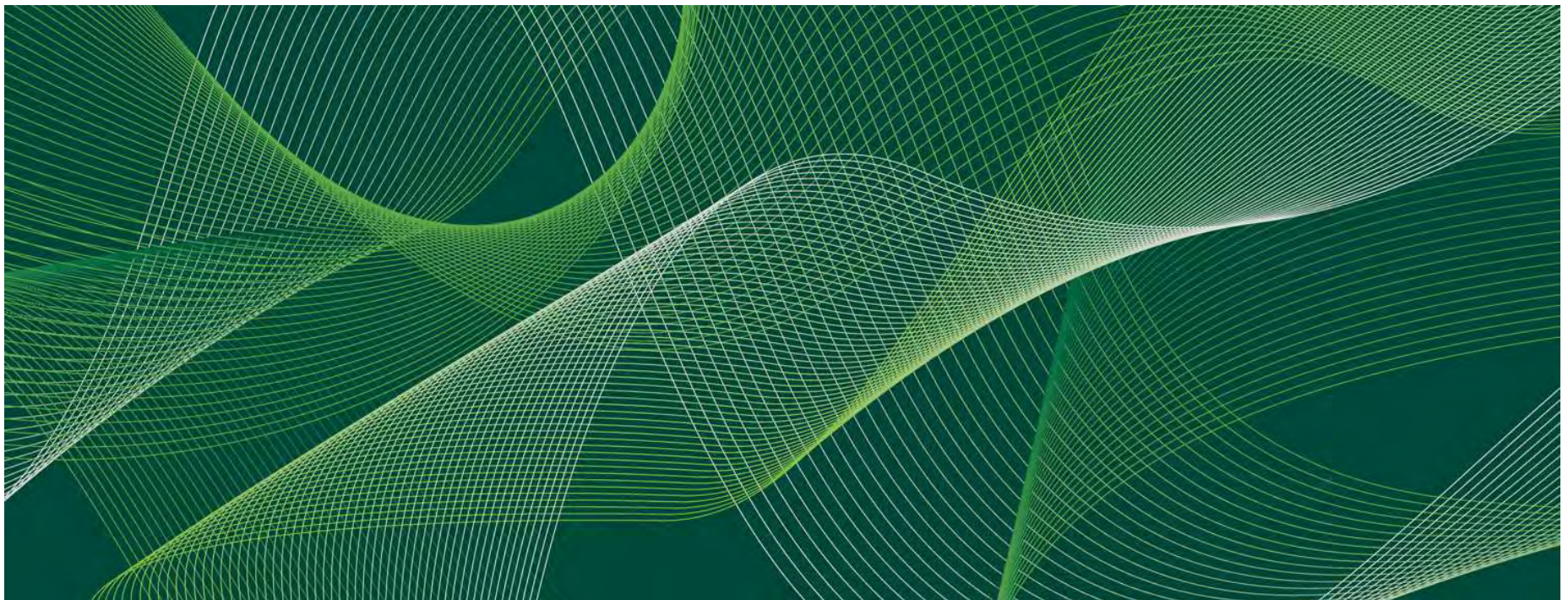


LEHMAN BROTHERS

# Lehman Brothers Investment Management



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LEHMAN BROTHERS HOLDINGS INC.

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LBEX-DOCID 317782<sub>0022907</sub>

# Investment Management (IMD) Background

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- ◆ Lehman Brothers has built an investment management business grounded in a:
  - Leading asset management franchise expanded with the acquisitions of Neuberger Berman (“NB”), the Crossroads Group and Lincoln Capital Fixed Income (each acquired in 2003)
  - Strong Private Equity (“PE”) business that dates back to 1984 and is growing rapidly
  - Highly productive high-net-worth brokerage/wealth advisory business (“Private Investment Management” or “PIM”)
- ◆ The target business model has been a fully scaled, high margin business that delivers best-in-class products and services to institutional, intermediary and individual clients around the world
- ◆ The business currently reflects a mix of:
  1. Profitable ‘developed’ businesses that are highly competitive in their respective segments
  2. Segments that are ‘developing’ toward a larger scale that will expand margins and drive profit growth
  3. ‘Start-up’ seeded initiatives with high growth potential

# IMD Overview

**Investment Management Division**

- ~ 3,480 employees
- 40 locations worldwide
- AUM of \$279Bn<sup>(1)</sup>

Note: Presentation excludes 196 person middle market institutional sales force

IMD Corporate ~ 50 employees  
 IMD Infrastructure ~ 900 employees

**Asset Management**  
 ~ 1,170 employees

**NEUBERGER BERMAN**

- ◆ \$114Bn in Equities AUM
- ◆ 30+ investment teams, 109 portfolio managers and 95 research analysts

**Alternatives (ex. Private Equity)**

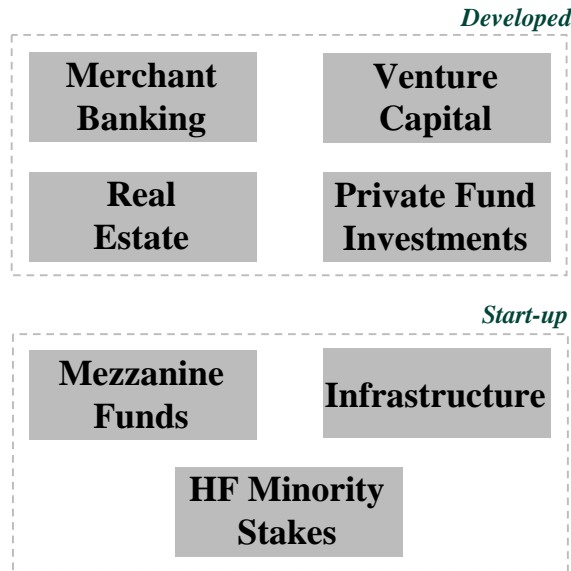
- ◆ \$12Bn in AUM
  - \$5Bn in Fund of Hedge Funds
  - \$7Bn in Single Manager Strategies
  - 6 Minority Stakes (AUM not counted)

**LEHMAN BROTHERS ASSET MANAGEMENT**

- ◆ \$128Bn in Fixed Income AUM
  - \$41Bn in Liquidity
  - \$40Bn in core Fixed Income
  - \$46Bn in Leveraged Markets/Other<sup>(4)</sup>
- ◆ ~130 investment professionals

**Alternatives - Private Equity**  
 ~ 450 employees

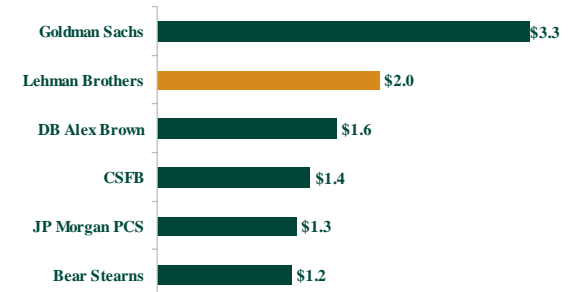
- ◆ \$23Bn in AUM; \$8Bn 2008P fundraising
- ◆ Seven asset classes



**Private Investment Management<sup>(2)</sup>**  
 ~ 910 employees

- ◆ 366 highly productive Investment Representatives (IRs) focused on HNW wealth management
  - Distribution of Asset Management and Private Equity products
  - Equities and Fixed Income execution
  - Manager Access Program

**2007 IR Productivity (\$M Rev/IR)<sup>(3)</sup>**



1. All AUM as of June 30, 2008.  
 3. Source: Company filings, Barron's and LEH strategy estimates.

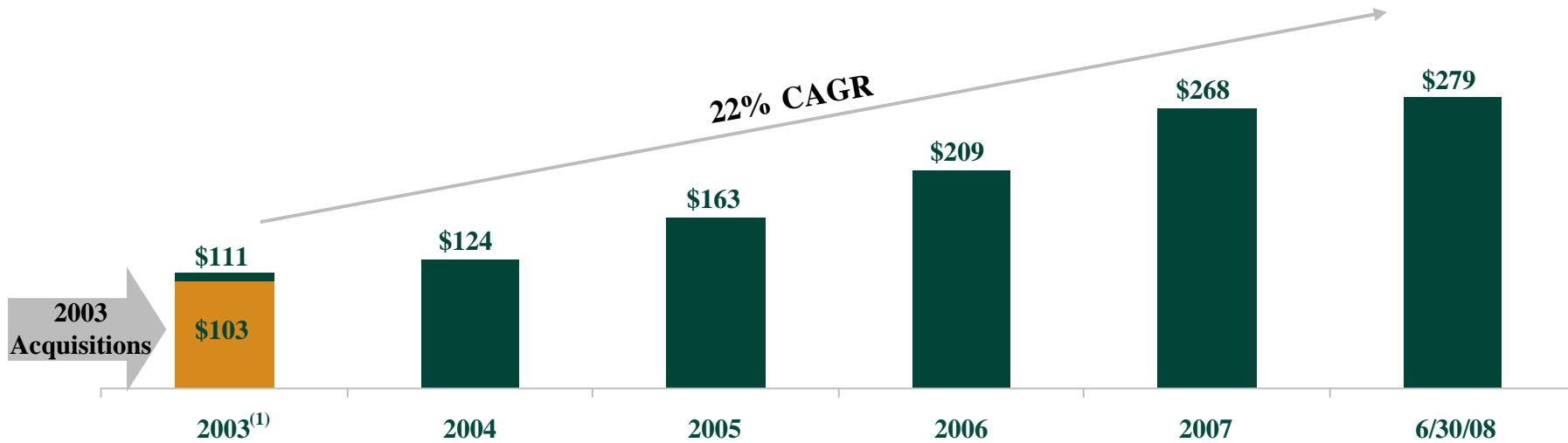
2. PIM manages \$2Bn of assets through brokerage and investment advisory accounts, and Manager Access Program.

