

From: Gregory, Joe [jgregory@lehman.com].

Sent:6/5/2008 7:50 AM.

To: [-] Bhattal, Jasjit [jbhattal@lehman.com]; Callan, Erin [ecallan@lehman.com]; Goldfarb, David [dgoldfar@lehman.com]; Gregory, Joe [jgregory@lehman.com]; Isaacs, Jeremy [jisaacs@lehman.com]; Janulis, Theodore P [tjanulis@lehman.com]; Judd, Angela E [angela.judd@lehman.com]; Lauckhardt, Shelby [shelby.lauckhardt@lehman.com]; Lessing, Stephen M [slessing@lehman.com]; McDade, Bart [bmcdade@lehman.com]; McGee III, Hugh E [hmcgee@lehman.com]; Morton, Andrew J [amorton@lehman.com]; Russo, Thomas A [trusso1@lehman.com]; Savoret, Benoit [London] [BSavoret@lehman.com]; Walker, George H [gwalker@lehman.com].

Cc: .

Bcc: .

Subject: FW: Draft Strategic\_Elements.

For today's 8 a.m. Executive Committee Meeting.

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From: Padden, Christina Lee [mailto:PaddenC@sullcrom.com]  
Sent: Thursday, June 05, 2008 7:46 AM  
To: Gregory, Joe  
Cc: Russo, Thomas A  
Subject: Draft Strategic\_Elements

Attached is the draft of the "Strategic Elements" term sheet, reflecting today's discussions.

----- Original Message -----

From: Clayton III, W. Jay  
To: Padden, Christina Lee  
Sent: Thu Jun 05 07:36:27 2008  
Subject: NY12534-#192901-v7-Strategic\_Elements.DOC

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## STRATEGIC RELATIONSHIP TERM SHEET

### PART I. Binding Commitment

In connection with the investment in the equity securities of Lehman Brothers Holdings Inc. (the "Company") and the possible investment by Hana Financial Group and/ another Korean financial institution or institutions (as the case may be, the "Korean Financial Institution") it is agreed that, (1) at the time of the related public offering, the Company will announce its intention to pursue the strategic initiatives outlined below with one or more Korean Financial Institutions, including announcing that (i) it has designated Seoul as its Asia-Pacific Co-Headquarters and (ii) a joint venture entity in Korea ("JV") shall be established with the Korean Financial Institution which will incorporate substantially all of the operations of the existing Korean branch of the Company, and (2) the Company and the Korean Financial Institution will enter into a strategic relationship by designating Seoul as the Company's Asia-Pacific Co-Headquarter and establishing the JV and will work in good faith to negotiate the terms and conditions of the definitive agreements and arrangements for the strategic initiatives outlined below.

To participate in the strategic relationship, the Korean Financial Institution must purchase and agree to hold ("Lock-up") for a minimum of one (1) year not less than 3.5% of the outstanding equity securities of the Company ("Minimum Amount") and must be acceptable to the Company, it being understood that Hana Financial Group and Korean Development Bank are acceptable to the Company, provided, however, that in the event that the Company breaches its obligations set forth in this Part I of this Term Sheet, the Lock-Up agreed by the Korean Financial Institution will lapse and be lifted.

It is also agreed and acknowledged that the strategic relationship shall be exclusive between the Company and Korean Financial Institution until the earlier of (1) the date that is five (5) years from the date of the investment and (2) the date the Korean Financial Institution ceases to hold less than the Minimum Amount and the Company and the Korean Financial Institution shall not enter into a similar strategic relationship in Korea with any other party.

Within two weeks of the announcement, the Company and the Korean Financial Institution shall establish (1) a steering committee of 6 to 10 individuals, comprised of an equal number of senior personnel from the Company and the Korean Financial Institution, and (2) a task force, comprised of key personnel from the Company and the Korean Financial Institution, with the task force having the objective of establishing a comprehensive plan for implementing the following strategic objectives, including expected timing, key milestones and constraints within six to eight weeks of the designation of the Korean Financial Institution. The Company and the Korean Financial Institution will make its personnel available for the meetings and operations of the steering committee and the task force.

### PART II. Key Principles.

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- Co-Asia-Pacific Headquarters. Company agrees to designate Seoul as its Asia-Pacific Co-Headquarters which shall be announced at the time of the public offering and shall have a target establishment date no later than six (6) months from the date of the execution of the definitive agreement, including public announcement, transfer of appropriate resources and/or accountability, and investment by senior management in building Company's presence in Korea. The terms of such establishment of the Co-Asia-Pacific Headquarters shall include, but not limited to, the following, to ensure that such headquarter shall have substantive functions necessary for a regional headquarters, including senior personnel that have shared decision-making authority for Korea and other parts of the Asian business of Company:
  - Transfer of Asia Executive Committee level senior manager to Korea.
  - CEO for Asia-Pacific to maintain joint office in Korea
  - Regular visits to Korea by CEO for Asia-Pacific and other Asia-based senior management
  - Establishment of on-shore partnership office to drive and manage cooperation arrangements.
  
