

Finance Organization Charts

Charts

Below is the basic structure of the Office of the Chief Financial Officer. To view the corresponding organizational chart, click on the related links.

Chief Financial Officer - Christopher O'Meara

Global Infrastructure Controller - John Ambrose

- Corporate - Mona Adler
- Accounting Services - John Tuosto
- Support & Control/Real Estate Controller - Robert Wharam
- IT Controller - Mike McBride
- CIO/Special Projects - TBD

Global Investor Relations - Shaun Butler

- Investor Relations - Elizabeth Besen
- Investor Relations - Miray Nedler

Mortgage Capital CFO - Dan Colao

- MCD Controller - Lonnie Rothbort
- CFO US Residential - John Skoba
- CFO - SBF - Ronald Warwick
- CFO - Capital Crossing - Nancy Coyte
- CFO - Campus Door - Andy Folmer

Global Director of Tax - John DeRosa

- Americas Tax - Anthony Taranto
- Europe Tax - Antony Rush
- Asia Tax - Malcolm Lawes

Financial Controller - Edward Grieb

- Financial Management - Robert Azera
- IMD Controller - Stephanie Dolan
- Comp/GTS/GPS Controller - James Emmert
- Legal Entity Controller - Matthew Lee
- Assistant Controller - Stephen Rossi
- Accounting Policy - Marie Stewart

Capital Markets Controller - Gerry Reilly

- IBD Controller - Gary Fox
- FID Controller - TBD
- Equities Controller - Jon Neave
- Organizational Strategy & Projects - TBD
- MCD Controller - Lonnie Rothbort
- Capital Markets/MIS - Len Scicutella

Global Treasurer - Paolo Tonucci

- Financial Planning & Analysis - Ari Axelrod
- Global Network Management - Janet Birney
- Lehman Brothers Commercial Bank - Julie Boyle
- Global Creditor Relations - Jennifer Fitzgibbon
- Global Cash & Collateral Management - Daniel Fleming
- Global Treasury Controller - Kristine Smith
- Global Head of ALM - Nahil Younis

Chief Administrative Officer - Erik Umlauf

- Global Systems & Projects - Renaud Fournier
- Product Control Systems - Mark Lee
- India Migration - Charles Sims
- Lehman India - Iain McCoo

Asia CFO - Enrico Corsellini

- Asia Capital Markets Controller - Erik Addington
- Asia Deputy CFO - Tomoya Katoh

Related Links

- CFO High Level
- Financial Controller
- International CFO - Europe
- International CFO - Asia
- Global Treasury
- Capital Markets Controller
- Global Infrastructure Finance
- Corporate Tax

