

LEHMAN BROTHERS

DATE: March 19, 2008
TO: Members of the Board of Directors of Lehman Brothers Holdings Inc.
FROM: Madeline L. Shapiro, Assistant Secretary 
RE: **MARCH 25, 2008 MEETING OF THE BOARD OF DIRECTORS**

Enclosed please find an Agenda for the March 25, 2008 meeting of the Board of Directors and accompanying materials. Also enclosed is a summary of Executive Committee and certain other corporate actions taken since the January 29, 2008 Board Meeting.

The meeting is scheduled to be held in the Board Room on the 31st floor, 745 Seventh Avenue (between 49th and 50th Streets), from 11:00 a.m. to 1:30 p.m. Lunch will be served. Please bring the enclosed materials with you.

Distribution:

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

Copy to:

Ms. Erin M. Callan
Mr. Joseph M. Gregory
Mr. Thomas A. Russo
Mr. Jeffrey A. Welikson

CONFIDENTIAL

LB 010785

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

LBHI_SEC07940_027695

AGENDA

LEHMAN BROTHERS HOLDINGS INC. ("Holdings")

BOARD OF DIRECTORS MEETING

**March 25, 2008
745 Seventh Avenue
31st Floor – Board Room
11:00 a.m. – 1:30 p.m.**

- 1) Approval of Minutes of Holdings' Board of Directors Meeting held on March 4, 2008. (Resolution and Minutes Attached) (Fuld)
- 2) Report of March 14, 2008 Audit Committee Meeting. (Cruikshank)
- 3) Report of March 25, 2008 Finance and Risk Committee Meeting. (Kaufman)
- 4) Financial Update. (Materials Attached) (Callan)
- 5) Liquidity and Risk Update. (Callan/ O'Meara)
- 6) Presentation on Commercial Real Estate. (Materials Attached) (Walsh)
- 7) Legal Update. (Russo)
- 8) Country Risk Update. (Miscik)
- 9) Executive Session.

WORKING LUNCH

HOLDINGS

03/25/2008 BOARD MEETING

Item 1

Holdings
Board of Directors
03/25/2008

RESOLVED, that the Minutes of the meeting of the Board of Directors held on March 4, 2008 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.

LEHMAN BROTHERS HOLDINGS INC.

Policy Regarding Transactions with Related Persons

I. Procedures

A. General

Any transaction that Lehman Brothers Holdings Inc. (“LBHI,” and together with its subsidiaries, the “Firm”) would be required to disclose pursuant to Item 404(a) of Regulation S-K and in which the amount involved exceeds \$120,000, including, but not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which the Firm is a participant, and in which any “related person” (as defined in Instruction I to Item 404(a) of Regulation S-K) has a direct or indirect material interest (each such transaction or series of similar transactions being a “Related Person Transaction”) shall be reviewed and approved in accordance with this Policy by the applicable Committee of the Board referred to in the following paragraph.

Any proposed Related Person Transaction, including any proposed material amendments to an existing Related Person Transaction, involving an executive officer of the Firm or any “immediate family member” (as defined in Instruction 1(b) of Item 404(a) of Regulation S-K) of such person, shall be reviewed by and require approval of the Compensation and Benefits Committee. Any proposed Related Person Transaction, including any proposed material amendments to an existing Related Person Transaction, involving (i) a Director or nominee for Director of LBHI or (ii) any security holder covered by Item 403(a) of Regulation S-K or, in each case, any immediate family member of any such person, shall be reviewed by and require approval of the Nominating and Corporate Governance Committee.

B. Reporting Procedures

After becoming aware of any actual or proposed Related Person Transaction, including any actual or proposed material amendments to an existing Related Person Transaction, it is the responsibility of any executive officer, Director or nominee for Director of LBHI to report the existence of his or her direct or indirect material interest in such Related Person Transaction and all material facts with respect to such interest to the Chief Legal Officer of the Firm, or such other person or persons designated by the applicable Committee. All proposed associations, interests, relationships, activities or transactions reported by any executive officer, Director or nominee for Director in accordance with this Policy shall be held in confidence unless the interests of the Firm dictate otherwise, or as otherwise required by law, except that such matters may be disclosed to other members of the Board and any appropriate representative of Legal or Compliance and the Firm’s legal advisors.

C. Review Guidelines

After the report of any proposed direct or indirect material interest of any related person and all material facts related thereto, the applicable Committee shall decide whether or not to approve or ratify the Related Person Transaction. In reviewing any proposed Related Person Transaction, the applicable Committee will consider all relevant facts and circumstances. The applicable Committee may interview any Firm personnel, including the related person, and any other third party that it deems appropriate or necessary to assist it in making a determination. The applicable Committee shall also have the authority to engage independent counsel, accounting or other consultants to advise it as it determines appropriate.

The applicable Committee may approve or ratify a Related Person Transaction if the Committee finds that the Related Person Transaction is in the best interests of the Firm.

In connection with the approval or ratification of any Related Person Transaction involving a Director or nominee for Director of LBHI, the Nominating and Corporate Governance Committee should also consider whether such transaction affects such person's (i) independence under the rules of the New York Stock Exchange, Inc., under law or under any rule or regulation of any other regulatory body or self-regulatory body applicable to the Firm, (ii) status as a "non-employee director" under Rule 16b-3 under the Exchange Act or an "outside director" under Section 162(m) of the Internal Revenue Code, if such person serves or is to serve on the Compensation and Benefits Committee of the Board or (iii) status as an independent director under Rule 10A-3 of the Exchange Act, if such person serves or is to serve on the Audit Committee of the Board.

Any approval or ratification of a Related Person Transaction shall be made by a majority vote of (i) the disinterested members of the applicable Committee or (ii) by the full Board of Directors.

II. Pre-Approved Transactions

The following types of transactions are considered to be in the best interests of the Firm and are pre-approved in accordance with this Policy, to the extent such transactions are permitted by the Sarbanes-Oxley Act of 2002, Federal Reserve Board Regulation O and other applicable laws or regulations:

A. Financial Products and Services

Any related person may engage in transactions in the ordinary course of business involving financial products and services provided by the Firm, such as banking, brokerage, investment and financial advisory products and services (including investment funds), on substantially the same terms as provided to unaffiliated third parties who are not employees of the Firm; provided that financial products and services provided to executive officers or an immediate family member of any such person may be provided on substantially the same terms as those extended to employees of the Firm generally.

B. Indebtedness

Any related person may incur indebtedness to the Firm or its subsidiaries if (a) the lender meets the requirements of Instruction 4(c) to Item 404(a) of Regulation S-K and (b) the lending arrangements (i) are made in the ordinary course of business, (ii) are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender and (iii) do not involve more than the normal risk of collectibility or present other unfavorable features.

C. Employee Investment Funds

Executive officers may invest in partnerships or other investment opportunities sponsored, or otherwise made available, by the Firm if the investment opportunity is offered to all qualified employees who are Vice Presidents or above at the Firm on the same terms as, or better than, those offered to the executive officers.

D. Products and Services from 5% Stockholders

The Firm may engage in transactions involving products and services provided to the Firm by any security holder covered by Item 403(a) of Regulation S-K (a "5% Stockholder") or an immediate family member of any such person; provided such transactions are (i) in the ordinary course of the Firm's business and on arm's-length terms, or (ii) pursuant to a contract in existence prior to the time it becomes known to the Firm that such person is a 5% Stockholder or an immediate family member of such person.

HOLDINGS

03/25/2008 BOARD MEETING

Item 4

LEHMAN BROTHERS

RICHARD S. FULD, JR.
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

March 19, 2008

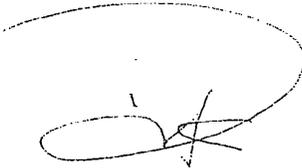
Dear Directors:

Enclosed are the materials for the Lehman Brothers Board meeting on Tuesday, March 25. The materials include the financial results for the first quarter which will be discussed at the meeting.

At this meeting, Mark Walsh, our Head of Global Real Estate, will deliver a presentation on commercial real estate.

I look forward to seeing you on Tuesday.

Sincerely,



RSF:aj
Enclosures

LEHMAN BROTHERS HOLDINGS INC.
745 SEVENTH AVENUE NEW YORK, NEW YORK 10019 TEL 212 526-7200

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LB 010793

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

LBHI_SEC07940_027703

HOLDINGS

03/25/2008 BOARD MEETING

Item 6

LEHMAN BROTHERS

RICHARD S. FULD, JR.
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

March 25, 2008

Dear Directors:

As in the past, I have created a list of Firmwide objectives and targets for the year. We are maintaining a cautious and flexible approach as the economy slows and credit market conditions remain unfavorable. We have not set specific performance targets for revenues, net income, or ROTE given it is impossible to project financial results this year. We will continue our long-term focus on creating shareholder value by driving diversified growth, delivering the whole Firm to our clients, managing expenses, risk and balance sheet resources, and strengthening our culture and brand.

I. Management

- Re-align businesses to current market opportunities
- Monitor the Firm's risk profile and create risk mindset for today's environment
- Drive cross-divisional behavior and expand client focus initiatives
- Protect franchise and brand from continued subprime fallout and credit crisis
- Develop next generation of senior leaders
- Create compensation system to retain key employees

II. Business Building Objectives

- Fixed Income
 - Build out Asian platform
 - Develop new product areas, including eTrading and infrastructure
 - Expand emerging markets presence and capabilities
 - Manage exposure to illiquid assets
 - Continue Commodities expansion and management realignment
- Equities
 - Increase infrastructure for high velocity trading and derivatives
 - Expand hedge fund advisory services and re-engineer prime brokerage financing platform
 - Build out Asian platform
 - Integrate Brics, rebuild Japan, expand research, and grow eTrading

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- Investment Banking
 - Drive Commodities and Fixed Income integration
 - Build out global M&A and Risk Solutions groups
 - Expand coverage and redeploy Leverage Finance and Financial Sponsors resources
- Investment Management
 - Launch ~\$20 billion in new funds
 - Build out Alternatives business
 - Expand global Fixed Income and Equity product capabilities
- Mortgage Capital
 - Downsize and reposition the business for stronger origination periods
 - Adjust remaining businesses to market opportunity
- Europe
 - Institute Firm-wide coverage of Sovereign Wealth Funds
 - Grow emerging markets across divisions and strengthen country franchises
 - Upgrade risk controls and infrastructure
 - Upgrade Equities infrastructure and enhance product flow capabilities
 - Improve Investment Banking fee share and client coverage
 - Acquire Investment Management businesses
- Asia
 - Grow India into full-service local platform
 - Build out FX and Commodity businesses in Singapore
 - Grow derivative structuring and distribution capabilities across asset classes
 - Expand Non-Japan Asia IBD and rebuild Japan IBD
 - Expand client coverage, structured products, and derivatives distribution in China
- Principal
 - Build global, diversified portfolio with attractive risk-reward
 - Increase sourcing opportunities

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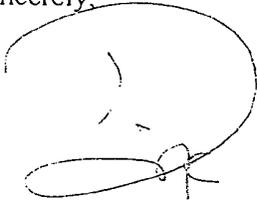
- Corporate
 - Hire and develop high quality and diverse talent, especially in Europe and Asia
 - Increase the Firm's profile, marketing, and branding efforts
 - Build alumni network and Global Statesman program
 - Drive environmental and climate change strategy
 - Strengthen controls and address regulatory requirements
 - Focus on security: leverage technology and safeguard information
 - Continue IT transformation

III. Other Shareholder Value-Enhancing Objectives

- Maintain discipline in management of expenses, liquidity, and balance sheet
- Identify and implement infrastructure reengineering opportunities
- Selectively hire top talent
- Expand proactive Investor Relations effort
- Acquire companies that provide strategic product and geographic capabilities

Please do not hesitate to call me if you have any questions, as these will be topics discussed at upcoming Board meetings.

Sincerely,

A handwritten signature in black ink, appearing to be a stylized 'R' or similar character, enclosed within a large, hand-drawn oval.

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745 SEVENTH AVENUE NEW YORK, NEW YORK 10019 TEL 212 526-7200

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LEHMAN BROTHERS

RICHARD S. FULD, JR.
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

March 18, 2008

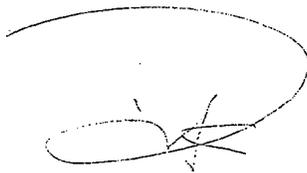
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I look forward to seeing you on Tuesday.

Sincerely,



RSF:aj
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Talking Points for Finance Committee Report to the Board

March 25, 2008

The Finance Committee met:

- To discuss current market conditions
- To review the Firm's liquidity position, and
- To review balance sheet and risk changes

Balance sheet, Risk and Financing Update

The turmoil in the credit markets has continued, culminating in the near collapse of Bear Stearns. Credit spreads are at all-time high levels with extreme volatility, and liquidity is extremely tight. There has been a high level of focus on refinancing risk including detailed meetings with the Securities and Exchange Commission and the Federal Reserve.

The Firm's liquidity position has remained strong. Almost \$35 billion of Treasury liquidity and \$7 billion cash capital surplus at the quarter-end. The liquidity position is currently at approximately \$31 billion with the reduction from quarter-end explained by commercial paper being matured, and has remained stable over the past two weeks.

Liquidity has been supported by accessing capital markets early in the quarter and by growing bilateral facilities. Over 40% of our year to date issuance has been completed.

Repo activity has remained largely intact. Counterparties have generally been more conservative in assets they are willing to fund.

Over the quarter, leverage has decreased to 15.4X from 16.1X at the year-end. The balance sheet has continued to grow, primarily in liquid classes, partially offset by a reduction in mortgages.

A difficult environment necessitated adjustments to the capital plan. However, leverage is expected to remain at a comparable level and the share count is

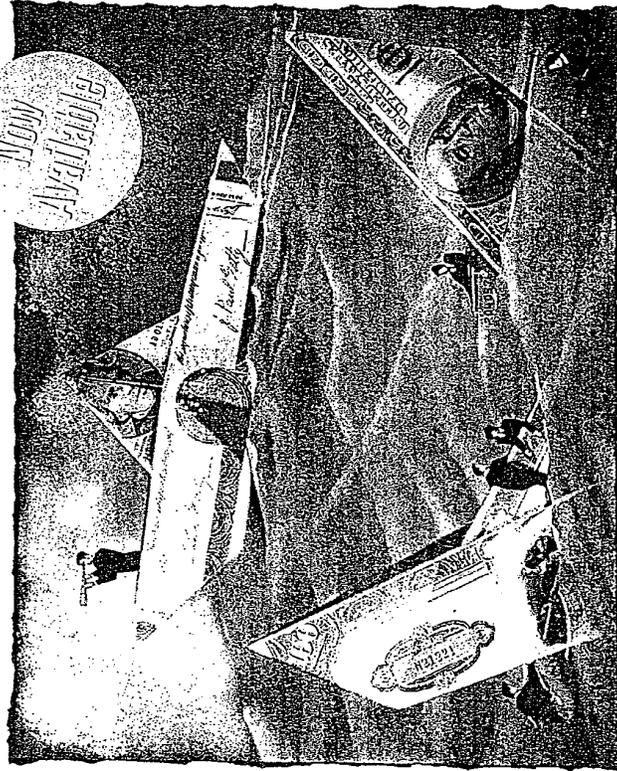
projected to be stable. The share count increased over the quarter by 11 million shares as buybacks were terminated to strengthen the capital base further.

Risk appetite increased is essentially flat at \$3.7 billion in Q1 '08 versus year-end.

IRA T. KAY, PH.D.

STEVEN VAN PUTTEN

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The U.S. executive pay model – despite myths to the contrary – is grounded in pay for performance. The model has helped create an economic juggernaut, contributing to successful companies that yield high returns for their shareholders, generate millions of jobs and drive significant U.S. economic growth.

Watson Wyatt executive compensation consultants and co-authors Ira T. Kay and Steven Van Putten draw upon their extensive research and decades of consulting experience to show the clear alignment of pay and performance.

Myths and Realities of Executive Pay also answers important questions about corporate executive pay programs, including:

- What actions can compensation committees take to foster a pay-for-performance environment?
- How should long-term incentive programs be designed and implemented to improve business results and enhance shareholder alignment?
- How can companies align incentives for a broad range of employees in an era of reduced eligibility in stock-incentive programs?
- What are the biggest challenges facing companies that are moving away from stock options and toward alternative pay vehicles?

For more information, visit us on the Web at watsonwyatt.com/mythsandrealities or contact your local Watson Wyatt office.



Ira T. Kay, Ph.D.
Global Practice
Director



Steven M. Van Putten
U.S. East Division
Practice Leader

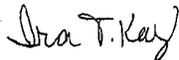


Watson Wyatt is pleased to present our *2008 Report on Directors' and Investors' Views on Executive Pay and Corporate Governance*.

This year's study found that while directors believe the executive pay model has improved corporate performance and is changing for the better, institutional investors don't entirely agree. Both groups share the view that executive pay has hurt corporate America's image. Directors and investors also agree that while the SEC's new disclosure requirements have been helpful, improvements are still needed.

Investors will continue to seek increased transparency and clear links between pay and performance. Directors and executives need to work together to protect successful core incentives while re-evaluating less shareholder-friendly pay components.

For more information, please contact your Watson Wyatt consultant or visit us on the Web at watsonwyatt.com.



Ira T. Kay, Ph.D.
Global Practice Director
Executive Compensation Consulting



LEHMAN BROTHERS

MEMORANDUM

TO: Tom Cruikshank

FROM: Jeff Welikson

DATE: March 24, 2008

SUBJECT: Talking Points

Enclosed are draft talking points for your report to the Board of Directors tomorrow on the March 14, 2008 Audit Committee meeting.

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Thomas H. Cruikshank

Talking Points

Lehman Brothers Holdings Inc.

Meeting of the Board of Directors

March 25, 2007

Meeting of the Audit Committee— March 14, 2008

- Review of Earnings Press Release for the Three Months Ended February 29, 2008
 - Erin Callan reviewed the Firm's earnings press release for the first quarter of 2008, including the new schedule on mark to market adjustments and selected balance sheet exposures.
 - Erin also discussed the plans for the public earnings conference call, noting that she planned to increase the disclosure regarding the Firm's liquidity and repo facilities in light of the news regarding Bear Stearns.
 - At the Committee's request, additional information concerning the Firm's liquidity position was added to the press release.
- Review of Equity Volatility Pricing Adjustment – Internal Control Review Update
 - Beth Rudofker provided an internal control review update regarding the equity volatility pricing adjustment.
 - She indicated that the review was on-going, but that the valuation difference appeared limited to the first quarter of 2008 and had been discovered as part of the January month-end testing.
 - Beth also stated that the trader, and his supervisor, had been asked to leave the Firm.
- Ernst & Young Services Update and Pre-Approvals
 - Martin Kelly reported that there were no audit, audit-related, tax or other services of Ernst & Young requested to be pre-approved by the Committee at the meeting and that none had been pre-approved by the Chairman since the last Committee meeting.

Press Release

For Immediate Release

Media Contact: Kerrie Cohen
212-526-4092

Investor Contact: Ed Grieb
212-526-0588

LEHMAN BROTHERS REPORTS FIRST QUARTER RESULTS

- Reports Net Income of \$489 Million, or \$0.81 Earnings Per Share -

NEW YORK— March 18, 2008 – Lehman Brothers Holdings Inc. (ticker symbol: LEH) today reported net income of \$489 million, or \$0.81 per common share (diluted), for the first quarter ended February 29, 2008, representing decreases of 57% and 59%, respectively, from net income of \$1.15 billion, or \$1.96 per common share (diluted), reported for the first quarter of fiscal 2007. Fourth quarter fiscal 2007 net income was \$886 million, or \$1.54 per common share (diluted).