- Multi-Product Co-Operation Arrangements. Company and Korean Financial Institution to create multi-product cooperation arrangements for the Korean market, including various investment banking, capital markets and advisory services such as:
  - Reciprocal syndicate positions
  - Joint pitching/client referrals
  - Joint work on privatization and restructuring projects
  - Distribution of overseas investment management products
  - Distribution of liability management and structured products
  
- Korean Joint Venture. Company and Korean Financial Institution agree to establish a separate joint venture entity ("JV") in Korea as soon as practicable with, except as mutually agreed, a target date of no later than six (6) months from the closing of the public offering with the following terms:
  - The JV shall fully integrate the existing business conducted by the Company's Korean branch with the investment banking business of the Korean Financial Institution.
  - The JV shall be jointly owned and managed by the Korean Financial Institution and the Company, with Co-CEOs.
  - The operations of the JV shall be integrated with the Company on substantially the same basis as other regional businesses that are wholly owned by the Company.
  - The Company agrees that all investment banking transactions involving engagements or prospective engagements by Korean companies shall be referred to the JV to ensure the participation by the JV in such transactions.
  
- Investment Access. Company agrees to provide Korean Financial Institution access to Company-originated and managed alternative investment opportunities for direct investment by Korean Financial Institution or distribution to its clients. Potential products to include but not be limited to:
  - Hedge Fund: Full range of products including proprietary single manager funds and funds of hedge funds, and strategic partnerships to offer
  
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- access to funds managed by companies in which Company has a non-controlling minority interest
  - Private Equity: Access to Company's wide range of exclusive private equity funds, including merchant banking, venture capital, real estate and fund of funds
  - Bespoke Co-investments: Joint sourcing, analysis and investment in principal opportunities both in Korea and internationally; alternatively, joint formation of a Private Equity fund with a specific mandate
  - Infrastructure: Investments in Infrastructure assets including utilities, natural resources, communication and transportation through direct principal investments or joint fund format
- Credit. Korean Financial Institution to participate in substantial portfolios of funded (e.g., corporate loan portfolio) and unfunded (e.g., acquisition finance) Company commitments.
  - Lending partnership for unfunded commitments – established a joint facility that will be structured to include senior, subordinated and equity components
  - Ongoing portfolio financing facility for funded commitments that will include a revolving portfolio of loans
  - The details of the structure and process under which the Company and Korean Financial Institution participate will be jointly developed by the parties and will reflect their respective views on credit.
- Real Estate. Company to contribute and Korean Financial Institution to subscribe to Joint Company SPV that will hold Company-originated real estate-related opportunities, diversified across global geographies and sub-asset classes, as mutually agreed by the parties
  - The details of the structure and process under which the Company and Korean Financial Institution participate will be jointly developed by the parties and will reflect their respective views on credit.
- Further Cooperation. Company will provide Korean Financial Institution with access to the Company's global management, processes, infrastructure and other expertise, including, but not limited to, the following:
  - Technology: Access to Company's operations, risk management and other systems and processes, including certain IT infrastructure
  - Training: Company to offer specialized training sessions with the Company's experts, including technical business training, process development / management and leadership development
  - Senior Management: Company to provide access to senior management across divisions and regions, as well as product and geographic experts
  - Secondments / Placements / Deal Experience: Company to provide further bespoke training opportunities to senior and junior personnel at the Korean Financial Institution, including, but not limited to, job shadowing, rotations, internships, secondments and other arrangements, as mutually agreed. For the avoidance of doubt, such secondment shall be in the form of a long-term personal dispatch of officers and employees of the Korean Financial Institution including its senior management to the Company's global offices to ensure substantive training experience

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(with compensation and expenses to be paid by the Korean Financial Institution).

- Co-Investment Opportunities: Provide referrals and notice to the Korean Financial Institution about major global (including, but not limited to Asia) deals and investment opportunities so that the Korean Financial Institution may co-invest in such investments.
- Advisory Services: Provide advisory services on investment banking business upon the request of the JV
- Non-Competition: For the duration of the operation of the JV, the Company and the Korean Financial Institution will agree not to engage in business in Korea that would directly or indirectly compete with the business of the JV, subject to appropriate procedures and limitations to ensure that conflicts of interest do not materially affect the businesses of the Korean Financial Institution or the Company.
- Establishment of “Korea Desk”: Company shall establish a separate “Korea Desk” in its New York and London offices to, inter alia, serve bridge and liaison functions between Company and the Korean Financial Institution.

#### **Other Elements**

Korean Financial Institution will commit to a one year lock up with respect to its interest in the Company and also will agree to volume and manner of sale limitations on subsequent sales, subject to the foregoing.

Company agrees to exercise best efforts to cooperate in connection with the syndication of a portion of the shares in the Company to Korean Financial Institutions mutually agreed.