4-15-2008

Lehman Brothers Board of Directors Meeting on April 15, 2008

Lehman Brothers Holdings Inc.

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LEHMAN BROTHERS

DATE: April 8, 2008
TO: Members of the Board of Directors of Lehman Brothers Holdings Inc.
FROM: Madeline L. Shapiro, Assistant Secretary
RE: APRIL 15, 2008 MEETING OF THE BOARD OF DIRECTORS

Enclosed please find an Agenda for the April 15, 2008 meeting of the Board of Directors and accompanying materials.

The meeting is scheduled to be held in the Board Room on the 31st floor, 745 Seventh Avenue (between 49th and 50th Streets), from approximately 12:30 p.m. to 3:00 p.m. Lunch will be served. Please bring the enclosed materials with you. There will also be a brief Directors’ meeting at 10:00 a.m. in the Board Room to prepare for the Annual Meeting of Stockholders.

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. Jerry A. Grundhofer
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
AGENDA

LEHMAN BROTHERS HOLDINGS INC. ("Holdings")

BOARD OF DIRECTORS MEETING

April 15, 2008
745 Seventh Avenue
31st Floor - Board Room

Immediately following the Annual Meeting (approximately 12:30 p.m. - 3:00 p.m.)

1) Approval of Minutes of Holdings' Board of Directors Meetings held on March 25, 2008 and March 31, 2008. (Resolutions and Minutes Attached) (Fuld)

2) Report of April 2, 2008 Audit Committee Meeting. (Cruikshank)

3) Report of April 14, 2008 Compensation and Benefits Committee Meeting. (Resolutions Attached) (Akers)

4) Results of Operations. (Materials Attached) (Callan)

5) Presentation on Risk Management. (O’Meara)

6) Annual Election of Officers of Holdings. (Resolution Attached) (Russo)

7) Legal Update. (Russo)

8) Country Risk Update. (Miscik)

9) Executive Session.

THERE WILL BE A BRIEF DIRECTORS' MEETING AT 10:00 A.M. IN THE 31ST FLOOR BOARD ROOM TO PREPARE FOR THE ANNUAL MEETING.

THE ANNUAL MEETING OF STOCKHOLDERS WILL COMMENCE AT 10:30 A.M. IN THE ALLAN S. KAPLAN AUDITORIUM, 745 SEVENTH AVENUE, CONCOURSE LEVEL.
Board of Directors
Risk Management Update

April 15, 2008
Agenda

- Firmwide Risk Philosophy
- Risk Management Mandate
- Risk Management Organization
- Risk Measurement
- Key Risks in Current Environment
- Conclusion
- Appendix
  - Committee Structure
Firmwide Risk Philosophy

- Risk Management is at the heart of the culture of the Firm
  - It is everyone's responsibility
  - We foster an environment of "no surprises"
  - We do not wait for scheduled meetings to share risk information
- CEO, President and entire Executive Committee of the Firm take an active leadership role in key risk decisions and risk oversight
- Internal control environment has multiple overlapping and reinforcing elements (Trading Management, Middle Office, Product Control, Financial Control, Risk Management, Compliance, Legal, Audit)
- We have an overall Risk Appetite limit which is supplemented by VaR, equity sufficiency analysis, historical and hypothetical scenario stress tests, counterparty credit, single transaction, country and other concentration limits
- Numerous committees review and approve proposed new transactions, set policies, oversee and review our various risks
- Risk Committee meets weekly (Executive Committee, heads of key trading businesses). Topics include:
  - Risk Appetite limit utilization
  - Value-at-Risk (VaR) limit utilization
  - Key specific risk indicators (e.g., 10% equity market decline; 10% credit spread widening)
  - Large exposures, commitments and counterparty credit risks
  - Current market environment/developments and key risks/opportunities
Risk Management Mandate

- Risk Management Group's mission - protect and enhance the value of the franchise by proactively identifying, evaluating, monitoring and controlling Firm market, credit and operational risks. We achieve this by:
  - Defining "Risk Appetite"
  - Establishing metrics to measure risk for all products
  - Ensuring appropriate limits are in place (e.g. transactions and businesses)
  - Focusing on concentrations of risk
  - Taking an active control and advisory role on risk diversification, risk mitigation and efficient capital utilization
    - Working proactively with risk-takers before transactions occur
    - Helping ensure Risk Appetite and capital are deployed efficiently
- We employ industry-leading quantitative approaches to risk measurement and qualitative approaches to risk evaluation in a culture of discipline, teamwork, and innovation
- Provide an independent view of risk (to internal and external constituents)
  - Risk information is calculated and disseminated on a daily basis
Risk Management Organization

- Risk Management Division is organizationally independent of the business
- Reports directly to the CEO (Dick Fuld), President (Joe Gregory), and Co-CAO (Ian Lowitt)
- Includes credit, market, quantitative, sovereign and operational risk management under one umbrella
- Risk managers co-locate with the business units they cover – they are “in the flow”
- Risk Management headcount is 250, plus over 200 technologists
- Team has diverse backgrounds:
  - Significant number of former traders, desk quants, bank credit analysts and academics
  - Two-thirds of the team have advanced degrees
- Structure ensures global consistency through global policies and procedures and a mirror organizational structure in each of the regions
Risk Measurement

- No single measure captures all dimensions of risk
- We measure risk from multiple perspectives, using varying methodologies
- We employ analytical rigor overlaid with sound practical judgment
- Our key risk measures are:
  - VaR
  - Risk Appetite
  - Equity Sufficiency
  - Historical and Hypothetical Scenario Analyses
  - Counterparty Credit Exposure (both current and potential)
- Risk limits are in place for all key risk measures as well as for concentrations in various forms
Risk Measurement

Risk Appetite

♦ Risk Appetite integrates market risk, event risk and counterparty credit risk
♦ The Risk Appetite limit is determined by establishing a minimum financial performance target and backsolving for the amount of loss from risk taking that could be withstood and still meet the target. We set a minimum performance target of 10% return on tangible equity (ROTE) for a year
  - Represents the amount of money the Firm is “prepared to lose” over a one year time horizon
♦ Measured at a 95% confidence level
♦ 2008 Risk Appetite limit of $4.0B is consistent with a minimum ROTE of 10% for the year
♦ Daily VaR is the market risk component of Risk Appetite, stepped up to a one-year time horizon

Confidence Interval and Time Horizons

<table>
<thead>
<tr>
<th>Daily VaR</th>
<th>Risk Appetite</th>
<th>Equity Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>95% confidence</td>
<td>95% confidence</td>
<td>99.5% confidence</td>
</tr>
<tr>
<td>One day horizon (market risk only)</td>
<td>One year horizon (market, credit and event risk)</td>
<td>1 year or longer horizon depending on the nature of the trade (market, credit, event and operational risk, plus corporate asset requirement)</td>
</tr>
</tbody>
</table>

LEHMAN BROTHERS
Risk Measurement

Risk Appetite

- Increase in Risk Appetite usage since Q2 2007 due almost entirely to higher volatilities in the market versus increases in positions

Average Risk Appetite Usage ($Billion)

Note: Firm total is less than the sum of businesses due to "diversification benefit," resulting from risk across businesses not being 100% correlated.
Risk Measurement

VaR

- VaR (Value at Risk) is a market risk measure only
- Uses 4 years of data (1,000 business days of actual history for each position or proxy position), weighted more heavily toward recent market action
- Measured 1-day at a 95% confidence level
- VaR increase through Q2 2007 mostly due to higher positions in High Yield Loans (LBO), Commercial Real Estate, Residential Mortgages and the build out of the Principal Investing business
- VaR increase since Q2 2007 due almost entirely to higher volatilities in the market vs increases in positions
- Different methodologies are used by peer group (population, number of historical time series, weighting), so results are not necessarily comparable

Average VaR Usage ($mm)

We now disclose both weighted and unweighted VaR in our public filings. We previously disclosed only weighted VaR.

Average VaR Q1 2008 ($mm)

Weighted 130
Unweighted 97
Risk Measurement

Equity Sufficiency

- We monitor equity sufficiency from three different perspectives. Each of them shows that we are well capitalized

1. Regulatory Equity – under the Consolidated Supervised Entity (CSE) Framework, our capital requirement for the Holding Company is determined by Market Risk, Credit Risk and Operational Risk (broadly consistent with Basel II)

<table>
<thead>
<tr>
<th>CSE Capital Ratios</th>
<th>Total Capital</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum ratio for “Well Capitalized”</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Actual February 2008</td>
<td>11.6%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Pro forma February 2008 adjusted for HTB methodology (approved by SEC)</td>
<td>15.5%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Pro forma February 2008 adjusted for HTB methodology and Preferred Stock Issuance</td>
<td>18.2%</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

* Peer comparison: JPM 8.3%; other commercial banks are lower; other investment banks not disclosed

2. Risk Equity Model – Risk Appetite measured at higher confidence level of 99.5%, plus Operational Risk and Corporate Asset requirement
   - Excess of Common Equity over Risk Equity required: $2.4B

3. Equity Adequacy Framework (EAF) – Liquidity-based model which applies funding haircuts to the Firm's assets, using a hypothetical scenario of an enduring Lehman-specific stress event
   - Excess of Gross Equity over EAF requirement: $3.0B
Risk Measurement

Historical Scenario Analysis
♦ We simulate our current portfolio of positions thru a variety of scenarios (11 different ones) that we model based on actual events of the past, including 1987 stock market crash, 1998 EMG crisis, 2002 High Yield Debt crisis, among others
♦ The historical scenario with the worst outcome based on our March 31 portfolio of positions resulted in a trading revenue loss of approximately $2B

Hypothetical Scenario Analysis
♦ We also simulate our current portfolio thru 4 scenarios that are even more penalizing than those that have actually happened during historical crises (e.g., if credit crisis of 2007 also had a simultaneous significant equity market downturn)
♦ The hypothetical scenario with the worst outcome based on our March 31 portfolio of positions resulted in a trading revenue loss of approximately $3B

♦ Scenario analyses are for trading positions only, and do not include real estate owned and private equity positions
♦ Scenario losses do not consider client related revenues that we would expect to earn even in a period of high stress
♦ The worst scenario losses do not exceed one quarter’s worth of expected revenue
Risk Measurement

Counterparty Credit Risk

- Counterparty credit risk measures the potential loss to the Firm due to non-performance of our counterparties on forward settlements, financing and OTC derivative transactions.
- Our key counterparty credit risk measures are CCE (Current Credit Exposure) and MPE (Maximum Potential Exposure).
  - CCE - potential credit loss arising from immediate default or non-performance. Equates to the positive mark-to-market value of the trade portfolio, less collateral received.
  - MPE - stressed value of potential credit losses if counterparty defaults sometime in the future. Measured over the life of the portfolio at a 95% confidence level.
- At Q1 2008
  - Approximately $58 billion in CCE. 94.4% to investment grade names. Two-thirds from derivative transactions. Two-thirds from banks/financial institutions.
  - Hedge Fund exposure represents less than 1% of our total portfolio (due to daily margining process).
  - Emerging Market exposure is approximately 4% of our total portfolio (mostly Asia).
  - Non investment grade exposure of 5.6%, an increase from prior years due to our build out of Commodities business. Our competitors (GS, MS, MER) have substantially higher % of CCE to non investment grade counterparties (12 - 17%).

