

LEHMAN BROTHERS HOLDINGS INC.

**Minutes of the Board of Directors
March 31, 2008**

A meeting of the Board of Directors of Lehman Brothers Holdings Inc. (the "Corporation" or collectively with its subsidiaries, the "Firm") was held telephonically on March 31, 2008, at 10:00 a.m., pursuant to written notice.

PRESENT - BOARD MEMBERS

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

ABSENT - BOARD MEMBERS

Mr. Michael L. Ainslie

ALSO PRESENT BY INVITATION

Mr. Joseph M. Gregory
Mr. Thomas A. Russo
Mr. Jeffrey A. Welikson

PERPETUAL CONVERTIBLE PREFERRED STOCK ISSUANCE

Mr. Fuld stated that the Board of Directors was being asked to approve the issuance by the Corporation of up to \$4.0 billion of convertible preferred stock (plus a 15% over-allotment option). Mr. Fuld referenced a memorandum describing the proposed offering and the related resolutions which had been distributed to the Board for review in advance of the meeting. Mr. Fuld noted that the Executive Committee could have approved the offering under the Firm's Code of Authorities and Delaware law, but that he wanted to review the terms of the proposed transaction with the full Board of Directors and to obtain its approval.

LBEX-AM 003597

Mr. Fuld summarized the proposed terms of the convertible preferred stock. He described that the convertible preferred stock will be perpetual and will pay dividends at a fixed rate on a non-cumulative basis with the dividend rate expected to be in the range of 7.00% to 7.50%. Mr. Fuld stated that the convertible preferred stock will be convertible at any time at the holder's option into shares of the Corporation's common stock, plus cash in lieu of fractional shares. He described that, on or after April 1, 2013, the Corporation also may cause some or all of the convertible preferred stock to mandatorily convert, provided that the common stock has a closing sale price exceeding 130% of the applicable conversion price for 20 trading days within any period of 30 consecutive trading days.

Mr. Fuld stated that the initial number of shares of common stock issuable upon conversion (the "conversion rate") will be based on a premium to the Corporation's stock price on the day of pricing of between 30% and 35% (i.e., 85-89 million shares if \$4.6 billion of convertible preferred stock is sold and the Corporation's common stock price is \$40 on the day of pricing). He explained that the conversion rate will be subject to customary anti-dilution adjustments and will also be subject to increase in the event of the occurrence of certain changes of control of the Corporation. Mr. Fuld also described that the final terms of the offering and of the convertible preferred stock would be approved by the Executive Committee of the Board of Directors upon the pricing of the offering.

Mr. Fuld indicated that this offering would be part of the Firm's plan to deleverage, and that the Firm also expected to reduce the asset side of the balance sheet. He described alternative transactions that had been considered, as well as the pre-marketing interest in the proposed offering of the convertible preferred stock.

The Board directed questions to management regarding the proposed offering, including its timing, size, pricing and other terms, and the likely market reaction.

After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that, unless otherwise provided in these resolutions, each of the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer, the Chief Legal Officer, the Secretary and any Executive Vice President, Senior Vice President or Vice President of the Company (each, an "Authorized Officer") be, and hereby is, authorized to participate in the Offering set forth in these resolutions in the name and on behalf of the Company; and be it further

Preferred Stock

RESOLVED, pursuant to the authority granted to and vested in the Board of Directors of the Company (the "Board") by the provisions of the Company's Certificate of Incorporation, the Board hereby authorizes

up to \$4,600,000,000 liquidation preference in the aggregate (or such higher amount as may be determined in the discretion of the Executive Committee of the Board (the "Executive Committee")), inclusive of any over-allotment option to be granted to the underwriters in the offering pursuant to any underwriting agreement, of a new series of the Company's preferred stock (the "Preferred Stock"), to be designated by the Executive Committee, which shares of Preferred Stock will be convertible into shares of the Company's Common Stock, par value \$0.10 per share (the "Common Stock"), plus cash in lieu of fractional shares and will contain voting, liquidation and ranking provisions and restrictions on dividends and other payments in respect of parity and junior securities substantially similar to those contained in the Company's 7.95% Non-Cumulative Perpetual Preferred Stock, Series J, and be it further

