

As amended December 21, 2006

Lehman Brothers Holdings Inc.

Corporate Governance Guidelines

Table of Contents

	Page
I. Corporate Objective and Mission of the Board of Directors.....	1
II. Director Qualification Standards	1
A. Selection of Directors	1
B. Independent Directors.....	1
1. Additional “independence” requirements for Audit Committee membership.....	1
2. Disclosure of Independence Determinations	1
C. Additional Director Qualifications	2
D. Resignation of Directors	2
III. Board Structure and Composition	3
A. Board Committees	3
1. Number and Independence of Committees.....	3
2. Selection of Committee Members	3
3. Responsibilities	4
B. Separation of Chairman and CEO.....	4
C. Board Size.....	4
D. Changes in Circumstances	4
1. Positions on Boards of Other Corporations	4
IV. Director Responsibilities	5
A. Board Meetings.....	5
1. Conduct of Meetings.....	5
2. Executive Sessions of Directors.....	5
B. Director Access to Management and Independent Advisors.....	6
1. Board Access to Management	6
2. Director Access to Independent Advisors.....	6
C. Management Succession.....	6
D. Attendance at Annual Meeting of Stockholders	6
E. Annual Performance Evaluations	6
1. Board Evaluation	6
2. Evaluation of CEO.....	7
V. Director Compensation	7
A. Compensation Generally.....	7
1. Stock Ownership.....	7
VI. Director Orientation and Continuing Education.....	7

I. Corporate Objective and Mission of the Board of Directors

The Board of Directors (the “Board”) represents the stockholders’ interests. As such, the Board shall oversee the strategic direction and conduct of the Corporation’s business activities so as to enhance the long-term value of the Corporation. In pursuing this objective, one of the Board’s principal roles is to select and oversee a well-qualified and responsible CEO and management team to run the Corporation on a daily basis.

In addition to serving the long-term interests for the stockholders, the Board has responsibility to the Corporation’s clients and customers, employees and the communities where it operates. These responsibilities are founded upon the successful perpetuation of the business and the promotion of the highest ethical standards.

II. Director Qualification Standards

A. Selection of Directors

The Board is responsible for nominating directors. The Board shall establish, with the assistance of the Nominating and Corporate Governance Committee, criteria for membership on the Board. In nominating a slate of directors, the Board, with the assistance of the Nominating and Corporate Governance Committee, shall take into account its criteria for membership on the Board and all other factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity and the extent to which the candidate would fill a present need on the Board of Directors.

B. Independent Directors

To increase the quality of the Board’s oversight and to lessen the possibility of damaging conflicts of interest, the Board shall comply with the “independent director” requirements under the rules of the New York Stock Exchange, Inc. (the “NYSE”), under law or under any rule or regulation of any other regulatory body or self-regulatory body applicable to the Corporation.

1. *Additional “independence” requirements for Audit Committee membership*

No director may serve on the Audit Committee of the Board unless such director meets all of the criteria established for audit committee service by the Sarbanes-Oxley Act, any other law and any rule or regulation of any regulatory body or self-regulatory body applicable to the Corporation, including the Securities and Exchange Commission (the “SEC”) and the NYSE.

2. *Disclosure of Independence Determinations*

The Corporation shall disclose in its annual proxy statement such information regarding the independence of directors as is required by law or by any rule or regulation

of any regulatory body or self-regulatory body applicable to the Corporation, including the SEC and the NYSE.

C. Additional Director Qualifications

The Board and the Nominating and Corporate Governance Committee, when considering nominees for director, will take into account their current occupations and the number of other boards on which they serve in determining whether they have the ability to devote sufficient time to carry out their duties.

The Board does not believe that arbitrary term or age limits on directors' service are appropriate, since it values the insight and experience of directors who have served on the Board for an extended period of time. The Board does believe that the self-evaluation process described herein will be an important determinant of Board tenure.

D. Resignation of Directors

Under Article III, Section 1 of the Corporation's By-Laws (the "By-Laws"), in an uncontested election, each director shall be elected by a majority vote. In that connection, the Board of Directors will not nominate for director any director candidate who is an incumbent director unless and until such director candidate has submitted in writing his or her irrevocable resignation as a director, which resignation would be effective upon the director's failure to receive the required majority vote in any uncontested election and the Board of Director's acceptance of such resignation. If a resignation agreement is not executed by an incumbent director prior to the election of directors, it is the policy of the Board that if such director fails to receive the required majority vote in an uncontested election, he or she shall, promptly after certification of such vote, tender his or her resignation to the Chairman of the Board which resignation would be effective upon its acceptance by the Board of Directors.

