
LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Finance and Risk Committee
January 29, 2008

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 January 29, 2008 at 10:00 a.m. 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

Ms. Erin M. Callan
Messrs. Ian T. Lowitt
Christopher M. O'Meara
Paolo R. Tonucci
Jeffrey A. Welikson

APPROVAL OF MINUTES

The first order of business was the approval of the Minutes of the meeting held on September 11, 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 September 11, 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.

2008 FINANCIAL PLAN

Mr. Tonucci presented an overview of the Corporation's common stock repurchase plan. He stated that the Corporation was requesting authorization to repurchase, subject to market conditions, up to 100 million shares for management of the Corporation's equity capital, including to offset dilution due to employee stock plans, and authorization to enter into call options on shares of the Corporation's common stock in connection with the common stock repurchase plan. Mr. Tonucci noted that the requested share purchase authorization would supersede previous share repurchase authorizations. Mr. Tonucci then discussed the projected impact in 2008 of share repurchases and equity

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awards on equity and the Firm's equity award overhang. The Committee directed questions to management regarding the announcement of the Corporation's share repurchase plan and other matters.

Mr. Tonucci reviewed the history of the Firm's dividend policy, noting the Corporation's history of strong dividend growth, consistent with a growth stock model, while keeping the dividend yield and the dividend pay-out ratio low. He compared the dividend levels, dividend growth rates, dividend pay-out ratios and dividend yields of the Firm and its competitors. He recommended a 13% increase in the Corporation's annual common stock dividend from \$0.60 per share to \$0.68 per share.

After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that the Finance and Risk Committee hereby recommends that the Board of Directors adopt the following Common Stock dividend policy, effective for dividends payable on or after December 1, 2007: that it be the policy of the Corporation to declare and pay an annual Common Stock dividend of \$0.68 per share (which equates to \$0.17 per share per quarter).

FURTHER RESOLVED, that the Finance and Risk Committee hereby recommends that the Board of Directors approve a Common Stock repurchase plan under which the Corporation may repurchase, subject to market conditions, up to 100 million shares of its Common Stock for the management of the Corporation's equity capital, including offsetting dilution due to employee stock awards, as proper officers of the Corporation deem necessary or advisable. This resolution shall supersede and replace the Committee's previous share repurchase resolution adopted on January 30, 2007.

FURTHER RESOLVED, that the Finance and Risk Committee hereby recommends that the Board of Directors authorize, as part of such repurchase plan and subject to the limit on the number of shares which may be repurchased, the entry into call options on shares of the Corporation's Common Stock, as proper officers of the Corporation may deem advisable.

Mr. Lowitt then presented an overview of the 2008 budget process. He provided a summary of the 2008 budget initially prepared in October 2007 and noted the subsequent revision in light of market conditions. He noted that the 2008 budget is subject to much uncertainty due to economic and market conditions. The Committee directed questions to management about an alternative revenue scenario, the state of the credit markets, the Firm's commercial real estate portfolio, asset quality, and the maturity structure of the Firm's liabilities. Mr. Tonucci then proceeded to discuss various risk issues and market challenges. He provided a multi-year overview of the composition of the Firm's net

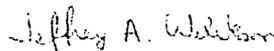
assets, equity and leverage levels. Mr. Tonucci noted that the Firm's balance sheet has continued to grow across almost all asset classes and businesses. He also noted that while the Firm's net leverage increased to 16.1x at year-end such increase is at a lesser rate than the peer group. Mr. Tonucci reported that the Firm has maintained compliance with its conservative funding framework despite challenging credit markets, noting that the Firm had record liquidity at fiscal year-end. He discussed the Firm's sources of liquidity in 2007 and noted that the Corporation had already met 28% of its public long-term debt funding requirements for the 2008 fiscal year. Mr. Tonucci then went on to discuss the composition of the Firm's fair value assets and noted that Level 3 assets have grown as a proportion of the inventory of the Firm. He noted that such Level 3 assets were primarily concentrated in residential and commercial mortgages, in light of the reduction in market liquidity and price transparency for such assets. Mr. Tonucci provided an overview of the Firm's securitization activity levels and of the Firm's retained interests. He discussed the slowdown in securitization activities and the resulting increases in mortgages and retained interests. Mr. Tonucci also discussed the Firm's credit ratings and also provided a summary of the nature of the Firm's exposure to large monoline insurers, noting that the Firm was well diversified on a risk-adjusted basis in its exposure to such insurers.

The Committee directed questions to management regarding the composition and quality of the Firm's assets, the process for determining the value of assets (including Level 3 assets), retained interests, asset securitizations and other matters.

Mr. O'Meara then discussed the increase in the Firm's risk appetite limit.

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
Secretary of the Meeting