

LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Board of Directors
June 19, 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, at 12:00 p.m. on June 19, 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 (*by telephone*)
Mr. Henry Kaufman
Mr. John D. Macomber

ALSO PRESENT BY INVITATION

Mr. Ian T. Lowitt
Mr. Herbert H. McDade III
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 meetings held on May 7, 2008 and June 6, 2008. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the meetings of the Board of Directors held on May 7, 2008 and June 6, 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.

LBEX-AM 003764

REPORT OF THE AUDIT COMMITTEE

Mr. Cruikshank reported that the Audit Committee held a telephonic meeting on June 13, 2008 with management and representatives of Ernst & Young to review and discuss in advance the Corporation's earnings press release for the second quarter of 2008. He reported that the income statement information in the earnings press release was consistent with the information in the earnings pre-announcement press release issued on June 9, 2008. Mr. Cruikshank stated that the asset reductions in the earnings press release (both gross and net) were larger than anticipated in the earnings pre-announcement press release. He reported that the Committee also reviewed with Mr. Lowitt plans for the second quarter earnings conference call.

Mr. Cruikshank stated that the Committee received a report from Ms. Beth Rudofker, Global Head of Corporate Audit, regarding a letter sent to senior management by an employee in the Financial Control group raising questions regarding the Firm's accounting controls and resource levels. He noted that, at the time the employee sent the letter, a decision had already been made to eliminate the employee's position as part of the Firm's May 2008 reduction in force. Mr. Cruikshank reported that the Committee has directed that all of the questions raised in the letter be investigated, and that Corporate Audit is conducting a detailed review of the employee's questions in partnership with the Finance division and Ernst & Young. He reported that no material issues have been identified to date or are expected and that the employee's area was not considered a primary internal control.

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 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 attended the meeting and reviewed with the Committee materials regarding potential director candidates. A discussion among the Board of Directors ensued regarding potential director candidates.

SECOND QUARTER RESULTS OF OPERATIONS

Mr. Lowitt reviewed the Firm's financial results for the second quarter of 2008. As part of such review, he discussed, among other things, market environment, net loss, revenues, expenses, loss per share, capital position (including leverage ratios), as well as the performance of the Firm by business unit and by region. Mr. Lowitt compared the results for the quarter to the second quarter of 2007 and to the first quarter of 2008, and he provided results for the months of March, April, and May. Mr. Lowitt described the components of the second quarter revenues in more detail, including an analysis of net

revenues by business unit and region, showing the impact of defensive positions, principal portfolios, hedges, and mark-to-market adjustments on the run-rate revenues of the business units and regions.

Mr. Lowitt presented analyses regarding the Firm's liquidity pool and cash capital surplus (noting the increase in the liquidity pool from the end of the second quarter to date), long term capital, average risk appetite usage, and long term capital roll-forward. Mr. Lowitt then discussed the Firm's balance sheet and capital strength and presented information regarding the Firm's balance sheet and leverage ratios, as well as its exposures to mortgage and asset-backed securities, acquisition finance, and real estate held for sale. He also provided an analysis of competitor information and a monthly financial performance trend analysis. The Board directed questions to Mr. Lowitt and to senior management regarding the gain on the Firm's structured note liabilities, the impact of run-rate revenues on projections of return on equity, the Firm's Level III assets and potential changes to these levels, the Firm's plans regarding leverage and composition of assets, and potential changes to GAAP which would potentially require companies to bring certain assets back onto the balance sheet.

UPDATE ON RISK

Mr. Christopher O'Meara, Global Head of Risk Management, presented an Update on Risk to the Board of Directors, which included a discussion of the impact of de-leveraging on the Firm. He discussed the reductions in the gross and net balance sheet in the second quarter, in addition to the reductions in the second quarter in the Firm's exposure to commercial and residential mortgages, real estate, other asset-backed securities, and acquisition facilities. Mr. O'Meara described that over the past three quarters, the Firm's average risk appetite usage has remained unchanged, although the average usage for the third quarter to date had declined. He also described that the Firm's average quarterly value-at-risk decreased from the first quarter to the second quarter, and decreased further from the second quarter to the third quarter to date.

Mr. O'Meara presented information regarding exposure to high yield acquisition facilities, including a description of the Firm's largest exposures in this area and a discussion of current market and portfolio conditions. He presented information regarding exposure to commercial real estate, including a description of the Firm's largest exposures in this area and a discussion of regional balance sheet trends, as well as current market and portfolio conditions. Mr. O'Meara then discussed the Firm's exposure to securitized products, specifically non-agency residential mortgage exposures. As part of such discussion, he presented information regarding balance sheet assets and asset trends, non-agency risk exposures and hedges, as well as current market and portfolio conditions. He then discussed exposure to monolines and hedge funds (as a counterparty).

The Board directed questions to Mr. O'Meara and senior management regarding the Firm's risk appetite usage, stress testing, concentration risk, cumulative write-downs

in high-yield acquisition facilities, the amount of commercial real estate in Level III assets, its Archstone exposure, its hedging strategy and the possibility of future market dislocations, event risk, counterparty risk, the transfer of assets to R3 Capital Partners, and the Firm's valuation of assets.

LEGAL UPDATE

Mr. Russo reported to the Board on a new purported 10b-5 class action lawsuit and a demand letter which was received by the Firm. Mr. Russo explained that the demand letter asks the Board to investigate and decide whether to bring legal action against the Board and senior management for breaches of fiduciary duty and corporate waste. Mr. Russo asked Mr. Joseph Polizzotto, the Firm's General Counsel, to discuss the demand letter. Mr. Polizzotto distributed copies of the demand letter to the Directors, and Mr. Fuld excused himself from the meeting.

Mr. Polizzotto described the allegations in the demand letter in greater detail and explained that one response would be for the Board to delegate to a subcommittee the task of looking into the allegations and reporting back to the Board of Directors, and to retain outside counsel to assist in the investigation. He described that under Delaware law, speaking hypothetically, if the Board were to conclude that after investigating the facts set forth in the letter, there was no basis to charge or discipline management, or to otherwise take legal action against itself and management, that that decision would be reviewed by the Delaware Courts under the business judgment rule, i.e., a lawsuit would be allowed to proceed only if plaintiffs could allege facts indicating that the Board acted in bad faith or without conducting a reasonable investigation. Mr. Polizzotto stated that he understood that a subcommittee comprised of Mr. Grundhofer, Mr. Akers, and Ms. Evans was being considered, with Mr. Grundhofer serving as Chairman. He discussed that the subcommittee should interview and retain outside counsel, and he distributed biographical information of two potential outside counsel candidates to the subcommittee members. Mr. Polizzotto, Mr. Lowitt, Mr. McDade, and Mr. Welikson were excused, at which time Mr. Fuld returned to the meeting for the report of the Compensation and Benefits Committee.

REPORT OF THE COMPENSATION AND BENEFITS COMMITTEE

Mr. Akers gave a report on the Compensation and Benefits Committee meeting held that morning and on action taken by the Committee by unanimous written consent in May.

PRIVATE SESSION

Mr. Russo was excused, and the Board met in private session.

EXECUTIVE SESSION

Mr. Fuld was excused, and the non-management Directors met in executive 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