First Quarter Business Highlights

- Experienced record client activity across our Capital Markets businesses, which was offset, in part, by the effect of the continued dislocations in the credit markets that significantly impacted the Firm's results
- Maintained strong liquidity position, with the Holding Company having a liquidity pool of \$34 billion and unencumbered assets of \$64 billion, with an additional \$99 billion at our regulated entities, at quarter end
- Reported record net revenues in the Investment Management segment
- Ranked #2 in announced global M&A transactions for the first two months of calendar 2008, according to Thomson Financial

Chairman and Chief Executive Officer Richard S. Fuld, Jr. said, "In what remains a challenging operating environment, our results reflect the value of our continued commitment to building a diversified platform and our focus on managing risk and maintaining a strong capital and liquidity position. This strategy has allowed us to support our clients through these difficult and volatile markets, while continuing to build and strengthen our global franchise for our shareholders."

Net Revenues

Net revenues (total revenues less interest expense) for the first quarter of fiscal 2008 were \$3.5 billion, representing decreases of 31% and 20%, respectively, from \$5.0 billion reported in the first quarter of fiscal 2007 and \$4.4 billion reported in the fourth quarter of fiscal 2007. Net revenues for the first quarter of fiscal 2008 reflect negative mark to market adjustments of \$1.8 billion, net of gains on certain risk mitigation strategies and certain debt liabilities.

Business Segments

Capital Markets reported net revenues of \$1.7 billion in the first quarter of fiscal 2008, a decrease of 52% from \$3.5 billion in the first quarter of fiscal 2007. Fixed Income Capital Markets reported net revenues of \$262 million, a decrease of 88% from \$2.2 billion in the first quarter of fiscal 2007, as strong performances in liquid products such as high grade corporate debt, foreign exchange and interest rate products were offset, in part, by continued deterioration in the broader credit markets, in particular residential mortgages, commercial mortgages and acquisition finance. Equities Capital Markets reported net revenues of \$1.4 billion, an increase of 6% from \$1.3 billion in the first quarter of fiscal 2007, driven by continued growth in prime brokerage and strong activity in execution services.

Investment Banking reported net revenues of \$867 million, an increase of 2% from \$850 million in the first quarter of fiscal 2007. These revenues were driven by strong merger and acquisition advisory revenues, which increased 34% to \$330 million from \$247 million in the first quarter of fiscal 2007, and higher equity origination revenues, which increased 23% to \$215 million from \$175 million in the first quarter of fiscal 2007, partially offset by lower revenues in debt origination as compared to the first quarter of fiscal 2007.

Investment Management reported record net revenues of \$968 million, an increase of 39% from \$695 million in the first quarter of fiscal 2007. This performance was driven by record revenues in both Asset Management, which increased 49% to \$618 million from \$416 million in the first quarter of fiscal 2007, and Private Investment Management, which increased 25% to \$350 million from \$279 million in the first quarter of fiscal 2007. The Firm reported assets under management of \$277 billion, compared to \$282 billion at November 30, 2007.

Firm Profitability and Liquidity

Non-interest expenses for the first quarter of fiscal 2008 were \$2.8 billion, compared to \$3.3 billion in the first quarter of fiscal 2007 and \$3.2 billion in the fourth quarter of fiscal 2007. Compensation and benefits as a percentage of net revenues was 52.5% during the first quarter of fiscal 2008, compared to 49.3% for both the first and fourth quarters of fiscal 2007. Non-personnel expenses in the first quarter of fiscal 2008 were \$1.0 billion, consistent with the fourth quarter of fiscal 2007 and compared to \$860 million in the first quarter of fiscal 2007, reflecting continued investments in growing the franchise and costs associated with the resizing of the Firm's mortgage origination platform.

The Firm's pre-tax margin was 18.9% for the first quarter of fiscal 2008, compared to 33.7% for the first quarter of fiscal 2007. Return on average common equity was 8.6% for the first quarter of fiscal 2008, compared to 24.4% for the first quarter of fiscal 2007. Return on average tangible common equity was 10.6% for the first quarter of fiscal 2008, compared with 29.9% for the first quarter of fiscal 2007.

As of February 29, 2008, Lehman Brothers' total stockholders' equity was \$24.8 billion, and total long-term capital (stockholders' equity and long-term borrowings, excluding any borrowings with remaining maturities of less than twelve months) was \$153.2 billion. Book value per common share was \$39.45. The Holding Company had a robust liquidity pool of \$34 billion at quarter end. In addition, the Holding Company had other unencumbered assets of \$64 billion and our regulated entities had unencumbered assets of \$99 billion at quarter end.

Lehman Brothers (ticker symbol: LEH), an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients, and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The Firm is headquartered in New York, with regional headquarters in London and Tokyo, and operates in a network of offices around the world. For further information about Lehman Brothers' services, products and recruitment opportunities, visit the Firm's Web site at www.lehman.com. Lehman Brothers Inc. is a member of SIPC.

Conference Call

A conference call to discuss the Firm's financial results and outlook will be held today at 10:00 a.m. ET. The call will be open to the public. Members of the public who would like to access the conference call should dial, from the U.S., 800-619-3387 or, from outside the U.S., 415-228-4939 at least ten minutes prior to the start of the conference call. The pass code for all callers is LEHMAN. The conference call will also be accessible through the "Shareholders" section of the Firm's Web site under the subcategory "Webcasts." For those unable to listen to the live broadcast, a replay will be available on the Firm's Web site or by dialing 800-308-3945 (domestic) or 203-369-3240 (international). The replay will be available approximately one hour after the event and will remain available on the Lehman Brothers Web site and by phone until 11:59 p.m. ET on April 18, 2008.

Please direct any questions regarding the conference call to Ed Grieb at 212-526-0588, egrieb@lehman.com.

Cautionary Note Regarding Forward-Looking Statements

This press release may contain forward-looking statements. These statements are not historical facts, but instead represent only the Firm's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include risks and uncertainties

relating to market fluctuations and volatility, industry competition and changes in the competitive environment, investor sentiment, liquidity and credit ratings, credit exposures, operational risks and legal and regulatory matters. The Firm's actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition in any such forward-looking statements and, accordingly, readers are cautioned not to place undue reliance on such statements. The Firm undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. For more information concerning the risks and other factors that could affect the Firm's future results and financial condition, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Firm's most recent Annual Report on Form 10-K.

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LEHMAN BROTHERS HOLDINGS INC.
SELECTED STATISTICAL INFORMATION
(Preliminary and Unaudited)
(Dollars in millions, except share data)

	At or for the Quarter Ended				
	Feb 29, 2008	Nov 30, 2007	Aug 31, 2007	May 31, 2007	Feb 28, 2007
Income Statement					
Net Revenues	\$ 3,507	\$ 4,390	\$ 4,308	\$ 5,512	\$ 5,047
Non-Interest Expenses:					
Compensation and Benefits	1,841	2,164	2,124	2,718	2,488
Non-personnel Expenses	1,003	996	979	915	860
Net Income	489	886	887	1,273	1,146
Net Income Applicable to Common Stock	465	870	870	1,256	1,129
Earnings per Common Share:					
Basic	\$0.84	\$1.60	\$1.61	\$2.33	\$2.09
Diluted	\$0.81	\$1.54	\$1.54	\$2.21	\$1.96
Financial Ratios (%)					
Return on Average Common Stockholders' Equity (annualized) ^(a)	8.6%	16.6%	17.1%	25.8%	24.4%
Return on Average Tangible Common Stockholders' Equity (annualized) ^(b)	10.6%	20.6%	21.1%	31.6%	29.9%
Prc-tax Margin	18.9%	28.0%	28.0%	34.1%	33.7%
Compensation and Benefits/Net Revenues	52.5%	49.3%	49.3%	49.3%	49.3%
Effective Tax Rate	26.3%	27.9%	26.4%	32.3%	32.5%
Financial Condition					
Total Assets	\$786,000	\$691,063	\$659,216	\$605,861	\$562,283
Net Assets ^{(c)(i)}	395,888	372,959	357,102	337,667	300,797
Common Stockholders' Equity ^(d)	21,839	21,395	20,638	20,034	18,910
Total Stockholders' Equity ^(d)	24,832	22,490	21,733	21,129	20,005
Total Stockholders' Equity Plus Junior Subordinated Notes ^(e)	29,808	27,230	26,647	25,650	23,018
Tangible Equity Capital ^(e)	25,696	23,103	22,164	21,881	19,487
Total Long-Term Capital ^(f)	153,241	145,640	142,064	121,948	110,780
Book Value per Common Share ^(g)	39.45	39.44	38.29	37.15	35.15
Leverage Ratio ^(h)	31.7x	30.7x	30.3x	28.7x	28.1x
Net Leverage Ratio ⁽ⁱ⁾	15.4x	16.1x	16.1x	15.4x	15.4x
Other Data (#s)					
Employees	28,088	28,556	28,783	28,323	27,090
Assets Under Management (in billions)	\$ 277	\$ 282	\$ 275	\$ 263	\$ 236
Common Stock Outstanding (in millions)	551.4	531.9	529.4	530.2	534.9
Weighted Average Shares (in millions):					
Basic	551.5	542.6	540.4	538.2	540.9
Diluted	572.8	563.7	565.8	568.1	575.4

See Footnotes to Selected Statistical Information on page 7.

LEHMAN BROTHERS HOLDINGS INC.
FOOTNOTES TO SELECTED STATISTICAL INFORMATION
(Preliminary and Unaudited)

- (a) Return on average common stockholders' equity is computed by dividing annualized net income applicable to common stock for the period by average common stockholders' equity. See the reconciliation on page 10.
- (b) Return on average tangible common stockholders' equity is computed by dividing annualized net income applicable to common stock for the period by average tangible common stockholders' equity. Average tangible common stockholders' equity equals average common stockholders' equity less average identifiable intangible assets and goodwill. See the reconciliation on page 10. Management believes tangible common stockholders' equity is a meaningful measure because it reflects the common stockholders' equity deployed in our businesses.
- (c) We calculate net assets by excluding from total assets: (i) cash and securities segregated and on deposit for regulatory and other purposes; (ii) collateralized lending agreements; and (iii) identifiable intangible assets and goodwill. See reconciliation on page 10. Net assets as presented are not necessarily comparable to similarly-titled measures provided by other companies in the securities industry because of different methods of presentation.
- (d) Effective December 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109*. The aggregate impact to opening retained earnings from the adoption of this standard was a decrease of approximately \$178 million. Effective December 1, 2006, we adopted both Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157"), and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). The aggregate impact to opening retained earnings from the adoption of these standards was an after-tax increase of approximately \$67 million (approximately \$113 million pre-tax).
- (e) We calculate tangible equity capital by including stockholders' equity and junior subordinated notes and excluding identifiable intangible assets and goodwill. These measures may not be comparable to similarly-titled calculations by other companies as a result of different calculation methodologies. We believe tangible equity capital to be a more meaningful measure of our equity base as it includes stockholders' equity and junior subordinated notes (which we consider to be equity-like instruments due to their subordinated and long-term nature) and excludes identifiable intangible assets and goodwill (which are fully supported by equity). Prior to fiscal year 2008, our definition for tangible equity capital limited the amount of junior subordinated notes and preferred stock included in the calculation to 25% of tangible equity capital. The amounts excluded were approximately \$237 million, \$375 million and \$117 million in the fourth, third and second quarters of 2007, respectively; no amounts were excluded in periods prior to the second quarter of 2007. See the reconciliation on page 10.
- (f) Total long-term capital includes long-term borrowings (excluding any borrowings with remaining maturities within one year of the financial statement date) and total stockholders' equity. We believe total long-term capital is useful to investors as a measure of our financial strength.
- (g) The book value per common share calculation includes amortized restricted stock units granted under employee stock award programs, which have been included in total stockholders' equity.
- (h) Leverage ratio is defined as total assets divided by total stockholders' equity.
- (i) Net leverage ratio is defined as net assets (see note (c) above) divided by tangible equity capital (see note (e) above). We believe net leverage based on net assets to be a more useful measure of leverage, because it excludes certain low-risk, non-inventory assets and utilizes tangible equity capital as a measure of our equity base. Net leverage as presented is not necessarily comparable to similarly-titled measures provided by other companies in the securities industry because of different methods of presentation.

LEHMAN BROTHERS HOLDINGS INC.
CONSOLIDATED STATEMENT OF INCOME
(Preliminary and Unaudited)
(In millions, except per share data)

	Quarter Ended			% Change from	
	Feb 29, 2008	Nov 30, 2007	Feb 28, 2007	Nov 30, 2007	Feb 28, 2007
Revenues:					
Principal transactions	\$ 773	\$ 1,776	\$ 2,921		
Investment banking	867	831	850		
Commissions	658	688	540		
Interest and dividends	9,635	11,136	9,089		
Asset management and other	437	459	395		
Total revenues	12,370	14,890	13,795		
Interest expense	8,863	10,500	8,748		
Net revenues	3,507	4,390	5,047	-20%	-31%
Non-interest expenses:					
Compensation and benefits	1,841	2,164	2,488		
Technology and communications	302	311	266		
Brokerage, clearance and distribution fees	253	240	194		
Occupancy	185	173	146		
Professional fees	98	120	98		
Business development	89	103	84		
Other ^(a)	76	49	72		
Total non-interest expenses	2,844	3,160	3,348	-10%	-15%
Income before provision for income taxes	663	1,230	1,699		
Provision for income taxes	174	344	553		
Net income	\$ 489	\$ 886	\$ 1,146	-45%	-57%
Net income applicable to common stock	\$ 465	\$ 870	\$ 1,129	-47%	-59%
Earnings per common share:					
Basic	\$ 0.84	\$ 1.60	\$ 2.09	-48%	-60%
Diluted	\$ 0.81	\$ 1.54	\$ 1.96	-47%	-59%

^(a) For the quarters ended February 29, 2008 and November 30, 2007, approximately \$34 million and \$18 million, respectively, of costs associated with the restructuring of the Firm's global residential mortgage origination business have been included in other expenses.

LEHMAN BROTHERS HOLDINGS INC.
 SEGMENT NET REVENUE INFORMATION^(a)
 (Preliminary and Unaudited)
 (In millions)

	Quarter Ended			% Change from	
	Feb 29, 2008	Nov 30, 2007	Feb 28, 2007	Nov 30, 2007	Feb 28, 2007
Capital Markets:					
Fixed Income	\$ 262	\$ 727	\$2,173		
Equities	1,410	2,000	1,329		
Total	<u>1,672</u>	<u>2,727</u>	<u>3,502</u>	-39%	-52%
Investment Banking:					
Global Finance – Debt	322	233	428		
Global Finance – Equity	215	210	175		
Advisory Services	330	388	247		
Total	<u>867</u>	<u>831</u>	<u>850</u>	4%	2%
Investment Management:					
Asset Management	618	533	416		
Private Investment Management	350	299	279		
Total	<u>968</u>	<u>832</u>	<u>695</u>	16%	39%
Total Net Revenues	<u>\$ 3,507</u>	<u>\$ 4,390</u>	<u>\$ 5,047</u>	-20%	-31%

^(a) Certain prior-period amounts reflect reclassifications to conform to the presentation in the current period.

LEHMAN BROTHERS HOLDINGS INC.
 RECONCILIATION OF AVERAGE STOCKHOLDERS' EQUITY TO
 AVERAGE TANGIBLE COMMON STOCKHOLDERS' EQUITY
 (Preliminary and Unaudited)
 (In millions)

	Quarter Ended				
	Feb 29, 2008	Nov 30, 2007	Aug 31, 2007	May 31, 2007	Feb 28, 2007
Annualized net income applicable to common stock	\$ 1,860	\$ 3,479	\$ 3,480	\$ 5,025	\$ 4,517
Average stockholders' equity	\$23,661	\$22,112	\$21,431	\$20,567	\$19,632
Less: average preferred stock	(2,044)	(1,095)	(1,095)	(1,095)	(1,095)
Average common stockholders' equity	21,617	21,017	20,336	19,472	18,537
Less: average identifiable intangible assets and goodwill	(4,120)	(4,118)	(3,880)	(3,592)	(3,447)
Average tangible common stockholders' equity	\$17,497	\$16,899	\$16,456	\$15,880	\$15,090
Return on average common stockholders' equity	8.6%	16.6%	17.1%	25.8%	24.4%
Return on average tangible common stockholders' equity	10.6%	20.6%	21.1%	31.6%	29.9%

LEHMAN BROTHERS HOLDINGS INC.
 ASSETS UNDER MANAGEMENT
 (Preliminary and Unaudited)
 (In billions)

Composition of Assets Under Management	At		
	Feb 29, 2008	Nov 30, 2007	Feb 28, 2007
Equity	\$101	\$107	\$96
Fixed Income	77	75	62
Money Markets	65	66	56
Alternative Investments	34	34	22
Assets Under Management	<u>\$277</u>	<u>\$282</u>	<u>\$236</u>

Assets Under Management Rollforward	Quarter Ended		
	Feb 29, 2008	Nov 30, 2007	Feb 28, 2007
Opening balance	\$282	\$275	\$225
Net additions	—	2	8
Net market appreciation/(depreciation)	(5)	5	3
Total increase/(decrease)	<u>(5)</u>	<u>7</u>	<u>11</u>
Ending balance	<u>\$277</u>	<u>\$282</u>	<u>\$236</u>

LEHMAN BROTHERS HOLDINGS INC.
LEVERAGE and NET LEVERAGE CALCULATIONS
(Preliminary and Unaudited)
(In millions)

	At				
	Feb 29, 2008	Nov 30, 2007	Aug 31, 2007	May 31, 2007	Feb 28, 2007
Net assets:					
Total assets	\$786,000	\$691,063	\$659,216	\$605,861	\$562,283
Less:					
Cash and securities segregated and on deposit for regulatory and other purposes	(17,000)	(12,743)	(10,579)	(7,154)	(6,293)
Collateralized lending agreements	(369,000)	(301,234)	(287,427)	(257,388)	(251,662)
Identifiable intangible assets and goodwill	(4,112)	(4,127)	(4,108)	(3,652)	(3,531)
Net assets	<u>\$395,888</u>	<u>\$372,959</u>	<u>\$357,102</u>	<u>\$337,667</u>	<u>\$300,797</u>
Tangible equity capital:					
Total stockholders' equity	\$ 24,832	\$ 22,490	\$ 21,733	\$ 21,129	\$ 20,005
Junior subordinated notes ^(a)	4,976	4,740	4,539	4,404	3,013
Less: Identifiable intangible assets and goodwill	(4,112)	(4,127)	(4,108)	(3,652)	(3,531)
Tangible equity capital ^(a)	<u>\$ 25,696</u>	<u>\$ 23,103</u>	<u>\$ 22,164</u>	<u>\$ 21,881</u>	<u>\$ 19,487</u>
Leverage (total assets / total stockholders' equity)	31.7x	30.7x	30.3x	28.7x	28.1x
Net leverage (net assets / tangible equity capital)	15.4x	16.1x	16.1x	15.4x	15.4x

^(a) Prior to fiscal year 2008, our definition for tangible equity capital limited the amount of junior subordinated notes and preferred stock included in the calculation to 25% of tangible equity capital. The amounts excluded were approximately \$237 million, \$375 million and \$117 million in the fourth, third and second quarters of 2007, respectively; no amounts were excluded in prior periods.

LEHMAN BROTHERS HOLDINGS INC.
MARK TO MARKET ADJUSTMENTS AND GROSS BALANCES ^(a)
(Preliminary and Unaudited)
(In billions)

	For the quarter ended Feb 29, 2008		Gross balances as of ^(b)	
	Mark to market adjustments – Gain/(Loss) ^(b)		Feb 29, 2008	Nov 30, 2007
	Gross	Net		
Residential mortgages: ^{(c),(d)}				
Securities			\$18.2	\$16.7
Whole loans			11.9	14.2
Servicing and other			1.7	1.2
	(\$3.0)	(\$0.8)	\$31.8	\$32.1
Other asset-backed (non-residential)	(\$0.2)	(\$0.1)	\$ 6.5	\$6.2
Commercial mortgages: ^{(c),(e)}				
Whole loans			\$24.9	\$26.2
Securities and other			11.2	12.7
	(\$1.1)	(\$0.7)	\$36.1	\$38.9
Real estate-related investments ^(f)	(\$0.3)	(\$0.3)	\$12.9	\$12.8
Acquisition Finance Facilities: ^(g)				
High Grade				
Contingent Commitments			\$ 7.2	\$10.2
Unfunded Commitments			0.8	—
Funded Loans			2.9	1.7
			10.9	11.9
High Yield				
Contingent Commitments			\$ 3.7	\$ 9.7
Unfunded Commitments			2.2	2.7
Funded Loans			11.9	11.5
			\$17.8	\$23.9
	(\$0.7)	(\$0.5)	\$28.7	\$35.8
Debt liabilities measured at fair value ^(h)	\$0.6	\$0.6	\$37.2	\$36.2
Total	(\$4.7)	(\$1.8)		

^(a) The table presents certain components of negative mark to market adjustments incurred during the first quarter of fiscal year 2008. Caution should be utilized when evaluating the amounts in the table as they represent only certain components of revenue associated with the Company's general business activities. The mark to market adjustments presented in the table are reflected within the revenues associated with the Company's Capital Markets business segment.

