143
LB 010233

CHIEF EXECUTIVE OFFICER COMPENSATION

Annual Compensation vs. Formula (000s)

	2005 Annual Compensation			2006 Annual Compensation			2007 Annual Compensation			2007
	Cash ¹	RSUs ²	Total	Cash ¹	RSUs ²	Total	Cash ¹	RSUs ²	Total	Formula ³
Fuld	\$14,500	\$10,460	\$24,960	\$7,000	\$7,632	\$14,632		\$24,500		\$45,848
Gregory	\$12,000	\$8,080	\$20,080	\$6,000	\$6,300	\$12,300	\$5,000	\$20,300	\$25,300	\$34,724
McDade	\$13,000	\$6,310	\$19,310	\$13,000	\$12,500	\$25,500	\$10,000	\$18,000	\$28,000	\$30,515
Callan	\$3,000	\$2,000	\$5,000	\$3,075	\$3,075	\$6,150	\$2,850	\$4,650	\$7,500	NA
McGee	\$10,000	\$5,310	\$15,310	\$10,500	\$10,500	\$21,000	\$9,000	\$14,000	\$23,000	\$30,515
Janulis	\$6,000	\$3,310	\$9,310	\$7,000	\$6,500	\$13,500	\$5,000	\$5,000	\$10,000	\$30,515
Walker	NA	NA	NA	\$8,500	\$8,000	\$16,500	\$7,500	\$10,500	\$18,000	\$30,515
Goldfarb	\$6,000	\$3,640	\$9,640	\$3,000	\$2,660	\$5,660	\$8,000	\$15,500	\$23,500	\$30,515
Lessing	\$15,000	\$2,310	\$17,310	\$4,000	\$0	\$4,000	\$5,000	\$10,000	\$15,000	\$30,515
Isaacs	\$8,000	\$4,140	\$12,140	\$9,500	\$8,800	\$18,300	\$9,000	\$13,000	\$22,000	\$30,515
Nagioff	\$6,000	\$4,810	\$10,810	\$9,300	\$8,500	\$17,800	\$9,000	\$13,000	\$22,000	\$30,515
Bhattal	\$5,500	\$4,310	\$9,810	\$7,500	\$7,000	\$14,500	\$7,500	\$12,500	\$20,000	\$30,515
Russo	\$5,000	\$2,320	\$7,320	\$5,000	\$3,973	\$8,973	\$5,000	\$6,300	\$11,300	\$30,515
O'Meara	\$2,700	\$1,800	\$4,500	\$2,500	\$2,500	\$5,000	\$2,850	\$4,650	\$7,500	\$15,233
Lowitt	\$1,800	\$1,200	\$3,000	\$2,250	\$2,250	\$4,500	\$2,850	\$4,650	\$7,500	\$15,233
Freidheim	\$2,400	\$1,200	\$3,600	\$2,500	\$2,500	\$5,000	\$2,850	\$4,650	\$7,500	\$15,233

¹ Includes base salary plus cash bonus.

² In addition, the amount of the RSU discount will be included in the proxy-disclosed value (approx. 42.9% higher than value shown).

³ Based on 2007 Annual Incentive Compensation Formulas and forecasted fiscal 2007 pre-tax income of \$6,013 million (plus base salary for comparison purposes)

Chief Executive Officer 2007 Compensation

WHEREAS, the Compensation and Benefits Committee of the Board of Directors (the "Committee") of the Corporation has previously set performance standards for the payment of fiscal 2007 compensation to the Firm's Chairman and Chief Executive Officer; it is therefore

RESOLVED, that the Committee hereby approves an award of \$_____ cash bonus to Richard S. Fuld, Jr. for fiscal 2007 and in connection therewith hereby certifies the satisfaction of the performance goals and other material terms for Special Bonus Awards under the Short-Term Executive Compensation Plan (the "STEP"), which performance goals were established by the Committee on December 8, 2006 for certain individuals; and be it further

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 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.

Comp Process for
Equity Research

**2007 COMPENSATION REVIEW PROCESS FOR
EQUITY RESEARCH PERSONNEL**

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

January 28, 2008

OVERVIEW OF COMPENSATION REVIEW PROCESS

- As outlined in the compensation review process reviewed with the Committee on November 11, 2007, the Research Analyst Compensation Committee ("RACC") met to review and approve compensation for equity research analysts on December 5, 2007.
 - As a reminder, the RACC is responsible for reviewing performance appraisals and pay recommendations for lead equity research analysts covering one or more companies that fall within the scope of the U.S. equity research settlement ("Research Analysts") and certain other lead research analysts, to ensure they are consistent with the terms of the research settlement and NYSE and NASD Rules.
 - Members of the RACC for fiscal 2007 included:
 - Tracy Binkley, Head of Human Resources
 - Scott Freidheim, Co-Chief Administrative Officer
 - Joe Gregory, President
 - Ravi Mattu, Director of Global Equity & Fixed Income Research
 - Bart McDade, Global Head of Equities
 - Joe Polizzotto, General Counsel
- As explained at the November meeting, two changes were made to the compensation process this year:
 - In order to improve the quality of research and enhance its supervisory structure, Equity Research appointed certain senior analysts as Sector Heads and trained them by involving them in the performance assessment and compensation process (including regulatory requirements);
 - Metrics measuring model quality and functionality were also added this year to continue to improve research quality.
- The Firm also ensured that the basis of compensation for members of Equity Research management was documented as part of the review process.

OVERVIEW OF COMPENSATION REVIEW PROCESS (Continued)

- Exhibit A of the attached resolution reflects total compensation amounts approved by the RACC for 2007.
 - This year's review covered 125 Research Analysts (87 in the US, 6 in Europe, 30 in Asia, and 2 in India).
- Following the RACC meeting, changes were made to the compensation of 50 Research Analysts—47 increases and 3 decreases (1 for rounding, 2 to better reflect performance issues)—as a result of the allocation of additional funding to the Equities bonus pool. These changes were subsequently approved by the RACC and are reflected here.
- A summary of the 2007 compensation levels for Research Analysts is shown below:

2007 Total Compensation Range	# RAs	% of Total
< \$500K	55	44%
\$500K - \$999K	37	30%
\$1.0 - \$1.49 million	14	11%
\$1.5 - \$1.99 million	13	10%
\$2.0 million+	6	5%
Total	125	

OVERVIEW OF COMPENSATION REVIEW PROCESS (Continued)

- The final compensation recommendations approved by the RACC represented \$78.9 million in bonus payments. Year-over-year changes in total compensation ranged from approximately -75% to +100%, based on each individual's performance appraisal, representing a weighted average decrease of 2.5% over 2006.

% Change in Compensation	# RAs ¹	% of Total
<-50%	3	3%
-50% to -1%	30	26%
0% to 14%	38	33%
15% to 29%	24	21%
30% to 49%	13	11%
50%+	8	7%
Total	116	100%

¹ Excludes a total of 9 new hires with no 2006 total compensation.

OVERVIEW OF COMPENSATION REVIEW PROCESS (Continued)

- In addition, Research Analysts participated in the Firm's special 2007 compensation initiatives regarding Diversity:
 - 10 Research Analysts have been awarded a total of \$170,000 in the form of a Diversity Award (ranging from \$5,000 to \$60,000) for significant contribution toward the Firm's diversity efforts.
 - These amounts are noted along with individual total compensation in Exhibit A.
- Consistent with the research settlement and the Committee's Charter, the Committee is asked to formally approve the Firm's compensation process for Research personnel for fiscal year 2007.

SAMPLE RESEARCH ANALYST PERFORMANCE REVIEWS

- On the following pages are three sample performance appraisals for the Committee's review, based on the 2007 Research Analyst Performance Criteria previously provided. The three samples include:
 - A US research analyst with a year-over-year compensation *increase* (Thomas O. Seitz);
 - A US research analyst with a year-over-year compensation *decrease* (Joseph F. Campbell, Jr.); and
 - A *non-US* research analyst with a year-over-year compensation *increase* (Ming Kwong Ivan Lee).

LEHMAN BROTHERS

2007 Equity Research Analyst Performance/Compensation Review

Employee Information

Employee Name:	Thomas O. Seitz	Review Date:	14-Nov-07
Industry:	Telecom	Review Period:	01-Dec-06 to 30-Nov-07
Manager:	William M. Meyers	Hire Date:	20-Dec-99

Overall Evaluation

I. Quality and accuracy of research (e.g., evaluations, independent surveys, ratings performance, size of coverage universe)

- * Senior Telecom Services Wireline and Wireless Services analyst covering 19 companies totaling over \$514 billion in market cap.
- * Ranked #9 in Telecommunications Services in the Greenwich Quality Index with a score of 487 and ranked #11 in Weighted Research Franchise with a score of 3.4%.
- * Ranked in the first quartile in the Sales, Trading and IPC surveys.
- * Ranked in the third quartile in commission votes.
- * Achieved a top model quality functionality score of 16.
- * Mixed year for stock picking: in Telecom Services Wireline, overweight stocks outperformed both equalweight and underweight stocks; in Wireless Services, equalweight stocks outperformed overweight stocks.
- * Exceeded departmental productivity averages in client calls, first call notes, times on the morning call, non-deal roadshows and vetting requests.

II. Other factors (e.g., individual performance, trading revenues, job market)

- * Annualized trading revenues are \$8.2 million, down 34% y-o-y. Loss ratio of (10%).
- * Annualized commissions are \$9.2 million, down 18% y-o-y.

III. Firm / divisional initiatives (e.g., diversity, leadership and learning, recruiting, philanthropy)

Compensation Recommendation (USD)

	Paid Total Compensation		Annualized Total Compensation	
	FY 2007	FY 2006	FY 2007	FY 2006
Salary	125,000	125,000		
Bonus	725,000	625,000		
Total Compensation (TC)	900,000	750,000		
% Change TC (YoY)	20%	85%		
Other Payments				
Diversity Award	0	0		
TC with Other Payments	900,000	750,000		
% Change TC with Other Payments (YoY)	20%	74%		

Additional Comments

Tom has done an outstanding job as the lead analyst of the Telecom sector and is one of the department's top up-and-comers. He has ranked in the first quartile in all internal surveys and continues to gain greater mindshare with clients. Tom is highly productive in terms of client calls, first call notes production, times on the morning call, non-deal roadshows and vetting requests. Tom has one of the highest scores in model quality functionality. Due to facilitation losses in Tom's sector, his trading revenues are down y-o-y. His commissions are also down y-o-y but is still among the highest in the department. We have increased Tom's total compensation to \$900,000 which brings him more in line with other up-and-comer senior analysts.

Lehman Brothers

2007 Year-End Equity Research Senior Analyst Performance Review

Employee Information

Employee Name	Seitz, Thomas	Manager	
Industry	Telecommunications	Date of Review	11/14/2007
Sector(s)	Wireless Services; Telecom Services - Wireline	Review Period	12/1/2006 - 11/30/2007

Trading Revenue(\$M) (FYTD as of 09/30/2007)

	MY 2005	FYE 2005	MY 2006	FYE 2006	MY 2007	FYTD 2007
Total Revenues	\$0.46	\$1.5	\$2.69	\$12.85	\$3.97	\$4.37
Total Commissions	\$0.5	\$1.49	\$0.85	\$11.3	\$3.96	\$7.5
Trading P&L	(\$0.05)	(\$0.07)	(\$0.29)	(\$3.14)	(\$0.06)	(\$0.77)
Proprietary Trading	\$0.01	\$0.07	\$2.13	\$4.68	\$0.07	(\$0.01)
YoY %Chg	75%	83%	479%	758%	48%	17%
Autx-Avg Rank	3	7	8	6	7	

II. Commission Votes / Analyzer* (Quartiles) (as of 09/30/2007)

	2005	2006	2007
Mid-Year	4	4	
Year-End	4	3	

*Commission Analyzer effective YE 2006

IV. Independent Surveys

Survey	Sector Name	2005 Rank	2005 Score	2006 Rank	2006 Score	2007 Rank	2007 Score
Greenwich Weighted Res Franchise	Composite	0.0		0.0			
Greenwich Quality Index	Composite	0.0		0.0			
Greenwich Penetration	Composite	0.0		0.0			
II	Telecom Services	-	-	-	-		
II	Telecom Services/Wireline/Wireless	-	-	21/21	-		
II Commission Weighted	Telecom Services	-	-	-	-		
II Commission Weighted	Telecom Services/Wireline/Wireless	-	-	19/21	0.18/0.54		

III. Business Plan Execution (MY commenced in '07)

	2005	2006	2007
Planned	3	3	
Actual (MY)	-	-	
Actual (YE)	5	2	

V. IPC Survey

	2005	2006	2007
Thesis	-	1	
Timeliness	1	1	
Valuation	-	1	
Presentation	2	2	

VI. Productivity (FYTD as of 09/30/2007)

	2005	Dept Avg	2006	Dept Avg	2007	Dept Avg
Calls	1504	1307	1099	1233	1007	739
FC Notes	62	111	118	147	122	133
Times on Call-AM/PM	17/6	19/10	18/2	18/7	23/2	14/4
Marketing Meetings	21	85	20	80		
Non-deal Roadshows	3	10	6	6		
Valuing Requests	2	1	0	2		

VIII. Coverage Universe (as of 10/31/2007)

	Rating	Mkt Cap (\$M)
Telecom Services - Wireline		
ALSK	Alaska Communications Sys 2-EW	\$699
BLS	BellSouth Corp 1-OW	N/A
CCOI	Cogent Communications Grc 1-OW	\$1,293
CNSL	Consolidated Communicatio 1-OW	\$512
CTL	CenturyTel, Inc 2-EW	\$5,162
CZN	Citizens Communications 1-OW	\$4,365
EQ	Embarq 3-UW	\$8,176
FRP	FairPoint Communications RS	\$642
TWA	Iowa Telecommunications 3-UW	\$624
Q	Qwest Commu Int 1-OW	\$13,054
SVVS	SAVVIS, Inc. 2-EW	\$1,893
T	AT&T 1-OW	\$254,464
TDS	Telephone & Data Systems 2-EW	\$3,981
TWTC	Time Warner Telecom 1-OW	\$3,320
VZ	Verizon Communications 1-OW	\$131,544
WIN	Windstream Corporation 1-OW	\$6,313
		\$436,042

