

**LEHMAN BROTHERS HOLDINGS INC.**  
**Minutes of the Board of Directors**  
**June 19, 2007**

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, at 12:00 p.m. on June 19, 2007, 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. Henry Kaufman  
Mr. John D. Macomber

**ABSENT – BOARD MEMBERS**

Mr. Roland A. Hernandez

**ALSO PRESENT BY INVITATION**

Mr. Joseph M. Gregory  
Mr. Christopher M. O'Meara  
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 May 15, 2007. Upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Minutes of the meeting of the Board of Directors held on May 15, 2007, 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.

**REPORT OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE**

Ms. Evans gave a report on the morning's meeting of the Nominating and Corporate Governance Committee. She stated that the Committee was recommending that the Board adopt the proposed amendment to Procedures for Communicating with Non-Management Directors, and she referenced a memorandum describing the proposed amendment, as well as the text of the Procedures for Communicating with Non-Management Directors, which had been distributed to the Board of Directors in advance of the meeting. After discussion, upon motion duly made and seconded, it was unanimously

**RESOLVED**, that upon the recommendation of the Nominating and Corporate Governance Committee, the amended Procedures for Communicating with Non-Management Directors are hereby adopted and approved in the form presented at this meeting.

Ms. Evans stated that the Committee reviewed the current committee structure of the Board of Directors and that it is not recommending to the Board any changes to this structure. Ms. Evans reported that representatives from Ridgeway Partners had attended the meeting and had reviewed with the Committee materials regarding potential director candidates. Ms. Evans distributed these materials to the Board of Directors and requested that the Board members provide feedback regarding certain candidates. A discussion among the Board of Directors ensued regarding the potential director candidates.

**REPORT OF THE COMPENSATION AND BENEFITS COMMITTEE**

Mr. Akers gave a report on the Compensation and Benefits Committee meetings held that morning and on May 15, 2007. He reported that, at the May 15<sup>th</sup> meeting, the Committee approved the participation by executive officers in Lehman Brothers MLP Opportunity Capital Partners, L.P., on terms no more favorable than those offered to other Managing Directors of the Firm, in accordance with the Firm's Policy Regarding Transactions with Related Persons.

Mr. Akers then discussed the Committee meeting held that morning. He stated that the Committee conducted a review of the perquisites for the members of the Executive Committee, in accordance with the Committee's charter. He reported that the Committee reviewed a summary of the policy for perquisites, competitor information, and perquisite amounts for each executive. He stated that the Committee's philosophy continues to be to keep these perquisite amounts as small as possible and to deliver value in the form of compensation rather than perquisites. Mr. Akers also reported that the Committee reviewed and approved the use of corporate aircraft by Mr. Hugh E. McGee III, Global Head of Investment Banking, for travel between his primary residence in Houston and the Firm's offices in New York City.

Mr. Akers reported that, as part of its review of perquisites, the Committee also performed a review of the Supplemental Executive Retirement Plan ("SERP"). He discussed that the Committee's review of the SERP included an analysis of the accrued balance to date for each participant, the annual expense of the program, and the terms and conditions of the program. Mr. Akers also reported that the Committee reviewed and ratified RSU awards to senior-level new hires.

#### REPORT OF THE AUDIT COMMITTEE

Mr. Cruikshank reported that the Audit Committee held a telephonic meeting on June 11, 2007, with management and representatives of Ernst & Young to review and discuss in advance the Corporation's earnings press release for the second quarter of 2007.

#### SECOND QUARTER RESULTS OF OPERATIONS

Mr. O'Meara reviewed the Firm's financial results for the second quarter of 2007. As part of such review, he discussed, among other things, market environment, revenues, expenses, net income, earnings per share, return on equity, pre-tax margin, and the Firm's effective tax rate. Mr. O'Meara discussed the performance of the Firm by business unit and by region, noting that the Firm's leverage loan commitments were at their highest level ever at the end of the second quarter. Mr. O'Meara also discussed the Firm's capital position (including leverage ratios) and risk appetite usage. As part of such discussion, he reported that the average risk appetite usage for the Firm continued to increase in the second quarter of 2007. Mr. O'Meara compared the results for the quarter to both the second quarter of 2006 and to the first quarter of 2007, as well as to the quarterly budget. He discussed the calendar year-to-date investment banking fee share of the Firm and compared it to calendar year 2006. Mr. O'Meara also provided an analysis of competitor information and discussed the results of members of the Firm's peer group. The Board directed questions to Mr. O'Meara and senior management regarding the Firm's credit ratings and regarding subprime lending.