^(b) The net impact represents the remaining impact from the components after deducting the impact of certain economic risk mitigation strategies. Balances shown do not reflect the impact of economic hedges.

^(c) Balances shown exclude those for which the Company transferred mortgage-related loans to securitization vehicles where such transfers were accounted for as secured financings rather than sales under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125*. The securitization vehicles issued securities that were distributed to investors. The Company does not consider itself to have economic exposure to the underlying assets in those securitization vehicles.

- (d) The Company's aggregate residential mortgage inventory at February 29, 2008 and November 30, 2007 can be classified into the following product categories:

In billions	Feb. 29, 2008	Nov. 30, 2007
Prime and Alt-A ¹	\$14.6	\$12.7
Europe	9.5	10.2
Subprime/Second Lien ²	4.0	5.3
ABS-CDO	0.9	1.1
Asia-Pacific	0.7	0.5
Other U.S.	2.1	2.3
	\$31.8	\$32.1

- (e) The Company's commercial mortgage inventory at February 29, 2008 and November 30, 2007 was:

In billions	Feb. 29, 2008	Nov. 30, 2007
Americas	\$17.4	\$20.6
Europe	10.0	10.4
Asia-Pacific	8.7	7.9
	\$36.1	\$38.9

- (f) These positions are reflected within Real estate held for sale and are accounted for at the lower of its carrying amount or fair value less cost to sell. The Company makes equity and debt investments in entities whose underlying assets are real estate held for sale. The Company consolidates those entities in which we are the primary beneficiary in accordance with FIN No. 46-R, *Consolidation of Variable Interest Entities (revised December 2003)—an interpretation of ARB No. 51*. The Company does not consider itself to have economic exposure to the total underlying assets in those entities. The amounts presented are the Company's net investment and therefore exclude the amounts that have been consolidated but for which the Company does not consider itself to have economic exposure.
- (g) For purposes of this presentation, high yield amounts are defined as commitments to or loans to companies rated BB+ or lower or equivalent ratings by recognized credit rating agencies, as well as non-rated securities or loans that in the Company's management's opinion are non-investment grade.
- (h) Represents the amount of gains on debt liabilities for which the Company elected to fair value under SFAS No. 157 and SFAS No. 159. These gains represent the effect of changes in the Company's credit spread and exclude any Interest income or expense as well as any gain or loss from the embedded derivative components of these instruments. Changes in valuations are allocated to the businesses within the Company's Capital Markets business segment in relation to funding requirements of the underlying positions.

¹ For purposes of this presentation, the Company has categorized U.S. residential mortgages frequently referred to as Alt-A within Prime. The Company generally defines U.S. Alt-A residential mortgage loans as those associated with borrowers who may have creditworthiness of "prime" quality but may have traits that prevent the loans from qualifying as "prime." Those traits could include documentation deficiencies related to the borrowers' income disclosure, referred to as partial or no documentation, or the underlying property may not be owner occupied despite full or lower documentation of the borrowers' income levels.

² The Company generally defines U.S. subprime residential mortgage loans as those associated with borrowers having a credit score in the range of 620 or lower using the Fair Isaac Corporation's statistical model, or having other negative factors within their credit profiles. We also include residential mortgage loans that were originated through BNC Mortgage LLC ("BNC") prior to its closure in the third quarter of the Company's 2007 fiscal year. BNC served borrowers with subprime qualifying credit profiles but also served borrowers with stronger credit history as a result of broker relationships or product offerings and such loans are also included in our subprime business activity.

For Your Information- Tom Russo

SEC Opens Bear Stearns Stock Manipulation Inquiry, People Say
By David Scheer- March 18 (Bloomberg)

U.S. regulators are investigating whether traders illegally sought to force Bear Stearns Cos. shares into a tailspin last week by spreading false information about the firm's finances, two people familiar with the inquiry said.

The Securities and Exchange Commission probe is focusing on whether hedge funds or other investors bet on a drop in the company's shares while disseminating rumors that the New York-based company was nearing collapse, said the people, who declined to be identified because the inquiry isn't public. The New York Stock Exchange's regulatory arm is also involved in the investigation, the people said.

Speculation about a cash shortage spurred customers and lenders to pull money from Bear Stearns last week, driving the shares down 57 percent between March 7 and March 14. Two days later, the fourth-largest U.S. securities firm was acquired by JPMorgan Chase & Co. for \$2 a share. The company's decline coincided with a surge in investor bets that the stock price would plunge. The SEC's probe is unusual because most of the regulator's stock-manipulation cases focus on penny stocks.

"The commission is in uncharted territory," said Peter Henning, a former U.S. Justice Department prosecutor who teaches at Wayne State University Law School in Detroit. "The problem will be separating out the trading from the noise in the market. There was a lot of speculation about Bear."

SEC spokesman John Nester and NYSE spokesman Scott Peterson declined to comment. Bear Stearns spokesman Russell Sherman didn't return a phone call seeking comment. The SEC is seeking to question traders who profited from options or short sales, one of the people familiar with the probe said.

The case underscores regulators' concern that malicious rumors have the potential to fuel market panic and exacerbate shareholder losses on financial stocks. Bear Stearns had more than \$17 billion in cash and salable assets on March 11 when lenders and customers began removing funds, the SEC said in a March 14 statement.

Bear Stearns Chief Executive Officer Alan Schwartz repeatedly sought to stanch the speculation last week. After clients pulled funds and creditors stopped renewing short-term loans, the Federal Reserve orchestrated a bailout on March 14 by providing funding to the company through JPMorgan. "We have tried to confront and dispel these rumors and parse fact from fiction," Schwartz said in a statement that day. "Nevertheless, amidst this market chatter, our liquidity position in the last 24 hours had significantly deteriorated."

It may be difficult for the SEC to discern who was trading illegally because investors may have been "piling on" as speculation spread, said James Cox, a securities law professor at Duke University in Durham, North Carolina. To prevail in a manipulation case, the SEC would have to show that a trader intentionally spread false information about Bear Stearns while seeking to profit from its potential affect on the shares, he said.

Bear Stearns is the biggest financial blowup since hedge fund Long-Term Capital Management LP's \$3.6 billion rescue almost a decade ago. The losses end 85 years of independence for a firm that survived the Great Depression. In all, banks have logged \$195 billion of asset write downs and credit losses linked to subprime home loans since the start of 2007.

**SUMMARY OF BOARD AND BOARD COMMITTEE CONSENTS FOR
LEHMAN BROTHERS HOLDINGS INC. ("HOLDINGS")**

<u>DATE</u>	<u>SUMMARY</u> (Executive Committee Action by Written Consent unless otherwise noted)
1. <u>January 31, 2008</u> (Dividend Committee)	Declared a regular quarterly dividend on Holdings' Cumulative Preferred Stock, Series C, D and F.
2. <u>February 5, 2008</u> (Preferred Stock Offering)	Authorized and approved the issuance of a new series of Preferred Stock, Non-Cumulative Perpetual Preferred Stock Series J.
3. <u>February 20, 2008</u> (Dividend Committee)	Declared a regular monthly dividend on Holdings' Floating Rate Cumulative Preferred Stock, Series G.
4. <u>February 20, 2008</u> (Titles)	Effective February 5, 2008, Andrew J. Morton became Global Head of Fixed Income and Senior Vice President, replacing Roger Nagioff.
5. <u>March 17, 2008</u> (Dividend Committee)	Declared a regular monthly dividend on Holdings' Floating Rate Cumulative Preferred Stock, Series G.

Board and Board Committee Consents
03/25/2008 Board Meeting

**SUMMARY OF BOARD AND BOARD COMMITTEE CONSENTS FOR LEHMAN
BROTHERS INC. ("LEHMAN")**

<u>DATE</u>	<u>SUMMARY</u> (Executive Committee Action by Written Consent unless otherwise noted)
1. <u>January 31, 2008</u> (Titles)	Approved annual titles.
2. <u>February 20, 2008</u> (Titles)	Approved corporate and non-corporate titles for fourth quarter 2007.
3. <u>February 20, 2008</u> (Titles)	Effective February 5, 2008, Andrew J. Morton became Global Head of Fixed Income, replacing Roger Nagioff.

LEHMAN BROTHERS

DATE: March 20, 2008
TO: Members of the Board of Directors of Lehman Brothers Holdings Inc.
FROM: Madeline L. Shapiro, Assistant Secretary
RE: **MARCH 25, 2008 MEETING OF THE BOARD OF DIRECTORS**

Enclosed are materials relating to the Liquidity and Risk Update which will be presented by Erin Callan and Chris O'Meara at the March 25, 2008 meeting of the Board of Directors.

The meeting is scheduled to be held in the Board Room on the 31st floor, 745 Seventh Avenue (between 49th and 50th Streets), from 11:00 a.m. to 1:30 p.m. Lunch will be served. Please bring the enclosed materials with you.

Distribution:

Mr. Michael L. Ainslie	Mr. Richard S. Fuld, Jr.
Mr. John F. Akers	Sir Christopher Gent
Mr. Roger S. Berlind	Mr. Roland A. Hernandez
Mr. Thomas H. Cruikshank	Mr. Henry Kaufman
Ms. Marsha Johnson Evans	Mr. John D. Macomber

Copy to:

Ms. Erin M. Callan
Mr. Joseph M. Gregory
Mr. Thomas A. Russo
Mr. Jeffrey A. Welikson

Confidential Presentation to:

Lehman Brothers Board of Directors

SEC Update

March 25, 2008

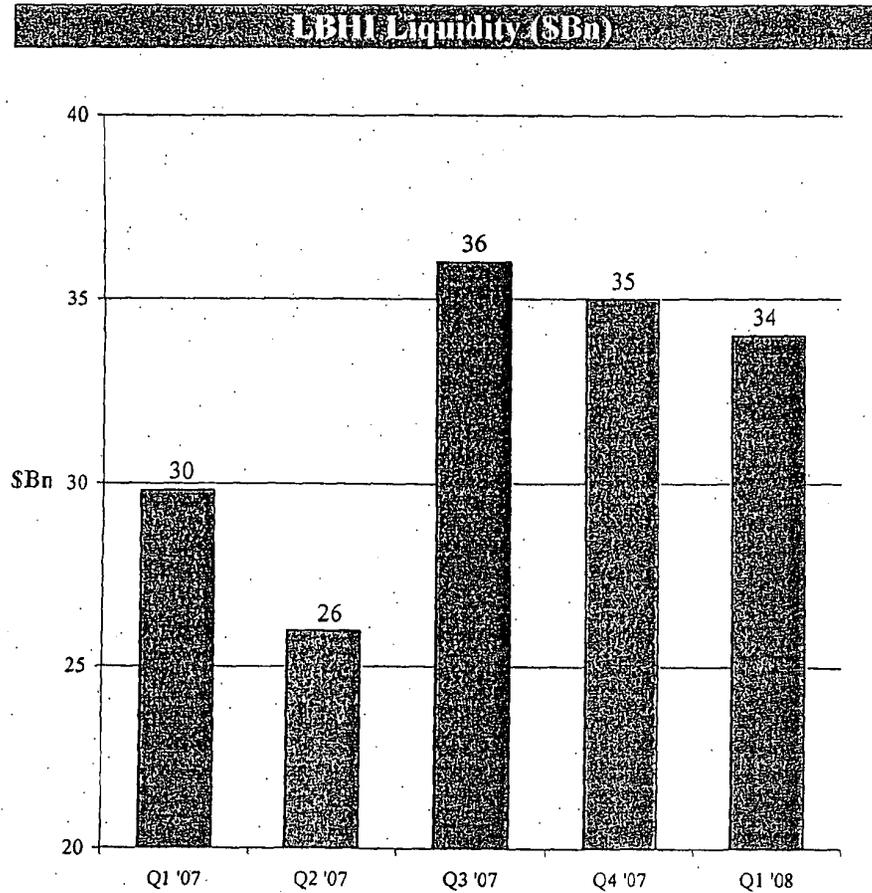
LEHMAN BROTHERS

Key Features of Lehman Funding

- ◆ We have three internal banks that fund themselves completely separately from the holding company
- ◆ No reliance on secured funding for whole loans or esoteric collateral
- ◆ No reliance on free credit balances
- ◆ No reliance on CP or short-term unsecured funding
- ◆ No reliance on asset-backed CP
- ◆ Holding company liquidity is tracked separately from regulated entities
- ◆ Term structure of repo has been increasing

Overview

The firm continues to operate at close to record levels of liquidity



Highlights

- ◆ Despite market conditions, we have been able to operate close to record levels throughout the period:
 - We closed Q1-08 with \$34Bn of liquidity.
 - This represents a \$7Bn excess over our cash capital requirements.
- ◆ This means we do not need access to financing for over one year.
- ◆ No dependence on customer free credit balances
- ◆ Successfully closed new 3-year syndicated facility this week

Liquidity Comparison

Lehman has the strongest liquidity position of the brokers. Our funding framework is significantly different from Bear Stearns'

Year end 2007
\$ billions

	BSC	LEH	GS	MS	MER
Short Term Borrowings	24.0	11.3	48.9 ⁽¹⁾	34.5	24.9
Current Portion of Long Term Debt	9.6	16.8	22.7	30.8	65.0
Total Short Term Debt	33.6	28.1	71.6	65.3	89.9
Holding Company Liquidity Pool	17.4	34.9	60.6	62.0	79.0
Unencumbered Collateral	5.1	63.2		N/D	N/D
Cash Value of Unencumbered Collateral (at 30% haircut)	3.6	44.2	38.3 ⁽²⁾		
Liquidity Pool / Short Term Debt	52%	124%	85%	95%	88%
Liquidity Pool + Cash value of unencumbered collateral / Short Term Debt	62%	282%	138% Est.		
Unencumbered Collateral outside Holding Chain (in Regulated Entities)	11.2	95.5	57.8	56.0 ⁽³⁾	121.0

(1): Excludes \$32.4 billion of secured short-term financing (primarily non recourse debt - e.g., William Street)

(2): Based on overall pledge value of Firm-wide collateral of \$96.1 billion; assume same regulated/unregulated mix as LEH

(3): Liquidity reserve at bank and non-bank subsidiaries

Secured Funding Status

Triparty funding has been around \$115 billion through the year, and funding counterparties have been very reliable

Secured Funding Volumes

Collateral Allocated Summary	Principal (\$Bn)	Avg Tenor (Days)
Asset Backs - Investment Grade	16.9	21
Asset Backs - Non-Investment Grade	2.0	18
C1 - Investment Grade Convertibles	2.2	13
C2 - Non-Investment Grade Convertibles	2.5	31
Corporates - Investment Grade	15.8	21
Corporates - Non-Investment Grade	10.1	26
E1 - Major Index Equities	7.7	26
E2 - Non-Major Index Equities	9.4	54
E3 - Non-Major Index Equities (<\$5)	4.1	37
EMG	10.8	25
Fund Units	0.2	8
Money Markets (A1)	10.0	1
Money Markets (A2, A3, Other)	1.1	8
Muni	3.7	5
Preferreds	0.7	60
Private Labels - High Yield	2.5	19
Private Labels - Investment Grade	13.6	21
Wholeloan Residential	2.9	32
Grand Total	116.2	24

Top 25 Counterparties

Counterparty Group	Principal (\$Bn)	Avg Tenor (Days)
State Street	14.0	27
DRESDNER	8.7	38
BONY/MELLON	8.4	18
JP MORGAN CHASE	7.8	34
Fidelity	7.5	10
CITIBANK	6.0	9
ECB	5.5	41
BANKHAUS	4.9	73
RBC	3.6	30
FORTIS	3.1	4
BANK OF AMERICA/NATIO	3.0	1
CALYON	2.9	53
DWIGHT A.M.	2.2	21
UBS	2.0	3
DEKABANK	2.0	47
HSBC	1.9	3
LBBW	1.9	24
DREYFUS	1.7	1
DANSKE BANK	1.6	27
RABOBANK	1.6	3
KEYBANK	1.5	1
BGI	1.5	19
RACERS	1.3	129
KBC	1.3	12
NORTHERN	1.2	21
Other (45 Counterparties)	19.1	11
Grand Total	116.2	24

1. The above is based on global cash repo trades and Government Upgrade Collateral Swaps (CPT Trades) as of March 11th, 2008, excluding products traded special, Governments, Treasuries, Government/MBS Agencies, Sovereigns, and Commercial Wholeloans.

