

LEHMAN BROTHERS HOLDINGS INC.

**Minutes of the Board of Directors
January 29, 2008**

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, on January 29, 2008, at 12:00 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. Roland A. Hernandez
Mr. Henry Kaufman
Mr. John D. Macomber

ALSO PRESENT BY INVITATION

Ms. Erin M. Callan
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 November 8, 2007. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the meeting of the Board of Directors held on November 8, 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 previous day's Nominating and Corporate Governance Committee meeting. Ms. Evans reported that the Committee was recommending that all of the Board members be designated as the Corporation's Director nominees for election at the upcoming Annual Meeting of Stockholders. She stated that the Firm was not aware of any material relationships that would prevent the Board of Directors from concluding that all of the non-management Director nominees are independent. After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that upon the recommendation of the Nominating and Corporate Governance Committee, the following individuals are hereby designated by the Board of Directors as the Corporation's Director nominees:

Michael L. Ainslie
John F. Akers
Roger S. Berlind
Thomas H. Cruikshank
Marsha Johnson Evans
Richard S. Fuld, Jr.
Sir Christopher Gent
Roland A. Hernandez
Henry Kaufman
John D. Macomber

Ms. Evans also reported that the Committee received a presentation from Ridgeway Partners regarding potential candidates to serve on the Board of Directors. Ms. Evans distributed materials to the Board regarding the leading director candidates and additional potential director candidates. She provided an update on a leading director candidate, Mr. Jerry A. Grundhofer, and reported on planned next steps with respect to Mr. Grundhofer. Ms. Evans summarized the Committee's discussion of the candidates. Mr. Cruikshank reported on his meeting with one of the candidates.

REPORT OF THE FINANCE AND RISK COMMITTEE

Mr. Kaufman gave a report on the Finance and Risk Committee meeting held earlier that day. He discussed the 2008 stock buyback program and the recommended increase in dividends. Mr. Kaufman reported that the Committee was recommending a total stock repurchase authorization of up to 100 million shares for the management of the Firm's equity capital, including dilution from employee awards, subject to market conditions. He noted that this authorization supersedes the previous share repurchase

authorization and that its utilization will be at the discretion of management.

Mr. Kaufman reported that the Committee was recommending a 13% increase in the Corporation's common stock dividend from \$0.60 per share in 2007 to \$0.68 per share in 2008. He discussed that this dividend increase signals management's confidence in the financial health of the Firm and also maintains the Firm's position as a growth stock.

Mr. Kaufman then reported on the presentation to the Committee regarding the 2008 budget. He described that the 2008 budget is subject to much uncertainty due to economic and market conditions. Mr. Kaufman reported that, as a result, the Committee focused its review and discussion on risk issues, including asset composition, liquidity, asset valuations, market and credit risk, and other matters. He reported that the Firm has maintained compliance with its conservative funding framework despite challenging credit markets, noting that the Firm had a record liquidity surplus at fiscal year-end. Mr. Kaufman also discussed the balance sheet growth, particularly in mortgage and loan assets, and noted the increase in the Firm's leverage at fiscal year-end.

After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that upon the recommendation of the Finance and Risk Committee, the Board of Directors hereby adopts the following stock dividend policy, effective for dividends payable on or after December 1, 2007: it is the policy of the Corporation to declare and pay an annual Common Stock dividend of \$0.68 per share (which equates to \$0.17 per share per quarter).

FURTHER RESOLVED, that the Corporation hereby declares a regular dividend on its Common Stock in the amount of \$0.17 per share, payable in cash on February 22, 2008 to each person who was the holder of record thereof on February 15, 2008.

WHEREAS, the Board of Directors has determined that it is in the best interest of the Corporation to continue to purchase shares of Common Stock of the Corporation in order to, among other things, fund the issuance of shares under various compensation plans; it is therefore

RESOLVED, that the Board of Directors hereby approves a Common Stock repurchase plan as presented and recommended by the Finance and Risk Committee under which the Corporation may repurchase, subject to market conditions, up to 100 million shares of its Common Stock for the management of the Corporation's equity capital, including offsetting dilution due to employee stock awards, as proper officers of the Corporation deem necessary or advisable. This resolution

shall supersede and replace the Board of Directors' previous share repurchase resolution adopted on January 31, 2007.

