

LEHMAN BROTHERS

DATE: May 1, 2008
TO: Members of the Board of Directors of Lehman Brothers Holdings Inc.
FROM: Madeline L. Shapiro, Assistant Secretary *MLA*
RE: **MAY 7, 2008 MEETING OF THE BOARD OF DIRECTORS**

Enclosed please find an Agenda for the May 7, 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 12:00 p.m. to 2:30 p.m. Lunch will be served. Please bring the enclosed materials with you.

Distribution:

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

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

**May 7, 2008
745 Seventh Avenue
31st Floor – Board Room
12:00 p.m. – 2:30 p.m.**

- 1) Approval of Minutes of Holdings' Board of Directors Meeting held on April 15, 2008. (Resolution and Minutes Attached) (Fuld)
- 2) Report of May 7, 2008 Finance and Risk Committee Meeting. (Kaufman)
- 3) Report of May 7, 2008 Audit Committee Meeting. (Cruikshank)
- 4) Financial Update. (Callan)
- 5) Presentation on Fixed Income Division. (Morton)
- 6) Legal Update. (Russo)
- 7) Country Risk Update. (Miscik)
- 8) Executive Session.

WORKING LUNCH

HOLDINGS

05/07/2008 BOARD MEETING

Item 1

Holdings
Board of Directors
05/07/08

RESOLVED, that the Minutes of the meeting of the Board of Directors held on April 15, 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.

EXHIBIT A

April 15, 2008 Equity Awards to Non-employee Directors

<u>Name</u>	<u>RSUs</u>	<u>Stock Options</u>
Ainslie, Michael	0	10,200
Akers, John	3,400	0
Berlind, Roger	3,400	0
Cruikshank, Thomas	3,400	0
Evans, Marsha Johnson	3,400	0
Gent, Sir Christopher	3,400	0
Grundhofer, Jerry	0	10,200
Hernandez, Roland	0	10,200
Kaufman, Henry	0	10,200
Macomber, John	<u>3,400</u>	<u>0</u>
Total	20,400	40,800

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.

**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

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

	Investment Management Division
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

B-2

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

Talking Points for Finance Committee Report to the Board

May 7, 2008

The Finance Committee met:

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

Balance sheet, Risk and Financing Update

The turmoil in the credit markets has subsided after the risk flare of mid-March and credit spreads have tightening considerably from the wides of March 14. However, short-term market environment remains challenging as risk aversion stays at an elevated level – as evidenced by the abnormally wide spread between Fed Funds and 3 month LIBOR (75 basis points versus a normal spread of 10-15 basis points).

The Firm's liquidity position has remained strong. Liquidity pool has remained in the low \$30 billion range and is projected to increase to \$40 billion by quarter end with the closing of a significant number of new facilities and structures, and asset sales.

The Firm has taken advantage of a more favorable environment in the long-term debt market by doing three benchmark issuances since the Committee last met:

- \$2.5 billion 10-year senior debt
- £0.5 billion (\$1.0 billion) 10-year senior debt
- \$2.0 billion 30-year subordinated debt

This eliminates the need to do more benchmark issuances for the rest of the year.

Repo activity has grown slightly since March 14. Counterparties have generally been more conservative in assets they are willing to fund.

Firm is meeting with the Federal Reserve and the S.E.C. on a regular basis, as regulators try to incorporate the lessons from the near demise of Bear Stearns into their framework.

The Firm is projecting a reduction in gross and net leverage from 32x to 25x and from 15x to 12x, respectively during the quarter.

Risk appetite usage this quarter has remained flat relative to Q1 despite position reductions due to higher market volatility. Average usage of \$3.7 billion is still well within the risk appetite limit of \$4.0 billion.

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LEHMAN BROTHERS

Fixed Income Division

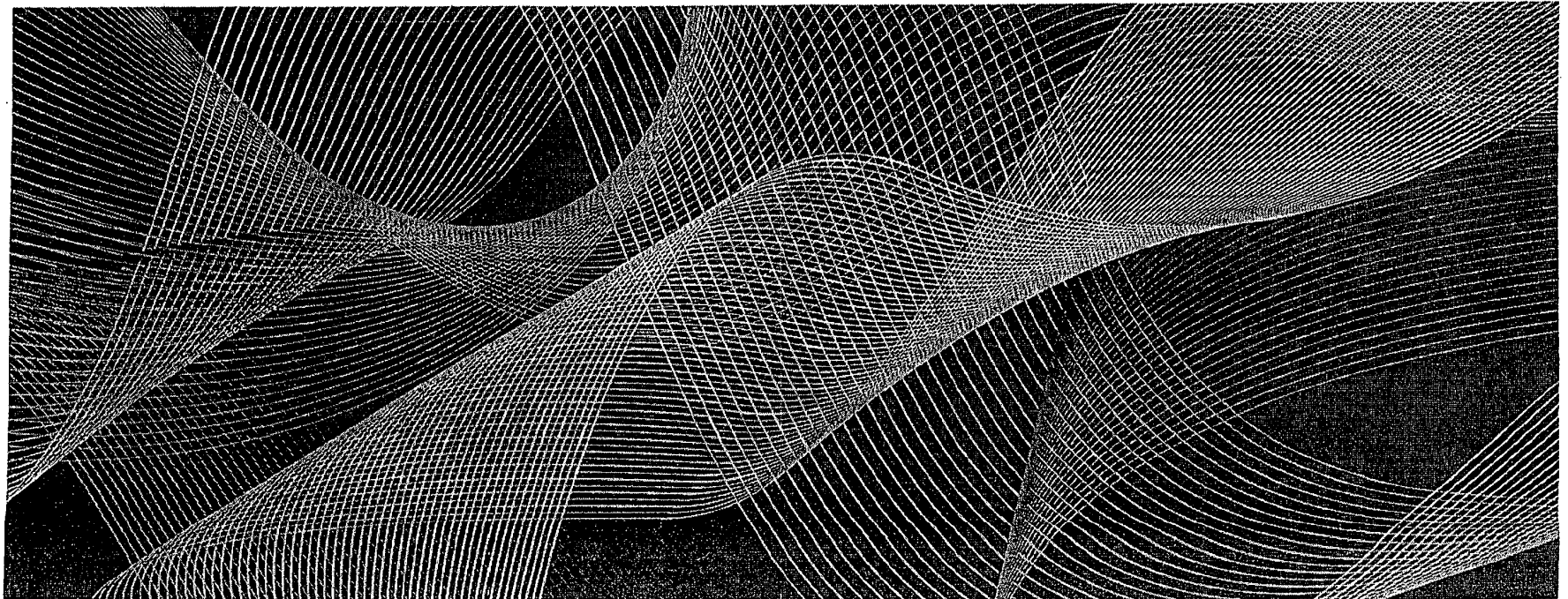
Global

May 7, 2008

Andrew Morton

Fixed Income Update

Andrew Morton



Confidential Presentation

CONFIDENTIAL

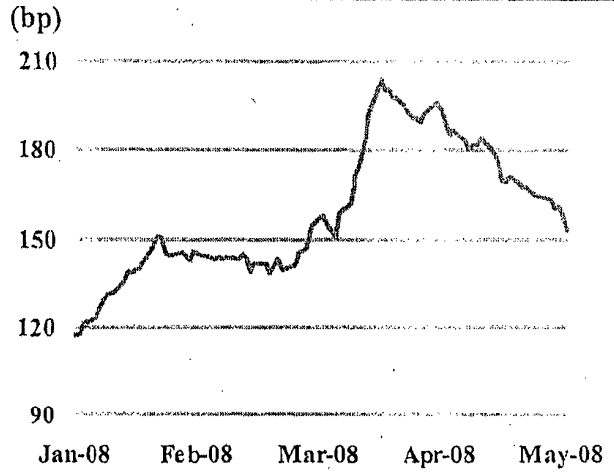
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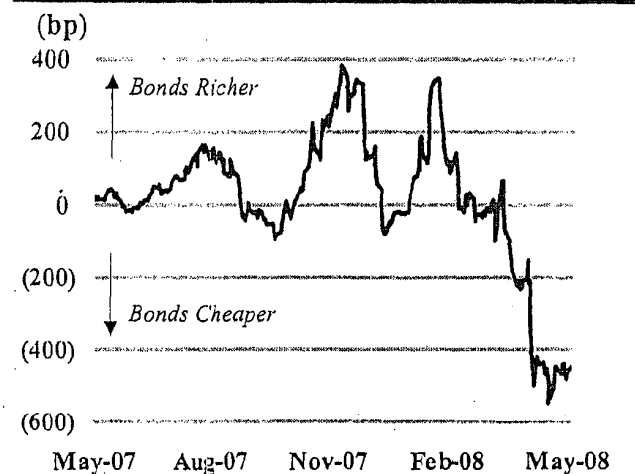
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Market Environment

US Credit Index Spreads Vs LIBOR



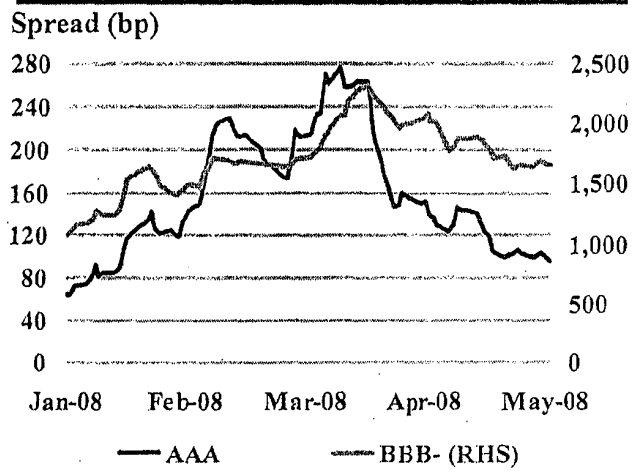
Basis between Derivatives & CMBS Bonds (BBB)



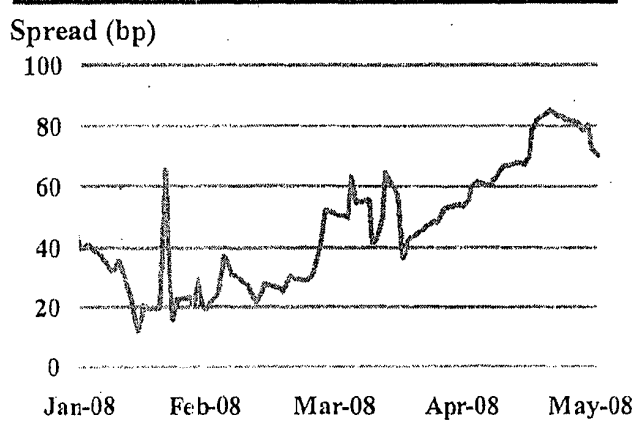
Highlights

- ◆ Most Securitization Markets Shut
- ◆ Securitization for Negative Value
- ◆ Peloton, Carlyle
- ◆ March Collapse of Relative Value Hedge Funds
- ◆ Derivative Markets Leading Cash Markets
- ◆ Financing Pressures – Two Tier Market

CMBX Derivative Index: AAA vs. BBB



1 Month LIBOR Less Overnight Index Swap



Source: Lehman Brothers.