RESOLVED, that the Board hereby delegates to the Executive Committee of the Board the authority to (i) to establish the designation and number of shares, powers, designations, preferences and relative, participating, optional or other rights, if any or the qualifications, limitations or restrictions thereof, if any, to be set forth in the resolution contained in the certificate of designations (the "Certificate of Designations"), including, without limitation, the dividend rate and provisions relating to conversion into Common Stock at the option of the Company and at the option of the holders thereof (including increases or adjustments relating to certain changes of control of the Company) and anti-dilution adjustments relating thereto; (ii) to determine the number of shares and aggregate liquidation preference of Preferred Stock to be sold by the Company in the Offering, and pursuant to any related over-allotment option to purchase additional shares of Preferred Stock, to the Underwriters (as defined below) pursuant to the Underwriting Agreement (as defined below); (iii) to set the prices at which the shares of Preferred Stock to be sold by the Company are to be sold to the Underwriters in the Offering, to set the Underwriters' discounts and commissions and the initial public offering price per share of Preferred Stock and the other terms and conditions of the Offering; and (iv) to the extent permitted by the By-Laws, to take any other action that could be taken by the Board in connection with the Offering; and be it further

RESOLVED, that the Executive Committee may authorize the proper officers of the Company to execute the Certificate of Designations and cause it to be filed in the office of the Secretary of State of the State of Delaware; and be it further

RESOLVED, that the shares of the Preferred Stock so issued and sold by the Company in connection with the Offering will, upon such issuance and sale, and upon receipt of payment therefor, be validly issued,

fully paid and non-assessable and an amount equal to the par value per share shall be allocated to the capital of the Company in connection with the issuance of each share of Preferred Stock so issued; and be it further

Preliminary Prospectus Supplement and Final Prospectus Supplement

RESOLVED, that each of the Authorized Officers be, and each of them hereby is authorized in the name and on behalf of the Company to prepare, execute, deliver and file or cause to be prepared, executed, delivered and filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), the Company's Preliminary Prospectus Supplement (the "Preliminary Prospectus Supplement") and the Company's Final Prospectus Supplement (the "Final Prospectus Supplement"), any "free writing prospectus" and any supplements or amendments thereto pursuant to Rule 433 under the Securities Act, each offering the Preferred Stock pursuant to the Company's Registration Statement on Form S-3 (No. 333-134553) and a Registration Statement on Form 8-A (and any supplements or amendments thereto); and to execute and cause to be filed any amendments or supplements to the prospectus and any other documents required in connection therewith that counsel to the Company shall advise or as such officer(s) executing the same on behalf of the Company shall deem necessary, advisable or appropriate; and be it further

Underwriting Agreement

RESOLVED, that the form, terms and provisions of the Underwriting Agreement (the "Underwriting Agreement") among the Company, Lehman Brothers Inc. and any other underwriters named therein (collectively, the "Underwriters"), providing for, among other things, the issuance and sale of the Preferred Stock to the Underwriters by the Company on such terms and conditions as are set forth therein and as may be determined by the Executive Committee or any of the Authorized Officers, such Underwriting Agreement to be negotiated, executed, delivered and filed by any Authorized Officer, be, and it hereby is, ratified, confirmed, approved and adopted; and each such Authorized Officer be, and each of them hereby is, authorized to execute and deliver such Underwriting Agreement, with such changes therein, as the officer executing the same may approve; such approval to be conclusively evidenced by such execution and delivery; and be it further

Use of Proceeds

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized to take all actions, in the name and on behalf of the

Company, as in their judgment shall be necessary, proper or advisable in order to cause the proceeds of the offering of the Preferred Stock received by the Company to be applied in the manner described in the section of the Preliminary Prospectus Supplement captioned "Use of Proceeds;" and be it further

Reservation and Issuance of Common Stock

RESOLVED, that the Company is hereby authorized, empowered and directed to reserve for issuance upon conversion of the Preferred Stock such number of shares of Common Stock as may be sufficient and necessary from time to time for issuance upon conversion of all of the Preferred Stock issued (the "Conversion Shares"); and be it further

RESOLVED, that the Company, and the Authorized Officers be, and each of them acting alone hereby is, authorized and empowered to cause the Company to issue Conversion Shares pursuant to the terms of the Preferred Stock, and when issued in accordance with such terms, such Conversion Shares shall be validly issued, fully paid and non-assessable; and that an amount equal to the par value per share shall be allocated to the capital of the Company in connection with the issuance of each such Conversion Share so issued; and be it further

Appointment of Fiduciaries

RESOLVED, that Computershare Trust Company N.A. and Computershare Inc., collectively (collectively "Computershare"), are hereby appointed registrar, transfer agent, paying agent and conversion agent for the Preferred Stock; and be it further

RESOLVED, that each Authorized Officer be, and hereby is, authorized, on behalf of the Company, to change or cause to be changed any depository, custodian, conversion agent, transfer agent, registrar or paying agent (each of the former, a "Fiduciary"), if any, under any agreement or document related to this Offering and may appoint or cause to be appointed such additional paying agents, registrars and custodians for the Preferred Stock as such Authorized Officer may deem necessary or advisable; that, if any such Fiduciary requires a prescribed form of resolution or resolutions relating to such appointment, each such resolution be, and hereby is, adopted by the Board as if fully set forth herein; and that any Authorized Officer be, and hereby is, authorized and directed to certify the adoption of any such resolution of the Company as if fully set forth herein and to insert all resolutions in the minute books of the Company immediately following these resolutions; and be it further