Mortgage Secured Funding

Principal in \$ billions

Mortgage Asset Class	ON/Open	Term	Total
Agency	61.4	34.1	95.5
Non-Agency	7.3	18.8	26.1
Wholeloan	1.4	1.5	2.9
Grand Total	70.1	54.4	124.5

Counterparty Concentration for Overnight and Open Trades

Agency	
Counterparty Group	Principal
BONY/MELLON	20.3
JP MORGAN CHASE	14.8
MITSUBISHI	4.1
MELLON	3.6
NORTHERN	2.4
STATE STREET	2.3
MIZUHO	1.4
SUMITOMO	1.3
WELLS CAPITAL MGMT	1.0
GOLDMAN SACHS	1.0
FEDERATED	1.0
SWISS RE	0.7
JANUS	0.6
DRAKE	0.5
CITIBANK	0.5
DREYFUS	0.5
LONE STAR	0.4
WELLINGTON	0.4
ENDEAVOUR CAPITAL	0.4
US BANK & TRUST	0.3
FLORIDA STATE BOARD	0.3
BGI	0.3
SUNTRUST	0.3
KEYBANK	0.3
FORTIS	0.2
BANK OF KOREA	0.2
44 counterpart. (< \$200 mm / trade)	2.4
Total Agency	61.4

Non-Agency	
Counterparty Group	Principal
BONY/MELLON	1.9
CITIBANK	1.5
STATE STREET	1.3
DRESDNER	0.8
SVENSKA BANK	0.5
UBOC	0.4
BGI	0.2
MITSUBISHI	0.2
MIZUHO	0.2
Fidelity	0.1
TOYOTA MOTOR SALES USA INC	0.1
AEGON	0.1
Total Non-Agency	7.3

Wholeloan	
Counterparty Group	Principal
STATE STREET	0.8
UBS	0.5
ROWAN	0.1
Total Wholeloan	1.4

Treasury Secured Funding

Principal in \$ billions

Top 25 Counterparties

Collateral Allocated	ON/OPEN		<1 Week		1W - 1M		Total Principal
	Principal	%age	Principal	%age	Principal	%age	
TREASURIES	26.4	98%	0.5	2%	0.0	0%	26.9
TREASURY STRIP	1.8	100%	-	0%	-	0%	1.8
TREASURY TIPS	11.3	100%	-	0%	-	0%	11.3
Grand Total	39.5	99%	0.5	1%	0.0	0%	40.1

Top 25 Counterparties

Counterparty Group	Principal (\$Bn)
FIDELITY	9.6
JP MORGAN CHASE	5.0
BANK OF AMERICA/NATIONSBANK	3.4
GOLDMAN SACHS & CO	3.1
DREYFUS	2.9
FIRST ASSET MGMT	2.2
DART MANAGEMENT LIMITED	2.1
FEDERATED	1.8
UBS	1.5
WELLS FARGO	1.2
MORGAN STANLEY & CO INC	1.1
TUDOR	1.0
EVERGREEN	0.6
IONIC CAPITAL	0.6
HSBC	0.5
SCUDDER/KEMPER	0.5
AIM	0.5
RYDEX	0.4
STANDISH MELLON ASSET MGMT	0.4
TRP/GOVERNMENT RESERVE FUND	0.3
MELLON	0.3
PIMC	0.2
MANULIFE FINANCIAL	0.2
BB&T	0.2
MET WEST/WACHOVIA	0.1
Other (28 Counterparties)	0.5
Grand Total	40.1

1. The above is based on global cash repo trades as of March 13th, 2008, and excludes products traded special

LEHMAN BROTHERS

Secured Funding Terms

Principal in \$Bn's

Secured Funding Tenor Profile

Collateral Allocated Summary	ON/OPEN		<1 Week		1W - 1M		>1 Month		Total
	Principal	%age	Principal	%age	Principal	%age	Principal	%age	Principal
Asset Backs - Investment Grade	4.9	29%	0.3	2%	3.3	20%	8.4	50%	16.9
Asset Backs - Non-Investment Grade	0.5	24%	0.3	17%	1.0	50%	0.2	10%	2.0
C1 - Investment Grade Convertibles	0.7	34%	0.7	32%	0.5	22%	0.3	12%	2.2
C2 - Non-Investment Grade Convertibles	0.6	24%	0.6	25%	0.4	17%	0.9	34%	2.5
Corporates - Investment Grade	8.3	52%	2.2	14%	2.9	18%	2.4	15%	15.8
Corporates - Non-Investment Grade	5.4	53%	1.2	11%	1.7	17%	1.9	18%	10.1
E1 - Major Index Equities	2.6	35%	2.8	36%	1.2	15%	1.1	14%	7.7
E2 - Non-Major Index Equities	3.7	40%	0.5	5%	1.6	17%	3.6	38%	9.4
E3 - Non-Major Index Equities (<\$5)	0.2	4%	2.0	48%	1.1	27%	0.9	21%	4.1
EMG	0.3	2%	5.7	52%	2.9	26%	2.1	19%	10.8
Fund Units	0.1	81%	0.0	3%	0.0	6%	0.0	11%	0.2
Money Markets (A1)	9.4	93%	0.5	5%	0.2	2%	-	0%	10.0
Money Markets (A2, A3, Other)	0.3	27%	0.4	38%	0.4	34%	0.0	1%	1.1
Muni	3.2	87%	-	0%	0.5	13%	-	0%	3.7
Preferreds	0.1	17%	0.0	1%	0.1	16%	0.4	66%	0.7
Private Labels - High Yield	1.2	48%	0.0	1%	0.7	30%	0.5	20%	2.5
Private Labels - Investment Grade	2.5	18%	3.5	25%	3.9	29%	3.8	28%	13.6
Wholeloan Residential	1.4	47%	0.1	3%	0.7	25%	0.7	25%	2.9
Grand Total	45.3	39%	20.7	18%	23.1	20%	27.0	23%	116.2

Monthly Averages

Feb	50.7	46%	14.4	14%	22.3	21%	24.7	22%	112.1
Jan	56.0	48%	15.6	14%	23.0	20%	22.1	19%	116.7
Dec	49.4	42%	13.9	12%	22.8	20%	31.2	27%	117.3
Nov	51.4	44%	14.4	13%	22.0	19%	28.3	25%	116.1
Oct	49.4	45%	17.6	17%	24.3	22%	19.3	18%	110.6
Sep	48.0	46%	15.4	15%	21.9	21%	20.4	19%	105.7

1. The above is based on global cash repo trades and Government Upgrade Collateral Swaps (CPT Trades) as of March 11th, 2008, excluding products traded special, Governments, Treasuries, Government/MBS Agencies, Sovereigns, and Commercial Wholeloans.

LEHMAN BROTHERS

Secured Funding – Reverse Repos

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Secured Funding Volumes

Collateral Allocated Summary	Principal (\$Bn)
Asset Backs - Investment Grade	8.7
Asset Backs - Non-Investment Grade	0.5
C1 - Investment Grade Convertibles	0.7
C2 - Non-Investment Grade Convertibles	0.3
Corporates - Investment Grade	22.5
Corporates - Non-Investment Grade	10.9
E1 - Major Index Equities	15.0
E2 - Non-Major Index Equities	20.6
E3 - Non-Major Index Equities (<\$5)	0.3
EMG	16.2
Fund Units	0.8
G1 - Investment Grade Governments	138.4
G2 - Non Investment Grade Governments	17.6
Government Agency	40.4
Lehman Paper	0.2
MBS	35.3
Muni	0.1
Other	0.5
Preferréds	0.1
Private Labels - High Yield	0.5
Private Labels - Investment Grade	3.3
Treasuries	204.4
Wholeloan Commercial	0.0
Wholeloan Residential	0.3
Grand Total	537.5

Top 25 Counterparties

Counterparty Group	Principal (\$Bn)
BROKERTEC USA LLC	30.2
LCH	30.0
BANK OF KOREA	21.7
GARBAN LLC	19.6
JP MORGAN CHASE	18.1
GLG	15.9
GOLDMAN SACHS & CO	14.4
BLACK RIVER ASSET MGMT LLC	11.4
LIBERTY BROKERAGE INC	11.1
BREVAN HOWARD	11.1
STATE STREET	10.8
TUDOR INVESTMENT CORPORATION	9.8
NORGES	9.6
BONY/MELLON	9.4
NORTHERN	8.7
BGI	8.2
MAXCOR FINANCIAL INC	8.0
TRADITION ASIEL SECURITIES INC	7.9
HILLIARD FARBER & CO INC	7.5
MERRILL LYNCH	6.9
TULLETT	6.9
DEUTSCHE BANK	6.9
PIMCO	6.3
BANCO CENTRAL DO BRASIL	6.2
DRESDNER	5.9
Other (562 Counterparties)	235.1
Grand Total	537.5

1. The above is based on global cash reverse repo trades as of March 13th, 2008

LEHMAN BROTHERS

LBHL_SEC07940_027742

LB 010832

Reverse Repo Terms

Principal in \$ billions

Reverse Repo Terms									
Collateral Allocated Summary	ON/OPEN		<1 Week		1W - 1M		>1 Month		Total
	Principal	%age	Principal	%age	Principal	%age	Principal	%age	Principal
Asset Backs - Investment Grade	0.1	1%	0.1	1%	0.8	9%	7.7	89%	8.7
Asset Backs - Non-Investment Grade	0.0	1%	0.1	13%	0.3	74%	0.1	12%	0.5
C1 - Investment Grade Convertibles	0.3	44%	0.1	11%	0.1	12%	0.2	32%	0.7
C2 - Non-Investment Grade Convertibles	0.2	57%	0.0	3%	-	0%	0.1	40%	0.3
Corporates - Investment Grade	8.5	38%	3.9	17%	2.2	10%	8.0	35%	22.5
Corporates - Non-Investment Grade	6.2	57%	0.1	1%	0.6	5%	3.9	36%	10.9
E1 - Major Index Equities	13.7	92%	0.0	0%	0.3	2%	0.9	6%	15.0
E2 - Non-Major Index Equities	20.2	98%	-	0%	0.1	0%	0.3	1%	20.6
E3 - Non-Major Index Equities (<\$5)	0.1	33%	0.1	19%	0.0	6%	0.1	42%	0.3
EMG	1.4	9%	1.7	10%	2.2	13%	11.0	68%	16.2
Fund Units	0.6	85%	-	0%	0.0	0%	0.1	15%	0.8
G1 - Investment Grade Governments	37.0	27%	15.3	11%	60.2	44%	25.9	19%	138.4
G2 - Non Investment Grade Governments	3.3	18%	10.1	57%	3.4	19%	0.9	5%	17.6
Government Agency	12.4	31%	1.5	4%	13.6	34%	12.9	32%	40.4
Lehman Paper	0.1	57%	-	0%	0.0	3%	0.1	40%	0.2
MBS	9.9	28%	4.5	13%	7.3	21%	13.5	38%	35.3
Muni	0.0	98%	-	0%	-	0%	0.0	2%	0.1
Other	0.2	48%	-	0%	0.2	33%	0.1	19%	0.5
Preferreds	0.0	8%	0.0	4%	0.0	7%	0.1	81%	0.1
Private Labels - High Yield	-	0%	0.1	26%	0.2	48%	0.1	27%	0.5
Private Labels - Investment Grade	0.1	2%	0.2	7%	1.1	33%	2.0	59%	3.3
Treasuries	66.1	32%	19.8	10%	86.2	42%	32.3	16%	204.4
Wholeloan Commercial	-	0%	-	0%	-	0%	0.0	100%	0.0
Wholeloan Residential	-	0%	-	0%	-	0%	0.3	100%	0.3
Grand Total	180.4	34%	57.6	11%	178.8	33%	120.7	22%	537.5

1. The above is based on global cash reverse repo trades as of March 13th, 2008

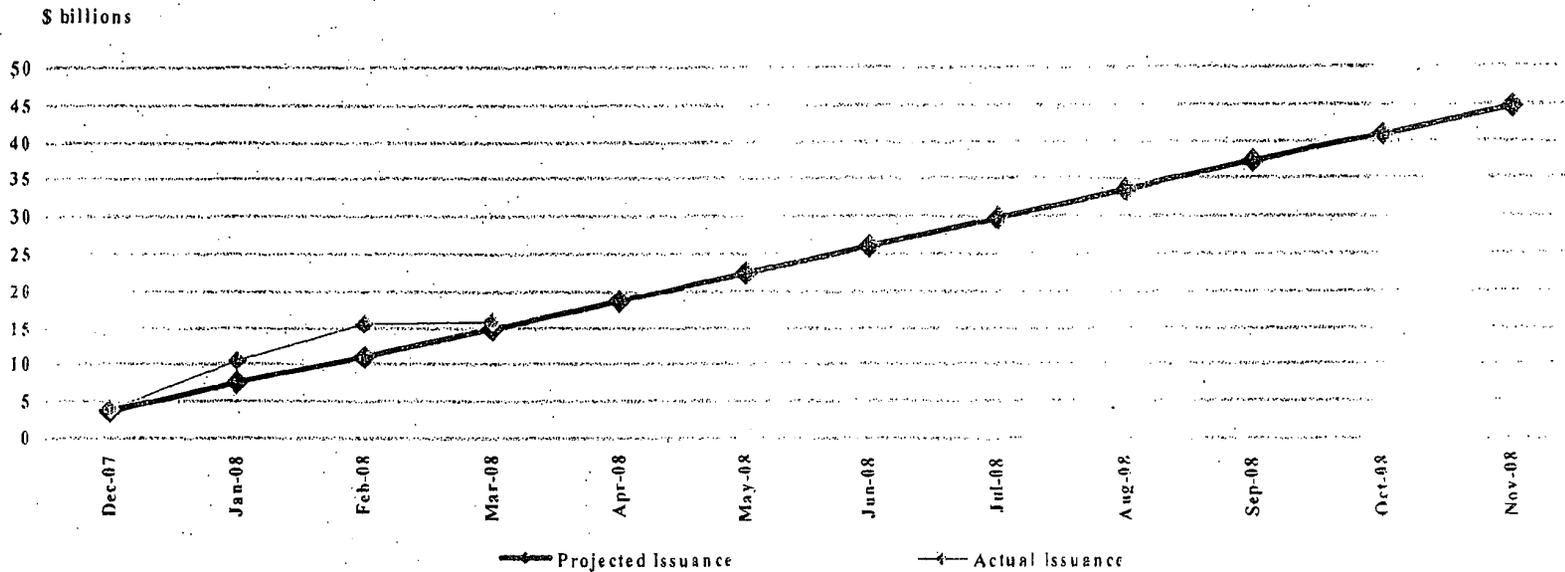
Largest LBIE Prime Broker Free Cash Balances

Estimates as of March 15, 2008

	<u>\$(mm)</u>	<u>%</u>
1 MBAM	1,412	21%
2 Amber	1,279	19%
3 Tiger Asia	1,229	18%
4 Lyxor	347	5%
5 One East	310	5%
6 GLG	300	4%
7 Silverpoint	213	3%
8 Och Ziff	196	3%
9 GSA	192	3%
10 Sailfish	181	3%
	<u>5,659</u>	<u>84%</u>
Subtotal		
Other	1,041	16%
	<u>6,700</u>	<u>100%</u>

2008 Cash Capital Issuance Actual vs. Projected

Total Cash Capital issuance in Q1 2008 was \$15.8 billion, including \$1.5 billion Vanilla issuance in December, \$4.0 billion Vanilla issuance in January, and \$1.9 billion Preferred issuance in February



	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Projected ISS
Projected Issuance	3.7	7.5	11.2	14.9	18.6	22.4	26.1	29.8	33.5	37.3	41	44.7	44.70
Actual Issuance													
<i>Vanilla</i>	1.0	5.5	6.9	7.0	-	-	-	-	-	-	-	-	20.70
<i>Subdebt</i>	1.5	1.5	1.5	1.5	-	-	-	-	-	-	-	-	3.50
<i>Preferred</i>	-	1.9	1.9	1.9	-	-	-	-	-	-	-	-	0.95
Subtotal	2.5	8.9	8.4	8.5	-	-	-	-	-	-	-	-	25.15
Structured	1.6	3.7	5.3	5.4	-	-	-	-	-	-	-	-	19.55
Total	4.1	12.6	15.6	15.8	-	-	-	-	-	-	-	-	44.70

Investors in US Benchmark Issuances – July 2007 to date

INVESTOR (by total notional)		Total Bought	<3y	3y-5y	5y-7y	>7y	Avg Orig Life	Total Deals
1	PIMCO	1,783,000,000	0	1,328,000,000	135,000,000	320,000,000	6.17	4
2	BLACKROCK	1,300,000,000	0	450,000,000	250,000,000	600,000,000	9.25	5
3	MOORE CAPITAL	700,000,000	0	220,000,000	125,000,000	355,000,000	10.40	7
4	STATE ADMINISTRATION OF FOREIGN EXCHANGE	510,000,000	0	480,000,000	30,000,000	0	5.13	5
5	FRANKLIN MUTUAL ADVISERS INC	485,000,000	0	0	360,000,000	125,000,000	10.36	2
6	WAMCO	465,000,000	0	30,000,000	125,000,000	310,000,000	11.04	5
7	CAPITAL RESEARCH & MANAGEMENT CO INC	370,780,000	0	105,850,000	0	264,930,000	9.67	6
8	DILLON READ	325,000,000	0	0	50,000,000	275,000,000	13.39	4
9	FIDELITY	292,600,000	0	83,600,000	106,000,000	103,000,000	8.52	10
10	GOLDMAN SACHS	283,500,000	0	111,000,000	160,000,000	12,500,000	6.80	5
11	SAILFISH	277,500,000	0	75,000,000	15,000,000	187,500,000	14.35	5
12	VANGUARD	232,000,000	0	84,000,000	45,000,000	103,000,000	9.26	15
13	LOOMIS	207,255,000	0	37,255,000	140,000,000	30,000,000	7.08	3
14	HARTFORD	205,985,000	0	40,000,000	5,100,000	160,885,000	24.06	4
15	AMERICAN INTERNATIONAL GROUP	200,000,000	0	30,000,000	0	170,000,000	20.01	5
16	PPM AMERICA	168,500,000	0	58,500,000	19,000,000	91,000,000	9.84	7
17	WELLINGTON MANAGEMENT CO LLP	162,025,000	0	27,125,000	53,175,000	81,725,000	12.82	5
18	JP MORGAN	155,500,000	0	55,000,000	5,000,000	95,500,000	15.48	10
19	UBS	155,000,000	0	55,000,000	0	100,000,000	11.47	5
20	DEUTSCHE	149,200,000	0	27,700,000	15,000,000	106,500,000	9.28	13
INVESTOR (by total deals)		Total Deals	<3y	3y-5y	5y-7y	>7y	Avg Orig Life	Total Bought
1	VANGUARD	15	0	5	3	7	9.26	232,000,000
2	DEUTSCHE	13	0	4	2	7	9.28	149,200,000
3	BARCLAYS	11	0	4	3	4	6.75	112,500,000
4	FIDELITY	10	0	4	2	4	8.52	292,600,000
5	JP MORGAN	10	0	2	1	7	15.48	155,500,000
6	WELLS	9	0	4	0	5	7.14	95,800,000
7	MORGAN STANLEY	7	0	2	2	3	7.73	81,000,000
8	JMG	7	0	2	1	4	11.30	59,000,000
9	MERRILL LYNCH	7	0	0	3	4	17.27	57,000,000
10	MOORE CAPITAL	7	0	2	1	4	10.40	700,000,000
11	PPM AMERICA	7	0	2	1	4	9.84	168,500,000
12	ALADDIN	6	0	2	1	3	8.60	49,500,000
13	MELLON	6	0	2	1	3	7.79	45,000,000
14	KING CAPITAL	6	0	2	1	3	16.78	17,000,000
15	AMERRO ASSET MANAGEMENT UK	6	0	2	1	3	12.51	12,000,000
16	ING	6	0	1	2	3	15.12	115,000,000
17	DIMAIO AHMAD CAPITAL LLC	6	0	1	2	3	12.96	97,500,000
18	DRESDNER	6	0	1	1	4	13.33	110,000,000
19	MILLENIUM	6	0	2	0	4	12.97	110,000,000
20	PRUDENTIAL	6	0	2	1	3	10.12	145,000,000

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 LBHL_SEC07940_027746
 LB 010836

Investors in Euro Benchmark Issuances – July 2007 to date

INVESTOR (by total notional)		Total Bought	<3y	3y-5y	5y-7y	>7y	Avg Orig Life	Total Deals
1	GOLDMAN SACHS	205,000,000	0	205,000,000	0	0	5.01	2
2	SAFE	190,000,000	0	190,000,000	0	0	5.01	1
3	MEAG	150,000,000	0	0	0	150,000,000	8.59	1
4	FOREIGN AND COLONIAL	70,000,000	0	70,000,000	0	0	5.01	1
5	GIC	60,000,000	0	60,000,000	0	0	5.01	1
6	DEXIA	60,000,000	0	60,000,000	0	0	5.01	3
7	RZB	60,000,000	0	60,000,000	0	0	5.01	1
8	SIGMA	55,000,000	0	55,000,000	0	0	5.01	1
9	AIG	50,000,000	0	50,000,000	0	0	5.01	1
10	SAILFISH	50,000,000	0	50,000,000	0	0	5.01	1
11	SHELL PENSION TRUST	50,000,000	0	50,000,000	0	0	5.01	1
12	BANK OF KOREA	50,000,000	0	50,000,000	0	0	5.01	1
13	JABRE	50,000,000	0	50,000,000	0	0	5.01	1
14	AXA	37,000,000	0	37,000,000	0	0	5.01	1
15	HVB	35,000,000	0	35,000,000	0	0	5.01	2
16	FIDELITY	30,000,000	0	30,000,000	0	0	5.01	1
17	MAS	30,000,000	0	30,000,000	0	0	5.01	1
18	AGF	28,000,000	0	28,000,000	0	0	5.01	1
19	DEKA	27,500,000	0	27,500,000	0	0	5.01	2
20	DRESDNER	25,000,000	0	25,000,000	0	0	5.01	1
INVESTOR (by total deals)		Total Deals	<3y	3y-5y	5y-7y	>7y	Avg Orig Life	Total Bought
1	DEXIA	3	0	3	0	0	5.01	60,000,000
2	LBBW	3	0	3	0	0	5.01	20,000,000
3	KBC	3	0	3	0	0	5.01	17,000,000
4	DEVELOPMENT BANK OF SINGAPORE	3	0	3	0	0	5.01	17,500,000
5	DEKA	2	0	2	0	0	5.01	27,500,000
6	OCBC	2	0	2	0	0	5.01	17,000,000
7	LION CAPITAL	2	0	2	0	0	5.01	14,000,000
8	SHINSEI BANK	2	0	2	0	0	5.01	13,000,000
9	IXIS	2	0	2	0	0	5.01	10,000,000
10	UNIPOL ASSICURAZIONI	2	0	2	0	0	5.01	7,000,000
11	BANK OF MONTREAL	2	0	2	0	0	5.01	6,000,000
12	DEUTSCHE BANK	2	0	2	0	0	5.01	4,000,000
13	CARIGE	2	0	2	0	0	5.01	4,000,000
14	PICTET	2	0	2	0	0	5.01	2,000,000
15	HVB	2	0	2	0	0	5.01	35,000,000
16	GOLDMAN SACHS	2	0	2	0	0	5.01	205,000,000
17	GIC	1	0	1	0	0	5.01	60,000,000
18	RZB	1	0	1	0	0	5.01	60,000,000
19	SIGMA	1	0	1	0	0	5.01	55,000,000
20	AIG	1	0	1	0	0	5.01	50,000,000