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Regional and Product Revenues

Year-to-Date revenues through April 30, 2008

	Americas	Europe	Asia	Global	
					<u>Vs. Full Year 2007</u>
TOTAL	(\$115MM)	(\$598MM)	+\$349MM	(\$364MM)	
Rates & FX	\$833	(\$11)	\$166	+\$988	48%
Credit Products	\$945	\$69	\$139	+\$1,153	54%
Commodities	\$165	(\$6)	(\$6)	+\$153	57%
Prime Services	\$435	\$94	\$18	+\$547	67%
Securitized Products	(\$787)	(\$310)	\$29	(\$1,068)	N/A
Real Estate	(\$1,554)	(\$276)	\$81	(\$1,749)	-132%
Other	(\$152)	(\$157)	(\$77)	(\$386)	N/A

1. Other includes Municipals and FID Corp

Fixed Income Focus



Financial Resources

- ◆ Balance Sheet reduction
- ◆ Capital Charges, Return Hurdles



Client-Centered Revenues

- ◆ Clients will be the primary driver of revenues
- ◆ Exploit asset class expertise and Research
- ◆ Risk management of client activity challenging in this environment



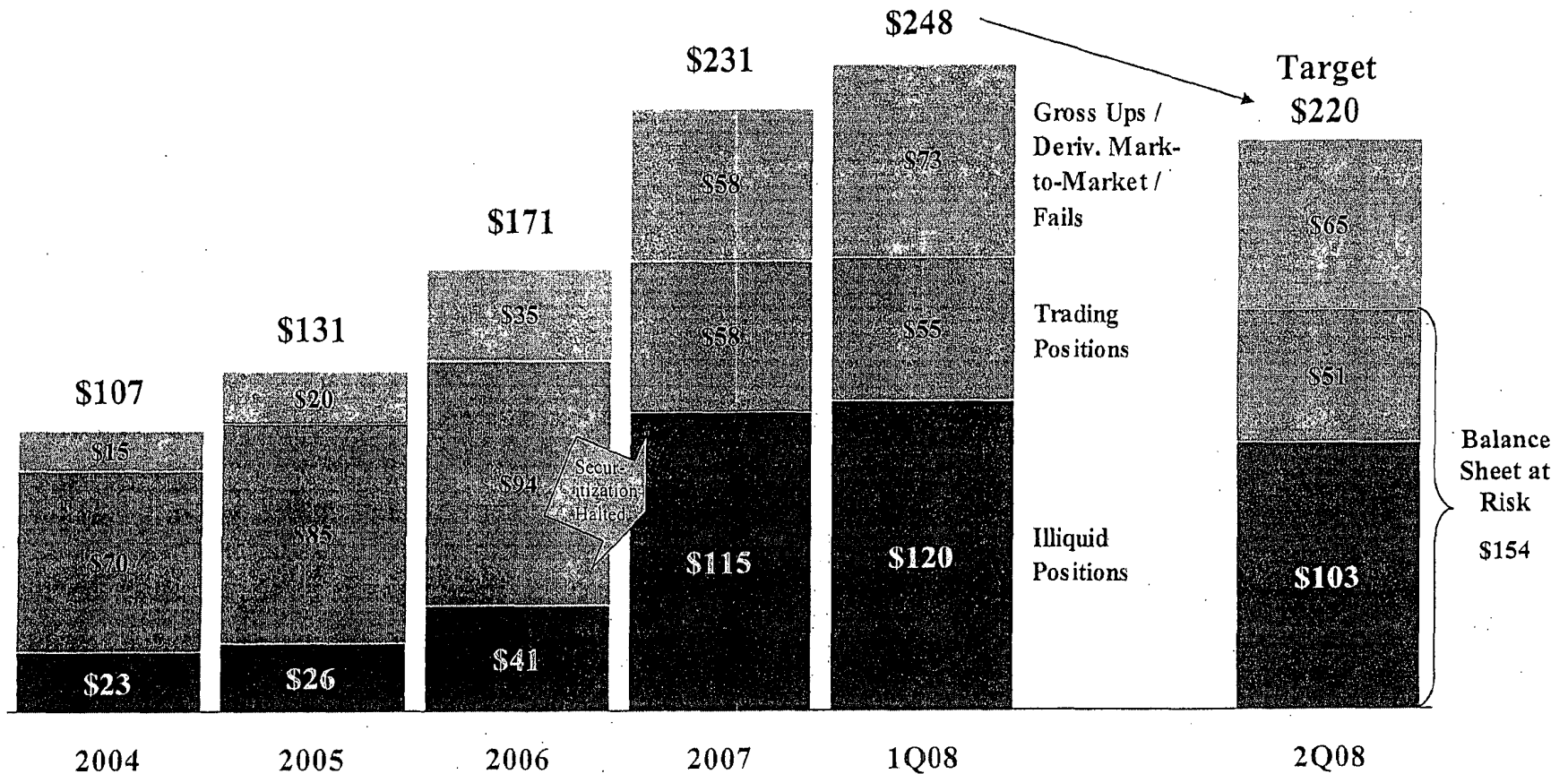
Re-examine Product Set

- ◆ Classify businesses according to prospects
 - Permanent decline
 - Cyclical decline
 - Core
 - Growth

Balance Sheet

Targets and incentives in place to reduce

Global Net Balance Sheet – Breakdown (\$BB)

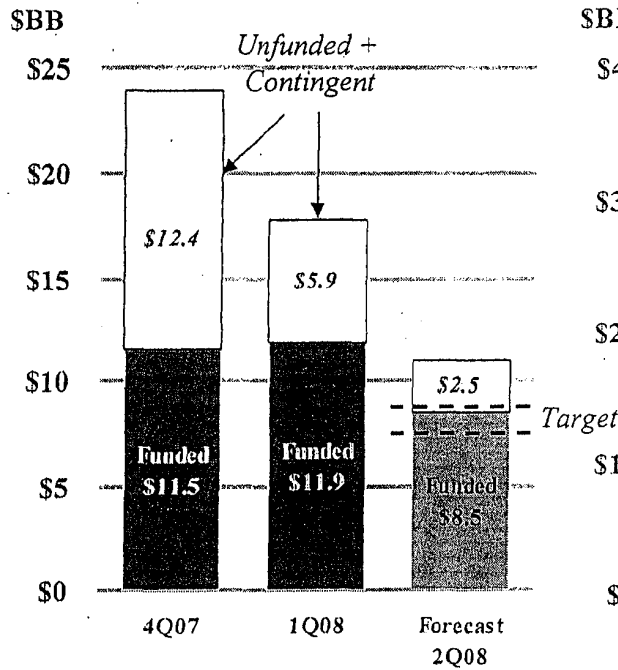


1. 1Q08 Balance Sheet Breakdown provided by Finance through Product Control interviews with Level 2 Managers. Estimates made by FID Strategy for 2004 – 2007 to classify assets as illiquid positions in each business Level 2. Gross Ups and Fails were provided for 2006 & 2007. Balance sheet totals are as of fiscal year end for each year
 2. Illiquid assets for 1Q'08 include HG Esoteric, Auction Rate Securities, DRD's, CDO Warehouse Commitments, HY distressed and Energy Fund, all Securitized Products (except Agencies), all Real Estate

Risk Reduction: Headline Positions

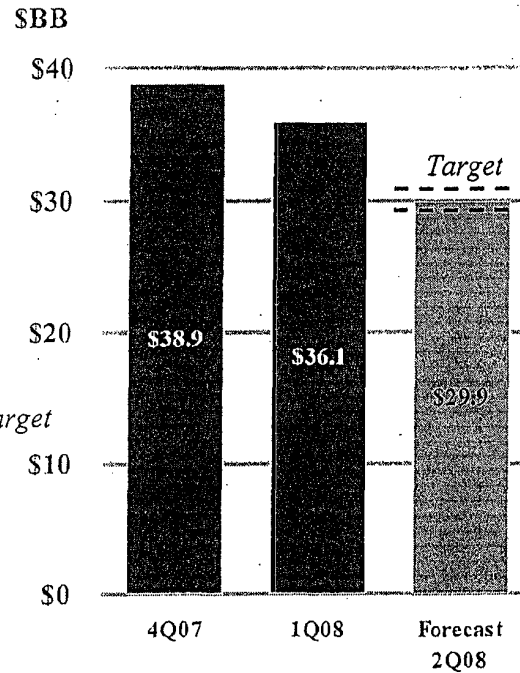
On track to reduce the Firm's key Risk positions

High Yield Acq Financing



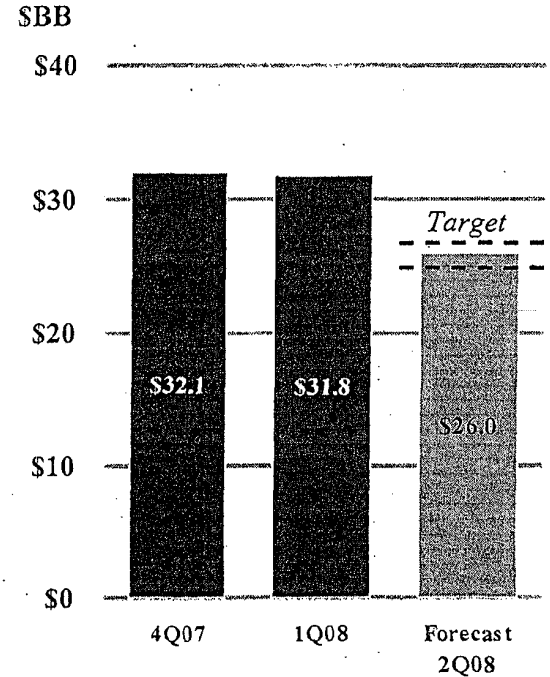
- ◆ Steady progress in US; Europe is still challenging
- ◆ Non-traditional buyers account for 73% of sales in 2008

Commercial Mortgages



- ◆ Includes whole loans & securities in ~ 70 : 30 proportion
- ◆ Non-traditional buyers account for 15% of sales in 2008

Residential Mortgages

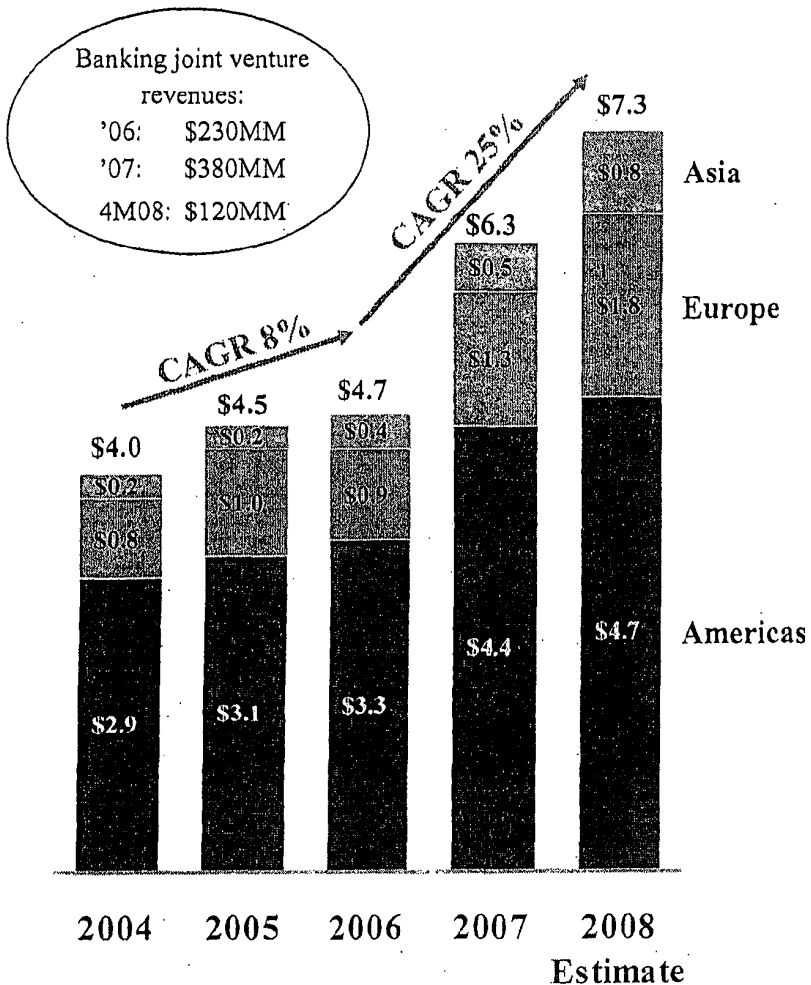


- ◆ Includes whole loans & securities in ~ 40 : 60 proportion
- ◆ Took on board \$4 BB of risk from Peloton