Credit Exposure at end of Q1 2008

<table>
<thead>
<tr>
<th>Ratings</th>
<th>$ Millions</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>14,427</td>
<td>24.9%</td>
</tr>
<tr>
<td>AA</td>
<td>15,880</td>
<td>32.6%</td>
</tr>
<tr>
<td>A</td>
<td>17,399</td>
<td>32.7%</td>
</tr>
<tr>
<td>BBB</td>
<td>3,853</td>
<td>6.6%</td>
</tr>
<tr>
<td>BB</td>
<td>1,469</td>
<td>2.5%</td>
</tr>
<tr>
<td>B or Lower</td>
<td>1,751</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total</td>
<td>58,008</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Investment Grade: 94.4%
Below Investment Grade: 5.6%

Key Risks in Current Environment

Selected Key Risk Exposures (as of Q1 '08)

♦ Commercial Real Estate: $55.0B at risk balance sheet, vs $55.2B in Q4 '07
  - $36.1B Mortgages, $11.8B Real Estate Held For Sale and $7.1B Corporate Debt/Equity

♦ Residential Mortgages: $31.8B vs $32.1B in Q4 '07
  - $18.2B Securities, $11.9B Whole Loans, and $1.7B Servicing and other
  - $14.6B Prime and Alt-A, $4.0B Sub Prime, $9.5B European, $0.7B Asia, and $3B Other

♦ High Yield Acquisition Facilities: $13.9B vs $19.8B in Q4 '07
  - Closed Deals in Syndication: $10.2B ($8.2B funded / $2.0B unfunded)
  - Contingent Deals: $3.7B (unfunded)

♦ Monolines / Financial Guarantors: Aggregate exposure of $759mm if all entities simultaneously defaulted and we had a zero recovery (very unlikely)
  - Our largest exposures are to MBIA, Assured and Ambac, all of which are still rated AAA by Moody’s and S&P. We have fully reserved our exposure to ACA

♦ Hedge Funds Counterparty Exposure
  - Current Credit Exposure, net of collateral: $560mm vs $348mm in Q4 '07
  - Less than 1% of aggregate Counterparty Credit Exposure

♦ Investment Management Division, Selective Assets Repurchased from Managed Funds
  - $1.7B, including assets from various money market funds and two LibertyView mortgage funds

♦ Auction Rate Securities: $6.7B vs $2.9B in Q4 '07
  - Primarily Municipalities, majority of which should be refinanced over the next 2 quarters
Key Risks in Current Environment

Commercial Real Estate

**Current Market & Portfolio Conditions**

- Commercial real estate fundamentals remain relatively stable
- Unlike the residential market, no noticeable increase in delinquencies (mild increase expected)
- Our positions are comprised of high-quality properties, well-diversified across property types, regions, and sponsors
- However, demand and property valuations are expected to soften
- Origination has virtually shut down. The focus is on reducing balance sheet usage

**Top Exposures 3/31/08 ($Million)**

<table>
<thead>
<tr>
<th>Debt</th>
<th>MV</th>
<th>Region</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Archstone</td>
<td>$2,850</td>
<td>U.S.</td>
<td>Multi-Fam</td>
</tr>
<tr>
<td>Diversity Funding (UK CMBS)</td>
<td>$2,725</td>
<td>U.K.</td>
<td>Various</td>
</tr>
<tr>
<td>Hilton Hotels (Blackstone)</td>
<td>$1,279</td>
<td>U.S.</td>
<td>Hotel</td>
</tr>
<tr>
<td>Prologis Portfolio (Dermody)</td>
<td>$994</td>
<td>U.S.</td>
<td>Industrial</td>
</tr>
<tr>
<td>BeaconFund III</td>
<td>$960</td>
<td>U.S.</td>
<td>Office</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Archstone</td>
<td>$1,908</td>
<td>U.S.</td>
<td>Multi-Fam</td>
</tr>
<tr>
<td>Coeur Defense</td>
<td>$568</td>
<td>France</td>
<td>Office</td>
</tr>
<tr>
<td>Prologis Portfolio (Dermody)</td>
<td>$496</td>
<td>U.S.</td>
<td>Industrial</td>
</tr>
<tr>
<td>Beacon Cap. Partners (Rosslyn, VA)</td>
<td>$286</td>
<td>U.S.</td>
<td>Office</td>
</tr>
<tr>
<td>Toy Bldg – 200 Fifth</td>
<td>$210</td>
<td>U.S.</td>
<td>Office</td>
</tr>
</tbody>
</table>

**Regional Exposure Trends ($B)**

<table>
<thead>
<tr>
<th></th>
<th>Q2'07</th>
<th>Q3'07</th>
<th>Q4'07</th>
<th>Q1'08</th>
<th>3/31</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>$42.6</td>
<td>$48.2</td>
<td>$55.2</td>
<td>$55.0</td>
<td>$54.6</td>
</tr>
<tr>
<td>45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>30</td>
<td></td>
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<td></td>
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<tr>
<td>15</td>
<td></td>
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<tr>
<td>0</td>
<td></td>
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</tr>
</tbody>
</table>

- Americas
- Europe
- Asia

**CMBS Spread Trends (Credit Spread to Swaps)**

<table>
<thead>
<tr>
<th>AAA Super Senior</th>
<th>Q2'07</th>
<th>Q3'07</th>
<th>Q4'07</th>
<th>Q1'08</th>
<th>3/31</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>55</td>
<td>103</td>
<td>235</td>
<td>190</td>
<td></td>
</tr>
<tr>
<td>AA</td>
<td>52</td>
<td>152</td>
<td>270</td>
<td>675</td>
<td>825</td>
</tr>
<tr>
<td>A</td>
<td>71</td>
<td>225</td>
<td>425</td>
<td>950</td>
<td>1,100</td>
</tr>
<tr>
<td>BBB</td>
<td>175</td>
<td>430</td>
<td>800</td>
<td>1,525</td>
<td>1,875</td>
</tr>
</tbody>
</table>

LEHMAN BROTHERS
Key Risks in Current Environment

Commercial Real Estate - Well-diversified by region, property and risk type

- We have aggregate at-risk assets in the business of $55B (Commercial Mortgages of $36.1B, Real Estate Held For Sale of $11.8B and other Corporate Debt and Equity of $7.1B)
- The mortgages are 90% floating rate, relatively short term loans. First lien mortgages are more than 75% of our whole loans, and more than 70% of securities held are AAA rated
- Archstone is our largest exposure at $4.8B, including $1.9B of equity and $2.9B in debt. The company continues to make progress in selling assets to repay debt

**Global by Region**

- Asia: 15%
- Europe: 25%
- America: 60%

**Global by Property Type**

- Mixed Use: 7%
- Other: 5%
- Office: 30%
- Hotel: 11%
- Retail: 7%
- Ind: 5%
- Multi-Family: 18%
- For Sale Housing: 17%

**Global by Lien Type**

- Equity: 15%
- REO: 1%
- NPL: 3%
- Mezz: 16%
- First Lien: 49%
- Securities: 16%
Key Risks in Current Environment

Residential Mortgage Exposure

Current Market & Portfolio Conditions

- The market values of non-agency residential mortgage positions continued to decline in the first quarter, most severely in Alt-A
- Since end of March, we have seen some valuation improvement in the CDS derivatives indices, but less in cash products
- We have substantial credit hedges ($17B market value) against our mortgage portfolio, mostly in the US
  - Our servicing asset also acts as additional hedge
- Our Sub Prime / 2nd Lien exposure is down to $3.4B
- Approximately 90% of our Non-Agency Securities are investment grade (80% of this is AAA)
- We are continuing to reduce our balance sheet

Balance Sheet Asset Trends ($B)

<table>
<thead>
<tr>
<th>Market Value ($B)</th>
<th>Q2'07</th>
<th>Q3'07</th>
<th>Q4'07</th>
<th>Q1'08</th>
<th>3/31</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>$30.5</td>
<td>$31.5</td>
<td>$32.1</td>
<td>$31.8</td>
<td>$31.0</td>
</tr>
<tr>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spread Trends (Credit Spread to LIBOR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
</tr>
<tr>
<td>AAA ABX (Sub Prime)</td>
</tr>
<tr>
<td>BBB ABX (Sub Prime)</td>
</tr>
<tr>
<td>AAA Alt-A</td>
</tr>
<tr>
<td>AAA UK Sub Prime</td>
</tr>
<tr>
<td>BBB UK Sub Prime</td>
</tr>
</tbody>
</table>
Key Risks in Current Environment

High Yield Acquisition Facilities

**Current Market & Portfolio Conditions**

- We currently have $13.1B of High Yield Acquisition facilities, down significantly from the $45.5B peak at Q2 2007
- Loan prices at historically low levels
- $119B remaining supply overhang in market overall
- Shift in investor base from CLOs to hedge / distressed funds
- Investors demanding tighter terms to buy new issues
- As of 3/31, the portfolio had $1.1B of single-name and macro hedges
- We continue to make progress in reducing our exposure to this asset class

**Top Exposures 3/31/08 ($Million)**

<table>
<thead>
<tr>
<th>Company</th>
<th>MV</th>
<th>Industry</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD Supply</td>
<td>$1,415</td>
<td>Retail</td>
<td>Closed</td>
</tr>
<tr>
<td>Alliance Data Systems</td>
<td>$1,267</td>
<td>Data Processing</td>
<td>Contingent</td>
</tr>
<tr>
<td>CDW Corporation</td>
<td>$761</td>
<td>Retail</td>
<td>Closed</td>
</tr>
<tr>
<td>HMH Publishing (Houghton Mifflin)</td>
<td>$761</td>
<td>Publishing</td>
<td>Closed</td>
</tr>
<tr>
<td>First Data Corporation</td>
<td>$673</td>
<td>Data Processing</td>
<td>Closed</td>
</tr>
<tr>
<td>Texas Competitive Electric Holdings (TXU)</td>
<td>$683</td>
<td>Utilities</td>
<td>Closed</td>
</tr>
<tr>
<td>Edam Acquisition BV (Endemol)</td>
<td>$532</td>
<td>Media</td>
<td>Closed</td>
</tr>
</tbody>
</table>

**Spread Trends (Credit Spread to LIBOR)**

**High Yield Acquisition Facilities ($B)**

**Spread Trends (Credit Spread to LIBOR)**

Does not include Archstone and Hilton debt, which totaled $3.9B as of Q1 '08. These are in our Commercial Real Estate business, but are included in our public disclosure of HY Acquisition Facilities.

