

The Lehman Brothers Board

As Lehman Brothers files for Chapter 11, we examine the Board of Directors.

Lehman Brothers - Corporate Objective and Mission of the Board of Directors

"The Board of Directors (the "Board") represents the stockholders' interests. As such, the Board shall oversee the strategic direction and conduct of the Corporation's business activities so as to enhance the long-term value of the Corporation. In pursuing this objective, one of the Board's principal roles is to select and oversee a well-qualified and responsible CEO and management team to run the Corporation on a daily basis.

In addition to serving the long-term interests for the stockholders, the Board has responsibility to the Corporation's clients and customers, employees and the communities where it operates. These responsibilities are founded upon the successful perpetuation of the business and the promotion of the highest ethical standards. As shareholders will most likely receive nothing, many employees will lose their job and clients and customers will lose their money or incur costs in attempting to protect themselves, it would appear that the Board of Directors failed completely. So who are the Directors of Lehman Brothers?

The Board is comprised of 11 directors (one Executive Director, the Chairman and Chief Executive, Richard Fuld and 10 independent Directors).

Michael Ainslie (aged 64) - former CEO Sotherby's Holdings
 John Akers (aged 73) - former Chairman and CEO of IBM
 Roger Berlind (aged 75) - theatre producer
 Thomas Cruikshank (aged 77) - former CEO of Halliburton
 Marsha Evans (aged 61) - 27 years in the Navy - 3 years CEO of the Red Cross
 Sir Christopher Gent (aged 61) - former CEO Vodafone
 Robert Hernandez (aged 50) - former Chairman and CEO of Telemundo
 John Macomber (aged 80) - ex CEO of Celanese (Chemicals) Inc and ex McKinsey consultant
 Henry Kaufman (aged 81) - former senior economist at Solomon Brothers
 and
 Jerry Grundhofer - (aged 63) - former Chairman and CEO US Bancorp

Grundhofer was appointed to the Board this year and is the only non-executive director with significant banking experience. Others may have some but not much that was relevant to the derivatives, credit-default swaps, trading and securitisation activities at Lehman.

Members of the Finance and Risk Committee included Akers, the 73 year old former IBM Chairman and CEO, Berlind, the 75 year old theatre producer, Evans, the 61 year old former navy rear admiral and ex-Head of the US girl scout movement, Hernandez, the 50 year old former television executive (also a Director of 10 other public companies) and Kaufman, the 81 year old ex-economist. This is hardly a committee membership with relevant and recent experience of complicated financial instruments.

It was the Chairman, Richard Fuld, who established the Board and it is obvious that the Chairman did not invite individuals that would be a threat to his "career". But shareholders were asked to approve the appointments. It is the large institutional shareholders who generally control the voting on these issues. At Lehman Brothers, Directors were elected annually. At the 2008 Annual General Meeting, 94.3% or more of the shares were voted in favour of re-appointing the Directors. One can only wonder how much importance institutional investors place on sound corporate governance.