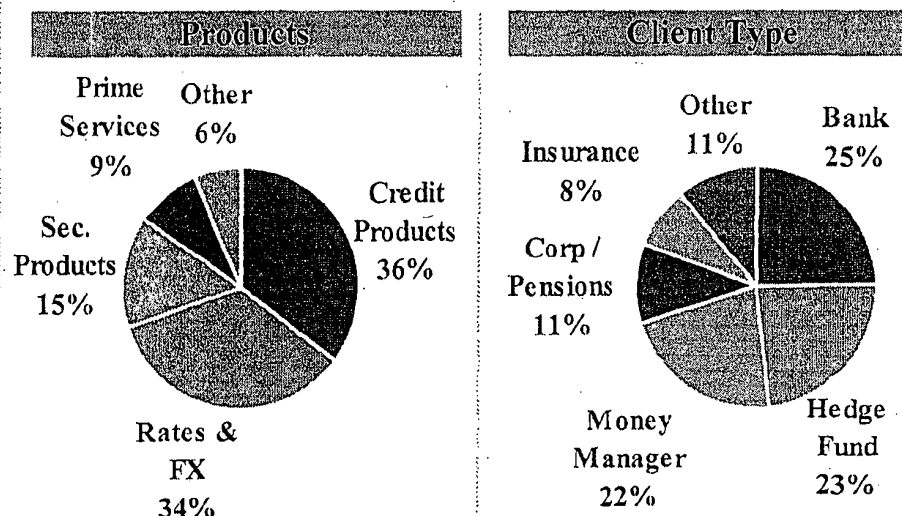
A Vibrant Client Franchise

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Global Sales Credits (\$BB)



2008 Global Sales Credits

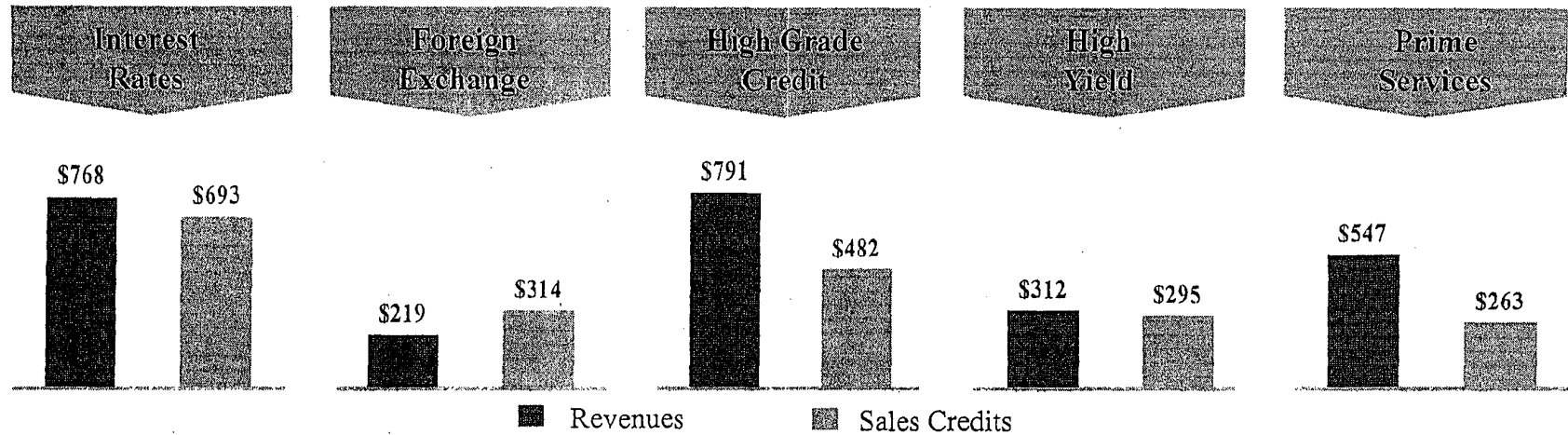


Highlights

- ◆ 5 Month 2008 Sales Credits are up 31% to 2007
- ◆ CDOs and Mortgages:
 - Distressed Client Restructuring Trades in Q1
 - Regulatory Capital trades
- ◆ High Yield: Down 14% due to reduced Primary activity
- ◆ Hedge Funds
 - Increase of 23% in market turmoil
 - Growth may be challenged by new margin requirements

Franchise Sales & Trading

Year-to-Date revenues through April 30, 2008 (\$MM)



- ◆ Record US revenue:
 - Increased volatility
 - Client activity
 - Mkt displacements
- ◆ Globally no single big client tickets this year
- ◆ Europe weakness:
 - Wrong positioning
 - Limited structured rates distribution
- ◆ Share Growth:
 - Euromoney #8 in 2008 up 20 spots since 2001
- ◆ FXLive:
 - \$26BB Per Day
 - Annualized '08 Revenues \$70MM
- ◆ Options trading
- ◆ Year to date revenues exceed record 2007
- ◆ Taking Market Share from Sideline Competitors
- ◆ Hybrid Capital Origination: League Table #4 up from #8
- ◆ Lower leveraged loan balance than our competitors in Q1:
 - LEH \$17BB
 - GS \$27BB
 - Citi \$43BB
- ◆ #1 Market Share for Flow trading
- ◆ Primary market shut
- ◆ Successfully Managed Volatility
- ◆ Counterparty Credit Terms Are Improving
- ◆ International Profitability Up ~50% From 2007

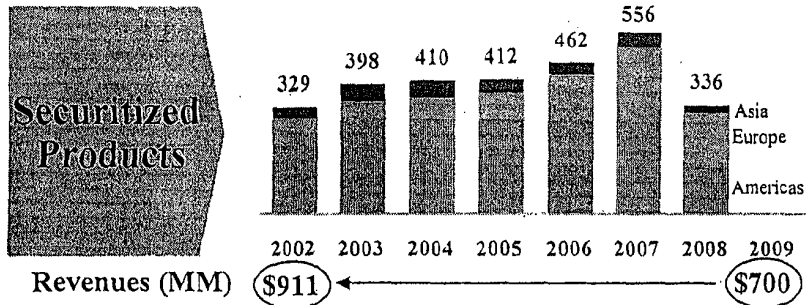
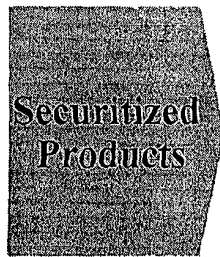
◆ Client Focus => Informed Risk Taking, Higher Volumes, Wider Bid/Ask Spreads
 ◆ Increased Volumes Raise Technology, Control, Electronic Connectivity Issues

Transition Businesses

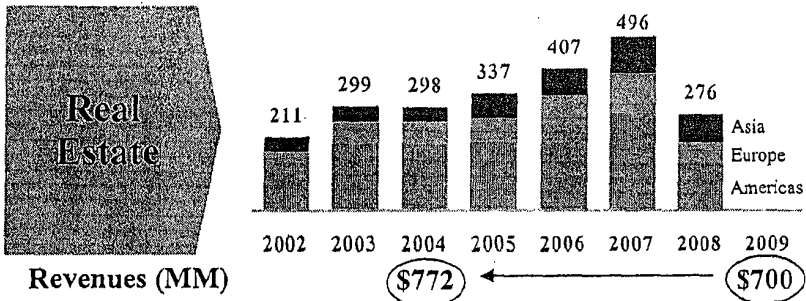
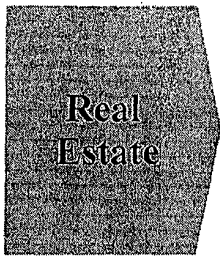
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Headcount

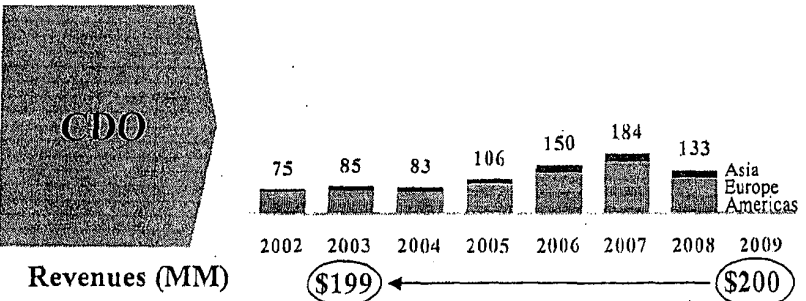
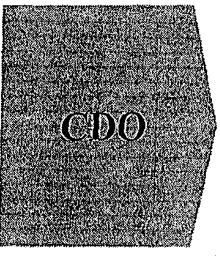
Opportunities/Strategy



- ◆ Exploit asset class expertise and client penetration
- ◆ Distressed asset opportunities. #1 ABX market share
- ◆ Comprehensive risk framework in place
- ◆ Banks are returning to CMO product
- ◆ UK: Non-conforming market will be very challenged



- ◆ Balance sheet and risk reduction current focus
- ◆ Connectivity with capital markets clients
- ◆ Asset class is not disappearing
- ◆ When to restart Conduit lending?



- ◆ Steered clear of ABS CDO meltdown (-\$150MM in '07&'08)
- ◆ Q1 restructuring for distressed clients
- ◆ Complex correlation book to be risk managed
- ◆ Move team members to other asset classes
- ◆ Exiting Cash CDO origination