LEHMAN BROTHERS
Key Risks in Current Environment

Hedge Fund Credit Exposure - The broadening credit crunch is taking a toll on the hedge fund sector

- As asset values and liquidity deteriorate, an increasing number of hedge funds are having difficulty maintaining adequate cash to satisfy (a) margin calls driven by asset mark-downs (b) higher collateral requirements from dealers and (c) investor redemptions
- Liquidity-driven selling pressure further depresses performance, exacerbating margin calls and redemptions
- The need to preserve adequate liquidity, together with concerns about transparent and fair valuations, has driven several prominent funds (Ellington, Drake, HBK, Sailfish) to invoke gates or suspend redemptions
- Our risk framework is designed to ensure that we can continue to serve this important client base while ensuring that credit risk is substantially reduced through tight controls, including those relating to documentation and collateral
- Of the recent notable defaults and/or distressed liquidations (Bear Stearns Asset Management, Sowood Capital Management, Basis Capital Management, Highland Financial, United Capital Asset Management/Horizon Funds, Cheyne Asset-Backed Fund, Carlyle Capital Corp and Peloton) we have experienced only one insignificant loss
- As of Q1 2008:
  - Total Current Credit Exposure to Hedge Funds was $560 million, or less than 1% of total CCE across our portfolio.
    - The largest CCE to any one fund family was $31 million
  - This relatively low level of CCE reflects the disciplined margin process we apply to our hedge fund counterparties
Conclusion

◆ We have a strong culture of Risk Management throughout the Firm, led by our CEO and the entire Executive Committee
◆ We have a very robust and comprehensive framework for thinking about and managing all forms of risk
  – Our various Committee processes help evaluate risks from multiple perspectives and safeguard the Firm
◆ Our equity capital base is sufficient to support the risks we are taking in our businesses. We are “well capitalized”
◆ We are prudent in our approach to credit risk, which has resulted in a very high quality and well diversified credit portfolio
  – We have very low tolerance for delays on receiving collateral, where applicable
  – We give close scrutiny to the value of customer collateral posted against margin loans
◆ We closely monitor Firm concentrations
◆ We are carefully managing a number of key risk matters in the current environment, and we are reducing our balance sheet, including exposures in various less liquid asset classes
◆ We intend to continue to innovate and evolve the Risk Management function over time to remain at the forefront of risk management practices in the industry
Committee Structure

◆ Key operating committees are below
◆ We make decisions on large risk exposures by committee and frequently include the full Executive Committee of the Firm
◆ No single individual commits capital for Firm underwriting transactions or Firm investments in private transactions. These are subject to Committee review and approval

- Management Oversight Committees
  - Executive Committee
  - Management Committee
  - Capital Markets Committee
  - Conflicts Task Force
  - Finance Committee
  - Operating Exposures Committee
  - Risk Committee

- Firm wide Transaction Approval Committees
  - Bridge Loan Committee
  - Commitment Committee
  - Complex Structured Finance Transaction Committee
  - Fairness Opinion Committee
  - IMD Product Review Committee
  - Investment Committee
  - New Products Committee
  - Strategic Acquisition Review Committee

- Business Level Transaction Approval Committees
  - Various, numerous

- Select Other Risk Control Committees
  - Model Control Committee
  - Credit Risk Control Committee
  - Market Risk Control Committee
  - Valuation Committee for Private Equity
  - Disclosure Committee
HOLDINGS

04/15/2008 BOARD MEETING

Item 1
RESOLVED, that the Minutes of the meetings of the Board of Directors held on March 25, 2008 and March 31, 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.
LEHMANN BROTHERS HOLDINGS INC.

Minutes of the Board of Directors
March 25, 2008

A meeting of the Board of Directors of Lehman Brothers Holdings Inc. (the "Corporation" or collectively with its subsidiaries, the "Firm") was held in the Board Room, 745 Seventh Avenue, on March 25, 2008, at 11:00 a.m., pursuant to written notice.

PRESENT - BOARD MEMBERS

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

ALSO PRESENT BY INVITATION

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

APPROVAL OF MINUTES

The first order of business was the approval of the Minutes of the Board of Directors meeting held on March 4, 2008. Upon motion duly made and seconded, it was unanimously

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.
REPORT OF THE AUDIT COMMITTEE

Mr. Cruikshank reported that the Audit Committee held a telephonic meeting on March 14, 2008 with management and representatives of Ernst & Young to review and discuss in advance the Corporation’s earnings press release for the first quarter of 2008, as well as the plans for the public earnings conference call. He noted that Ms. Callan reviewed the new schedule in the earnings press release on mark-to-market adjustments and selected balance sheet exposures, and that Ms. Callan discussed that she planned to increase the disclosure in the public earnings conference call regarding the Firm’s liquidity and repo facilities in light of the news regarding Bear Stearns. Mr. Cruikshank stated that, at the Committee’s request, additional information regarding the Firm’s liquidity position was added to the earnings press release.

Mr. Cruikshank reported that Ms. Beth Rudofker, Global Head of Corporate Audit, provided an internal control review update regarding the equity volatility pricing adjustment. He also reported that there were no services of Ernst & Young requested to be pre-approved at the Committee meeting, and that as Committee Chairman he had not pre-approved any such services since the last meeting of the Committee.

REPORT OF THE FINANCE AND RISK COMMITTEE

Mr. Kaufman reported that the Finance and Risk Committee held a meeting earlier that day. He described that the Committee discussed recent events and current market conditions. Mr. Kaufman stated that the Committee reviewed the Firm’s liquidity position and leverage, and he noted that a presentation regarding liquidity and risk would follow later in the Board meeting. Mr. Kaufman described that the Committee discussed plans to reduce the Firm’s leverage. He reported that the Committee discussed the Firm’s Level III assets. Mr. Kaufman stated that the Committee also discussed the Firm’s credit ratings.

Mr. Ainslie arrived during Mr. Kaufman’s report to the Board.

FINANCIAL UPDATE

Ms. Callan reviewed the Firm’s financial results for the first quarter of 2008. As part of such review she discussed, among other things, market environment, revenues, expenses, net income, earnings per share, return on equity and pre-tax margin. She compared the results for the first quarter of 2008 to results for the fourth and first quarters of 2007. Ms. Callan discussed the performance of the Firm by business unit and by region. She also reviewed the mark-to-market adjustments for the quarter on both a gross and net basis and by asset class and business unit. The Board asked Ms. Callan about the Firm’s financial results for the month of March to date.
LIQUIDITY AND RISK UPDATE

Ms. Callan and Mr. Christopher M. O’Meara, Global Head of Risk Management, gave an update on the Firm’s liquidity and risk. Ms. Callan discussed the key features of the Firm’s funding. She explained that the Firm has three internal banks that fund themselves completely separately from the holding company, the Firm has no reliance on secured funding for whole loans or esoteric capital, the Firm has no reliance on free credit balances, and the Firm has no reliance on asset-backed commercial paper. Ms. Callan stated that the Firm continues to operate at close to record levels of liquidity and noted that the Firm had just successfully closed a new three-year syndicated facility. Ms. Callan compared the Firm’s liquidity position with that of its peers and provided a detailed analysis of the Firm’s secured funding status. The Board asked Ms. Callan about the implications of the Federal Reserve’s decision to make the discount window available to investment banks.

Mr. O’Meara then provided an update on risk, noting that there will be a full presentation on risk at the Board meeting to be held in April. He described that the Firm’s risk appetite usage remained essentially unchanged between the fourth quarter of 2007 and the first quarter of 2008. Mr. O’Meara discussed the recent hedge fund failures and the Firm’s hedge fund counterparty exposure. He also described the Firm’s exposure to monoline insurers and that the Firm had repurchased certain securities from its cash management business.

PRESENTATION ON COMMERCIAL REAL ESTATE

Mr. Mark Walsh, Global Head of Global Real Estate, gave an update on Commercial Real Estate. He stated that the Firm’s Global Real Estate business encompasses commercial mortgages, principal transactions, and investment banking. Mr. Walsh described that over time, Global Real Estate 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. He stated that in combination, the Global Real Estate businesses accounted for approximately 7% of the Firm’s 2007 net revenues and 15% of the Firm’s net assets. Mr. Walsh described that the Global Real Estate net balance sheet has increased with the slowdown in securitizations but is expected to decrease through 2008.

Mr. Walsh described that the scope of Global Real Estate has broadened from largely a US business to a business that is approximately 50% international. He provided a real estate capital markets overview by region. Mr. Walsh stated that the $55.2 billion Global Real Estate balance sheet for the first quarter of 2008 has grown over the last couple of years in all regions, particularly in Europe and Asia. Mr. Walsh described that the growth of the Global Real Estate balance sheet has been predominantly in the higher quality, lower risk asset classes, reflecting a shift into senior loans and away from mezzanine and equity. He also stated that the majority of the Global Real Estate net
balance sheet growth has been in commercial whole loans and commercial mortgage-backed securities, which are more marketable.

Mr. Walsh stated that Global Real Estate consists of three businesses: Commercial Whole Loans and Commercial Mortgage-Backed Securities; the Principal Transactions Group; and Real Estate Advisory. He discussed each of these three businesses and described that Global Real Estate's exposure is well-diversified across product, geographies, and type of assets, with relatively low concentration. Mr. Walsh stated that first lien loans and securities make up most of the Global Real Estate balance sheet. He then discussed the Global Real Estate equity allocation, and explained that the Firm uses a conservative approach in assigning equity to Global Real Estate, with an allocation more than twice the regulatory requirements.

Mr. Walsh then discussed the asset composition of Global Real Estate assets. He described that Global Real Estate assets are well-diversified by region, property, and risk type. He explained that these assets are comprised of different asset classes, with whole loans and commercial mortgage-backed securities being the largest components. He described that, within each asset class, Global Real Estate assets are well-diversified, are of high credit quality, and are marked to reflect current market conditions. Mr. Walsh described that the debt inventory is 90% floating rate and the weighted average maturity is around two years, that first lien mortgages are more than 75% of Global Real Estate's whole loans, and that Global Real Estate's AAA instruments are more than 70% of securities held. Mr. Walsh noted that approximately 95% of whole loans have a loan-to-value ratio ("LTV") of less than 80%. He stated that Global Real Estate currently has de minimis collateralized debt obligations, repo, or refinancing exposures. Mr. Walsh discussed Global Real Estate securitization volumes and described that in fiscal 2007, the Firm completed 16 securitizations for a total of $25.8 billion, a 23% increase over 2006, and also syndicated $5.0 billion of US loans and $2.5 billion of European loans in fiscal 2007. Mr. Walsh discussed Global Real Estate’s composition of assets and hedges, and he discussed the impact of valuation dynamics on commercial assets and residential assets.

Mr. Walsh discussed Global Real Estate markdowns and risk factors. He stated that Global Real Estate has marked its positions to reflect the current market environment, and he described that there were total Global Real Estate markdowns in 2007 of $907 million, offset by gains on sales and securitizations. He stated that there were Global Real Estate markdowns in the first quarter of 2008 of $854 million in the US and $267 million in Europe. He described that the primary reasons for the markdowns are spread widening and asset-specific credit impairments.

Mr. Walsh described that Global Real Estate is appropriately capitalized, with a significant portion of the Firm’s equity allocated to it under its internal capital adequacy model. Mr. Walsh stated that origination activities have virtually shut down, and that Global Real Estate expects the focus to be on reducing balance sheet usage. He described that Global Real Estate expects to reduce its exposures through 2008 by up to $5 billion
in the next month, and an incremental $10 billion thereafter. Mr. Walsh stated that existing positions have a reasonable balance of risk and reward, since these positions are well-diversified by region, property and risk type, they have a relatively low proportion of equity and mezzanine exposure, and they have low LTVs on debt positions.