Contacts

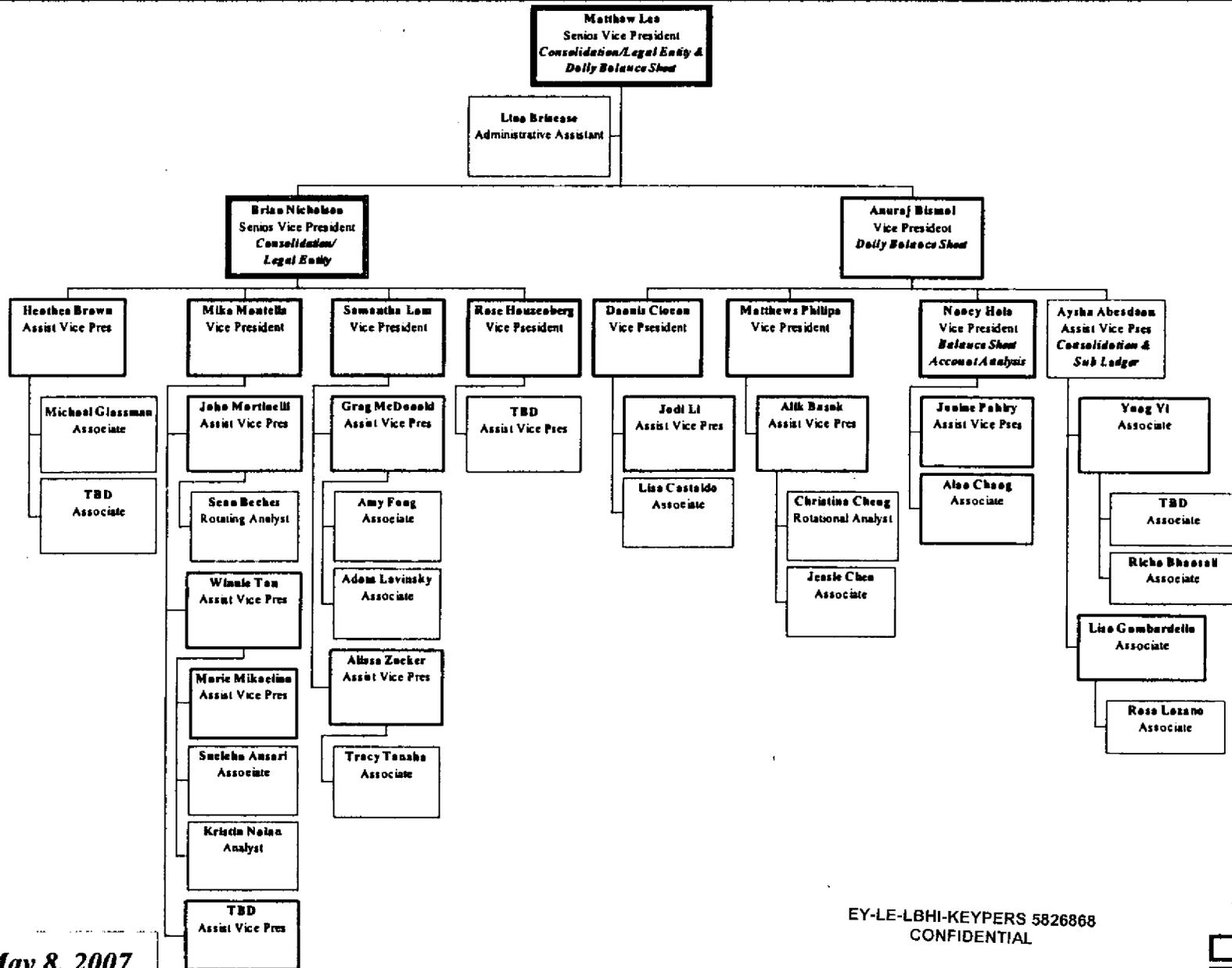
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jroncagl@lehman.com

call
7/23/07

http://my.lehman.com/LL/composite?templateCode=MYC_A0JB

8/29/2007

Finance Division Financial Controller- Legal Entity Control



Last updated May 8, 2007

EY-LE-LBHI-KEYPERS 5826868
CONFIDENTIAL

Legend

MD & SVP
VP
Below VP
Non-Finance
Finance-Not Dir

- Fixtures margin - end of Apr or March (agreed) 700
- efficient unknown could be material
- P/H - all spreadsheets
- Cash - both accounts are broken
- Q1 - Daily B/S

1. Do you see the reconciliation of management's daily balance sheet to the books and records (ultimately the public financial statements) as a primary control within the organization?
2. Do you believe this break to be a true write off?
3. Can you clarify what you mean by the difference between what the daily amounts are and the last day of the month's balances? Does this mean that you see a \$5B change or it is the difference between the daily BS and the financial statements?

Q2 - Substantiation Process

4. Can you clarify the meaning of "not substantiated"?
5. Do you believe that the firm's assets are truly understated by those balances/accounts that are labeled "not substantiated" or "exception"?

Q3 - Value of Assets

REG Rates illiquid markets Corbin
 Rep. 105 / Rep. 107 - reduced assets by \$50B - moving off of

6. Are you aware of any specific product/trading books that are priced inappropriately
7. What do you believe management is lacking in valuing its assets?
8. Do you believe Lehman is different from others in the market?
9. Do you believe this is because of the current market conditions or a longer history?
10. What assets or products do you believe do not take concentration or volume into account within their market values?
11. From what standpoint do you derive your amount of tens of billions?

in Europe 2 back in 5 days later
 off some feet - # back in shipping it off met to you

FAS 140 goes up - primary markets / secondary markets

Q4 - Infrastructure Investment

12. Is there a specific area or areas that you believe need more attention than others?

* Don't have the personnel to take @ balances under \$10MM - unacceptable

Q5 - India Operations

* System budget issue } India now do it
 + can't get people in the regions

13. Are you aware of specific misstatements that have come out of India?
14. What area or areas within India are not being managed well?
15. From the migration program it appears to be well controlled, what changed or might be misrepresented?

can't have managers < bottom heavy, quality issues, continuity issues
 - in some part people, primary reg, stat accounts

Q6 - Internal Audit

16. Can you be more specific as to what you believe is lacking in expertise from the department. not very effective, not ripping things apart in terms of real issues
17. Do you believe Internal Audit can be objective in conducting a review of this issue?