VII. Models / Quality / Functionality (as of 09/30/2007) (score based out of 16)

	2006	Dept Avg
Quality / Functionality Score	-	-
% Models Posted to LehmanLive	-	-

IX. Ratings Performance and Distribution (FYTD as of 09/30/2007)

	% Rating Equal Weight	Coverage Distribution (as of 09/30/2007)
Telecom Services - Wireline		
1-OW	28.1%	68.8%
2-EW	20.5%	18.8%
3-UW	2.9%	12.5%
RS	-10.2%	0.0%
Sector Average	21.4%	100.0%
Wireless Services		
1-OW	54.1%	25.0%
2-EW	29.7%	75.0%
Sector Average	38.3%	100.0%

Wireless Services

	Rating	Mkt Cap (\$M)
AT	ALLTEL Corp 2-EW	\$24,672
NTLS	NTELOS Holdings 1-OW	\$1,247
S	Sprint Nextel Corp 2-EW	\$49,399
USM	US Cellular Corp 2-EW	\$887
		\$76,205

X. Sales Survey (Quartile)

	Overall					Coverage				
	MY 2005	YE 2005	MY 2006	YE 2006	MY 2007	YE 2007	MY 2007	YE 2007	MY 2007	YE 2007
Sector Expertise	3	2	2	2	2	1	1	2	2	2
Stock Picking	2	1	1	1	1	1	1	1	1	1
Skills and Marketing	3	2	2	2	1	1	1	2	2	2
Responsiveness	3	1	2	1	1	1	1	2	2	2
Internal Visibility	-	-	3	2	1	1	1	1	2	2
External Visibility	-	-	1	2	1	1	1	1	2	2
Overall	3	2	2	2	1	1	1	2	2	2

XI. Staff Development (as of 09/30/2007)

Team	Team Status	Manager Status
Bowdry, Chanelle	Submitted	Signed Off
Navarro-Sarfich, Francisco	Submitted	Signed Off
Netchvolodoff, Nicholas	Submitted	Signed Off
Rien, Patrick	Submitted	Signed Off

XII. Areas of Development
 Year-End: Increase client penetration through increased marketing effort.
 Mid-Year: Improve frequency of client marketing. Continue to demonstrate leadership in the DC office.

Commission Analyzer:
 1. 2005 and mid-year 2006 commission votes based on binary methodology - no account weights used. 2. 2006 year-end account weightings based on net secondary scorecard revenue.
 3. 2007 mid-year and year-end account weightings based on net secondary budgeted revenue attributed to research. 4. Quartile rankings in the 2007 year-end reviews are based off of our Fundamental Senior Analyst population with 7 or more tickers. Accordingly, due to the smaller Analyst population prior period quartile results are not directly comparable.

LEHMAN BROTHERS

2007 Equity Research Analyst Performance/Compensation Review

Employee Information

Employee Name: Joseph F Campbell Jr.	Review Date: 28-Nov-07
Industry: Industrial	Review Period: 01-Dec-06 to 30-Nov-07
Manager: Stuart M. Linde	Hire Date: 11-Apr-94

Overall Evaluation

I. Quality and accuracy of research (e.g., evaluations, independent surveys, ratings performance, size of coverage universe)

- * Senior Aerospace and Defense analyst covering 10 companies totaling over \$323 billion in market cap.
- * Consistently top ranked in Aerospace and Defense in the Institutional Investor survey, most recently ranked Runner Up.
- * Ranked # 9 in the Greenwich Quality Index with a score of 474 and ranked #6 in Weighted Research Franchise with a score of 6.0%; in 2006, ranked #8 in the Greenwich Quality Index with a score of 466 and ranked #5 in Weighted Research Franchise with a score of 8.2%.
- * Ranked in the first quartile in the Sales and Trading surveys.
- * Ranked in the second quartile in the IPC survey.
- * Ranked in the second quartile in commission votes.
- * Achieved a model quality functionality score of 12.
- * Overweight stocks outperformed his equalweight stocks.
- * Exceeded departmental productivity averages in marketing meetings.

II. Other factors (e.g., individual performance, trading revenues, job market)

- * Annualized trading revenues are \$4.6 million, up 21% y-o-y. Loss ratio of (58%).
- * Annualized commissions are \$3.6 million, down 6% y-o-y.
- * Joe has given his team analyst, Carter Copeland, lead coverage responsibilities of some names in his universe.

III. Firm / divisional initiatives (e.g., diversity, leadership and learning, recruiting, philanthropy)

- * Contributor: Recruiting: Office Visit Host for Associate Recruiting; senior mentor for analyst recruiting.

Compensation Recommendation (USD)

	Paid Total Compensation		Annualized Total Compensation	
	FY 2007	FY 2006	FY 2007	FY 2006
Salary	200,000	200,000		
Bonus	1,050,000	1,450,000		
Total Compensation (TC)	1,250,000	1,650,000		
<i>% Change TC (YoY)</i>	<i>24%</i>	<i>3%</i>		
Other Payments				
Diversity Award	0	0		
TC with Other Payments	1,250,000	1,650,000		
<i>% Change TC with Other Payments (YoY)</i>	<i>24%</i>	<i>3%</i>		

Additional Comments

Joe's client franchise has been eroding as he dropped to the second quartile in commission votes. While he has maintained his Runner Up ranking in the Institutional Investor survey, he slipped from #8 to #9 in the Greenwich Quality Index and from #5 to #6 in Weighted Research Franchise. His productivity measures in all metrics except marketing meetings are all below the department average. Earlier this year, Joe gave his team analyst, Carter Copeland, some lead coverage responsibilities. Joe has contributed to the Firm's analyst and associate recruiting efforts. Joe's compensation of \$1,250,000 is down 24% y-o-y which is reflective of his performance and the shift of some responsibilities to Carter Copeland.

Lehman Brothers

2007 Year-End Equity Research Senior Analyst Performance Review

Employee Information

Employee Name	Campbell, Joseph	Manager	
Industry	Industrial	Date of Review	11/28/2007
Sector(s)	Aerospace & Defense	Review Period	12/1/2006 - 11/30/2007

I. Trading Revenue (\$M) (FYTD as of 09/30/2007)

	MY 2005	FYE 2005	MY 2006	FYE 2006	MY 2007	FYTD 2007
Total Revenues	\$2.31	\$3.92	\$1.85	\$4	\$2.35	\$3.85
Total Commissions	\$1.87	\$3.71	\$1.61	\$3.77	\$1.59	\$2.98
Trading P&L	(\$0.25)	(\$0.68)	(\$0.36)	(\$0.76)	(\$0.43)	(\$1.20)
Proprietary Trading	\$0.69	\$0.88	\$0.41	\$0.99	\$1.19	\$2.08
YoY %Chg	80%	3%	-28%	2%	42%	21%
Auto-Avg Rank	4	6	3	5	5	

II. Commission Votes / Analyzer* (Quartiles) (as of 09/30/2007)

	2005	2006	2007
Mid-Year	1	2	2
Year-End	2	1	2

*Commission Analyzer effective YE 2006

IV. Independent Surveys

Survey	Sector Name	2005		2006		2007	
		Rank	Score	Rank	Score	Rank	Score
Greenwich Weighted Res Franchise	Aerospace & Defense	6	7.40%	5	8.20%	5	6.00%
Greenwich Quality Index	Aerospace & Defense	7	483	8	466	8	414
Greenwich Penetration	Aerospace & Defense	4	52%	2	44%	6	37%
II Commission Weighted	Aerospace & Defense Electronics	5 (CR)	7.97	5 (CR)	8.58		

III. Business Plan Execution (MY commenced in '07)

	2005	2006	2007
Planned	5	2	3
Actual (MY)	-	-	0
Actual (YE)	3	2	0

VI. Productivity (FYTD as of 09/30/2007)

	2005	Dept Avg	2006	Dept Avg	2007	Dept Avg
Calls	1138	1307	722	1233	85	738
FC Notes	83	111	117	147	54	13
Times on Call-AM/PM	25/8	19/10	10/4	18/7	7/2	14/3
Marketing Meetings	141	85	99	80	28	54
Non-dear Roadshows	12	10	13	6		
Vetting Requests	1	1	3	2		

V. IPC Survey

	2005	2006	2007
Thesis	-	1	1
Timeliness	2	2	2
Valuation	-	1	1
Presentation	1	1	1

VII. Models / Quality / Functionality (as of 09/30/2007) (score based out of 16)

	2006	Dept Avg	2007	Dept Avg
Quality / Functionality Score	-	-	-	-
% Models Posted to LehmanLive	-	-	-	-

VIII. Coverage Universe (as of 10/31/2007)

	Rating	Mkt Cap (\$M)
Aerospace & Defense	1-Positive	
ATK	Alliant Techsystems	2-EW \$3,775
BA	Boeing Co	1-OW \$75,431
COL	Rockwell Collins	1-OW \$12,556
EAD.PA	EADS	2-EW \$19,321
GD	General Dynamics	1-OW \$36,649
LLL	L-3 Communications	1-OW \$13,641
LMT	Lockheed Martin	2-EW \$45,948
NOC	Northrop Grumman	2-EW \$29,348
RTN	Raytheon Co	1-OW \$27,993
SMIN.L	Smiths Group	1-OW \$4,340
URS	URS Corp	1-OW \$3,112
UTX	United Technologies	1-OW \$75,289
		12 \$347,403

IX. Ratings Performance and Distribution (FYTD as of 09/30/2007)

	Relative Equal Weight	Coverage Distribution (as of 09/30/2007)
Aerospace & Defense		
1-OW	38.0%	70.0%
2-EW	25.0%	30.0%
3-UW	14.2%	0.0%
Sector Average	32.1%	100.0%

X. Sales Survey (Quartile)

	Overall					Coverage				
	MY 2005	YE 2005	MY 2006	YE 2006	MY 2007	YE 2006	MY 2007	YE 2007	MY 2007	YE 2007
Sector Expertise	2	2	1	1	1	1	1	1	1	1
Stock Picking	1	1	1	1	1	1	1	1	1	1
Skills and Marketing	1	1	1	2	2	2	2	2	2	2
Responsiveness	4	4	2	4	3	2	2	4	4	4
Internal Visibility	-	-	2	2	2	2	2	2	2	2
External Visibility	-	-	4	2	2	1	1	2	2	2
Overall										

XI. Staff Development (as of 09/30/2007)

Team	Team Status	Manager Status
Berman, Sandi	Submitted	Signed Off
Copeland, Carter	Submitted	Signed Off

XII. Areas of Development

Year-End: *Trading revenues adjusted for transfer of coverage to C. Copeland in Aug 07; Continue to increase: Client Franchise; Voter Focus: Greenwich, II; Develop: Team;
 Mid-Year: Focus On Report Quality, Client Contacts & New Team Hires

Commission Analyzer:

1. 2005 and mid-year 2006 commission votes based on binary methodology - no account weights used. 2. 2006 year-end account weightings based on net secondary scorecard revenue.
 3. 2007 mid-year and year-end account weightings based on net secondary budgeted revenue attributed to research. 4. Quartile rankings in the 2007 year-end reviews are based off of our Fundamental Senior Analyst population with 7 or more tickers. Accordingly, due to the smaller Analyst population prior period quartile results are not directly comparable.

LEHMAN BROTHERS

2007 Equity Research Analyst Performance/Compensation Review

Employee Information

Employee Name: Ming Kwong Ivan Lee	Review Date: 23-Nov-07
Industry: Power	Review Period: 01-Dec-06 to 30-Nov-07
Manager: Chan, Kent	Hire Date: 17-Aug-04

Overall Evaluation

I. Quality and accuracy of research (e.g., evaluations, independent surveys, ratings performance, size of coverage universe)

- * Ivan (Ming Kwon) is the #3 sales ranked analyst amongst 47, up from 7th in mid-year and #1 in client review off 31.
- * He is the #3 ranked power analyst in 2007 II.
- * His 23 stocks under coverage is #1 in the department (with solid juniors).
- * Ivan has solid scores across the board; the only criticisms are perhaps too many neutrally rated stocks.

II. Other factors (e.g., individual performance, trading revenues, job market)

- * Ivan's renewable energy tour a differentiated tour for LEH and first in the sector.
- * His client calling is first amongst analysts and he is a leader in the corporate access in department.
- * Ivan is not replaceable in the job market and as the leader of the alternative energy and environmental sectors, Ivan's team continues to take on new challenges.

III. Firm / divisional initiatives (e.g., diversity, leadership and learning, recruiting, philanthropy)

- * Ivan can take on more responsibilities in the department in the future and play a greater role as a department leader, not just sector leader, interest as a possible HK Strategist also holds potential in 2008.

Compensation Recommendation (USD)

	Paid Total Compensation		Annualized Total Compensation	
	FY 2007	FY 2006	FY 2007	FY 2006
Salary	160,162	148,110		
Housing	76,875	61,820		
Bonus	962,960	490,070		
Total Compensation (TC)	1,200,000	700,000		
% Change TC (YoY)	71%	75%		
Other Payments				
Diversity Award	0	0		
TC with Other Payments	1,200,000	700,000		
% Change TC with Other Payments (YoY)	71%	75%		

Additional Comments

* Clearly a solid performer and a huge improvement from two years ago and maintaining challenges and incentives for Ivan will remain our management challenge in the future.