FURTHER RESOLVED, that upon recommendation of the Finance and Risk Committee, the Board of Directors hereby approves, as part of such repurchase plan and subject to the limit on the number of shares which may be repurchased, the entry into call options on shares of the Corporation's Common Stock, as proper officers of the Corporation may deem advisable.

REPORT OF THE COMPENSATION AND BENEFITS COMMITTEE

Mr. Akers reported on the meetings of the Compensation and Benefits Committee held on the previous day and on December 7, 2007. He noted that he would discuss executive compensation, including the compensation of the Chief Executive Officer, at the executive session of non-management Directors. Mr. Akers reported that the Committee conducted its annual Committee self assessment and reviewed the Committee charter. He stated that the Committee is recommending amendments to its charter to reflect changes in the new executive compensation disclosure requirements, and he referenced a memo describing these amendments which had been distributed to the Directors in advance of the meeting. After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that, upon the recommendation of the Compensation and Benefits Committee, the amended Compensation and Benefits Committee Charter presented to the Board of Directors is hereby adopted and approved as the Compensation and Benefits Committee Charter.

Mr. Akers stated that the Committee also is recommending amendments to the Executive Incentive Compensation Plan (formerly known as the Short-Term Executive Compensation Plan) and referenced a memo describing these amendments which had been distributed to the Directors in advance of the meeting. After discussion, upon motion duly made and seconded, it was unanimously resolved

WHEREAS, the Compensation and Benefits Committee of the Board of Directors has recommended to the Board of Directors the adoption of the Executive Incentive Compensation Plan (F/K/A Short-Term Executive Compensation Plan) in order to meet the requirements for the continuing deductibility of certain compensation paid to executives under Section 162(m) of the Internal Revenue Code; now therefore be it

RESOLVED, that the Board of Directors hereby (i) adopts the Executive Incentive Compensation Plan in the form attached hereto as

Exhibit A, subject to the approval of the stockholders of Holdings, (ii) directs that the approval of the Executive Incentive Compensation Plan be considered at the 2008 Annual Meeting of Stockholders of the Corporation scheduled to be held on April 15, 2008 (the "Annual Meeting"), and (iii) recommends to the stockholders of Holdings the approval of the Executive Incentive Compensation Plan at the Annual Meeting.

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to the foregoing plans and programs including, without limitation, preparing and distributing award agreements and/or statements, making adjustments for amounts due the Corporation by the award recipient, and executing such further documents and taking such further action as they may, with the advise of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions, or to comply with law; and with respect to those awards which are subject to the laws of any foreign jurisdiction, the officers of the Corporation are each hereby authorized and directed to determine the form of awards to employees who are personally residing outside the United States and to take such actions and to make such amendments including, without limitation, preparing and executing such trust instruments or other documents as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions and to achieve tax efficiency and to comply with the provisions of any relevant local law or regulations in those territories, provided such actions do not result in an incremental material cost to the Corporation.

Mr. Akers stated that the Committee began its review of management's proposal to increase the shares available under the 2005 Stock Incentive Plan, to be submitted for stockholder approval at the 2008 Annual Meeting of Stockholders. He reported that the Committee expects to finalize and approve the increase in shares under the plan before the filing of the proxy statement, and he noted that this amendment to the plan will also require approval by the full Board.

Mr. Akers reported that at its December meeting, the Committee reviewed the performance results and certified the Restricted Stock Unit ("RSU") awards earned pursuant to the 2006-2007 performance-based RSU awards. He described that this certification of performance is part of the process needed to ensure the awards are eligible to be tax deductible. He also reported that the Committee approved higher equity deferral rates for senior-level managing directors as a component of their 2007 compensation. Mr. Akers described that typically, the maximum portion of compensation received in equity for a managing director (other than Executive Committee members) is 50%, but that the Committee increased the equity component to 62% for managing directors earning \$5 million or more. He discussed that the Committee's objectives in making this

change were to increase retention for the affected managing directors and to defer some compensation expense into subsequent years.