RESOLVED, that each Authorized Officer be, and hereby is, authorized, in the name and on behalf of the Company, to execute and deliver such other agreements, instruments, certificates and other documents as may be required by any Fiduciary or as any such officer deems necessary or advisable in connection with the execution and performance of the Offering by the Company and to effect the intent and to accomplish the objectives of the Offering; and be it further

Conversion Agency Agreement

RESOLVED, that any Authorized Officer hereby is authorized in the name and on behalf of the Company to negotiate or cause to be negotiated the terms and conditions of any conversion agency agreement (the "Conversion Agency Agreement") that may be entered into in connection with the Preferred Stock with Computershare or one or more other conversion agents selected by any Authorized Officer, and that each of them hereby is, authorized and empowered to execute and deliver or to cause to be executed and delivered the Conversion Agency Agreement, in the name of and on behalf of the Company; and be it further

State Securities Laws

RESOLVED, that it is desirable and in the best interest of the Company that the Preferred Stock be qualified and registered for sale in various jurisdictions; that the proper officers of the Company are hereby authorized to determine the jurisdiction in which appropriate action shall be taken to qualify or register for sale all or such part of the Preferred Stock as such officers may deem advisable in order to comply with the laws of such states, and in connection therewith to execute and file all requisite papers and documents, including but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and that the execution by such officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor from the Company and the approval or ratification by the Company of the papers or documents so executed; and be it further

Listing

RESOLVED, that the Authorized Officers of the Company be, and each of them hereby is, authorized to apply to the New York Stock Exchange, and any other securities exchange determined to be in the best interests of the Company by such officers (which determination shall be conclusively evidenced by the filing of such application with such exchange), for the listing of the Preferred Stock and the Conversion

Shares, and to cause to be prepared, to execute and, when executed, to cause to be filed with such exchange a listing application or applications with respect thereto and any agreements or other documents required in connection therewith in the name and on behalf of the Company, to affix a corporate seal to such documents, to make such changes in any of the same as may be necessary to conform with the requirements for listing, and to appear, if requested, before the officials of such exchange and to make all appropriate registrations or applications under any applicable securities laws, and to do any and all things as they in their discretion deem necessary to effect such listing; and be it further

Payment of Fees and Expenses

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed, in the name of and on behalf of the Company, to pay any and all expenses and fees arising in connection with the Offering and the issuance of the Preferred Stock and Conversion Shares, all registration fees of the SEC, under securities or Blue Sky laws of the various states of the United States and other jurisdictions, the listing of Conversion Shares, legal fees, accounting fees or otherwise in connection with matters encompassed by the foregoing resolutions; and be it further

General Authority

RESOLVED, that the officers of the Company be, and each of them hereby is, authorized, empowered and directed, in the name of and on behalf of the Company, to take or cause to be taken any and all other actions, to make all payments, to make all filings, including filings under the Securities Act and the Securities Exchange Act of 1934, as amended, and to negotiate, enter into, execute and deliver all agreements, certificates, instruments and other documents as may be necessary, or in the opinion of the officer acting on behalf of the Company, appropriate, convenient or proper to effectuate the intent of, and the transactions contemplated by, the foregoing resolutions and to effect the performance by the Company of its obligations under any agreement, instrument or document referred to therein or contemplated thereby, such agreements, certificates, instruments and other documents to be in such form and to contain such terms and conditions as the officer executing the same shall in his sole discretion determine to be necessary, appropriate, convenient or proper, the execution and delivery thereof by such officer to be conclusive evidence that the same were authorized hereby; and be it further

RESOLVED, that the officers of the Company be, and each of them hereby is, authorized, empowered and directed, in the name of and

on behalf of the Company to take such further action and execute such documents as any such officer may deem necessary or appropriate to carry out the purposes of each of the foregoing approvals and the transactions contemplated thereby, and be it further

RESOLVED, that any actions taken by any officers, agents or representatives of the Company prior to the date hereof that are within the authority conferred by the foregoing approval are hereby ratified, confirmed and approved as the acts and deeds of the Company.

RESOLVED, that any other resolution necessary and desirable to carry out the intent of the foregoing, and not inconsistent therewith, may be adopted by any one of the Authorized Officers upon advice of counsel by having said Authorized Officer direct such resolution to be placed in the Company's minute book and such resolution shall be deemed a part of these resolutions as of the date herein.

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