

LEHMAN BROTHERS HOLDINGS INC.

**Minutes of the Board of Directors
June 6, 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 June 6, 2008, at 3:00 p.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. Jerry A. Grundhofer
Mr. Henry Kaufman
Mr. John D. Macomber

ABSENT – BOARD MEMBERS

Mr. Roland A. Hernandez

ALSO PRESENT BY INVITATION

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

Mr. Fuld opened the meeting by stating that the Board of Directors would be asked to approve a proposed issuance by the Corporation of up to \$6.0 billion worth of equity securities, and he reported that the current expectation was that the proposed offering would consist of \$4 billion of the Corporation's common stock and \$2 billion of a new series of convertible preferred stock. Mr. Fuld stated that the proposed offering would be discussed in greater detail following Ms. Callan's review of the second quarter earnings pre-announcement.

REVIEW OF EARNINGS PRE-ANNOUNCEMENT

Ms. Callan reviewed the information to be contained in the earnings pre-announcement press release. She stated that the Firm expects to report a net loss of approximately \$2.8 billion for the second quarter ended May 31, 2008. Ms. Callan described that the Firm executed on a number of its capital and liquidity goals during the quarter. She reported that, excluding the beneficial effects of the proposed offering, the Firm grew the Corporation's liquidity pool; decreased gross assets and net assets; reduced gross and net leverage; reduced exposure to residential mortgages, commercial mortgages and real estate investments; reduced acquisition finance exposure; reduced aggregate non-investment grade assets (including funded acquisition finance assets); and completed the budgeted full year fiscal 2008 unsecured funding plan.

Ms. Callan reported that the Firm's estimated consolidated supervised entity capital ratios for the second quarter will be at least 10% (Tier I basis) and 15% (Total Capital basis). She described that the Firm grew its liquidity pool during the second quarter to approximately \$45 billion from \$34 billion at the end of the first quarter. Ms. Callan reported that the Firm has tested the Federal Reserve's new primary dealer credit facility on occasion, with no outstanding balance at quarter-end, and she noted that the last time the Firm accessed the facility was on April 16th on an overnight basis. Ms. Callan reported that there had been no material pull-back from counterparties over the last week or two.

Ms. Callan stated that estimated run-rate revenues for the quarter were above \$4 billion, a strong performance in a very challenging environment, describing the estimated run-rate revenues of each of the Firm's business segments. She then described the estimated impact of mark-to-market adjustments, other dynamic hedging (macro-hedge) losses, and principal investment losses. Ms. Callan reported that the Firm's estimated gross and net mark-to-market adjustments in the second quarter, net of gains on certain debt liabilities, were \$3.7 billion and \$3.8 billion, respectively, primarily on residential and commercial mortgages. She explained that the Firm's hedges on illiquid assets generated approximately \$100 million of additional losses in the second quarter, rather than the benefit seen in prior quarters. Ms. Callan stated that other dynamic (macro-hedge) losses were estimated at \$800 million. She reported that these hedges are no longer in place. Ms. Callan stated that the Firm's principal and private equity losses were estimated at \$500 million in the second quarter, including losses on the Firm's position in GLG.

Ms. Callan next discussed the Firm's expenses for the second quarter. She stated that the Firm's total compensation expense for the second quarter was approximately \$2.3 billion, reflecting incurred severance costs and discretionary bonus accruals. She reported that the Firm's non-personnel expenses totaled approximately \$1.1 billion for the second quarter. Ms. Callan concluded by stating that the Firm's client franchise performed well in the second quarter, but that the hedging losses more than offset the Firm's performance. The Board directed questions to Ms. Callan and senior management regarding the earnings pre-announcement press release and conference call, the Firm's

prospects for the third quarter, and the Firm's credit ratings. In addition, Mr. Akers asked Mr. Gregory to discuss the Firm's second quarter compensation expense, which had been discussed with each member of the Compensation and Benefits Committee earlier that week. Mr. Gregory described the pressures on 2008 compensation arising from the challenging market environment and discussed the Firm's proposed response.

