

LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Audit Committee
July 8, 2008

A telephonic meeting of the Audit Committee of Lehman Brothers Holdings Inc. (the "Corporation", "Holdings" or, collectively with its subsidiaries, the "Firm") was held jointly with a meeting of the Audit Committee of Lehman Brothers Inc. ("LBI") in the Board Room, 31st Floor, 745 Seventh Avenue, New York, New York, on July 8, 2008, at 10:00 a.m., pursuant to written notice.

PRESENT - COMMITTEE MEMBERS

Messrs. Michael L. Ainslie
Roger S. Berlind
Thomas H. Cruikshank (Chairman)
Sir Christopher Gent

ALSO PRESENT BY INVITATION

Messrs. Martin Kelly
Ian Lowitt
Ms. Beth Rudofker
Messrs. William Schlich (Ernst & Young)
Arthur F. Tully (Ernst & Young)
Jeffrey A. Welikson

APPROVAL OF MINUTES

The first order of business was the approval of the Minutes of the meetings held on May 7, 2008 and June 13, 2008. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the meetings of the Audit Committee held on May 7, 2008, and June 13, 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.

REVIEW OF SECOND QUARTER 2008 MD&A AND CONSOLIDATED FINANCIAL STATEMENTS AND DISCLOSURE CONTROLS AND PROCEDURES

Mr. Kelly discussed a meeting that Mr. Fuld and Mr. Lowitt had held earlier in the day to review the draft of the Form 10-Q with certain senior members of Firm management, certain officers who have participated in the preparation of the 10-Q and representatives of Ernst & Young and Simpson Thacher & Bartlett. He stated that the 10-Q, the Firm's internal control over financial reporting, disclosure controls and procedures and the CEO and CFO certifications of the 10-Q were reviewed at that meeting.

Mr. Kelly then introduced the review of the financial statements (including the notes thereto) and the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to be contained in the 10-Q. He noted that net leverage at the end of the quarter was 12.06, rather than 12.0 as reported in the earnings press release, due to an adjustment in net assets. He also noted that \$90 million in quarterly revenues previously included in "Asset management and other" was now included in "Principal transactions" instead.

Mr. Kelly described the procedures undertaken by him and under his supervision in connection with collecting, processing and disclosing the information contained in MD&A, the financial statements, the notes thereto and the other financial and statistical information in the Form 10-Q. He then reviewed the financial statements and notes thereto with the Committee, highlighting the notes on Significant Accounting Policies (particularly the sections on derivative contracts, the fair value hierarchy and changes to the FIN 46(R) consolidation model), Financial Instruments and Other Inventory Positions (particularly the section on real estate held for sale) and Fair Value of Financial Instruments (particularly the Level 3 assets).

Mr. Kelly then reviewed the MD&A portion of the 10-Q, in particular the Executive Overview (particularly the business environment), Critical Accounting Policies and Estimates (particularly the Level 3 assets), Consolidated Results of Operations (particularly Strategic Investments), Impact from Market Events, Business Segments, Geographic Segments (at this point Sir Christopher Gent departed the call), Liquidity, Funding and Capital Resources, Off-Balance-Sheet Arrangements, and Risk Management, including value-at-risk and daily trading net revenues.

The Committee directed questions to management and Ernst & Young regarding the proposed elimination of QSPEs and changes in the FIN 46(R) consolidation model, real estate held for sale, goodwill, the summary of results in the Executive Overview in the MD&A, R3 Capital Partners, the results for the second quarter in Europe and the Middle East and in Asia-Pacific, secured funding, VaR, the distribution of trading net revenues, and CSE Regulatory Capital.

Ms. Rudofker then discussed the Internal Audit processes in connection with the 10-Q.

ERNST & YOUNG REVIEW OF SECOND QUARTER 2008 CONSOLIDATED FINANCIAL STATEMENTS

Mr. Schlich of Ernst & Young discussed the Quarterly Review Report to the Audit Committee to be issued by Ernst & Young, stating that Ernst & Young had completed their review and that their unqualified review report letter will be included in the 10-Q, and noting that accounting policies had been consistently applied. He discussed the scope of a review of interim financial statements, which consists principally of analytical review procedures and inquiries of Firm personnel. Mr. Schlich reported that areas of specific focus this quarter included the valuation of assets, liquidity, capital, and valuation of the Firm's debt. He stated that Ernst & Young was not aware of any material modifications needed for the financial statements to be in

conformity with GAAP. He also stated that he was not aware of any material weaknesses in internal control.

REVIEW OF COMPLIANCE WITH AUDIT COMMITTEE CHARTER

The Chairman noted that the Committee's Charter requires that the Committee perform a review and evaluation, at least annually, of the compliance of the Committee with its Charter. He referred to the annotated copy of the Charter distributed to the Committee in advance of the meeting that highlighted the provisions that require specific actions or decisions by the Committee or the full Board and indicated (a) for recurring matters, the Committee or full Board meeting or meetings during each year at which each item has been, and is intended to continue to be, addressed, or (b) for matters requiring ongoing compliance, that compliance is ongoing, or (c) for one-time actions, the date on which the action took place. The Chairman indicated that he did not see any deficiencies with respect to the Committee's compliance with its Charter and asked the other Committee members and management to raise any deficiencies, questions or comments. No issues or deficiencies were noted.

PRIVATE SESSION

The Committee met in private session with Ernst & Young.

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

Respectfully submitted,

Jeffrey A. Welikson
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Secretary