Lehman Brothers

Equity Research Analyst Performance Review - ASIA

2007 Year-End

Employee Information

Employee Name	Lee, Ivan	Manager	
Industry	Energy & Power	Date of Review	09/30/2007
Sector(s)	Power & Utilities	Review Period	12/1/2006 - 11/30/2007

I. Sales & Sales Trading Survey (# represents quartile)

	# HIGH	# MEDIUM	# LOW	Overall Rank
Sector knowledge	18	9	0	4
Quality of research	20	6	0	2
Stock picking ability	20	6	0	2
Presentation skills	17	9	0	3
Client relationships	18	6	0	5
Commerciality	19	7	0	3
Desk contact	11	15	0	3
Communication	18	6	1	2
Average	17	8	0	3

II. Productivity

	Count	Dept Ave.	Rankings
Reports	13	7	5
Notes	98	30	6
One-on-One Calls	3273	338	1
Calls to top tier accounts	2388	201	1
Local Client Meetings	37	8	4
Client Meetings with top tier accounts			
Overseas Marketing Meetings	222	33	2
Non-Deal Road Shows (# companies)	14	1	2
Morning meeting presentations	69	19	5
Verifying Requests	-	0	-

III. Coverage & Sales Commission (as of 09/30/2007)

	Result	Rank
# Stocks Covered	23	1
Market Capitalisation (\$M)	\$206,511	7
Commission	\$338,015	6

IV. Independent Surveys (Institutional Investor)

	2005	2006	2007
Sector			
Power			3T

V. Business Plan Execution (Initiations)

	2005	2006	2007
Planned	-	-	10
Actual (MY)	-	-	4
Actual (YE)	-	-	8

VI. Ratings Performance & Distribution (1)

Power & Utilities	%Change	Distribution
1-Overweight	17.02%	54.2%
2-Equal weight	24.99%	37.5%
3-Underweight	2.85%	8.3%

VII. Staff Development

Team	Junior/Admin Status	Manager Status
Chellappa, Karthik		

VIII. Coverage Universe (as of 09/30/2007)

	Rating	Mkt Cap (\$M)
CLP Holdings	1-Overweight	\$16,189
Hong Kong & China Gas	2-Equal weight	\$16,263
Hongkong Electric	1-Overweight	\$10,919
Korea Electric Power Corp.	1-Overweight	\$28,256
Korea Gas Corporation	3-Underweight	\$5,598
China Resources Power	2-Equal weight	\$14,267
China Water Affairs Group Limited	1-Overweight	\$815
Huaneng Power International	1-Overweight	\$21,411
Datang International	2-Equal weight	\$23,102
Cheung Kong Infrastructure	1-Overweight	\$8,871
Tianjin Capital Environmental	3-Underweight	\$1,449
Huadian Power International	1-Overweight	\$6,289
China Power International	1-Overweight	\$1,931
Xiniao Gas	1-Overweight	\$1,854
E-Ton Solar Tech Co Ltd	2-Equal weight	\$740
Motech Industries Inc	1-Overweight	\$2,050
Canadian Solar Inc	2-Equal weight	\$275
Electricity Generating PCL	2-Equal weight	\$1,899
Petronas Gas	2-Equal weight	\$6,826
Ratchaburi	2-Equal weight	\$2,089
Suntech Power Holdings	1-Overweight	\$9,078
Suzlon Energy Limited	1-Overweight	\$14,486
Tenaga Nasional	1-Overweight	\$12,044
		\$206,511

IX. Areas of Development

Year-End:
Mid-Year:

Compensation Review Process for Equity Research Personnel

WHEREAS, the Committee has previously implemented a comprehensive review process with respect to the compensation of "Lead Research Analysts", lead research analysts employed by Lehman Brothers Inc. as well as certain other equity research analysts employed by other subsidiaries of the Corporation (the "Research Analyst Compensation Review Process"), consistent with the terms of the equity research settlement, as well as with applicable NYSE and NASD rules concerning the evaluation and compensation of equity research analysts, which process included the establishment of a Research Analyst Compensation Committee (the "RACC"), and

WHEREAS, the Committee has previously resolved to review and approve the compensation process for equity research personnel at least annually, and

WHEREAS, the Committee has received a presentation from the RACC concerning the Research Analyst Compensation Review Process for the fiscal year ended November 30, 2007 ("Fiscal 2007") and the compensation amounts to be paid to Lead Research Analysts for Fiscal 2007, as well as confirmation that the basis for each compensation decision with respect to members of Research management has been documented, the written portion of which presentation is attached hereto as Exhibit A, and has found such process to be satisfactory and consistent with the requirements of the equity research settlement, now therefore be it

RESOLVED, that the Committee hereby approves the Research Analyst Compensation Review Process for Fiscal 2007; and

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 review process 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.

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
<i>Americas</i>						
1	Adler, Meredith	Linde, S	\$1,400,000	\$1,600,000	-3%	\$20,000
2	Anruth, Douglas	Meyers W / Jayant, V	\$700,000	\$850,000	21%	
3	Baez, M. Gabriela	Meyers W / Rothman, M	\$475,000	\$600,000	33%	\$20,000
4	Berg, Eric N.	Linde, S	\$400,000	\$600,000	-54%	
5	Bernstein, Jeffrey A.	Meyers, W / Adler, M	\$475,000	\$600,000	33%	
6	Birchough, Jim	Linde, S	\$1,300,000	\$1,500,000	3%	
7	Bisbee, Gerald E.	Meyers, W / Lazar, A	\$825,000	\$1,000,000	25%	
8	Black, Jeff P.	Linde, S / Adler, M	\$450,000	\$600,000	0%	
9	Blackman, Mathew J.	Meyers, W / Marsh, L / Hopkins, B	\$155,000	\$260,000	8%	
10	Branca, Michael J.	Linde, S / Lazar, A	\$1,250,000	\$1,450,000	-6%	
11	Butler, Charles A.	Linde, S	\$1,400,000	\$1,600,000	7%	
12	Campbell Jr., Joseph F	Linde, S / Cornell, R	\$1,050,000	\$1,250,000	-24%	
13	Chase, Garrett L.	Meyers, W / Cornell, R	\$1,025,000	\$1,200,000	33%	
14	Cheng, Yim C.	Meyers, W / Gross II, R / Driscoll, T	\$700,000	\$900,000	-10%	
15	Churamani, Vikram	Meyers, W / Luke, T	\$170,000	\$275,000	10%	
16	Clapsis, Antonios	Meyers, W / Wallace, K	\$85,000	\$185,000	9%	
17	Copeland, Carter	Meyers, W / Cornell, R / Campbell, J	\$255,000	\$360,000	44%	
18	Cornell, Robert T.	Linde, S	\$1,600,000	\$1,800,000	-20%	
19	Crandell, James D.	Linde, S / Gross II, R / Driscoll, T	\$1,350,000	\$1,550,000	0%	
20	Deshpande, Maneesh S.	Krishna, V	\$625,000	\$769,712	n/a	
21	Diclemente, Anthony	Meyers, W / Jayant, V	\$600,000	\$750,000	30%	
22	Drbul, Robert S.	Linde, S / Adler, M	\$1,700,000	\$1,900,000	-5%	
23	Driscoll, Thomas R.	Linde, S	\$1,200,000	\$1,400,000	0%	
24	Egan, David	Meyers, W / Luke, T	\$125,000	\$225,000	22%	
25	Ergin, Evren	Krishna, V	\$425,000	\$550,000	22%	
26	Feinstein, Adam T.	Linde, S / Marsh, L	\$1,650,000	\$1,850,000	0%	\$60,000
27	Feldman, Brett	Meyers, W / Jayant, V	\$295,000	\$400,000	45%	
28	Fischbeck, Kevin M.	Meyers, W / Marsh, L	\$185,000	\$300,000	-8%	
29	Ford, Daniel F.	Linde, S	\$3,400,000	\$3,600,000	6%	
30	Freeman, Roger A.	Meyers, W	\$450,000	\$600,000	20%	
31	Gelb, Jay	Meyers, W	\$1,050,000	\$1,250,000	25%	
32	Goldberg, Jason M.	Linde, S	\$2,050,000	\$2,250,000	5%	
33	Gross II, Richard G	Linde, S	\$1,700,000	\$1,900,000	3%	
34	Guido, Dana	Meyers, W / Ward, P	\$195,000	\$300,000	15%	

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
35	Handler, Eric O.	Meyers, W / Jayant, V	\$285,000	\$400,000	23%	
36	Harmon, Jim	Meyers, W / Gross II, R / Driscoll, T	\$170,000	\$275,000	0%	
37	Harris, David B.	Meyers, W	\$350,000	\$500,000	-17%	
38	Harting, Bruce W.	Linde, S	\$1,300,000	\$1,500,000	-70%	
39	Hendrix, Felicia R.	Linde, S / Lazar, A	\$1,150,000	\$1,350,000	-7%	
40	Hernandez, Israel	Linde, S / Luke, T	\$400,000	\$600,000	-33%	\$5,000
41	Hopkins, Robert A	Linde, S / Marsh, L	\$2,400,000	\$2,600,000	4%	
42	Howland, Karen	Meyers, W / Adler, M	\$195,000	\$300,000	50%	
43	Huber, Craig A.	Meyers, W / Jayant, V	\$700,000	\$875,000	0%	
44	Jain, Sangita	Meyers, W / Cornell, R	\$235,000	\$350,000	-7%	
45	Jao, Andrea T.	Meyers, W	\$225,000	\$350,000	-18%	
46	Jayant, Vijay	Linde, S	\$1,900,000	\$2,100,000	5%	
47	Johnson, Brian A.	Linde, S / Cornell, R	\$900,000	\$1,100,000	22%	
48	Kaplowitz, Andrew A.	Meyers, W / Cornell, R	\$345,000	\$450,000	55%	
49	Kessler, Jeffrey T.	Meyers, W / Lazar, A	\$275,000	\$425,000	-23%	
50	Krapivin, Yuri Y.	Meyers, W / Luke, T	\$260,000	\$375,000	7%	
51	Krishna, Venu J.	Linde, S / Mattu, R	\$850,000	\$1,050,000	5%	
52	Kupferschmidt, Marcus L.	Meyers, W / Luke, T	\$210,000	\$325,000	0%	
53	Kvaal, Jeffrey T.	Meyers, W / Luke, T	\$550,000	\$700,000	17%	
54	Lafemina, Christopher M.	Norris, P / Meyers, W	\$450,000	\$600,000	20%	
55	Lasser, Michael	Meyers, W / Adler, M	\$260,000	\$375,000	25%	
56	Lazar, Andrew	Linde, S	\$1,900,000	\$2,100,000	-9%	
57	Lieberman, Lauren R.	Linde, S / Lazar, A	\$1,200,000	\$1,400,000	25%	
58	Luke, Timothy F.	Linde, S	\$3,800,000	\$4,000,000	-9%	
59	Mallick, Devapriya	Krishna, V	\$245,000	\$350,000	40%	
60	Marr, Charles R.	Meyers, W / Wallace, K	\$160,000	\$265,000	4%	
61	Marsh, Lawrence C.	Linde, S	\$1,700,000	\$1,900,000	-14%	
62	Muse, Christopher J.	Meyers, W / Luke, T	\$450,000	\$600,000	20%	
63	O'Callaghan, Shannon	Meyers, W / Cornell, R	\$450,000	\$600,000	20%	
64	Orrill, Gregg	Meyers, W	\$700,000	\$875,000	6%	
65	Postal, Steven M	Meyers, W / Marsh, L	\$110,000	\$215,000	5%	
66	Raskin, Joshua R.	Linde, S / Marsh, L	\$1,250,000	\$1,450,000	-6%	\$20,000
67	Robertson, Jeffrey W.	Meyers, W / Gross II, R / Driscoll, T	\$650,000	\$850,000	6%	
68	Rothman, Matthew S.	Mattu, R	\$1,400,000	\$1,600,000	7%	
69	Ruschmeier, Peter B.	Meyers, W / Cornell, R	\$700,000	\$900,000	0%	
70	Sabbagha, Caroline E.	Linde, S / Luke, T	\$580,000	\$700,000	-15%	

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
71	Sedita, Angeline M.	Meyers, W / Gross II, R / Driscoll, T	\$250,000	\$400,000	-43%	
72	Seitz, Thomas O.	Meyers, W / Jayant, V	\$725,000	\$900,000	20%	
73	Shah, Romit	Meyers, W / Luke, T	\$500,000	\$650,000	24%	
74	Silver, Richard B.	Meyers, W	\$400,000	\$600,000	-33%	
75	Singh, Inder M.	Linde, S / Luke, T	\$1,200,000	\$1,284,615	n/a	
76	Swatland, Noelle A.	Meyers, W / Luke, T	\$160,000	\$275,000	-8%	
77	Talbott Mcgrath, Megan	Meyers, W / Jayant, V	\$235,000	\$350,000	8%	
78	Thomas, Bradley B	Meyers, W / Adler, M	\$195,000	\$300,000	40%	
79	Tiss, Joel G.	Linde, S / Cornell, R	\$450,000	\$650,000	-43%	\$5,000
80	Toti, David	Meyers, W / Harris, D	\$170,000	\$275,000	8%	\$5,000
81	Tsao, Douglas D.	Meyers, W / Marsh, L	\$100,000	\$200,000	14%	
82	Vasnetsov, Sergey A.	Linde, S / Gross II, R / Driscoll, T	\$1,000,000	\$1,200,000	-20%	
83	Wallace, Kim N.	Linde, S	\$750,000	\$950,000	-10%	\$5,000
84	Ward, Peter D.	Linde, S	\$1,500,000	\$1,700,000	0%	
	West, James C.	Meyers, W / Gross II, R / Driscoll, T	\$400,000	\$525,000	31%	
	Whang, Sungha Daniel	Meyers, W / Cornell, R	\$135,000	\$250,000	-18%	
87	Willens, Robert	Meyers, W	\$200,000	\$400,000	-20%	