- told what to look at
 - don't go where they aren't wanted
 - not independent enough
 - Both should have been appointed

① Mgt B/S is less \$B to DBS - mgt doesn't know what \$B of their assets are

Integrity of mgt to reasonable ^{Mgt} B/S to G/L is 'bad' > this is a key control to monitor

B/S doesn't have BPM attribution, but IIS does

BFS is raw books - records

②

- 1000+ legal entities - 11000 accounts
- all entities have to be substantiated every quarter since May 2007
- means analyzed the account & submitted it to the group
- roll forwards are kicked back
- no g/L dumps - kicked back
- intracompany swaps took 2 years to fix - was ultimately a credit
- timing deferrals - no idea
- if something is known, it will be coded
- why not turned in - just not getting attention
- Ati is in issue because of PC
- no specific adjustments known - "to not know"
- getting better every quarter

③

Mgt B/S - there are some balances ~~for~~ (Inventory) are so imputed that they are not interested

Security / mispriced - SEC products, RE, Bank loans
the books has lists of assets that they will track ~~to be~~
the can't sell them - valuation issues
3 E in puts that Rob rejected

spend \$1M on IBC study - need to change all systems
- business by whole insurance products, not just 1

LEHMAN BROTHERS

DATE: October 3, 2008

TO: Members of the Audit Committees of Lehman Brothers Holdings Inc. and
Lehman Brothers Inc.

FROM: Madeline L. Shapiro - Assistant Secretary *M.L.S.*

RE: OCTOBER 7, 2008 MEETING OF THE AUDIT COMMITTEES OF
LEHMAN BROTHERS HOLDINGS INC. ("HOLDINGS") AND
LEHMAN BROTHERS INC. ("LBI")

Enclosed please find an Agenda for the October 7, 2008 meeting of the Audit Committees of Holdings and LBI and accompanying materials.

The meeting is scheduled to be held telephonically from 11:00 a.m. - 12:00 p.m. Eastern Time. Please note that Management will meet in Conference Room D located in the southeast corner on the 45th Floor, 1271 Avenue of the Americas.

The call in number is Domestic 866-339-6643, International 334-323-1811 - ID # is *4772405*. Please make certain to dial the * before and after the ID number.

Distribution:

Mr. Michael L. Ainslie
Mr. Roger S. Berlind
Mr. Thomas H. Cruikshank
Sir Christopher Gent

Copy to:

Mr. David Coles (Alvarez & Marsal)
Mr. William Fox (Alvarez & Marsal)
Mr. Richard S. Fuld, Jr.
Mr. Martin Kelly
Mr. Andrew Levander (Dechert LLP)
Mr. Bryan Marsal (Alvarez & Marsal)
Mr. Rod Miller (Weil, Gotshal & Manges LLP)
Mr. Thomas A. Russo
Mr. Jeffrey A. Welikson

AGENDA

**LEHMAN BROTHERS HOLDINGS INC.
LEHMAN BROTHERS INC.**

AUDIT COMMITTEE MEETING

October 7, 2008

**1271 Avenue of the Americas – 45th Floor – Room 45D
11:00 a.m. – 12:00 noon**

<u>AGENDA ITEM</u>	<u>DESCRIPTION</u>	<u>RESPONSIBILITY</u>	<u>TAB #</u>
1.	Approval of Minutes of the July 22, 2008 Meeting	Audit Committee	A
2.	Discussion regarding SEC Reporting	Weil Gotshal	
3.	Status of Ernst & Young	David Coles	

HOLDINGS

10/07/2008 AUDIT COMMITTEE MEETING

TAB A

Holdings
Audit Committee
10/07/08

RESOLVED, that the Minutes of the meeting of the Audit Committee held on July 22, 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.

EY-LE-LBHI-KEYPERS 5826874
CONFIDENTIAL

LEHMAN BROTHERS HOLDINGS INC.

Minutes of the Audit Committee

July 22, 2008

A meeting of the Audit Committee of Lehman Brothers Holdings Inc. (the "Corporation", "Holdings" or, collectively with its subsidiaries, the "Firm") was held jointly with a meeting of the Audit Committee of Lehman Brothers Inc. ("LBI") in the Executive Conference Room, 31st Floor, 745 Seventh Avenue, New York, New York, on July 22, 2008, at 11:00 a.m., pursuant to written notice.