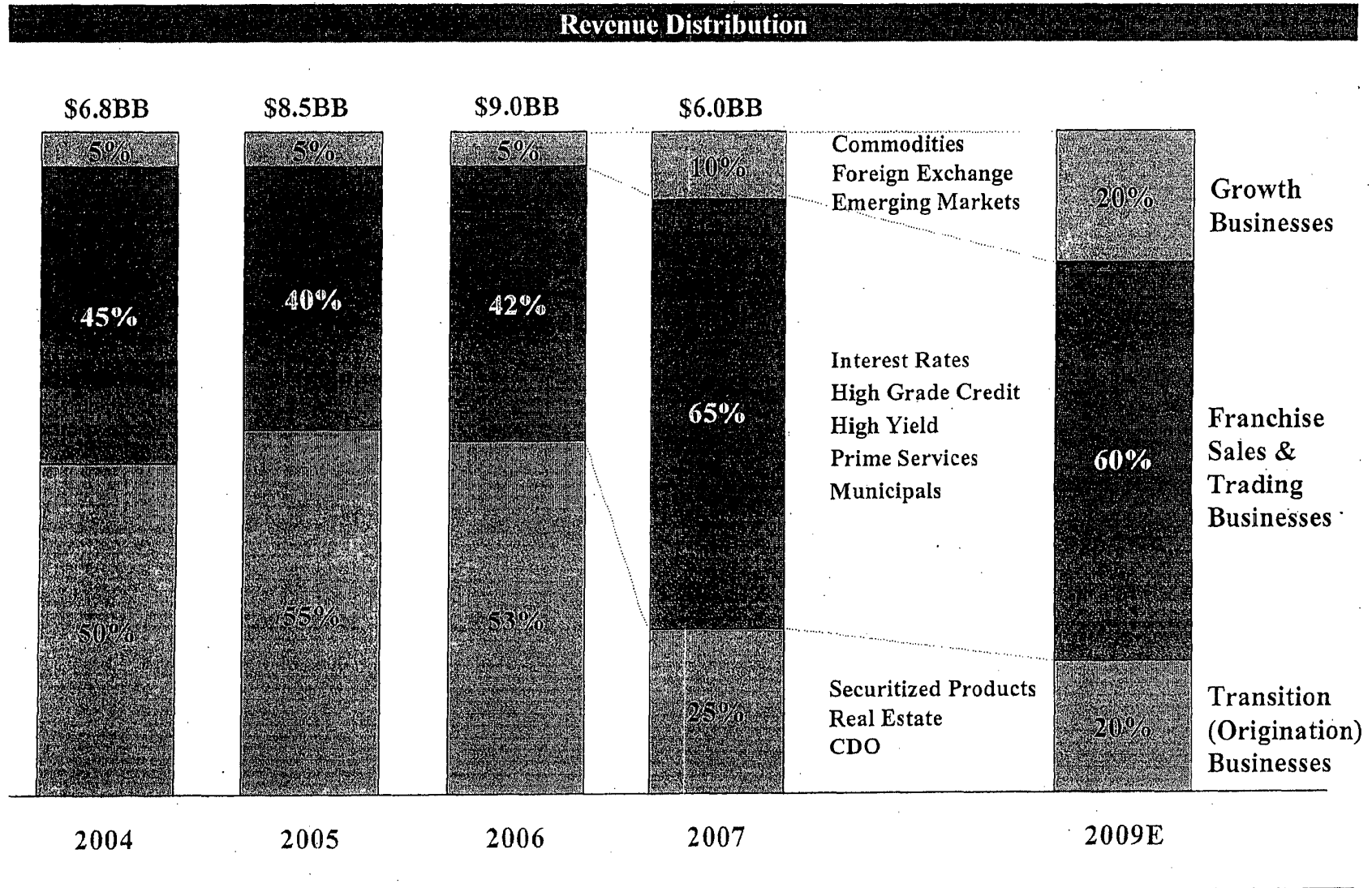
Headcount excludes India

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Growth Opportunities

	Opportunities/Strategy	Incremental Revenue Potential
Emerging Markets	<ul style="list-style-type: none"> ◆ Bring product expertise (e.g. Securitization, structured credit, swaps) to EM clients ◆ LATAM: Brazil office opened, staff expansion and banking license next ◆ EEMEA: FX and Structured Products capabilities 	\$200MM
Asia	<ul style="list-style-type: none"> ◆ Local markets trading capability (e.g. FX & Rates out of Singapore into SE Asia) ◆ Corporate Sales - FX hedging for import/export and other structured products ◆ Exotics: replace departing senior traders 	\$250MM
Commodities	<ul style="list-style-type: none"> ◆ Biggest Opportunity: N.A. Power & Gas – Hired 2 top transformers from MS ◆ Oil and Refined Products more challenging ◆ Lehman: 300 clients, Barclays: 1,500 clients 	\$300MM
Other	<ul style="list-style-type: none"> ◆ Targeted hires: FX, Structured Rates Distribution in EU, Solutions in US ◆ Insurance: Stand-alone business, unrelated risks with new clients ◆ Charge clients for POINT Portfolio Analytics tool 	\$250MM
Total:		\$1,000MM

...Rapid Realignment Creates a New Mix for 2009



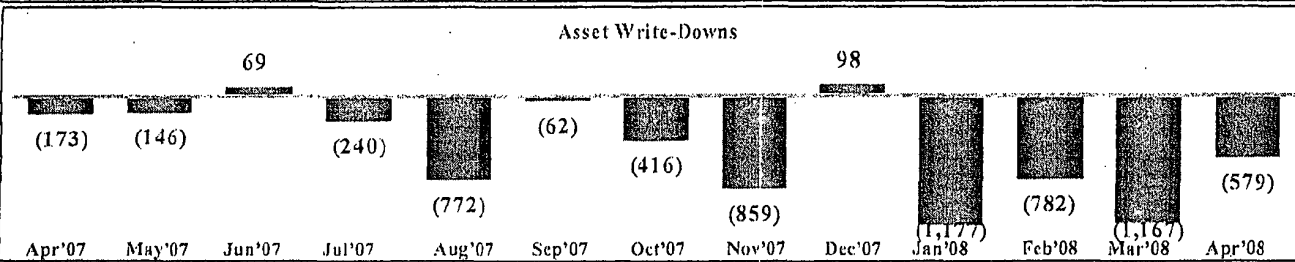
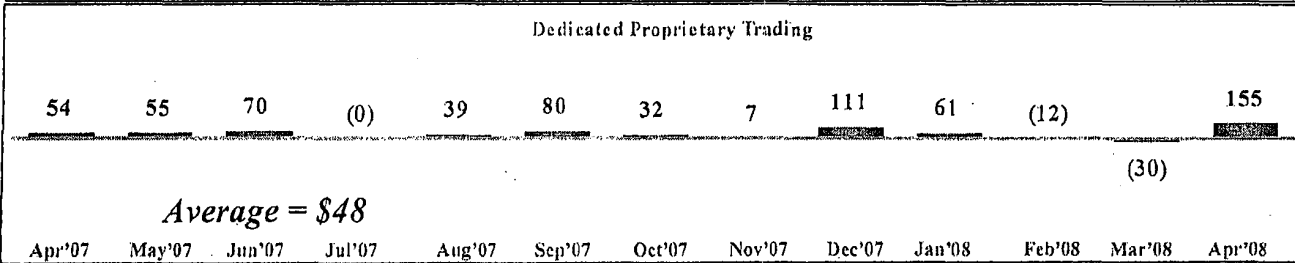
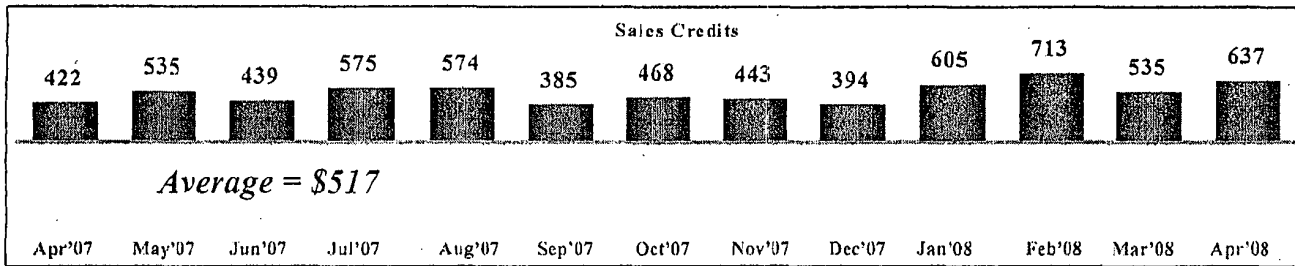
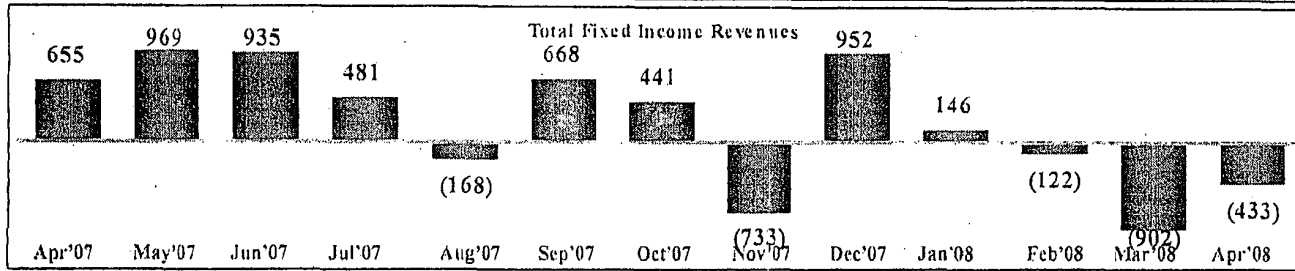
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Appendices

Fixed Income Revenue Drivers



Revenue Drivers

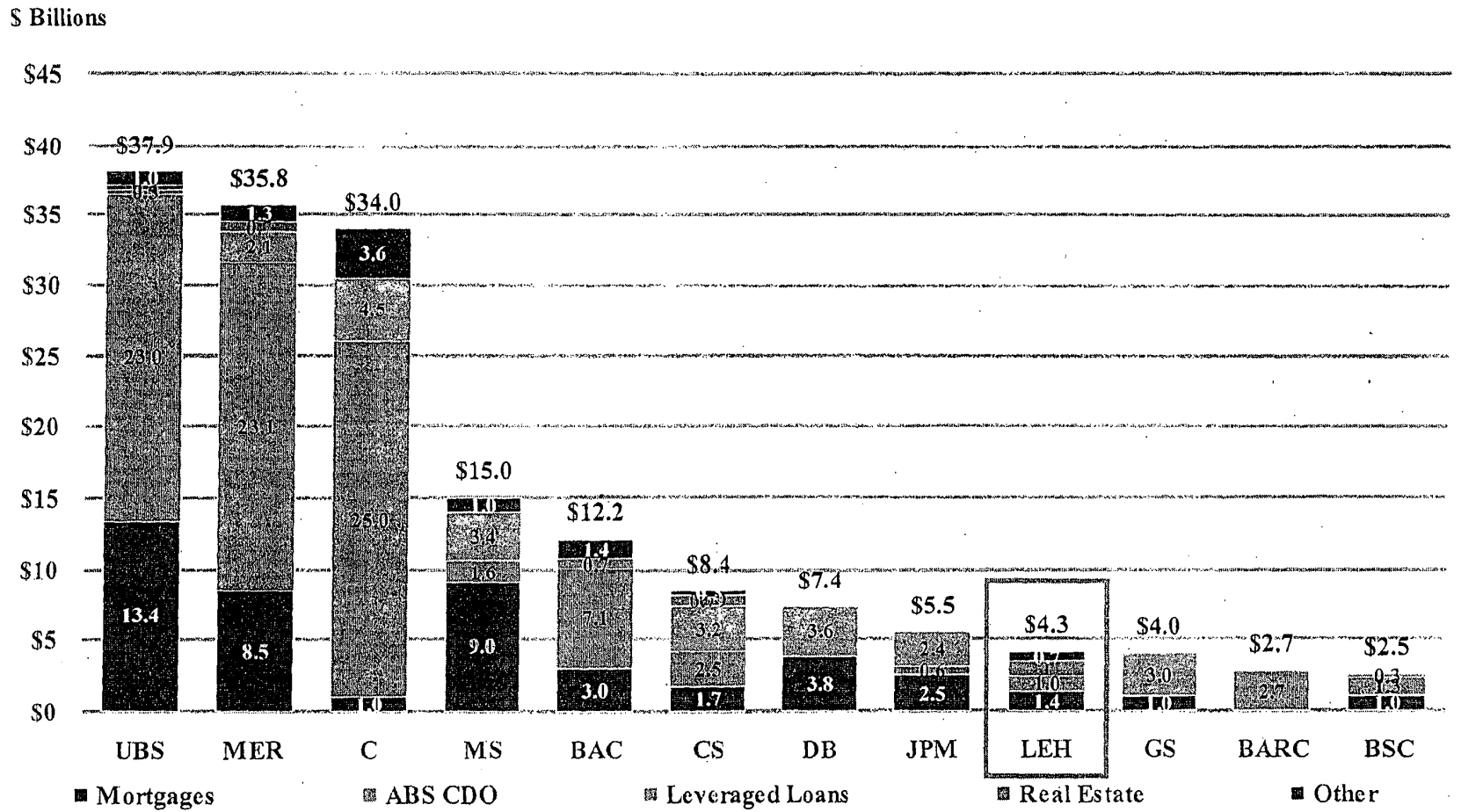
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Total Fixed Income Write-Downs/Losses

Total Fixed Income Reported Write-Downs/Losses (2007 through 1Q08)



Headcount Reductions Since 12/1/07

		May Proforma Headcount Change Since 12/1/07	Americas	Europe	Asia
Transition Businesses	Securitized Products	-38%	-44%	-27%	-52%
	Real Estate	-34%	-41%	-38%	-18%
	CDOs	-26%	-40%	-25%	0%
Franchise Sales & Trading Businesses	Rates	-3%	-5%	-10%	+18%
	High Grade	-10%	-10%	-13%	-3%
	High Yield	-5%	-7%	-11%	+2%
	Municipals	-7%	-7%	NA	NA
Growth Businesses	Credit EM	-7%	-6%	-10%	NA
	FX	0%	0%	-1%	+4%
	Commodities	+5%	-1%	+21%	+67%
Total Fixed Income		-14%	-18%	-15%	-3%

Balance Sheet By Product

(\$BB)

Financials	2007		1Q08		2Q08 Target	
	Net	Gross	Net	Gross	Net	Gross
Net Balance Sheet	238	315	248	367	220	320
<i>Interest Rates</i>	47	115	52	154	41	105
<i>Foreign Exchange</i>	5	5	6	6	6	7
<i>Commodities</i>	2	2	4	4	4	4
<i>High Grade Credit</i>	10	14	11	15	12	16
<i>High Yield</i>	14	15	15	16	14	15
<i>CDO</i>	10	10	11	11	8	10
<i>Securitized Products</i>	63	66	62	65	57	65
<i>Real Estate</i>	64	65	65	67	58	61
<i>Municipals</i>	7	7	10	10	8	8
<i>FID Corp</i>	9	16	13	19	11	31