Europe

88	Belaunde, David	Norris P / Shackleton, I	\$181,048	\$350,000	-17%	
89	Gardner, Philippa Jola	Norris P / Walton, J / Weston, M	\$50,686	\$166,965	7%	
90	Hellmuth, Dorothee Hanna	Norris P / Will, C	\$350,924	\$500,000	34%	
91	Jeffrey, Stuart A	Norris, P	\$431,664	\$700,000	17%	
92	Walker, Matthew J	Norris, P / Tennant, C	\$306,664	\$575,000	-23%	
93	Welford, Peter	Norris, P / Walton, J / Weston, M	\$281,048	\$450,000	11%	

Asia

94	Bihani, Sundeep	Chan, K / Wuh, P / He, H	\$416,149	\$625,000	39%	
95	Choy, Tsun Kit	Chan K / Louie, P / He, H	\$74,924	\$140,943	54%	
96	Chu, Danny Wai Kit	Chan, K / He, H	\$178,277	\$300,000	14%	
97	Du, Yanyi	Chan K / Ho, H / He, H	\$509,000	\$694,681	n/a	
98	Feng, Zhe	Chan K / Ho, H / He, H	\$461,650	\$650,000	86%	
99	Hou, Yankun	Chan, K / Ho, H / He, H	\$121,723	\$256,259	25%	
100	Hsu, Chung Wei John	Leu, A / Chan, K / He, H	\$278,541	\$400,000	45%	
	Huang, Jiaying	Chan, K / Ho, H / He, H	\$83,284	\$144,181	n/a	
102	Hung, Yueh Chuan	Leu, A / He, H	\$136,132	\$250,000	51%	

EXHIBIT A

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
103	Kerr, Naiwen	Leu, A / Chan, K / He, H	\$133,359	\$270,000	-17%	
104	Khoo, Chiew Cheng	He, H	\$1,265,552	\$1,550,000	15%	\$15,000
105	Kim, James Jisung	Koo, Z / Chan, K / He, H	\$735,062	\$950,000	28%	
106	Koo, Zayong	Chan, K / He, H	\$585,062	\$800,000	14%	
107	Lee, Andrew Kam Wing	Chan, K / He, H	\$171,694	\$256,115	n/a	
108	Lee, Ming Kwong Ivan	Chan, K / He, H	\$962,960	\$1,200,000	71%	
109	Leu, Abraham	Chan, K / He, H / Mattu, R	\$0	\$258,100	-74%	
110	Lo, Man Chuen Benjamin	Chan, K / He, H	\$251,890	\$349,714	n/a	
111	Lo, Michael	Chan, K / Khoo, C / He, H	\$122,777	\$244,500	15%	
112	Louie, Paul	Chan, K / He, H	\$589,838	\$750,000	30%	
113	Peng, Yan Yan	Chan, K / Ho, H / He, H	\$64,065	\$121,723	12%	
114	Por, Yong Liang	Chan, K / Khoo, C / He, H	\$168,277	\$290,000	20%	
115	Schulte, Paul	Chan, K / He, H	\$300,000	\$392,395	n/a	
116	Siu, Michael	Chan, K / He, H	\$261,149	\$470,000	0%	
117	Wang, Yolanda Yu Ya	Leu, A / He, H	\$213,359	\$350,000	13%	
118	Wong, Man Yin	Chan, K / He, H	\$209,503	\$345,000	n/a	
119	Wong, Pui Wing Perveen	Chan, K / Lo, M / He, H	\$65,987	\$123,663	n/a	
120	Wuh, Paul	Chan, K / He, H	\$362,960	\$600,000	11%	\$15,000
121	Yang, Chun Han	Leu, A / Chan, K / He, H	\$263,359	\$400,000	23%	
122	Yang, Stanley Sung Uk	Koo, Z / Chan, K / He, H	\$228,049	\$400,000	8%	
123	Yoneshima, Keiichi	Chiwata, K / He, H	\$154,781	\$285,000	-1%	
India						
124	Agarwal, Ankur	Kaushik, S / Invernizzi, S	\$64,840	\$102,160	96%	
125	Garg, Rahul	Kaushik, S / Randall, L	\$29,650	\$52,268	79%	
Grand Total			\$78,855,887	\$98,302,995		\$170,000

ASU Awards for
Liberty View

2007 EQUITY AWARDS FOR LIBERTYVIEW EMPLOYEES

- In January 2007, we discussed with the Committee our intention to have LibertyView Capital Management (“LibertyView”) employees participate in the Lehman Brothers Equity Award Program.
- However, since their performance year ends on December 31, it is not feasible to determine the year-end equity awards for traders at LibertyView at the same time as awards under our regular program.
 - Non-trading LibertyView employees participated in the regular year-end equity program.
- Last year, we granted equity awards to LibertyView Senior Vice Presidents and Managing Directors (with trading responsibilities) with the same terms as those for other Lehman Brothers employees under the 2006 Equity Award Program—except for pricing, which was determined on January 30, 2007—with the view to include all employees the following year.
- This year, we would like to expand the program and grant RSUs to all LibertyView employees with trading responsibilities with the same terms and conditions as the regular 2007 Equity Award Program (including deferral levels, discount, vesting, delivery, and termination provisions); with the exception of the pricing of the awards, which will be granted, upon the Committee’s approval, on January 28, 2008.
 - We anticipate that this award will require approximately 150,000 RSUs in the aggregate, assuming a grant price of \$55.
- Going forward, we expect that all LibertyView employees will continue to participate in the Firm-wide Equity Award Program, on the same terms as other Lehman Brothers employees, with the exception of pricing for employees with trading responsibilities, which we expect would be set at the Committee’s January meeting each year.

2007 EQUITY AWARD PROGRAM FOR LIBERTYVIEW EMPLOYEES

WHEREAS, the Compensation and Benefits Committee of the Board of Directors (the "Committee") in its discretion has determined to grant equity awards as a component of 2007 total compensation to employees of LibertyView Capital Management ("LibertyView"), now, therefore, be it

RESOLVED, that the Committee hereby establishes January 28, 2008 as the grant date (the "Grant Date") for such 2007 equity awards in order to align the timing of such grants with the end of LibertyView's fiscal year; and be it further

2007 Standard RSU Awards (Vice Presidents and Below)

RESOLVED, that the Committee hereby grants to each of the employees of LibertyView who meet the eligibility criteria described on Exhibit A, the number of Restricted Stock Units ("RSUs") related to shares of the Corporation's Common Stock, par value \$.10 per share ("Common Stock"), under and subject to the terms of the 2005 Stock Incentive Plan ("SIP"), which RSUs shall be computed in accordance with Exhibit B hereto and shall be subject to the terms and conditions set forth on Exhibits B and C, and the Change in Control provisions set forth on Exhibit J; and be it further

2007 Senior Vice President RSU Awards

RESOLVED, that the Committee hereby grants to each of the Senior Vice Presidents ("SVPs") of LibertyView who meet the eligibility criteria described on Exhibit D, the number of RSUs under and subject to the terms of the SIP, which Senior Vice President RSUs shall be computed in accordance with Exhibit E hereto and shall be subject to the terms and conditions set forth on Exhibits E and F, and the Change in Control provisions set forth on Exhibit J; and be it further

2007 Managing Director RSU Awards

RESOLVED, that the Committee hereby grants to each of the Managing Directors ("MDs") of LibertyView who meet the eligibility criteria described on Exhibit G, the number of RSUs under and subject to the terms of the SIP, which Managing Director RSUs shall be computed in accordance with Exhibit H hereto and shall be subject to the terms and conditions set forth on Exhibits H and I, and the Change in Control provisions set forth on Exhibit J; and be it further

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.

Eligibility Criteria

The group of employees as defined below is eligible to receive Standard RSU Awards:

All active LibertyView employees or LibertyView employees on leaves of absence, as of the Grant Date, excluding all Managing Directors, Senior Vice Presidents, employees on long-term disability on the Grant Date or notified prior to the Grant Date of their pending termination, employees who notify the Firm prior to the Grant Date of their termination with the Firm or their intent to terminate employment with the Firm, and part-time hourly employees.

Furthermore, if the number of RSUs calculated in accordance with Exhibit B results in fewer than five RSUs being awarded for an eligible participant, then such a participant will no longer be considered eligible to receive an RSU award. Bonus-eligible employees who do not receive a bonus will not receive an equity award.

2007 Standard RSU Award Levels

All eligible employees will be awarded RSUs under the SIP as of the Grant Date. The portion of compensation payable in RSUs will be the value determined using 2007 Compensation¹ as defined below and the Standard 2007 Stock Component Summary Table below. The number of RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 25%.

These RSUs will vest 75% on November 30, 2009 and 25% on November 30, 2012, unless otherwise provided in Exhibit C. RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit C or Exhibit J.

Standard 2007 Stock Component Summary Table

Compensation Range	Amount of 2007 Compensation Awarded in RSUs
\$0 - \$74,999	1.15% of 2007 Compensation
\$75,000 - \$99,999	2.3% of 2007 Compensation
\$100,000 - \$199,999	\$2,300 plus 6.9% of 2007 Compensation over \$100,000
\$200,000 - \$299,999	\$9,200 plus 11.5% of 2007 Compensation over \$200,000
\$300,000 - \$499,999	\$20,700 plus 17.25% of 2007 Compensation over \$300,000
\$500,000 - \$749,999	\$55,200 plus 23% of 2007 Compensation over \$500,000
\$750,000 - \$999,999	\$112,700 plus 28.75% of 2007 Compensation over \$750,000
\$1,000,000 - \$1,499,999	\$192,600 plus 36% of 2007 Compensation over \$1.0 million
\$1,500,000 - \$1,999,999	\$372,600 plus 42% of 2007 Compensation over \$1.5 million
\$2,000,000 - \$2,499,999	\$582,600 plus 48% of 2007 Compensation over \$2.0 million
\$2,500,000 and up	\$822,600 plus 54% of 2007 Compensation over \$2.5 million up to a maximum of 36% of 2007 Compensation

Termination Provisions - Standard Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 75%)	Gross-up Portion (Portion related to discount, 25%)
Voluntary Termination	<p>Forfeit entire Principal Portion if termination occurs prior to November 30, 2009.</p> <p>If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Principal Portion on the scheduled payment date, provided no Detrimental Activity² through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Involuntary Termination with Cause ³	<p>Forfeit entire Principal Portion.</p>	<p>Forfeit entire Gross-up Portion.</p>
Involuntary Termination without Cause	<p>Participant is entitled to entire Principal Portion on the scheduled payment date, provided such participant signs a Release Agreement and does not engage in Detrimental Activity through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Full Career Termination ⁴	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Principal Portion, provided no Competitive Activity⁵ through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>
	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Principal Portion, provided no Detrimental Activity through the payment date.</p>	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Detrimental Activity through the payment date.</p>
	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>
Death, Disability ⁶ , or Termination for Select Government Service ⁷	<p>Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.</p>	<p>Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.</p>

Eligibility Criteria

The group of employees as defined below is eligible to receive Senior Vice President RSUs:

All active LibertyView employees with a corporate title of Senior Vice President or such other corporate title equivalent to Senior Vice President of Holdings or Lehman Brothers Inc., as determined by Holdings or Lehman Brothers Inc. (hereafter referred to collectively as "Senior Vice Presidents" or "SVPs") and LibertyView SVPs on leaves of absence as of the Grant Date, excluding employees on long-term disability on the Grant Date or notified prior to the Grant Date of their pending termination, and employees who notify the Firm prior to the Grant Date of their termination with the Firm or their intent to terminate employment with the Firm.

Furthermore, if the number of RSUs calculated in accordance with Exhibit E results in fewer than five RSUs being awarded for an eligible participant, then such a participant will no longer be considered eligible to receive an RSU award. Bonus-eligible employees who do not receive a bonus will not receive an equity award.

2007 Senior Vice President Award Levels

All eligible SVP employees will be awarded RSUs under the SIP as of the Grant Date. The portion of compensation payable in RSUs will be the value determined using 2007 Compensation and the 2007 SVP Stock Component Summary Table below. The number of SVP RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 25%. The SVP RSUs will vest 75% on November 30, 2009 and 25% on November 30, 2012, unless otherwise provided in Exhibit F. RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit F or Exhibit J..

2007 SVP Stock Component Summary Table

Compensation Range	Amount of 2007 Compensation Awarded in RSUs
\$0 - \$99,999	2.3% of 2007 Compensation
\$100,000 - \$199,999	\$2,300 plus 6.9% of 2007 Compensation over \$100,000
\$200,000 - \$299,999	\$9,200 plus 11.5% of 2007 Compensation over \$200,000
\$300,000 - \$499,999	\$34,500 plus 18.6875% of 2007 Compensation over \$300,000
\$500,000 - \$749,999	\$71,875 plus 23% of 2007 Compensation over \$500,000
\$750,000 - \$999,999	\$129,375 plus 40.25% of 2007 Compensation over \$750,000
\$1,000,000 - \$1,499,999	\$240,000 plus 42% of 2007 Compensation over \$1.0 million
\$1,500,000 - \$1,999,999	\$450,000 plus 54% of 2007 Compensation over \$1.5 million
\$2,000,000 - \$2,499,999	\$720,000 plus 66% of 2007 Compensation over \$2.0 million
\$2,500,000 and up	42% of 2007 Compensation

Termination Provisions - Senior Vice President Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 75%)	Gross-up Portion (Portion related to discount, 25%)
Voluntary Termination	<p>Forfeit entire Principal Portion if termination occurs prior to November 30, 2009.</p> <p>If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Principal Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Involuntary Termination with Cause	<p>Forfeit entire Principal Portion.</p>	<p>Forfeit entire Gross-up Portion.</p>
Involuntary Termination without Cause	<p>Participant is entitled to entire Principal Portion on the scheduled payment date, provided such participant signs a Release Agreement and does not engage in Detrimental Activity through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Full Career Termination	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Principal Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p> <p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Principal Portion, provided no Detrimental Activity through the payment date.</p> <p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p> <p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Detrimental Activity through the payment date.</p> <p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>
Death, Disability, or Termination for Select Government Service	<p>Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.</p>	<p>Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.</p>

Capitalized terms not defined in this Exhibit F have the meaning assigned to them on Exhibit C.