PRESENT - COMMITTEE MEMBERS

Messrs. Michael L. Ainslie
Roger S. Berlind
Thomas H. Cruikshank (Chairman)
Sir Christopher Gent

ALSO PRESENT BY INVITATION

Messrs. John Akers
Clement Bernard
Neeraj Chopra
Martin Kelly
Ian Lowitt
Gerard Reilly
Ms. Beth Rudolfer
Messrs. Thomas A. Russo
William Schlich (Ernst & Young)
Jeffrey A. Welikson

APPROVAL OF MINUTES

The first order of business was the approval of the Minutes of the meeting held on July 8, 2008. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the meeting of the Audit Committee held on July 8, 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.

VALUATION REVIEW

Mr. Reilly introduced the Valuation Review, stating that it would consist of an overview of the Product Control function, including valuation control; a review of the key functions performed by the Valuation and Control group within Product Control, including price testing and the determination of fair value level hierarchy; a review of mark to mark adjustments during the second fiscal quarter and the market events or transactions which drove those adjustments; and a review of the results of the valuation testing for residential and commercial mortgages and leveraged loans at the end of the second fiscal quarter.

Mr. Reilly then presented an overview of the Product Control function, describing its responsibilities for business analysis, business control, valuation control, and revenue transaction control. The Committee directed questions to management regarding the Product Control function, including its responsibilities, structure, reporting lines and independence from business units.

Mr. Chopra then described the Valuation and Control group. He described the group as consisting of technical staff who are very familiar with the products they cover and who are responsible for verifying prices for assets and liabilities, both on and off balance sheet. Mr. Chopra stated that prices are verified through data providers, consensus pricing services, extrapolation from similar instruments, and recent trading activity. He also noted that significant variances are then escalated to senior management for further consideration. Mr. Chopra described the model control process and the review of complex derivatives transactions. The Committee directed questions to management regarding the use of consensus pricing services and the role of Ernst & Young in auditing the valuations.

Mr. Chopra then discussed the responsibilities of the Valuation and Control group for assigning fair value hierarchy levels to the assets and liabilities and for completing the related disclosure requirements. Mr. Chopra provided a description of how the fair value hierarchy level for a particular asset is determined and outlined the relevant guidelines. The Committee directed questions to management about the fair value hierarchy, including the determination of the appropriate level for assets and the movement of assets between levels.

Mr. Reilly continued the presentation by discussing write downs and market events related to residential mortgages. He noted that gross write downs for residential mortgages in the second quarter were \$2.4 billion compared to \$3 billion in the first quarter. He described the Peloton default, a large non performing loan sale by the Firm, the loss related to swapping subprime securities out of a Firm-sponsored investment fund, and losses from poor credit performance and spread widening in the quarter. Mr. Reilly and Mr. Chopra then presented an analysis of the balance sheet position at the end of the second fiscal quarter, transactions which occurred during the quarter, and the results of the price testing by Product Control, for the Firm's U.S. and European residential mortgages. The Committee directed questions to management regarding the Firm's valuation of residential mortgages and pricing developments in the third fiscal quarter to date.

Mr. Reilly then discussed the write downs and market events that have taken place with respect to leveraged loans. He noted that the Firm took gross write downs of \$300 million on leveraged loans during the second quarter compared to \$700 million in the first quarter. Mr. Reilly described the Firm's bulk sale of Home Depot Supply and losses based on price transparency from the syndication process on several other issues. He also provided a roll forward analysis of the Firm's leveraged acquisition financing for the first two fiscal quarters of 2008.

Mr. Chopra then detailed price verification methods for acquisition facilities and described how the Firm utilizes four basic price verification methods: (1) external quotes; (2) trading activity; (3) CDS matrix; and (4) CR matrix. He provided details on the aforementioned methods and other price verification methods, including the price flex method applied to Archstone. Mr. Chopra then presented the results of the valuation testing for acquisition loan facilities at the end of the second quarter. The Committee directed questions to management regarding the results of the valuation testing for the second quarter.

Mr. Reilly continued the presentation by discussing the write downs and market events during the second quarter with respect to commercial real estate. He noted that the Firm took gross write downs of \$900 million in the second quarter compared to \$1.4 billion in the first quarter. He noted that floating rate commercial assets continued to weaken with spread widening leading to a loss of \$400 million in the quarter. Mr. Reilly stated that the Firm took write downs of \$500 million on Archstone and the SunCal portfolio. The Archstone write down was largely on the bridge equity, which has not been syndicated. The SunCal portfolio consists of 24 residential land development projects, primarily located in Southern California, and the write down was due to the weakness in the residential market in that area. The Committee directed questions to management regarding a recent press article on the Firm's investment in SunCal.