4. Includes Global Fixed Income AUM.

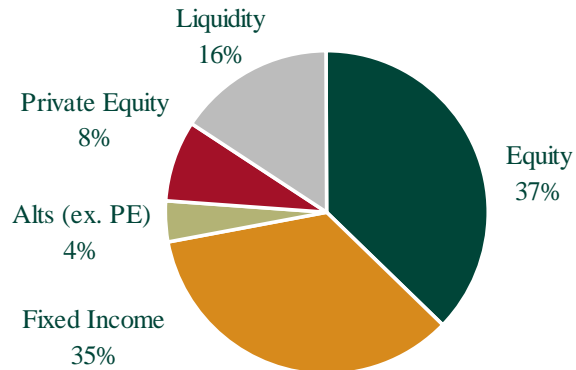
# IMD Assets Under Management

IMD's \$279Bn AUM is diversified across asset classes and distribution channels

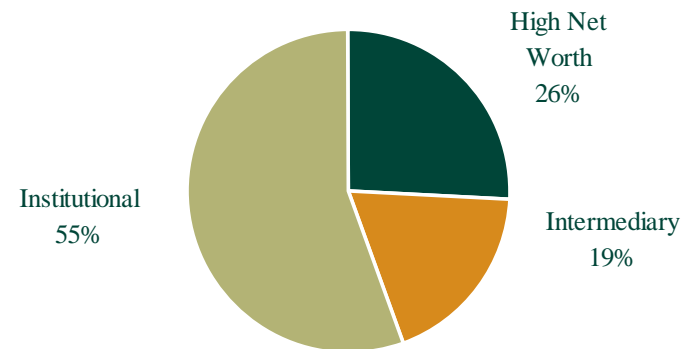
11/30/03 - 6/30/08 AUM (\$Bn)



AUM by Asset Class (%) as of 6/30/08



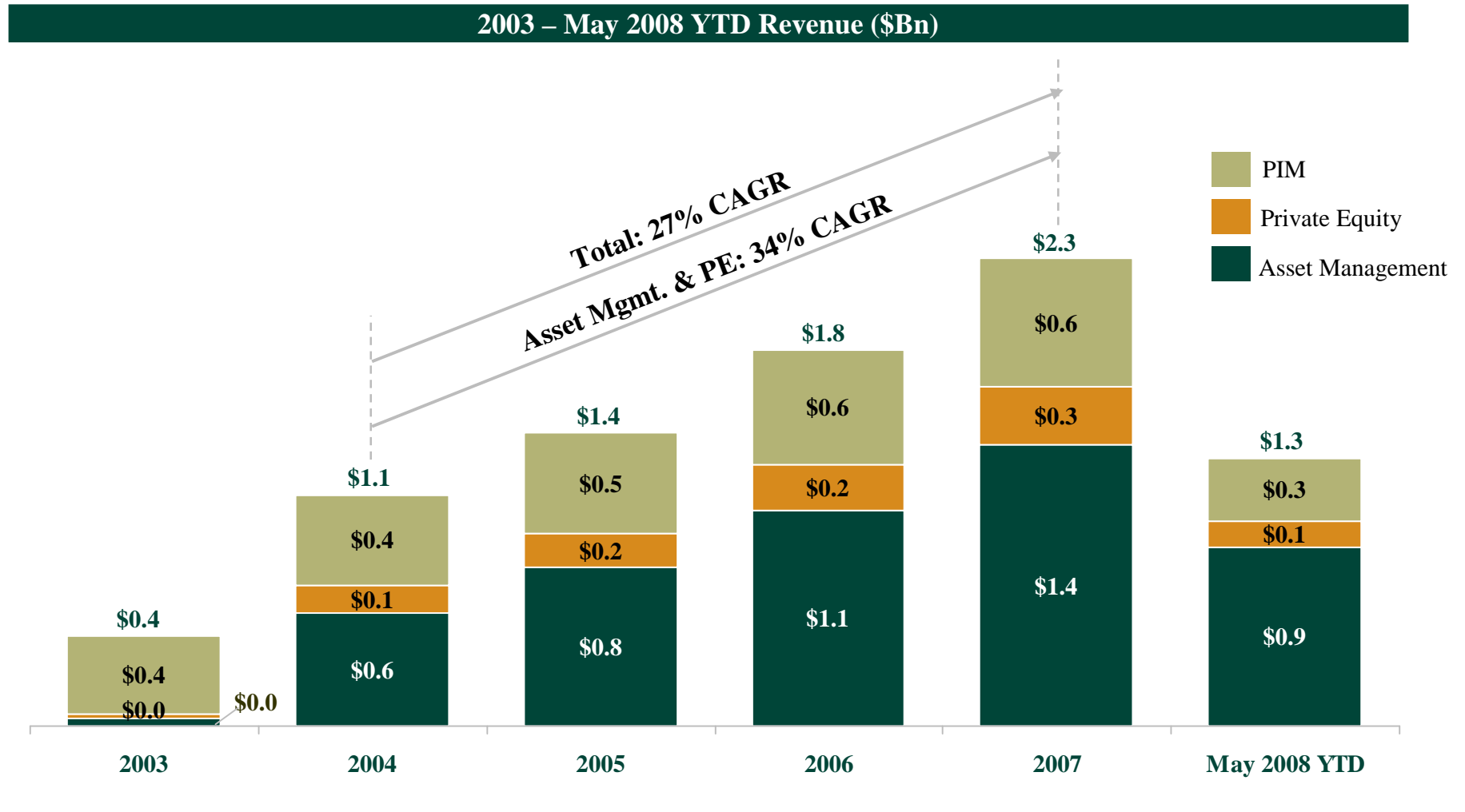
AUM by Client (%) as of 6/30/08



1. 2003 Acquisitions: Neuberger Berman (\$68Bn), Lincoln Capital (\$33Bn) and Crossroads (\$2Bn).

# IMD Revenue

IMD continues to experience high revenue growth from a strong and diversified recurring fee based business



# IMD Comprehensive Client Coverage

Our sales force and client service organization supports our existing client base and has raised ~ \$86Bn<sup>(1)</sup> since December 2006

| Institutions   | Intermediary   | NB Wealth Mgmt.   | PIM HNW  |
|--|--|---|--|
| <ul style="list-style-type: none"> <li>◆ 39 sales people</li> <li>◆ ~ 500 client relationships (including 36% of Fortune 100 companies)</li> </ul> | <ul style="list-style-type: none"> <li>◆ 36 sales people</li> <li>◆ ~ 200 client relationships (including major wirehouses, insurance, 401K record keepers and fund supermarkets)</li> </ul> | <ul style="list-style-type: none"> <li>◆ 56 Wealth Advisors</li> <li>◆ ~ 650 client relationships with \$5 mm+ in assets</li> </ul> | <ul style="list-style-type: none"> <li>◆ 366 Investment Representatives</li> <li>◆ ~ 2,500 \$10mm households with \$5 mm+ in assets at LEH</li> <li>◆ Provide clients full wealth management suite of products and services</li> </ul> |
| <p><b>Gross Flows<sup>(2)</sup> (\$Bn)</b></p> <p>Total: \$45.0Bn</p>  | <p><b>Gross Flows<sup>(2)</sup> (\$Bn)</b></p> <p>Total: \$16.1Bn</p>  | <p><b>Gross Flows<sup>(2)</sup> (\$Bn)</b></p> <p>Total: \$7.3Bn</p>  | <p><b>Gross Flows<sup>(2)</sup> (\$Bn)</b></p> <p>Total: \$18.0Bn</p>  |

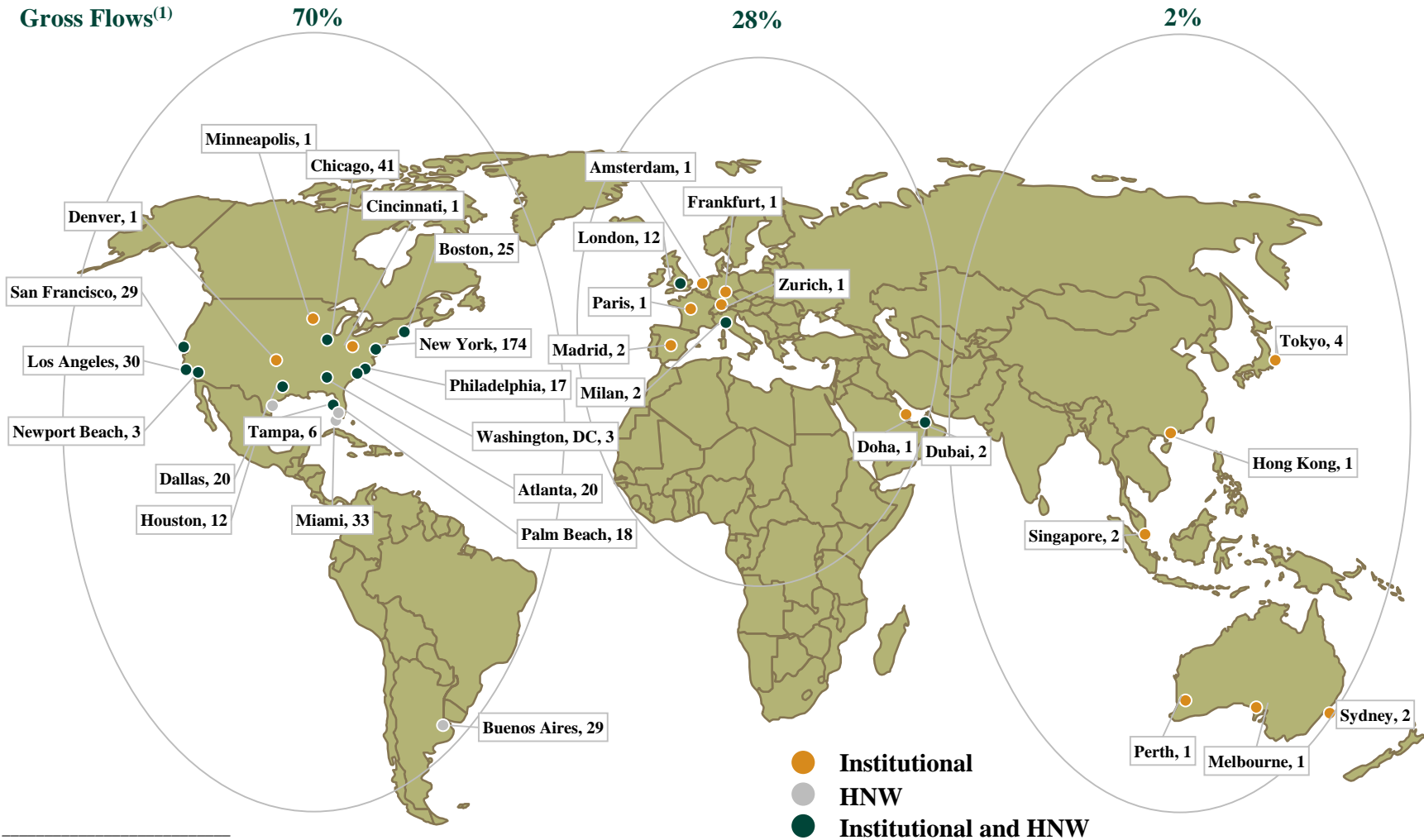
## Shared Support

|   |  |                                      |
|---|--|--------------------------------------|
| <p><b>Product Specialists</b></p> <ul style="list-style-type: none"> <li>- Long-only: 21</li> <li>- Alternatives (ex. PE): 7</li> <li>- Private Equity: 18</li> </ul> | <p><b>Client Service</b><br/>(client onboarding, customized reporting and ongoing support): 63</p> | <p><b>Marketing/RFP Team: 44</b></p> |
|---|--|--------------------------------------|

1. Excludes assets raised directly by investment teams.  
 2. Gross inflows are over the period from 11/30/06 to 6/30/08 and include Manager Access Program, Hedge Advisor and third party fund asset raises.