Eligibility Criteria

The group of employees as defined below is eligible to receive Managing Director RSUs:

All active LibertyView employees with a corporate title of Managing Director, Senior Managing Director, Vice Chairman, or such other corporate title equivalent to Managing Director of Holdings or Lehman Brothers Inc., as determined by Holdings or Lehman Brothers Inc. (hereafter referred to collectively as "Managing Directors" or "MDs") and LibertyView MDs on leaves of absence from the Firm as of the Grant Date, excluding non-Board Executive Committee members and Executive Officers as required for SEC reporting purposes, employees on long-term disability on the Grant Date or notified prior to the Grant Date of their pending termination, and employees who notify the Firm prior to the Grant Date of their termination with the Firm or their intent to terminate employment with the Firm.

Furthermore, if the number of RSUs calculated in accordance with Exhibit H results in fewer than five RSUs being awarded for an eligible participant, then such a participant will no longer be considered eligible to receive an RSU award. Bonus-eligible employees who do not receive a bonus will not receive an equity award.

2007 Managing Director Award Levels

All eligible MD employees will be awarded RSUs under the SIP as of the Grant Date. The portion of compensation payable in MD RSUs will be calculated based on 2007 Compensation and the 2007 MD Stock Component Summary Table. The number of MD RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 30%. The MD RSUs will vest 35% on November 30, 2010 and 65% on November 30, 2012, unless otherwise provided in Exhibit I. RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit I or Exhibit J.

2007 MD Stock Component Summary Table

Compensation Range	Amount of 2007 Compensation Awarded in RSUs
\$0 - \$99,999	2.3% of 2007 Compensation
\$100,000 - \$199,999	\$2,300 plus 6.9% of 2007 Compensation over \$100,000
\$200,000 - \$299,999	\$9,200 plus 11.5% of 2007 Compensation over \$200,000
\$300,000 - \$499,999	\$34,500 plus 18.6875% of 2007 Compensation over \$300,000
\$500,000 - \$749,999	\$71,875 plus 23% of 2007 Compensation over \$500,000
\$750,000 - \$999,999	\$129,375 plus 40.25% of 2007 Compensation over \$750,000
\$1,000,000 - \$1,499,999	\$240,000 plus 52.8% of 2007 Compensation over \$1.0 million
\$1,500,000 - \$1,999,999	\$504,000 plus 67.2% of 2007 Compensation over \$1.5 million
\$2,000,000 - \$2,499,999	\$840,000 plus 72% of 2007 Compensation over \$2.0 million
\$2,500,000 and up	\$1,200,000 plus 75% of 2007 Compensation over \$2.5 million to a max of 50% of 2007 Compensation

EXHIBIT I

Termination Provisions - Managing Director Restricted Stock Units

Event	Principal Portion	Gross-up Portion
	(Undiscounted base portion of award, 70%)	(Portion related to discount, 30%)
Voluntary Termination	<p>Forfeit entire Principal Portion if termination occurs prior to November 30, 2010.</p> <p>If termination occurs after November 30, 2010, participant is entitled to 50% of the shares related to the Principal Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Involuntary Termination with Cause	<p>Forfeit entire Principal Portion.</p>	<p>Forfeit entire Gross-up Portion.</p>
Involuntary Termination without Cause	<p>Participant is entitled to entire Principal Portion on the scheduled payment date, provided such participant signs a Release Agreement and does not engage in Detrimental Activity through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Full Career Termination	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Principal Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>
	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Principal Portion, provided no Detrimental Activity through the payment date.</p>	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Detrimental Activity through the payment date.</p>
	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>
Death, Disability, or Termination for Select Government Service	<p>Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.</p>	<p>Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.</p>

Capitalized terms not defined in this Exhibit I have the meaning assigned to them on Exhibit C.

Change in Control ProvisionsVesting of RSUs

Following a Change in Control (as defined in the SIP), except to the extent that, and without limiting the provisions under the terms of the RSU Award Agreement that specify that, RSUs would otherwise vest earlier or be forfeited in the event of Detrimental Activity, Termination with Cause or voluntary termination or otherwise under the RSU Award Agreement, all RSUs (Principal and Discount portions) shall vest 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").

Additionally, all RSUs shall become immediately vested in the event of any involuntary Termination without Cause following a Change in Control occurring prior to the Change in Control Vesting Date.

Delivery of Shares

Following a Change in Control, except to the extent that, and without limiting the provisions under the terms of the RSU Award Agreement that specify that, shares would otherwise be delivered earlier thereunder or RSUs are forfeited due to engagement in Detrimental Activity, Termination with Cause or voluntary termination or otherwise under the terms of the RSU Award Agreement, shares with respect to RSUs will be delivered on the Change in Control Vesting Date; provided that in the event of Termination for any reason other than death or Disability occurring after a Change in Control but prior to the Change in Control Vesting Date, shares with respect to then vested RSUs will be delivered upon the earlier of (x) the end of the fiscal quarter one year following the termination date or (y) the Change in Control Vesting Date.

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

¹ "2007 Compensation" means fiscal year 2007 salary earnings, bonus, cash flow, commissions, salary supplements, the value of 2007 car allowances, and housing allowances for local employees (i.e., non-expatriates).

² "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 or 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).

³ "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).

⁴ "Full Career Termination" means a termination of employment when (i) a person has at least 20 years of service; or (ii) a person meets all of the following criteria: (a) the person's age plus years of service equals at least 55, (b) the person is at least 45 years old, and (c) the person has at least 10 years of service; or (iii) a person meets all of the following criteria: (a) the person is at least 50 years old, and (b) the person has at least 5 years of service.

⁵ "Competitive Activity" means involvement (whether as an employee, proprietor, consultant or otherwise) with any person or entity (including any company and its affiliates) engaged in any business activity which is materially competitive with any business carried on by Holdings or any of its subsidiaries or affiliates on the date of termination of a person's employment with Holdings and any of its subsidiaries, as determined in the sole discretion of the Chief Executive Officer or Chief Operating Officer of Lehman Brothers Holdings Inc. (or their respective designees).

⁶ "Disability" means a disability under both the Long-Term Disability Insurance Plan and Social Security Act.

⁷ In the event of a termination for select government service, shares will be issued as soon as practicable following the date of termination, subject to the provisions of Code Section 409A(a)(1).

top 50 paid
employees

FY 2007 Total Compensation Review - Global - Top 50

By Descending 2007 Total Compensation

	Unit	Name	Hired	Title	Region	Group	TC 05	TC 06	Change	TC 07	Change
1	PI	Millard, Robert B.	Jun-76	MD	Americas	Global Trading Strategies	3,760,000	44,531,949	1084%	51,347,377	15%
2	IMD	Schwartz, Marvin C	Jan-61	MD	Americas	Asset Management	19,315,822	27,011,126	40%	31,141,837	15%
3	FID	Hoffman, Jonathan	Aug-94	MD	Americas	Trading - Global Rates	14,750,400	19,851,059	35%	30,850,000	55%
4	EQ	Cassarini, John A.	Feb-05	SVP	Americas	Trading - US Proprietary	639,361	3,493,000	446%	18,500,000	430%
5	PI	Klein, Henry	Mar-03	MD	Americas	Global Trading Strategies	1,300,000	6,200,000	377%	18,200,000	194%
6	EQ	Penkett, Paul Alexis	Jun-97	SVP	Asia	Trading - Asia Proprietary	5,500,000 G+	10,000,000 G+	82%	18,000,000	80%
7	CORP	Savoret, Benoit C.	Jun-97	MD	Europe	Executive Administration	8,000,000	12,000,000	50%	18,000,000	50%
8	FID	Walsh, Mark A.	Aug-88	MD	Americas	FID Administration	25,000,000	27,500,000	10%	17,500,000	-36%
9	FID	Kirk, Alex	Dec-94	MD	Americas	FID Administration	18,000,000	21,000,000	17%	17,000,000	-19%
10	IMD	Glasebrook II, Richard J.	Apr-03	MD	Americas	Asset Management	6,646,450	12,791,195	92%	16,757,246	31%
11	IMD	Shafiroff, Martin	Aug-69	MD	Americas	Private Investment Management	10,123,001	14,621,311	44%	16,495,404	13%
12	EQ	Bouzouba, Rachid	May-03	MD	Europe	EQ Administration	5,000,000	9,000,000	80%	15,000,000	67%
13	FID	Felder, Eric J.	Apr-94	MD	Americas	Trading - High Grade	7,000,000	15,000,000 G	114%	15,000,000	Flat
14	FID	Lee, Hyung S.	Nov-93	MD	Asia	FID Administration	12,000,000	13,500,000	13%	15,000,000	11%
15	IBD	Taussig, Andrew R.	Oct-05	MD	Americas	Retail/Transportation	13,000,000	14,000,000 G+	8%	14,085,000 G+	1%
16	EQ	Donini, Gerald A.	Jun-98	MD	Americas	EQ Administration	9,000,000	11,000,000	22%	14,000,000	27%
17	EQ	Whalen, Patrick J.	Sep-03	MD	Americas	EQ Administration	9,500,000	12,300,000	29%	13,005,000	6%
18	IMD	Kramer, Jeremy R	Sep-98	MD	Americas	Asset Management	6,686,450	10,504,413	57%	12,875,403	23%
19	FID	Amin, Kaushik	Jun-94	MD	Americas	FID Administration	10,000,000	11,500,000	15%	12,500,000	9%
20	PI	Fuchs, Benjamin A.	Jan-96	MD	Asia	Global Opportunities Group	20,000,000	16,000,000	-20%	12,500,000	-22%
21	FID	Morton, Andrew	May-93	MD	Europe	FID Administration	12,000,000	14,000,000	17%	12,500,000	-11%
22	FID	Humphrey, Thomas P.	Dec-86	MD	Americas	FID Administration	13,000,001	14,500,000	12%	12,250,000	-16%
23	CORP	Banchetti, Riccardo	Aug-93	MD	Europe	Executive Administration	10,000,000	11,000,000	10%	12,000,000	9%
24	EQ	Nagpal, Ajay	Feb-01	MD	Americas	EQ Administration	7,500,000	10,400,000	39%	12,000,000	15%
25	EQ	Thorkelsson, Sigurbjorn	Jun-98	MD	Asia	EQ Administration	5,000,000	7,500,000	50%	12,000,000	60%
26	IMD	Weiner, David I	Feb-94	MD	Americas	Asset Management	6,641,450	9,666,345	46%	11,921,906	23%
27	EQ	Durante, Olivier	May-00	SVP	Americas	Quants - US Systematic Trading	4,500,000	6,000,000	33%	11,700,000	95%
28	EQ	Schneider, Gregoire	May-00	SVP	Americas	Quants - US Systematic Trading	4,500,000	6,000,000	33%	11,700,000	95%
29	IBD	Shafir, Mark G.	Mar-03	MD	Americas	Global M&A	9,000,000	11,000,000	22%	11,600,000	5%
30	IBD	Weiss, Jeffrey L.	Aug-83	MD	Americas	Financial Services	8,000,000	10,000,000	25%	11,500,000	15%
31	CORP	Jotwani, Tarun	Sep-95	MD	Asia	Executive Administration	7,000,000	10,000,000	43%	11,250,000	13%

Total Comp (TC) is measured as Paid TC, except in the year of hire where TC is calculated as Annual Base Salary + Paid Bonus + Paid Other Comp (eg Housing). All figures are FX neutralized.

FY 2007 Total Compensation Review - Global - Top 50

By Descending 2007 Total Compensation

	<u>Unit</u>	<u>Name</u>	<u>Hired</u>	<u>Title</u>	<u>Region</u>	<u>Group</u>	<u>TC 05</u>	<u>TC 06</u>	<u>Change</u>	<u>TC 07</u>	<u>Change</u>
32	EQ	Wickham, John R.	Jul-92	MD	Americas	EQ Administration	7,500,000	9,000,000	20%	11,250,000	25%
33	IBD	L'Esperance, Ros L	Jun-87	MD	Americas	Financial Sponsors	8,000,000	10,000,000	25%	11,000,000	10%
34	IBD	Parker, Paul G.	Jul-95	MD	Americas	Global M&A	7,500,000	10,000,000	33%	11,000,000	10%
35	PI	Rieder, Rick M.	Jul-87	MD	Americas	Global Principal Strategies	14,000,000	16,500,000	18%	11,000,000	-33%
36	IBD	Wieseneck, Larry S.	Oct-97	MD	Americas	Global Finance Admin	7,000,000	10,000,000	43%	11,000,000	10%
37	EQ	Dauhajre, Munir	Aug-07	MD	Americas	EQ Administration	-	-	--	10,000,000	G --
38	IBD	Gatto, Joseph D.	Oct-05	MD	Americas	Global M&A	3,500,000	4,750,000	G+ 36%	10,000,000	111%
39	FID	Higgins, Kieran Noel	Sep-95	MD	Europe	Trading - Global Rates	10,000,000	8,000,000	-20%	10,000,000	25%
40	IBD	Hoffmeister, Perry C.	Aug-88	MD	Europe	Administration	7,500,000	9,000,000	20%	10,000,000	11%
41	IBD	Meissner, Christian Andrea	Jan-04	MD	Europe	Administration	4,500,000	8,000,000	78%	10,000,000	25%
42	FID	Psaki, Jeffrey	Jul-00	SVP	Americas	Trading - High Grade	4,250,000	4,000,000	-6%	10,000,000	150%
43	FID	Pearson, Thomas M.	Mar-01	MD	Asia	Origination - Real Estate	5,000,000	9,000,000	80%	9,000,000	Flat
44	IMD	Ramallo, Henry	Dec-93	MD	Americas	Asset Management	1,554,379	5,319,360	242%	8,579,023	61%
45	FID	Assi, Georges	Jan-01	MD	Europe	Trading - Collateralized Debt	3,250,000	5,000,000	G 54%	8,500,000	70%
46	EQ	Corcoran, Joseph J.	Jul-90	MD	Americas	EQ Administration	4,750,000	5,500,000	16%	8,500,000	55%
47	IBD	Jordan, Nicholas	Apr-07	MD	Europe	Russia	-	-	--	8,500,000	G --
48	EQ	Bacha, Mohamed-Ali	Jul-04	SVP	Europe	Trading - Europe Volatility	1,099,409	4,000,000	264%	8,250,000	106%
49	FID	Mattu, Ravi K.	Mar-91	MD	Americas	FID Administration	7,000,000	8,250,000	18%	8,250,000	Flat
50	PI	Brewer, Paul E.	Mar-93	MD	Americas	Global Trading Strategies	1,394,203	4,200,000	201%	8,200,000	95%
51	PI	Tarnow, Joshua R.	Jan-92	MD	Americas	Global Principal Strategies	3,800,000	5,200,000	37%	8,200,000	58%

Total Comp (TC) is measured as Paid TC, except in the year of hire where TC is calculated as Annual Base Salary + Paid Bonus + Paid Other Comp (eg Housing). All figures are FX neutralized.