Mr. Walsh also discussed the Firm’s ownership of the Archstone-Smith Trust, a large multi-family real estate investment trust. He described that the acquisition has given Global Real Estate exposure to a portfolio of high quality multifamily properties. Mr. Walsh described that, given the worsening debt market, the disposition plan has been revised, and Global Real Estate plans to reduce the leverage by asset dispositions.

In concluding, Mr. Walsh described the short- and long-term action steps to be taken to respond to the changes in the real estate market environment. He described the Global Real Estate assets as largely high-quality, relatively liquid commercial whole loans and securities. Mr. Walsh also commented that Global Real Estate’s Principal Transactions Group positions are high-quality properties, well-diversified across property types, regions, and sponsors, and that Global Real Estate’s assets are marked appropriately. He discussed Global Real Estate’s potential losses and stated that its response would be to retool business towards a new investor base and the Firm’s risk tolerances.

The Board directed questions to management on real estate market conditions, hedging practices and other matters.

LEGAL UPDATE

Mr. Russo reported that, in accordance with the Firm’s Corporate Governance Guidelines, Mr. Hernandez was advising the Board of Directors that he would be joining the board of directors of Sony Corporation, following his retirement from the Wal-Mart board due to term limits. Mr. Russo provided the Board with an update on the auction rate securities litigation, on the Marubeni situation, and on the SEC review regarding options backdating. He also briefed the Board on concerns being expressed by the Firm to the SEC regarding short-selling of the Firm’s stock.

Mr. Akers left the meeting following Mr. Russo’s update.

PRIVATE SESSION

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

Mr. Fuld was excused, and the non-management Directors met in executive session.

There being no further business to come before the meeting, the meeting was, upon motion duly made and seconded, adjourned.

Respectfully submitted,

Jeffrey A. Welikson
Secretary of the Meeting
LEHMAN BROTHERS HOLDINGS INC.

Minutes of the Board of Directors
March 31, 2008

A meeting of the Board of Directors of Lehman Brothers Holdings Inc. (the "Corporation" or collectively with its subsidiaries, the "Firm") was held telephonically on March 31, 2008, at 10:00 a.m., pursuant to written notice.

PRESENT – BOARD MEMBERS

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

ABSENT – BOARD MEMBERS

Mr. Michael L. Ainslie

ALSO PRESENT BY INVITATION

Mr. Joseph M. Gregory
Mr. Thomas A. Russo
Mr. Jeffrey A. Welikson

PERPETUAL CONVERTIBLE PREFERRED STOCK ISSUANCE

Mr. Fuld stated that the Board of Directors was being asked to approve the issuance by the Corporation of up to $4.0 billion of convertible preferred stock (plus a 15% over-allotment option). Mr. Fuld referenced a memorandum describing the proposed offering and the related resolutions which had been distributed to the Board for review in advance of the meeting. Mr. Fuld noted that the Executive Committee could have approved the offering under the Firm's Code of Authorities and Delaware law, but that he wanted to review the terms of the proposed transaction with the full Board of Directors and to obtain its approval.
Mr. Fuld summarized the proposed terms of the convertible preferred stock. He described that the convertible preferred stock will be perpetual and will pay dividends at a fixed rate on a non-cumulative basis with the dividend rate expected to be in the range of 7.00% to 7.50%. Mr. Fuld stated that the convertible preferred stock will be convertible at any time at the holder’s option into shares of the Corporation’s common stock, plus cash in lieu of fractional shares. He described that, on or after April 1, 2013, the Corporation also may cause some or all of the convertible preferred stock to mandatorily convert, provided that the common stock has a closing sale price exceeding 130% of the applicable conversion price for 20 trading days within any period of 30 consecutive trading days.

Mr. Fuld stated that the initial number of shares of common stock issuable upon conversion (the “conversion rate”) will be based on a premium to the Corporation’s stock price on the day of pricing of between 30% and 35% (i.e., 85-89 million shares if $4.6 billion of convertible preferred stock is sold and the Corporation’s common stock price is $40 on the day of pricing). He explained that the conversion rate will be subject to customary anti-dilution adjustments and will also be subject to increase in the event of the occurrence of certain changes of control of the Corporation. Mr. Fuld also described that the final terms of the offering and of the convertible preferred stock would be approved by the Executive Committee of the Board of Directors upon the pricing of the offering.

Mr. Fuld indicated that this offering would be part of the Firm’s plan to deleverage, and that the Firm also expected to reduce the asset side of the balance sheet. He described alternative transactions that had been considered, as well as the pre-marketing interest in the proposed offering of the convertible preferred stock.

The Board directed questions to management regarding the proposed offering, including its timing, size, pricing and other terms, and the likely market reaction.

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

RESOLVED, that, unless otherwise provided in these resolutions, each of the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer, the Chief Legal Officer, the Secretary and any Executive Vice President, Senior Vice President or Vice President of the Company (each, an “Authorized Officer”) be, and hereby is, authorized to participate in the Offering set forth in these resolutions in the name and on behalf of the Company; and be it further

Preferred Stock

RESOLVED, pursuant to the authority granted to and vested in the Board of Directors of the Company (the “Board”) by the provisions of the Company’s Certificate of Incorporation, the Board hereby authorizes
up to $4,600,000,000 liquidation preference in the aggregate (or such higher amount as may be determined in the discretion of the Executive Committee of the Board (the “Executive Committee”)), inclusive of any over-allotment option to be granted to the underwriters in the offering pursuant to any underwriting agreement, of a new series of the Company’s preferred stock (the “Preferred Stock”), to be designated by the Executive Committee, which shares of Preferred Stock will be convertible into shares of the Company’s Common Stock, par value $0.10 per share (the “Common Stock”), plus cash in lieu of fractional shares and will contain voting, liquidation and ranking provisions and restrictions on dividends and other payments in respect of parity and junior securities substantially similar to those contained in the Company’s 7.95% Non-Cumulative Perpetual Preferred Stock, Series J; and be it further

RESOLVED, that the Board hereby delegates to the Executive Committee of the Board the authority to (i) to establish the designation and number of shares, powers, designations, preferences and relative, participating, optional or other rights, if any or the qualifications, limitations or restrictions thereof, if any, to be set forth in the resolution contained in the certificate of designations (the “Certificate of Designations”), including, without limitation, the dividend rate and provisions relating to conversion into Common Stock at the option of the Company and at the option of the holders thereof (including increases or adjustments relating to certain changes of control of the Company) and anti-dilution adjustments relating thereto; (ii) to determine the number of shares and aggregate liquidation preference of Preferred Stock to be sold by the Company in the Offering, and pursuant to any related over-allotment option to purchase additional shares of Preferred Stock, to the Underwriters (as defined below) pursuant to the Underwriting Agreement (as defined below); (iii) to set the prices at which the shares of Preferred Stock to be sold by the Company are to be sold to the Underwriters in the Offering, to set the Underwriters’ discounts and commissions and the initial public offering price per share of Preferred Stock and the other terms and conditions of the Offering; and (iv) to the extent permitted by the By-Laws, to take any other action that could be taken by the Board in connection with the Offering; and be it further

RESOLVED, that the Executive Committee may authorize the proper officers of the Company to execute the Certificate of Designations and cause it to be filed in the office of the Secretary of State of the State of Delaware; and be it further

RESOLVED, that the shares of the Preferred Stock so issued and sold by the Company in connection with the Offering will, upon such issuance and sale, and upon receipt of payment therefor, be validly issued,
fully paid and non-assessable and an amount equal to the par value per share shall be allocated to the capital of the Company in connection with the issuance of each share of Preferred Stock so issued; and be it further

**Preliminary Prospectus Supplement and Final Prospectus Supplement**

RESOLVED, that each of the Authorized Officers be, and each of them hereby is authorized in the name and on behalf of the Company to prepare, execute, deliver and file or cause to be prepared, executed, delivered and filed with the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Securities Act”), the Company’s Preliminary Prospectus Supplement (the “Preliminary Prospectus Supplement”) and the Company’s Final Prospectus Supplement (the “Final Prospectus Supplement”), any “free writing prospectus” and any supplements or amendments thereto pursuant to Rule 433 under the Securities Act, each offering the Preferred Stock pursuant to the Company’s Registration Statement on Form S-3 (No. 333-134553) and a Registration Statement on Form 8-A (and any supplements or amendments thereto); and to execute and cause to be filed any amendments or supplements to the prospectus and any other documents required in connection therewith that counsel to the Company shall advise or as such officer(s) executing the same on behalf of the Company shall deem necessary, advisable or appropriate; and be it further

**Underwriting Agreement**

RESOLVED, that the form, terms and provisions of the Underwriting Agreement (the “Underwriting Agreement”) among the Company, Lehman Brothers Inc. and any other underwriters named therein (collectively, the “Underwriters”), providing for, among other things, the issuance and sale of the Preferred Stock to the Underwriters by the Company on such terms and conditions as are set forth therein and as may be determined by the Executive Committee or any of the Authorized Officers, such Underwriting Agreement to be negotiated, executed, delivered and filed by any Authorized Officer, be, and it hereby is, ratified, confirmed, approved and adopted; and each such Authorized Officer be, and each of them hereby is, authorized to execute and deliver such Underwriting Agreement, with such changes therein, as the officer executing the same may approve, such approval to be conclusively evidenced by such execution and delivery; and be it further

**Use of Proceeds**

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized to take all actions, in the name and on behalf of the
Company, as in their judgment shall be necessary, proper or advisable in order to cause the proceeds of the offering of the Preferred Stock received by the Company to be applied in the manner described in the section of the Preliminary Prospectus Supplement captioned “Use of Proceeds;” and be it further

Reservation and Issuance of Common Stock

RESOLVED, that the Company is hereby authorized, empowered and directed to reserve for issuance upon conversion of the Preferred Stock such number of shares of Common Stock as may be sufficient and necessary from time to time for issuance upon conversion of all of the Preferred Stock issued (the “Conversion Shares”); and be it further

RESOLVED, that the Company, and the Authorized Officers be, and each of them acting alone hereby is, authorized and empowered to cause the Company to issue Conversion Shares pursuant to the terms of the Preferred Stock, and when issued in accordance with such terms, such Conversion Shares shall be validly issued, fully paid and non-assessable; and that an amount equal to the par value per share shall be allocated to the capital of the Company in connection with the issuance of each such Conversion Share so issued; and be it further

Appointment of Fiduciaries

RESOLVED, that Computershare Trust Company N.A. and Computershare Inc., collectively (collectively “Computershare”), are hereby appointed registrar, transfer agent, paying agent and conversion agent for the Preferred Stock; and be it further

RESOLVED, that each Authorized Officer be, and hereby is, authorized, on behalf of the Company, to change or cause to be changed any depositary, custodian, conversion agent, transfer agent, registrar or paying agent (each of the former, a “Fiduciary”), if any, under any agreement or document related to this Offering and may appoint or cause to be appointed such additional paying agents, registrars and custodians for the Preferred Stock as such Authorized Officer may deem necessary or advisable; that, if any such Fiduciary requires a prescribed form of resolution or resolutions relating to such appointment, each such resolution be, and hereby is, adopted by the Board as if fully set forth herein; and that any Authorized Officer be, and hereby is, authorized and directed to certify the adoption of any such resolution of the Company as if fully set forth herein and to insert all resolutions in the minute books of the Company immediately following these resolutions; and be it further
RESOLVED, that each Authorized Officer be, and hereby is, authorized, in the name and on behalf of the Company, to execute and deliver such other agreements, instruments, certificates and other documents as may be required by any Fiduciary or as any such officer deems necessary or advisable in connection with the execution and performance of the Offering by the Company and to effect the intent and to accomplish the objectives of the Offering; and be it further

