

**LEHMAN BROTHERS HOLDINGS INC.**  
**Minutes of the Board of Directors**  
**September 9, 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 September 9, 2008, pursuant to written notice.

**PRESENT - BOARD MEMBERS**

Mr. Michael L. Ainslie  
Mr. John F. Akers  
Mr. Roger S. Berlind  
Mr. Thomas H. Cruikshank (*via telephone*)  
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. Hugh E. McGee III  
Mr. Thomas A. Russo  
Mr. Jeffrey A. Welikson

Mr. Macomber opened the meeting by stating that Mr. Fuld would be joining the meeting shortly, and that the Board meeting should be abbreviated in light of the morning's events.

**APPROVAL OF MINUTES**

The first order of business was the approval of the Minutes of the Board of Directors meetings held on August 6, 2008, August 13, 2008, August 20, 2008, and August 25, 2008. Upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Minutes of the meetings of the Board of Directors held on August 6, 2008, August 13, 2008, August 20, 2008, and August 25, 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.

#### **REPORT OF THE COMPENSATION AND BENEFITS COMMITTEE**

Mr. Akers referenced his previous report on the September 3, 2008 Compensation and Benefits Committee meeting, which he had presented to the Board at its telephonic meeting held that day. He indicated that no further report from the Committee on such meeting was needed.

#### **REPORT OF THE FINANCE AND RISK COMMITTEE**

Mr. Kaufman reported on the Finance and Risk Committee held earlier that day. He reported that the Committee met to discuss current market conditions, to review the Firm's liquidity and capital positions, to review balance sheet and risk changes, and to discuss a change in the Firm's dividend policy. Mr. Kaufman summarized the balance sheet, risk and financing update provided to the Committee.

Mr. Kaufman stated that, in view of the challenging environment, the Committee was recommending a reduction of the Firm's common dividend to \$0.05 per year as an efficient way to preserve capital. 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 September 1, 2008: it is the policy of the Corporation to declare and pay an annual Common Stock dividend of \$0.05 per share (which equates to \$0.0125 per share per quarter).

#### **FINANCIAL UPDATE**

Mr. Fuld indicated that the presentation by Mr. Lowitt would be postponed, since Mr. Lowitt was preparing for a possible earnings pre-announcement.

#### **UPDATE ON STRATEGIC INITIATIVES AND COMMUNICATIONS PLAN**

Mr. Fuld and Mr. McDade updated the Board on strategic initiatives, including a spin-off of commercial real estate assets, a sale of 51% of the Firm's Investment

Management Division ("IMD"), possible exchanges of outstanding convertible preferred stock for shares of Common Stock, and a possible capital raise. Mr. McDade reported on the status of discussions with potential lead investors for a capital raise, and he reported on discussions with a private equity fund which is interested in buying the stake in IMD and possibly making an equity investment in the Corporation as well. Mr. Fuld updated the Board on his discussions with two potential domestic partners. He reported that one of these investors is concerned about the degree of overlap with its businesses and those of the Firm, and that he is awaiting a return phone call from the other.

Mr. Fuld discussed the Firm's consideration of a pre-announcement of third-quarter earnings and the Firm's strategic initiatives as soon as possible—either that evening or the next day. The Board directed questions to Mr. Fuld regarding the discussions with the private equity fund (including potential transaction structure), the Firm's stock price and credit default spreads (including triggering events for the day's changes), discussions with regulators, the earnings and strategic initiatives pre-announcement press release and conference call, the prospects for a capital raise, as well as the Firm's credit ratings and discussions with credit agencies.

#### ADOPTION OF AMENDED POLICY REGARDING DIRECTOR INDEPENDENCE DETERMINATIONS

Mr. Russo referenced his memorandum regarding amendments to the Policy Regarding Director Independence Determinations which had been distributed to the Board in advance of the meeting. He described that the purpose of such amendments was to incorporate changes to the New York Stock Exchange corporate governance rules which take effect on September 11, 2008. After discussion, upon motion duly made and seconded, it was unanimously

**RESOLVED**, that the Lehman Brothers Holdings Inc. Director Independence Determinations, as amended, in the form attached hereto as Exhibit A, are hereby adopted and approved, effective September 11, 2008.

#### LEGAL UPDATE

Mr. Russo indicated that he had no further updates on legal matters to report.

#### EXECUTIVE SESSION

The non-management Directors met in executive session and received a presentation from Andrew Levander of Dechert LLP on the demand letter received by the Firm.

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

Effective as of September 11, 2008

LEHMAN BROTHERS HOLDINGS INC.

DIRECTOR INDEPENDENCE DETERMINATIONS

The board may determine a director to be independent if the board has affirmatively determined that the director has no material relationship with Lehman Brothers Holdings Inc. and its subsidiaries (together, the "Company"), either directly or as a partner, stockholder, officer or employee of an organization that has a relationship with the Company. Independence determinations will be made on an annual basis at the time the board approves director nominees for inclusion in the annual proxy statement and, if a director joins the board between annual meetings, at such time. The identity of the independent directors and the basis for a board determination that a relationship is not material must be disclosed in the annual proxy statement, unless that relationship falls within one of the categories described below under "Immaterial Relationships."

**Disqualifying Relationships**

The following restrictions are to be construed consistently with Section 303A(2)(b) of the New York Stock Exchange Listed Company Manual. A director is not independent if:

1. The director is, or has been within the last three years, an employee, or an immediate family member is, or has been within the last three years, an executive officer, of the Company.
2. The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
3. (A) The director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time.
4. The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executives at the same time serves or served on that company's compensation committee.