As of 9:00am on 1/15/2008

Amending SIP

**2005 STOCK INCENTIVE PLAN
SHAREHOLDER REQUEST FOR ADDITIONAL SHARES**

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

January 28, 2008

CONFIDENTIAL

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

LBHI_SEC07940_027183

2005 SIP - ADDITIONAL SHARE REQUEST

- In our upcoming 2008 proxy statement we plan to submit a request to shareholders for additional shares under the 2005 Stock Incentive Plan (“2005 SIP”).
 - As a result of the low stock price at the time we made year-end equity awards on December 7, 2007, we granted a total of 54 million shares for fiscal 2007, more than we had originally projected.
 - While we currently have approximately 30 million shares available for future awards, we expect to have a shortfall of about 20 million.
 - In order to fund our equity program for 2008, we plan to request 25 million additional shares. We expect to finalize the amount of our share request and seek the Committee’s formal approval in February.
 - This equates to approximately 4.4% of the 568 million shares outstanding (fully diluted wt. avg.).
 - We have engaged Georgeson Shareholder Services to assist us with vote projections and soliciting votes from the Firm’s largest institutional shareholders and retail investors.
- Going forward, we expect to make annual requests for additional shares from shareholders.
- As you will recall, the 2005 SIP plan is an omnibus style plan, providing for equity awards to employees, executives and non-employee Directors of the Firm. Awards may be in the form of:
 - Restricted Stock Units (“RSUs”)
 - Stock options or stock-settled Stock Appreciation Rights (“SARs”)
 - Stock options are required to have an exercise prices no less than 100% of FMV on the date of grant and may have a maximum term of 10 years.
 - Other performance-based equity awards (e.g., performance shares, performance stock units)

Amending STEP

**STOCKHOLDER RE-APPROVAL OF THE
SHORT-TERM EXECUTIVE COMPENSATION PLAN**

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

January 28, 2008

CONFIDENTIAL

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

LBHI_SEC07940_027186

LB 010276

STEP – Stockholder Re-Approval

- The Short-Term Executive Compensation Plan (“STEP”) is the Firm’s stockholder-approved incentive plan under which the Committee provides performance-based annual incentive awards to members of the Firm’s Executive Committee and proxy named executive officers.
 - Under the STEP, the Committee establishes compensation formulas at the beginning of the year. Based on the Firm’s performance relative to the formulas, annual incentives are awarded in the form of cash bonuses and Restricted Stock Units.

- The STEP preserves the Firm’s corporate tax deduction on performance-based compensation in excess of \$1 million to our proxy officers under Internal Revenue Code Section 162(m).
 - In order to comply with 162(m), a plan must specify the maximum amount payable. The STEP currently imposes a cap on incentive compensation equal to 2% of pre-tax income to any one participant.

- Since the STEP retains the Committee’s ability to determine the performance metric(s) and formulas annually, the plan must be re-approved by stockholders every 5 years. The STEP was last approved by stockholders in 2003.

- The proposed amendments to the STEP include:
 - Changing the name of the plan to the Executive Incentive Compensation Plan (“EICP”).
 - Changing the term “Special Bonuses” to “Performance Bonuses”.
 - Adding additional performance measures, including Return on Tangible Stockholders’ Equity (“ROTE”), Economic Value Added (“EVA”) and net revenues.

WHEREAS, the Compensation and Benefits Committee of the Board of Directors (the "Committee") generally seeks to preserve the corporate tax deductibility of compensation paid to the named executive officers under Section 162(m) of the Internal Revenue Code; now therefore be it

RESOLVED, that the Committee approves and adopts the Executive Incentive Compensation Plan (F/K/A Short-Term Executive Compensation Plan) in the form attached hereto as Exhibit A.

FURTHER RESOLVED, that the Committee hereby recommends that the Board of Directors adopt of the Executive Incentive Compensation Plan, subject to the approval of the stockholders of Holdings.

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, 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.

LEHMAN BROTHERS HOLDINGS INC.

EXECUTIVE INCENTIVE COMPENSATION PLAN
(F/K/A SHORT-TERM EXECUTIVE COMPENSATION PLAN
As amended through February 19, 2003)

1. ~~1.~~ **PURPOSE.** The purpose of the ~~Short-Term-Executive Incentive~~ Compensation Plan (the "Plan") is to advance the interests of Lehman Brothers Holdings Inc., a Delaware corporation (the "Company"), and its stockholders by providing incentives in the form of periodic bonus awards to certain employees of the Company and any of its subsidiaries or other related business units or entities ("Affiliates") including those who contribute significantly to the strategic and long-term performance objectives and growth of the Company and its Affiliates.

2. ~~2.~~ **ADMINISTRATION.** The Plan shall be administered by the Compensation and Benefits Committee of the Board of Directors (the "Committee"), as such committee is from time to time constituted. The Committee may delegate its duties and powers in whole or in part (i) to any subcommittee thereof consisting solely of at least two "outside directors," as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) to the extent consistent with Section 162(m) of the Code, to any other individual or individuals.

The Committee has all the powers vested in it by the terms of the Plan set forth herein, such powers to include the exclusive authority to select the employees to be granted bonus awards ("Bonuses") under the Plan, to determine the size and terms of the Bonus to be made to each individual selected (subject to the limitation imposed on "Special Performance Bonuses," as defined below), to modify the terms of any Bonus that has been granted (except with respect to any modification which would increase the amount of compensation payable to a "Covered Employee," as such term is defined in Section 162(m) of the Code), to determine the time when Bonuses will be awarded, to establish performance objectives in respect to Bonuses and to certify that such performance objectives were attained. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable to carry it into effect. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned. No member of the Committee and no officer of the Company shall be liable for anything done or omitted to be done by him or her, by any other member of the Committee or by any officer of the Company in connection with the performance of duties under the Plan, except for his or her own willful misconduct or as expressly provided by statute.

3. ~~3-~~**PARTICIPATION.** The Committee shall have exclusive power (except as may be delegated as permitted herein) to select the employees of the Company and its Affiliates who may participate in the Plan and be granted Bonuses under the Plan ("Participants"); provided, however, that SpecialPerformance Bonuses (as defined below) may only be granted to members of the Company's Executive Committee (or any successor entity of such committee in accordance with subsection (c) below) and other Managing Directors of the Company.

4. ~~4-~~**BONUSES UNDER THE PLAN.**

(a) ~~(a)~~ **In General.** The Committee shall determine the amount of a Bonus to be granted to each Participant in accordance with subsections (b) and (c) below.

(b) ~~(b)~~ **Standard Bonuses.** The Committee may in its discretion grant to a Participant a cash Bonus (a "Standard Bonus") in the amount, and payable at the time, determined by the Committee or its delegate in its discretion. The amount of a Participant's Standard Bonus may be based upon any criteria the Committee wishes to consider, including but not limited to the objective or subjective performance of the Participant, the Company or any subsidiary or division thereof.

(c) **Performance Bonuses.**

(i) ~~(e)~~ **Special Bonuses.** ~~(i)~~ The Committee may in its discretion award a Bonus to a Participant who it reasonably believes may be or may become a Covered Employee (a "SpecialPerformance Bonus") for the taxable year of the Company in which such Bonus would be deductible, under the terms and conditions of this subsection (c). Subject to clause ~~(iii)~~ (iv) of this Section 4(c), the amount of a Participant's SpecialPerformance Bonus shall be an amount determinable from written performance goals approved by the Committee while the outcome is substantially uncertain and no more than 90 days after the commencement of the period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The maximum amount of any SpecialPerformance Bonus that may be granted in any given fiscal year shall be 2.0% of the consolidated income of the Company and its subsidiaries before taxes and dividends paid or payable on the Company's trust preferred securities earned by the Company and its subsidiaries (as stated in the Company's audited financial statements) ~~in~~ for the fiscal year in respect of which the SpecialPerformance Bonus is to be paid.

(ii) ~~(ii)~~ The amount of any SpecialPerformance Bonus will be based on objective performance goals established by the Committee using one or more performance factors. The performance criteria for SpecialPerformance Bonuses made under the Plan will be based upon one or more of the following criteria: (A) before or after tax net income; (B) earnings per share; (C) book value per share; (D) stock price; (E) return on Stockholders' equity (or tangible equity); (F) expense management; (G) return on investment; (H) improvements in capital structure; (I) profitability of an identifiable business unit or product; (J) before or after tax profit margins; (K) budget comparisons; (L) total return to Stockholders; and ~~(M) the relative performance of the Company against a peer group of companies on any of the measures above.~~ Participants

who have primary responsibility for a business unit of the Company may be measured on business unit operating profit, business unit operating profit as a percent of revenue and/or measures related to business unit profitability above its cost of capital, in place of some or all of the corporate performance measures: (M) economic value added; (N) revenues, sales or net revenues; (O) operating income; (P) costs; (Q) cash flow; (R) working capital or (S) return on assets. 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, the performance goals may be calculated without regard to extraordinary items.

(iii) (iii)—The Committee shall determine whether the performance goals have been met with respect to any affected Participant and, if they have, so certify and ascertain the amount of the applicable Special Performance Bonus. No Special Performance Bonuses will be paid until such certification is made by the Committee. Payment of Performance Bonuses shall be made in cash and/or in the form of equity-based awards under one of the Company's equity incentive plans, as determined by the Committee in its discretion.

(iv) (iv)—The provisions of this Section 4(c) shall be administered and interpreted in accordance with Section 162(m) of the Code to ensure the deductibility by the Company or its affiliates of the payment of Special Performance Bonuses.

5. 5.—DESIGNATION OF BENEFICIARY BY PARTICIPANT. The Committee or its delegate shall create a procedure whereby a Participant may file, on a form to be provided by the Committee, a written election designating one or more beneficiaries with respect to the amount, if any, payable in the event of the Participant's death. The Participant may amend such beneficiary designation in writing at any time prior to the Participant's death, without the consent of any previously designated beneficiary. Such designation or amended designation, as the case may be, shall not be effective unless and until received by the duly authorized representatives of the Committee or its delegate prior to the Participant's death. In the absence of any such designation, the amount payable, if any, shall be delivered to the legal representative of such Participant's estate.

6. 6.—MISCELLANEOUS PROVISIONS.

(a) (a)—No employee or other person shall have any claim or right to be paid a Bonus under the Plan. Determinations made by the Committee under the Plan need not be uniform and may be made selectively among eligible individuals under the Plan, whether or not such eligible individuals are similarly situated. Neither the Plan nor any action taken hereunder shall be construed as giving any employee or other person any right to continue to be employed by or perform services for the Company or any Affiliate, and the right to terminate the employment of or performance of services by any Participant at any time and for any reason is specifically reserved to the Company and its Affiliates.

(b) ~~(b)~~ Except as may be approved by the Committee, a Participant's rights and interest under the Plan may not be assigned or transferred, hypothecated or encumbered in whole or in part either directly or by operation by law or otherwise (except in the event of a Participant's death) including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner; provided, however, that, subject to applicable law, any amounts payable to any Participant hereunder are subject to reduction to satisfy any liabilities owed to the Company or any of its Affiliates by the Participant.

(c) ~~(c)~~ The Committee shall have the authority to determine in its sole discretion the applicable performance period relating to any Bonus; provided, however, that any such determination with respect to a Special Performance Bonus shall be subject to any applicable restrictions imposed by Section 162(m) of the Code.

(d) ~~(d)~~ The Company and its Affiliates shall have the right to deduct from any payment made under the Plan any federal, state, local or foreign income or other taxes required by law to be withheld with respect to such payment.

(e) ~~(e)~~ The Company is the sponsor and legal obligor under the Plan, and shall make all payments hereunder, other than any payments to be made by any of the Affiliates, which shall be made by such Affiliate, as appropriate. Nothing herein is intended to restrict the Company from charging an Affiliate that employs a Participant for all or a portion of the payments made by the Company hereunder. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any amounts under the Plan, and rights to the payment hereunder shall be no greater than the rights of the Company's unsecured, subordinated creditors, and shall be subordinated to the claims of the customers and clients of the Company. All expenses involved in administering the Plan shall be borne by the Company.

(f) ~~(f)~~ The validity, construction, interpretation, administration and effect of the Plan and rights relating to the Plan and to Bonuses granted under the Plan, shall be governed by the substantive laws, but not the choice of law rules, of the State of Delaware.

(g) ~~(g)~~ Any controversy or dispute arising in connection with the Plan shall be resolved by arbitration pursuant to the Constitution and rules of the New York Stock Exchange, Inc. or the National Association of Securities Dealers, Inc.

(h) ~~(h)~~ The Plan shall be effective as of [April 8, 2003, 15, 2008], subject to the affirmative vote of the holders of a majority of all shares of Common Stock of the Company present in person or by proxy at the Annual Meeting of the Company to be held on [April 8, 2003, 15, 2008].