Mr. Chopra then detailed price verification methodology with respect to commercial real estate, noting that price verification is performed on a monthly basis and that, generally, third party pricing inputs are used where available. He stated that the Firm's principal book is price verified using a NPV approach with a significant emphasis on the credit qualities of each collateral. Mr. Chopra detailed how the Firm's models use:

- Property level information provided by third party servicers (Frimont and PCCP)
- Discount rates that are derived from third party publications (Institutional Investors' Real Estate Finance & Investments)
- Product Control, which reviews IRR models developed for each position for reasonableness

Mr. Chopra noted that bridge equity is generally marked to target investor yields for the specific investment and that Product Control reviews the reasonableness of the valuation assumptions. Mr. Chopra also detailed how the commercial real estate book is price verified using internal models based on spreads obtained from third party publications, giving special emphasis to recent sales, circles and bids on notes of similar attributes. He also described how

Product Control discusses with business senior management pricing variances that exceed the Firm's established thresholds. Mr. Chopra then presented an analysis of the balance sheet position at the end of the second quarter and sales which occurred during the quarter, for the Firm's U.S., European and Asian commercial real estate positions. The Committee directed questions to management regarding this analysis, third quarter developments, and conditions in the European and Asian commercial real estate markets.

Messrs. Bernard and Chopra were excused from the meeting.

EUROPEAN EQUITY VOLATILITY REVIEW

Ms. Rudolfer reported on the results of the investigation and control review related to the valuation discrepancy in the European Equities Volatility business identified during the first quarter. As background, she noted that the control infrastructure for the Equity Volatility business was assessed as a Sarbanes-Oxley significant deficiency in 2006 and 2007. She noted that while progress was made in 2007, improvements were still required in 2008 to avoid a material weakness assessment. Ms. Rudolfer described the Firm's response to the valuation discrepancy in the European Equities Volatility business identified during the first fiscal quarter of 2008. She reported that the Firm immediately suspended the senior trader and his supervisor, focused on determining the correct pricing methodology and valuation, informed Ernst & Young and the Firm's regulators of the incident, and commenced an independent internal review. Ms. Rudolfer reported that Corporate Audit has completed this review, reviewed the findings with management and agreed to a set of control improvements that must be made during 2008 in order to avoid a material weakness under Sarbanes-Oxley, satisfy regulatory expectations, and assist in dealing with regulatory inquiries. Ms. Rudolfer then reported that these control improvements, together with individual responsibility, completion dates and standards have been committed to by management of the Front Office, Finance, Risk Management and Operations (Middle Office). She stated that the findings and action plans have also been reviewed with Ernst & Young and all open audit findings and action plans are part of the business infrastructure improvement project. The Committee directed questions to management regarding the consequences to the employees directly involved in the issue, their reporting line, and other matters.

EMPLOYEE LETTER REVIEW

Ms. Rudolfer summarized the review conducted in response to a letter that was received by senior Finance and Risk Management personnel of the Firm from an employee in the Finance department responsible for Global Balance Sheet and Legal Entity Accounting. The employee's letter indicated that he had concerns related to balance sheet and legal entity controls for which he was responsible. Ms. Rudolfer noted that this letter was sent only a few days prior to the Firm's May reduction-in-force and at the time the letter was sent, a decision had already been made to eliminate this employee's position as part of the reduction-in-force and restructure his role to address enhancements that had been identified. Ms. Rudolfer stated that she and the Firm's General Counsel and Ernst & Young had met with the employee numerous times to discuss the points the employee raised, including meetings between Ernst & Young and the employee at which management was not present. She reported that Corporate Audit has largely completed, in partnership with Financial Control and Ernst & Young, an evaluation of the

concerns raised by the employee. Ms. Rudolfer stated that no material issues have been identified during the review and she summarized certain of the findings and recommendations and distributed a detailed report. She noted that the controls for which this employee was responsible are important secondary controls, but are not relied upon as part of Sarbanes-Oxley audit testing due to previously identified gaps. Mr. Cruikshank emphasized the importance of thoroughly investigating every concern raised by the employee.

PRIVATE SESSION

The Committee met privately with Ernst & Young. The Committee then met privately with Ms. Rudolfer.

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

Respectfully submitted,

Jeffrey A. Welikson
Secretary

LEHMAN BROTHERS INC.
Minutes of the Audit Committee
July 22, 2008

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Sir Christopher Gent
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Product Control discusses with business senior management pricing variances that exceed the Firm's established thresholds. Mr. Thapar then presented an analysis of the balance sheet position at the end of the second quarter and sales which occurred during the quarter, for the Firm's U.S., European and Asian commercial real estate positions. The Committee directed questions to management regarding this analysis, third quarter developments, and conditions in the European and Asian commercial real estate markets.

