

President, COO, CFO Changes: Internal Talking Points & FAQs – June 12, 2008

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- I want to share some senior management changes with you
- The current market environment is forcing the Firm to take a number of measures to regain the confidence of all of our constituents
- Lehman Brothers' credibility has eroded and, as a result, senior management changes were announced today, effective immediately
- After 34 years of dedication to Lehman Brothers, **Joe Gregory** is stepping down from his current role as President and Chief Operating Officer
- Joe has been a driving force behind who we are today and what we have achieved as a Firm
- Joe and Dick Fuld have been partners for more than 30 years—this is one of the most difficult decisions either of them has ever had to make
- Joe will remain at the Firm in a capacity that has yet to be determined
- These are challenging times in the capital markets and as such, require an individual in the role of President and COO with strong and current trading experience
- **Bart McDade**, who previously served as global head of Equities, will succeed Joe Gregory as President and COO
- In his last three years in Equities and in his prior experience leading Fixed Income, Bart has proven himself to be a strong leader and the Firm's best operator
- Dick and Bart have been partners for 25 years
- Bart is right for the job, and this is the right time to ask him to lead our Firm to the next level
- Bart has held senior roles in three of our divisions: Equities, Fixed Income and Investment Banking (Debt Capital Markets)
- **Erin Callan**, our current Chief Financial Officer, will also step down from her role
- Erin is a valuable asset to the Firm and a person of many talents. We expect her to continue on in a senior role with clients in the Investment Banking Division
- **Ian Lowitt**, our co-CAO since October 2006, will succeed Erin as CFO and will also join the Firm's Executive Committee
- Finance already reports to Ian in his capacity as co-CAO, and he is already well-known to many of our debt and equity investors, analysts and rating agencies
- During his 14 years with the Firm, Ian has held a number of senior management roles, including CAO of Lehman Brothers Europe, global Treasurer and global head of Tax, and head of Strategy and Corporate Development
- I am happy to answer any questions I can
- All press calls should go to **Kerrie Cohen** in New York (212) 526-4092; **Patrick Meyer** in London (44 207) 102-2752 and **Matthew Russell** in Hong Kong (852) 2252-6014

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FAQs:

GENERAL

1. How did the Firm come to this decision?

- The current market environment has forced Lehman Brothers to take a number of difficult measures to regain the confidence of all of our constituents
- Our credibility has eroded and, as a result, the Firm announced senior management changes

2. What is the timing for these changes?

- These changes are effective immediately

3. When will Lehman Brothers be bought out? / How can the Firm survive?

- We strongly believe we have earnings power in our underlying businesses that will allow us to resume creating long-term value for our shareholders
- We have a global and diversified platform and a first-class business operating team
- The current credit and other market dislocations have masked some of our strengths
- We continue to believe that the Firm and its shareholders are best served by our remaining a strong and vibrant independent entity, as we have been for 150 of our 158 years in business
- We continue to have a strong liquidity framework and have raised almost \$12 billion of new capital since February

PRESIDENT AND CHIEF OPERATING OFFICER CHANGE

4. Why is Joe stepping down? Is it related to the Firm's performance?

- The current market environment has forced Lehman Brothers to take a number of measures to regain the confidence of all our constituents
- Our credibility has eroded and, as a result, the Firm announced senior management changes
- In his 34 years of dedication to Lehman Brothers, Joe Gregory has been a driving force behind who we are today and what we have achieved as a Firm
- Joe and Dick have been partners for more than 30 years and for this reason, this change has been one of the most difficult decisions either of them has ever had to make
- Joe will remain at the Firm in a capacity that has yet to be determined

5. What are Joe's plans?

- While his future role has not yet been determined, Joe plans to remain at the Firm

6. In addition to his role in managing the businesses, Joe has played a very large role in driving the Firm's culture (leadership and development, diversity, etc.). How will the Firm maintain the momentum we've had to date in these areas?

- Our culture is one of our most distinguishing features and the foundation of our success

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- The Executive Committee remains committed to our culture and these programs

7. Why did Dick Fuld appoint Bart McDade as President and Chief Operating Officer?

- These are challenging times in the capital markets
- They call for an individual in the role of President and COO with strong and current trading experience
- In his last three years in Equities and in his prior experience leading Fixed Income, Bart has proven himself to be a strong leader and the Firm's best operator
- Dick and Bart have been partners for 25 years
- Bart is right for the job, and this is the right time to ask him to lead our Firm to the next level

