LEHMAN BROTHERS HOLDINGS INC.

Minutes of the Board of Directors
September 3, 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 September 3, 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. Thomas A. Russo
Mr. Jeffrey A. Welikson

STRATEGIC UPDATE

Mr. Fuld updated the Board on market conditions and gave an update on the Firm's third quarter results. He stated that the September 9, 2008 Board meeting would include full updates on the third quarter results and on the strategic initiatives and communication plan.

Mr. Fuld updated the Board on the status of the proposed spin-off of commercial real estate assets. He reported that the Firm had received confirmation from the Securities and Exchange Commission (the "SEC") that the spun-off entity will not have to use mark-to-market accounting. Mr. Fuld indicated that the Firm has resolved with the SEC the major points that were required to be addressed for the proposed transaction to

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proceed. He reported that the Firm remains focused on the spin-off and that it is proceeding nicely.

Mr. Fuld next updated the Board on the discussions with two potential foreign investors previously reported to the Board. He reported that the first investor had cancelled a meeting scheduled for that day, indicating that financial concerns in the investor's home country would prevent an overseas investment. Mr. Fuld reported that discussions continue with the second potential foreign investor, but that the investor is very concerned about overall market conditions. He also reported on the possibility of a meeting with other new potential foreign investors. Mr. Fuld discussed the possible re-emergence of a potential domestic investor with whom discussions had been previously held and reported to the Board.

Mr. Fuld described to the Board that if the discussions with potential investors do not result in a transaction, other alternatives being considered are the exchange of outstanding Convertible Preferred Stock for shares of Common Stock, a sale of 51% of the Investment Management Division, and other potential means to raise equity capital.

Mr. Fuld also updated the Board on a potential management change in Europe and reported to the Board on a potential management change in the U.S. The Board directed questions to management about the possible spin-off of commercial real estate assets, the possible re-emergence of a potential domestic investor, recent press concerning the Firm, the potential management change in Europe, the ratings agencies, and the expected timing for the public announcement of third quarter results and the Firm's strategic initiatives.

REPORT OF THE COMPENSATION AND BENEFITS COMMITTEE

Mr. Akers gave a report on the telephonic Compensation and Benefits Committee meeting held earlier that day. Mr. Akers described that the Committee approved reducing the 2008 equity grid from a maximum deferral of 65% to a maximum deferral of between 40% and 50%, with the final equity grid to be determined by Mr. Akers in his capacity as Chairman of the Committee. He described that the objectives of this action were to address widespread employee concerns about deferral levels and the amount of cash compensation to be awarded, and to allow the Firm to have sufficient shares available for the year-end equity award program.

Mr. Akers reported that the Committee also approved special cash retention awards for a select group of key employees, with a total value of approximately $750 million. He described that these awards were intended to address both liquidity and retention concerns around maintaining the franchise. Mr. Akers reported that the awards would be considered to be "earned" and will cease to be subject to repayment upon certain termination events in one-third increments on each of November 30, 2009, 2010, and 2011. Mr. Akers also reported that the Committee determined that the key employees who receive these special cash retention awards would be subject to the higher

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deferral levels previously communicated to employees (a maximum deferral of 65%), rather than the new equity grid to be approved by Mr. Akers. Mr. Akers indicated that he would provide the Board with a full update on these matters at the September 9th Board meeting.

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

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Secretary of the Meeting

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