LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Board of Directors
September 11, 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 September 11, 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. Roland A. Hernandez
Dr. Henry Kaufman
Mr. John D. Macomber

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 June 19, 2007. Upon motion duly made and seconded, it was unanimously

> **RESOLVED**, that the Minutes of the meeting of the Board of Directors held on June 19, 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 AUDIT COMMITTEE

Mr. Cruikshank gave a report on the Audit Committee meeting held on July 5, 2007. He stated that Mr. O'Meara 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 Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007, noting that the financial statements were consistent with the second quarter earnings press release reviewed by the Committee on June 11, 2007. Mr. Cruikshank reported that Mr. O'Meara also discussed the quarterly review meeting that Messrs. Fuld and O'Meara held with certain senior members of Firm management, certain officers who participated in the preparation of the 10-Q and representatives of Ernst & Young and Simpson Thacher & Bartlett, to review 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. Mr. Cruikshank also reported that Mr. Grieb reviewed the financial statements and notes and MD&A, as well as the procedures for collecting, processing, and disclosing the information contained in the MD&A and the financial statements and notes.

Mr. Cruikshank stated that Mr. William Schlich of Ernst & Young discussed the Quarterly Review Report to the Audit Committee to be issued by Ernst & Young, including the review report letter to be included in the 10-Q. He stated that Mr. Schlich reported that Ernst & Young was not aware of any material modifications needed for the financial statements to be in conformity with GAAP, and that Mr. Schlich delivered the required communications between the independent auditors and the Committee under Statement on Auditing Standards No. 61, SEC rules, and auditing and professional standards.

Mr. Cruikshank reported that the Committee reviewed the audit, audit-related, tax, and other services of Ernst & Young requested to be pre-approved by the Committee, and that the Committee also reviewed the Ernst & Young fees incurred so far for fiscal 2007 against the amounts pre-approved. Mr. Cruikshank also reported that the Committee performed its annual review of compliance with its Committee charter, and that no issues or deficiencies were noted.

REPORT OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Ms. Evans gave a report on the previous day's meeting of the Nominating and Corporate Governance Committee. She stated that representatives from Ridgeway Partners attended the meeting and presented materials regarding potential director candidates. She reported that the Committee discussed these materials and identified next steps with respect to certain candidates. Ms. Evans reviewed the materials regarding the potential director candidates with the Board, and a discussion among the directors ensued regarding the candidates.

REPORT OF THE FINANCE AND RISK COMMITTEE

Dr. Kaufman reported on the morning's Finance and Risk Committee meeting. He described that the Committee reviewed the Firm's liquidity, capital, balance sheet, and risk. Dr. Kaufman reported that the Firm continues to manage liquidity, capital, and risk in a conservative way, which has been an important factor in the Firm's creditworthiness. He stated that all key measures of risk, liquidity, and equity adequacy are within established boundaries. Dr. Kaufman reported that risk appetite usage increased from $2.1 billion at the end of 2006 to $3.3 billion, but remains within the established risk limits. He stated that the Firm's risk management stress test results for both the subprime mortgage and the leveraged lending businesses showed that the losses actually incurred by the Firm were consistently within the range predicted by its risk management models.

Dr. Kaufman reported that the Firm's long-term capital usage has grown from $95 billion at the end of 2006 to $142 billion at the end of the third quarter, and that the most significant contribution to this growth has been the Real Estate business. He described that spreads on the Firm's debt relative to its competitors has widened, which may be due to the Firm's mortgage market and leveraged loan exposure, but he also noted that the Firm's liquidity and capital positions are quite strong. Dr. Kaufman reported that the maturity profile of debt is appropriately distributed, and that the sources of debt capital are increasingly diversified across products, currencies, and markets.

FINANCIAL UPDATE

Mr. O'Meara reviewed the Firm's financial results for the third 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 expenses. Mr. O'Meara discussed the performance of the Firm by business unit and by region. He described the valuation reductions on leveraged loan commitments and residential mortgage-related positions, and how they were partially offset by valuation gains on hedges and other liabilities. 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 third quarter of 2007. Mr. O'Meara compared the results for the quarter to both the third quarter of 2006 and to the second quarter of 2007, as well as to the quarterly budget. 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 hedging gains on securitized products and gains on structured notes. The Board also directed questions to Mr. O'Meara and senior management regarding valuation losses and gains, the financial results for the month of September to date, and plans for the quarterly earnings call.