If an incumbent director is not elected by a majority of the votes cast (unless, pursuant to Article III, Section 1 of the By-Laws, the director election standard is a plurality of the votes cast), the incumbent director shall promptly tender his or her resignation to the Board of Directors. A recommendation on whether to accept such resignation shall be made by the Nominating and Corporate Governance Committee, or, if a majority of such committee did not receive the required majority vote, a majority of the Board of Directors shall appoint a special committee of Independent Directors (as defined below) for such purpose of making a recommendation to the Board of Directors (the "Special Nominating Committee"). If fewer than three Independent Directors received the required majority vote, the Board of Directors shall act on the resignation offers. The applicable committee, if any, shall make a recommendation to the Board of Directors on whether to accept or reject the director's resignation, or whether other action should be taken. The Board of Directors shall act on any such resignation offer and publicly disclose its decision within 90 days from the date of the certification of the election results. Notwithstanding the foregoing, if acceptance by the Board of Directors of all the offers of resignation then pending would result in the Corporation having fewer than a majority of the directors who were in office before the election, the Board of

Directors may determine to extend such 90-day period by an additional 90 days upon the conclusion that such an extension is in the best interests of the Corporation. The term “Independent Director” for these resignation and recusal policies shall mean a director who complies with the “independent director” requirements under the rules of NYSE, under law or under any rule or regulation of any other regulatory body or self regulatory body applicable to the Corporation.

If any director’s resignation offer is not accepted by the Board of Directors, such director shall continue to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualified, subject, however, to the director’s earlier death, disability, resignation, retirement, disqualification or removal from office. If a director’s offer of resignation is accepted by the Board, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, acting on the recommendation of the Nominating and Corporate Governance Committee, or Special Nominating Committee, as may be applicable, may fill the resulting vacancy pursuant to the By-Laws or may decrease the size of the Board pursuant to the By-Laws.

The Board of Directors expects an incumbent director that fails to receive the required majority vote in any uncontested election to exercise voluntary recusal from participation, except in limited circumstances, in any consideration by the Nominating and Corporate Governance Committee (or such other committee as may be designated pursuant to the policy set forth above) and by the Board of Directors with respect to whether to accept or reject such director’s resignation or whether other action should be taken; provided that if the number of Independent Directors who were successful incumbents is fewer than three, all directors may participate in the decisions of the Board of Directors pursuant to these resignation and recusal policies.

III. Board Structure and Composition

A. Board Committees

1. *Number and Independence of Committees*

The Corporation shall have an Audit, Compensation and Benefits and Nominating and Corporate Governance Committee, each to comply with the “independent director” requirements under the rules of the NYSE, under applicable law or under any rule or regulation of any other regulatory body or self-regulatory body applicable to the Corporation, and such other committees as may be established by the By-Laws or by the Board.

2. *Selection of Committee Members*

The Board shall select the directors to serve on each committee, giving consideration to the independence and other requirements of the NYSE (and any other applicable law or any rule or regulation of any other regulatory body or self-regulatory body applicable to the Corporation) and to any recommendations put forth by the Nominating and Corporate Governance Committee.

Because of each committee's demanding role and responsibilities, and the time commitment attendant to membership on each committee, each prospective committee member, prior to being nominated, should be encouraged to evaluate carefully the existing demands on his or her time before accepting any nomination.

3. *Responsibilities*

The Board shall adopt a charter for each of the Nominating and Corporate Governance Committee, the Compensation and Benefits Committee and the Audit Committee, and such charters shall comply with all applicable laws, rules and regulations and include, at a minimum, those responsibilities required to be set forth therein by the rules of the NYSE, by law or by the rules or regulations of any other regulatory body or self-regulatory body applicable to the Corporation.

B. Separation of Chairman and CEO

The Board should make its own determination from time to time of what leadership works best for the Corporation. The Board may choose to have the same individual serve as Chairman and Chief Executive Officer of the Corporation.

C. Board Size

The Board should determine, with the assistance of the Nominating and Corporate Governance Committee, the appropriate Board size, taking into consideration any parameters set forth in the Corporation's charter and the By-Laws, and periodically assess overall Board composition to ensure the most appropriate and effective Board membership mix. The Board should neither be too small to maintain the needed expertise and independence, nor too large to be efficiently functional.

D. Changes in Circumstances

Directors should offer their resignation in the event of any significant change in their primary job responsibilities. The Board, with the assistance of the Nominating and Corporate Governance Committee, will then evaluate whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board's membership criteria in light of such change.

1. *Positions on Boards of Other Corporations*

Directors should notify the Board before accepting a seat on the Board of another business corporation, in order to avoid potential conflicts of interest as well as to help discuss whether the aggregate number of directorships and attendant responsibilities held by a director would interfere with such director's ability to properly discharge his or her duties. It is the sense of the Board that a director should not be a member of the board of directors of more than four other public companies.

IV. Director Responsibilities

A. Board Meetings

The Board shall meet as frequently as needed for directors to discharge properly their responsibilities. Without limiting the foregoing, the Board should endeavor to hold regular meetings eight times per year and special meetings as required. Every effort should be made to schedule meetings sufficiently in advance to ensure maximum attendance at each meeting. All directors are expected to participate, whether telephonically or in person, in all Board meetings, review relevant materials, serve on Board committees, and prepare appropriately for meetings and for discussions with management. Accordingly, each director is expected to devote the time and attention necessary to properly discharge his or her responsibilities as director.