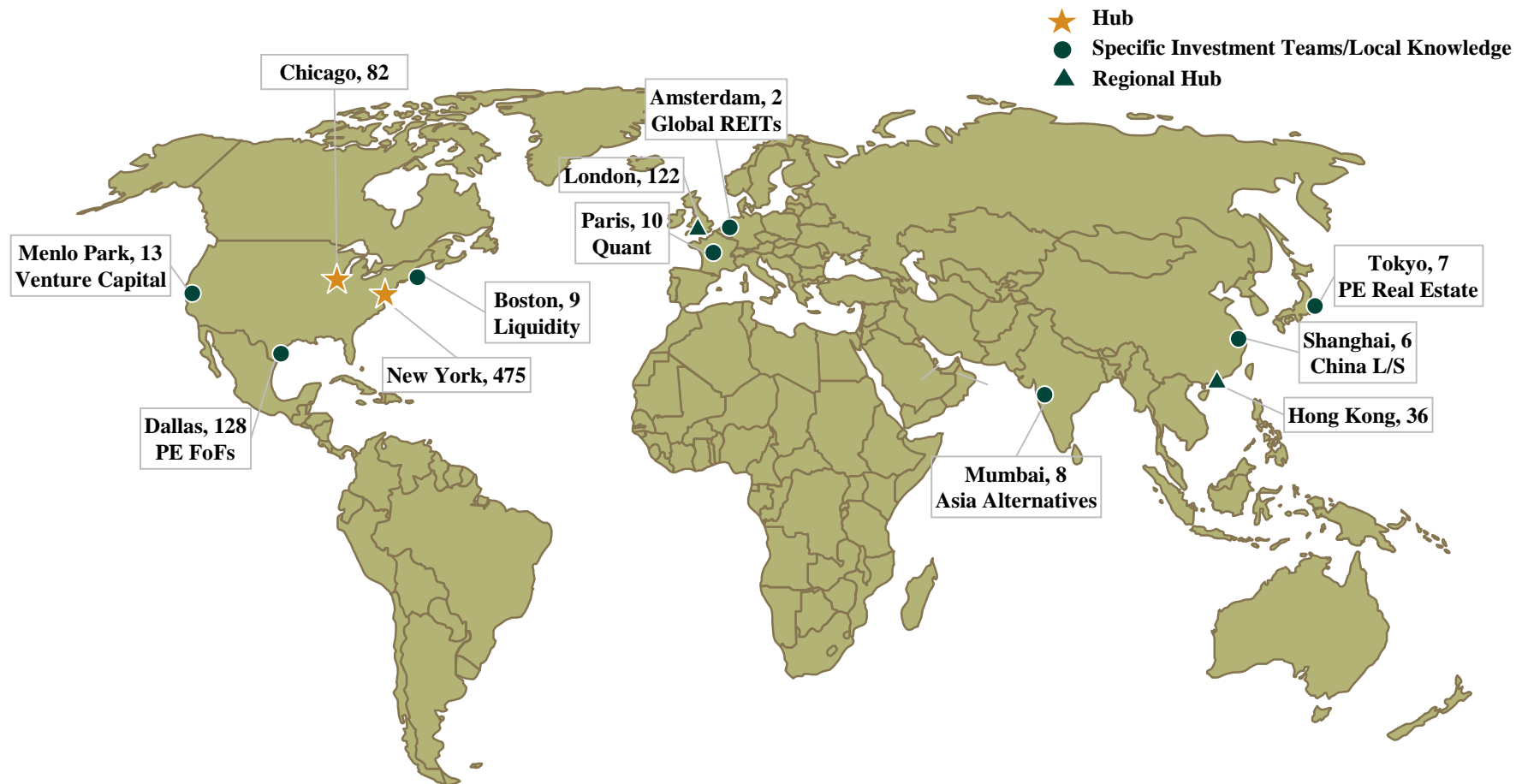
# IMD Global Distribution

IMD has ~ 500 sales professionals located in key client markets



# IMD Global Manufacturing

Our manufacturing efforts are concentrated in New York and Chicago with additional key locations to benefit from local presence and specific investment talent





# Strategic Partnership Opportunities

Overview

IMD is particularly effective when it pulls together broad capabilities to meet specific client needs. Four recent pitches are illustrative:

## Large U.S. Corporate Plan (mandate)

- ◆ **Goal:** Increase Alternatives (Private Equity, Hedge Funds and Real Estate) allocation from 1% to 25% in 2012, despite material internal staffing constraints. Allocation to Alternatives a direct result of need to reduce volatility in portfolio
- ◆ **Solution:** Hire Lehman Brothers to: educate staff; provide tactical asset allocation; and manage up to 50% of the Alts portfolio using external managers
- ◆ **Key Competitive Advantage:** While there are many PE/HF/RE fund-of-funds, the combination of holistic advice on implementation together with our investment capabilities was unique
- ◆ **Ancillary Benefit:** Seeds our RE Fund of Funds business; future potential for staff to choose our proprietary product for direct investments; gives IMD tremendous credibility in marketplace

## Large U.S. Public Plan (mandate)

- ◆ **Goal:** Transform itself into a world class investor in part by leveraging providers more effectively; move significant assets to external managers
- ◆ **Solution:** Hire Lehman Brothers (JPM, MS and BlackRock) to manage a \$1Bn global balanced public markets portfolio across 10+ benchmarks
- ◆ **Key Competitive Advantage:** Few asset managers have the breadth of internal capabilities (from cash to emerging market equities / GTAA) – fewer still the teamwork necessary to implement the portfolio and deliver outstanding performance
- ◆ **Ancillary Benefit:** Preferred provider with opportunities to compete for significant additional alternatives mandates

## Large U.K. Corporate (mandate)

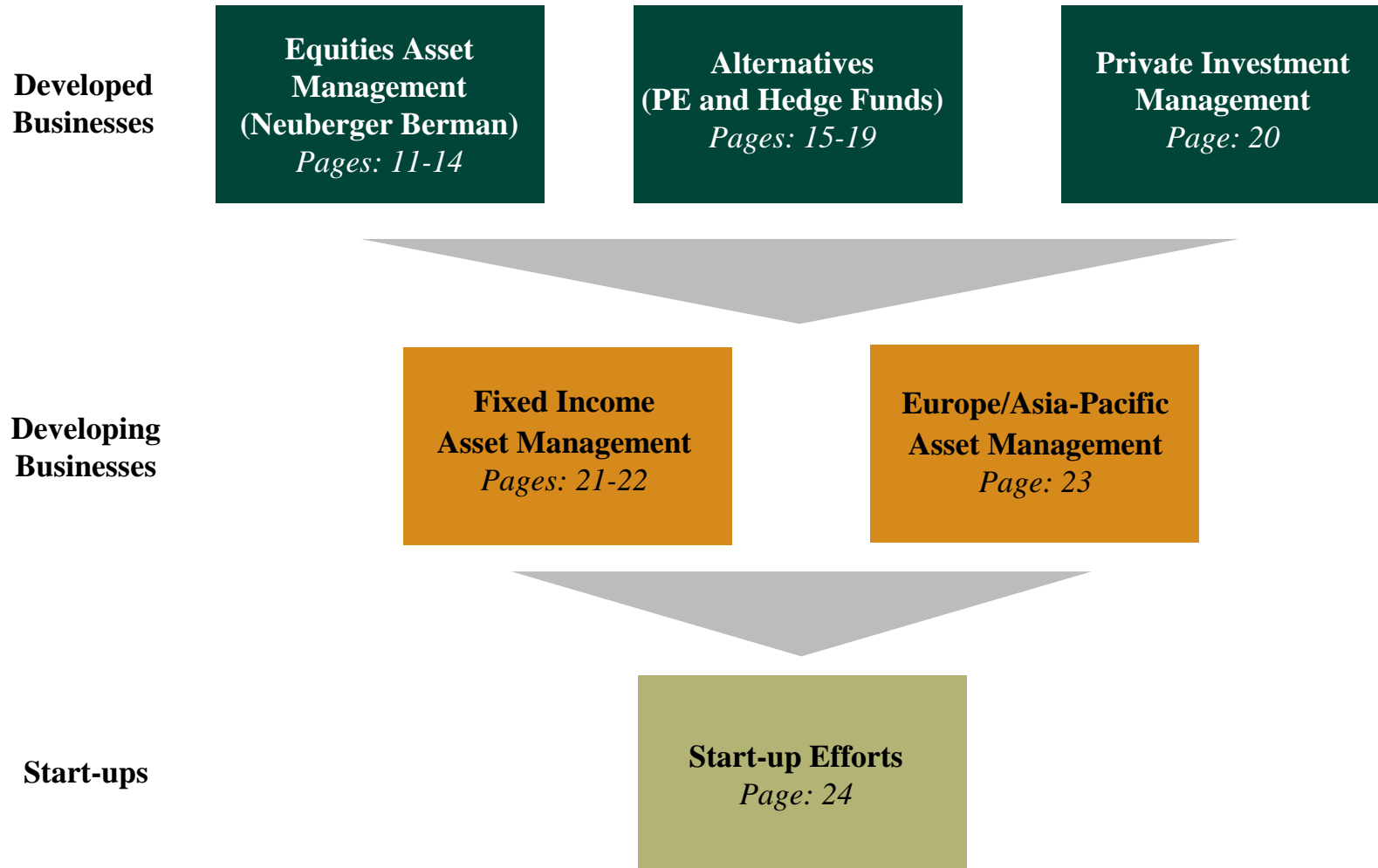
- ◆ **Goal:** UK Pension, under-funded, frustrated with ineffective, disconnected external investment advice
- ◆ **Solution:** Hire Lehman Brothers to provide holistic, coordinated management of both assets and liabilities using internal and external managers
- ◆ **Key Competitive Advantage:** Breadth of internal and external capabilities across asset classes – outstanding track records; coherent, whole portfolio (assets and liabilities) approach
- ◆ **Ancillary Benefit:** Amongst the first UK pension schemes to pursue a fully outsourced model. Gives us first mover advantage

