

**LEHMAN BROTHERS HOLDINGS INC.**

**Minutes of the Board of Directors  
August 13, 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 13, 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. Michael Gelband  
Mr. Ian T. Lowitt  
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 July 15, 2008, July 16, 2008, July 17, 2008, July 18, 2008, July 22, 2008, and July 31, 2008. Upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Minutes of the meetings of the Board of Directors held on July 15, 2008, July 16, 2008, July 17, 2008, July 18, 2008, July 22, 2008, and July 31, 2008 are hereby approved in the form

submitted at this meeting, and that copies of such Minutes be placed in the appropriate Minute Book of the Corporation.

### FINANCIAL UPDATE

Mr. Lowitt reviewed the Firm's estimated financial results for the month of July 2008 and for the third quarter-to-date. 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 described the components of the July revenues in detail, including an analysis of net revenues by business unit and region showing the impact of principal portfolios and mark-to-market adjustments on the run-rate revenues of the business units and regions. He compared the estimated July 2008 results to the June 2008 results, and he also compared 2008 and 2007 year-to-date results. Mr. Hernandez joined the meeting.

Mr. Lowitt discussed revenue volatility and risk, including an analysis of distribution of July daily trading net revenues and VaR. Mr. Lowitt also discussed the Firm's liquidity pool and cash capital surplus, long-term capital, balance sheet and leverage, and its long-term capital roll-forward. He presented information regarding the Firm's client franchise, including analyses of the Firm's Capital Markets sales credits, prime broker balances by strategy, and assets under management. Mr. Lowitt also discussed potentially reducing the dividend on the Common Stock, and he stated that this issue would be discussed in greater detail at the Finance and Risk Committee meeting and the Board meeting to be held in September. The Board directed questions to Mr. Lowitt and senior management regarding: the potential spin-off of commercial real estate assets, including capital for the spun-off entity; the strategy behind the spin-off; and the Firm's run-rate revenues.

### FIXED INCOME RISK UPDATE

Mr. Gelband gave a presentation to the Board of Directors regarding the Firm's risk exposure in residential mortgages. He reviewed the Firm's residential mortgage exposure and described the forecasted decrease in this exposure at the end of the third quarter. Mr. Gelband analyzed the projected third-quarter write-down for residential mortgage exposure. He described the composition of the Firm's residential mortgage exposure and the hedges currently in place for certain exposures. Mr. Gelband discussed the outlook for residential mortgages, including a discussion of potential risks and mitigating factors in the residential mortgage market. The Board directed questions to Mr. Gelband and management regarding the valuation of residential mortgages and Level III assets.

## UPDATE ON STRATEGIC INITIATIVES

Mr. Fuld updated the Board of Directors on the status of discussions with the potential foreign partner and with the potential domestic partner. He also updated the Board on the Firm's continuing work on the potential spin-off of commercial real estate assets and on the potential sale of all or part of the Investment Management Division ("IMD"), noting that Mr. McGee would discuss these matters in more detail. Mr. Fuld updated the Board on the Firm's efforts regarding expense reduction and on the possible capital need following sales of mortgage assets and the consummation of the spin-off of commercial real estate assets.

Mr. McGee discussed the process and progress regarding a potential sale of all or part of IMD. He reported that thirteen parties have executed confidentiality agreements and have received initial due diligence. Mr. McGee stated that preliminary indications of value were due that day, and that those indications would be the basis for selecting a smaller group of potential buyers to conduct more detailed due diligence. He described that the potential sale is being actively pursued by the Firm, but that countervailing factors include that the more predictable nature of investment management earnings is valuable to the Firm, and the size after taxes of the book earnings to be achieved by selling 51% of IMD. The Board of Directors directed questions to management regarding the value of IMD and potential transaction structures.

Mr. McGee next updated the Board on the spin-off of commercial real estate assets, including a report on a meeting with the Securities and Exchange Commission ("SEC") held the previous day. He described that the spun-out entity will be a liquidating entity, not an ongoing operating business. Mr. McGee explained that this structure makes it easier for the SEC not to require three years of audited financial statements, but that this structure was likely to make the distribution taxable. Mr. Fuld and Mr. Russo discussed their views of the meeting with the SEC. Mr. McGee reported that, if three years of audited financial statements would not be required, then the likely time frame for the transaction would be an announcement as part of the third-quarter earnings release with the distribution completed around year-end. The Board directed questions to management regarding the structure of the spin-off, including the capital structure, the timing of the transaction, and the distribution mechanics.

Mr. McGee described that the sales of mortgage assets and the consummation of the spin-off will create a capital need. He indicated that the potential foreign partner could be an investor in an equity raise following the spin-off, and that the potential domestic partner could also be an investor. Mr. McGee reported that a meeting was scheduled with the potential domestic partner for the following day. He described that another alternative being reviewed would be for the Firm to negotiate with certain holders of the Firm's convertible preferred stock to exchange shares of the convertible preferred stock for shares of Common Stock. The Board directed questions to management regarding potential strategic buyers of the Firm and regarding potential sales of mortgage assets. After discussion, the Board expressed a positive view of the spin-off of commercial real estate assets, since the transaction preserves for the Firm's

stockholders the benefit of any appreciation in the portfolio. The Board of Directors directed additional questions to management regarding the spin-off and the Firm's future following the spin-off.

LEGAL UPDATE

Mr. Russo reported to the Board of Directors regarding the Thailand Department of Special Investigations criminal matter and the auction rate securities matter.

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