LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Finance and Risk Committee Meeting
September 9, 2008

A meeting of the Finance and Risk Committee of Lehman Brothers Holdings Inc. (the "Corporation" and collectively with its subsidiaries, the "Firm") was held on September 9, 2008 at 10:00 am in the Executive Conference Room, 31^{st} floor, 745 Seventh Avenue, pursuant to written notice.

PRESENT - COMMITTEE MEMBERS

Mr.	Henry Kaufman (Chairman)
Mr.	John Akers
Mr.	Roger S. Berlind
Ms.	Marsha Johnson Evans
Mr.	Roland A. Hernandez

ALSO PRESENT BY INVITATION

Messrs.	Ian T. Lowitt
	Christopher M. O'Meara
	Paolo Tonucci
	Jeffrey A. Welikson

APPROVAL OF MINUTES

The first order of business was the approval of the Minutes of the meeting held on May 7, 2008. Upon motion, duly made and seconded, it was unanimously:

RESOLVED, that the Minutes of the meeting of the Finance and Risk Committee held on May 7, 2008 are hereby approved in the form submitted at this meeting, and that a copy of these Minutes be placed in the appropriate Minute Book of the Corporation.

RISK, LIQUIDITY, CAPITAL AND BALANCE SHEET UPDATE

Mr. Tonucci commenced with a summary of general market conditions in the third quarter and of the Firm's liquidity and capital. He stated that long-term debt market conditions had worsened in the quarter, with the market essentially shut down. He stated that short-term debt market conditions continue to remain challenging with investors being risk adverse to funding term debt and to funding non-European Central Bank and non-Federal Reserve eligible assets such as high yield and emerging markets securities. Mr. Tonucci stated that the Firm was generally able to maintain its liquidity and cash capital surplus primarily as a result of the deleveraging of its balance sheet. He stated that the Firm's liquidity pool at the end of the third quarter was $42 billion (versus $45 billion at the end of the second quarter) and its cash capital surplus at the end of the third quarter was projected to remain unchanged relative to the end of second quarter at $15 billion.

Mr. Tonucci also noted that the strength of the Firm's repo book as measured by average tenor and overfunding remained unchanged relative to the second quarter. He described that the Firm's commercial paper program had declined by $4.1 billion in the third quarter. Mr. Tonucci also noted the lack of long term debt issuance by investment banks in the third quarter. He also reviewed the Firm's secured funding and noted that the Firm had an overfunding surplus with respect to non-government/agencies of approximately $32 billion at the end of third quarter, reflecting a $5 billion increase from the end of the second quarter. Mr. Tonucci noted that while the Firm's secured funding remained very resilient during the third quarter, there has been pressure around certain asset classes. Mr. Tonucci noted that there had been no growth in funding from the Firm's banking entities but that the Firm expects to grow funding from Lehman Brothers Commercial Bank ("LBCB") as it had completed its *de novo* period.

Mr. Tonucci then summarized the Firm's funding action plan for the fourth quarter. He stated that the Firm expected to lose approximately $6.8 billion of cash capital and liquidity in the fourth quarter primarily due to the maturity of a portion of its long term debt and a planned reduction in the Firm's bank facilities. He noted that the Firm's plan to mitigate this decrease consisted of a capital raise of between $2.5 - $4 billion, growth in the assets of LBCB by $1-2 billion and an increase in the term deposit base of Lehman Brothers Bankhaus AG by $5 billion. Mr. Tonucci then presented an update regarding the Firm's communications with the Federal Reserve and the SEC. He noted that the Firm was in constant dialogue with such regulators regarding matters such as the Firm's liquidity and it had also developed (in collaboration with the Federal Reserve) a detailed liquidity stress model which analyzes the Firm's secured and unsecured funding in a very severe disruption scenario. Mr. Tonucci reviewed this liquidity stress model, including the model's assumptions and results.

Mr. Tonucci provided an update on the Firm's capital and balance sheet. Mr. Lowitt left the meeting during this update. Mr. Tonucci noted that the Firm had reduced its net leverage ratio to 10.7x and its gross leverage ratio to 21.3x while its cash capital surplus remained stable at $15 billion. Mr. Tonucci also described that the Firm continued to reduce its exposure to less liquid assets such as high yield acquisition financing, commercial real estate and residential mortgages. Mr. Tonucci concluded his presentation with an update on the Firm's senior debt ratings and the Firm's discussions with rating agencies, including the recent downgrades to the Firm's credit ratings.

Mr. O'Meara reviewed the Firm's quarterly average VaR usage and noted that the Firm's average VaR had declined in the third quarter to $111 million as a result of reductions in various risk positions partially offset by increases in volatility. He also reviewed the Firm's risk appetite usage and noted that the Firm's average risk usage decreased in the third quarter to $3.5 billion due to reductions in positions. Mr. O'Meara then reviewed exposure levels, and current market and portfolio conditions, for the Firm's high yield acquisition facilities, non-agency residential mortgages and commercial real estate.

The Committee directed questions to management regarding the Firm's access to the long-term debt capital markets and other funding sources, the Federal Reserve's primary dealer facility, the status of the commercial paper market, secured funding, the results of the liquidity stress model developed in collaboration with the Federal Reserve, the Firm's credit ratings and discussions with credit rating agencies, Archstone exposure, and other matters.

Mr. Kaufman introduced the proposal to reduce the Firm's common stock dividend policy, noting management's recommendation to reduce the Firm's common stock dividend to five cents per year as an efficient way to preserve capital. After discussion, upon motion duly made and seconded, it was unanimously:

> **RESOLVED**, that the Finance and Risk Committee hereby recommends that the Board of Directors adopt the following Common Stock dividend policy, effective for dividends payable on or after September 1, 2008: that it be the policy of the Corporation to declare and pay an annual Common Stock dividend of $0.05 per share (which equates to $0.0125 per share per quarter).

<u>PRIVATE SESSION</u>

Management was excused, and the Committee then met in private session.

There being no further business to come before the meeting, the meeting was, upon motion duly made and seconded, adjourned.

Respectfully submitted,

Jeffrey A. Welikson

Jeffrey A. Welikson
Secretary of the Meeting