

LEHMAN BROTHERS HOLDINGS INC.

**Minutes of the Board of Directors
August 20, 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 at 4 p.m. on August 20, 2008, 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. Roland A. Hernandez
Mr. Henry Kaufman
Mr. John D. Macomber

ALSO PRESENT BY INVITATION

Mr. Herbert H. McDade III
Mr. Ian T. Lowitt
Mr. Thomas A. Russo
Mr. Jeffrey A. Welikson

STRATEGIC UPDATE

Mr. Fuld updated the Board of Directors on the status of discussions with the potential foreign partner. He reported that the Firm continues to receive questions from this party, but that, as previously discussed, this party has indicated that it would only consider making an investment after the Firm has spun off its commercial real estate assets. Mr. Fuld also updated the Board on the status of discussions with the potential domestic partner. He reported that this party is no longer interested, largely because the proposed transaction was too large a financial commitment for this party.

Mr. Fuld updated the Board on the status of a potential sale of all or part of the Investment Management Division ("IMD"). He described that the Firm is looking at a

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number of options, including a possible sale of a 51% interest in IMD with a buyback option in two or three years. Mr. Fuld stated that the Firm has refined the list of potential buyers who will be conducting more detailed due diligence. He described that the potential sale of all or part of IMD is an option available to the Firm for addressing capital needs after the sale of mortgage assets and the consummation of the spin-off of commercial real estate assets.

Mr. Fuld next updated the Board on discussions with the Securities and Exchange Commission ("SEC") regarding the spin-off of commercial real estate assets. He described that the Firm has resolved with the SEC the major points that were required to be addressed, but that a remaining open item is whether the spun-off company will be required to use mark-to-market accounting. Mr. Russo reported that the Firm is preparing a white paper on this issue which he expects to deliver to the SEC the following day. Mr. Fuld reported on the sale of the Firm's residential mortgage assets and stated that progress continues to be made on the potential transaction with Blackrock, and that other sales are occurring as well.

Mr. Fuld next discussed the status of the Firm's capital plan. He described that the sales of mortgage assets and the spin-off of commercial real estate assets, when consummated, will create a capital need that is currently estimated at \$5 to \$6 billion. He described that, as previously discussed, the Firm is working on a plan for negotiating exchanges of outstanding convertible preferred stock for shares of Common Stock. Mr. Fuld stated that additional options for addressing capital requirements would be an additional equity raise and a transaction involving IMD. He reported that management also continues to discuss a potential recommendation to the Board of Directors for reducing the Common Stock dividend. Mr. Fuld also reported that management continues to work on cost reduction plans.

Mr. Fuld then updated the Board of Directors on the current market environment and the third quarter. He advised the Board of Directors that the "Dear Colleague" letter to employees regarding the departure of Ted Janulis from the Firm had been released. Mr. Fuld discussed that management is working on a potential plan for a pre-announcement of earnings, including an announcement of the reduction in residential mortgages (including potentially the Blackstone transaction), the intention to spin off to stockholders commercial real estate assets, the exchanges of convertible preferred stock for Common Stock, and capital options.

The Board directed questions to management regarding sales of residential mortgages, including the potential Blackrock transaction; the spin-off of commercial real estate assets; the third-quarter results; the potential earnings pre-announcement; the potential for an additional equity raise; potential IMD transactions; the potential exchanges of convertible preferred stock for Common Stock; remaining balance sheet exposures after the sales of residential mortgage assets and the spin-off of commercial real estate assets; and other matters.

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