Mr. Akers reported that the Committee reviewed and approved several special awards, including: RSU awards for senior-level new hires in the recruitment process; RSU retention awards for four select employees within the Investment Management Division and Fixed Income Division; and special treatment for the unvested RSU awards held by select individuals who will be leaving the Firm as part of a start-up hedge fund, where the Firm will have significant ownership interest. Mr. Akers also reported that the Committee approved year-end RSU awards for employees of LibertyView, a hedge fund that is part of the Neuberger Berman business, and he explained that their performance year is based on the calendar year, so awards are approved in January rather than December. Mr. Akers reported that the Committee reviewed and approved the 2007 compensation process for Lead Equity Research Analysts, as required by the research settlement and New York Stock Exchange rules. He reported that the Committee also reviewed a report of the top 50 most highly compensated employees in the Firm, below the executive group.

Mr. Akers described that the Committee has reviewed and given input on several evolving drafts of the Compensation Discussion and Analysis for the Company's 2008 proxy statement disclosure. He also reported that the Committee reviewed participation in the Supplemental Retirement Plan ("SRP") and described that, based on analysis of market trends, competitive benefit values, and expense to the Firm, the Committee agreed that it would not extend SRP benefits beyond the current group of participants. Mr. Akers reported that the Committee began the process of reviewing the 2008 goals and objectives for the Firm's Executive Committee and executive officers. Mr. Akers also reported that the Committee approved the 2008 compensation formulas for the executive officers and Executive Committee members. He described that the formulas are based on pre-tax income, consistent with the 2007 formulas. He stated that the Committee also discussed the Firm's compensation and benefits expense as a percent of net revenue for 2008, and he reported that this discussion is in progress. Mr. Akers concluded by stating that the discussion of executive compensation would continue during the executive session of non-management Directors.

REPORT OF THE AUDIT COMMITTEE

Mr. Cruikshank gave a report on the Audit Committee meetings held on December 12, 2007, January 24, 2008 and on the previous day. He reported that at its December 12th meeting, the Committee reviewed the fourth quarter and year-end earnings press release. He reported that the Committee also received an update on services provided by Ernst & Young, including a review of services requiring Committee pre-approval and a review of year-to-date fees.

Mr. Cruikshank next reported on the Committee meeting held on January 24, 2008. He stated that Ms. Callan and Mr. Martin Kelly, the Corporation's Financial Controller, reviewed the financial statements and notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to be included in the Corporation's Annual Report on Form 10-K for the fiscal year ended November 30, 2007, as well as the procedures for collecting, processing and disclosing the information contained in the MD&A and the financial statements and notes. He described that Ms. Callan and Mr. Kelly reviewed details of the Firm's results, balance sheet, risk, and critical accounting policies, and that they highlighted significant changes and increased disclosure in the Form 10-K for fiscal 2007.

Mr. Cruikshank reported that Ms. Beth Rudofker, Global Head of Corporate Audit, presented Corporate Audit's review of management's assessment of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, contained in the Form 10-K. He noted that this assessment states that management completed an assessment of internal control over financial reporting as of November 30, 2007, and concluded that such internal control is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, based on the criteria set forth in the Treadway Commission. Mr. Cruikshank reported that no material weakness in internal control over financial reporting had been identified at November 30, 2007.

Mr. Cruikshank reported that Ms. Rudofker delivered the Corporate Audit Report on Consolidated Supervised Entity ("CSE") 2007 Year-End Results. He described that she reviewed the process for review and testing of the Firm's risk management controls under the terms of the mutually accepted agreed upon procedures. He reported that Ms. Rudofker stated that, based on reviews conducted, no material weaknesses were noted in internal risk management controls that would have an impact on the Firm's compliance with CSE requirements, as of November 30, 2007.

Mr. Cruikshank stated that, at its January 28th meeting, the Committee reviewed its charter and is recommending a minor amendment to clarify that the Audit Committee has the discretion to determine whether the provision of any non-audit services would impair the auditors' independence. After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that, upon the recommendation of the Audit Committee, the amended and restated Audit Committee Charter presented to the Board of Directors is hereby adopted and approved as the Audit Committee Charter.