Conversion Agency Agreement

RESOLVED, that any Authorized Officer hereby is authorized in the name and on behalf of the Company to negotiate or cause to be negotiated the terms and conditions of any conversion agency agreement (the "Conversion Agency Agreement") that may be entered into in connection with the Preferred Stock with Computershare or one or more other conversion agents selected by any Authorized Officer; and that each of them hereby is, authorized and empowered to execute and deliver or to cause to be executed and delivered the Conversion Agency Agreement, in the name of and on behalf of the Company; and be it further

State Securities Laws

RESOLVED, that it is desirable and in the best interest of the Company that the Preferred Stock be qualified and registered for sale in various jurisdictions; that the proper officers of the Company are hereby authorized to determine the jurisdiction in which appropriate action shall be taken to qualify or register for sale all or such part of the Preferred Stock as such officers may deem advisable in order to comply with the laws of such states, and in connection therewith to execute and file all requisite papers and documents, including but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and that the execution by such officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor from the Company and the approval or ratification by the Company of the papers or documents so executed; and be it further

Listing

RESOLVED, that the Authorized Officers of the Company be, and each of them hereby is, authorized to apply to the New York Stock Exchange, and any other securities exchange determined to be in the best interests of the Company by such officers (which determination shall be conclusively evidenced by the filing of such application with such exchange), for the listing of the Preferred Stock and the Conversion
Shares, and to cause to be prepared, to execute and, when executed, to cause to be filed with such exchange a listing application or applications with respect thereto and any agreements or other documents required in connection therewith in the name and on behalf of the Company, to affix a corporate seal to such documents, to make such changes in any of the same as may be necessary to conform with the requirements for listing, and to appear, if requested, before the officials of such exchange and to make all appropriate registrations or applications under any applicable securities laws, and to do any and all things as they in their discretion deem necessary to effect such listing; and be it further

Payment of Fees and Expenses

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed, in the name of and on behalf of the Company, to pay any and all expenses and fees arising in connection with the Offering and the issuance of the Preferred Stock and Conversion Shares, all registration fees of the SEC, under securities or Blue Sky laws of the various states of the United States and other jurisdictions, the listing of Conversion Shares, legal fees, accounting fees or otherwise in connection with matters encompassed by the foregoing resolutions; and be it further

General Authority

RESOLVED, that the officers of the Company be, and each of them hereby is, authorized, empowered and directed, in the name of and on behalf of the Company, to take or cause to be taken any and all other actions, to make all payments, to make all filings, including filings under the Securities Act and the Securities Exchange Act of 1934, as amended, and to negotiate, enter into, execute and deliver all agreements, certificates, instruments and other documents as may be necessary, or in the opinion of the officer acting on behalf of the Company, appropriate, convenient or proper to effectuate the intent of, and the transactions contemplated by, the foregoing resolutions and to effect the performance by the Company of its obligations under any agreement, instrument or document referred to therein or contemplated thereby, such agreements, certificates, instruments and other documents to be in such form and to contain such terms and conditions as the officer executing the same shall in his sole discretion determine to be necessary, appropriate, convenient or proper, the execution and delivery thereof by such officer to be conclusive evidence that the same were authorized hereby; and be it further

RESOLVED, that the officers of the Company be, and each of them hereby is, authorized, empowered and directed, in the name of and
on behalf of the Company to take such further action and execute such
documents as any such officer may deem necessary or appropriate to carry
out the purposes of each of the foregoing approvals and the transactions
contemplated thereby; and be it further

RESOLVED, that any actions taken by any officers, agents or
representatives of the Company prior to the date hereof that are within the
authority conferred by the foregoing approval are hereby ratified,
confirmed and approved as the acts and deeds of the Company.

RESOLVED, that any other resolution necessary and desirable to
carry out the intent of the foregoing, and not inconsistent therewith, may
be adopted by any one of the Authorized Officers upon advice of counsel
by having said Authorized Officer direct such resolution to be placed in
the Company’s minute book and such resolution shall be deemed a part of
these resolutions as of the date herein.

There being no further business to come before the meeting, the meeting was, upon
motion duly made and seconded, adjourned.

Respectfully submitted,

Jeffrey A. Welikson
Secretary of the Meeting
HOLDINGS

04/15/2008 BOARD MEETING

Item 3
WHEREAS, on an annual basis, each of the members of the Board of Directors of the Corporation who is not an employee of the Corporation (each such individual, a “Non-employee Director”) has historically been granted an award based on the common stock, par value $.10 per share, of the Corporation (the “Common Stock”), at each annual meeting of the Corporation’s shareholders (the “Annual Meeting”);

WHEREAS, the Compensation and Benefits Committee of the Board of Directors (the “Committee”) in its discretion, pursuant to a resolution dated April 14, 2008, has recommended to the Board of Directors that the Corporation continue to grant an award of either restricted stock units (“RSUs”) or options to purchase shares of Common Stock (“Stock Options”), as applicable, to each of the Non-employee Directors (collectively, the “Annual Equity Retainers”), pursuant to the Lehman Brothers Holdings Inc. 2005 Stock Incentive Plan (the “SIP”);

WHEREAS, the Board of Directors has determined that it is in the best interests of the Corporation and its stockholders to approve the grants of the Annual Equity Retainers pursuant to the SIP;

RESOLVED, that the Board of Directors hereby approves, and does make, the grant of an Annual Equity Retainer to each Non-employee Director, in the form of RSUs or Stock Options, as applicable, and in each case on such number of shares of Common Stock and subject to the terms as set forth on Exhibit A attached hereto.

FURTHER RESOLVED, that each Annual Equity Retainer approved and granted above shall be made pursuant to, and subject to the terms and conditions of, the SIP and the applicable form of RSU or Stock Option award agreement filed on April 14, 2008 by the Corporation with the United States Securities and Exchange Commission under a Form 8-K.

FURTHER RESOLVED, that in accordance with the provisions of the SIP, the per share exercise price of any Stock Options granted hereunder be equal to the Fair Market Value (as such term is defined in the SIP) of one share of Common Stock on April 15, 2008.

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to the foregoing plans and programs including, without limitation, preparing and distributing award agreements and/or statements, making adjustments for amounts due the Corporation by the award recipient, and executing such further documents and taking such further action as they may, with the advise of counsel, deem necessary or desirable to carry out the purpose and
intent of the foregoing resolutions, or to comply with law; and with respect to those awards which are subject to the laws of any foreign jurisdiction, the officers of the Corporation are each hereby authorized and directed to determine the form of awards to employees who are personally residing outside the United States and to take such actions and to make such amendments including, without limitation, preparing and executing such trust instruments or other documents as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions and to achieve tax efficiency and to comply with the provisions of any relevant local law or regulations in those territories, provided such actions do not result in an incremental material cost to the Corporation.
April 15, 2008 Equity Awards to Non-employee Directors

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<td>Berlind, Roger</td>
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<td>0</td>
</tr>
<tr>
<td>Cruikshank, Thomas</td>
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</tr>
<tr>
<td>Evans, Marsha Johnson</td>
<td>3,400</td>
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</tr>
<tr>
<td>Gent, Sir Christopher</td>
<td>3,400</td>
<td>0</td>
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<tr>
<td>Grundhofer, Jerry</td>
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<td>10,200</td>
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<td>Hernandez, Roland</td>
<td>0</td>
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</tr>
<tr>
<td>Kaufman, Henry</td>
<td>0</td>
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</tr>
<tr>
<td>Macomber, John</td>
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<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,400</strong></td>
<td><strong>40,800</strong></td>
</tr>
</tbody>
</table>

All RSUs vest immediately and are payable in Common Stock upon death, disability or termination of service. As of each date that a dividend is paid on Common Stock, each Non-employee Director holding RSUs is credited with a number of additional RSUs equal to the product of (A) the dividend paid on one share of Common Stock, multiplied by (B) the number of RSUs held by the Non-employee Director, divided by (C) the closing price of the Common Stock on the New York Stock Exchange on such date. Additional award terms and conditions are provided in the applicable award agreements evidencing these grants.

All Stock Options have an exercise price per share equal to the closing price of the Common Stock on the New York Stock Exchange on the date the award is made. Stock Options have a ten-year term and become exercisable in one-third increments on each of the first three anniversaries of the award date or, if sooner, upon a termination of service. Additional award terms and conditions are provided in the applicable award agreements evidencing these grants.
HOLDINGS

04/15/2008 BOARD MEETING

Item 4
April 8, 2008

Dear Directors:

Enclosed are the materials for the Lehman Brothers Board meeting on Tuesday, April 15. The materials include the estimated financial results for the month of March 2008, which will be discussed at the meeting.

At this meeting, Chris O’Meara, Global Head of Risk Management, will deliver a presentation to update us on the Firm’s risk management platform and key risk information.

I look forward to seeing you at our dinner on Monday.

Sincerely,

[signature]

RSF:aj
Enclosures
Lehman Brothers Board of Directors
Estimated March 2008 Financial Information
# Table of Contents

- Executive Summary
  
- Estimated March 2008 Financial Results
  
- Components of Estimated March Results
  
- Capital Markets
  
- Investment Banking
  
- Investment Management / Principal Investments / Regional
  
- Balance Sheet, Capital and Risk
  
- Capital Raising and De-Levering Plan
  
- Liquidity Position
  
- Competitor Information
  
- Monthly Financial Performance Trend
  
- Quarterly and Annual Financial Performance Trend

**LEHMAN BROTHERS**
Executive Summary

**Market Environment**
- Both the equity and credit markets continued to remain volatile during the month. The FOMC cut both the Fed funds rate and the discount rate by 75 basis points each, to 2.25% and 2.50%, respectively, in an effort to foster market liquidity after the Bear Stearns collapse.
- Global equity market valuations declined during the month, with the U.S. markets overall down 1%, while Europe fell 3% and Asia declined 6%.
- Fixed Income credit spreads were mixed in March. The Lehman Global High Yield Index widened 35 bps and the Global Investment Grade Index widened by 33 bps. The mortgage related indices tightened in the month: the AAA ABX tightened 8 bps and the AAA CMBX tightened by 62 bps. The CDX indices also tightened in the month: investment grade CDX tightened by 29 bps and the high yield CDX tightened by 51 bps.
- Treasury yields continued to fall, amid the decline in the equity markets and a flight to quality. The yield on the 2 year Treasury note decreased 3 bps and the yield on the 10 year note declined by 10 bps.