1. *Conduct of Meetings*

Board meetings shall be run by the Chairman, and shall be conducted in accordance with customary practice in a manner that ensures open communication, meaningful participation and timely resolution of issues. The Chairman shall set the agenda for each meeting together with management. All directors should be given the opportunity to raise items for consideration to be placed on the agenda. Management and any committees of the Board should provide directors with materials concerning matters to be acted upon well in advance of the applicable meeting. Directors should review such materials carefully prior to the applicable meeting.

2. *Executive Sessions of Directors*

Those directors of the Corporation who are not officers of the Corporation shall hold regularly scheduled executive sessions at which management, including the CEO, is not present. To the extent required by the NYSE, by law or by any rule or regulation of any other regulatory body or self-regulatory body applicable to the Corporation:

(a) The Corporation shall disclose in the Corporation's annual proxy statement either the name of the independent director who is chosen to preside at all executive sessions or, as an alternative, the procedure by which the presiding director will be selected for each executive session.

(b) The Corporation shall disclose a means for stockholders, employees and other interested parties to communicate with the presiding director or with all non-management directors of the Corporation as a group in order that interested parties may be able to make their concerns known to the non-management directors.

B. Director Access to Management and Independent Advisors

1. *Board Access to Management*

Directors shall have complete access to the Corporation's management in order to become and remain informed about the Corporation's business and for such other purposes as may be helpful to the Board in fulfilling its responsibilities.

The Board encourages management to continue its practice of inviting to Board meetings managers who (a) can provide additional insight into the Corporation's business or into items being discussed, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

2. *Director Access to Independent Advisors*

The Board shall have the authority to retain such outside professionals to act as advisors to the Board and/or management as may be deemed necessary or appropriate in the discharge of their duties.

Board committees may hire their own outside counsel, consultants and other professionals to advise them in the discharge of their duties as and to the extent set forth in the respective committee charters. The Corporation shall provide appropriate funding, as determined by the applicable Board committee, for payment of compensation to any advisers employed by such committees.

C. Management Succession

The Board shall establish policies, principles and procedures for the selection of the CEO and his successors, including policies regarding succession in the event of an emergency or the retirement of the CEO. The Board shall review annually with the CEO management succession planning and development.

D. Attendance at Annual Meeting of Stockholders

Each director is expected to attend the Corporation's annual meeting of stockholders.

E. Annual Performance Evaluations

1. *Board Evaluation*

The Board shall evaluate annually the effectiveness of the Board and its committees. The purpose of this evaluation is to increase the effectiveness of the Board as a whole, and specifically review areas in which the Board and/or management believes a better contribution could be made from the Board.

2. *Evaluation of CEO*

The Compensation and Benefits Committee shall establish policies, principles and procedures for the evaluation of the CEO. This evaluation shall be made annually under the oversight of the Compensation and Benefits Committee. Such evaluation shall be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives and development of management.

V. Director Compensation

A. Compensation Generally

The Compensation and Benefits Committee, in accordance with the policies and principles set forth in its charter, will review and make recommendations to the full Board with respect to compensation of directors. As part of such review, the Compensation and Benefits Committee shall periodically review director compensation (including additional compensation for committee members) in comparison to corporations that are similarly situated to ensure that such compensation is reasonable, competitive and customary. Directors may be awarded compensation sufficient to compensate them for the time and effort they expend to fulfill their duties. The Corporation shall describe its practices with respect to director compensation in its annual proxy statement.

The Board shall also review charitable contributions by the Corporation to organizations with which any director is affiliated. In addition, the Board shall review all consulting contracts with, or other arrangements that provide other indirect forms of compensation to, any director or former director.

1. *Stock Ownership*

As part of a director's total compensation and to more closely align the interests of directors and the Corporation's stockholders, the Board believes that a meaningful portion of a director's compensation should be paid in the form of common stock of the Corporation. Directors shall maintain ownership of at least 6,000 shares of common stock and/or restricted stock units of the Corporation at all times during their tenure on the Board, provided that new directors will have up to three years of service on the Board to meet this ownership requirement.

VI. Director Orientation and Continuing Education

The Corporation shall establish an orientation program for all newly elected directors in order to ensure that the Corporation's directors are fully informed as to their responsibilities and the means at their disposal for the effective discharge of those responsibilities. The orientation program shall, at a minimum, familiarize new directors with the Corporation's (a) strategic plans, (b) financial control systems and procedures and any significant financial, accounting and risk-management issues, (c) compliance programs, including with SEC reporting obligations and NYSE corporate governance listing standards, (d) code of ethics, conflict policies and other controls, (e) principal

officers and (f) internal and independent auditors. The new directors shall be introduced to such management and other personnel, and representatives of the Corporation's outside legal, accounting and other outside advisors as is appropriate to familiarize them with the resources available to them.

It is expected that management will from time to time make presentations to or arrange educational programs for the Board on different aspects of the Corporation's business, which may include risk management, financial reporting, business unit strategy, products and services, industry trends and developments, and any other relevant and appropriate topics. Directors are also encouraged to take advantage of any other available educational opportunities that would further their understanding of the Corporation's business and enhance their performance on the Board.