Mr. Cruikshank discussed that Ms. Rudofker also reviewed Corporate Audit's 2008 Global Audit Plan, and he described that this plan reflects the Firm's areas of expansion and investment, additional business and product complexity, significant

growth in volume, and increasing regulatory requirements. Mr. Cruikshank then reviewed Ernst & Young's report on the results of its audit of the Firm's 2007 consolidated financial statements and of the Firm's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, stating that Ernst & Young expected to be issuing unqualified opinions on both the 2007 financial statements and internal control over financial reporting at November 30, 2007. Mr. Cruikshank stated that Ernst & Young had reported no material weaknesses in internal control over financial reporting, but he reviewed three significant deficiencies that were noted in fiscal 2007 and had been reported to the Committee. He reported that Ernst & Young had delivered the required communications between the independent auditors and the Committee under Statement on Auditing Standards No. 61, SEC rules and other professional standards.

FINANCIAL UPDATE

Ms. Callan reviewed the Firm's financial results for the month of December. As part of such review, she discussed, among other things, market environment, revenues, expenses, net income, earnings per share, return on equity, pre-tax margin, and the Firm's expenses. She compared the results to monthly averages during 2007 and to December 2006 results. Ms. Callan discussed the performance of the Firm by business unit and by region. She also discussed the Firm's capital position (including leverage ratios) and risk appetite usage. Ms. Callan provided an analysis of competitor information and discussed the results of the Firm's competitors. Ms. Callan concluded by presenting a monthly financial performance trend analysis, as well as a quarterly and annual financial performance trend analysis, and by discussing the Firm's revenues in January 2008.

PRESENTATION ON MARKET ENVIRONMENT FOR FINANCIAL SERVICE COMPANY DEBT

Mr. Eric Felder, Global Head of High Grade Credit [and US Head of Global Credit Products] gave a presentation to the Board on 2008 Supply/ Demand Dynamics for Financial Service Company Debt. He discussed that credit supply would likely be concentrated in longer duration instruments and described the changing profile of investment grade supply over time. Mr. Felder stated that, after adjusting for this duration increase, the Firm expected risk-adjusted supply to increase by over 50% in 2008. He described that, across the financial service industry, substantial debt maturities will need to be financed in 2008. Mr. Felder also described that, in recent years, a large portion of financial issuers' debt has been raised in segments of the market (such as floating rate notes and extendible notes) which are no longer available in the current environment.

Mr. Felder stated that, in this environment, financial issuers will have to issue longer duration debt, but noted that the volatility of the financials sector has increased. He presented data supporting his statement that, despite the recent widening in spreads,

yields have not risen substantially and remain relatively low. Mr. Felder also discussed the impact of the subprime mortgage crisis on financial issuers, and he described that recent losses have led to negative ratings momentum among financial issuers. He presented data indicating that leverage ratios of the five largest brokers are rising, and that bank capital ratios are deteriorating.

Mr. Felder also presented data regarding the implied default probability of certain financial issuers to demonstrate the market reaction to these developments in the financials sector. He discussed secondary repricing due to new issue concessions among certain financials issuances. Mr. Felder described that a small number of investors is accounting for a large portion of demand for the Firm's recent issues, which could have liquidity implications. He discussed that the response of financial issuers to the market environment has been to increase the tranche size of new issue in periods when market volatility subsides. Mr. Felder recommended that the Firm front-load issuance, particularly given the Firm's recent growth in issuance and the smaller number of outlets available going forward. He described that the Firm's peers are in similar situations, and noted that among financials, a lot of capital has been raised by using a variety of instruments, including equity, convertible bonds, and preferreds.

INDEPENDENCE DETERMINATIONS WITH RESPECT TO INDIVIDUAL DIRECTORS

Mr. Russo noted that the New York Stock Exchange corporate governance rules require the Board to make an affirmative determination regarding the independence of each Director and to disclose in the proxy statement which Directors are independent. He then reviewed a document which had been distributed to the Board presenting information regarding each Director's relationships with the Firm. Mr. Russo also described that the members of the Audit Committee must satisfy the heightened independence standards contained in the Sarbanes-Oxley Act of 2002. Mr. Russo summarized these independence standards to the Board of Directors. After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board of Directors hereby determines that the following directors are independent as such term is defined under the listing standards of the New York Stock Exchange:

Michael L. Ainslie
John F. Akers
Roger S. Berlind
Thomas H. Cruikshank
Marsha Johnson Evans
Christopher Gent
Roland A. Hernandez
Henry Kaufman
John D. Macomber

FURTHER RESOLVED, that the Board of Directors hereby determines that each member of the Audit Committee is independent in accordance with the requirements of the Securities Exchange Act of 1934.

