LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Board of Directors
October 15, 2007

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, on October 15, 2007, at 11:30 a.m., 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. Roland A. Hernandez
Mr. Henry Kaufman
Mr. John D. Macomber

ALSO PRESENT BY INVITATION

Ms. Erin Callan
Mr. Joseph M. Gregory
Mr. Christopher M. O'Meara
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 meeting held on September 11, 2007. Upon motion, duly made and seconded, it was unanimously

> **RESOLVED**, that the Minutes of the meeting of the Board of Directors 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.

REPORT OF THE COMPENSATION AND BENEFITS COMMITTEE

Mr. Akers gave a report on the morning's Compensation and Benefits Committee meeting. He reported that the Committee addressed a number of year-end governance and administrative matters, including a review of the timeline of key items to address for the 2007 compensation process, as well as a review of proposed amendments to outstanding equity awards and the Supplemental Retirement Plan to comply with tax code changes. Mr. Akers noted that these proposed amendments were expected to be finalized next month.

Mr. Akers reported that the Committee began the process of reviewing proposed proxy statement disclosure under the new executive compensation disclosure rules. He described that the Committee reviewed a draft of the Compensation Discussion and Analysis, which describes the compensation philosophy and explains the process and rationale behind the Committee's pay decisions. Mr. Akers noted that it was important to review this topic as the Committee begins to discuss the process surrounding year-end pay decisions for the Firm's Executive Officers and to determine the level of involvement in this process by the Committee's compensation consultant.

Mr. Akers reported that the Committee discussed proposed changes to the treatment of prospective equity awards upon a change in control, stating that these proposed changes will impact the 2007 fiscal year-end equity award grants. He described that the current change in control provisions accelerate vesting for a significant portion of outstanding restricted stock unit ("RSU") awards (more than 75% at the Firm's current stock price), which could significantly reduce retention upon a change in control. Mr. Akers stated that the Committee is proposing to amend the definition of change in control under the equity plans to include a higher stock acquisition threshold (increasing the threshold from 20% to 70%) and to delay the vesting of awards until 18 months following the change in control.

Mr. Akers reported that the Committee had begun to discuss year-end compensation for 2007 and that the Committee is starting this planning process early because it expects a particularly challenging pay year. Mr. Akers also reported that the Committee reviewed and ratified RSU awards granted to senior-level new hires in the recruitment process.

REPORT OF THE AUDIT COMMITTEE

Mr. Cruikshank reported on the September 17, 2007 and October 8, 2007 Audit Committee Meetings. He stated that at the September 17, 2007 meeting, the Committee reviewed the Corporation's earnings press release for the three and nine months ended August 31, 2007. Mr. Cruikshank reported that, at this meeting, Mr. O'Meara discussed the contents of the draft press release, including a planned addition to the draft that would describe the net reduction in Fixed Income Capital Markets revenues resulting from valuation losses and gains, responding to a request from the Committee. He stated that

Mr. O'Meara also reviewed his presentation for the public earnings conference call to be held on September 18th and the topics he expected to be the subject of analysts' questions, including the valuation losses and gains in Fixed Income Capital Markets, charges associated with restructuring the mortgage business, liquidity, mark-to-market and non-investment grade acquisition facilities. Mr. Cruikshank also reported that, at the September 17th meeting, Mr. Edward Grieb, the Firm's Controller, reviewed the services of Ernst & Young ("E&Y") pre-approved by Mr. Cruikshank since the last Committee meeting, and that there were no additional fees requiring Committee pre-approval.

Mr. Cruikshank then reported on the October 8, 2007 meeting of the Audit Committee. He stated that Mr. Grieb introduced the review of the financial statements (including the notes thereto) and the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to be contained in the Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2007, and he noted that they were consistent with the third quarter press release previously reviewed by the Committee. Mr. Cruikshank reported that Mr. Grieb discussed the due diligence procedures relating to the 10-Q. He reported that Mr. Grieb reviewed the financial statements and notes and MD&A.

Mr. Cruikshank reported that the Committee discussed the Quarterly Review Report to the Audit Committee issued by E&Y. He reported that no material weaknesses in internal control over the Firm's financial reporting were noted during E&Y's review, that the report contained the required communications between the independent auditors and the Committee under SEC rules and auditing and professional standards, and that E&Y issued an unqualified review report on the third quarter financial statements. Mr. Cruikshank also reported that Ms. Beth Rudofker had delivered the annual Corporate Audit report on its monitoring of the Pre-Approval Policy for Independent Auditor Services and the Hiring Policy for Current and Former Employees of E&Y. Mr. Cruikshank stated that Ms. Rudofker had reported that those policies are operating as designed and that no issues had been identified.