APPROVAL OF EQUITY OFFERING

Mr. Fuld stated that the Board of Directors was being asked to approve the issuance by the Corporation of up to \$6.0 billion worth of equity securities, or such higher amount as may be determined in the discretion of the Executive Committee of the Board of Directors (the "Executive Committee"). 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.

Mr. Fuld discussed that the current expectation was that the offering would consist of \$4 billion of the Corporation's common stock and \$2 billion of a new series of convertible preferred stock. Mr. Fuld described the pre-marketing interest in the proposed offering and discussed certain potential investors for the common stock and the new convertible preferred stock. Mr. Fuld also described the proposed terms of the new series of preferred stock, including a description of the proposed conversion feature. Mr. Fuld stated that the Board of Directors was being asked to delegate to the Executive Committee the authority to determine the final terms of the offering, including the amount of each security to be sold, the pricing terms and the terms of the convertible preferred stock. The Board directed a number of questions to Mr. Fuld regarding the proposed offering, including questions regarding the dilutive impact of the offering, the potential investors, and the expected pricing for the offering. 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 Chief Legal Officer, either Co-Chief Administrative Officer, the Treasurer, the Secretary and any Executive Vice President, Senior Vice President or Vice President of the Corporation (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 Corporation; and be it further

The Securities

RESOLVED, pursuant to the authority granted to and vested in the Board of Directors of the Corporation (the "Board") by the provisions of the Corporation's Certificate of Incorporation, the Board hereby authorizes up to \$6.0 billion (or such higher aggregate value as may be determined in the discretion of the Executive Committee of the Board (the

"Executive Committee")), worth of equity securities (the "Securities"), inclusive of any over-allotment option to be granted to the Underwriters (as defined below) in an offering (the "Offering") pursuant to the Underwriting Agreement (as defined below) and the Subscription Agreement (as defined below), if any, comprised of shares of (i) the Corporation's Common Stock, par value \$0.10 per share (the "Common Stock"), to be issued, offered, sold and delivered to the public in a public offering, private placement, and/ or an offering pursuant to Regulation S, through one or more Underwriters, and to other purchasers as may be determined and (ii) as may be determined in the discretion of the Executive Committee, a new series of the Corporation's preferred stock (the "Preferred Stock"), the terms of which to be established and designated by the Executive Committee, which shares of Preferred Stock will be convertible into shares of Common Stock, to be issued, offered, sold and delivered to the public in a public offering, private placement, and/ or an offering pursuant to Regulation S, through one or more Underwriters, and to other purchasers as may be determined; and be it further

RESOLVED, that the Board hereby delegates to the Executive Committee the authority to (i) to determine the aggregate value of shares of Common Stock to be sold by the Corporation in the Offering to the Underwriters pursuant to the Underwriting Agreement and other purchasers as may be determined, and pursuant to any related over-allotment option to purchase additional shares of Common Stock; (ii) to set the prices at which the shares of Common Stock to be sold by the Corporation are to be sold to the Underwriters and other purchasers as may be determined in the Offering, to set the Underwriters' discounts and commissions and the public offering price per share of Common Stock and the other terms and conditions of the Offering; (iii) 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 a resolution contained in the certificate of designations of the Preferred Stock (the "Certificate of Designations"), including, without limitation, the dividend rate and provisions relating to conversion into Common Stock and anti-dilution adjustments relating thereto; (iv) to determine the aggregate value of shares and aggregate liquidation preference of Preferred Stock to be sold by the Corporation in the Offering, if any, and pursuant to any related over-allotment option to purchase additional shares of Preferred Stock, to the Underwriters pursuant to the Underwriting Agreement; (v) to set the prices at which the shares of Preferred Stock to be sold by the Corporation, if any, 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 (vi) 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 Corporation 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 Common Stock so issued and sold by the Corporation 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 Corporation in connection with the issuance of each share of Common Stock so issued; and be it further