HOLDINGS ANNUAL MEETING

Mr. Russo discussed the progress of planning for the 2008 Annual Meeting, which will be held on April 15, 2008. He described that the 2008 Annual Meeting would be conducted in the same manner and at the same location as last year's meeting. Mr. Russo reviewed the proposals to be submitted to the stockholders at the 2008 Annual Meeting. After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that the Board of Directors hereby authorizes and directs the proper officers of the Corporation: (i) to prepare a notice of meeting, proxy statement, proxy card, annual report to stockholders, annual report on Form 10-K and such other materials and documents as may be necessary or appropriate (collectively, the "Annual Meeting Materials") in connection with the 2008 Annual Meeting of Stockholders (the "Annual Meeting"); (ii) after review by the Board, to file the Annual Materials on behalf of the Corporation with the Securities and Exchange Commission, the New York Stock Exchange and any other applicable or appropriate regulatory bodies; (iii) to distribute the Annual Meeting Materials to stockholders; and (iv) to take any other actions as may be necessary or appropriate in connection with the Annual Meeting.

FURTHER RESOLVED, that Thomas A. Russo, Joseph Polizzotto and Jeffrey A. Welikson are hereby designated as proxies for the Annual Meeting.

FURTHER RESOLVED, that the following proposals be submitted to the stockholders of the Corporation at the 2008 Annual Meeting:

(i) Elect each of the following Director nominees for a one-year term:

Michael L. Ainslie	Richard S. Fuld, Jr.
John F. Akers	Sir Christopher Gent
Roger S. Berlind	Roland A. Hernandez
Thomas H. Cruikshank	Henry Kaufman
Marsha Johnson Evans	John D. Macomber

(ii) Ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered

public accounting firm for the fiscal year ending November 30, 2008.

- (iii) Approve the Executive Incentive Compensation Plan.
- (iv) Approve an amendment to the 2005 Stock Incentive Plan.
- (v) Consider stockholder proposals received by the Corporation which are neither withdrawn by the proponent nor approved for exclusion by the SEC.
- (vi) Act on any other business which may properly come before the Annual Meeting or any adjournment thereof.

Mr. Russo described that the Firm received three stockholder proposals for inclusion in the 2008 proxy statement: (i) Mrs. Evelyn Y. Davis submitted a stockholder proposal which requests disclosure of political contributions made by the Firm; (ii) the Central Laborers' Pension, Welfare & Annuity Funds submitted a proposal which requests a report discussing the Firm's potential financial exposure as a result of the mortgage securities crisis; and (iii) the Free Enterprise Action Fund submitted a proposal which requests an environmental sustainability report.

Mr. Russo referenced materials regarding the stockholder proposals, including draft statements of opposition to the proposals, which had been distributed to the Directors in advance of the meeting. He stated that the Firm submitted no-action requests to the SEC to exclude from the proxy statement the proposal requesting a report discussing the Firm's potential financial exposure as a result of the mortgage securities crisis, and the proposal requesting an environmental sustainability report. Mr. Russo described that, in both cases, the Firm's primary argument was that the proposal should be excluded from the proxy statement on the basis that it relates to the Firm's ordinary business operations, which is one of the limited grounds for exclusion permitted by SEC rules. He reported that the Firm has not yet received responses from the SEC to its no-action requests.

LEGAL UPDATE

Mr. Russo provided the Board with an update on the options backdating matters, the auction rate securities litigation, the City of Cleveland matter, the IPO allocation cases, and the Unocal matters. The Board directed questions to Mr. Russo regarding the auction rate securities litigation.

EXECUTIVE SESSION

The non-management Directors met in executive session and discussed executive compensation, including the performance and compensation of Mr. Fuld.

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