7. ~~7.~~ **PLAN AMENDMENT OR SUSPENSION.** The Plan may be amended or suspended in whole or in part at any time and from time to time by the Committee.

8. 8.-PLAN TERMINATION. This Plan shall terminate upon the adoption of a resolution of the Committee terminating the Plan.

9. 9.-ACTIONS AND DECISION REGARDING THE BUSINESS OR OPERATIONS OF THE COMPANY AND/OR ITS AFFILIATES. Notwithstanding anything in the Plan to the contrary, neither the Company nor any of its Affiliates nor their respective officers, directors, employees or agents shall have any liability to any Participant (or his or her beneficiaries or heirs) under the Plan or otherwise on account of any action taken, or not taken, in good faith by any of the foregoing persons with respect to the business or operations of the Company or any Affiliates.

10. 10.-SUBORDINATED CAPITAL STATUS. Notwithstanding any other provision of this Plan, any amounts due to Participants hereunder may be treated, in the Committee's sole discretion, to the extent that the Company accrues a liability in respect thereof, as subordinated capital of the Company in calculating the Company's net capital for regulatory purposes, and the terms of the Plan applicable to such amounts shall include (and, may be amended to add) such provisions as the Committee determines are necessary or appropriate in order to secure such treatment, including without limitation, provisions for the suspension of any payment obligation under the Plan under certain prescribed circumstances.

Nagioff Separation

ROGER NAGIOFF
KEY TERMINATION PROVISIONS

Item	Proposed Arrangement	Description
Termination Date	February 29, 2008	Roger's termination was a voluntary resignation. He has been with Lehman Brothers for over 10 years.
Special Payment	Special separation payment of \$7.5mm paid in three equal installments on August 29, 2008, February 27, 2009, and August 28, 2009.	Special payment is contingent upon Roger's not engaging in Competitive or Detrimental Activity through August 28, 2009, and his continued cooperation as described below.
RSUs	Roger is not Full Career. He forfeits recent equity awards, per policy.	This is standard treatment per the terms of the awards. Specific award details attached.
Stock Options	Options remain exercisable through the stated expiration date, assuming no Detrimental Activity.	This is standard treatment per the terms of the outstanding awards (from 2003, 2004, and 2005). Specific award details attached.
SERP	Roger's benefits are vested. (Current pro-rata accrued benefit is \$285,385 per year, payable at age 60 for 25 years.)	This is standard treatment per the terms of the plan.
Investment Partnerships	Continues in the partnerships as a terminated limited partner, to the extent allowed by each fund.	This treatment is in accordance with the applicable partnership agreements.
Other Benefits	Insurances and other standard employee benefits continue only as policy permits for any other terminating employee.	This is standard treatment per the terms of our benefit plans.
Restrictive Covenants/ Continued Cooperation	Roger agrees to the following: <ul style="list-style-type: none"> • Not to engage in Competitive or Detrimental Activity through August 2009 • To cooperate with the Firm and advise on business matters related to emerging markets • To keep information confidential, including the terms of his separation agreement 	The contractual Detrimental Activity restriction extends through August 2009. Additionally, there are Detrimental Activity conditions that apply to his equity awards, and those continue to apply to awards that have not yet converted to shares of Lehman stock (which will continue to occur through February 2009) and for option awards that remain exercisable until December 2010.

SUMMARY OF EQUITY AWARDS AND SERP BENEFIT

ROGER NAGIOFF

Assumed termination date of February 29, 2008

UNITS	Outstanding Awards					Termination to a Non-Competitor ²				
	Granted	Dividends	Outstanding	Current Value	Retained Shares	Retained Value	Forfeited Shares	Forfeited Value	Issued	
CSAs	2003	80,048	2,570	82,618	\$5.0	77,661	\$4.7	4,957	\$0.3	Nov. 2008
	2004	87,912	2,095	90,007	\$5.4	79,206	\$4.8	10,801	\$0.6	Feb. 2009
	2005	107,654	1,699	109,354	\$6.6	89,670	\$5.4	19,684	\$1.2	Feb. 2009
	2006	157,641	1,390	159,031	\$9.5	0	\$0.0	159,031	\$9.5	n/a
	2007	<u>292,602</u>	<u>0</u>	<u>292,602</u>	<u>\$17.6</u>	<u>0</u>	<u>\$0.0</u>	<u>292,602</u>	<u>\$17.6</u>	n/a
	Subtotal	725,857	7,754	733,611	\$44.0	246,537	\$14.8	487,074	\$29.2	
Perf CSAs	2006	27,819	245	28,064	\$1.7 *	0	\$0.0	28,064	\$1.7	n/a
PSUs	2000 - 03	56,000	2,161	58,161	\$3.5	58,161	\$3.5	0	\$0.0	Nov. 30, 2008
Total Units		809,676	10,160	819,836	\$49.2	304,698	\$18.3	515,138	\$30.9	

OPTIONS OUTSTANDING

Grant Date	Granted	Price	Outstanding	Intrinsic		Retained		Forfeited		Expiration
				Value	Exercisable	Options	Value	Options	Value	
12/10/03	500,000	\$35.6950	100,000	\$2.4	100,000	100,000	\$ 2.4	0	\$0.0	12/9/2008
12/9/04	600,000	\$42.90	600,000	\$10.3	600,000 **	600,000	\$10.3	0	\$0.0	12/8/2009
12/9/05	400,000	\$63.8250	400,000	\$0.0	0 ***	400,000	\$ -	0	\$0.0	12/8/2010
Total	1,500,000		1,100,000	\$12.7	700,000	1,100,000	\$12.7	0	\$0.0	

SERP	Full Annual Benefit	Accrued Annual Benefit	Present Value	Retained		Forfeited	
				Options	Value	Options	Value
	\$700,000	\$285,385	\$1.3	\$1.3	\$0.0	\$0.0	\$0.0
GRAND TOTAL			\$63.2	\$32.3	\$30.9		

* Vests 11/30/11; vesting may accelerate in 1/3 increments to 11/30/07, 11/30/08, and 11/30/09 if stock price exceeds \$100, \$108, and \$116, respectively.
 ** Options become exercisable 6/9/09; exercisability accelerates if stock price exceeds \$55.
 *** Options become exercisable 6/9/10; exercisability accelerates if stock price exceeds \$83.
¹ Assumes a \$60 stock price.
² R. Nagioff would have become eligible for Full Career treatment on 05-09-2009.

SEPARATION ARRANGEMENT FOR ROGER NAGIOFF

WHEREAS, Roger Nagioff is a very experienced senior executive with valuable business skills and experience that the Corporation wishes to continue to leverage as a resource following his separation of employment, and the Corporation would face significant impact if Mr. Nagioff should following his separation of employment become employed by a competitor of the Corporation or any of its affiliates and/or solicit or hire away employees of the Corporation or its affiliates; and

WHEREAS, the Committee deems it appropriate for the Corporation to enter into a separation arrangement with Mr. Nagioff; now therefore be it

RESOLVED, that the Global Director of Human Resources is hereby authorized and directed to cause the Corporation to enter into a separation agreement between the Corporation and Mr. Nagioff on substantially the terms and conditions attached hereto as Exhibit A (with such changes therein as the Global Director of Human Resources shall approve), including but not limited to providing for cash payments of up to \$7.5 million; and be it further

RESOLVED, that the proper officers of the Corporation are each hereby authorized and directed to take or do any and all actions or things which any such officer deems necessary, appropriate or desirable to carry out the purpose and intent of the foregoing resolutions.

LEHMAN BROTHERS

TRACY BINKLEY
MANAGING DIRECTOR

DRAFT

January 23, 2008

Roger Nagioff
26 Loom Lane
Radlett
Hertfordshire
WD7 8AD
GREAT BRITAIN

Dear Roger:

This letter agreement will confirm our understanding with respect to your resignation from employment with Lehman Brothers and its subsidiaries and affiliates (the "Firm"). This letter is subject to approval by the Compensation and Benefits Committee of the Board of Directors of Lehman Brothers Holdings Inc.

1. Effective as of February 29, 2008, you will resign your position as Managing Director and all committee memberships and other positions you hold with the Firm (your "Separation Date").
2. For your information, you are eligible to receive the cash portion of your 2007 bonus as set forth in your 2007 Total Compensation Statement, to be paid on January 31, 2008. You are not entitled to the equity portion of your 2007 bonus award.
3. Provided you do not engage in Competitive Activity or Detrimental Activity (each as defined on Exhibit A), and otherwise abide by your obligations under this letter agreement, you will be eligible for the following special separation payments on the following dates, or as soon as administratively practicable thereafter:
 - \$2,500,000 on August 29, 2008
 - \$2,500,000 on February 27, 2009
 - \$2,500,000 on August 28, 2009

If you engage in Competitive Activity or Detrimental Activity at any time through August 28, 2009, or if you at any time materially breach any obligation you have under this letter agreement (including the obligation to provide assistance as described in paragraph 7 below), you will forfeit any right to future payments under

LEHMAN BROTHERS INC.

1271 SIXTH AVENUE NEW YORK, NY 10019 212 526 8023 FAX 646 758 4523

this paragraph and will be required to repay to the Firm any special separation payments already paid to you. These special separation payments will be paid on an all-cash basis and will be subject to applicable tax withholding.

4. Your outstanding equity awards will be treated per the terms and conditions of the applicable award agreements and plan documents, under the circumstances of a resignation. (Note that you are not "full career" under the terms of your outstanding equity awards.) For your information, a summary of your equity award holdings will be provided to you with this letter.
5. With respect to your participation in any investment partnerships, the terms and conditions of your continued participation as a limited partner will be determined per the applicable partnership agreements. For your information, a summary of your partnership interests will be provided to you with this letter.
6. You are eligible to receive an accrued annual retirement benefit, subject to the terms and conditions of Lehman Brothers Holdings Inc.'s Supplemental Retirement Plan ("SERP"). Your accrued annual benefit, projected to your Separation Date, is \$285,385 (subject to applicable tax withholding). As more fully described in the controlling plan document, you will be eligible for up to 25 annual payments, commencing at age 60, provided you do not engage in Competitive Activity or Detrimental Activity.
7. Except as otherwise provided by the terms of the applicable plans or programs or by this letter agreement, you will not be eligible for any continuing coverage or participation under the Firm's employee benefit or compensation plans or programs after your Separation Date. For further information concerning post-separation medical plan coverage, please contact Sarah Lewis at 44 (20) 710 22089.
8. As a departing member of the Firm's Executive Committee, and in consideration of the terms of this agreement, including the special separation payments:
 - a) you will cooperate with the Firm with respect to matters relating to your responsibilities while employed by the Firm, including but not limited to any business-related litigations, arbitrations or investigations;
 - b) through August 28, 2009, you will be available from time to time to the Firm's CEO, President, and CEO for Europe, as well as their designees, to advise on general business matters, including matters related to the Firm's plans and activities in emerging markets, including the Middle East and Russia;
 - c) you will maintain in strictest confidence all confidential or proprietary information concerning or relating to the Firm and/or its clients and not disclose or provide access to or copies of such information, directly or

indirectly, to any other person or entity without the Firm's prior written consent; and

- d) through August 28, 2009, you will not engage in any Competitive Activity or Detrimental Activity, subject to the continuing obligation after such date not to engage in Competitive Activity or Detrimental Activity with respect to any particular benefit (including any SERP benefit).
9. In consideration of the benefits described in this agreement, you agree to forever release the Firm, including all affiliated companies, past and present parents, subsidiaries and divisions and present and former employees, officers, directors, successors and assigns, from all claims you may now have based on your employment with the Firm, or your separation from employment, to the maximum extent permitted by law. This release covers both claims that you know about and those you may not know about.
10. Notwithstanding the foregoing release and the other terms of this agreement, you will remain eligible for indemnification pursuant to the corporate charter and by-laws with respect to your employment through your Separation Date.
11. All payments described in this letter are subject to applicable tax withholding.
12. You will keep this letter and its terms in strictest confidence and will not disclose information concerning it to anyone other than your immediate family or professional advisors without prior written consent of the Firm, except as required by law. Notwithstanding the foregoing, you may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure.
13. This letter constitutes the entire agreement between you and the Firm and supersedes any other written or unwritten agreement between you and the Firm with respect to your employment or your separation from employment. This letter may only be amended or terminated by a written agreement signed by you and by me or the Firm's Chairman or Chief Legal Officer. This letter will be binding on the Firm and its successors and assigns, once it has been approved by the Compensation and Benefits Committee of the Board of Directors of Lehman Brothers Holdings Inc.

Mr. Roger Nagioff
January 23, 2008
Page 4

If this letter accurately reflects our understanding, please sign in the space indicated below and return the signed copy to me.

Very truly yours,

Tracy Binkley
Global Director of Human Resources

Accepted and Agreed:

Roger Nagioff

Date

EXHIBIT A

"Competitive Activity" means involvement (whether as employee, proprietor, consultant or otherwise) with any person or entity (including any company and its affiliates) engaged in any business activity which is materially competitive with any business carried on by Holdings or any of its subsidiaries or affiliates on the date of termination of a person's employment with Holdings and any of its subsidiaries, as determined in the sole discretion of an Appropriate Officer.

"Detrimental Activity" means at any time (i) using information received during a person's employment with Holdings or any of its subsidiaries relating to the business affairs of Holdings or any of its subsidiaries, affiliates or 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 of their affiliates (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 or its subsidiaries or affiliates, in each case as determined in the sole discretion of an Appropriate Officer.

For purposes of this Exhibit A, "Holdings" means Lehman Brothers Holdings Inc., and "Appropriate Officer" means the Chief Executive Officer or Chief Operating Officer of Holdings (or their respective designees).

LEHMAN BROTHERS

TRACY A. BINKLEY
MANAGING DIRECTOR
HUMAN RESOURCES

January 24, 2008

John,

This is additional material for discussion at the Compensation Committee meeting.