I. FID Corp includes IBD Loans and FID Corp Loans

Asset Disposition: Non-Traditional Buyers

Significant Non-Traditional Buyers in 2008

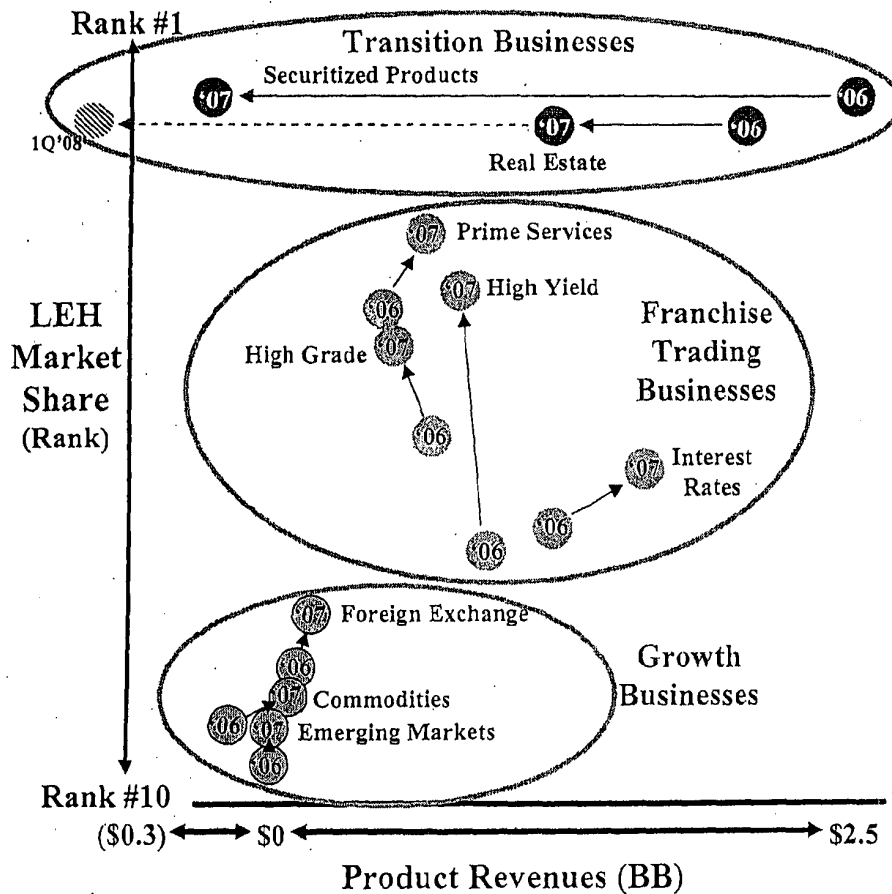
Acquisition Finance Loans	Real Estate	Residential Mortgages
<p>\$1,420 MM { <u>Opportunity Funds</u> Guggenheim Oaktree Starfire Holdings Blackrock Sankaty</p>	<p>\$648 MM { <u>Insurance Companies</u> PRISA (Prudential) ULLICO</p>	<p>\$810 MM { <u>Hedge Funds</u> Baupost Group</p>
<p>\$1,140 MM { <u>Private Equity</u> Apollo Advisors Centerbridge Credit Opportunity Assoc.</p>	<p>\$209 MM { <u>Equity Funds</u> <u>Redeployed into Debt</u> Savannah Shorenstein</p>	<p>\$519 MM { <u>Fortress Investment Group</u></p>
<p>\$880 MM { <u>Pension Funds</u> Caisse de Depot Quebec ABP Investments</p>	<p>\$211 MM { <u>Hedge Fund Vehicle</u> Drawbridge (Fortress)</p>	<p>\$302 MM { <u>Canyon Capital Advisors</u></p>
<p>\$390 MM { <u>Hedge Funds</u> Duquesne Capital Mgmt Glenview Canyon Capital</p>		<p>\$76 MM { <u>Elliott Associates</u></p>
<p>\$100 MM { <u>Mutual Funds</u> Franklin Mutual Shares</p>		<p>\$64 MM { <u>D.E. Shaw</u></p>
		<p>\$51 MM { <u>Camulos Capital</u></p>
		<p>\$37 MM { <u>King Stress Capital</u></p>

2008: Scaling the Commodities Business

	Current Products	Year End 2008	Staffing		Revenues		
			2007	2008	2007	2008B	
Natural Gas & Power	<ul style="list-style-type: none"> ◆ Fixed Price & Index Swaps ◆ Natural Gas Storage ◆ Options 	<ul style="list-style-type: none"> + All regions in North America and Europe + Liquid Natural Gas + Structured Products Build-Out + Carbon Trading 	MD	3	3	\$198MM	\$230MM
			SVP	15	15		
			VPs	34	36		
			Other	76	79		
			Total	128	133		
Oil & Refined Products	<ul style="list-style-type: none"> ◆ Crude Oil (Financial) ◆ Crude Derivatives 	<ul style="list-style-type: none"> + Refined Products Build-Out + Physical Crude Build-Out 	MD	1	2	\$8MM	\$65MM
			SVP	7	8		
			VPs	2	7		
			Other	17	18		
			Total	27	35		
Global Investors Products	<ul style="list-style-type: none"> ◆ Precious Metals ◆ Correlation Products ◆ Global Investor Products 	<ul style="list-style-type: none"> + Base and Precious Metals + Agricultural/Biofuels Products + Complex Exotics 	MD	1	2	\$66MM	\$65MM
			SVP	1	4		
			VPs	5	6		
			Other	10	10		
			Total	17	22		
Other	<ul style="list-style-type: none"> ◆ Sales – General ◆ Research ◆ Admin 		MD	6	4		
			SVP	11	12		
			VPs	14	18		
			Other	51	43		
			Total	82	77		
Totals				254	267	\$272MM	\$360MM

Competitive Environment

2006 to 2007 Market Share (Rank) Vs Product Revenues



2007 Market Revenue Pools & Competitors

Market Pool	#1	#2	#3	LEH	
Commodities	GS	MS	BARC	8-9	
Rates	GS	DB	JPM	4-5	
Foreign Exchange	C	DB	GS	8	
Emerging Markets	C	DB	JPM	9	
Real Estate	LEH	MS	GS	1	
FID/Prime Services	GS	LEH	JPM	2	
High Yield	CS	JPM	LEH	3	
High Grade	C	JPM	GS	4	
Securitized Products	N/A	LEH	CS	DB	1

1. Market Sizing estimates and competitor benchmarking are performed using market volume and share data along with input from business heads. Ranking estimates are directionally accurate and are meant to depict LEH growth in the product areas. All revenues include Primary and Secondary Fixed Income revenues as well as revenues reported by Investment Banking.
 2. Commodities revenue pool includes energy trading companies and investment banks, but excludes energy trading companies from the rankings. Foreign Exchange rankings include Commercial Banks as competitors but exclude the contributions of FX revenues from retail branches. Securitized Products competitor rankings take into consideration all mortgage related write-downs.

LEHMAN BROTHERS

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

May 1, 2008

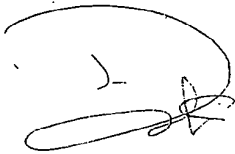
Dear Directors:

Enclosed are the materials for the Lehman Brothers Board meeting on Wednesday, May 7. The estimated financial results for the month of April 2008 will be discussed at the meeting.

At this meeting, Andy Morton, Global Head of Fixed Income, will update us on the Division's first three months under his leadership.

I look forward to seeing you on Wednesday.

Sincerely,



RSF:aj
Enclosures

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

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LB 011103

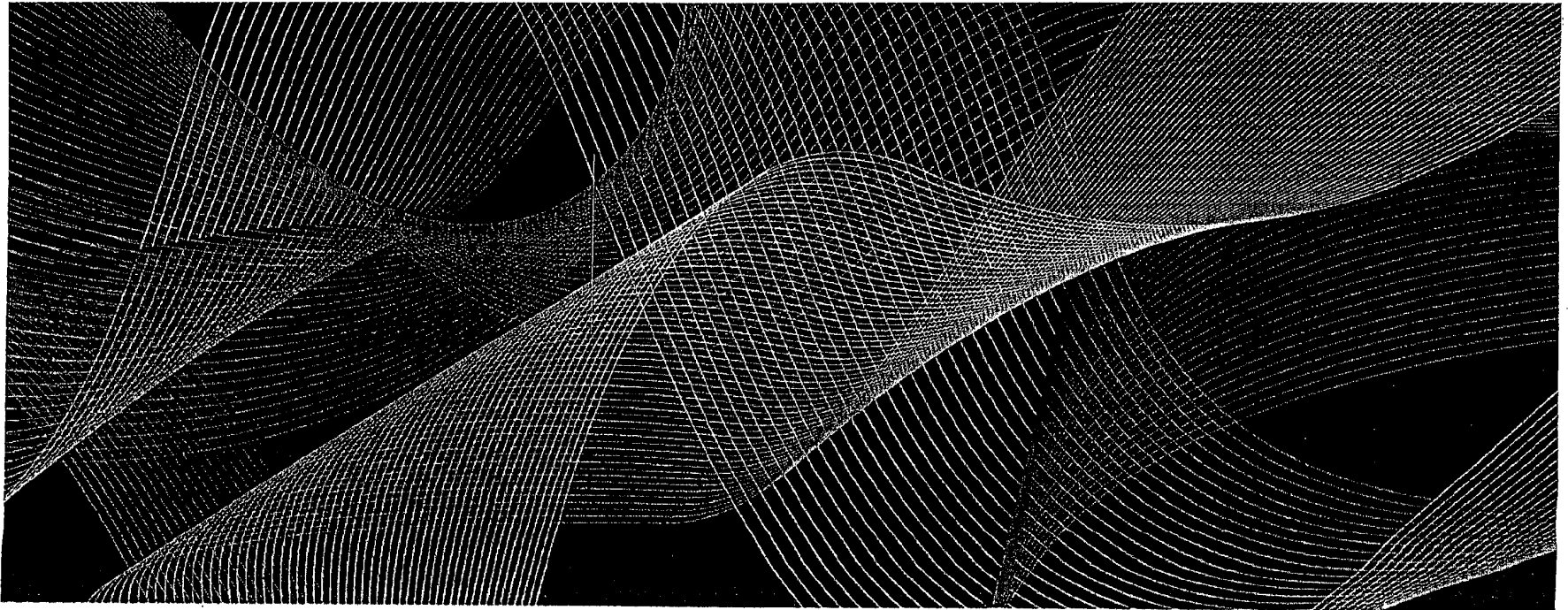
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BY LEHMAN BROTHERS HOLDINGS INC.

LBHI_SEC07940_028013

May 7, 2008

LEHMAN BROTHERS

Lehman Brothers Board of Directors Estimated April 2008 Financial Information



Confidential Presentation

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Table of Contents

◆ Executive Summary	1
◆ Estimated April 2008 Financial Results	2
◆ Components of Estimated Q2 TD Results	3
◆ Capital Markets	4
◆ Investment Banking	5
◆ Investment Management / Principal Investments / Regional	6
◆ Balance Sheet, Capital and Risk	7
◆ Update on Financial Strength of the Firm	8
◆ Competitor Information	9
◆ Monthly Financial Performance Trend	10
◆ Quarterly and Annual Financial Performance Trend	11

LEHMAN BROTHERS

Executive Summary

Market Environment

- ◆ The equity markets improved slightly during the month but trading volume declined. Global equity markets increased 6% during the month, with both the U.S. and Europe markets up by 5%. Asia was up 10%, led by the Hang Seng and Nikkei indices, which increased 13% and 11%, respectively.
- ◆ The FOMC cut the Fed funds rate by another 25 basis points to 2.0%, and indicated a pause to future rate cuts.
- ◆ Fixed Income credit spreads mostly tightened in April. The Lehman Global High Yield Index tightened 103 bps and the Global Investment Grade Index tightened by 33 bps. The mortgage related indices were mixed in the month: the AAA ABX indices all tightened while the BBB ABX indices all widened. The AAA CMBX tightened by 46 bps.
- ◆ Treasury yields increased and the yield curve flattened during the month. The yield on the 2 year Treasury note increased by 67 bps, and the yield on the 10 year note increased by 32 bps.

