

LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Finance and Risk Committee Meeting
September 11, 2007

A meeting of the Finance and Risk Committee of Lehman Brothers Holdings Inc. (the "Corporation" and collectively with its subsidiaries, the "Firm") was held on September 11, 2007 at 9:00 am in the Executive Conference Room, 31st floor, 745 Seventh Avenue, pursuant to written notice.

PRESENT - COMMITTEE MEMBERS

Messrs. Henry Kaufman (Chairman)
John F. Akers
Roger S. Berlind
Ms. Marsha Johnson Evans
Mr. Roland A. Hernandez

ALSO PRESENT BY INVITATION

Messrs. Jeffrey Goodman
Ian T. Lowitt
Christopher M. O'Meara
Paolo Tonucci
Jeffrey A. Welikson

APPROVAL OF MINUTES

The first order of business was the approval of the Minutes of the meeting held on January 30, 2007. Upon motion, duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the meeting of the Finance and Risk Committee held on January 30, 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.

RISK, LIQUIDITY, CAPITAL, AND BALANCE SHEET UPDATE

Mr. O'Meara introduced the risk, liquidity, capital, and balance sheet update. He then presented an overview, noting that 2007 has seen a significant amount of risk, financing and capital activity, driven by business growth generally and high levels of

activity in specific businesses. He discussed the growth in risk appetite usage, risk management stress test results for sub-prime mortgage and leveraged lending businesses, credit ratings, increase in liquidity and cash capital surplus levels, the growth in common equity, the net leverage ratio, current credit ratings, the decrease in share repurchases and other matters.

Mr. O'Meara then reviewed the Firm's risk usage, commencing with an overview of recent market stress. He noted that in late 2006, the sub-prime mortgage loan market started to experience poor loan performance resulting in significant spread widening. Contagion from the sub-prime mortgage loan market gradually spread to other mortgage loan markets, such as Alt-A mortgage loans, and eventually to the general credit market. Such difficulties in the mortgage loan markets also contributed to the failure of certain high profile hedge funds exposed to the sub-prime mortgage loan market and other highly levered credit products and subsequently led to a general de-leveraging of hedge funds across other asset classes. Mr. O'Meara also noted that the commercial paper market, particularly the asset backed commercial paper market, experienced limited liquidity and such commercial paper providers were forced to draw upon backstop liquidity facilities to fund the non-renewal of their outstanding commercial paper.

Mr. O'Meara then went on to review the Firm's risk and exposure to securitized products, high yield bonds and leveraged loans, commercial paper and hedge funds. With respect to the presentation on securitized products, Mr. O'Meara provided an overview of the origination, trading and financing activity in the Firm's mortgage capital division. Mr. O'Meara noted that U.S. sub-prime mortgages had represented 16% of the division's year-to-date originations through July 2007 and that the Firm had subsequently discontinued origination of sub-prime mortgages. He also noted that numerous mortgage originators have filed for bankruptcy or have discontinued operations and that the Firm has reserved for expected losses in the course of its usual reserve process. Mr. O'Meara stated that the Firm's commitments for warehouse facilities to sub-prime and Alt-A mortgage originators have decreased from the prior year. He also noted that the Firm had tightened its lending criteria for mortgage loans as of the second half of 2006 which should result in improved future loan performance. Mr. O'Meara stated that the risks of the securitized products business are managed within the Firm's comprehensive risk management framework and that risk appetite is measured daily and calculated at a 95% confidence level. Mr. Goodman provided an overview of the sub-prime mortgage loan weekly stress test results. He stated that the stress tests consistently forecasted greater stressed losses than actual losses. Mr. O'Meara presented an overview of the Firm's risk exposure to high yield bonds and leveraged loans and noted that the Firm's commitments in this area have increased in accordance with the growth in market share of the Firm's mergers and acquisitions business. He noted that while the Firm's net exposure to high yield bonds and leveraged loans remained relatively unchanged through July 2007, there was a material increase in such net exposure in the month of August 2007 due to recent market conditions and provided an overview of market changes in the leveraged finance market. Mr. O'Meara then went on to review the comprehensive risk framework for high yield debt products and noted the Firm's extensive risk controls, commencing from the