**Revenues / Expenses**
- Estimated monthly net revenues of $(95) million, driven by mark-to-market adjustments, and lower run rate performance across Capital Markets.
  - Fixed Income Division recorded a loss of $(906) million, led by continued mark-to-market adjustments in Securitized Products, Real Estate, and Acquisition Facilities, as well as unprofitable trading strategies in Interest Rate Products.
  - Equities Division revenues of $165 million were significantly lower than both average month '08 and average month '07 levels, driven by lower client activity, most notably in Execution Services and Volatility, and less profitable trading strategies. Results in Prime Services remained solid.
  - Banking Division reported a loss of $(411) million, driven by continued mark-to-market adjustments in Real Estate and Acquisition Facilities, and reduced results in Advisory and Equity Origination.
  - Investment Management Division recorded a loss of $(188) million, primarily due to mark-to-market adjustments on collateral within a Lehman managed fund, as well as losses on Private Equity warehoused investments.
  - Principal Investments reported a loss of $(288) million, driven by losses in Global Trading Strategies and Private Equity principal investments.
  - Included in the month's results was a mark-to-market adjustment of $(250) million on our investments in Archstone (across Fixed Income, Investment Banking, & Investment Management).
  - A gain of $1.0 billion was recorded on our structured note liabilities, as Lehman's credit spreads widened significantly from the quarter end level (10 year spread vs. 1 month Libor widened by more than 100 basis points in March).
- Non-U.S. regions reported a loss of $(409) million. Losses in Europe were mainly due to mark-to-market adjustments in Securitized Products and trading losses in Interest Rate Products. Losses in Asia were driven by the India portfolio within Global Trading Strategies.
- Personnel expenses for March were at $553 million, 8% lower than the amount accrued for average month '08.
- Non-personnel expenses (NPE) of $330 million are in line with average month '08 level.

**Profitability**
- Net loss of $(714) million and EPS of $(1.29) were reported for March.

LEHMAN BROTHERS
### Estimated March 2008 Financial Results

#### Monthly Performance

<table>
<thead>
<tr>
<th>Segment Revenues</th>
<th>Estimated March 2008</th>
<th>Avg. Month 2008</th>
<th>% ( \Delta ) 2008 2007</th>
<th>% ( \Delta )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Banking</td>
<td>203</td>
<td>284</td>
<td>-29%</td>
<td>30%</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>(553)</td>
<td>548</td>
<td>n/m</td>
<td>973</td>
</tr>
<tr>
<td>Investment Management</td>
<td>260</td>
<td>317</td>
<td>-18%</td>
<td>246</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>(95)</td>
<td>1,150</td>
<td>(108)%</td>
<td>1,518</td>
</tr>
</tbody>
</table>

| Expenses                |                      |                 |                          |                           |                           |
|------------------------|----------------------|-----------------|--------------------------|--------------------------|
| Personnel              | 553                  | 604             | (8)%                     | 753                       | (27)%                     |
| Non Personnel          | 330                  | 329             | 0%                       | 298                       | 11%                       |
| Pre Tax Income         | (978)                | 217             | n/m                      | 477                       | n/m                       |
| Income Taxes           | (264)                | 57              | n/m                      | 144                       | n/m                       |

| Net Income             | (714)                | 160             | n/m                      | 333                       | n/m                       |

| Additional Data         |                      |                 |                          |                           |                           |
|------------------------|----------------------|-----------------|--------------------------|--------------------------|
| Earnings per Common Share | -1.29               | 0.27            | n/m                      | 0.58                      | n/m                       |
| EPS Share Count        | 568.5                | 573.2           | (1)%                     | 574.0                     | (1)%                      |
| Return on Common Equity| -40.7%               | 8.6%            | -49.4pp                  | 23.4%                     | -64.1pp                   |
| Pre Tax Margin         | n/m                  | 18.9%           | n/m                      | 31.2%                     | n/m                       |
| Compensation / Revenue | n/m                  | 52.5%           | n/m                      | 49.3%                     | n/m                       |
| Effective Tax Rate     | 27.0%                | 26.3%           | +0.7pp                   | 36.3%                     | -3.3pp                    |

| Divisional Revenues    |                      |                 |                          |                           |                           |
|------------------------|----------------------|-----------------|--------------------------|--------------------------|
| Fixed Income           | (906)                | 321             | n/m                      | 477                       | n/m                       |
| Equities               | 165                  | 464             | (65)%                    | 482                       | (66)%                     |
| Banking                | (411)                | 39              | n/m                      | 284                       | n/m                       |
| Investment Management  | (188)                | 99              | n/m                      | 227                       | n/m                       |
| Principal Investments  | (288)                | 51              | n/m                      | 136                       | n/m                       |
| Banking & PIM Elimination / Corporate * | 1,534                | 175             | n/m                      | (78)                      | n/m                       |
| Total Revenues         | (95)                 | 1,150           | (108)%                   | 1,528                     | (106)%                    |

| Regional Revenues      |                      |                 |                          |                           |                           |
|------------------------|----------------------|-----------------|--------------------------|--------------------------|
| Europe                 | (320)                | 155             | n/m                      | 434                       | n/m                       |
| Asia                   | (83)                 | 422             | (120)%                   | 232                       | n/m                       |

#### Year to Date Performance

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>% ( \Delta )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre Tax Income</td>
<td>2,394</td>
<td>3,292</td>
<td>(27)%</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>1,333</td>
<td>1,167</td>
<td>14%</td>
</tr>
<tr>
<td>Net Income</td>
<td>(714)</td>
<td>160</td>
<td>n/m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Data</th>
<th>2008</th>
<th>2007</th>
<th>% ( \Delta )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per Common Share</td>
<td>-0.48</td>
<td>2.57</td>
<td>(118)%</td>
</tr>
<tr>
<td>EPS Share Count</td>
<td>572.0</td>
<td>569.8</td>
<td>0%</td>
</tr>
<tr>
<td>Return on Common Equity</td>
<td>-3.7%</td>
<td>23.7%</td>
<td>-27.4pp</td>
</tr>
<tr>
<td>Pre Tax Margin</td>
<td>-9.2%</td>
<td>33.2%</td>
<td>-42.5pp</td>
</tr>
<tr>
<td>Compensation / Revenue</td>
<td>70.3%</td>
<td>49.3%</td>
<td>+20.9pp</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>28.4%</td>
<td>32.4%</td>
<td>+4.0pp</td>
</tr>
</tbody>
</table>

**Note:** Includes impact on debt valuation.

---

LEHMAN BROTHERS
Components of Estimated March Results

- Excluding the net effect of mark-to-market adjustments and principal losses, March's revenue run rate was approximately $830 million, significantly below the 2007 average run rate, driven by unprofitable trading strategies and a decline in customer activity.

<table>
<thead>
<tr>
<th></th>
<th>(1) Gross Run Rate</th>
<th>(2) MTM Adj &amp; Principal Losses</th>
<th>(3) Debt Valuation</th>
<th>(1) + (2) + (3) Estimated March Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ millions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>7</td>
<td>(913)</td>
<td></td>
<td>(906)</td>
</tr>
<tr>
<td>Equities</td>
<td>196</td>
<td>(32)</td>
<td></td>
<td>165</td>
</tr>
<tr>
<td>Investment Banking</td>
<td>115</td>
<td>(526)</td>
<td></td>
<td>(411)</td>
</tr>
<tr>
<td>Investment Management</td>
<td>249</td>
<td>(437)</td>
<td></td>
<td>(188)</td>
</tr>
<tr>
<td>Principal Investments</td>
<td>0</td>
<td>(288)</td>
<td></td>
<td>(288)</td>
</tr>
<tr>
<td>Credit Valuation Adjustments</td>
<td>398</td>
<td>0</td>
<td></td>
<td>398</td>
</tr>
<tr>
<td>Debt Valuation</td>
<td>0</td>
<td>0</td>
<td>958</td>
<td>958</td>
</tr>
<tr>
<td>Other Corporate</td>
<td>13</td>
<td>50</td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>Banking &amp; PIM Eliminations</td>
<td>(488)</td>
<td>263</td>
<td>0</td>
<td>115</td>
</tr>
<tr>
<td>Total Firm</td>
<td>830</td>
<td>(1,883)</td>
<td>958</td>
<td>(95)</td>
</tr>
</tbody>
</table>

- A majority of the month's net mark-to-market adjustments was in Residential Mortgages inventory.

Mark-to-Market Adjustments & Principal Investments Losses

<table>
<thead>
<tr>
<th></th>
<th>$ billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Mortgages and Other Asset Backed</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Commercial Mortgages &amp; Real Estate Related Investments</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Acquisition Finance Facilities &amp; Relationship Loans</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Principal Investments Losses</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Total</td>
<td>(1.9)</td>
</tr>
</tbody>
</table>
## Capital Markets

### Fixed Income
- Revenues of $(906) million were driven by continued mark-to-market adjustments and unprofitable trading strategies.
- Hedging efficiency was negatively impacted by basis between cash and derivatives markets – spread tightening on derivative indices (hedges) not reflected in cash prices (inventory).
- Client activity was down 17% versus the prior month, but up 6% versus average month '08. Increases were in High Grade, High Yield, Municipal, and Commodities.
- Securitized Products recorded significant losses during the month, amid mark-to-market adjustments in Prime, Non-Prime, and Campus Door positions, partially offset by hedging gains in CDS/ABX index trading as spreads tightened in March.
- Real Estate reported a loss for the month, driven by significant mark-to-market adjustments across Americas and Europe.

### Equities
- Revenues of $165 million fell below average month '08 by 65%, and average month '07 by 66%
- Client activity declined 26% versus the average month ’08 level, most notably in Execution Services and Volatility.
- Execution Services revenues declined versus both benchmark periods, amid a decline across all regions.
- Volatility recorded a loss for the month, driven by a weak performance in European structured trading strategies.
- Prime Services revenues remained solid, results were in line with both benchmark periods. More than 20 new clients were added in March.

## Fixed Income Market Conditions
- Yields on the U.S. and U.K. 10 year notes continued to decline, amid decreases in the equity markets across the globe.
- U.S. Treasury yields declined across the curve, driven by a sell off in the equity markets and a flight to quality.
- Global investment grade spreads widened by 33 bps and high yield spreads widened by 35 bps.
- Gold spot price decreased 6% in the month to $917 per ounce from $974 per ounce.
- The Dollar appreciated slightly against the British Pound ($1.99/£ to $1.98/£), but declined against the Japanese Yen ($103.7/$ to ¥99.7/$) and the Euro ($1.52/€ to $1.58/€).

## Equity Market Conditions
- Global equity markets declined 2% during the month, amid declines in most indices.
  - Asia markets fell 6% as the Nikkei and Hang Seng declined by 8% and 6%, respectively. Europe markets fell 3%, and U.S. markets declined 1% in the month.
  - Global average trading volumes, although up versus last month, were down 2% versus the averages in the first quarter, and were 8% lower than average month 2007.
- The VIX index, which measures U.S. market volatility, decreased slightly from 26.5% to 25.6%.
Revenue Summary

- Revenues of $(411) million were driven by continued mark-to-market adjustments on Real Estate positions, Acquisition Facilities, as well as on Firm Relationship Loans.
- Advisory revenues were 40% below average month '07, as the decrease in announced transactions since Q3 '07 has impacted completed activity.
- Equity Origination reported losses for the month, due to mark-to-market and trading losses on recent unsold transactions.
- Debt Origination revenues were 24% below average month '08 but were in line with the average month '07 level, due to corporate derivative transactions.
- Fee pipeline of $753 million was up 1% from Q1 '08.