#### EQUITIES PRESENTATION

Mr. Herbert H. McDade III gave a presentation to the Board regarding the Firm's Global Equities division. He summarized the organizational structure and leadership team of Global Equities. Mr. McDade described the Global Equities strategy as an integrated set of actions combining a core set of distinctive competencies against a defined set of paying constituents. He described the components of this strategy and the goals of this strategy, including dominant global market share, a client-driven core, and dominant origination capabilities. Mr. McDade identified the strengths, opportunities, and challenges of Global Equities. The strengths included recognized client focus and the division's research and intellectual content. The opportunities included the Firm's

geographic footprint, quantitative trading, and challenging market structure issues. The challenges included volume considerations, franchise relevancy in Asia, and origination "brand."

Mr. McDade provided detail regarding Global Equities' human capital, providing a breakdown of employees by function and region. He stated that the division's human capital growth initiatives included Asia (including India), quantitative research, infrastructure, prime services, and emerging markets. Mr. McDade discussed Global Equities' research and provided detail regarding research sector teams and stock coverage. He described the division's market center strategy and discussed volumes for the New York Stock Exchange, the London Stock Exchange, and U.S. listed options. He also discussed factors influencing Global Equities' market center strategy, including: entry into new markets such as India, China, Brazil, Mexico, Russia, South America, and Canada; rate compression and rising costs; broker consolidation; speed and latency; and capital.

Mr. McDade then discussed the evolution of broker-dealer and exchange models. He described that, in the current models, buy-side customers execute through broker-dealers, and sell-side customers execute through exchanges. In future models, buy-side and sell-side customers both execute through broker-dealers and exchanges, which would lead to a model in which exchanges and broker-dealers compete for the same customers and business. Mr. McDade presented an analysis of Global Equities financials from fiscal 2004 through the first half of fiscal 2007. He also presented balance sheet and risk management information, including an analysis of risk appetite usage and value at risk and an analysis of balance sheet and risk content.

Mr. McDade next discussed Global Equities' market share. He presented information regarding the Firm's rank and market share. He also presented information regarding the Firm's average daily volume compared with market average daily volume in the U.S., Europe, and Asia for liquid markets and execution services, as well as for structured products and convertibles. He presented information regarding the Firm's origination market share and rank for fiscal years 2006 and 2007 (year to date) in the U.S., Europe, and Asia. Mr. McDade presented additional information regarding competitor benchmarking, analyzing 2006 global equity revenue by product. He concluded by presenting information regarding global 2006 origination, advisory, secondary, and principal trading revenues for certain countries. The Board directed questions to Mr. McDade regarding the Global Equities business in Asia, Global Equities research, and the Firm's origination market share.

#### LEGAL UPDATE

Mr. Russo updated the Board on a potential *Wall Street Journal* article regarding the Firm and subprime mortgages. He also updated the Board on the initial public offering allocation cases and the recent Supreme Court decision holding that the securities laws preclude application of the antitrust laws in these cases. Mr. Russo also

provided the Board with an update on the SEC inquiry regarding options backdating. The Board directed questions to Mr. Russo regarding the SEC inquiry and the shareholder derivative suits regarding options backdating.

**COUNTRY RISK UPDATE**

Ms. Jami Miscik, Global Head of Sovereign Risk Management, gave a presentation to the Board on Country Risk, including a discussion of the Middle East and Russia.

**PRIVATE SESSION**

Management (other than Mr. Fuld) was excused, and the Board met in private 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*  
Jeffrey A. Welikson  
Secretary of the Meeting