## Sovereign Wealth Fund (pitch)

- ◆ **Goal:** SWF traditionally focused on direct equity investments wishes to take advantage of current dislocation
- ◆ **Solution:** Hire Lehman Brothers to create a customized credit optimization strategy across multiple sectors of credit markets
- ◆ **Key Competitive Advantage:** Combination of quantitative expertise, asset allocation capabilities, expertise in credit and ability to implement is unique
- ◆ **Ancillary Benefit:** Substantial relationship developed with an important SWF with a \$110Bn portfolio. Provides framework which can be adopted for other clients

# IMD Business Overview: Contents

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# IMD Overview: Financial Highlights

## Developed Businesses

- ◆ **Equities:** Marquee Neuberger Berman equities business with \$114Bn in AUM and exceptional performance. Leading HNW separate account, mutual fund, institutional and intermediary equities manufacturing and distribution
- ◆ **Alternatives:** Diversified platform in private equity, fund of hedge funds, commodities and strategic partnerships
- ◆ **PIM:** Highly productive (#2 in industry rankings) IR channel focused on distributing Neuberger Berman and Alternatives

## EBITDA Contribution<sup>(1)</sup> – Developed (\$M)



## Developing Businesses

- ◆ **Fixed Income:** Blend of highly profitable strategies (e.g., Liquidity and High Yield) with a core and index business approaching attractive scale. Investments to expand business scope, with more sophisticated higher fee products, are beginning to yield returns
- ◆ **Europe/Asia-Pacific:** Maturing infrastructure and new business development capabilities in place. Significant traction with clients is a “leading indicator” of future financial returns

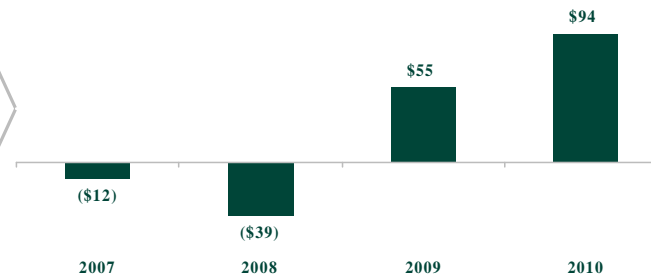
## EBITDA Contribution<sup>(1)</sup> – Developing (\$M)



## Start-up Initiatives

- ◆ **Private Equity:** 3 new asset classes launched with target 2010 commitments of \$7Bn
- ◆ **Hedge Funds/Quant:** The US Quantitative Investment Group has leading returns across the product set and is poised for strong growth

## EBITDA Contribution<sup>(1)</sup> – Start-up (\$M)



| (\$M)                  | 2007  | 2008  | 2009  | 2010  |
|------------------------|-------|-------|-------|-------|
| Shared LEH Allocations | (135) | (144) | (151) | (159) |
| EBITDA                 | 431   | 700   | 1,018 | 1,418 |

1. Excludes shared LEH allocations; see Appendix for detail.

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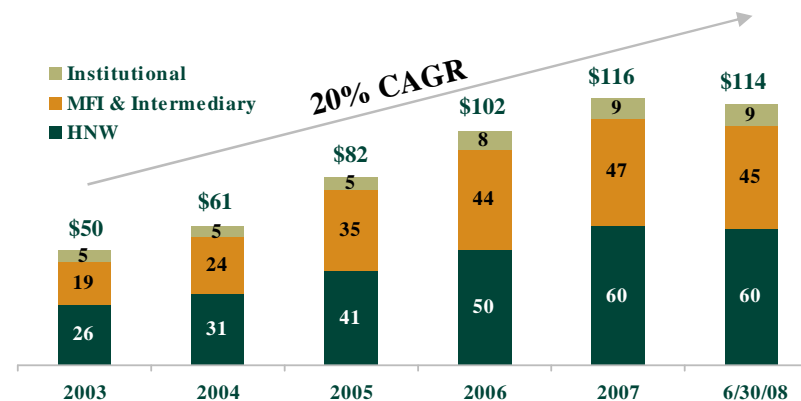
## Developed Businesses

## Manages \$114Bn<sup>(1)</sup> in AUM with global client coverage of institutions, financial intermediaries and HNW individuals

### Equities Money Manager Established in 1939

- ◆ **One of the premier HNW client franchises in the U.S. (PAM)**
  - \$60Bn AUM; 109 bps average fees
  - Long-term client relationships
  - Exceptional investment performance
  
- ◆ **Successful and highly profitable Mutual Fund business**
  - \$33Bn AUM (\$5Bn sub-advised); 81 bps average fees
  - Relationships with 23 of 25 top Defined Contribution recordkeepers
  
- ◆ **Managed Account business serves wirehouses and other financial intermediaries and is growing rapidly**
  - \$12Bn AUM; 53 bps average fees
  - Ranked ninth-largest third-party program among separate account asset managers
  
- ◆ **Momentum winning corporate/public pensions mandates**
  - \$9Bn AUM; 54 bps average fees

### Assets Under Management (\$Bn)



### Equities Asset Management Financials (\$M)

|                             | 2007         | 2008         | 2009         | 2010         |
|-----------------------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>              |              |              |              |              |
| HNW                         | \$618        | \$681        | \$773        | \$876        |
| MFI & Intermediary          | 326          | 322          | 354          | 395          |
| Institutional               | 49           | 52           | 55           | 65           |
| <b>Total</b>                | <b>993</b>   | <b>1,055</b> | <b>1,183</b> | <b>1,336</b> |
| <b>EBITDA<sup>(2)</sup></b> | <b>\$394</b> | <b>\$407</b> | <b>\$465</b> | <b>\$542</b> |
| <i>Margin (%)</i>           | 40%          | 39%          | 39%          | 41%          |

1. As of June 30, 2008.

2. Excludes shared LEH allocations; see Appendix for detail.

# Neuberger Berman: PAM Investment Performance

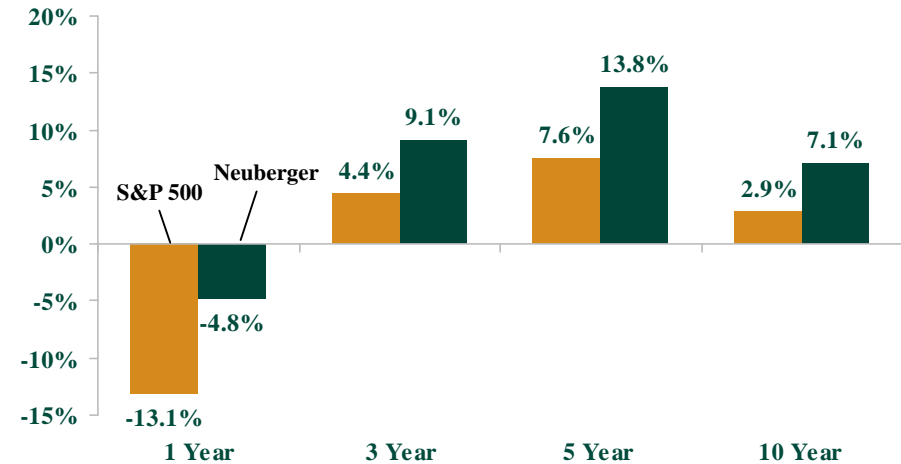
Developed Businesses

**Neuberger Berman investment teams have consistently delivered exceptional performance for their clients**

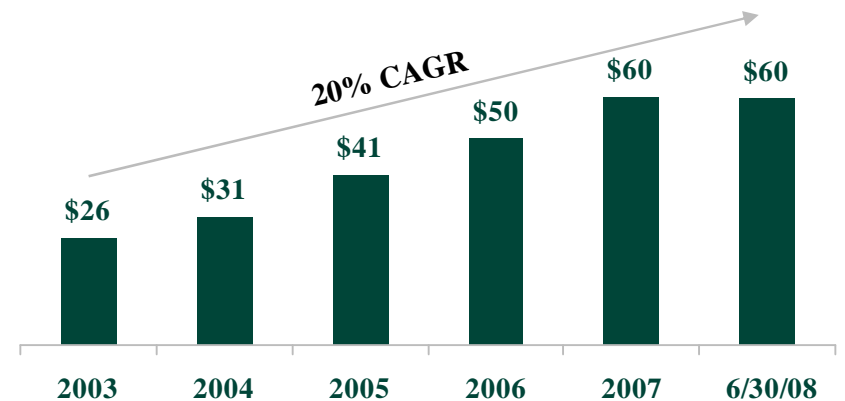
## Neuberger Berman Private Asset Management

- ◆ The Neuberger “PAM” business consists of 25 teams that manage HNW separate accounts
- ◆ The teams are supported by dedicated buy-side research analysts
  - Professionals are widely respected and host ~1,500 company management presentations each year
- ◆ Performance has been exceptional over nearly every time frame
- ◆ PAM portfolio managers consist of several well known investors: Marvin Schwartz, Richard Glasebrook, Jeff Bolton, Judy Vale, Bob D’Alelio and Gerry Kaminsky, to name a few

## PAM Performance<sup>(1)</sup>



## PAM AUM Growth (\$Bn)



1. Performance as of 6/30/2008

# Neuberger Berman PAM Equities - Performance

Developed Businesses

As of June 30, 100% of HNW equities AUM has outperformed the benchmark YTD, over 94% on a 1-year basis, and over 97% on a 3-year basis