Estimated Revenues / Expenses

- ◆ Estimated monthly net revenues of \$(1,200) million, led by trading losses in Fixed Income, and losses on both structured note liabilities and credit valuation adjustments on the derivatives books, as Lehman's credit spread tightened during the month.
 - Fixed Income Division recorded a loss of \$(435) million, driven by unprofitable trading strategies in Interest Rate and Credit Products, and continued valuation adjustments in Securitized Products, Real Estate and Acquisition Facilities.
 - Equities Division revenues of \$535 million were ahead of average month '08 level, driven by improvement in Execution Services.
 - Banking Division reported revenues of \$195 million, a substantial improvement versus average month '08 level, driven by increased activity in Equity Origination, but still trailed '07 level by 38%.
 - Investment Management Division revenues of \$205 million, with stable performance from Private Investment Management and Asset Management. Results included a \$40 million loss from buying out SIV paper from money funds.
 - Principal Investments reported a gain of \$10 million, driven by gains in Global Trading Strategies partially offset by losses in Global Principal Strategies and our investment in GLG.
 - Included in the month's results was a loss of \$(739) million on our structured note liabilities, as Lehman's credit spread (5 year) tightened by approximately 60 bps in the month; as well as a loss of \$(480) million related to credit valuation adjustments on the derivatives books as Lehman's credit spread outperformed our counterparties' average credit spreads.
- ◆ Non-U.S. regions reported a loss of \$(355) million, primarily in Europe due to unprofitable trading strategies in Interest Rate Products and losses on our investment in GLG.
- ◆ Personnel expenses for April were at \$558 million, consistent with March 2008.
- ◆ Non-personnel expenses of \$345 million were slightly below the average month '08 level.

Net Loss / EPS

- ◆ Net loss of \$(1.5) billion and EPS of \$(2.75) are estimated for April.

Estimated April 2008 Financial Results

<i>\$ millions, except per share data</i>	Monthly Performance			Quarterly Performance		Year to Date Performance		
	Estimated							
	April 2008	March 2008	% Δ	Q2 QTD 2008	Q1 2008	2008	2007	% Δ
Segment Revenues								
Investment Banking	275	203	36%	478	867	1,344	1,541	(13)%
Capital Markets	(1,745)	(545)	n/m	(2,291)	1,672	(619)	5,694	(111)%
Investment Management	270	269	0%	539	968	1,507	1,189	27%
Total Revenues	(1,200)	(74)	n/m	(1,274)	3,507	2,233	8,425	(73)%
Expenses								
Personnel	558	558	(0)%	1,117	1,841	2,958	4,153	(29)%
Non Personnel	345	332	4%	678	1,003	1,680	1,473	14%
Pre Tax Income	(2,104)	(964)	(118)%	(3,068)	663	(2,405)	2,799	n/m
Income Taxes	(568)	(256)	n/m	(824)	174	(649)	905	n/m
Net Income	(1,536)	(708)	(117)%	(2,244)	489	(1,756)	1,894	n/m
Preferred Dividends	39	18	118%	57	24	81	28	n/m
Net Income to Common	(1,575)	(726)	(117)%	(2,302)	465	(1,836)	1,866	n/m

Additional Data

Earnings per Common Share	-\$2.75	-\$1.28	n/m	-\$4.03	\$0.81	-\$3.22	\$3.26	n/m
EPS Share Count	572.4	568.7	1%	570.6	572.8	572.1	569.8	0%
Return on Common Equity	n/m	n/m	n/m	n/m	8.6%	n/m	23.8%	n/m
Pre Tax Margin	n/m	n/m	n/m	n/m	18.9%	n/m	33.2%	n/m
Compensation / Revenue	n/m	n/m	n/m	n/m	52.5%	n/m	49.3%	n/m
Effective Tax Rate	27.0%	26.5%	+0.5pp	26.9%	26.3%	27.0%	32.3%	-5.3pp

Divisional Revenues

Fixed Income	(435)	(904)	52%	(1,339)	979	(360)	3,431	(110)%
Equities	535	164	n/m	699	1,416	2,115	2,434	(13)%
Banking	195	(411)	n/m	(216)	119	(97)	1,680	(106)%
Investment Management	205	(180)	n/m	26	303	328	1,168	(72)%
Principal Investments	10	(284)	103%	(275)	155	(120)	701	(117)%
Banking & PIM Elimination	(187)	111	n/m	(76)	(285)	(362)	(1,125)	n/m
Credit Valuation Adjustment	(480)	399	n/m	(81)	192	111	25	n/m
Debt Valuation	(739)	958	n/m	219	617	835	-	n/m
Other Corporate	(304)	73	n/m	(231)	12	(219)	112	n/m
Total Revenues	(1,200)	(74)	n/m	(1,274)	3,507	2,233	8,425	(73)%

Regional Revenues

Americas (Excluding CVA and Debt Valuation)	374	(1,028)	n/m	(655)	934	280	5,162	(95)%
Europe	(375)	(320)	(17)%	(695)	477	(218)	2,258	(110)%
Asia	20	(83)	n/m	(63)	1,287	1,225	979	25%

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Components of Estimated Q2 TD Results

- ◆ On a quarter-to-date basis, client revenues remained relatively stable compared to Q1 '08 levels, however several trading positions negatively affected overall run rate revenues.
- ◆ Lower trading revenues within Fixed Income were mainly driven by losses from long Interest Rate positions in Europe and short positions across Credit Products.
- ◆ Results in Fixed Income and Investment Banking were also negatively impacted by continued mark-to-market adjustments in Securitized Products, Real Estate and Acquisition Facilities.
- ◆ Investment Management incurred losses resulting from providing support to several funds.

\$ millions Q2 '08 To-Date (March & April)	Run Rate Revenues	MTM Adjustments	Q2 '08 TD Net Revenues
Fixed Income	546	(1,885)	(1,339)
Equities	759	(61)	699
Investment Banking	746	(962)	(216)
Investment Management	484	(458)	26
Principal Investments		(275)	(275)
Credit Valuation Adjustments		(81)	(81)
Debt Valuation		219	219
Other Corporate	(120)	(111)	(231)
Banking & PIM Eliminations	(557)	481	(76)
Q2 '08 To-Date (March & April)	1,859	(3,133)	(1,274)
Q1 '08 Actual	5,320	(1,813)	3,507
Q1 '08 Pro Rated for 2 months	3,546	(1,209)	2,338
<i>Variance vs. Q2 '08 TD</i>	<i>(1,688)</i>	<i>(1,924)</i>	<i>(3,612)</i>
<i>% Variance</i>	<i>-48%</i>	<i>-159%</i>	<i>-154%</i>
March '08	778	(852)	(74)
Estimated April '08	1,081	(2,281)	(1,200)

Capital Markets

Fixed Income

- ◆ Revenues of \$(435) million were driven by unprofitable market positioning at the front end of the Global Rates market where we were long and the Libor confidence issue caused rates to increase dramatically.
- ◆ In addition, we were short the credit markets in general, to some degree as a macro hedge on our less liquid long inventory, as well as a general fundamental short credit bias.
- ◆ The month's results were also negatively impacted by, albeit to a lesser extent, valuation adjustments in Securitized Products, Real Estate and Acquisition Facilities.
- ◆ Hedging efficiency continued to be negatively impacted by basis between cash and derivatives markets – spread tightening on derivative indices (hedges) not yet reflected in cash prices (inventory).
- ◆ Client activity remained strong, and was in line with average month '08 level, with strength in High Yield and Commodities.

Fixed Income Market Conditions

- ◆ Yields on the U.S., U.K., Euro, and Japan 10 year notes all increased during the month as the bond markets sold off.
- ◆ U.S. Treasury yields increased across the curve.
- ◆ Global investment grade spreads tightened by 33 bps and high yield spreads tightened by 103 bps.
- ◆ Brent Crude oil prices were up 10% in April to \$110.61, after hitting an intra-day high of \$119.90 on 4/28.
- ◆ The Dollar depreciated slightly against the British Pound (\$1.98/£ to \$1.99/£), but appreciated against the Japanese Yen (¥99.7/\$ to ¥103.9/\$) and the Euro (\$1.58/€ to \$1.56/€).

Equities

- ◆ Revenues of \$535 million were ahead of average month '08.
- ◆ Execution Services revenues were higher versus both benchmark periods, led by increases in Americas.
- ◆ Prime Services revenues remained solid, with strong performance out of Europe primarily in Structured Arbitrage trading, partially offset by lower performance out of Americas.
- ◆ Included in the month's results were \$60 million of revenues related to the Lehman convertible issuance (offset in Corporate).
- ◆ Volatility recorded a loss for the month, driven by a weak performance in structured trading strategies across Europe and Asia.
- ◆ Client activity declined 12% versus the average month '08 level, most notably in Execution Services and Volatility.

Equity Market Conditions

- ◆ Global equity markets increased 6% during the month, amid increases across most indices.
 - Asia markets increased 10% as the Hang Seng and Nikkei increased by 13% and 11%, respectively. Both Europe and U.S. markets increased 5% in the month.
 - Global average trading volumes were down 15% versus the averages in Q1 '08 and were down 9% versus the averages in 2007.
- ◆ The VIX index, which measures U.S. market volatility, decreased from 25.6% to 20.8%.

Investment Banking

Revenue Summary

- ◆ Revenues of \$195 million were a significant improvement versus prior month and average month '08 results, driven by increased activity in Equity Origination.
- ◆ Equity Origination revenues were substantially higher, driven by Washington Mutual's \$7.2 billion capital raise, and our \$4 billion convertible issuance (fees being offset in Corporate).
- ◆ Advisory revenues were lower than the benchmark periods, as the decrease in announced transactions since Q3 '07 has impacted completed activity.
- ◆ Fee pipeline of \$650 million was down 14% versus March, as transactions in Equity Origination were completed, in addition to deals falling off the pipeline due to market conditions.

Market Environment

- ◆ Announced M&A volume decreased 15% versus the prior month, and is down 33% on an annualized calendar year basis.
- ◆ Completed M&A volume is down 34% versus the prior month, and is down 31% on an annualized calendar year basis.
- ◆ Equity Origination volume has increased 8% over the past month, due mostly to Convertibles (LEH convertible issuance). However, on an annualized calendar year basis, Equity Origination has declined 40%, as IPOs, Follow-Ons, and Convertibles all experienced declines.
- ◆ Fixed Income Origination is 55% higher than the prior month, but has declined 21% on an annualized calendar year basis, driven by continued weaknesses in high yield, asset and mortgage backed issuances.

Significant Deals in Pipeline

	Value \$Bn	Description	Gross Fees (Estimated)
Advisory:			
Tele Atlas N.V.	\$3.7	• Sale to Tom Tom N.V.	\$20mm
CME Group Inc	11.1	• Offer to acquire NYMEX Holdings, Inc	18mm
Staples Inc.	3.9	• Offer to acquire Corporate Express	18mm
Checkpoint Inc.	4.3	• Sale to Reed Elsevier	10mm
Equity Origination:			
Project Michelangelo	N/A	• Private Placement, lead books	\$38mm
Carlsberg A/S	6.0	• Rights, lead books	35mm
Federal National Mortgage Asso	4.0	• Convertible, lead books	35mm
3 I Group	0.5	• Convertible, lead books	9mm
Fixed Income Origination:			
Las Vegas Sands	\$7.0	• Bank loan, lead	\$12mm
GlaxoSmithKline PLC	8.0	• Corporate, lead	10mm
Federal National Mortgage Asso	2.0	• Preferred, lead	8mm
Abertis Infraestructuras S.A.	0.2	• Private Placement	5mm

Components of Revenues

	Estimated April 2008	Average Month 2008	Average Month 2007
Advisory	85	114	118
Equities Origination	278	68	110
Leveraged Finance	19	31	61
Debt Capital Markets	42	83	65
Real Estate	(4)	(107)	18
Other Origination	(225)	(268)	(59)
Debt Origination	(168)	(261)	85
Investment Banking	195	(79)	313

Investment Management / Principal Investments / Regional

Investment Management

- ◆ Revenues of \$205 million were driven by Private Investment Management revenues, as well as Private Asset Management fees.
- ◆ The month's results included a loss of \$40 million from buying out SIV paper from money funds.
- ◆ AUM of \$267 billion was up \$2 billion from March, due to \$6 billion of market appreciation, offset by \$4 billion of net outflows primarily from liquidity funds.
- ◆ Private Investment Management revenues of \$140 million remained strong, with solid results in both Fixed Income and Equities products.