MARKET UPDATE

Mr. Rick Rieder, Head of Global Principal Strategies, gave a market update presentation. He commenced the presentation by discussing the historical trends of the structured credit market. He provided an analysis of the global credit derivatives market and discussed the growth of the structured products market. Mr. Rieder described that structured products are often the most efficient investment pools for numerous assets, that structured products have provided investors with high-rated products at advantageous spreads, and that demand for these products forced a search for underlying collateral with enough yield that could be included in derivative structures, such as leveraged loans or subprime mortgages.

Mr. Rieder described the impact of the current conditions in the financial and mortgage markets on the structured products market. He discussed the impact of the subprime mortgage market on credit conditions and lending standards, noting that the result of these factors is a significantly more difficult securitization market. Mr. Rieder discussed the recent increase in ABS CDO asset downgrades and negative watch actions, as well as their impact on the structured products market and the subprime mortgage market. As part of such discussion, Mr. Rieder discussed the influence of credit ratings agencies' opinions on the structured market, describing the relationship between the CDO market and rating agency models. He described how the tremendous growth of CDOs and CLOs had resulted in extreme demand for loan and credit products broadly which in turn fueled the growth in private equity.

Mr. Rieder described that in the current market environment, CLO/CDO structures are being called into question, even without an apparent crack in credit quality. He discussed that currently the rapid loss of confidence in leverage for structured products has left an excessive amount of loan product in financial institution inventories. He described that the variability of pricing in CLO liabilities has slowed the pipeline of product, impacting issuances of high-yield credit and loans and the investment grade market, and resulting in a large backlog of supply to come to market in a market that is temporarily frozen. Mr. Rieder also discussed the accompanying detachment of credit spreads from credit default rates.

Mr. Rieder discussed the impact of increased volatility and liquidity risk premiums in credit spreads on the broader economy and financial markets, and he described that the implications will be a tangible drop in merger and acquisitions volume, specifically leverage-financed merger and acquisitions activity and take-private transactions. He noted that this impact has broader equity market implications and possibly global competitiveness implications. Mr. Rieder described that derivative markets are less transparent than some other markets, but stated that the immense global liquidity and need for quality-related assets has created a market-wide willingness to sacrifice transparency and liquidity for the right assets to generate returns. Mr. Rieder commented that the concept of transparency is generally viewed as a positive for the efficiency of markets, as well as their growth and productivity. He then discussed the paradox of the negative impact of transparency on the structured products market, describing the increase of volatility and instability in the structured products markets which arose from the introduction of trading on the ABX Index and the LCDX Index.

Mr. Rieder concluded by stating that the impact of the subprime market on the other financial markets will be felt in terms of availability of subprime credit over the foreseeable future and by describing that availability of credit in the prime space will almost certainly be impacted by tougher structured markets, but probably more so by economic trends and fundamentals like unemployment, income levels, and home inventory. Mr. Rieder also predicted that the ability to source inexpensive leveraged financing in large scale will probably be diminished for the short to medium term, impacting mergers and acquisitions activity and leverage financed private equity. The Board of Directors directed questions to Mr. Rieder regarding the structured credit market and the scope of the Firm's interaction with the Federal Reserve and the Treasury Department.