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Jeffrey A. Welikson
Secretary

Respectfully submitted,

The Committee met privately with Ernst & Young. The Committee then met privately with Mrs. Knudsker. There being no further business, upon motion duly made and seconded, the meeting was adjourned.

PRIVATE SESSION

Mrs. Knudsker stated that no material issues have been identified during the review and she summarized certain of the findings and recommendations and distributed a detailed report. She noted that the controls for which this employee was responsible are important secondary controls, but are not relied upon as part of Sarbanes-Oxley multi testing due to previously identified gaps. Mr. Cinkshank emphasized the importance of thoroughly investigating every concern raised by the employee.

MATTHEW LEE

May 16, 2008

PERSONAL AND CONFIDENTIAL

BY HAND

Mr. Martin Kelly, Controller
Mr. Gerard Reilly, Head of Capital Markets Product Control
Ms. Erin Callan, Chief Financial Officer
Mr. Christopher O'Meara, Chief Risk Officer
Lehman Brothers Holdings, Inc. and subsidiaries
745 7th Avenue
New York, N.Y. 10019

Gentlemen and Madam:

I have been employed by Lehman Brothers Holdings, Inc. and subsidiaries (the "Firm") since May 1994, currently in the position of Senior Vice President in charge of the Firm's consolidated and unconsolidated balance sheets of over one thousand legal entities worldwide. During my tenure with the Firm I have been a loyal and dedicated employee and always have acted in the Firm's best interests.

I have become aware of certain conduct and practices, however, that I feel compelled to bring to your attention, as required by the Firm's Code of Ethics, as Amended February 17, 2004 (the "Code") and which requires me, as a Firm employee, to bring to the attention of management conduct and actions on the part of the Firm that I consider to possibly constitute unethical or unlawful conduct. I therefore bring the following to your attention, as required by the Code, "to help maintain a culture of honesty and accountability". (Code, first paragraph).

The second to last section of the Code is captioned "FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURE". That section provides, in relevant part, as follows:

"It is crucial that all books of account, financial statements and records of the Firm reflect the underlying transactions and any disposition of assets in a full, fair, accurate and timely manner. All employees...must endeavor to ensure that information in documents that Lehman Brothers files with or submits to the SEC, or otherwise disclosed to the public, is presented in a full, fair, accurate, timely and understandable manner. Additionally, each individual involved in the preparation of the Firm's financial statements must prepare

those statements in accordance with Generally Accepted Accounting Principles, consistently applied, and any other applicable accounting standards and rules so that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Firm.

Furthermore, it is critically important that financial statements and related disclosures be free of material errors. Employees and directors are prohibited from knowingly making or causing others to make a materially misleading, incomplete or false statement to an accountant or an attorney in connection with an audit or any filing with any governmental or regulatory entity. In that connection, no individual, or any person acting under his or her direction, shall directly or indirectly take any action to coerce, manipulate, mislead or fraudulently influence any of the Firm's internal auditors or independent auditors if he or she knows (or should know) that his or her actions, if successful, could result in rendering the Firm's financial statements materially misleading"

In the course of performing my duties for the Firm, I have reason to believe that certain conduct on the part of senior management of the Firm may be in violation of the Code. The following is a summary of the conduct I believe may violate the Code and which I feel compelled, by the terms of the Code, to bring to your attention.

1. Senior Firm management manages its balance sheet assets on a daily basis. On the last day of each month, the books and records of the Firm contain approximately five (5) billion dollars of net assets in excess of what is managed on the last day of the month. I believe this pattern indicates that the Firm's senior management is not in sufficient control of its assets to be able to establish that its financial statements are presented to the public and governmental agencies in a "full, fair accurate and timely manner". In my opinion, respectfully submitted, I believe the result is that at the end of each month, there could be approximately five (5) billion dollars of assets subject to a potential write-off. I believe it will take a significant investment of personnel and better control systems to adequately identify and quantify these discrepancies but, at the minimum, I believe the manner in which the Firm is reporting these assets is potentially misleading to the public and various governmental agencies. If so, I believe the Firm may be in violation of the Code.

B/S
net items or
Differences -
How M B's or
B's??