Commercial Paper Outstanding as of March 17th, 2008

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ORIGINAL LIFE							
Day Range	Outstanding	% Of Total	Remaining Life (days)	Avg. Rate (Unswapped)	Avg. Rate (Swapped)*	Fed Eff Spread	JWL Spread
1	2,202	28.32%	1	3.025%	3.025%	2.5 bps	14.9 bps
2 - 7	955	12.28%	1	3.019%	3.019%	1.9 bps	14.3 bps
8 - 15	110	1.42%	2	3.056%	3.056%	5.6 bps	18 bps
16 - 30	612	7.87%	9	3.015%	3.015%	1.5 bps	13.8 bps
31 - 45	490	6.30%	11	3.133%	3.133%	13.3 bps	25.7 bps
46 - 60	0	0.00%	0	0.000%	0.000%	0.00%	0.00%
61 - 90	200	2.58%	64	3.013%	3.013%	1.3 bps	13.7 bps
91 - 120	862	11.09%	59	3.517%	3.517%	51.7 bps	64.1 bps
121 - 180	914	11.75%	78	4.162%	4.038%	103.8 bps	116.2 bps
181 - 365	1,150	14.79%	106	4.280%	3.375%	37.5 bps	49.9 bps
366 - 397	280	3.60%	365	3.522%	3.307%	30.7 bps	43.1 bps
Total USD	7,776	100.00%	48	3.4221%	3.2660%	-26.6 bps	39 bps

*Percentage of CP Program in floating (either issued as a floater or swapped): 9.8%

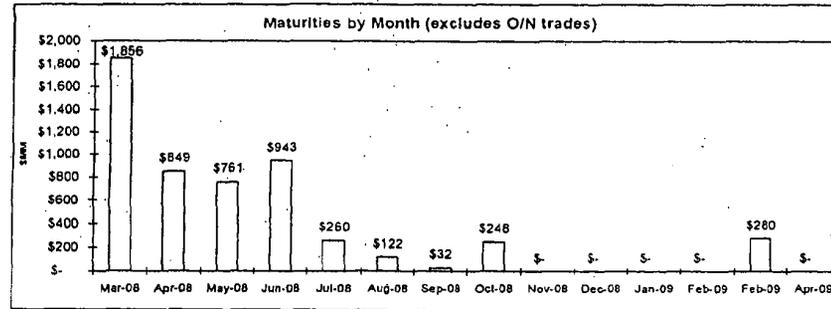
REMAINING LIFE			
Day Range	Outstanding	% Of Total	Avg. Rate
1	3,192	41.05%	3.024%
2 - 7	444	5.71%	3.095%
8 - 15	643	8.27%	3.033%
16 - 30	435	5.59%	4.268%
31 - 45	464	5.96%	4.915%
46 - 60	436	5.61%	3.998%
61 - 90	1,069	13.75%	3.626%
91 - 120	372	4.79%	3.873%
121-180	190	2.45%	3.455%
181 - 365	380	4.88%	3.384%
366 - 397	150	1.93%	3.270%
Total USD	7,776	100.00%	3.4221%

USD Issuances	\$9
USD Ave Issur Size	\$K
Outstanding Next Month End	3,496
Outstanding Next Qtr End	1,885

TOTAL CP AND BANK LOANS						
TYPE	Outstanding	% Of Total	Remaining Life (days)	Avg. Rate	Fed Eff Incl. swaps	JWL Spread
CP	7,776	99.44%	48	3.4221%	3.2660%	26.6 bps
New York	5,166	66.07%	66	3.700%	3.465%	46.5 bps
London	2,609	33.37%	13	2.872%	2.872%	-0.4 bps
Bank Loans	44	0.56%	1	2.8089%	2.8089%	-19.1 bps
New York	0	0.00%	0	0.000%	-	-287.6 bps
London	44	0.56%	1	2.809%	2.809%	-19.1 bps
TOTAL STD	7,820	100.00%	48	3.4186%	3.2634%	26.3 bps

*Not including puts

OUTSTANDING SWAPS/FLOATERS							
Days	Settle	Maturity	Notional	PAY SWAP	RECEIVE	CP#	SWAP#
29	10/24/2007	4/15/2008	41,742,500	3ML + .185%	fixed	166249H	166533H
31	10/24/2007	4/24/2008	194,990,000	3ML + .155%	fixed	166420H	166429H
39	10/24/2007	4/23/2008	195,000,000	3ML + .205%	fixed	166505H	166533H
66	10/26/2007	5/22/2008	194,500,000	3ML + .1425%	fixed	166772H	166877H
359	2/13/2008	3/1/2009	130,000,000	1ML + .46%	floating	173491H	173608H
			763,232,500				



OUTSTANDING BY PROGRAM - NY			
NY Program	Total	Cash Capital	Non Cash Cap
3a3	2,122	0	2,122
4(2)	3,044	150	2,894
Total	5,166	150	5,016

TERM CP INVESTORS - Original Maturity greater than 30 days							
Investor	New York Outstanding	London Outstanding	Total Outstanding	% Of Total	Original Life	Remaining Life (days)*	Avg. Rate*
DREYFUS	834	0	834	10.73%	154	69	4.43%
RESERVE	586	0	586	7.53%	206	104	4.30%
BGI	0	298	298	3.84%	92	81	2.86%
BONY	247	23	270	3.47%	106	43	4.28%
EVERGRN	176	0	176	2.27%	360	323	3.44%
STOREGON	176	0	176	2.26%	120	53	4.24%
FRANKRUS	130	0	130	1.67%	392	359	3.81%
UBS	113	0	113	1.45%	216	154	3.84%
JPM1M	103	0	103	1.33%	198	161	3.43%
AMEX	99	0	99	1.28%	89	56	3.01%
COPEM	99	0	99	1.28%	96	84	3.01%
OTHER	77	20	97	1.24%	116	99	2.98%
EATON	73	0	73	0.94%	147	79	4.28%
MEAGNY	50	0	50	0.64%	89	78	2.99%
IDS	49	0	49	0.63%	180	29	5.16%
SILICON	34	0	34	0.44%	161	95	4.02%
USFRUST	34	0	34	0.44%	180	133	3.18%
HARTFORD	32	0	32	0.42%	156	95	3.82%
TRUSTCO	32	0	32	0.41%	129	87	3.09%
BLACKRCK	27	0	27	0.35%	85	65	3.05%
WELLS	26	0	26	0.34%	169	104	4.10%
OHIOPOLI	20	0	20	0.26%	92	65	3.02%
GUARDIAN	15	0	15	0.19%	91	58	3.01%
BB&T	14	0	14	0.18%	153	85	4.29%
SGRAHAM	11	0	11	0.14%	213	163	3.17%
COOAKND	5	0	5	0.06%	135	44	4.78%
CLWATER	3	0	3	0.04%	204	143	3.75%
JASCO	0	0	0	0.01%	202	154	3.17%
TOTAL	3,065	341	3,406	43.81%	169	106	3.92%

SHORT TERM CP - Original Maturity less than 30 days							
Investor	New York Outstanding	London Outstanding	Total Outstanding	% Of Total	Original Life	Remaining Life (days)*	Avg. Rate*
OVERNIGHT	413	2,011	2,424	31.17%	1	1	3.01%
1WEEK	733	0	733	9.43%	6	1	3.06%
2WEEK	110	0	110	1.42%	14	2	3.06%
3WEEK	805	39	844	10.85%	29	9	3.10%
4WEEK	40	218	258	3.32%	30	13	2.95%
TOTAL	2,101	2,268	4,369	56.19%	10	3	3.04%

TOTAL							
	New York Outstanding	London Outstanding	Total Outstanding	% Of Total	Original Life	Remaining Life (days)*	Avg. Rate*
TOTAL	5,166	2,609	7,776	100.00%	79	46	3.42%

Buybacks - 2008

Total		D	J	F	M	2008 Total
Structured	Notional USD	168	467	481	91	1,206
	Buyback Spread (1ml)	45.5	84.4	44.0	29.7	58.8
	Remaining Life	3.0	3.5	18.1	0.9	9.0
Vanilla	Notional USD	142	243	62	59	507
	Buyback Spread (1ml)	185.2	92.1	211.8	371.7	165.5
	Remaining Life	2.4	1.1	11.5	0.7	2.7
Total	Notional USD	309.6	710.4	542.6	150.4	1,713.0
	Buyback Spread (1ml)	109.7	87.1	63.2	164.3	90.4
	Remaining Life	2.7	2.7	17.3	0.8	7.2
Cash Capital		D	J	F	M	2008 Total
Structured	Notional USD	76	286	263	15	640
	Buyback Spread (1ml)	109.8	140.5	76.1	178.2	111.2
	Remaining Life	6.7	5.7	33.0	5.6	17.1
Vanilla	Notional USD	111	110	45	0	266
	Buyback Spread (1ml)	185.2	135.6	232.7	0.0	172.6
	Remaining Life	3.0	2.4	15.9	0.0	5.0
Total	Notional USD	186.4	396.1	308.3	15.0	905.8
	Buyback Spread (1ml)	154.3	139.1	98.9	178.2	129.2
	Remaining Life	4.5	4.8	30.5	8.2	13.5
NCC		D	J	F	M	2008 Total
Structured	Notional USD	92	181	217	76	567
	Buyback Spread (1ml)	(7.4)	(3.9)	5.0	0.6	(0.4)
	Remaining Life	5.5	9.0	40.0	1.1	19.3
Vanilla	Notional USD	31	133	17	59	241
	Buyback Spread (1ml)	185.2	55.9	157.3	371.7	157.6
	Remaining Life	10.7	1.6	40.6	0.7	5.3
Total	Notional USD	123.2	314.3	234.3	135.4	807.2
	Buyback Spread (1ml)	41.6	21.4	16.2	162.8	46.7
	Remaining Life	6.9	6.0	40.1	0.9	15.2

LBHI Facility Highlights

- ◆ On March 14, 2008, we successfully renewed our \$2.0 billion unsecured 3-year syndicated loan facility
- ◆ The deal, co-lead by JPMorgan and Citigroup, included 40 banks from a diversified banking group (10 U.S.; 18 European; 5 Asian; 3 Canadian; 3 Australian; 1 Middle-Eastern)
- ◆ Oversubscription of over \$0.3 billion represents a strong signal from the market and our key bank relationships
- ◆ The first successful loan syndication by a broker dealer in recent months. The following facilities were 364-day liquidity facilities versus Lehman's 3-year:
 - Merrill Lynch renewed a 364-day liquidity facility in December for \$3 billion (downsize from \$3.5 billion)
 - Bear Stearns extended for 2 months a 364-day facility in February for \$2.8 billion (downsize from \$4 billion)
- ◆ Achieved favorable pricing terms given current market conditions. Fully drawn cost of L+60bps versus previous fully drawn cost of L+25bps
- ◆ Pricing “locked in” for minimum of two years, as we refinance one-year prior to maturity

LEHMAN BROTHERS

LBHI – Participants

Institution	Title	LBHI Allocation (\$MM)
J.P. Morgan Securities Inc.	Administrative Agent	160,000,000
Citibank, N.A.	Syndication Agent	160,000,000
Bank of New York Mellon	Documentation Agent	100,000,000
Calyon	Documentation Agent	100,000,000
US Bank National Association	Documentation Agent	100,000,000
Bank of America, N.A.	Senior Managing Agent	75,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch	Senior Managing Agent	75,000,000
Sumitomo Mitsui Banking Corporation	Senior Managing Agent	75,000,000
Swedbank AB (publ)	Senior Managing Agent	75,000,000
BNP Paribas	Senior Managing Agent	70,000,000
Mizuho Corporate Bank, LTD.	Senior Managing Agent	65,000,000
ABN AMRO Bank N.V.	Managing Agent	50,000,000
Banco Santander Central Hispano, S.A.	Managing Agent	50,000,000
Bank of China, New York Branch	Managing Agent	50,000,000
HSBC Bank USA, N.A.	Managing Agent	50,000,000
Lloyds TSB Bank plc	Managing Agent	50,000,000
National Australia Bank Limited	Managing Agent	50,000,000
Nordea Bank Finland Plc.	Managing Agent	50,000,000
Skandinaviska Enskilda Banked AB (Publ.)	Managing Agent	50,000,000
Standard Chartered Bank	Managing Agent	50,000,000
Svenska Handelsbanken	Managing Agent	50,000,000
Australia and New Zealand Banking Group Limited	Co-Agent	40,000,000
KBC Bank N.V.	Co-Agent	35,000,000
WestLB AG, New York Branch	Participant	25,000,000
Dankse Bank A/S	Participant	25,000,000
Bayerische Hypo-und Vereinsbank AG, New York Branch	Participant	25,000,000
The Northern Trust Company	Participant	25,000,000
Sovereign Bank	Participant	25,000,000
State Street Bank and Trust Company	Participant	25,000,000
Toronto Dominion (Texas) LLC.	Participant	25,000,000
Wells Fargo Bank, National Association	Participant	25,000,000
BMO Capital Financing Inc.	Participant	20,000,000
Banco Bilbao Vizcaya Argentaria S.A.	Participant	20,000,000
Commerzbank AG	Participant	20,000,000
DnB Nor Bank ASA	Participant	20,000,000
PNC Bank, National Association	Participant	20,000,000
Royal Bank of Canada	Participant	20,000,000
Westpac Banking Corporation	Participant	20,000,000
Bank Hapoalim B.M.	Participant	20,000,000
Bank of Communications Co., Ltd., New York Branch	Participant	10,000,000
Total:		2,000,000,000

Lehman's Bank Entities

- ◆ Lehman Brothers owns 3 banking entities with balance sheets totaling \$43.9 billion:
 - Lehman Brothers Bank, a U.S.-based thrift institution - \$13.7 billion
 - Lehman Brothers Commercial Bank, a U.S.-based industrial bank - \$6.6 billion
 - Lehman Brothers Bankhaus, a German Bank - \$23.6 billion

- ◆ These regulated bank entities operate in a deposit-protected environment and are able to source low-cost unsecured funds that are primarily term deposits

- ◆ These banks are generally insulated from a Company-specific or market liquidity event, thereby:
 - providing a reliable funding source for our mortgage products and selected loan assets
 - increasing our funding diversification

- ◆ The banks maintain substantial excess liquidity invested in high quality assets, currently totaling \$7 billion

- ◆ They also benefit from \$8 billion of undrawn contingent funding sources, including committed unsecured cash capital facilities and access to secured funding from central banks (Fed and ECB) and government sponsored entities (FHLB)

Lehman Brothers Bank, FSB

- ◆ Lehman Brothers Bank is a U.S. based thrift institution. It is able to source low-cost funds (primarily term retail CDs) and its deposits are insured by the Federal Deposit Insurance Corporation¹
- ◆ Lehman Brothers Bank has a total balance sheet of \$13.7 billion, of which US residential mortgages comprised \$5.3 billion. The remainder of its assets are comprised mainly of US commercial mortgages, warehouse lines and corporate loans
- ◆ Lehman Brothers Bank issues into an extremely deep brokered CD market to obtain a large component of its liabilities. \$8.7 billion of its \$13.7 billion in total sources were derived from these retail CDs, of which:
 - 62% are in the form of bullets and 38% are callable at Lehman's discretion
 - Average contractual remaining life is 4.3 years²
 - All is sourced through a network of 13 brokers, with no significant concentration with any broker
- ◆ Additionally, Lehman Brothers Bank has \$2.0 billion sourced from its entity sweep programs, customer deposits and escrow deposits
- ◆ As of February 2008, Lehman Brothers Bank's liquidity pool was \$2 billion
- ◆ Funding flexibility is provided by a secured credit line from Federal Home Loan Bank-Pittsburgh. Borrowing capacity against the current balance sheet is \$3.6 billion (nothing drawn currently)

1. FDIC deposits insured up to \$100k per client

2. Expected average remaining life is 1.3 years adjusting for sale of call options

Lehman Brothers Commercial Bank

- ◆ Lehman Brothers Commercial Bank (LBCB) is a Utah chartered industrial bank which is able to source low-cost unsecured funds (primarily term retail CDs) and whose deposits are insured by the Federal Deposit Insurance Corporation
- ◆ Lehman Brothers Commercial Bank has a total balance sheet of \$6.5 billion, of which commercial mortgages comprised \$3.5 billion. The remainder of its assets are comprised mainly of corporate loans, warehouse lines and derivative receivables
- ◆ Lehman Brothers Commercial Bank obtains funding via the brokered CD market. It has \$3.6 billion of brokered CDs outstanding of which:
 - 75% are bullet and 25% million are callable at Lehman's discretion
 - the average contractual remaining life is 4.4 years¹
- ◆ As of February 2008, Lehman Brothers Commercial Bank's liquidity pool was \$1 billion
- ◆ Funding flexibility is provided by committed unsecured credit facilities from Nordea (\$300 million) and Bank of Montreal (\$150 million) and the ability to borrow excess liquidity from its sister bank, Lehman Brother Bank, FSB
- ◆ Additionally, Federal Home Loan Bank-Seattle extends a secured credit line. Borrowing capacity against the current balance sheet is \$0.6 billion (undrawn currently)
- ◆ LBCB also has the ability to borrow secured from the Fed Discount Window by pledging corporate loans

¹ *Expected average remaining life is 2.4 years adjusting for sale of call options*

Lehman Brothers Bankhaus AG

- ◆ Lehman Brothers Bankhaus is a regulated German Bank which participates in the German Depositors Protection Fund ("GDPF"), which insures deposits from non-bank customers¹
- ◆ Lehman Brothers Bankhaus has a total balance sheet of \$16.3 billion, of which residential mortgages, commercial real estate and corporate loans comprised \$9.7 billion. It also has \$7.0 of reverse repos collateralized by RMBS & CMBS retained from Lehman's European Securitizations
- ◆ As of February 2008, \$8.4 billion of its \$23.6 billion of total sources were derived from Customer Deposits, of which 80% are from non-bank entities and fully guaranteed by the GDPF
- ◆ Additionally, \$4.5 billion of its \$23.6 billion in total sources are long-term debt, in the form of Schuldscheine (German Promissory Notes that have GDPF protection) and EMTNs, with a remaining average life of 8 years
- ◆ Lehman Brothers Bankhaus funds much of its RMBS & CMBS through allotment in the European Central Bank's open market operations. Bankhaus currently has borrowed \$5.5 billion from the ECB
- ◆ As of February 2008, Lehman Brothers Bankhaus AG's liquidity pool was \$4 billion
- ◆ Benefits from flexible funding through money market facilities and has access to a \$2.5 billion 3 year committed unsecured cash capital facility provided by a syndicate of relationship banks

1. *Non-bank deposits insured up to €183m per client/legal entity*

Funding Sources

Over 50% of the Bank's funding is long-term, with only 6% of its funding sources uninsured short-term borrowings

Funding Sources as of February 29, 2008 (in \$ billions)