Market Environment

- Announced M&A volume increased 47% versus the prior month, led by an increase in European volume. However, on an annualized calendar year basis, announced M&A volume is down 35% versus last year.
- Completed M&A volume is up 15% versus the prior month, but is down 29% on an annualized calendar year basis.
- Equity Origination volume has increased 146% over the past month, driven by the $20 billion Visa IPO. On an annualized calendar year basis, Equity Origination has declined 51%, as IPOs, Follow-Ons, and Convertibles all experienced declines.
- Fixed Income Origination is 19% lower than the prior month and 31% lower on an annualized calendar year basis, driven by continued weaknesses in high yield, asset and mortgage backed issuances.

Significant Deals in Pipeline

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
<th>Gross Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yahoo Unsolicited Offer from Corp.</td>
<td>$41.9</td>
<td>$25.0m</td>
</tr>
<tr>
<td>Tele Atlas N.V. Sale to TomTom N.V.</td>
<td>3.7</td>
<td>30.0m</td>
</tr>
<tr>
<td>CME Group Inc Offer to acquire NYMEX Holdings, Inc</td>
<td>11.1</td>
<td>18.0m</td>
</tr>
<tr>
<td>Henkel KGAA Acq of Adhesives/Extran Materials business</td>
<td>5.5</td>
<td>18.0m</td>
</tr>
<tr>
<td>Washington Mutual P/ES, lead books</td>
<td>$7.0</td>
<td>$5.5m</td>
</tr>
<tr>
<td>Project Michelangelo Private Placement, lead books</td>
<td>6.0</td>
<td>25.0m</td>
</tr>
<tr>
<td>CMEGroup Inc Offer to acquire NYMEX Holdings, Inc</td>
<td>11.1</td>
<td>18.0m</td>
</tr>
<tr>
<td>Federal National Mortgage Asso Convertible, lead books</td>
<td>3.0</td>
<td>25.0m</td>
</tr>
<tr>
<td>Las Vegas Sands Bank loan, lead</td>
<td>$7.0</td>
<td>$12.0m</td>
</tr>
<tr>
<td>GlaxoSmithKline PLC Corporate, lead</td>
<td>8.0</td>
<td>10.0m</td>
</tr>
<tr>
<td>Dunkin Brands (Bain/Carlyle/TH Lee) ABS, lead</td>
<td>0.4</td>
<td>6.0m</td>
</tr>
<tr>
<td>EFG Eurobank Ergasias SA Corporate, lead</td>
<td>1.5</td>
<td>5.0m</td>
</tr>
</tbody>
</table>

Components of Revenues

<table>
<thead>
<tr>
<th></th>
<th>Estimated March 2008</th>
<th>Average Month 2008</th>
<th>Average Month 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory</td>
<td>64</td>
<td>111</td>
<td>107</td>
</tr>
<tr>
<td>Equities Origination</td>
<td>(5)</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>Leveraged Finance</td>
<td>35</td>
<td>26</td>
<td>55</td>
</tr>
<tr>
<td>Debt Origination</td>
<td>61</td>
<td>81</td>
<td>59</td>
</tr>
<tr>
<td>Real Estate</td>
<td>(206)</td>
<td>(62)</td>
<td>16</td>
</tr>
<tr>
<td>Other Origination</td>
<td>(360)</td>
<td>(201)</td>
<td>(53)</td>
</tr>
<tr>
<td>Debt Capital Markets</td>
<td>(470)</td>
<td>(157)</td>
<td>77</td>
</tr>
<tr>
<td>Investment Banking</td>
<td>(411)</td>
<td>39</td>
<td>284</td>
</tr>
</tbody>
</table>
## Investment Management / Principal Investments / Regional

### Investment Management

- Revenues of $(188) million were driven by mark-to-market adjustments on collateral within a Lehman managed fund, as well as losses on Private Equity warehoused investments.
- AUM of $270 billion was down $7 billion from Q1 '08, due to $8 billion of net outflows primarily from the liquidity funds, partially offset by $1 billion of market appreciation.
- Private Investment Management revenues of $132 million fell slightly below average month '08, but surpassed average month '07 by 9%, driven by solid results in Fixed Income products.

### Principal Investments

- Revenues of $(288) million were substantially lower than both benchmark periods.
- Global Trading Strategies recorded a loss of $(147) million for the month, driven by losses within Distressed Debt trading, as well as on the India portfolio.
- Global Principal Strategies reported a loss of $(45) million for the month, driven by US Portfolio Investing.
- Private Equity Principal recorded a loss of $(89) million for the month, due to investments in the MLP Prop Fund and MLP Opportunity Fund.

### Europe

- Europe revenues of $(326) million, driven by unprofitable trading strategies in Interest Rate Products, as well as mark-to-market adjustments in Securitized Products and Real Estate.
- Losses in Interest Rate Products were driven by the flattening of interest rate curves, as well as a rally on inflation bonds where we held short positions.
- Equities results trailed both average month '08 and average month '07, led by declines in Volatility and Convertibles.
- Principal Investments revenues were weak, driven by losses in our investment in GLG.

### Asia

- Asia revenues of $(83) million were driven by losses within Global Trading Strategies, as well as the transfer of the reserve related to the Marubeni case to the region.
- Banking revenues were strong, outperforming average month '08 by 29% and average month '07 by 34%, driven by Permira's $2.2 billion acquisition of Arysta LifeScience from Olympus Capital. Revenues were recorded from sell side advisory, financing and a deal contingent FX trade.
- Principal Investing recorded a loss for the month, driven by losses within Global Trading Strategies, due to the India portfolio.
Balance Sheet, Capital and Risk

Balance Sheet ($ billions) / Leverage

Long Term Capital ($ billions)

Average Risk Appetite Usage ($ billions)

Long Term Capital Roll Forward ($ billions)

Figures represent period end amounts.

Figures represent average daily usage.

LEHMAN BROTHERS
Capital Raising and De-Levering Plan

Impact on Leverage Ratios

- **Gross Leverage**
  - Q1 '08: 31.7x
  - Issuance of Convertible: 27.3x
  - De-Leveraging Plan*: 23.7x

- **Net Leverage**
  - Q1 '08: 15.4x
  - Issuance of Convertible: 13.4x
  - De-Leveraging Plan*: 11.8x

* Based on forecasted Q2 '08 total stockholders' equity and leverage equity

**Convertible Security**
- Priced on April 1, 2008
- **Key Terms**
  - $4.0 billion of Non-Cumulative Perpetual Convertible Preferred Stock
  - Dividend of 7.25% per annum
  - Initial conversion price of approximately $49.87, representing a 32.5% conversion premium
- More than three times oversubscribed
- Issuance was very well received, stock price was up 18% on day of pricing

**De-Leveraging Plan**
- Targeted balance sheet reduction by Q2 '08:
  - Net assets reduced by $55 billion to $342 billion
  - Gross assets reduced by $122 billion to $664 billion
- **Primary objectives**
  - Reduce risk profile
  - Improve cash capital surplus
  - Improve liquidity position

LEHMAN BROTHERS
Liquidity Position

The Firm continues to operate at close to record levels of liquidity.

<table>
<thead>
<tr>
<th>LBHI Liquidity &amp; Cash Capital Surplus</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ billions</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
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<tr>
<td>15</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

- Short-term market conditions remain challenging
  - European banks and sec. lenders have permanently or temporarily withdrawn from the secured funding market
    - Federal Reserve and ECB are the only two major suppliers of new repo capacity. Bankhaus is funding more than EUR 5 billion through the ECB window to improve the Firm's European liquidity position.
  - Extreme risk aversion results in limited appetite for term funding - secured or unsecured

- Long-term market conditions are slowly improving
  - Very successful issuance of a $4 billion convertible perpetual preferred - more than three times oversubscribed
  - Five year credit default swap spreads have tightened by 275 bps to 175 bps since March 14

- Overall, we believe that market continues to be fragile. Firm is mobilized around the efforts to strengthen liquidity position and cash capital surplus
  - $3 billion Freedom CLO issuance in March generates $2 billion of Fed-eligible securities
    - Similar transactions in the pipeline in the U.S. and Europe to generate about $10 billion of liquidity by quarter end
  - Firm-wide deleveraging effort will help increase cash capital surplus
## Competitor Information

### Financial Statistics

<table>
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<th>LEH</th>
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<tr>
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<td>19.8x</td>
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<td>$53</td>
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### Share Price Performance

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<tr>
<td>Return on Equity</td>
<td>12%</td>
<td>15%</td>
<td>20%</td>
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<tr>
<td>Dividend Yield</td>
<td>1.2%</td>
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<td>Price to Earnings</td>
<td>-16%</td>
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<td>-21%</td>
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<tr>
<td>Return on Equity</td>
<td>12%</td>
<td>15%</td>
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### Ten Year Debt Spreads (Basis Points)

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<tr>
<td>3/31/08</td>
<td>386</td>
<td>223</td>
<td>236</td>
<td>251</td>
<td>211</td>
<td>136</td>
<td>146</td>
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<td>2/29/08</td>
<td>269</td>
<td>194</td>
<td>219</td>
<td>259</td>
<td>182</td>
<td>157</td>
<td>157</td>
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<tr>
<td>12/31/07</td>
<td>171</td>
<td>121</td>
<td>136</td>
<td>186</td>
<td>121</td>
<td>116</td>
<td>121</td>
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<tr>
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<td>287</td>
<td>300</td>
<td>325</td>
<td>275</td>
<td>200</td>
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<tr>
<td>w/ Year UST (2/29/08)</td>
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<td>262</td>
<td>287</td>
<td>337</td>
<td>250</td>
<td>225</td>
<td>225</td>
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<td>w/ Year UST (12/31/07)</td>
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<td>185</td>
<td>200</td>
<td>250</td>
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<td>180</td>
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### Long Term Debt Credit Ratings

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<th>AA-</th>
<th>A+</th>
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<td>AA-</td>
<td>A+</td>
<td>AA</td>
<td>AA</td>
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### Notes

1. Share price as of April 8, 2008.
2. Book values are per latest externally reported quarter (1Q08 for LEH, GS, MS; 4Q07 for all others). Book value per share is reflected on a pro-forma basis for MER to include the conversion of the mandatory convertible issuances. Excluding adjustments, book value per share was 29.37.
3. Based on full year 2008 First Call estimates, updated on April 8, 2008.
5. ROE values are per latest externally reported quarter (1Q08 for LEH, GS, MS; Full Year 2007 for all others).
# Monthly Financial Performance Trend