2. The Firm has an established practice of substantiating each balance sheet account for each of its worldwide legal entities on a quarterly basis. While substantiation is somewhat subjective, it appears to me that the Code as well as Generally Accepted Accounting Principles require the Firm to support the net dollar amount in an account balance in a meaningful way supporting the Firm's stated policy of "full, fair, accurate and timely manner" valuation. The Firm has tens of billions of dollars of unsubstantiated balances, which may or may not be "bad" or non-performing assets or real liabilities. In any event, the Firm's senior management may not be in a position to know whether all of these accounts are, in fact, described in a "full, fair, accurate and timely" manner, as required by

Need to
know how
unsubstantiated
mean don't
exist in
procedures
to sub or
what -
Breaks?
etc.?

the Code. I believe the Firm needs to make an additional investment in personnel and systems to adequately address this fundamental flaw.

*Need details -
inventory
concentration
discuss*

3. The Firm has tens of billions of dollar of inventory that it probably cannot buy or sell in any recognized market, at the currently recorded current market values, particularly when dealing in assets of this nature in the volume and size as the positions the Firm holds. I do not believe the manner in which the Firm values that inventory is fully realistic or reasonable, and ignores the concentration in these assets and their volume size given the current state of the market's overall liquidity.

4. I do not believe the Firm has invested sufficiently in the required and reasonably necessary financial systems and personnel to cope with this increased balance sheet, specifically in light of the increased number of accounts, dollar equivalent balances and global entities, which have been created by or absorbed within the Firm as a result of the Firm's rapid growth since the Firm became a publicly traded company in 1994.

*Need to
know exactly
sent to
India*

5. Based upon my experience and the years I have worked for the Firm, I do not believe there is sufficient knowledgeable management in place in the Mumbai, India Finance functions and department. There is a very real possibility of a potential misstatement of material facts being efficiently distributed by that office.

6. Finally, based upon my personal observations over the past years, certain senior level internal audit personnel do not have the professional expertise to properly exercise the audit functions they are entrusted to manage, all of which have become increasingly complex as the Firm has undergone rapid growth in the international marketplace.

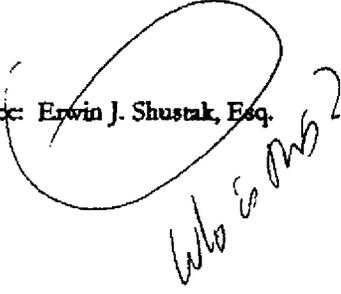
I provide these observations to you with the knowledge that all of us at the Firm are entrusted to observe and respect the Code. I would be happy to discuss any details regarding the foregoing with senior management but I felt compelled, both morally and legally, to bring these issues to your attention. These are, indeed, turbulent times in the economic world and demand, more than ever, our adherence and respect of the Code so that the Firm may continue to enjoy the investing public's trust and confidence in us.

Very truly yours,



MATTHEW LEE

cc: Erwin J. Shustak, Esq.



LEHMAN BROTHERS INC.
Minutes of the Audit Committee
June 13, 2008

A telephonic meeting of the Audit Committee of Lehman Brothers Inc. ("LBI" or the "Corporation") was held jointly with a meeting of the Audit Committee of Lehman Brothers Holdings Inc. ("Holdings" or, collectively with its subsidiaries, the "Firm") in the Board Room, 31st Floor, 745 Seventh Avenue, New York, New York, on June 13, 2008, at 11:00 a.m. – 12:00 p.m., pursuant to written notice.

PRESENT - COMMITTEE MEMBERS

Mr. Thomas H. Cruikshank (Chairman)

ALSO PRESENT BY INVITATION

Messrs.	Michael L. Ainslie
	Roger S. Berlind
Sir	Christopher Gent
Messrs.	Martin Kelly
	Ian Lowitt
Ms.	Beth Rudolfker
Messrs.	William Schlich (Ernst & Young)
	Arthur F. Tully (Ernst & Young)
	Jeffrey A. Welikson

REVIEW OF EARNINGS PRESS RELEASE FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2008

The first order of business was the review of the Firm's earnings press release for the three and six months ended May 31, 2008. A draft of the press release and a potential appendix had been distributed to the Committee members prior to the meeting for their review. Mr. Kelly discussed the contents of the press release noting that the income statement information was consistent with the Firm's pre-announcement. He also pointed out that the balance sheet information and the information included in the potential appendix were largely new. Mr. Kelly highlighted that asset reductions (both gross and net) were larger than anticipated in the pre-announcement and that there was no information in the Firm's upcoming release that was directionally adverse to the information previously disclosed in the pre-announcement. Mr. Lowitt described the plans for the earning conference call, which would include himself, Richard S. Fuld, Jr. and Herbert H. McDade III, and would cover an even greater level of detail than in past earnings calls.