5. The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

### **Immaterial Relationships**

Provided none of the relationships specified in Section 303A(2)(b) of the New York Stock Exchange Listed Company Manual exists with respect to a director, the board has determined that the following relationships (singly or in the aggregate) are not material relationships that would impair the director's independence:

#### *Personal Relationships*

1. The director or an immediate family member of the director receives or has received financial products or services from the Company, such as banking, brokerage, investment and financial advisory products or services, provided that (i) the products or services (A) are or were provided in the ordinary course of the Company's business and on substantially the same terms as those prevailing at the time for comparable products or services provided to unaffiliated third parties who are not employees of the Company and (B) do not violate Section 402 of the Sarbanes-Oxley Act and (ii) in the case of investment opportunities offered or sponsored by the Company, at the time of investment the director or immediate family member met the qualifications required of any unaffiliated third party who is not an employee of the Company in order to participate.

2. The director or immediate family member of the director holds or has held any securities issued publicly by the Company, provided that no extra or special benefit not shared on a pro rata basis is or was received and that such holdings do not constitute a material equity interest in the Company.

#### *Business Relationships*

1. The director or an immediate family member of the director is an executive officer or employee of, or the director and/or the immediate family members of the director hold equity interests that individually or in the aggregate constitute a material equity interest in, an entity (other than a charitable organization) that makes payments to, or receives payments from, the Company for property or services in amounts that have not exceeded in any of the prior three fiscal years of that entity, and are not expected to exceed in the current fiscal year of that entity, the greater of \$100,000 and 1% of the consolidated gross revenues of that entity for that year, provided that such payments or the provision of such property or services, as the case may be, are made by the Company in the ordinary course of its business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. For purposes of the foregoing, "payments" will include only those amounts related to the transaction that are included in the payee's revenues for the relevant fiscal year.

2. The director or an immediate family member of a director is an executive officer or employee of, or the director and/or the immediate family members of the director hold equity interests that individually or in the aggregate constitute a material equity interest in, an entity that is or was indebted to the Company, or to which the Company is or was indebted, in an aggregate amount that has not exceeded at any time in any of the prior three fiscal years of that entity, and is not expected to exceed at any time in the current fiscal year of that entity, 5% of the consolidated total assets of that entity for that year, provided that such indebtedness was extended or incurred, as the case may be, by the Company in the ordinary course of its business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

3. The director or an immediate family member of the director is a non-management director of an entity (other than a charitable organization) that does or has done business with the Company (including the extension or incurrence of indebtedness) or in which the Company has or has had an equity interest, provided that such business is transacted in the ordinary course of the Company's business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

4. An immediate family member of the director is an employee (other than an executive officer) of an entity (other than a charitable organization) that does or has done business with the Company (including the extension or incurrence of indebtedness) or in which the Company has or has had an equity interest, provided that, if the immediate family member shares the director's home, such business is transacted in the ordinary course of the Company's business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

5. The director or an immediate family member of the director is an executive officer or employee of, or the director and/or the immediate family members of the director hold equity interests that individually or in the aggregate constitute a material equity interest in, an entity in which the Company has an equity investment, provided that (i) the amount of such investment by the Company has at no time since the beginning of that entity's most recent three-year fiscal period represented, and is not expected to represent at any time in that entity's current fiscal year, more than 5% of the outstanding equity interests (excluding non-participating, non-convertible preferred securities) in that entity and (ii) in the case of an entity the equity of which is not publicly traded, the director or immediate family member is not an executive officer, general partner or other principal of, or the holder (individually or in the aggregate) of a more than 10% direct or indirect equity interest (excluding non-participating, non-convertible preferred securities) in, that entity.

6. The director and/or the immediate family members of the director hold direct or indirect equity interests in an entity that does or has done business with the Company (including the extension or incurrence of indebtedness) or in which the Company has or has had an equity interest, so long as such equity interests held by the director and/or the

immediate family members of the director do not individually or in the aggregate constitute a material equity interest.

#### *Charitable Relationships*

The director or an immediate family member of a director serves as an officer, director, advisory board member or trustee of a charitable organization that receives from the Company contributions or pledges in an aggregate amount that, excluding contributions or pledges made to match employee contributions or pledges, has not resulted in payments exceeding in any of the prior three fiscal years of that organization, and is not expected to result in payments exceeding in the current fiscal year or any future year of that organization, the greater of \$100,000 and 2% of the consolidated gross revenues of that organization for that year.

#### *Prior Relationships*

The board has also determined that (i) business or charitable relationships with entities for which a director or his or her immediate family member no longer serves as an officer, director or trustee, with which the director or immediate family member is no longer employed or in which the director and his or her immediate family members no longer have a material equity interest, as the case may be, (ii) personal relationships with the Company that were entered into prior to, and have not been amended since, the beginning of the Company's most recently completed three-year fiscal period, and (iii) business or charitable relationships with an entity that ended prior to the beginning of the entity's most recently completed three-year fiscal period are not material relationships that would impair the director's independence.

#### *Definitions*

"Immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. However, when applying any look-back provision in the categories set forth above, individuals who are no longer immediate family members as a result of legal separation or divorce or those who have died or become incapacitated need not be considered.

"Material equity interest" means a direct or indirect (i) equity interest of more than 5% (excluding non-participating, non-convertible preferred securities) or (ii) interest as a general partner or other principal. For purposes of calculating a person's indirect equity interest in any entity, that person (i) will not be deemed to own securities held by an investment company that is registered under the Investment Company Act of 1940 or other investment funds that only make passive investments in at least 20 companies at any one time and (ii) will be deemed to own only his or her proportionate interest in the securities held by an investment fund.