| Composite <sup>(1,2,3)</sup>       | Strategy  | Inception Date | YTD    |               | 1-Year  |               | 3-Year |               | 5-Year |               |
|------------------------------------|-----------|----------------|--------|---------------|---------|---------------|--------|---------------|--------|---------------|
|                                    |           |                | Comp   | Excess Return | Comp    | Excess Return | Comp   | Excess Return | Comp   | Excess Return |
| Appel Group                        | LCG       | Jan-90         | (7.80) | 1.30          | 2.40    | 8.40          | 9.90   | 4.00          | 12.30  | 5.00          |
| Bolton Group                       | All CC    | Jan-90         | (8.13) | 3.78          | (7.94)  | 5.18          | 6.58   | 2.17          | 9.28   | 1.70          |
| Bretter Group                      | LCG       | Jan-90         | (9.27) | 2.64          | (10.80) | 2.32          | 2.09   | (2.32)        | 4.50   | (3.09)        |
| Capital Group Core                 | LCC       | Jan-97         | (4.93) | 6.98          | (2.53)  | 10.59         | 8.58   | 4.18          | 10.48  | 2.89          |
| Fraenkel / Stein / Pearlman        |           |                |        |               |         |               |        |               |        |               |
| Fraenkel Group - Equity            | M-LCG     | Jun-92         | (7.08) | 4.84          | (5.60)  | 7.52          | 5.91   | 1.50          | 7.28   | (0.30)        |
| Pearlman Group - Equity            | M-LC      | Jan-04         | (7.68) | 4.23          | (4.85)  | 8.27          | 7.01   | 2.60          | --     | --            |
| Joe Stein Group                    | All CG    | Jun-02         | (4.18) | 7.73          | (3.39)  | 9.73          | 7.94   | 3.54          | 10.34  | 2.75          |
| Ganek / Nackenson Group            | Multi CC  | Jan-90         | (7.79) | 4.13          | (3.85)  | 9.27          | 9.30   | 4.89          | 9.93   | 2.35          |
| Kamen Group                        | LCC       | Jan-91         | (8.80) | 3.11          | (7.11)  | 6.01          | 5.07   | 0.67          | 6.78   | (0.80)        |
| Kamen / Ganek / Nackenson Eq. Inc. | Specialty | Jan-05         | (4.27) | 7.65          | (1.67)  | 11.45         | 4.87   | 0.46          | --     | --            |
| Team Kaminsky                      | All CC    | Jan-97         | (2.66) | 8.39          | (0.98)  | 11.70         | 10.09  | 5.37          | 12.43  | 4.05          |
| Kantor                             | All CC    | Jun-05         | (4.86) | 7.06          | (6.33)  | 6.79          | 12.17  | 7.76          | --     | --            |
| KSE Group - Value                  | All CV    | Jan-89         | 3.22   | 15.13         | 6.33    | 19.45         | 11.38  | 6.97          | 13.50  | 5.91          |
| MLG Group                          | M-LCC     | Jan-91         | 5.06   | 16.97         | 10.58   | 23.70         | 12.01  | 7.61          | 12.21  | 4.63          |
| Paduano Group                      | All CC    | Jan-91         | (6.70) | 5.21          | (9.57)  | 3.55          | 7.30   | 2.89          | 9.85   | 2.26          |
| Rachlin Group Income Plus          | Eq. Inc.  | Aug-96         | (6.12) | 5.79          | (14.57) | (1.45)        | 9.86   | 5.46          | 15.84  | 8.25          |
| Straus Group                       | M-LCV     | Jan-90         | (3.18) | 8.73          | (5.17)  | 7.95          | 9.45   | 5.04          | 17.16  | 9.57          |

1. Total fund composite, net of fees.
2. For each group, composite with largest AUM is depicted.
3. Only teams with combined AUM in excess of \$500M are shown.

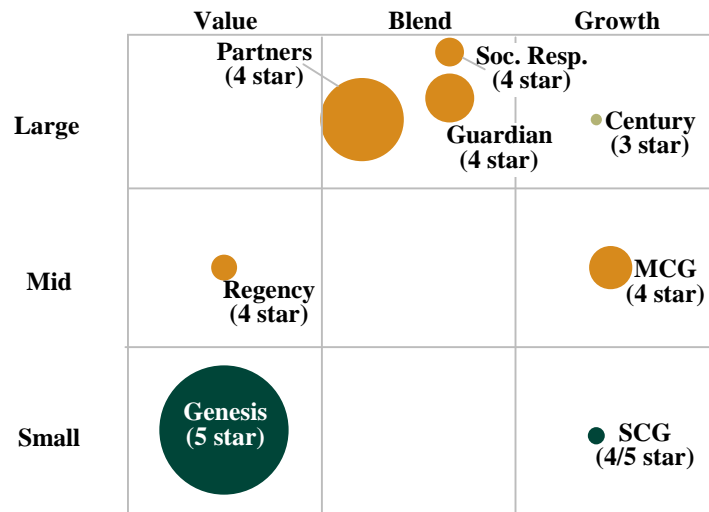
# Neuberger Berman: Mutual Fund and Institutional

Developed Businesses

The equities mutual funds have leading Morningstar ratings. The separate account business has generally outperformed respective benchmarks over 1, 3 and 5-year periods

## Mutual Funds<sup>(1)</sup>

- 97% of AUM is in products that exceed the benchmark over 5 years, and 84% of AUM carry 3, 4 and 5-star ratings (5-year)



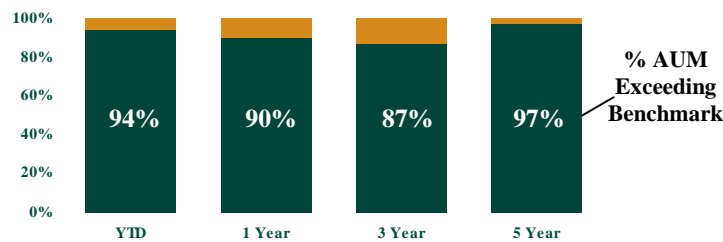
Notes: 1) Bubble size denotes AUM. 2) The REIT Fund is also 4 stars.

## Institutional Separate Accounts

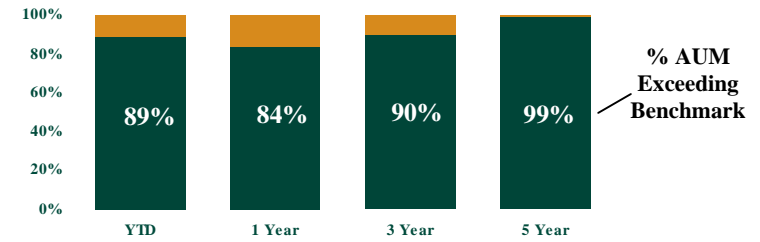
- 99% of AUM is in products that exceed the benchmark over 5 years

|   | Inception Date | Annualized Return (gross of fees) |         |         |
|---|----------------|-----------------------------------|---------|---------|
|   |                | 1 Year                            | 3 Years | 5 Years |
| Large Cap Disciplined Growth<br>Russell 1000 Growth Index | 1/1/1987       | 2.4%                              | 9.9%    | 12.3%   |
| Small Cap Growth<br>Russell 2000 Growth Index             | 11/1/1998      | -3.4%                             | 12.6%   | 15.0%   |
| Mid-Cap Growth<br>Russell MidCap Growth Index             | 8/1/1997       | -6.5%                             | 12.3%   | 14.3%   |
| International Equity (closed)<br>MSCI EAFE                | 7/1/1994       | -13.0%                            | 13.0%   | 20.9%   |
| International Large Cap Equity<br>MSCI EAFE               | 1/1/2005       | -7.7%                             | 17.3%   |         |
| Real Estate Securities<br>FTSE NAREIT Equity REITs Index  | 4/1/2002       | -14.2%                            | 5.8%    | 15.8%   |
| Socially Responsive Investing<br>S&P 500 Index            | 1/1/1991       | -9.4%                             | 8.5%    | 10.9%   |

## Mutual Fund Investment Performance<sup>(2)</sup>



## Institutional Separate Account Inv. Performance<sup>(2)</sup>



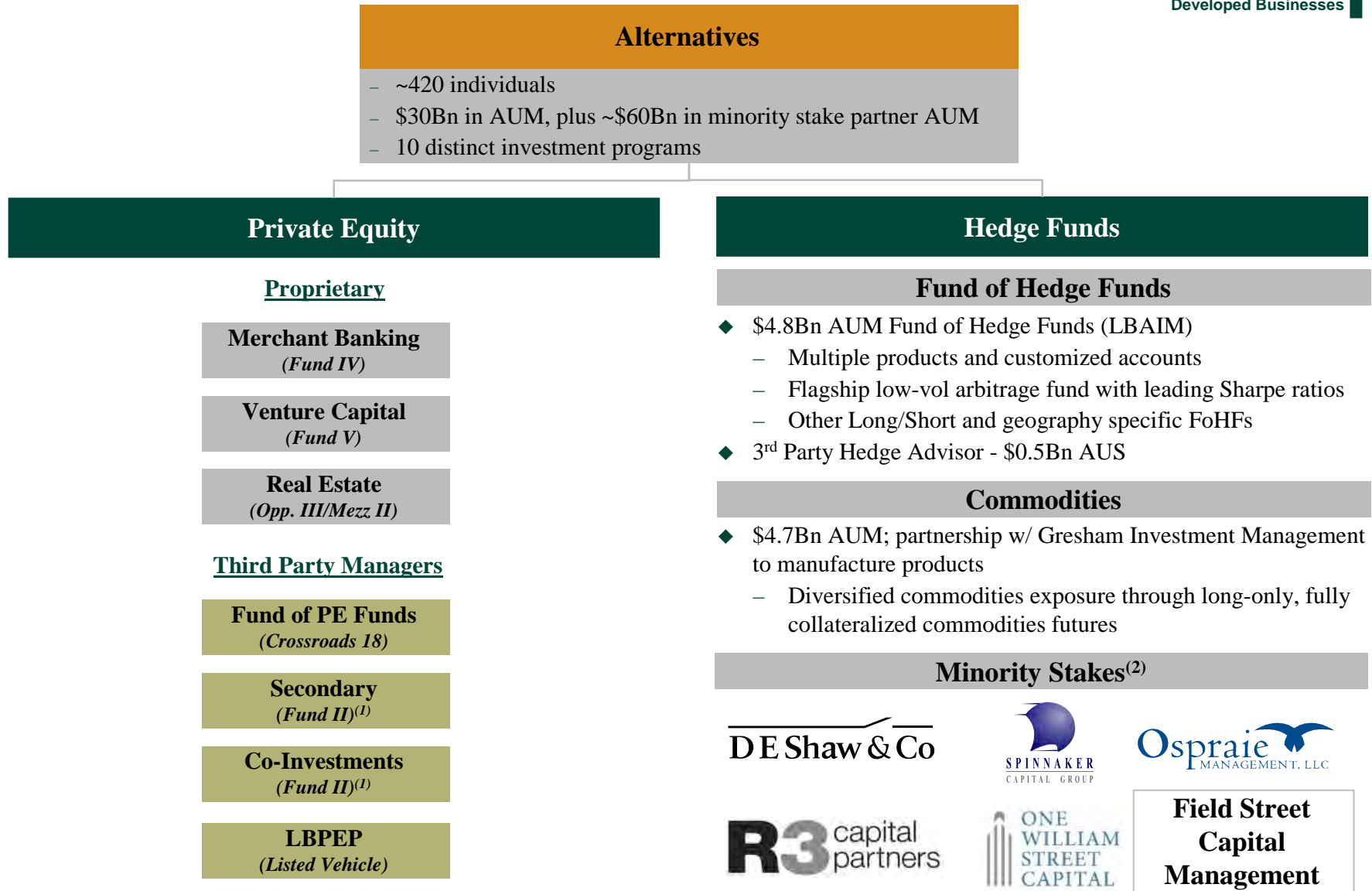
1. Morningstar ratings as of 6/30/2008.

2. Performance as of 6/30/2008.



# Alternatives

Developed Businesses



Note: AUM as of 6/30/08.