8. What is Bart's background?

- Bart joined the Firm in 1983
- Bart has worked in three of our divisions. He served as global head of Equities since June 2005
- Bart is a member of the Firm's Executive Committee
- Before that, he served as global head of Fixed Income from 2002 to 2005 and as co-head of Fixed Income from 2000 to 2002
- Prior to that, he was global head of Debt Capital Markets and a member of the Investment Banking Division's Group Head Committee
- Bart presently serves on the board of directors as well as the executive committee of the Securities Industry and Financial Markets Association (SIFMA) and was Chairman of the Bond Market Association
- During his tenure at the Firm, Bart's teams have delivered significant revenues, and he has proven himself to be a strong leader and the Firm's best operator

9. What does this mean for the Equities Division? Who will succeed Bart McDade as Global Head of Equities?

- An announcement will be made as soon as a decision is reached

CHIEF FINANCIAL OFFICER CHANGE

10. Erin was CFO for only seven months. Why is she stepping down now?

- The current market environment is forcing us to take a number of measures to regain the confidence of our constituents
- Lehman Brothers' credibility has eroded and as a result we have announced these senior management changes

11. What are Erin's plans?

- Erin is a valuable asset to the Firm and a person of many talents. We expect her to continue on in a senior role with clients in the Investment Banking Division where she has more than 13 years of experience

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12. Why was Ian selected as CFO?

- As our co-CAO, Ian already has responsibility for our finance and risk management organizations
- He is well-known to many of our debt and equity investors, analysts and rating agencies
- Ian has been at the Firm for 14 years, during that time he has held a number of other senior management roles, including global treasurer and global head of tax

13. Isn't the CFO role large enough for one person? Why is Ian retaining the co-CAO role?

- As our co-CAO, Ian already has responsibility for our finance and risk management organizations; it was a logical choice to appoint Ian to this role
- Ian has built a strong and deep management team who will continue to play a significant role in managing the functions within his area of responsibility
- Ian and Scott Freidheim share the Chief Administrative Officer role and we are confident that they will continue to manage the Firm's Corporate functions very well together

14. Will Ian join the Firm's Executive Committee?

- Yes

15. What is Ian's background?

- Ian joined the Firm in 1994
- He is an executive vice president of Lehman Brothers Holdings Inc. and is becoming a member of Lehman Brothers' Executive Committee
- Ian was named CFO in June 2008 and has been co-CAO since October 2006
- In his role as CFO, Ian will oversee the Firm's finance organization, including Financial Control, Investor Relations, Planning and Analysis, Product Control, Tax, and Treasury
- In his role as co-CAO, Ian has responsibility for global oversight of Corporate Real Estate, Expense and Sourcing Services, Operations, Productivity and Process Improvement, Risk Management, and Technology
- Prior to his current role, Ian was the chief administrative officer of Lehman Brothers Europe. He has also served as global treasurer and global head of Tax, and chairman of Lehman Brothers Bank FSB, the Firm's Delaware-based savings bank. Before becoming global treasurer, he was the Firm's head of Strategy and Corporate Development
- Prior to joining the Firm, Ian worked at McKinsey and Company, where he served as an engagement manager advising clients in a number of industries, including financial services, electronics and information technology

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Background Information: Strength in Lehman Brothers Equities Franchise

Awards & Recognition: as of 3/31/08, unless otherwise noted

- *Institutional Investor*
 - #1 All-America Equity Research Team for five consecutive years – *Institutional Investor*
 - #1 In Secondary Equity Offering – *Institutional Investor*
 - #2 In IPOs – *Institutional Investor*
 - #1 U.S. Research 2007 – *Institutional Investor*
 - #2 Sales Force 2007 – *Institutional Investor*
- Greenwich Associates
 - #1 Trading Quality – Greenwich Associates 2008 U.S. Equity Investor Survey Results
 - #1 Sales Quality – Greenwich Associates 2008 U.S. Equity Investor Survey Results
- Stock Exchange Accolades
 - #1 Dealer, LSE and Euronext – per exchange data
 - #1 Dealer for number of transactions for the last 35 months (as of March '08) – London Stock Exchange
 - First bank to hit 5 million transactions in one month (in January '08) – London Stock Exchange
 - The Firm has demonstrated growth across exchanges including Tokyo Stock Exchange, NYSE Euronext and Xetra from 2006 through the 1Q 08
 - #1 Dealer for number of transactions and the first bank to hit 4 million transactions in one month (in January '08) – *Euronext*
- Other Accolades
 - Structured Note Dealer of the Year – *mtn-i*
 - #1 Liquidity Provider in Korean Warrants– *Bloomberg*

Equities Capital Markets Revenues

- During Bart McDade's tenure as global head of Equities (June 2005 – June 2008), he and his team built a world-class franchise with revenues more than doubling