	Bankhaus	LBB	LBCB	Total	% Total
Uninsured short-term borrowings (<1 year)	1.7	1.1	0.0	2.8	6%
Insured short-term borrowings (<1 year)	6.8	4.3	1.6	12.7	29%
Collateralized financings	6.2	0.0	0.0	6.2	14%
Long-term borrowings ¹ (> 1 year)	4.5	5.3	2.2	12.0	28%
I/C borrowings ²	4.4	3.0	2.8	10.2	23%
Total Drawn Funding Sources	23.6	13.7	6.6	43.9	

1) Of the long-term borrowings (remaining life >1 year) 96% are insured suggesting a high probability of roll upon maturity

2) I/C borrowings include equity, sub-debt and other inter-company payables. These are funded by equity and long-term debt in LBHI

- ◆ The ability to raise additional cash in these entities is resilient
 - Bankhaus raised \$1.7 billion of deposits in August 2007 at the start of liquidity crisis
 - US banks issued over \$3 billion of brokered CDs in August and September
- ◆ Banks have \$15 billion in liquidity and contingent funding lines

Liquidity and Contingent Funding as of February 29, 2008 (in \$ billions)

	Bankhaus	LBB	LBCB	Total
Liquidity	4.0	2.1	1.0	7.1
Contingent Funding Sources:				
Unsecured Committed Facilities	2.5	0.0	0.5	3.0
FHLB Repo	0.0	3.6	0.6	4.2
Secured Central Bank Lines	0.3	0.0	0.4	0.7
Total Contingent Funding Lines	2.8	3.6	1.5	7.9
Total Liquidity and Contingent Lines	6.8	5.7	2.5	15.0

Commercial Real Estate Update

March 25, 2008

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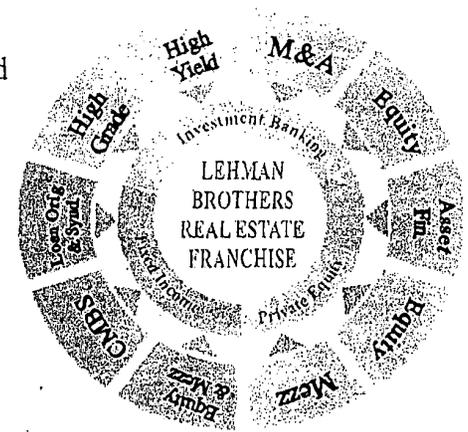
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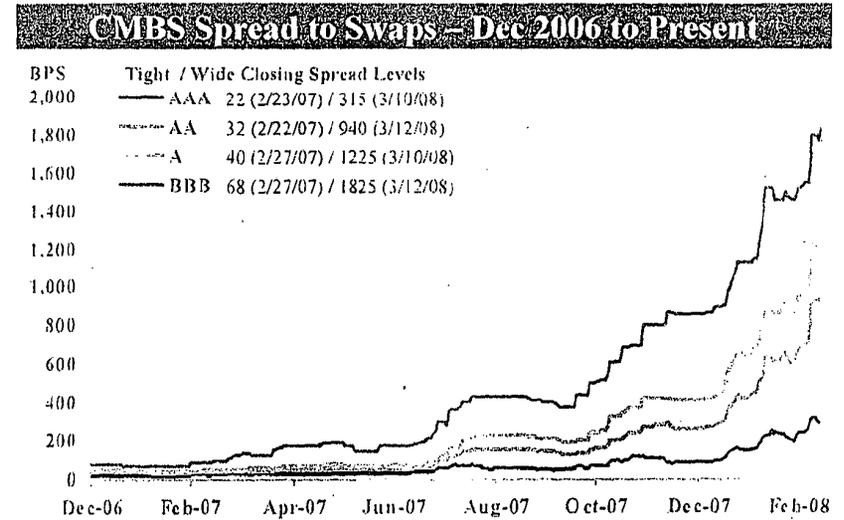
Executive Summary

- ◆ Our Global Real Estate business (GREG) encompasses commercial mortgages, principal transactions and investment banking. It is a unique structure and has been very successful in leveraging expertise in each area. Over time, GREG has developed into one of the Firm's core strengths and has significantly contributed to the Firm's earnings, including through a number of difficult real estate markets. The scope has broadened from largely a U.S. business to approximately 50% international
- ◆ The \$55.2Bn 1Q08 balance sheet (US \$33.4Bn, Europe \$13.6Bn, Asia \$8.2Bn) has grown over the last couple of years in all regions, particularly in Europe and Asia. This growth has been predominantly in the higher quality, lower risk asset classes, reflecting a shift into senior loans and away from mezzanine and equity
- ◆ The debt inventory is 90% floating rate and the weighted average maturity is around 2 years. First lien mortgages are more than 75% of our whole loans, and our AAA instruments are more than 70% of securities held. Approximately 95% of whole loans have an LTV of less than 80%.
- ◆ Currently, *de-minimis* CDO, repo or financing exposures
- ◆ GREG is appropriately capitalized, with a significant portion of the Firm's equity allocated to it under our internal capital adequacy model
- ◆ Origination has virtually shutdown and we expect the focus to be on reducing balance sheet usage



Executive Summary Continued

- ◆ We expect to reduce our exposures through 2008 by up to \$5B in the next month, an incremental \$10 Bn thereafter, and believe existing positions have a reasonable balance of risk and reward:
 - Well-diversified by region, property and risk type
 - Relatively low proportion of equity and mezz exposure
 - Low LTVs on debt positions
 - Strong Firm liquidity to fund business
- ◆ Total Real Estate markdowns in 2007 of \$907 million, offset by gains on sales and securitizations. Markdowns in Q1 '08 of \$854 million in the US and \$267 million in Europe
- ◆ The primary reasons for the markdowns are spread widening and asset specific credit impairments
- ◆ The Archstone acquisition has given us exposure to a portfolio of high quality multifamily properties. Given the worsening debt market, the disposition plan has been revised. We plan to reduce the leverage by asset dispositions



Overview

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Real Estate Capital Markets Overview

Overview

Americas

- ◆ Fundamentals had remained strong in the commercial sector (rent growth, lack of new supply) but are starting to weaken under pressure of recession
- ◆ Sales activity has slowed dramatically due to capital markets disruption
- ◆ The weak \$ and inflows of foreign capital have cushioned the rise in cap rates on class A properties in primary markets
- ◆ Cap rates for class B properties and property located in secondary markets expected to rise more dramatically
- ◆ Unlike the residential market, there has been no noticeable increase in delinquencies (mild increase expected)
- ◆ Securities markets generally shut, the exception being AAA and below investment grade fixed rate bonds
- ◆ Floating rate securities market is completely shut
- ◆ Syndication market overwhelmed by supply
- ◆ Spreads on whole loans and securities experienced drastic widening in the last several months, resulting in almost no borrowing aside from those who must refinance

Europe

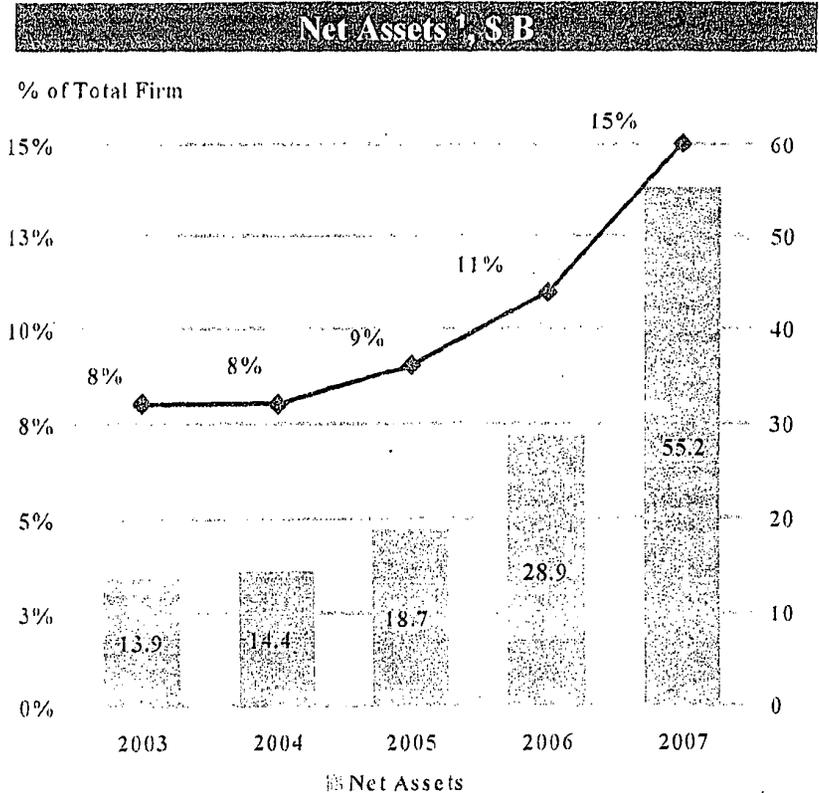
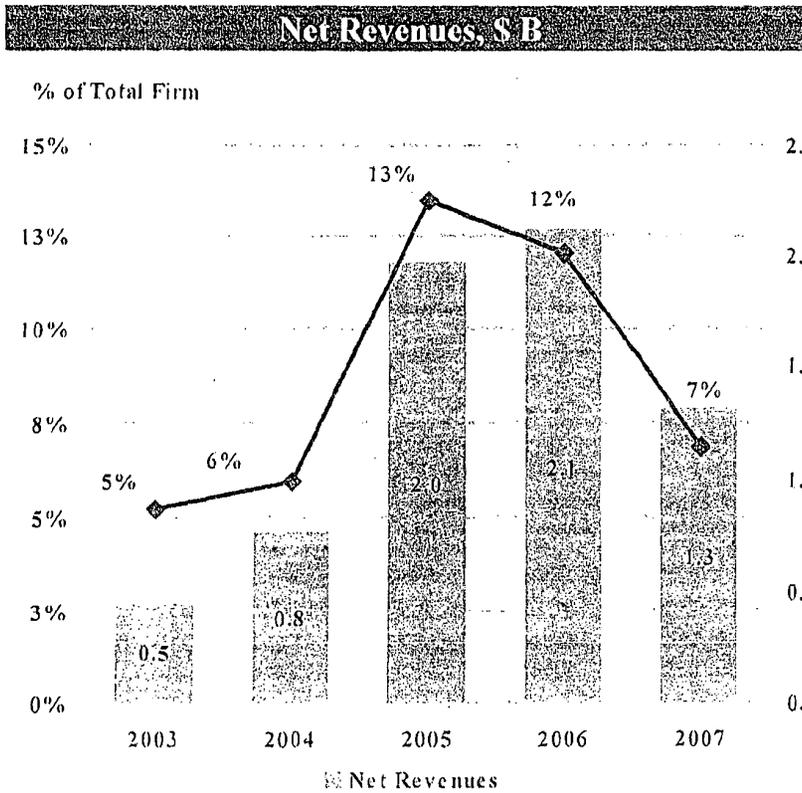
- ◆ Fundamentals remain strong in the commercial sector (rent growth, lack of new supply)
- ◆ Market activity varies by country—the further from NY and London the more active the banks and the markets
- ◆ Sales activity has slowed dramatically due to capital markets disruption especially for over \$300 mm deals
- ◆ Cap rates are under pressure for non-prime assets
- ◆ Unlike residential market, no increase in delinquencies on CMBS
- ◆ Emerging Markets: Capital pullback likely; though local banks continue to lend in previous manner
- ◆ Securities market effectively shut—no buyers or sellers
- ◆ Bank Syndication: Wider pricing but solid liquidity; Worry re supply and continued bank appetite given write-down's in own balance sheets and spread widening
- ◆ B-Note: wider pricing but liquidity exits; Supply is high so investors can be selective

Asia

- ◆ Strong fundamentals across the region for all products; office rental rates in major cities (Tokyo, Hong Kong, Shanghai, Singapore) continue to grow
- ◆ Cap rates in growth areas continue to hold firm (China, India, Singapore); Japan have stabilized, but are expected to widen as debt markets re-price
- ◆ Development activity continues to be strong and there is ample liquidity across the region (China/India RE Co's IPO's, REIT activity, PE in-flows)
- ◆ Stable debt markets across region; local banks active across products; minimal securitization penetration in the region so less volatility from global events
- ◆ Japan CMBS is weakening; high expected supply in near term; total capital structure WAC has widened 25bps from Dec 07; slow down in the primary loan market due to Bank YE causing some concern; seeing Sponsors putting in new equity into deals in order to re-finance at wider spreads
- ◆ Major risks include government regulatory changes in Japan/China/India around in-flows and controlling RE appreciation; potential Japan deflation; continued contagion risk in Japan

Contribution to the Firm

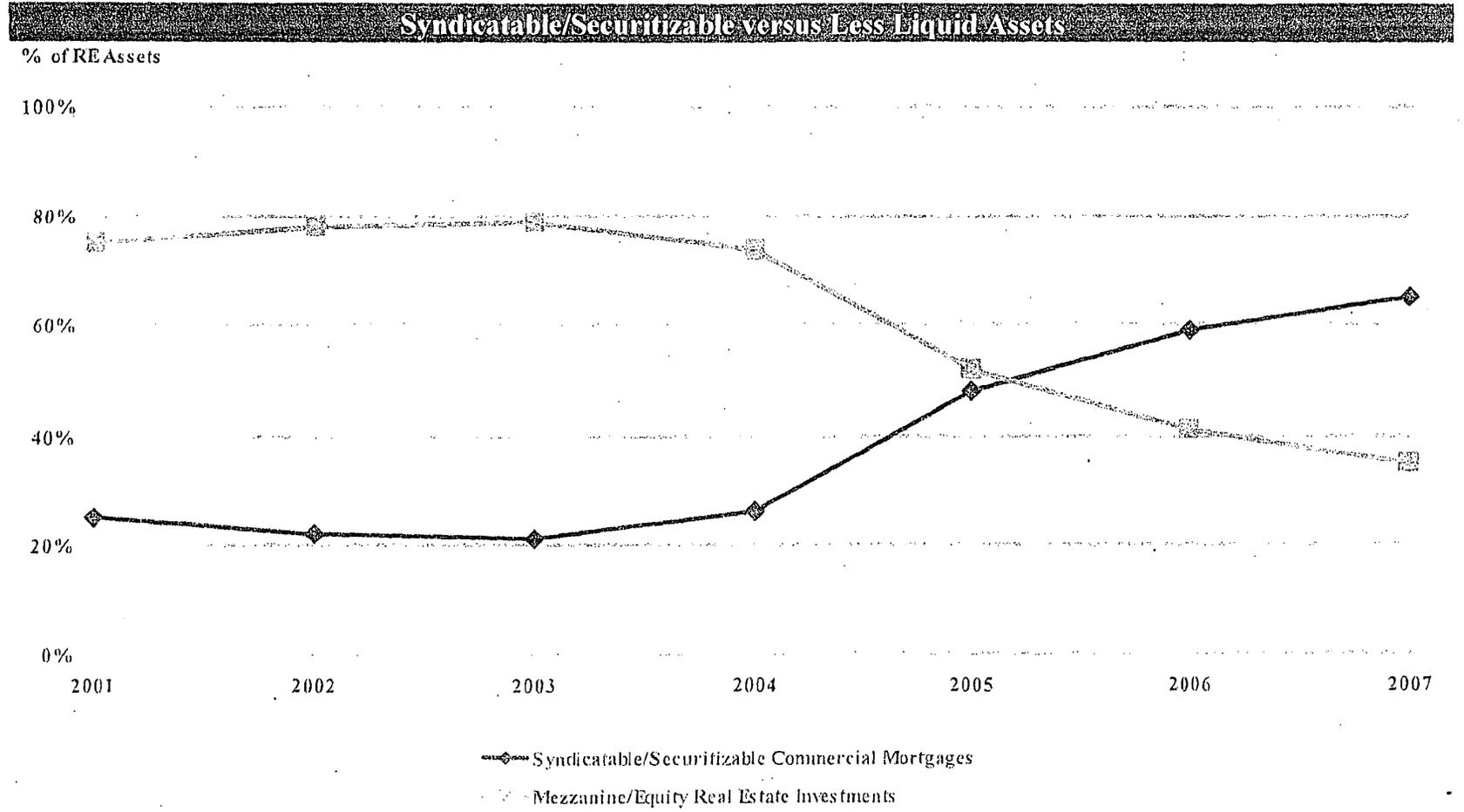
In combination, the GREG businesses account for approximately 7% of the Firm's 2007 net revenues and 15% of the Firm's net assets. Net balance sheet has increased with the slowdown in securitizations but is expected to decrease though 2008



1. Real Estate Assets net of Accounting Gross-ups

Asset Growth Trend

The majority of the net balance sheet growth has been in the more marketable Commercial Whole Loans and CMBS.



Business Mix

Overview

GREG consists of three businesses: Commercial Whole Loans and CMBS, Principal Transactions Group (PTG), and Real Estate Advisory

Commercial Whole Loans and CMBS

- ◆ Originates loans and subsequently aggregates them until they create a sufficient principal amount (\$1-2 billion) to be securitized
- ◆ The loans created are secured by a variety of commercial properties, including offices, retail stores, multi-family apartment buildings and complexes, industrial facilities, and hotels
- ◆ Loans that do not fit well in a securitized pool are syndicated

Principal Transactions Group (PTG)

- ◆ Originates short-term loans and equity investments with a defined exit strategy; positions are secured by either first/second mortgages or ownership interests in properties
- ◆ Makes strategic equity investments in markets where the Firm believes it can bring a competitive advantage or that has significant barriers to entry
- ◆ Purchases non-performing and sub-performing loans or loan portfolios from lenders and government agencies (HUD, FHA)

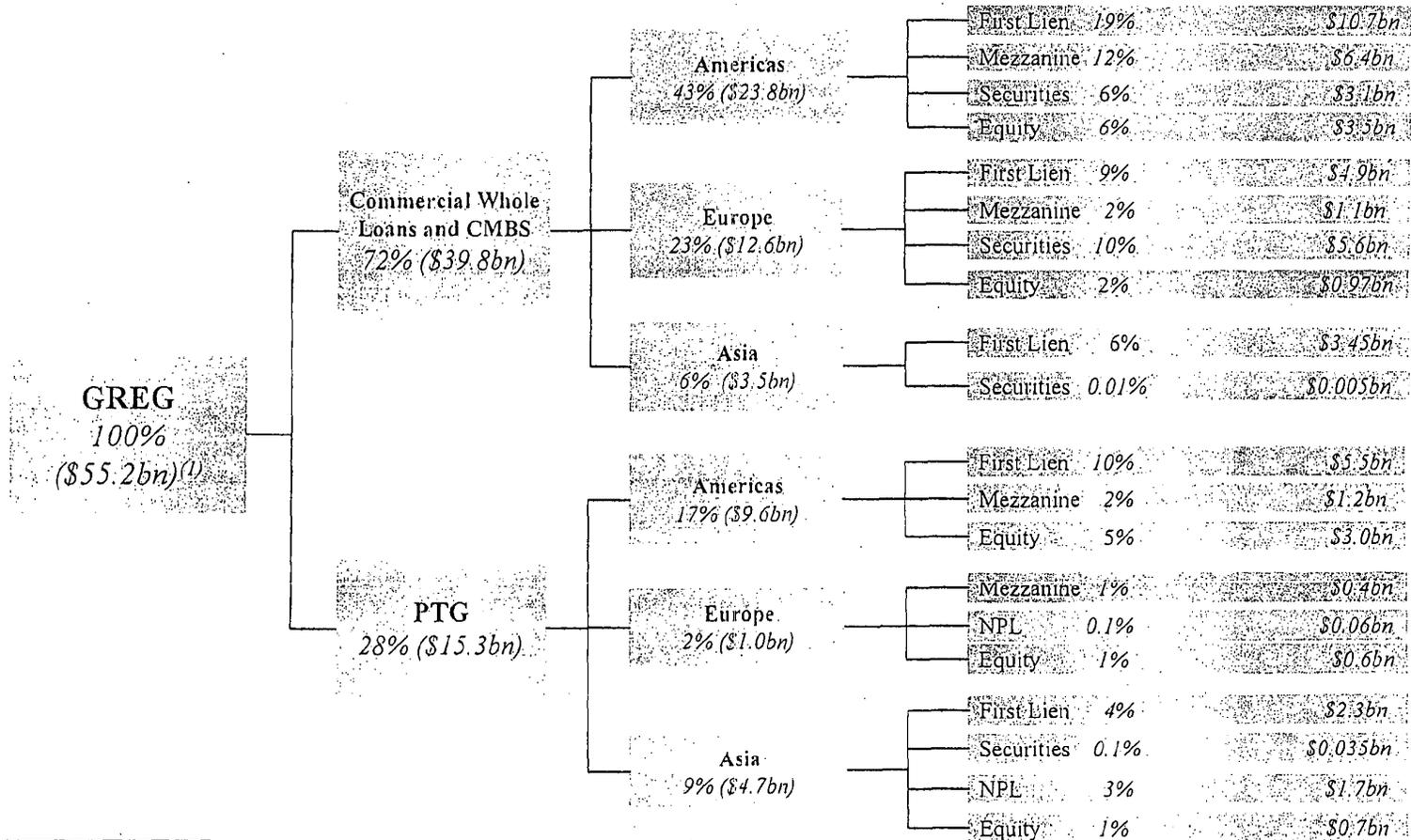
Real Estate Advisory

- ◆ Provides comprehensive advisory and capital raising services, including general business and financial analysis as well as transaction feasibility analysis / pricing in a prospective acquisition for a diverse client base (corporations, REITs, property companies, governments, financial institutions)
- ◆ Does not utilize balance sheet

Well-Developed Franchise

GREG's exposure is well-diversified across product, geographies, and type of assets, with relatively low concentration. First lien loans and securities make up most of the balance sheet.