Regards,

Tracy

LBF 8092

CONFIDENTIAL

LB 010293

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

LBHI_SEC07940_027203

Confidential Presentation to:

Compensation Committee of the Board of Directors



January 23, 2008

LEHMAN BROTHERS

The Firm faces a difficult decision regarding investments in growing the franchise in face of revenue uncertainty.

- ◆ The original bottom up budget, developed in October, had revenue of \$23 billion (up 19%), which at 49.3% comp ratio supported \$300 million investment program (down from \$736 million in 2006) and paid employees up an average 5% (vs. down 1% in 2007).
- ◆ With current market conditions, which have worsened since October, we have revised our revenue expectation down to \$21 billion, which is likely to be back loaded.
- ◆ At this revenue level we cannot support an investment program and would struggle to pay people competitively.
 - In 2007 we maintained discipline and kept comp ratio flat; Morgan Stanley took their ratio up to over 59%, and were able to match Goldman's per person comp increase of 6%.

The Firm's decision in 2002 to not shrink with the industry but stay the course proved the right one as we gained share, strengthened and expanded our franchise and significantly outperformed in the period 2002 – 2005 with revenue and market cap growth far outstripping our competitors.

Financial Performance

	Headcount			Revenue (\$'s in billions)			Market Cap (\$'s in billions)		
	2002 ⁽¹⁾	2005	% Δ	2002	2005	% Δ	2002	2005	% Δ
Lehman Brothers	13,090	22,919	75%	\$ 6.2	\$ 14.6	138%	\$ 14.6	\$ 33.8	132%
Goldman Sachs	22,677	22,425	-1%	14.0	25.2	80%	38.8	59.8	54%
Bear Stearns	10,452	11,843	13%	5.1	7.4	45%	9.3	16.3	75%
Morgan Stanley	61,319	53,218	-13%	19.1	26.8	40%	49.1	60.4	23%
Merrill Lynch	57,100	54,600	-4%	18.4	26.0	42%	37.8	61.0	62%

⁽¹⁾ Headcount as of beginning of 2002

LEHMAN BROTHERS

Recommendation

Management's recommendation, given the substantial opportunities identified to grow the franchise, is to invest \$300 million (out of \$900 million of requests), which likely to include some amount for repricing key talent to retain at Lehman if bid away.

- ◆ Believe Firm's competitors (with exception of Goldman Sachs and JP Morgan) have sustained large losses, weakening their competitive position.
 - Despite recent capital raising efforts, most competitors are still capital-constrained; more likely to retrench to the core of their franchises than to invest in growth.
 - Senior management changes (e.g., BofA, Bear Sterns, Citigroup, Merrill Lynch, Morgan Stanley and UBS), causing organizational turmoil.
 - Significant pool of talent will become available, as many of our competitors' top performers become disillusioned with their firms' strategies and risk management.

- ◆ This presents an opportunity for the Firm to pursue a counter-cyclical growth strategy, similar to that pursued during the 2001-2002 downturn, to improve our competitive position and, over time, generate superior returns for our shareholders.

- ◆ But it will require a one-time raising of the comp ratio to an estimated 52.8%.

- ◆ We are also examining whether to recommend changes to our equity award plan which would lower its long term cost, but might involve one-time transition costs.

Appendix

CONFIDENTIAL

Year on Year Comparison

Lehman outperformed Morgan Stanley, but Morgan increased its comp ratio so as to be able to pay their people up 6% (vs. down 1% for Lehman).

2006-2007 % Change

	Goldman Sachs	Lehman Brothers	Morgan Stanley	Bear Stearns	Merrill Lynch
Revenues	22%	10%	-6%	-36%	-67%
EPS	26%	7%	-60%	-89%	-250%
Compensation / Head	6%	-1%	6%	-24%	-17%
• 2007 Comp. / Head (\$K)	661	332	343	242	248
• 2006 Comp. / Head (\$K)	622	334	324	320	300
Compensation / Revenues	+0.2pp	+0.0pp	+12.2pp	+10.5pp	+91.4pp
• 2007 Comp. / Rev.	43.9%	49.3%	59.1%	57.6%	141.4%
• 2006 Comp. / Rev.	43.7%	49.3%	46.9%	47.1%	49.9%

LEHMAN BROTHERS

3

Growth Opportunities By Business

Budget

Fixed Income

- ◆ Focus on Commodities and Fx and expansion into newer product areas (e.g., Infrastructure, Insurance)
- ◆ Continued geographical expansion into China, India, Singapore, Australia, Eastern Europe, Scandinavia, Spain, Middle East and Latin America
- ◆ Development of eCommerce platform (e.g., FXLive)

Investment Banking

- ◆ Global expansion with particular focus on Australia, Brazil, Canada, India, Middle East and Russia
- ◆ Focus on Financial Institutions, Natural Resources and Industrials
- ◆ Global fee share expected to increase to 4.8% from 4.4% at the end of 2007

Principal Investing

- ◆ Build out of a scalable origination and investing platform – particularly in Europe and Asia
- ◆ Asset class expansion (e.g., Insurance, Emerging Markets)

Equities

- ◆ Expansion into Asia, Emerging Markets (Brazil, Mexico, Russia, Turkey and South Africa)
- ◆ Further diversification of the business franchise by growing Prime Services
- ◆ Investment in technology to create a market leading trading platform providing additional capacity and speed to the Firm's clients

Investment Management

- ◆ 27% growth of Assets Under Management to \$358 billion by the end of 2008
- ◆ 45% increase in Asset Management net flows to \$45bn in 2008
- ◆ Rolling out of new Private Equity funds
- ◆ Build out of the European asset management platform

Infrastructure & Technology

- ◆ Reengineer front-to-back trade processing for Equity Derivatives and Fixed Income growth
- ◆ Continue to migrate functionality to modularized components to reduce reliance on mainframe processes
- ◆ Improve scalability and control of middle office processes

Historical Compensation to Revenue Trend

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Lehman Brothers ⁽¹⁾															
Revenue (\$M)	19,257	17,583	14,630	11,576	8,647	6,155	6,736	7,707	5,340	4,113	3,873	3,444	3,071	2,738	
Compensation (\$M)	9,494	8,669	7,213	5,730	4,318	3,139	3,437	3,931	2,707	2,086	1,964	1,747	1,544	1,413	
Headcount	28,556	25,936	22,919	19,579	16,188	12,343	13,090	11,326	8,893	8,873	8,340	7,556	7,771	8,512	
Comp&Benefit Ratio	49.3%	49.3%	49.3%	49.5%	49.9%	51.0%	51.0%	51.0%	50.7%	50.7%	50.7%	50.7%	50.3%	51.6%	
Comp per Head (\$K)	332	334	315	293	267	254	263	347	304	235	235	231	199	166	
YoY Δ in Comp/Head	-1%	6%	8%	10%	5%	-3%	-24%	14%	29%	0%	2%	16%	20%		
Goldman Sachs ^(1,3,4)															
Revenue (\$M)	45,987	37,665	25,238	20,951	16,023	13,986	15,811	16,590	13,345						
Compensation (\$M)	20,190	16,457	11,758	9,620	7,393	6,744	7,700	7,773	6,459						
Headcount	30,932	26,467	23,623	21,736	20,359	20,633	22,677	22,627	15,361						
Comp&Benefit Ratio	43.9%	43.7%	46.6%	45.9%	46.1%	48.2%	48.7%	46.9%	48.4%						
Comp per Head (\$K)	661	622	498	443	363	327	340	344	420						
YoY Δ in Comp/Head	6%	25%	12%	22%	11%	-4%	-1%	-18%							
Bear Stearns ⁽⁵⁾															
Revenue (\$M)	5,945	9,227	7,411	6,813	5,994	5,128	4,907	5,476	4,502	4,341	3,526	2,983	2,075	2,417	2,143
Compensation (\$M)	3,425	4,343	3,553	3,254	2,881	2,508	2,529	2,789	2,266	2,095	1,717	1,469	1,080	1,227	1,037
Headcount	14,153	13,566	11,843	10,961	10,532	10,574	10,452	11,201	9,808	9,180	8,309	7,749	7,481	7,321	6,306
Comp&Benefit Ratio	57.6%	47.1%	47.9%	47.8%	48.1%	48.9%	51.5%	50.9%	50.3%	48.2%	48.7%	49.3%	52.1%	50.8%	48.4%
Comp per Head (\$K)	242	320	300	297	274	237	242	249	231	228	207	190	144	168	164
YoY Δ in Comp/Head	-24%	7%	1%	9%	15%	-2%	-3%	8%	1%	10%	9%	31%	-14%	2%	
Morgan Stanley ⁽⁶⁾															
Revenue (\$M)	28,026	29,839	26,778	23,708	20,817	19,074	22,008	26,163	21,681	16,122	14,509	12,023	9,820	8,630	8,599
Compensation (\$M)	16,552	13,986	11,313	9,853	8,522	7,910	9,352	10,899	8,365	6,609	6,019	5,071	4,005	3,535	3,687
Headcount	48,256	43,124	53,218	53,284	51,196	55,726	61,319	62,679	55,288	45,712	47,277	33,084	N/A	N/A	N/A
Comp&Benefit Ratio	59.1%	46.9%	42.2%	41.6%	40.9%	41.5%	42.5%	41.7%	38.6%	41.0%	41.5%	42.2%	40.8%	41.0%	42.9%
Comp per Head (\$K)	343	324	213	185	166	142	153	174	151	145	127	153	N/A	N/A	N/A
YoY Δ in Comp/Head	6%	53%	15%	11%	17%	-7%	-12%	15%	5%	14%	-17%				
Merrill Lynch ⁽⁷⁾															
Revenue (\$M)	11,250	33,781	26,022	22,059	19,900	18,371	21,548	26,379	22,313	17,790	16,503	13,913	10,615	9,959	
Compensation (\$M)	15,903	16,867	12,441	10,663	9,886	10,802	12,818	14,259	11,337	9,308	8,333	7,012	5,270	4,952	
Headcount	64,200	56,200	54,600	50,600	48,100	50,900	57,100	71,600	67,900	65,200	60,500	53,200	48,500	46,300	
Comp&Benefit Ratio	141.4%	49.9%	47.8%	48.3%	49.7%	58.8%	59.5%	54.1%	50.8%	52.3%	50.5%	50.4%	49.6%	49.7%	
Comp per Head (\$K)	248	300	228	211	206	212	224	199	167	143	138	132	109	107	
YoY Δ in Comp/Head	-17%	32%	8%	3%	-3%	-5%	13%	19%	17%	4%	4%	21%	2%		
JP Morgan ^(8,9)															
Revenue (\$M)	26,805	25,620	20,277	16,812	15,654	13,614									
Compensation (\$M)	11,486	10,967	7,971	6,475	5,675	5,439									
Headcount	40,542	37,027	31,929	29,788	23,211	23,558									
Comp&Benefit Ratio	42.9%	42.8%	39.3%	38.5%	36.3%	40.0%									
Comp per Head (\$K)	285	296	250	217	244	231									
YoY Δ in Comp/Head	-4%	19%	15%	-11%	6%										

⁽¹⁾ 1994 represents 11 months of data (ending on Nov 30th)

⁽²⁾ From 1999 to 2004, compensation expense excludes IPO awards amortization

⁽³⁾ Beginning in the fourth quarter of 2006, "Cost of power generation" in the consolidated statement of earnings was reclassified to operating expenses. "Cost of power generation" was previously reported as a reduction to revenues. Prior periods have been reclassified as well.

⁽⁴⁾ 1999 results are on a pro-forma basis

⁽⁵⁾ On 1/18/00, the BoD elected to change FY from June 30 to Nov 30, effective FY beg Dec 1, 1999. 1999 results reflect a June 1999 FY end while 2000 results run from Dec 1, 1999 thru Nov 30, 2000

⁽⁶⁾ 2006 and 2007 have been restated to exclude Discover

⁽⁷⁾ 2006 includes the impact of the BlackRock merger and the impact of one-time compensation expenses related to FAS 123R

⁽⁸⁾ Consists of Investment Banking plus Investment Management & Private Banking through 2003; Asset & Wealth Management through 2005; Asset Management thereafter

⁽⁹⁾ Prior to 2002, JPMorgan Chase results do not include compensation or headcount by segment. Revenues are reported on an operating basis.

COMPENSATION FOR HIGH NEW WORTH PORTFOLIO MANAGERS

- High Net Worth Portfolio Managers (“HNW PMs”) in Asset Management are compensated on a formula basis (in a fashion similar to High New Worth Investment Representatives).
- Production payout is tied to a percentage of revenues (which varies according asset source) and paid monthly. Revenues are derived from investment advisory fees charged to clients.
- The following payout structure applies generally to HNW PMs:

<u>Asset Source</u>	<u>Payout as % of Revenues¹</u>	<u>Approx. % of Assets</u>
Direct	40%	55%
HNW Sales Force	25%	25%
Institutional Sales Force	20%	20%

- Assets not directly sourced by the HNW PM teams are paid at a lower rate since the source (HNW or institutional) is also paid on the revenues generated by the same assets:
 - HNW sales force receives a first-year payout of 30% of revenues, with an annual “trailer” of 10% (or up to 20% if certain sales goals have been met).
 - Institutional sales force receives a first-year payout of 25%, with declines to 10% in year 2 and 5% in subsequent years.

¹ HNW PMs who are former Neuberger Berman Founders receive a 22% payout on revenues from directly sourced assets up to a high-water mark established at the Neuberger Berman IPO—and which increases by 4% per year. Assets above the high-water mark are eligible for the regular (i.e., 40%) payout. The two-tier payout structure is due to the purchase of the Founder’s book of business at the time of the IPO in exchange for shares in the new public company (“Founders Shares”). This same group of HNW PMs may also receive a 22% payout on revenues sourced through the High Net Worth sales force up to a high-water mark and regular payout of 25% of revenues in excess of the high-water mark.