LEHMAN' COMPENSATION PRINCIPLES

LEHMAN Capital LIMITED

We recognize that every financial institution is different, shaped by its activities, size, history and culture. It would be unrealistic to construct a specific model of compensation that is effective and appropriate for all financial institutions.

But, that does not diminish the need for firms to set forth a set of practical principles and defined standards focused on compensation. An enhanced framework for compensation establishes a direct relationship between the longer-term evaluation of performance and an appropriately matched incentive structure. We believe strongly that, for Goldman Sachs, such an outcome aligns the long-term interests of our shareholders with those of our people, while advancing our ethos of partnership.

Effective compensation practices should:

(1) Encourage a real sense of teamwork and communication, binding individual shortterm interests to the institution's long-term interests;

(2) Evaluate performance on a multi-year basis;

(3) Discourage excessive or concentrated risk taking;

(4) Allow an institution to attract and retain proven talent; and

(5) Align aggregate compensation for the firm with performance over the cycle.

Encourage a Firmwide Orientation and Culture

- Compensation should reflect the performance of the firm as a whole

- Employees should think and act like long-term shareholders. Being significantly invested in our stock over time, as part of an individual's compensation, advances our partnership culture of stewardship for the firm

- An individual's performance evaluation should include annual narrative feedback from

superiors, subordinates and peers, including peers from outside of an individual's business unit and division.Assessment areas should include productivity, teamwork, citizenship, communication and compliance

• To avoid misaligning compensation and performance, guaranteed employment contracts should be used only in exceptional circumstances (for example, for new hires) and multiyear guarantees should be avoided entirely

Evaluate Performance Over Time

• Compensation should include an annual salary (or commissions) plus, as appropriate, discretionary compensation awarded at the end of the year

• The percentage of compensation awarded in cash should decrease as an employee's total compensation increases in order for long-term performance to remain the overriding aspiration to realizing full compensation . Cash compensation in a single year should not be so much as to overwhelm the value ascribed to longer term stock incentives that can only be realized through longer term responsible behavior

• Equity awards should be subject to vesting and other restrictions over an extended period of time .These would allow for forfeiture or "clawback" effect in the event that conduct or judgment results in a restatement of the firm's financial statements or other significant harm to the firm's business . A clawback should also exist for cause, including any individual misconduct that results in legal or reputational harm

• Equity delivery schedules should continue to apply after an individual has left the firm

Discourage Excessive or Concentrated Risk Taking

• No one in a risk taking role should get compensated with reference to only his or her own P&L

. Contracts or evaluations should not be based on the percentage of revenues generated by a specific individual

• As part of an individual's annual performance review, the different risk profile of businesses must be taken into account. Factors like liquidity risk, cost of capital, reputation risk, the time horizon of risks and other relevant factors should be considered. An outsized gain, just like an outsized loss, should be evaluated in the context of the cumulative record of that individual's risk judgments. The degree to which revenues are high quality and recurring should be considered . Significant discretionary compensation for a particular year should not be awarded for expected future-year revenue o All individuals, but particularly those working in legal, compliance, operations, technology and other non-revenue and critical parts of the firm, should be evaluated on their ability to protect and enhance the firm's reputation or contribute to its efficiency and overall well-being

- Risk managers should have equal stature with counterparts in business units and compensation should establish and/or maintain that stature
- Revenue producers should not determine compensation for risk managers

Attract and Retain Talent

- Attracting and retaining talent is fundamental to our long-term success as a firm. Compensation, when structured appropriately, is one means to reinforcing the firm's culture and mores
- Compensation should reward an individual's ability to identify and create value, enhance the firm's culture of compliance and its reputation and build and nurture a dedicated client base
- The recognition of individual performance must be constrained within the overall limits of the firm and not be out of line with the competitive market for the relevant talent and performance
- There should be no special or unique severance agreements

Directly Align Firmwide Compensation with Firmwide Performance

- Firmwide compensation should directly relate to firmwide performance over the cycle. Junior people may experience less volatility in compensation. Senior and more highly paid people may experience more variability in their compensation based on year-to-year changes in the firm's results
- Overall compensation should not automatically be the same ratio of revenues year in and year out or an overly flexible formula that produces outsized compensation to real long-term performance
- Any compensation decisions should be overlaid with a management culture that continually

invests in and is guided by strong risk management, judgment and controls

- In addition to performance, a wide range of risk factors, in conjunction with underlying industry and market dynamics of individual businesses, should be weighed carefully by executive and divisional management when allocating aggregate discretionary compensation amounts to divisions and business units . To more effectively compare and contrast individual performance as well as the committee within each division of the firm as well as the firmwide compensation committee