

LEHMAN BROTHERS HOLDINGS INC.

Minutes of the Board of Directors
March 25, 2008

A meeting of the Board of Directors of Lehman Brothers Holdings Inc. (the "Corporation" or collectively with its subsidiaries, the "Firm") was held in the Board Room, 745 Seventh Avenue, on March 25, 2008, at 11:00 a.m., pursuant to written notice.

PRESENT - BOARD MEMBERS

Mr. Michael L. Ainslie
Mr. John F. Akers
Mr. Roger S. Berlind
Mr. Thomas H. Cruikshank
Ms. Marsha Johnson Evans
Mr. Richard S. Fuld, Jr.
Sir Christopher Gent
Mr. Roland A. Hernandez
Mr. Henry Kaufman
Mr. John D. Macomber

ALSO PRESENT BY INVITATION

Ms. Erin M. Callan
Mr. Joseph M. Gregory
Mr. Thomas A. Russo
Mr. Jeffrey A. Welikson

APPROVAL OF MINUTES

The first order of business was the approval of the Minutes of the Board of Directors meeting held on March 4, 2008. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the meeting of the Board of Directors held on March 4, 2008 are hereby approved in the form submitted at this meeting, and that a copy of such Minutes be placed in the appropriate Minute Book of the Corporation.

LBEX-AM 003586

REPORT OF THE AUDIT COMMITTEE

Mr. Cruikshank reported that the Audit Committee held a telephonic meeting on March 14, 2008 with management and representatives of Ernst & Young to review and discuss in advance the Corporation's earnings press release for the first quarter of 2008, as well as the plans for the public earnings conference call. He noted that Ms. Callan reviewed the new schedule in the earnings press release on mark-to-market adjustments and selected balance sheet exposures, and that Ms. Callan discussed that she planned to increase the disclosure in the public earnings conference call regarding the Firm's liquidity and repo facilities in light of the news regarding Bear Stearns. Mr. Cruikshank stated that, at the Committee's request, additional information regarding the Firm's liquidity position was added to the earnings press release.

Mr. Cruikshank reported that Ms. Beth Rudofker, Global Head of Corporate Audit, provided an internal control review update regarding the equity volatility pricing adjustment. He also reported that there were no services of Ernst & Young requested to be pre-approved at the Committee meeting, and that as Committee Chairman he had not pre-approved any such services since the last meeting of the Committee.

REPORT OF THE FINANCE AND RISK COMMITTEE

Mr. Kaufman reported that the Finance and Risk Committee held a meeting earlier that day. He described that the Committee discussed recent events and current market conditions. Mr. Kaufman stated that the Committee reviewed the Firm's liquidity position and leverage, and he noted that a presentation regarding liquidity and risk would follow later in the Board meeting. Mr. Kaufman described that the Committee discussed plans to reduce the Firm's leverage. He reported that the Committee discussed the Firm's Level III assets. Mr. Kaufman stated that the Committee also discussed the Firm's credit ratings.

Mr. Ainslie arrived during Mr. Kaufman's report to the Board.

FINANCIAL UPDATE

Ms. Callan reviewed the Firm's financial results for the first quarter of 2008. As part of such review she discussed, among other things, market environment, revenues, expenses, net income, earnings per share, return on equity and pre-tax margin. She compared the results for the first quarter of 2008 to results for the fourth and first quarters of 2007. Ms. Callan discussed the performance of the Firm by business unit and by region. She also reviewed the mark-to-market adjustments for the quarter on both a gross and net basis and by asset class and business unit. The Board asked Ms. Callan about the Firm's financial results for the month of March to date.

LIQUIDITY AND RISK UPDATE

Ms. Callan and Mr. Christopher M. O'Meara, Global Head of Risk Management, gave an update on the Firm's liquidity and risk. Ms. Callan discussed the key features of the Firm's funding. She explained that the Firm has three internal banks that fund themselves completely separately from the holding company, the Firm has no reliance on secured funding for whole loans or esoteric capital, the Firm has no reliance on free credit balances, and the Firm has no reliance on asset-backed commercial paper. Ms. Callan stated that the Firm continues to operate at close to record levels of liquidity and noted that the Firm had just successfully closed a new three-year syndicated facility. Ms. Callan compared the Firm's liquidity position with that of its peers and provided a detailed analysis of the Firm's secured funding status. The Board asked Ms. Callan about the implications of the Federal Reserve's decision to make the discount window available to investment banks.

Mr. O'Meara then provided an update on risk, noting that there will be a full presentation on risk at the Board meeting to be held in April. He described that the Firm's risk appetite usage remained essentially unchanged between the fourth quarter of 2007 and the first quarter of 2008. Mr. O'Meara discussed the recent hedge fund failures and the Firm's hedge fund counterparty exposure. He also described the Firm's exposure to monoline insurers and that the Firm had repurchased certain securities from its cash management business.

PRESENTATION ON COMMERCIAL REAL ESTATE

Mr. Mark Walsh, Global Head of Global Real Estate, gave an update on Commercial Real Estate. He stated that the Firm's Global Real Estate business encompasses commercial mortgages, principal transactions, and investment banking. Mr. Walsh described that over time, Global Real Estate has developed into one of the Firm's core strengths and has significantly contributed to the Firm's earnings, including through a number of difficult real estate markets. He stated that in combination, the Global Real Estate businesses accounted for approximately 7% of the Firm's 2007 net revenues and 15% of the Firm's net assets. Mr. Walsh described that the Global Real Estate net balance sheet has increased with the slowdown in securitizations but is expected to decrease through 2008.