RESOLVED, that the shares of the Preferred Stock so issued and sold by the Corporation in connection with the Offering, if any, 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 Corporation 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 Corporation 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"), one or more Preliminary Prospectus Supplements (the "Preliminary Prospectus Supplement") and, together with the Corporation's base prospectus, dated May 30, 2006, the "Preliminary Prospectus") and one or more Final Prospectus Supplements (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 Securities to be sold in a public offering pursuant to the Corporation's Registration Statement on Form S-3 (No. 333-134553) and any applicable 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 Corporation shall advise or as such officer(s) executing the same on behalf of the Corporation shall deem necessary, advisable or appropriate; and be it further

Underwriting Agreement and Subscription Agreement

RESOLVED, that the form, terms and provisions of one or more Underwriting Agreements (the "Underwriting Agreement") among the Corporation, Lehman Brothers Inc. and any other underwriters named therein (collectively, the "Underwriters"), and the form, terms and provisions of one or more Subscription Agreements (the "Subscription Agreement") and together with the Underwriting Agreement, the "Agreements") among Lehman Brothers Inc. and certain purchasers named therein (together with the Underwriters, the "Purchasers"), providing for, among other things, the issuance and sale of the Securities to the Purchasers by the Corporation 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 Agreements 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 Agreements, 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 Corporation, as in their judgment shall be necessary, proper or advisable in order to cause the proceeds of the Offering received by the Corporation to be applied in the manner described in the section of the Preliminary Prospectus captioned "Use of Proceeds;" and be it further

Conversion Shares

RESOLVED, that the Corporation is hereby authorized empowered and directed to reserve for issuance upon conversion of the Preferred Stock, if issued, 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 Corporation, and the Authorized Officers be, and each of them acting alone hereby is, authorized and empowered to cause the Corporation 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 Corporation in connection with the issuance of each such Conversion Share so issued; and be it further

Appointment of Fiduciaries

RESOLVED, that the authority of The Bank of New York as transfer agent, registrar, and dividend disbursing agent for the Common Stock of the Corporation be, and hereby is, extended to cover the shares of Common Stock to be issued in accordance with the foregoing resolutions and be it further

RESOLVED, that if Preferred Stock is issued in the Offering, the Authorized Officers be, and each of them hereby is, authorized to appoint Computershare Trust Corporation N.A. and Computershare Inc. collectively (collectively "Computershare"), transfer agent, registrar, dividend disbursing 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 Corporation, 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 the Offering and may appoint or cause to be appointed such additional paying agents, registrars and custodian for the Securities 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 Corporation as if fully set forth herein and to insert all resolutions in the minute book of the Corporation 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 Corporation, to execute and deliver such other agreements, instruments, certificates and other documents as may be required by any Fiduciary or as any such office deems necessary or advisable in connection with the execution and performance of the Offering by the Corporation 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 Corporation 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 Corporation; and be it further

State Securities Laws

RESOLVED, that it is desirable and in the best interest of the Corporation that the Securities be qualified and registered for sale in various jurisdictions; that the proper officers of the Corporation 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 Securities 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 Corporation and the approval or ratification by the Corporation of the papers or documents so executed; and be it further

Listing

RESOLVED, that the Authorized Officers of the Corporation 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 Corporation by such officers (which determination shall be conclusively evidenced by the filing of such application with such exchange), for the listing of the Securities; and to cause to be prepared, to execute and, when executed, to cause to be filed with such exchange a subsequent 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 Corporation, 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 Corporation, to pay any and all expenses and fees arising in connection with the Offering and the issuance of the Securities, 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 Securities, 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 Corporation be, and each of them hereby is, authorized, empowered and directed, in the name of and on behalf of the Corporation, 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 Corporation, appropriate, convenient or proper to effectuate the intent of, and the transactions contemplated by, the foregoing resolutions and to effect the performance by the Corporation 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 or her 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 Corporation be, and each of them hereby is, authorized, empowered and directed, in the name of and on behalf of the Corporation 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 Corporation 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 Corporation.

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 Corporation'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