

From: Lyons, Timothy G [TLyons@lehman.com].

Sent: 3/27/2008 9:39 PM.

To: Freidheim, Scott J [Freidheim@lehman.com].

Cc: .

Bcc: .

Subject: memo.



RICHARD S. FULD
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

March 28, 2008

Dear Colleague,

Over the past decade, we have built a premier global investment bank that is well positioned to deliver industry-leading growth and profitability across all parts of the market cycle. In building this franchise, we have made significant investments in each of our divisions and regions to build our capabilities so that we can deliver the superior products to our clients and capture share in the most attractive markets around the world.

The current market environment has obviously created significant challenges for all players in our industry. Uncertainty about the value of financial assets, combined with incomplete information and often inaccurate market rumors, has reduced the confidence of both debt and equity investors. So it is an enormous tribute to the strength and growth of our franchise that Warren Buffett, the world's most respected investor, has decided to invest \$3.5 billion in our Firm through Berkshire Hathaway. This investment will be made in the form of a perpetual non-cumulative preferred security with a coupon of 7.5% and a conversion price that is a 40% premium to our current stock price. The security is convertible into a 16% stake at the conversion price of \$54 per share and is not callable for five years.

This strategic stake will provide us with additional capital to take advantage of the many attractive opportunities available to us in the marketplace, and at the same time, will increase the confidence of market participants in the strength of our Firm.

[As a further testament to our confidence in our Firm, our entire Executive Committee has also committed to receiving its entire 2008 incentive compensation in this same form of equity [at year end].]

Over the years, Warren Buffett has distinguished himself as the world's most insightful and successful investor. Through Berkshire Hathaway, he has delivered annual shareholder returns of more than [__%], by investing in strong, high-performing, growth companies such as Coca Cola, American Express, Wells Fargo, General Re and GEICO.

I am thrilled to welcome Warren Buffett and Berkshire Hathaway as partners with all of us as shareholders in the Firm and look forward to working together to capture the extraordinary opportunities that lie ahead of us.

Sincerely,