Balance Sheet \$ Contribution by Business Segment / % of Global Net Balance Sheet at Feb 2008¹

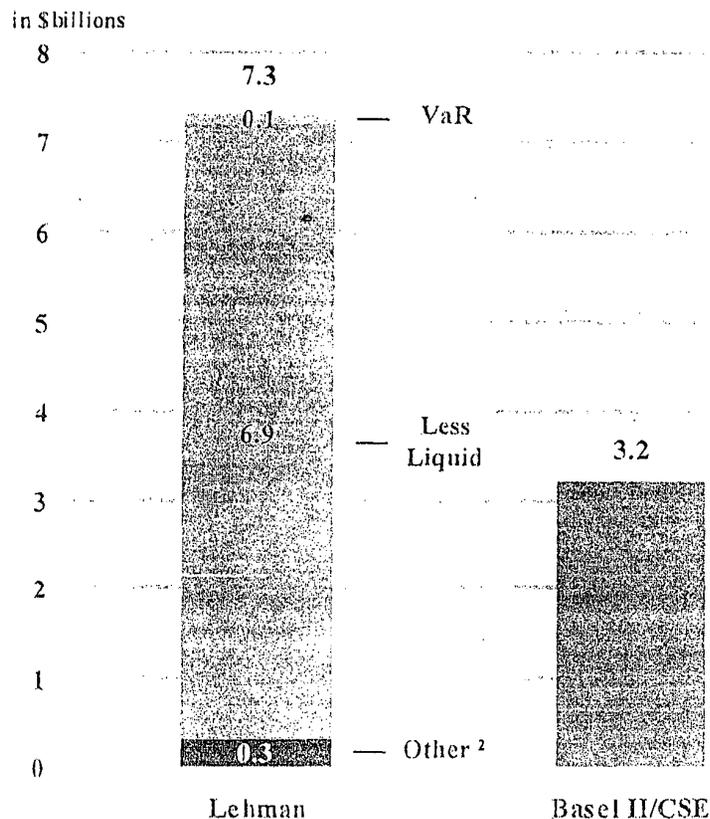


¹ Real Estate Advisory does not utilize Balance Sheet

Equity Allocation

The Firm uses a conservative approach in assigning equity to GREG. We hold \$7.3 billion in equity⁽¹⁾ for our Commercial Real Estate businesses, over two times the regulatory requirements

GREG Equity Allocation - Q4 2007



1. Including Hybrid equity
 2. Includes Operational Risk, Counterparty risk, etc

Lehman – Equity Adequacy Framework (EAF)

- ◆ The Firm uses a risk/liquidity-based approach (Equity Adequacy Framework) to allocate equity to its various business. The model includes equity allocations for trading, credit, liquidity, and operational risks.
- ◆ EAF’s methodology is similar to CSE’s implementation of the Basel II accords
- ◆ EAF is substantially more conservative than Basel II for equity allocation to Commercial Real Estate
 - In addition to the VaR charge, an explicit liquidity charge is assigned to every Commercial Real Estate asset, while Basel II only explicitly charges those assets contained in the “Banking Book”

Asset Composition

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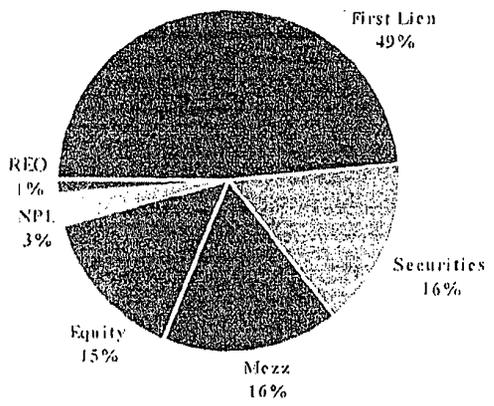
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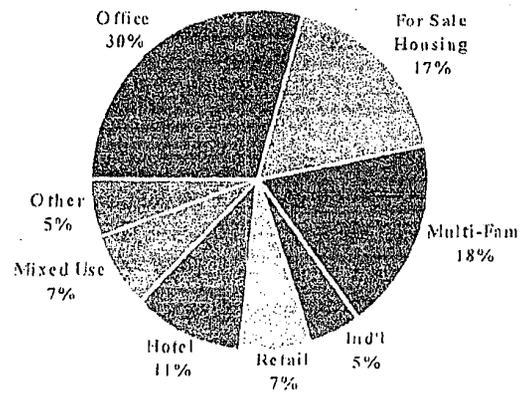
Balance Sheet Exposure

GREG's assets are well-diversified by region, property and risk type

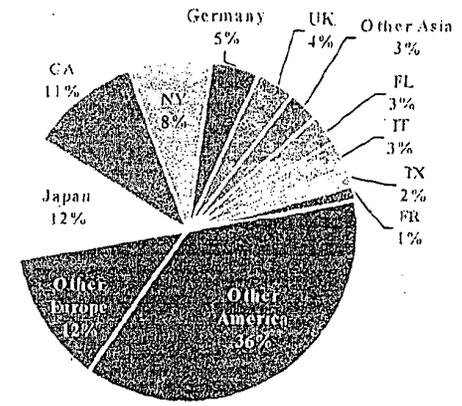
Global by Lien Type



Global by Property Type



Global by State / Country

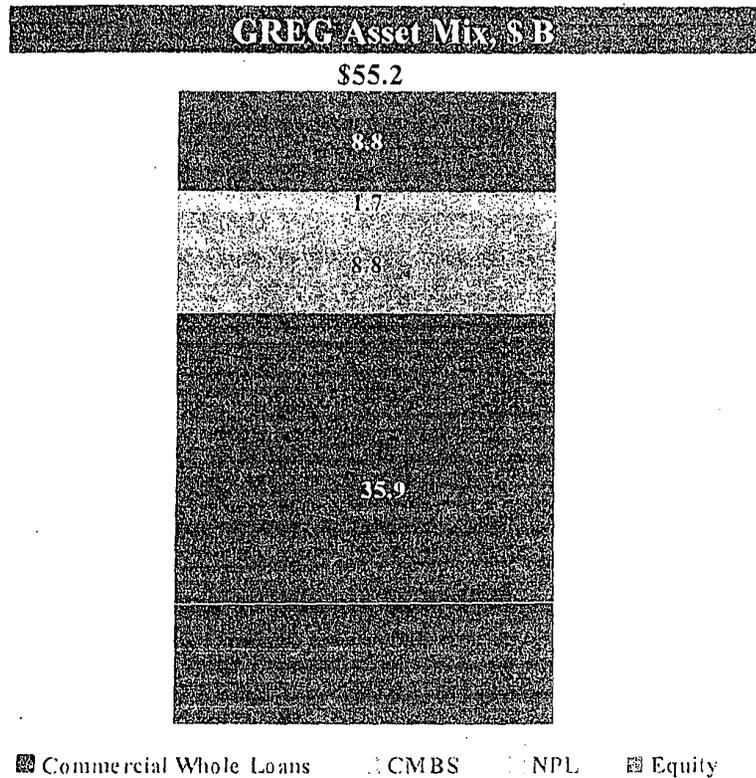


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Asset Composition

GREG assets are comprised of different asset classes, with whole loans and CMBS being the largest components. Within each asset class, GREG's assets are well diversified, are of high credit quality, and are marked to reflect current market conditions



Equity

- Choice properties, geographically diversified
- Performing projects
- Marked to market, consistent with current spread environment

Securities

- Predominantly AAA rated; no residuals
- Geographically diversified
- Strong performance
- Marked to market, consistent with current spread environment

Whole Loans

- Predominantly First liens
- Low concentration (average size of \$17 mm)
- High turnover
- Strong credit fundamentals
- Hedges on fixed rate assets

Note: Balance Sheet data as of November 30, 2007.

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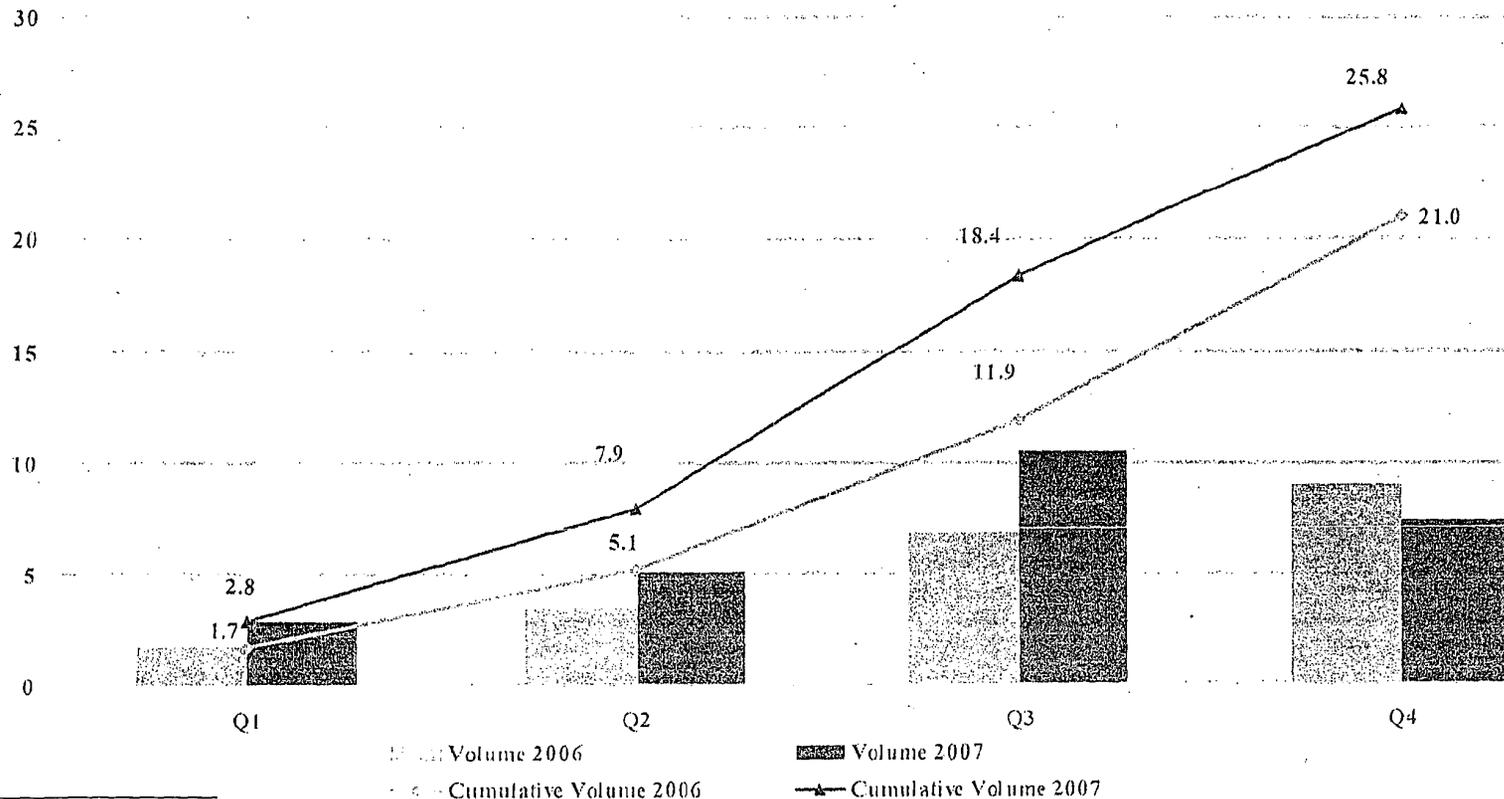
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Securitization Volumes

In FY '07, the Firm completed 16 securitizations for a total of \$25.8 billion, which is 23% greater than the total volume of issuances in 2006. Additionally, we syndicated \$5.0 billion of US loans and \$3.5 billion of European loans in '07

CMBS Securitization Volumes – 2007 vs 2006¹

Volume in \$billions

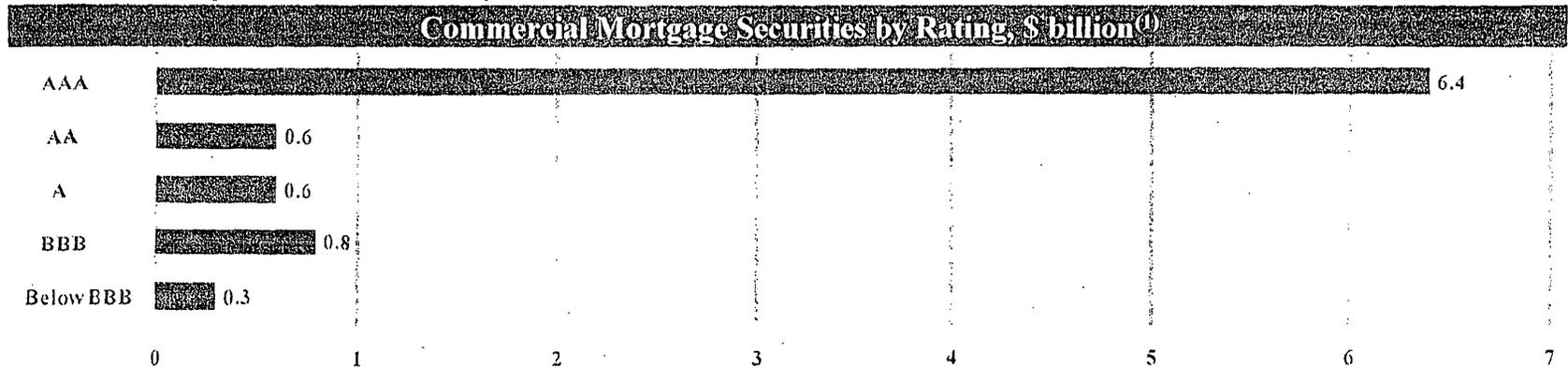


¹ Based on Pricing date

Composition of Assets and Hedges

Asset Composition

Our mortgage-backed securities are predominately AAA. All fixed rate positions (securities and whole loans) are fully hedged against interest rate risk. The credit risk on fixed rate positions is hedged via total return swaps or bond indices. We do not fully hedge our floating rate instruments because of their short duration and lack of reliable hedging instruments, however approximately 25% of the U.S. exposures have full price flex.



Portfolio Composition, Including Securities, Whole Loans, and Hedges, \$ million

Securities	America		Europe		Asia	
	Asset	Credit Hedge	Asset	Credit Hedge	Asset	Credit Hedge
AAA	1,300	(1,300)	1,000	(950)	4,100	
AA	100	(10)			500	
A	200	(55)			400	
BBB	200	(60)	200		400	
Below BBB	100	-			200	
Total	1,900	(1,425)	1,200	(950)	5,600	
Whole Loans	2,900	(3,075)	20,800	(5,500) ⁽²⁾	6,400	(135)
Net Fixed Income Portfolio	4,800	(4,500)	22,000	(6,450)	12,000	(135)

1. As of November 2007

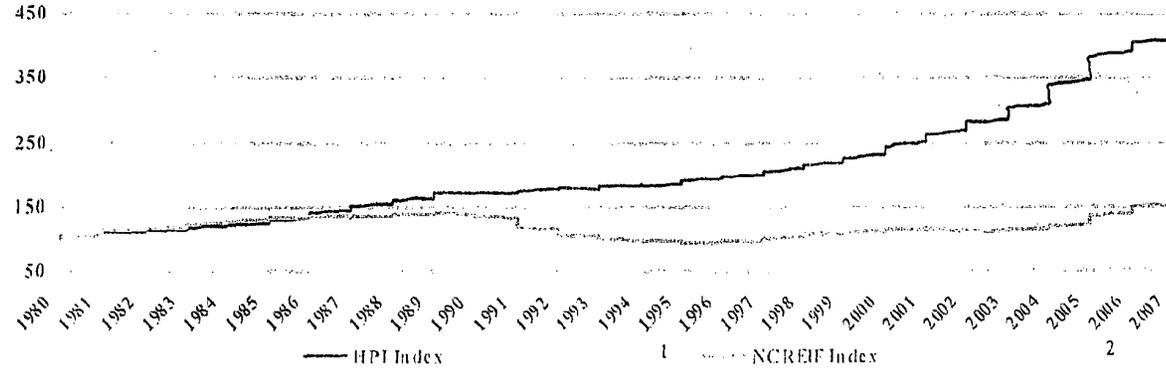
2. Approximately \$5,000 million of US floating rate positions have full price flex and also reflects credit hedges added in Q1 '08

Valuation Dynamics

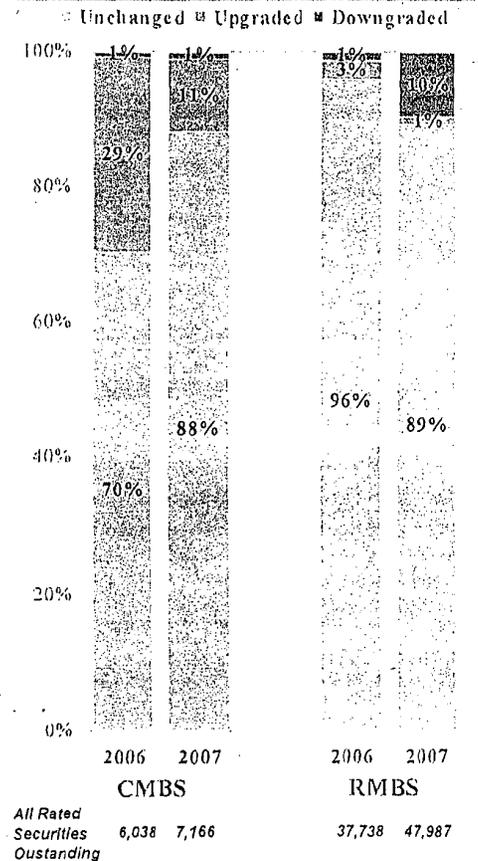
Asset Composition

Commercial assets valuations have not increased at the same rate as residential asset valuations, and should have less down-side risk. Commercial loan delinquencies are also at a much lower level

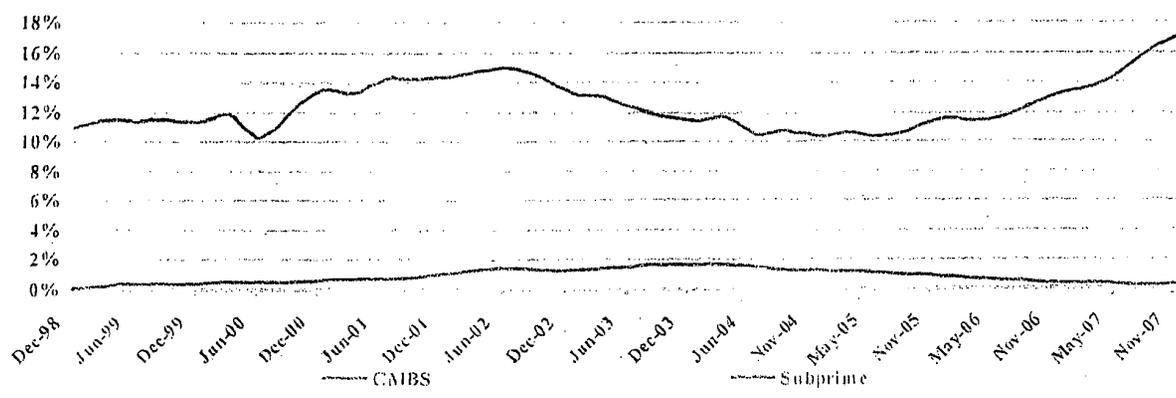
Indexed Commercial Assets Price Dynamics through December 31, 2007



MBS Rating Actions by Fitch



Delinquency Rates: Subprime vs. Commercial (60+ day) by dollar securitized³



1. HPI: Residential property index representing a broad measure of the movement of single-family housing prices
 2. NCREIF: Commercial property index representing a measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only
 3. Source: CMSA, JPMorgan, Trepp, Inc.