1. Currently in the market.

2. Inclusion of certain minority stakes will depend upon final structure of a potential transaction.

# Alternatives: Private Equity Overview

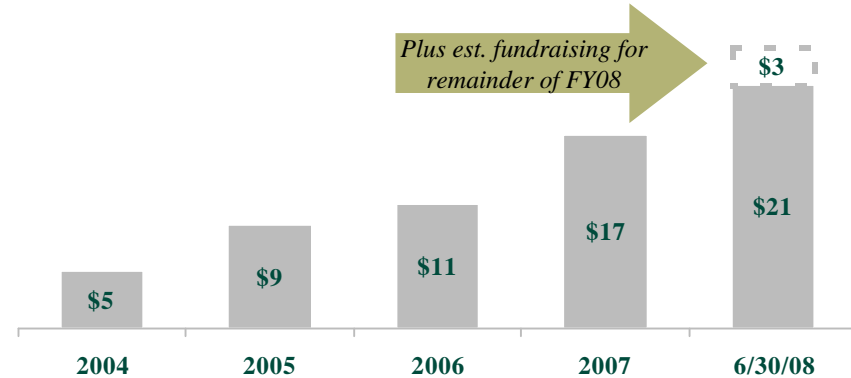
Developed Businesses

Traditionally focused on four asset classes, with AUM of \$21Bn<sup>(1)</sup>

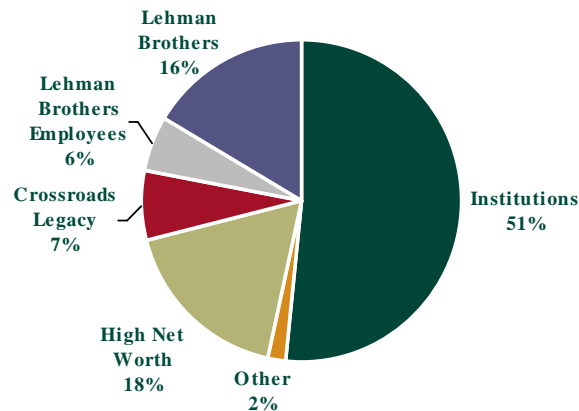
## Investment Offerings

- ◆ **Merchant Banking** – Est. in 1984; investing Fund IV
  - \$4.5Bn AUM
  - Targets middle market companies globally
- ◆ **Venture Capital** – Est. in 1995; investing Fund V
  - \$0.8Bn AUM; 89 investments made
  - Invest in high growth venture-backed technology companies
- ◆ **Real Estate** – Est. in 2000; investing Opp III and raising Mezz II
  - \$7.4Bn AUM
  - Equity and debt investing in property, real estate companies and service businesses
- ◆ **Private Fund Investments** – Est. in 2002; \$8.1Bn AUM

## 2004 – 2008E Assets Under Management (\$Bn)



## Private Equity Historical Commitments by LP<sup>(2)</sup>



## Alternatives: Private Equity Financials (\$M)

|                             | 2007         | 2008          | 2009        | 2010           |
|-----------------------------|--------------|---------------|-------------|----------------|
| Revenue                     |              |               |             |                |
| Management Fee              | \$168        | \$244         | \$307       | \$403          |
| Carried Interest (Net)      | 90           | 19            | 80          | 160            |
| <b>Total</b>                | <b>258</b>   | <b>262</b>    | <b>387</b>  | <b>563</b>     |
| <b>EBITDA<sup>(3)</sup></b> | <b>(\$9)</b> | <b>(\$10)</b> | <b>\$96</b> | <b>\$235</b>   |
| Margin (%)                  | (4%)         | (4%)          | 25%         | 42%            |
| <b>Total Carry (2010+)</b>  |              |               |             | <b>\$2,497</b> |

1. As of June 30, 2008.

2. Based on historical commitment amount by investors.

3. Excludes shared LEH allocations; see Appendix for detail. 2007 excludes \$19.3M in non-recurring expenses associated with the launch of LBPEP (publicly traded fund of funds).

# Alternatives: Private Equity Carried Interest

Developed Business

Due to the rapid growth in commitments in the current periods, the Private Equity business has a significant amount of embedded carried interest value. *Note: analysis does not include any new funds after those currently planned (i.e., post 2010)*

| Asset Class              | Fundraising by Closing (\$Bn) |              |              |              |              |              |              |               | Commitments (\$Bn) |               |           | Carried Interest (Net) (\$M) |              |              |              |              |              |              |              |             |  |
|--------------------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------------|---------------|-----------|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--|
|                          | '03                           | '04          | '05          | '06          | '07          | '08          | '09          | '10           | Invested           | Total         | Gross IRR | '10                          | '11          | '12          | '13          | '14          | '15          | '16          | '17          | '18         |  |
| <b>Developed</b>         |                               |              |              |              |              |              |              |               |                    |               |           |                              |              |              |              |              |              |              |              |             |  |
| Merchant Banking         |                               | 1.0          | 0.3          |              | 3.5          |              |              |               | 1.2                | 4.7           | 22.5%     | 40                           | 63           | 68           | 68           | 68           | 0            | 0            | 0            | 0           |  |
| Venture Capital          | 0.3                           |              |              |              | 0.4          |              |              | 0.4           | 0.3                | 1.1           | 22.5%     | 10                           | 14           | 8            | 12           | 13           | 7            | 9            | 7            | 5           |  |
| Real Estate              | 1.6                           | 0.7          | 2.8          |              | 0.8          | 4.0          | 0.5          | 7.0           | 6.1                | 17.4          | ~18%      | 75                           | 89           | 168          | 134          | 198          | 194          | 92           | 92           | 0           |  |
| Private Fund Inv Group   |                               | 0.6          | 0.8          | 3.2          | 1.5          | 3.6          | 2.9          | 2.0           | 3.5                | 14.6          | ~19%      | 35                           | 51           | 52           | 73           | 74           | 73           | 55           | 10           | 4           |  |
| Subtotal (Developed)     | 1.9                           | 2.3          | 3.9          | 3.2          | 6.2          | 7.6          | 3.4          | 9.4           | 11.0               | 37.8          |           | 160                          | 216          | 297          | 287          | 352          | 274          | 155          | 108          | 9           |  |
| <b>Start-up</b>          |                               |              |              |              |              |              |              |               |                    |               |           |                              |              |              |              |              |              |              |              |             |  |
| Infrastructure / MLP     |                               |              |              |              | 0.7          |              | 1.5          |               | 0.7                | 2.2           | 14.9%     | 0                            | 3            | 3            | 37           | 38           | 38           | 39           | 5            | 6           |  |
| Global / Euro Mezzanine  |                               | 1.2          |              |              |              | 1.1          |              | 2.0           | 1.6                | 4.3           | 19.3%     | 15                           | 24           | 23           | 65           | 42           | 42           | 0            | 0            | 0           |  |
| Strategic Partners Group |                               |              |              |              |              |              | 3.0          |               | 0.0                | 3.0           | 20.0%     | 8                            | 12           | 16           | 16           | 16           | 192          | 0            | 0            | 0           |  |
| Subtotal (Start-up)      | 0.0                           | 1.2          | 0.0          | 0.0          | 0.7          | 1.1          | 4.5          | 2.0           | 2.3                | 9.5           |           | 23                           | 39           | 42           | 118          | 96           | 272          | 39           | 5            | 6           |  |
| <b>Total</b>             | <b>\$1.9</b>                  | <b>\$3.4</b> | <b>\$3.9</b> | <b>\$3.2</b> | <b>\$6.9</b> | <b>\$8.7</b> | <b>\$7.9</b> | <b>\$11.4</b> | <b>\$13.4</b>      | <b>\$47.3</b> |           | <b>\$182</b>                 | <b>\$255</b> | <b>\$339</b> | <b>\$405</b> | <b>\$448</b> | <b>\$546</b> | <b>\$194</b> | <b>\$113</b> | <b>\$15</b> |  |

Note: Total represents carried interest revenue when recognized by IMD and is net of carry paid directly to the Principals as members of the GP.

# Alternatives Private Equity: Performance

Developed Businesses

Private Equity funds have had strong performance in absolute terms and relative to peers

| Lehman Brothers Selected Private Equity Investment Strategies |                                 |                   |                                     |                     |
|---|---------------------------------|-------------------|-------------------------------------|---------------------|
| Investment Strategy   | Invested Capital <sup>(1)</sup> | Year of Inception | Historical Gross IRR <sup>(2)</sup> | Next Fund           |
| <b>Merchant Banking</b>                                       |                                 |                   |                                     |                     |
| Mid-Cap Buyouts   | \$3.7Bn                         | 1989              | 37%                                 | 2011                |
| <b>Venture Capital</b>  |                                 |                   |                                     |                     |
|   | \$813M                          | 1996              | 22%                                 | 2010                |
| <b>Real Estate</b>  |                                 |                   |                                     |                     |
| Opportunity   | \$4.4Bn                         | 2000              | 35%                                 | Currently in Market |
| Mezzanine   | \$1.7Bn                         | 2004              | 20%                                 | Currently in Market |
| <b>Private Fund Investments</b>                               |                                 |                   |                                     |                     |
| Co-Investment   | \$1.1Bn                         | 2006              | 30%                                 | Currently in Market |
| Fund of Funds   | \$5.3Bn                         | 1987              | 23%                                 | Currently in Market |
| Public Vehicle  | \$0.5Bn                         | 2007              | n/a                                 | Public              |
| Secondary Investments   | \$0.5Bn                         | 2005              | 45%                                 | Currently in Market |

1. Investment capital does not reflect undrawn commitments.

2. All returns are as of 3/31/2008, except for the Fund of Fund Investments return which is as of 12/31/2007. Gross internal rates of return (IRR) do not reflect the management fees, carried interest, taxes, transaction costs and other expenses to be borne by investors in each fund, which in the aggregate are expected to be substantial.