Mr. Walsh described that the scope of Global Real Estate has broadened from largely a US business to a business that is approximately 50% international. He provided a real estate capital markets overview by region. Mr. Walsh stated that the \$55.2 billion Global Real Estate balance sheet for the first quarter of 2008 has grown over the last couple of years in all regions, particularly in Europe and Asia. Mr. Walsh described that the growth of the Global Real Estate balance sheet has been predominantly in the higher quality, lower risk asset classes, reflecting a shift into senior loans and away from mezzanine and equity. He also stated that the majority of the Global Real Estate net

balance sheet growth has been in commercial whole loans and commercial mortgage-backed securities, which are more marketable.

Mr. Walsh stated that Global Real Estate consists of three businesses: Commercial Whole Loans and Commercial Mortgage-Backed Securities; the Principal Transactions Group; and Real Estate Advisory. He discussed each of these three businesses and described that Global Real Estate's exposure is well-diversified across product, geographies, and type of assets, with relatively low concentration. Mr. Walsh stated that first lien loans and securities make up most of the Global Real Estate balance sheet. He then discussed the Global Real Estate equity allocation, and explained that the Firm uses a conservative approach in assigning equity to Global Real Estate, with an allocation more than twice the regulatory requirements.

Mr. Walsh then discussed the asset composition of Global Real Estate assets. He described that Global Real Estate assets are well-diversified by region, property, and risk type. He explained that these assets are comprised of different asset classes, with whole loans and commercial mortgage-backed securities being the largest components. He described that, within each asset class, Global Real Estate assets are well-diversified, are of high credit quality, and are marked to reflect current market conditions. Mr. Walsh described that the debt inventory is 90% floating rate and the weighted average maturity is around two years, that first lien mortgages are more than 75% of Global Real Estate's whole loans, and that Global Real Estate's AAA instruments are more than 70% of securities held. Mr. Walsh noted that approximately 95% of whole loans have a loan-to-value ratio ("LTV") of less than 80%. He stated that Global Real Estate currently has *de minimis* collateralized debt obligations, repo, or refinancing exposures. Mr. Walsh discussed Global Real Estate securitization volumes and described that in fiscal 2007, the Firm completed 16 securitizations for a total of \$25.8 billion, a 23% increase over 2006, and also syndicated \$5.0 billion of US loans and \$2.5 billion of European loans in fiscal 2007. Mr. Walsh discussed Global Real Estate's composition of assets and hedges, and he discussed the impact of valuation dynamics on commercial assets and residential assets.

Mr. Walsh discussed Global Real Estate markdowns and risk factors. He stated that Global Real Estate has marked its positions to reflect the current market environment, and he described that there were total Global Real Estate markdowns in 2007 of \$907 million, offset by gains on sales and securitizations. He stated that there were Global Real Estate markdowns in the first quarter of 2008 of \$854 million in the US and \$267 million in Europe. He described that the primary reasons for the markdowns are spread widening and asset-specific credit impairments.

Mr. Walsh described that Global Real Estate is appropriately capitalized, with a significant portion of the Firm's equity allocated to it under its internal capital adequacy model. Mr. Walsh stated that origination activities have virtually shut down, and that Global Real Estate expects the focus to be on reducing balance sheet usage. He described that Global Real Estate expects to reduce its exposures through 2008 by up to \$5 billion

in the next month, and an incremental \$10 billion thereafter. Mr. Walsh stated that existing positions have a reasonable balance of risk and reward, since these positions are well-diversified by region, property and risk type, they have a relatively low proportion of equity and mezzanine exposure, and they have low LTVs on debt positions.

Mr. Walsh also discussed the Firm's ownership of the Archstone-Smith Trust, a large multi-family real estate investment trust. He described that the acquisition has given Global Real Estate exposure to a portfolio of high quality multifamily properties. Mr. Walsh described that, given the worsening debt market, the disposition plan has been revised, and Global Real Estate plans to reduce the leverage by asset dispositions.

In concluding, Mr. Walsh described the short- and long-term action steps to be taken to respond to the changes in the real estate market environment. He described the Global Real Estate assets as largely high-quality, relatively liquid commercial whole loans and securities. Mr. Walsh also commented that Global Real Estate's Principal Transactions Group positions are high-quality properties, well-diversified across property types, regions, and sponsors, and that Global Real Estate's assets are marked appropriately. He discussed Global Real Estate's potential losses and stated that its response would be to retool business towards a new investor base and the Firm's risk tolerances.

The Board directed questions to management on real estate market conditions, hedging practices and other matters.

LEGAL UPDATE

Mr. Russo reported that, in accordance with the Firm's Corporate Governance Guidelines, Mr. Hernandez was advising the Board of Directors that he would be joining the board of directors of Sony Corporation, following his retirement from the Wal-Mart board due to term limits. Mr. Russo provided the Board with an update on the auction rate securities litigation, on the Marubeni situation, and on the SEC review regarding options backdating. He also briefed the Board on concerns being expressed by the Firm to the SEC regarding short-selling of the Firm's stock.

Mr. Akers left the meeting following Mr. Russo's update.

PRIVATE SESSION

Management (other than Mr. Fuld) was excused, and the Board met in private session.

EXECUTIVE SESSION

Mr. Fuld was excused, and the non-management Directors met in executive 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
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Secretary of the Meeting