Markdowns and Risk Factors

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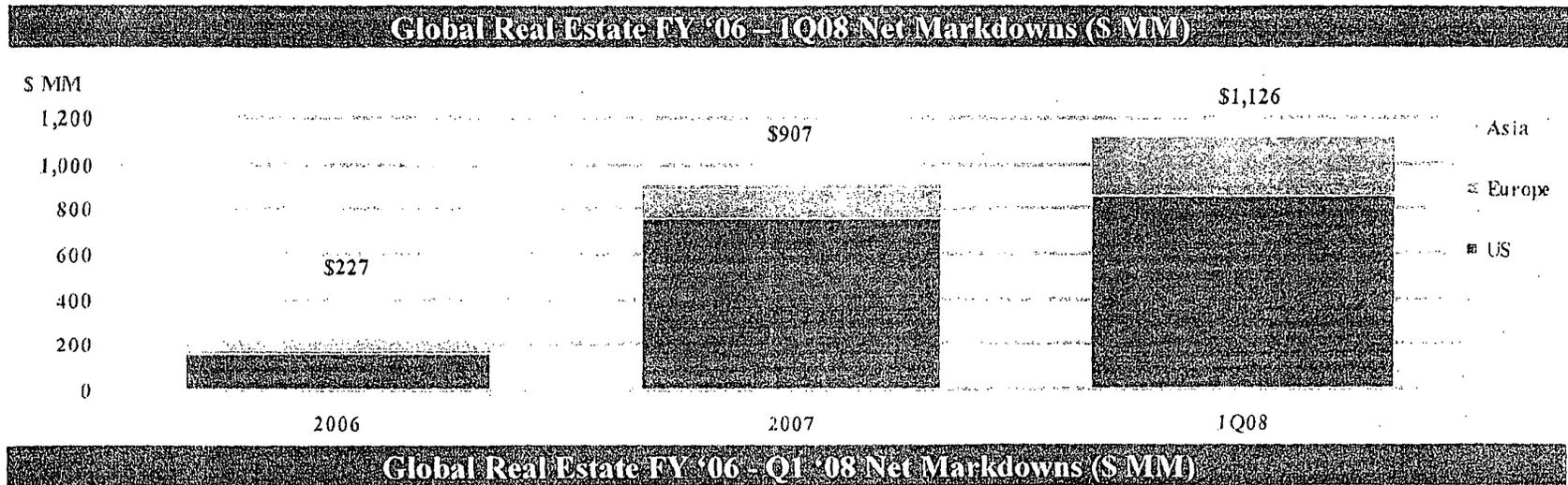
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Global Real Estate FY '06 – 1Q08 Net Markdowns

Markdowns and Risk Factors

GREG has marked its positions to reflect the current market environment. The bulk of markdowns are in the US



Region	2006	2007	1Q08
US	(159)	(760)	(854)
Europe	(16)	(127)	(267)
Asia	(52)	(20)	(5)
Total Markdowns	(227)	(907)	(1,126)

1. Q1 '08 through Feb 29

Stress Test: Global PTG Assets and Equity

Markdowns and Risk Factors

The portfolio is stressed for a 10% decline in property values

Hypothetical Portfolio Stress Scenario, Jan '07, SM

	Stress Scenario
Revenue Impact	10% Decline in Value
Americas	(1,053)
Europe	(645)
Asia	(287)
Total Global PTG / Equity	(1,985)
Net Income Impact⁽¹⁾	(645)

1. Assumes compensation reduction of 50% and tax rate of 35%

Archstone-Smith

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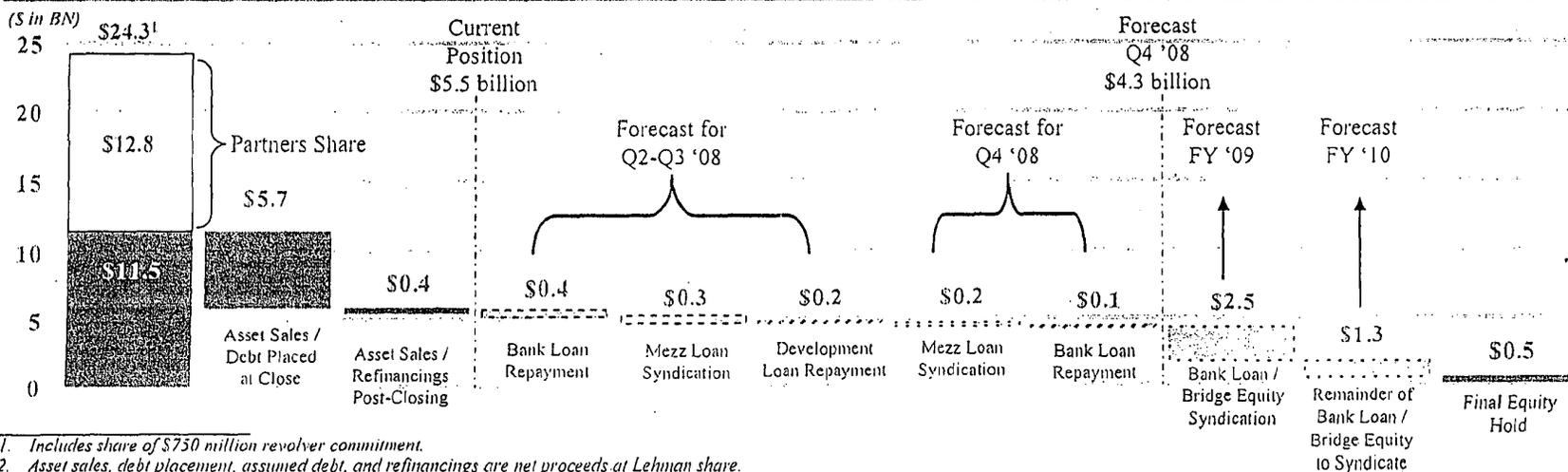
Archstone-Smith Trust

Archstone-Smith

LEH, along with its partners, acquired Archstone-Smith Trust, a large multi-family REIT, in the fourth quarter of 2007. The Firm reduced its total exposure to \$5.5 billion⁽¹⁾

Company	Transaction
<ul style="list-style-type: none"> ◆ A portfolio of highly attractive assets <ul style="list-style-type: none"> - 96.4% of Core NOI is derived from assets located in high barrier-to-entry coastal markets - Concentrated in prime submarkets (Washington D.C., New York, Southern CA, San Francisco, Boston, Seattle) within each market - Class A assets with many unique high-rise properties ◆ Attractive fundamentals <ul style="list-style-type: none"> - Purchase price of \$323K per unit significant discount to the estimated replacement cost of \$390K per unit - 95.7% Occupancy rate across total portfolio - Rental rates increased in excess of 5.5% last year - Two recent sales out of the portfolio in December occurred at a cap rate of 4.1%, below the cap rate at which Archstone was acquired 	<ul style="list-style-type: none"> ◆ Over 50% of Lehman's exposure to the acquisition was syndicated prior to the completion of the commitment ◆ Lehman's original committed exposure was \$11.5 billion, which was comprised of \$9.1 billion of debt, \$2.2 billion of bridge equity and \$250 million of permanent equity ◆ The Firm has reduced its exposure to \$5.5 billion⁽¹⁾ through the following: <ul style="list-style-type: none"> - \$5.7 billion⁽²⁾ of asset sales, debt placement, and assumption of debt at closing or shortly thereafter - \$360 million⁽²⁾ of asset sales and refinancings executed post-closing ◆ The Firm anticipates reducing its exposure by \$1.2 billion during FY08 through mezzanine debt syndication, asset sales, and refinancings

Lehman Brothers' Share of Archstone-Smith Distribution



1. Includes share of \$730 million revolver commitment.
 2. Asset sales, debt placement, assumed debt, and refinancings are net proceeds at Lehman share.

Going Forward

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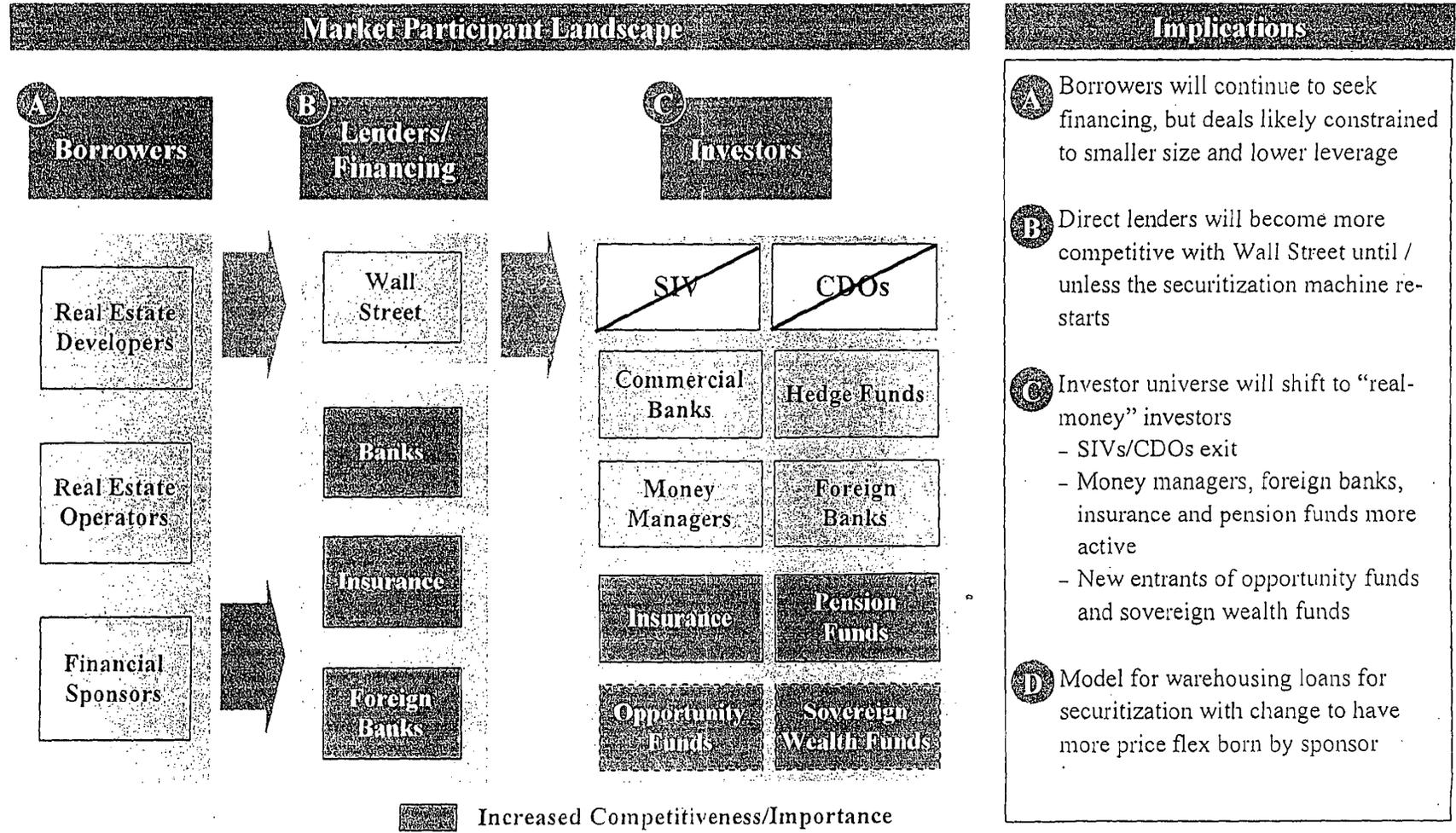
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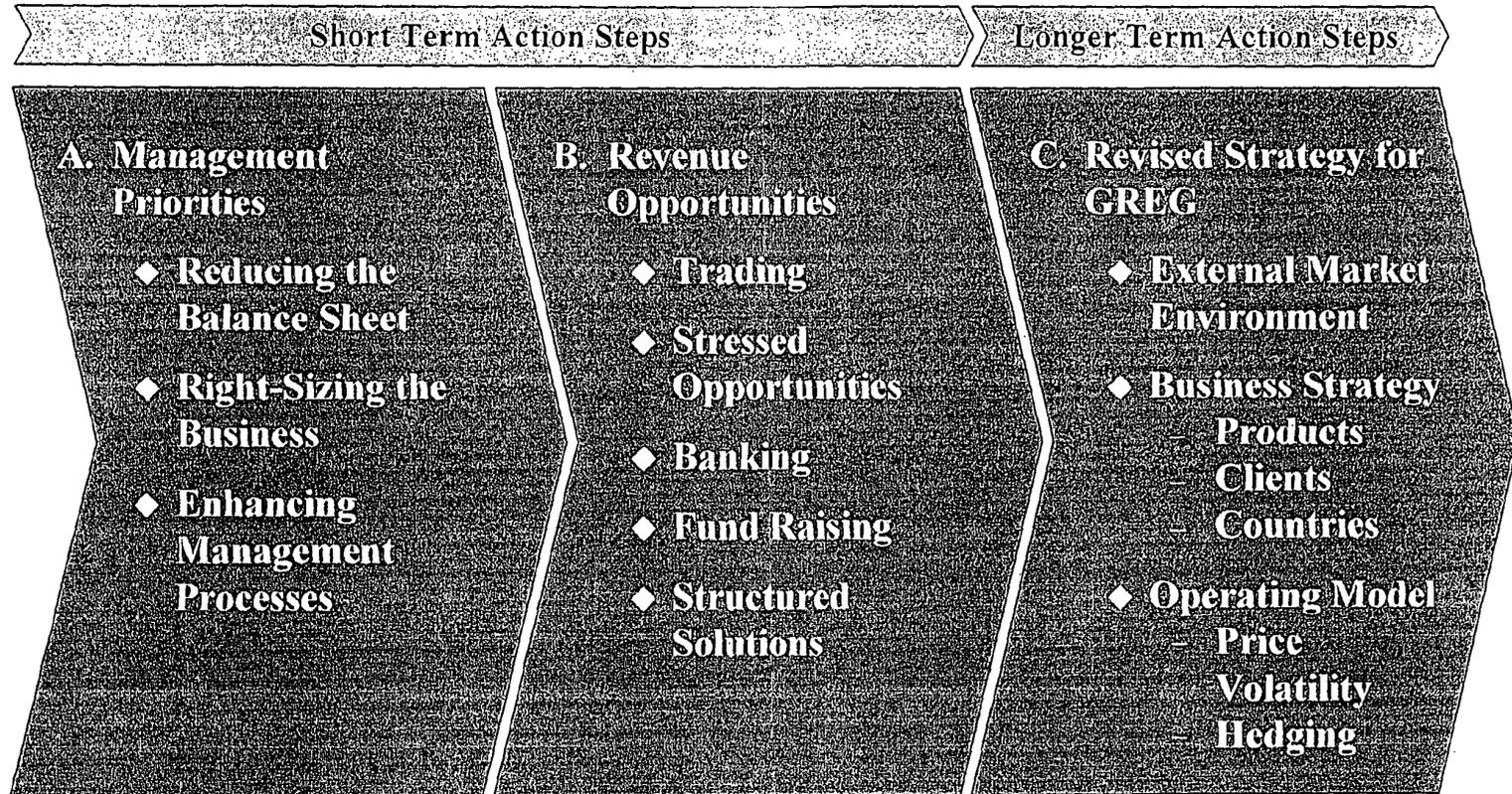
Going Forward: Shift in Market Participants

Traditional balance sheet lenders will become more competitive with Wall Street and “real-money” investors will become more important



Going Forward: Action Steps

Given changes in the market environment, an effort should be undertaken to develop a longer term revised strategy for GREG



Conclusion

- ◆ Lehman Real Estate assets are largely high-quality, relatively liquid commercial whole loans and securities
 - Whole loans with strong credit fundamentals: mostly first lien positions, low LTV (approx 95% with LTV under 80%), and well-diversified geographically
 - Securities are predominantly AAA, no residuals, no CDO exposure, fixed rate positions hedged, approximately 25% of floating rate loans have full price flex
 - Quality of our securities is evidenced by their performance, which is best-in-class
- ◆ Lehman PTG positions are high-quality properties, well-diversified across property types, regions, and sponsors
 - Each with a solid rationale for holding and with well-defined exit strategy
 - Commitment to reducing balance sheet
- ◆ Assets are marked appropriately
 - We have already taken \$1,230 million markdowns this quarter, in addition to approximately \$900 million last year
- ◆ Credit stress test, comparable to the worst periods of real estate performance, indicates potential loss (net of tax and compensation) of \$0.6 billion
 - While potentially putting pressure on the Firm's ROE, is within the Firm's capacity to absorb
- ◆ Going forward, retool business towards new investor base and Lehman's risk tolerances as real estate will always exist and will require some form of intermediation

Confidential Presentation to:

Lehman Brothers Board of Directors

Liquidity & Market Update

March 25, 2008

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Summary

- ◆ Deterioration of Bear Stearns' liquidity over the week of March 10th caused significant concern to the broad market
- ◆ Lehman had a strong liquidity position of \$32.0 billion at close of business Friday, March 14th
- ◆ Over the weekend, we worked closely with the SEC and the Federal Reserve to identify all refinancing risk
- ◆ Planning for reduction in secured funding. Over the course of the week we did experience a modest reduction in repo financing, primarily in the European broker-dealer
- ◆ Liquidity at the holding company has remained at essentially the same level over the week, with a modest reduction in excess liquidity at the European broker-dealer
- ◆ Fed facility relieved some overall market pressure
- ◆ Additional funding being generated through accelerated creation of high grade securities that can be financed at the Federal Reserve and the European Central Bank

Bear Stearns Observations

Lehman has the strongest liquidity position of the brokers. Our funding framework is significantly different from Bear Stearns

- ◆ Overreliance on short term debt
- ◆ Large free credit balance relied upon
- ◆ Relied on additional repo financing to monetize liquidity pool

Liquidity Comparison (\$ billions)

Year end 2007	BSC	LEH
Short Term Borrowings	24.0	11.3
Current Portion of Long Term Debt	9.6	16.8
Total Short Term Debt	33.6	28.1
Holding Company Liquidity Pool	17.4	34.9
Unencumbered Collateral	5.1	63.2
Cash Value of Unencumbered Collateral (at 30% haircut)	3.6	44.2
Liquidity Pool / Short Term Debt	52%	124%
Liquidity Pool + Cash value of unencumbered collateral / Short Term Debt	62%	282%
Unencumbered Collateral outside Holding Chain (in Regulated Entities)	11.2	95.5