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<td>459</td>
<td>373</td>
<td>394</td>
<td>304</td>
<td>168</td>
<td>316</td>
<td>347</td>
<td>296</td>
<td>264</td>
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<td>319</td>
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<td>338</td>
<td>358</td>
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<td><strong>Total Revenues</strong></td>
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<td>1,747</td>
<td>2,134</td>
<td>1,978</td>
<td>1,661</td>
<td>1,343</td>
<td>2,099</td>
<td>948</td>
<td>1,491</td>
<td>660</td>
<td>1,356</td>
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<td><strong>Expenses</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Personnel</td>
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<td>815</td>
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<td>662</td>
<td>1,035</td>
<td>467</td>
<td>735</td>
<td>325</td>
<td>781</td>
<td>553</td>
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<td>Non Personnel</td>
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<td>306</td>
<td>302</td>
<td>313</td>
<td>318</td>
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<td>351</td>
<td>324</td>
<td>345</td>
<td>345</td>
<td>338</td>
<td>330</td>
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<td><strong>Pre Tax Income</strong></td>
<td>520</td>
<td>580</td>
<td>779</td>
<td>690</td>
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<td>(9)</td>
<td>359</td>
<td>713</td>
<td>157</td>
<td>438</td>
<td>(9)</td>
<td>238</td>
<td>(978)</td>
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<td>157</td>
<td>(59)</td>
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<td>210</td>
<td>28</td>
<td>135</td>
<td>(12)</td>
<td>51</td>
<td>(264)</td>
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<tr>
<td><strong>Net Income</strong></td>
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<td>395</td>
<td>525</td>
<td>469</td>
<td>367</td>
<td>51</td>
<td>254</td>
<td>503</td>
<td>129</td>
<td>300</td>
<td>2</td>
<td>187</td>
<td>(714)</td>
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</table>

| Additional Data                  |            |            |          |          |          |            |                |              |              |               |              |              |           |
| Earnings per Common Share        | $0.61      | $0.68      | $0.91    | $0.81    | $0.64    | $0.09      | $0.44         | $0.88        | $0.22        | $0.51          | $0.01        | $0.30       | $-1.29    |
| EPS Share Count                  | 568.4      | 568.5      | 568.8    | 570.4    | 567.9    | 561.4      | 561.9         | 571.9        | 589.9        | 574.1          | 572.6        | 572.9       | 568.5     |
| Return on Common Equity          | 21.9%      | 24.1%      | 31.5%    | 27.4%    | 21.0%    | 2.6%       | 14.3%         | 28.1%        | 6.9%         | 16.3%          | -0.2%        | 9.0%        | -40.7%    |
| Pre Tax Margin                   | 31.9%      | 33.2%      | 36.5%    | 34.9%    | 31.6%    | -1.3%      | 26.7%         | 34.0%        | 16.6%        | 29.2%          | -1.4%        | 17.3%       | NM        |
| Compensation / Revenue           | 49.3%      | 49.3%      | 49.3%    | 49.3%    | 49.3%    | 49.3%      | 49.3%         | 49.3%        | 49.3%        | 49.3%          | 57.6%        | NM          | NM        |
| Effective Tax Rate               | 32.0%      | 32.0%      | 32.0%    | 32.0%    | 30.0%    | NM         | 29.4%         | 25.4%        | 17.7%        | 31.0%          | 126.8%       | 21.5%       | 27.0%     |

| Divisional Revenues              |            |            |          |          |          |            |                |              |              |               |              |              |           |
| Fixed Income                     | 593        | 655        | 960      | 935      | 481      | (169)      | 668           | 441          | (732)        | 952           | 149          | (122)       | (906)     |
| Equities                         | 610        | 526        | 642      | 545      | 533      | 459        | 529           | 734          | 197          | 509           | 588          | 319         | 163       |
| Banking                          | 286        | 532        | 496      | 471      | (113)    | (111)      | 214           | 683          | 260          | 268           | (184)        | 35          | (411)     |
| Investment Management            | 233        | 245        | 264      | 236      | 226      | 202        | 210           | 259          | 184          | 169           | (50)         | (188)       | (288)     |
| Principal Investments            | 62         | 126        | 257      | 78       | (34)     | (123)      | 171           | 249          | 415          | (36)          | (284)        | 475         | (288)     |
| Banking & PIM Elimination / Corp. | (153)     | (337)      | (485)    | (286)    | 568      | 411        | (448)         | (303)        | 550          | (387)         | 223          | 699         | 1,534     |
| **Total Revenues**               | 1,631      | 1,747      | 2,134    | 1,978    | 1,661    | 1,343      | 2,099         | 948          | 1,491        | 660           | 1,356        |              | (95)      |

| Regional Revenues                |            |            |          |          |          |            |                |              |              |               |              |              |           |
| Europe                           | 525        | 511        | 657      | 569      | 353      | 243        | 269           | 409          | 711          | 333           | 131          | 12          | (326)     |
| Asia                             | 181        | 257        | 305      | 264      | 315      | 40         | 282           | 468          | 267          | 292           | 316          | 679         | (83)      |

* Include impact on debt valuation

**LEHMAN BROTHERS**

11
Quarterly and Annual Financial Performance Trend

<table>
<thead>
<tr>
<th>Segment Revenues</th>
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<th>2007</th>
<th>2008</th>
<th>Full Year</th>
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<td>Q2 '06</td>
<td>Q3 '06</td>
<td>Q4 '06</td>
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<td>726</td>
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<td>605</td>
<td>540</td>
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<td>4,411</td>
<td>4,178</td>
<td>4,533</td>
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<tr>
<th>Additional Data</th>
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<th>2007</th>
<th>2008</th>
<th>Full Year</th>
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<td>$1.83</td>
<td>$1.69</td>
<td>$1.57</td>
<td>$1.72</td>
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<td>EPS Share Count</td>
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<td>582.8</td>
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<td>573.1</td>
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<td>Return on Common Equity</td>
<td>26.7%</td>
<td>23.7%</td>
<td>21.0%</td>
<td>22.3%</td>
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<tr>
<td>Pre Tax Margin</td>
<td>34.8%</td>
<td>34.0%</td>
<td>32.7%</td>
<td>32.8%</td>
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<td>Compensation / Revenue</td>
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<td>49.3%</td>
<td>49.3%</td>
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<td>Effective Tax Rate</td>
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<td>33.1%</td>
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<td>32.5%</td>
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<td>Banking &amp; PIM Elimination / Corporate</td>
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<td>(593)</td>
<td>(346)</td>
<td>(652)</td>
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<td>Total Revenues</td>
<td>4,461</td>
<td>4,411</td>
<td>4,178</td>
<td>4,533</td>
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<th>2008</th>
<th>Full Year</th>
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<td>Europe</td>
<td>1,007</td>
<td>949</td>
<td>1,025</td>
<td>1,034</td>
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<td>Asia</td>
<td>557</td>
<td>413</td>
<td>361</td>
<td>328</td>
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</tbody>
</table>

* Include impact on debt valuation

LEHMAN BROTHERS
HOLDINGS

04/15/2008 BOARD MEETING

Item 6
RESOLVED, that the individuals named on the attached list be elected as officers of this Corporation in the capacities indicated beside their respective names, to serve at the pleasure of this Corporation and subject to their continued employment by this Corporation or any affiliate until the next Annual Meeting of the Board of Directors of this Corporation and until their successors have been elected and qualified; and that such officerships shall immediately cease without the necessity or acceptance of a resignation or relinquishment in the event of death, retirement, termination, or other cessation of employment of these officers by this Corporation and its affiliates.
LEHMAN BROTHERS HOLDINGS INC.
OFFICERS

Richard S. Fuld, Jr.\(^1,\)\(^2\) Chairman and Chief Executive Officer.
Joseph M. Gregory\(^1\) President and Chief Operating Officer
Erin M. Callan\(^1,\)\(^3,\)\(^4\) Chief Financial Officer, Executive Vice President and Controller
Scott J. Friedheim\(^1\) Executive Vice President and Co-Chief Administrative Officer
Ian T. Lowitt\(^1\) Executive Vice President and Co-Chief Administrative Officer
Thomas A. Russo\(^1\) Executive Vice President and Chief Legal Officer
Jasjit S. Bhattal Senior Vice President and Chief Executive Officer – Asia-Pacific
David Goldfarb Senior Vice President and Global Head of Strategic Partnerships, Principal Investing and Risk
Jeremy M. Isaacs Senior Vice President and Chief Executive Officer – Europe, Middle East and Asia-Pacific
Theodore P. Janulis Senior Vice President and Global Head of Mortgage Capital
Stephen M. Lessing Senior Vice President and Head of Client Relationship Management
Herbert H. McDade III Senior Vice President and Global Head of Capital Markets/Equities
Hugh E. McGee III Senior Vice President and Global Head of Investment Banking
Andrew J. Morton Senior Vice President and Global Head of Fixed Income
Benoit Savoret Senior Vice President and Chief Operating Officer – Europe
George H. Walker IV Senior Vice President and Global Head of the Investment Management Division

\(^1\) Executive Officer Under SEC Rules
\(^2\) Principal Executive Officer Under SEC Rules
\(^3\) Principal Accounting Officer Under SEC Rules
\(^4\) Principal Financial Officer Under SEC Rules
Steven L. Berkenfeld  Vice President
Tracy A. Binkley  Vice President and Director of Global Human Resources
Karen B. Corrigan  Vice President and Assistant Secretary
Enrico Corsalini  Vice President
John DeRosa  Vice President and Global Head of Tax
Lana Franks  Vice President
Terry L. Gentry  Vice President
Edward S. Grieb  Vice President and Global Head of Investor Relations
Thomas Hommel  Vice President
Paul Imbimbo  Vice President
Martin B. Kelly  Vice President and Global Financial Controller
James J. Killerlane III  Vice President and Assistant Secretary
Francine Kittredge  Vice President
Steven Korell  Vice President and Assistant Secretary
Timothy G. Lyons  Vice President
Mark C. Malin  Vice President
Mark J. Marcucci  Vice President
Raymond C. Mikulich  Vice President
Herbert Moos  Vice President and Assistant Treasurer
Thomas Noto  Vice President and Assistant Secretary
Bridget E. O’Connor  Vice President
Michael J. Odrich  Vice President
Christopher M. O’Meara  Vice President and Global Head of Risk Management
Carlo Pellerani  Vice President and Assistant Treasurer
Joseph Polizzotto  Vice President
Vincent Primiano  Vice President
David Rushton  Vice President
Daniel C. Singer  Vice President
John M. Skoba  Vice President
Greg L. Smith  Vice President
Martha Solinger  Vice President
Gordon Sweely  Vice President

2
Paolo Tonucci  
Mark A. Walsh  
Jeffrey A. Welikson  
Craig Wildrick  
Andrew P. Wright  
Andrew Yeung  
Gwen J. Zeisler  
John Baker  
Justin D. Balser  
Scott Drosdick  
Robert J. Leist  
Aida Sarmast  
Leo C. Trautman, Jr.  
Cindy S. Buckholz  
Aaron Guth  
Madeline L. Shapiro  
Jacqueline J. Wood  
Barry J. O'Brien  
Anthony J. Taranto  
Vice President and Global Treasurer  
Vice President  
Vice President and Corporate Secretary  
Vice President  
Vice President  
Vice President and Assistant Secretary  
Vice President and Assistant Secretary  
Assistant Vice President  
Assistant Vice President  
Assistant Vice President  
Assistant Vice President and Assistant Secretary  
Assistant Vice President  
Assistant Vice President  
Assistant Secretary  
Assistant Secretary  
Assistant Secretary  
Assistant Secretary  
Assistant Treasurer  
Assistant Treasurer