Principal Investments

- ◆ Revenues of \$10 million improved substantially versus the prior month.
- ◆ Global Principal Strategies reported a loss of \$(85) million for the month, driven by US Portfolio Investing.
- ◆ Investments in Third Party Funds recorded a loss of \$(130) million for the month, due mostly to our investment in GLG (stock price down 30% in April).
- ◆ Global Trading Strategies recorded a gain of \$105 million for the month, driven by distressed debt trading.
- ◆ Private Equity recorded a gain of \$55 million, led by investments within the MLP Prop and Opportunity Funds.

Europe

- ◆ Europe revenues of \$(375) million, driven by unprofitable trading strategies in Interest Rate Products, and losses in Principal Investing.
- ◆ Losses in Interest Rate Products were driven by the continued flattening of interest rate curves.
- ◆ Principal Investments revenues were weak, driven by losses in our investment in GLG, as well as Credit Arbitrage positions in Global Principal Strategies.
- ◆ Equities results were approximately 20% ahead of average month '08 led by strength in Equities Strategies as well as in Prime Services.

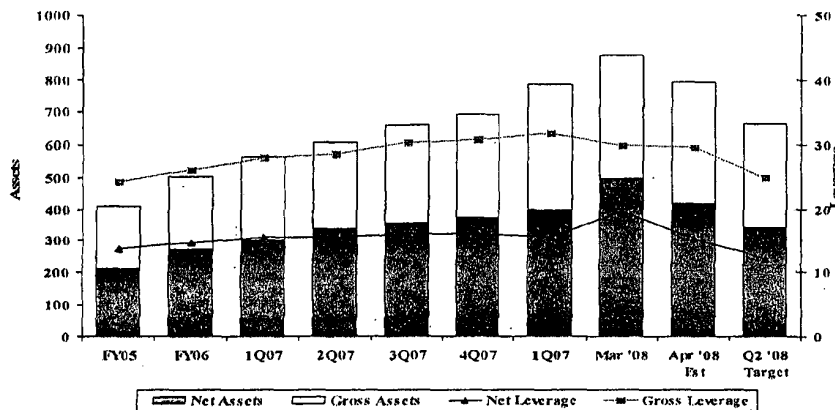
Asia

- ◆ Asia revenues of \$20 million were substantially lower than average month '08, driven by unprofitable trading strategies across Capital Markets, as well as in Principal Investing.
- ◆ Fixed Income reported a slight gain for April due to weak results in Interest Rate Products as JPY interest rate curve flattened.
- ◆ Equities revenues substantially trailed both benchmark periods, led by unprofitable Non Japan strategies in Derivatives.
- ◆ Principal Investments recorded a loss for the month, primarily due to our investments in Taj Capital Hedge Fund and the India portfolio.

Balance Sheet, Capital and Risk

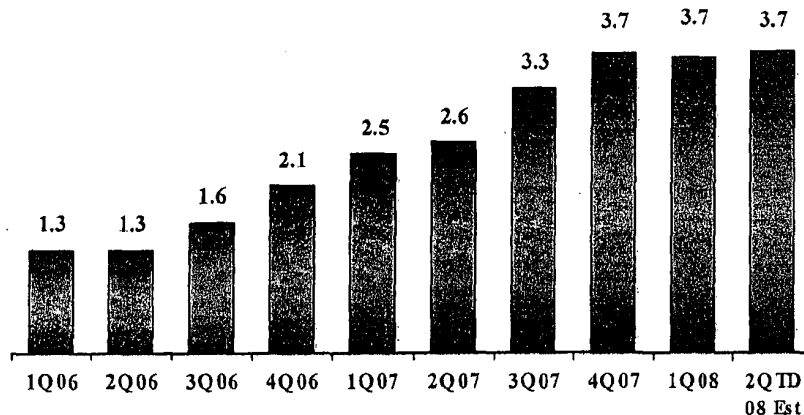
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Balance Sheet (\$ billions) / Leverage



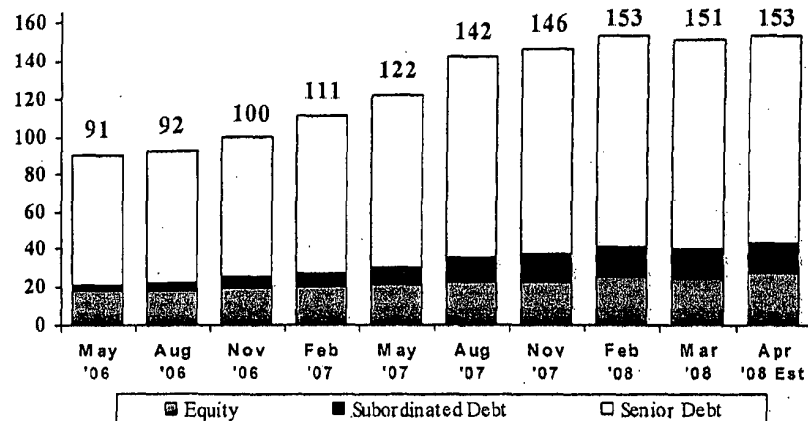
Figures represent period end amounts.

Average Risk Appetite Usage (\$ billions)



Figures represent average daily usage.

Long Term Capital (\$ billions)



Long Term Capital Roll Forward (\$ billions)

	Mar '08	April '08 Activity			Estimated Apr '08
		Issuances	Maturities	Other / Earnings	
Senior Notes	110.5	4.9	(5.4)	(0.3)	109.7
Subordinated Debt	16.4	0.0	-	(0.0)	16.4
Total Long Term Borrowings	126.9	5.0	(5.4)	(0.3)	126.1
Preferred Stock	3.0	4.0			7.0
Common Equity	21.3			(1.4)	19.8
Total Long Term Capital	151.1	9.0	(5.4)	(1.8)	152.9

Update on Financial Strength of the Firm

- ◆ In April 2008, we priced the \$4.0 billion offering of non-cumulative perpetual convertible preferred stock, which was very well received
 - More than 3 times oversubscribed and stock price was up 18% on day of pricing
- ◆ Spreads have stabilized for the entire sector, leading to a surge in long-term debt as well as hybrid issuance volumes
 - April Financial sector supply (debt and preferred) totaled north of \$80 billion, with much of the activity in the week of 4/21, making it the largest financial supply week in over two years
 - We issued \$2.5 billion 10-year senior debt earlier this month, which is currently trading approximately 35 bps tighter than at issuance
 - On 4/30, we issued £0.5 billion (\$1.0 billion) 10-year senior debt, which demonstrates the diversification of our funding source and investor base
 - On 5/2, we issued \$2 billion 30-year subordinated debt, which was 2 times oversubscribed and is currently trading approximately 9 bps tighter than at issuance
- ◆ The recent capital raise puts our leverage ratios at the lowest of the peer group ⁽¹⁾, even before our deleveraging plan
 - Our deleveraging plan should result in a net leverage of around 12x and gross leverage of approximately 25x by Q2 '08
- ◆ Efforts to strengthen our best-in-class liquidity continue
 - Generated \$5 billion of Central Bank eligible securities through CLO issuances
 - \$7 billion asset securitization program still under way
 - Through a combination of closing financing facilities, asset sales and securitizations, cash capital surplus is projected to increase to \$8-10 billion by quarter end
 - Some counterparties that had withdrawn or reduced their repo activity with us have come back (including AIM, Fortis & DZ Bank)
 - We continue to maintain well diversified and balanced repo book with 80+ counterparties
- ◆ Our credit spreads have tightened in April, reflecting an improved view of our credit profile
 - 5 year CDS tightened by 76 bps
 - 5 year Cash tightened by 61 bps

1. Including the \$4 billion convertible preferred, our pro forma Q1 '08 net leverage ratio was at 13.4x versus a peer average of 16.0x (GS, MS as of Q1 '08; MER as of Q4 '07 adjusted for the recent \$2.6B preferred issuance)

Competitor Information

	LEH	GS	MS	MER	C	BAC	JPM
<i>Financial Statistics</i>							
Price to Book ^{1,2}	1.1x	2.1x	1.7x	1.7x	1.2x	1.2x	1.3x
Price to Earnings ^{1,3}	9.5x	11.5x	8.7x	42.6x	41.4x	13.4x	15.1x
Dividend Yield ⁴	1.2%	0.8%	2.6%	3.5%	9.1%	6.5%	3.5%
Book Value per Share ²	\$39.45	\$92.44	\$29.11	\$28.93	\$20.73	\$31.22	\$36.94
Market Cap (billions) ¹	\$24	\$82	\$54	\$48	\$137	\$167	\$162
<i>Share Price Performance</i>							
2008 Calendar Year to Date ¹	-32%	-11%	-8%	-7%	-14%	-9%	9%
Calendar Year 2007	-16%	8%	-21%	-42%	-47%	-23%	-10%
Calendar Year 2006	22%	56%	44%	37%	15%	16%	22%
Return on Equity ⁵	9%	15%	20%	n/m	-19%	3%	8%
<i>Ten Year Debt Spreads (Basis Points)</i>							
Spread vs. 1 Month Libor (4/30/08)	219	168	186	239	166	125	126
Spread vs. 1 Month Libor (3/31/08)	335	213	249	277	219	137	142
Spread vs. 1 Month Libor (12/31/07)	175	109	134	161	109	106	110
Spread vs. 10 Year UST (4/30/08)	275	225	242	295	220	180	182
Spread vs. 10 Year UST (3/31/08)	390	272	307	330	275	195	200
Spread vs. 10 Year UST (12/31/07)	235	168	195	220	170	167	172
<i>Long Term Debt Credit Ratings</i>							
Standard & Poors	A+	AA-	AA-	A+	AA-	AA	AA-
Moody's	A1	Aa3	Aa3	A1	Aa3	Aa2	Aa2
Fitch	AA-	AA-	AA-	A+	AA-	AA	AA-

Notes

- 1- Share price as of April 30, 2008.
- 2- Book values are per 1Q08 earnings releases. 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 25.93.
- 3- Based on full year 2008 First Call estimates, updated on April 30, 2008.
- 4- Dividend Yield per Bloomberg as of April 30, 2008.
- 5- ROE values are per 1Q08 earnings releases.