# Alternatives: Hedge Funds & Commodities

Developed Businesses

The hedge fund business includes high growth fund of funds and commodities products as well as six strategic partnerships with leading hedge fund managers

## Fund of Hedge Funds and Commodities<sup>(1)</sup>

- ◆ LBAIM Fund of Hedge Funds - \$4.8Bn
  - 20 investment professionals with deep industry knowledge
  - Flagship Diversified Arbitrage fund plus numerous start-up strategies (Asia Multi, Europe L/S, SelectAccess)
  - 54% of AUM from outside of the U.S.
- ◆ Commodities Business - \$4.7Bn
  - 20-year track record through Gresham partnership
  - Proprietary index outperforms GSCI and DJ-AIGCI

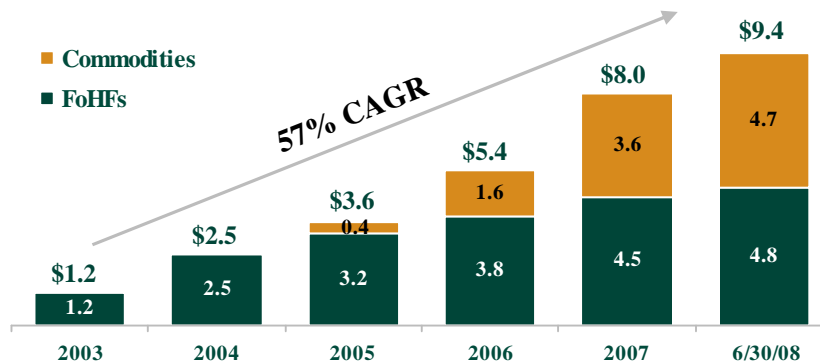
## Minority Interest Partnerships

*Inclusion of certain minority stakes will depend upon final structure*

| Partner            | Equity %           | Date         | AUM <sup>(2)</sup>      |
|--------------------|--------------------|--------------|-------------------------|
| D.E. Shaw          | 20%                | March 2007   | \$40.2Bn <sup>(3)</sup> |
| Spinnaker          | 25%                | January 2007 | \$8.2Bn <sup>(3)</sup>  |
| Ospraie            | 20%                | April 2005   | \$9.1Bn <sup>(1)</sup>  |
| R3                 | 45% <sup>(4)</sup> | May 2008     | \$2.3Bn <sup>(3)</sup>  |
| One William Street | 45%                | April 2008   | \$0.8Bn <sup>(5)</sup>  |
| Field Street       | 20%                | April 2008   | \$0.1Bn <sup>(3)</sup>  |

- ◆ IMD also holds an approximate 11% sales-restricted stake in GLG public stock

## AUM Growth (\$Bn)



## Alternatives Financials (\$M)

|                                 | 2007         | 2008         | 2009         | 2010         |
|---------------------------------|--------------|--------------|--------------|--------------|
| Revenue                         |              |              |              |              |
| Management Fees                 | \$62         | \$72         | \$81         | \$89         |
| Performance Fees <sup>(6)</sup> | 8            | 5            | 24           | 29           |
| Profit Alloc. from Partners     | 157          | 407          | 394          | 468          |
| <b>Total</b>                    | <b>226</b>   | <b>484</b>   | <b>499</b>   | <b>586</b>   |
| <b>EBITDA<sup>(7)</sup></b>     | <b>\$171</b> | <b>\$434</b> | <b>\$445</b> | <b>\$527</b> |

1. AUM as of 6/30/2008.

2. Minority stakes AUM not included in IMD AUM.

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3. AUM as of 7/1/2008.

4. Tiered structure.

5. As of 6/30/2008, includes \$200M of committed Private Equity.

6. Performance fees denoted in calendar year; see Notes.

7. Excludes shared LEH allocations; see Appendix for detail.

# Private Investment Management

Developed Businesses

Over a five year period, PIM has transformed from a transactional brokerage model to a wealth management platform leveraging the strength of the Asset Management and Private Equity franchises

- Sales Force**
  - ◆ Exclusive, highly skilled and extremely productive IRs
  - ◆ 366 IRs with \$2.0M IR productivity

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- Role**
  - ◆ Primary wealth advisor or provider of leading asset management products
    - 38% fee-based AUS<sup>(1)</sup>

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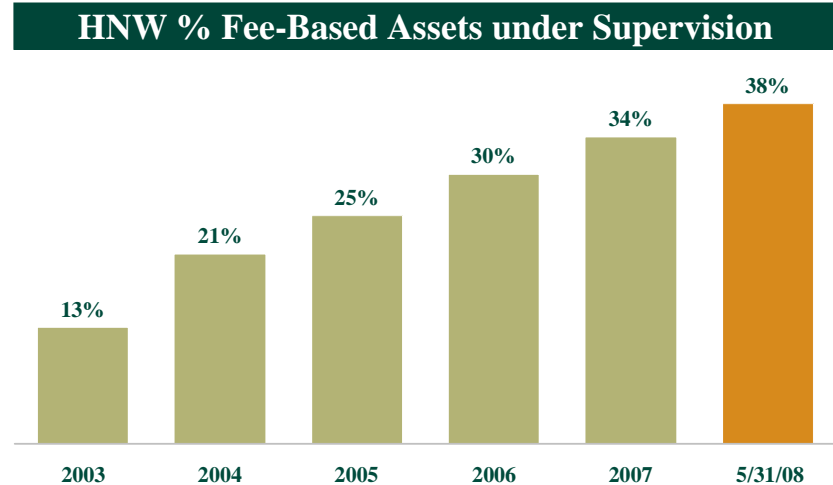
- Target Clients**
  - ◆ \$10M+ with focus on first-generation wealth
  - ◆ 30,000 total HHs; 2,500 \$10M+ HHs<sup>(1)</sup>

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- Platform**
  - ◆ Comprehensive suite of WM products (NB, PE, HFs, etc.) and services (Wealth and Portfolio Advisory, Trust)

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- Business**
  - ◆ Respected wealth management player
    - \$82Bn total AUS<sup>(1)</sup>
  - ◆ Includes \$1Bn AUM + \$6Bn AUS<sup>(2)</sup> in Manager Access Program (MAP) that allocates to 3<sup>rd</sup> party long-only managers



|                             | 2007        | 2008        | 2009        | 2010         |
|-----------------------------|-------------|-------------|-------------|--------------|
| Revenue                     | \$630       | \$614       | \$645       | \$709        |
| <b>EBITDA<sup>(3)</sup></b> | <b>\$83</b> | <b>\$80</b> | <b>\$91</b> | <b>\$115</b> |
| Margin (%)                  | 13%         | 13%         | 14%         | 16%          |

1. As of 5/31/2008.

2. As of 6/30/2008.

3. Excludes shared LEH allocations; see Appendix for detail.

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## Developing Businesses

# Fixed Income Asset Management

Developing Businesses

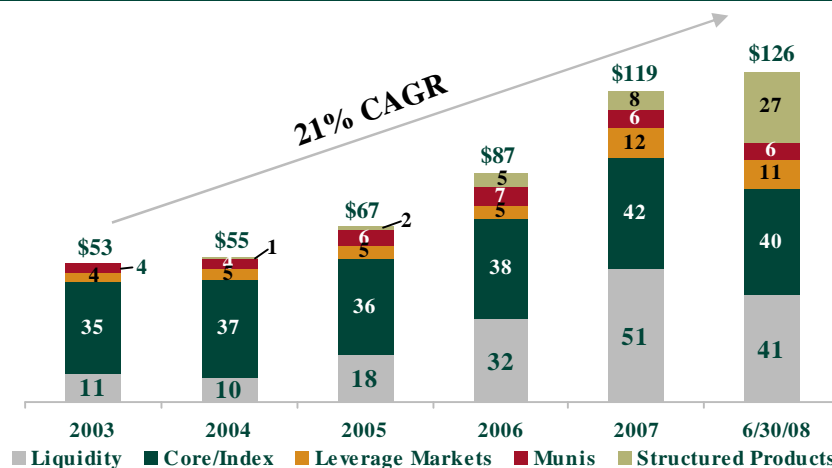
**Institutionally oriented fixed income business, initiated by the acquisition of Lincoln Capital in 2003. Investments made since 2003 in Fixed Income, Liquidity, HY/Loan and Structured Product businesses are yielding returns**

## Lehman Brothers Asset Management

### ◆ Integrated Fixed Income Platform:

- **Liquidity:** Acquired \$5Bn money market business in 2003 and have grown it to \$41Bn
- **Core/Index:** \$40Bn AUM - Capabilities acquired as part of Lincoln Capital acquisition in 2003
- **Leveraged Markets:** \$11Bn AUM - Leading High Yield business (Lincoln Capital acquisition) and growing Loan/CLO platform (LightPoint acquisition: 2007)
- **Structured Products:** \$27Bn AUM, including CDO funds, ABS CDOs and dedicated ABS mandates
- **Municipals:** \$6Bn AUM

## AUM Growth (\$Bn)



## Investment Performance Summary

|                                     | Annualized Return (gross of fees) |              |              |
|-------------------------------------|-----------------------------------|--------------|--------------|
|                                     | 1 Year                            | 3 Years      | 5 Years      |
| <b>Full Market High Yield</b>       | <b>-0.86%</b>                     | <b>5.16%</b> | <b>7.20%</b> |
| ML U.S. HY Master II Contstr. Index | -1.64%                            | 4.57%        | 6.83%        |
| <b>Core Bond</b>                    | <b>3.58%</b>                      | <b>3.32%</b> | <b>3.70%</b> |
| Lehman U.S. Aggregate Index         | 7.12%                             | 4.09%        | 3.85%        |
| <b>Core Plus Bond</b>               | <b>3.80%</b>                      | <b>3.69%</b> | <b>4.24%</b> |
| Lehman U.S. Aggregate Index         | 7.12%                             | 4.09%        | 3.85%        |
| <b>LB Municipal Bond</b>            | <b>5.32%</b>                      | <b>3.39%</b> | <b>3.01%</b> |
| 70% ML 3-7, 30% ML 7-12 Muni Index  | 5.66%                             | 3.27%        | 2.99%        |

## Fixed Income Financials (\$M)<sup>(1)</sup>

|                             | 2007       | 2008        | 2009        | 2010        |
|-----------------------------|------------|-------------|-------------|-------------|
| Revenue                     |            |             |             |             |
| Management Fees             | \$132      | \$176       | \$206       | \$253       |
| Performance Fees/Other      | 3          | 0           | 2           | 2           |
| <b>Total</b>                | <b>135</b> | <b>176</b>  | <b>208</b>  | <b>256</b>  |
| <b>EBITDA<sup>(2)</sup></b> | <b>\$6</b> | <b>\$38</b> | <b>\$62</b> | <b>\$98</b> |
| Margin (%)                  | 4%         | 22%         | 30%         | 38%         |

Note: AUM as of 6/30/2008.