approval process through post-closing of such products. Mr. O'Meara reviewed results of the monthly stress tests on leveraged loan exposure and noted that forecasted stressed losses were consistently greater than the stressed losses actually incurred. He also provided an overview of the comprehensive scenario analyses which are performed in addition to the monthly stress tests. Mr. O'Meara provided a general overview of the commercial paper market, including the Firm's roles and activities in this area. Mr. O'Meara then provided an overview of the Firm's exposure and activities in regards to hedge funds. He described the comprehensive credit risk framework and control systems for hedge fund risk, commencing with the initial client screening (based on know your customer principles) through to the credit monitoring stage. Mr. O'Meara noted that the Firm remains well collateralized against its hedge fund clients and its total hedge fund current credit exposure as of August 31, 2007 was less than 1% of the Firm's entire current credit exposure. He then described the recent failures of certain hedge fund clients and noted that the Firm had not experienced losses from such failures. Mr. O'Meara then went on to provide an overview of the Firm's monthly risk appetite usage in total, for each geographic region and for each risk category (market, event and counterparty risk). He noted that the Firm's overall risk appetite usage has increased but it still remains within the Firm's risk appetite limit. Mr. O'Meara went on to review the Firm's counterparty credit risk, noting that the Firm continues to have a very high quality credit portfolio with approximately 97.8% of the exposure in investment grade counterparties and that the Firm has the lowest exposure of its peers to non-investment grade derivatives. He also reviewed the various stress tests and scenario analyses regularly performed to evaluate the potential impact upon the revenue of each segment of the Firm's trading portfolio and upon the Firm's total revenue.

Mr. Tonucci provided an update on the Firm's balance sheet assets and noted the year-to-date increase in such assets. He reviewed the Firm's liquidity framework and the increase in the level of the Firm's long term debt. Mr. Tonucci noted that the Firm had a record level of liquidity and cash capital surplus as of the end of the third quarter of 2007 but stated that recent market conditions had increased borrowing costs and decreased the sources of capital for such public debt issuances. He then reviewed the Firm's Funding Framework, the set of policies which govern the Firm's liquidity risk and funding management and establish the funding requirements for different asset classes and activities. He described the key models for Cash Capital, Maximum Cumulative Outflow and Reliable Secured Funding. He reviewed the Firm's liquidity pool year-to-date and over the last four years, noting that the conservative nature of the Firm's liquidity pool as compared to its peers, which has been recognized by the leading credit rating agencies. Mr. Tonucci reviewed the structure of the Firm's debt, noting that the Firm manages refinancing risk by limiting usage of short-term debt and strictly monitoring the maturity profile of long-term debt. He then reviewed the Firm's debt issuance activity year-to-date and over the past four years and noted that such debt had in prior years been issued at extremely attractive levels on a historical basis and in comparison to our peers, reducing the cost of debt outstanding. However Mr. Tonucci noted that debt issuance costs have increased in 2007 in light of recent market conditions. He stated that the Firm had diversified its debt holder base by issuing debt in currencies other than the US Dollar and

by issuing structured notes. Mr. Tonucci then went on to review the Firm's cash capital usage. He also described the Firm's three banking entities, Lehman Brothers Bank, Lehman Brothers Commercial Bank and Lehman Brothers Bankhaus and their role in the Firm's liquidity risk management. Mr. Tonucci then reviewed the Firm's contingent liquidity risks, including the sources of such risk and the funding sources that have been established by the Firm.

Mr. Tonucci reviewed the Firm's capital management. He described the objectives of the Firm's capital plan as ensuring that assets are sufficient to support revenue targets, equity capital is sufficient to support that mix of assets and the risk they generate and that ROE does not fall below acceptable levels. He also provided an overview of various equity adequacy metrics, including the recent equity adequacy framework model. Mr. Tonucci also reviewed the Firm's net leverage ratio. Mr. Tonucci noted that the net leverage ratio could increase based on the increased accuracy of the Firm's equity adequacy measures and discussions with the applicable regulatory bodies and rating agencies. Mr. Tonucci then reviewed the Firm's credit ratings, including the June 2007 ratings upgrade and recent affirmation from Fitch and affirmations of credit ratings by both Standard & Poor's and Moody's in August 2007. He then reviewed the Firm's share repurchase program, including the gross and net costs, and noted that 2007 repurchases are substantially lower than projected due to a reduction in option exercises resulting in a corresponding reduction in repurchases. He also noted that the net costs of the share repurchases are expected to be lower than forecasted costs in light of the reduced repurchases and average lower repurchase prices.

The Committee directed questions to management regarding the Firm's credit portfolio, credit ratings, hedge fund exposure and risk, fair value determinations, mortgage loan exposure, leverage finance commitments, liquidity pool, funding activities and debt spreads, commercial paper exposure, exposure to SIVs (structured investment vehicles), and other matters.

PRIVATE SESSION

Management was excused, and the Committee then met in private 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