Monthly Financial Performance Trend

\$ millions, except per share data

	April 2007	May 2007	June 2007	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008 (Estimated)
Segment Revenues													
Investment Banking	413	459	373	394	304	168	316	347	296	264	306	203	275
Capital Markets	1,075	1,401	1,329	953	154	961	1,485	282	922	58	692	(545)	(1,745)
Investment Management	259	274	277	314	211	215	298	319	273	338	358	269	270
Total Revenues	1,747	2,134	1,978	1,661	669	1,343	2,099	948	1,491	660	1,356	(74)	(1,200)
Expenses													
Personnel	861	1,052	975	819	330	662	1,035	467	735	325	781	558	558
Non Personnel	306	302	313	318	348	322	351	324	320	345	338	332	345
Pre Tax Income	580	779	690	524	(9)	359	713	157	435	(9)	238	(964)	(2,104)
Income Taxes	186	254	221	157	(59)	106	210	28	135	(12)	51	(256)	(568)
Net Income	395	525	469	367	51	254	503	129	300	2	187	(708)	(1,536)
Preferred Dividends	5	6	5	6	6	6	6	5	6	6	12	18	39
Net Income to Common	389	520	464	361	45	248	498	124	295	(3)	174	(726)	(1,575)

Additional Data

Earnings per Common Share	\$0.68	\$0.91	\$0.81	\$0.64	\$0.09	\$0.44	\$0.88	\$0.22	\$0.51	-\$0.01	\$0.30	-\$1.28	-\$2.75
EPS Share Count	568.5	568.8	570.4	567.9	561.4	561.9	571.9	589.9	574.1	572.6	572.9	568.7	572.4
Return on Common Equity	24.1%	31.5%	27.4%	21.0%	2.6%	14.3%	28.1%	6.9%	16.3%	-0.2%	9.6%	NM	NM
Pre Tax Margin	33.2%	36.5%	34.9%	31.6%	-1.3%	26.7%	34.0%	16.6%	29.2%	-1.4%	17.5%	NM	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%	32.6%	32.0%	30.0%	NM	29.4%	29.4%	17.7%	31.0%	126.8%	21.5%	26.5%	27.0%

Divisional Revenues

Fixed Income	655	960	935	481	(169)	668	441	(732)	952	149	(122)	(904)	(435)
Equities	526	642	545	533	459	529	734	197	509	588	319	164	535
Banking	532	496	471	(113)	(111)	214	683	260	268	(184)	35	(411)	195
Investment Management	245	264	236	226	202	210	294	259	184	169	(50)	(180)	205
Principal Investments	126	257	78	(34)	(123)	171	249	415	(36)	(284)	475	(284)	10
Banking & PIM Elimination	(320)	(325)	(309)	18	5	(170)	(385)	(161)	(205)	29	(109)	111	(187)
Credit Valuation Adjustment	-	(18)	-	(63)	61	-	(116)	328	(160)	(33)	383	399	(480)
Debt Valuation	(28)	(21)	43	520	290	(280)	193	530	(78)	267	428	958	(739)
Other Corporate	11	(122)	(21)	93	55	2	6	(147)	55	(40)	(3)	73	(304)
Total Revenues	1,747	2,134	1,978	1,661	669	1,343	2,099	948	1,491	660	1,356	(74)	(1,200)

Regional Revenues

Americas (Excluding CVA and Debt Valuation)	1,007	1,210	1,102	536	35	1,073	1,145	(887)	1,103	(21)	(147)	(1,028)	374
Europe	511	657	569	353	243	269	409	711	333	131	12	(320)	(375)
Asia	257	305	264	315	40	282	468	267	292	316	679	(83)	20

LEHMAN BROTHERS

Quarterly and Annual Financial Performance Trend

<i>\$ millions, except per share data</i>	2006				2007				2008	Full Year	
	Q1 '06	Q2 '06	Q3 '06	Q4 '06	Q1 '07	Q2 '07	Q3 '07	Q4 '07	Q1 '08	2006	2007
Segment Revenues											
Investment Banking	835	741	726	858	850	1,150	1,071	831	867	3,160	3,903
Capital Markets	3,046	3,078	2,847	3,035	3,502	3,594	2,435	2,727	1,672	12,006	12,257
Investment Management	580	592	605	640	695	768	802	832	968	2,417	3,097
Total Revenues	4,461	4,411	4,178	4,533	5,047	5,512	4,308	4,390	3,507	17,583	19,257
Segment Revenues											
Personnel	2,199	2,175	2,060	2,235	2,488	2,718	2,124	2,164	1,841	8,669	9,494
Non Personnel	711	738	751	809	860	915	979	996	1,003	3,009	3,750
Pre Tax Income	1,551	1,498	1,367	1,489	1,699	1,879	1,205	1,230	663	5,905	6,013
Income Taxes	513	496	451	485	553	606	318	344	174	1,945	1,821
Net Income Before Accounting Change	1,038	1,002	916	1,004	1,146	1,273	887	886	489	3,960	4,192
Cumulative Effect of Accounting Change	47	-	-	-	-	-	-	-	-	47	-
Net Income After Accounting Change	1,085	1,002	916	1,004	1,146	1,273	887	886	489	4,007	4,192
Preferred Dividends	16	16	17	17	17	17	17	17	24	66	67
Net Income to Common	1,069	986	899	988	1,130	1,256	870	870	465	3,941	4,125
Additional Data											
Earnings per Common Share	\$1.83	\$1.69	\$1.57	\$1.72	\$1.96	\$2.21	\$1.54	\$1.54	\$0.81	\$6.81	\$7.26
EPS Share Count	584.2	582.8	573.3	573.1	575.4	568.1	565.8	563.7	572.8	578.4	569.8
Return on Common Equity	26.7%	23.7%	21.0%	22.3%	24.4%	25.8%	17.1%	16.6%	8.6%	23.4%	20.8%
Pre Tax Margin	34.8%	34.0%	32.7%	32.8%	33.7%	34.1%	28.0%	28.0%	18.9%	33.6%	31.2%
Compensation / Revenue	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	49.3%	52.5%	49.3%	49.3%
Effective Tax Rate	33.1%	33.1%	33.0%	32.5%	32.5%	32.3%	26.4%	27.9%	26.3%	32.9%	30.3%
Divisional Revenues											
Fixed Income	2,365	2,497	2,081	2,086	2,184	2,207	1,247	377	979	9,029	6,015
Equities	1,000	1,103	914	1,015	1,297	1,778	1,537	1,460	1,416	4,031	6,073
Banking	808	740	711	1,079	862	1,314	247	1,157	119	3,338	3,581
Investment Management	563	583	609	638	690	742	664	762	303	2,393	2,858
Principal Investments	231	80	210	366	512	446	(80)	834	155	888	1,712
Banking & PIM Elimination	(531)	(504)	(548)	(730)	(604)	(846)	(286)	(716)	(285)	(2,313)	(2,452)
Credit Valuation Adjustment	(22)	(20)	(14)	(41)	25	(17)	(2)	213	191	(98)	218
Debt Valuation	-	-	-	-	-	(49)	853	442	617	-	1,246
Other Corporate	48	(69)	216	120	81	(62)	127	(139)	13	315	6
Total Revenues	4,461	4,411	4,178	4,533	5,047	5,512	4,308	4,390	3,507	17,583	19,257
Regional Revenues											
Americas (Excluding CVA and Debt Valuation)	2,920	3,068	2,806	3,163	3,258	3,142	1,673	1,330	935	11,957	9,403
Europe	1,007	949	1,025	1,084	1,222	1,693	1,165	1,389	477	4,065	5,469
Asia	557	413	361	328	541	744	619	1,017	1,287	1,659	2,921

Appendix

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FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

LB 011117

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First Quarter 2008 Earnings Wrap

	November Reporters	December Reporters
Profitability	Net income increased significantly from Q4 but decreased 50% from the prior year quarter. Average ROE was 11.8%, an improvement from the fourth quarter as a result of fixed income markdowns and compares to 27.9% a year ago.	Net income decreased by 60% from Q4 and down 156% from the prior year quarter. Average ROE is not applicable as no investment bank ended the quarter in the black and compares to ROEs of 23.4% a year ago.
Revenues	For the quarter, net revenues were up 51% on avg. from Q4 (but down 29% vs. yr ago). Revenue improvement was led by stronger results out of fixed income trading, a result of large markdowns taken in the fourth quarter of 2007. Total trading revenues were down 20% year over year.	For the quarter, net revenues were down 107% on avg. from Q4 (and down 97% vs. yr ago). Revenue weakness was driven by continued challenges facing the credit markets resulting in multi-billion write downs and in many cases negative revenues for the quarter.
Trading	Sales & trading businesses by core product area (equities versus fixed income) clearly reflected the weaker trading environment. Overall sales & trading revenues increased on avg. in Q1 from Q4 as firms took fewer marks on fixed income inventories during the quarter. Equities trading saw a 10% rise sequentially and were up 15% on average year over year led by Bear Stearns and Morgan Stanley.	The December reporters also saw a weaker environment in sales & trading businesses more so for equities than fixed income. Overall sales & trading revenues decreased 54% on avg. in Q1 from Q4 (and down 134% from Q1'07) driven by additional marks on fixed income inventories which we expect to continue in 2008.
Investment Banking / Origination	Underwriting net revenues decreased 11% from Q4 on avg. while M&A advisory revenues were down 41%, and down 5% from a year ago. I-Banking pipelines were down across equities, fixed income, and M&A.	Underwriting net revenues decreased 112% from Q4 on avg. while M&A advisory revenues decreased 35% from Q4 and down 14% from a year ago.
Expenses	Comp to net revenue ratios averaged 50.3%, up from 39.9% in Q4 and 48.4% a year ago. Headcount decreased by an average of 2% from Q4 but up 20% from Q1'07. Non-comp expenses to net revs averaged 29.5%, up from 22.6% in Q4 and 16.6% a year ago.	Comp to net revenue ratios averaged 41.0%, down from 62.5% in Q4 and 45.4% a year ago. Non-comp expenses to net revenues averaged 56.5%, up from 46.6% in Q4 and up from 18.7% a year ago.

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April 28, 2008

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Mr. Michael L. Ainslie
Mr. John F. Akers
Mr. Roger S. Berlind
Mr. John L. Cecil
Mr. Thomas H. Cruikshank
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Mr. Jeffrey Vanderbeek
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Re: Motion to Dismiss on behalf of the Individual Defendants in
In Re Lehman Brothers Holdings, Inc. Derivative Litigation

Dear Madams and Sirs:

On March 4, 2008, we filed on your behalf, a motion to dismiss the Complaint in the above-referenced action. The motion principally argued that the Complaint fails to allege facts sufficient to support any of the claims against you.

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LB 011119

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEHMAN BROTHERS HOLDINGS INC.

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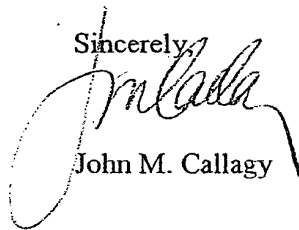
April 28, 2008
Page Two

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The plaintiffs have now filed an opposition to the motion on April 21, 2008. We are entitled to a reply to the plaintiffs' opposition which we expect to file this week. The motion will then be fully briefed. The court will decide the motion, although that may take several months. We will, of course, keep you apprised of developments in the case.

While I recognize that my letter does not analyze our position, many of you may not need such detail at this time. If any of you wish further elaboration and/or if you would like copies of the papers filed with the court please feel free to contact me at (212) 808-7718 or JCallagy@KelleyDrye.com.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Callagy", written over the word "Sincerely,".

John M. Callagy

cc: Martha E. Solinger, Esq.
Joseph Polizzotto, Esq.

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

<u>DATE</u>	<u>SUMMARY</u> (Executive Committee Action by Written Consent unless otherwise noted)
1. <u>April 1, 2008</u> (Preferred Stock Offering)	Authorized and approved the issuance of a new series of Preferred Stock, Non-Cumulative Perpetual Convertible Preferred Stock Series J.
2. <u>April 9, 2008</u> (Guarantee - Lehman Brothers Finance Asia Pte. Ltd.)	Designated Lehman Brothers Finance Asia Pte. Ltd. a fully guaranteed subsidiary of Holdings.
3. <u>April 16, 2008</u> (Dividend Committee)	Declared a regular monthly dividend on Holdings' Floating Rate Cumulative Preferred Stock, Series G.
4. <u>April 16, 2008</u> (Dividend Committee)	Declared a regular quarterly dividend on Holdings' Non Cumulative Perpetual Preferred Stock, Series J.
5. <u>April 25, 2008</u> (Dividend Committee)	Declared a regular quarterly dividend on Holdings' Common Stock of \$.17 per share.
6. <u>April 25, 2008</u> (Dividend Committee)	Declared a regular quarterly dividend on Holdings' Cumulative Preferred Stock, Series C, D and F.

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

<u>DATE</u>	<u>SUMMARY</u> (Executive Committee Action by Written Consent unless otherwise noted)
1. <u>April 15, 2008</u> (Titles)	Approved corporate and non-corporate titles for first quarter 2008.