The Committee directed questions to management regarding marks on residential mortgage-related assets, including the column "Comparison to others" on page 5 of the potential appendix, a CNBC allegation about a principal investment being mis-marked, the Firm's June

performance, credit ratings, and counterparty reactions. The Committee also asked that the first sentence of the press release be revised to avoid a tone of blaming the loss solely on market conditions. The Committee also asked to receive Mr. Fuld's quote and discussed the potential tone of such quote and of the earnings conference call.

The Chairman asked Ms. Rudofker to brief the Committee on a letter to senior management sent by an employee in Financial Control who raised frustrations and questions about the Firm's resource levels and accounting controls. Ms. Rudofker reported that she, the firm's General Counsel and Ernst & Young have met with the employee various times to discuss the details of his concerns, and the employee has had the opportunity to meet separately with Ernst & Young. She stated that Corporate Audit is conducting a detailed review of the employee's concerns in partnership with Financial Control and Ernst & Young. No material issues have been identified so far or are expected. Ms. Rudofker noted that the employee sent the letter just a few days prior to the Firm's May reduction-in-force. At the time the letter was sent, a decision had already been made to eliminate the employee's position as part of the reduction-in-force.

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

Respectfully submitted,

Jeffrey A. Welikson
Secretary

4/4/08

Beck, Bill

Beck met w/ Matthew Lee:

- asked him why no backup
- tax line ok - no backup
- inter pay lines (control)
- RSU - may be okay, but very manual
use Radeby or another system
- not a great quality, doesn't always
file out
- Conroy half lease pay - ~~great~~
- GW
- Coord fault TO
FASTHO SPML stuff

In close

BS Cons

Mgt B/S break to DBS

Need:

Palo meeting recap - me & Bill liquidity, account
need to meet w/ Matthew Lee & Joe Polizotto

Head Aunt - Karen now runs VOL desk

→ Rebased every structured VOL trade
covering hedge are w/ each trade

Caused 6/20 MM of hits - ~~Estimated~~ ^{Clear}

\$20 - Put on new model / calibration - 20

\$10 - Dividend cracks

\$17 - Types 24 (Confusion)

\$40 - Improper hedging

net \$30 - Other opportunities error

\$28 - Treasury options - VHM model reserve

150

20 - misc trade booking error

170

Lilly - CFO Americas Equities

Ray - Controller

Michels

Venkatesh - Jimmy Phil

-
- Kathy Kop-Pyzer meeting
 - Matthew Lee
 - 3:30 Robert Aswad

6/5

Liquidity

Robert Azarand, Bie

Liquidity Pool - 44.6 BOD

48 cent / m

Q: How long is the current post
of the LTD - tenor?

6/5

Kathy Bop-Flynn

Met w/ Lilliana

- do not test substantiation
- Int but tests comprehensiveness
- 2005 legal within central audit - not
a primary control, fund process not
controlled well.
- Matthew's labels this unsubstantiated
- ~~the~~ Substantiation control is sent to India
- Put people in field (India) to collect this
info

LO Guide - no rec

GW - substance

~~REDO~~ Accord.

Cancin' What -
SRML

→ No daily B/S work

→ Tasha finance functions - his group
was the one that recommended that
be the come and go.

→ Mapping memo - for ops, CM
1271 - 44th

615

Berry Rally

PT6 - biggest risk is
bridge equity - 3B

Got yields 8-9% unlevered

<20% w/ leverage

65% financed (10-20% on Lev (us) (RE))

Residential over - making money on bond trading
by US-NL 1.6B

100% NPL's sold for + 8% → took back 40%

* 250M loss on site

+ plus making south debt 200M

Marked:

Double A - 44

Sub AA - 30

BBB - 8

- Fees good in client business
- spreads stayed flat ²⁶⁰
- Depreciation on held for use

Letter - G. Rulli

- would like to know all breaks
- BS substitution could be better

FS Consolidated - SOX driver

Product level - SOX driver

Firmwide - Balancing Rec's (Ops)

Mapping Memo - IAD

1) BS Accuracy -

Daily BPS - Mgt Reporting, not books records,
not a control

STB70 AM
Portia not covered

Wendy
Maury

Systems
Mark Systems:

Wall St office / Bntc - Arctic Sync

Blossom Day Pomy -

Chest Reporting - Portia

STAT-rec tool

IAD Vol updates

- Matthew Lestat
- Deferrals/
- Vol
- Valuation review - lessons learned
~~in~~ in Q1 vs Q2 from Ian

Seah

Johari

Jim Mungah

Clanet

Andy

LB Reg Update Meeting

Reg Cap is very strong

More activity on ST debt retirements

Increased Subordinated line from 1B to 3B - done

Tom

Bill

Larry