PRESENTATION ON LIQUIDITY, LEVERAGED LOAN COMMITMENTS, AND MORTGAGE POSITIONS

Mr. O'Meara gave a presentation on the Firm's liquidity, leveraged loan commitments, and mortgage positions. He stated that the Firm's liquidity framework is based on a conservative approach to funding the balance sheet. He described that elements of this liquidity framework include no reliance on short term unsecured funding, reliance on secured funding only where the Firm sees a deep and liquid pool of lenders who understand the collateral, and use of long-term funding for less liquid collateral. He described that the Firm's long-term debt has grown to $118 billion at the end of the third quarter from $81.2 billion at the end of 2006. He stated that year to date, the Firm has issued $67 billion of long-term debt at an average life of 6.9 years, and that the average life of the Firm's long-term debt has risen slightly at the end of the third quarter. Mr. O'Meara described that in the last two months, liquidity has been considerably more challenging to source, resulting in higher credit spreads particularly for financial companies. He stated that, despite the fact that markets have been more difficult to access, the Firm has been able to limit the effect on its liquidity through alternative funding sources and its in-house banks. Mr. O'Meara stated that the third quarter liquidity pool increased to a record $36 billion (from $25.7 billion at the end of the second quarter), which represents the strongest quarter-end liquidity position for the Firm. He stated that the cash capital surplus has increased to $8.1 billion from $2.5 billion at the end of the second quarter (and against a $2 billion policy minimum), which also represents a Firm record.

Mr. O'Meara discussed the levels of the Firm's leveraged loan commitments and described the growth in the Firm's commitments as consistent with the growth in the Firm's market share in mergers and acquisitions activities and the resultant leveraged financing activities. He next discussed high-yield contingent acquisition facilities, which are financial commitments that the Firm makes to sponsors to enable them to acquire other companies or parts of companies. Mr. O'Meara described that high-yield contingent acquisition facilities declined over the third quarter, and that the main drivers for the reduction were deal completions, reductions in the Firm's share of deals, and the sale of Archstone-Smith debt.

Mr. O'Meara next reviewed the Firm's mortgage and mortgage-backed positions at the end of the second and third quarters of 2007. He described the growth in the mortgage and mortgage-backed inventory line during the third quarter as driven primarily by commercial mortgages and discussed that a portion of mortgage inventory includes mortgage loans for which the Firm is not at risk. Mr. O'Meara discussed the Firm's residential mortgage positions and stated that the sub-prime "at-risk" balance sheet represents approximately 8% of the Firm's total mortgage and mortgage-backed balance sheet at August 31, 2007. He described that the majority of the Firm's whole loan inventory is prime, where the securitization market is still active. He reported that the Firm has taken significant write-downs on residential mortgage positions in the third quarter, but stated these write-downs have been largely offset by gains from effective hedging. Mr. O'Meara discussed the Firm's commercial mortgage positions and described that the most significant growth in this area has been in the international business, primarily Europe. He described the conditions in the commercial mortgage-backed securities market in the US, Europe, and Asia. The Board of Directors directed questions to Mr. O'Meara and senior management regarding valuation losses and gains.

PRESENTATION ON PRIVATE FUND INVESTMENTS GROUP

Mr. George Walker, Global Head of the Investment Management Division, and Mr. Tony Tutrone, Global Head of the Private Fund Investments Group, gave a presentation on the Firm's Private Fund Investments Group. Mr. Walker provided an overview of the Firm's Private Equity platform, focusing on the Private Fund Investments Group and describing the growth of Private Equity assets under management. He reviewed the performance of the Firm's Private Equity funds by asset class. Mr. Walker discussed the activities of the Private Fund Investments Group, reviewed its assets under management and provided a summary of its activities in co-investments, secondaries, and fund of funds. He then discussed the fund of funds activities in greater detail, including a discussion of the launch of Lehman Brothers Private Equity Partners Limited ("LBPEP"), a publicly traded, closed-end investment company that invests in private equity finds and co-investments. Mr. Walker described the benefits of LBPEP and discussed how the launch of LBPEP leveraged resources across the Firm's global platform, capitalizing on the Firm's "One Firm" philosophy. Mr. Walker concluded his presentation by comparing the current status of the Firm's Private Equity business to the projections which Mr. Walker had presented to the Board in 2006. The Board of Directors directed questions to Mr. Walker and Mr. Tutrone regarding the Firm's competitors in the Private Equity business.

LEGAL UPDATE

Mr. Russo updated the Board on the SEC inquiry regarding options backdating and on the potential *Wall Street Journal* article regarding equity swaps for offshore investors.

PRIVATE SESSION

Management (other than Mr. Fuld) was excused, and the Board met in private session.

EXECUTIVE SESSION

Mr. Fuld was excused, and the non-management Directors met in executive session and discussed the role of the Board of Directors, particularly in challenging times.

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