FINANCIAL UPDATE

Mr. O'Meara reviewed the Firm's financial results for the month of September and for the fiscal year to date. As part of such review, he discussed, among other things, market environment, revenues, expenses, net income, earnings per share, return on equity, pre-tax margin, and the Firm's expenses. He compared the results to monthly averages during 2007 and to budget. Mr. O'Meara discussed the performance of the Firm by business unit and by region, and he discussed the calendar year-to-date investment banking fee share of the Firm and compared it to calendar year 2006. Mr. O'Meara also discussed the Firm's capital position (including leverage ratios) and the increase in risk appetite usage. He provided an analysis of competitor information and discussed the results of members of the Firm's peer group. Mr. O'Meara concluded by presenting a monthly financial performance trend analysis, as well as a quarterly and annual financial performance trend analysis. The Board directed questions to Mr. O'Meara and senior management regarding the Firm's performance in October (including mark-to-market gains and losses), risk appetite usage, credit market conditions, the proposed fund to purchase assets from structured investment vehicles discussed in the morning's *Wall Street Journal*, and other matters.

PRESENTATION ON BUILDING A $1 BILLION COMMODITIES BUSINESS

Mr. Kaushik Amin, Global Head of Liquid Markets, delivered a presentation regarding the Firm's Global Commodities business. He stated that in two years, the Firm has built a world class Global Commodities business which will provide the foundation for building a $1 billion revenue business by 2010. He presented a timeline from 2005, when the business was started, to 2010, including the key accomplishments to date and the future deliverables to achieve the 2010 goal. Mr. Amin discussed the size and competitors of the commodities market, describing that the commodities revenue pool is estimated at $32 billion across financial institutions and non-financial institutions and that the Firm's growth will come primarily from taking market share from non-financial institutions. He summarized the growth to date in the Global Commodities business, both in terms of revenues and in employee headcount, noting the impact of the Firm's acquisition of Eagle Energy in 2007. Mr. Amin discussed the 2007 year-to-date performance of the Global Commodities business, describing that the business has created strong revenue momentum in both client and trading revenues.

Mr. Amin provided a breakdown of Global Commodities revenue for fiscal 2007 among its four core businesses: North American Natural Gas and Power; Global Investor Products and Metals; Global Oil and Refined Products; and European Natural Gas, Power and Emissions. He also provided a breakdown of Global Commodities employee headcount by office location. Mr. Amin discussed the acquisition of Eagle Energy in greater detail and described that this acquisition significantly broadened the Global Commodities client base and added physical capabilities for the North American Natural Gas and Power business, including marketing, storage and delivery. As part of such discussion, Mr. Amin also described planned expansion of the physical capabilities of the Global Commodities business for 2008. He discussed the competitive advantage of the Global Commodities business arising from partnering with the Firm's Investment Banking division and reported that year-to-date, $58 million in revenues have been created in partnership with the Investment Banking division.

Mr. Amin discussed some of the leading transactions which the Global Commodities business closed in 2007. He described that the 2008 plan for the Global Commodities business is to aggressively scale its core businesses with senior hires in strategic locations. Mr. Amin described the plans of the Global Commodities business to build out its current capabilities through year-end 2008 in its North American Natural Gas and Power, Global Investor Products and Metals, and Global Oil and Refined Products businesses. He also described that additional opportunistic growth could come from targeted acquisitions, through strategies such as extending the capabilities of Eagle Energy in North America, or increasing the physical capabilities of the Global

Commodities business. Mr. Amin presented an analysis of Global Commodities revenue by business line and by region, including 2007 and projected 2010 revenues, and he described that the Global Commodities business has a diversified business mix and a sustainable business model.

Mr. Amin then presented a breakdown of projected revenue growth of the Global Commodities business through 2010, indicating the source of additional revenues and providing a regional breakdown of projected revenues. He described that Firm investment in the Global Commodities business has enabled the business to grow rapidly and to build a foundation for scaling the business. Mr. Amin concluded by reiterating his confidence in Firm's ability to build a $1 billion revenue Global Commodities business by 2010. The Board directed questions to Mr. Amin and senior management regarding the Firm's plans for the agricultural commodities space, the amount of capital that will be required for a $1 billion Global Commodities business, the competitors in the commodities market, the strategy behind the acquisition of Eagle Energy, the potential reputational risk to the Firm associated with the commodities business, and other matters.

LEGAL UPDATE

Mr. Russo updated the Board on the Unocal matters and on the option backdating matters.

COUNTRY RISK UPDATE

Ms. Jami Miscik, Global Head of Sovereign Risk Management, gave a presentation to the Board on Country Risk, including a discussion of China, Russia and Turkey. The Board directed questions to Ms. Miscik on the Middle East.

PRIVATE SESSION

Management (other than Mr. Fuld) was excused, and the Board met in private session.

EXECUTIVE SESSION

Mr. Fuld was excused and the independent Directors met in executive 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