1. Includes Structured Credit/CDO and Loan Opportunities business.

2. Excludes shared LEH allocations; see Appendix for detail.

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# Fixed Income: Business Opportunities

Developing Businesses

**Investments to date and unprecedented market conditions across Fixed Income have created new opportunities to grow the franchise by migrating to higher fee strategies**

|                            | Key Opportunities   | Action Steps   |
|----------------------------|---|--|
| <b>Business-wide</b>       | <ul style="list-style-type: none"> <li>Improve product mix</li> <li><b>Market dislocation</b></li> <li><b>Broaden client base</b></li> </ul>                      | <ul style="list-style-type: none"> <li>Selected H2 2008 launches: FX, Eurobond, EM</li> <li><b>Marketing of credit dislocation and other opportunity funds</b></li> <li><b>Non-U.S. roadshows for international client demand</b></li> <li><b>Intermediary channel and mutual funds</b></li> </ul> |
| <b>Liquidity</b>           | <ul style="list-style-type: none"> <li>AUM scale</li> <li>Risk management</li> </ul>  | <ul style="list-style-type: none"> <li>Business investments made for meaningful AUM and profitability growth</li> <li>New risk guidelines implemented</li> </ul>   |
| <b>Core/Index</b>          | <ul style="list-style-type: none"> <li><b>Complex client mandates</b></li> <li>Performance</li> </ul>   | <ul style="list-style-type: none"> <li><b>Investments made in “plus” capabilities</b></li> <li>Conducted ~80 client reviews in Q2: minimal client outflows</li> <li>De-emphasizing mortgage roll strategy</li> </ul>   |
| <b>Leveraged Markets</b>   | <ul style="list-style-type: none"> <li>Credit cycle shift</li> <li><b>CLO market slowdown</b></li> <li>Broaden client base</li> <li>Market dislocation</li> </ul> | <ul style="list-style-type: none"> <li>Integrate HY Bond/Loan research</li> <li>Developing distressed business plan</li> <li><b>Shift focus to secondary loans; ~\$3Bn new capacity</b></li> <li>Roadshows conducted in Europe and Asia-Pacific</li> </ul>   |
| <b>Structured Products</b> | <ul style="list-style-type: none"> <li>Market dislocation</li> </ul>  | <ul style="list-style-type: none"> <li>Shifted focus of business to credit risk in ABS</li> <li>Launched ABS Distressed Fund</li> <li>Marketing CDO Distressed Fund</li> <li><b>Won \$22Bn global ABS mandate in Europe</b></li> </ul>   |
| <b>Municipals</b>          | <ul style="list-style-type: none"> <li>Business scale</li> </ul>  | <ul style="list-style-type: none"> <li>Acquisition of Robeco Muni business</li> <li>Improved track record to attract additional AUM</li> </ul>   |

# Europe and Asia-Pacific Asset Management

Developing Businesses

**We have built the administrative and new product development infrastructure to expand the asset management businesses in Europe and Asia-Pacific**

## Key European Initiatives

- ◆ **Foundation for Significant Growth**
  - Robust product development capabilities
  - Scaled client service platform to support many products
  - Team in place to compete for / win strategic partnerships
- ◆ **Global Fixed Income** – 8 individuals, established 2007
  - \$1.8Bn AUM
  - Hired and expanded team in rapidly growing asset class
  - Early traction with SWF/institutional investors
  - Near term product launches for European Bond and Currencies
- ◆ **European Quant** – 13 individuals, established 2006
  - \$0.8Bn AUM
  - Building track records across a number of "beta +" equity strategies
  - Key wins with European clients attracted to the "antibenchmark" approach
- ◆ **Structured Asset Management** – 6 individuals
  - \$1.1Bn AUM from business start-up 2 years ago
  - Focus on structuring Capital Markets strategies and IMD funds into investment fund structures (UCITS III compliant) for broad distribution to European clients
  - Integrated approach with LEH Capital Markets product groups
- ◆ **Alpha Funds** – 18 funds launched or seeded
  - \$0.6Bn AUM
  - Existing funds packaged in jurisdictionally-friendly format
  - Leverages the strong existing U.S. track records

## Key Asian Initiatives

- ◆ **Foundation for Significant Growth**
  - Secured liftout of China team (from Avenue Capital)
  - Operations team located in Singapore
  - Client service capabilities throughout region
- ◆ **China Long/Short** (Greater China equities focus)
  - \$0.1Bn AUM
  - Deep expertise in local markets, based in Shanghai & HK
  - 9 investment professions led by experienced CIO & lead PM
  - Expanding business into long-only strategies
- ◆ **Alpha Funds** – 13 new funds launched (similar to Europe)

## IMD Europe/Asia-Pacific Mgmt. Infrastructure (\$M)

|                             | 2007          | 2008          | 2009          | 2010          |
|-----------------------------|---------------|---------------|---------------|---------------|
| Revenue                     |               |               |               |               |
| Management Fees             | \$11          | \$19          | \$33          | \$61          |
| Performance Fees            | 0             | 0             | 3             | 3             |
| <b>Total</b>                | <b>11</b>     | <b>19</b>     | <b>35</b>     | <b>64</b>     |
| <b>EBITDA<sup>(1)</sup></b> | <b>(\$67)</b> | <b>(\$66)</b> | <b>(\$46)</b> | <b>(\$34)</b> |

1. Excludes shared LEH allocations; see Appendix for detail. Some revenues / expenses from Europe and Asia-Pacific are allocated to other segments to take into account globally manufactured products and alignment of distribution support with respective product groups.

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## Start-up Efforts

# Start-up Efforts

IMD has funded a number of initiatives with high growth potential. These initiatives have the potential to generate significant economics in the very near term

## New Private Equity Initiatives

### Infrastructure /MLP

- ◆ 15 person Infrastructure team established in 2008 (U.S., Europe, Asia-Pacific)
  - Targeting \$1.5Bn in commitments
- ◆ 7 person MLP team established in 2006
  - Closed \$0.7Bn MLP fund in 2007
- ◆ Focus on “core, value added” transportation, energy, communications and social infrastructure

### Global Mezz

- ◆ Targeting a \$1.4Bn raise
- ◆ Integrating with existing Europe Mezz effort (strong returns since 2002)

### HF Minority Stakes

- ◆ Continuation of LEH strategy of purchasing minority interests in leading hedge fund managers
  - Strong track record with 5 deals
  - Targeting \$3Bn+ in commitments
  - Marketing underway; investor feedback very positive

## Quantitative Investment Group Initiatives

### US Quant

- ◆ \$1Bn AUM across numerous start-up strategies led by industry leading professional
- ◆ Based on quantitative tactical asset allocation
- ◆ Includes long-only and hedge fund products
- ◆ 12 quantitative modellers / investment professionals
- ◆ 3-year record across several leading products

## New Initiatives Financials (\$M)

|                             | 2007          | 2008          | 2009        | 2010        |
|-----------------------------|---------------|---------------|-------------|-------------|
| Revenue                     |               |               |             |             |
| Management Fees             | \$21          | \$35          | \$100       | \$140       |
| Carry/Performance Fees      | 14            | 4             | 52          | 63          |
| <b>Total</b>                | <b>35</b>     | <b>39</b>     | <b>152</b>  | <b>203</b>  |
| <b>EBITDA<sup>(1)</sup></b> | <b>(\$12)</b> | <b>(\$39)</b> | <b>\$55</b> | <b>\$94</b> |
| <i>Margin (%)</i>           | <i>(34%)</i>  | <i>(102%)</i> | <i>36%</i>  | <i>46%</i>  |

1. Excludes shared LEH allocations; see Appendix for detail.

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## Relationship with Lehman Brothers

# Connectivity with Lehman Brothers

**IMD has built a number of bridges with Lehman Brothers, which have yielded material rewards**

|                         | Specific  | General   |
|-------------------------|---|---|
| <b>PIM</b>              | <ul style="list-style-type: none"> <li>◆ HNW access to syndicate, research and capital markets execution (\$300M in revenues)</li> <li>◆ HNW referrals from Lehman Brothers, especially Investment Banking (\$3.5Bn in AUS since 2006)</li> </ul>   | <ul style="list-style-type: none"> <li>◆ Brand</li> <li>◆ Talent transfer (IMD as net importer of Firm talent)</li> <li>◆ Intellectual capital</li> <li>◆ Firmwide relationships / goodwill</li> <li>◆ Acquisition capital</li> </ul>   |
| <b>Private Equity</b>   | <ul style="list-style-type: none"> <li>◆ 19% of capital                             <ul style="list-style-type: none"> <li>– 10% from employees &amp; 9% from Lehman Brothers<sup>(1)</sup></li> </ul> </li> <li>◆ Deal sourcing opportunities, especially benefiting Merchant Banking, Co-invest Fund, and U.S. Real Estate</li> </ul> | <div style="background-color: #004a33; color: white; padding: 5px; text-align: center;"><b>Opportunities to Retain Benefits</b></div> <ul style="list-style-type: none"> <li>◆ Ongoing Lehman Brothers' ownership stake</li> <li>◆ Service level agreements</li> <li>◆ Incentives to drive future cooperation                             <ul style="list-style-type: none"> <li>– Unit vs. individual</li> </ul> </li> </ul> |
| <b>Asset Management</b> | <ul style="list-style-type: none"> <li>◆ Prime Services and Investment Banking relationship important to liquidity business (\$5+Bn)</li> <li>◆ Non-US institutional distribution collaborates closely with Capital Markets colleagues</li> <li>◆ Seed capital</li> </ul>   |   |

*1. Across both developed and start-up Private Equity funds. 16% from Lehman Brothers and 6% from Lehman Brothers employees for developed Private Equity funds.*

# Conclusion

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- ◆ Committed management team
- ◆ Set of valuable businesses with a number of segment leading efforts
  - Unique and proven ability to “bring businesses together” to win the most complex mandates
- ◆ A powerful franchise with unique value proposition
  - Core of ‘developed’ businesses with strong profits and continued growth trajectories
  - ‘Developing’ efforts nearing the scale to drive additional profit growth
  - A number of attractive ‘start-up’ initiatives that are poised for rapid growth

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## Appendix



# Financial Summary – Developed Businesses

Appendix

(\$ in millions)

|  | Neuberger Berman Equity |                |                |                | Established Alternatives |              |              |                | Private Investment Management |              |              |              |
|--|-------------------------|----------------|----------------|----------------|--------------------------|--------------|--------------|----------------|-------------------------------|--------------|--------------|--------------|
|  | 2007                    | 2008           | 2009           | 2010           | 2007                     | 2008         | 2009         | 2010           | 2007                          | 2008         | 2009         | 2010         |
| <b>Revenue</b>                               |                         |                |                |                |                          |              |              |                |                               |              |              |              |
| Management Fees <sup>(1)</sup>               | \$992                   | \$1,055        | \$1,180        | \$1,333        | \$229                    | \$316        | \$388        | \$492          | \$630                         | \$614        | \$645        | \$709        |
| Performance Fees                             | 0                       | 0              | 3              | 4              | 98                       | 24           | 104          | 189            | 0                             | 0            | 0            | 0            |
| Client Revenue                               | \$993                   | \$1,055        | \$1,183        | \$1,336        | \$327                    | \$340        | \$492        | \$681          | \$630                         | \$614        | \$645        | \$709        |
| Minority Stakes                              | 0                       | 0              | 0              | 0              | 156                      | 407          | 394          | 468            | 0                             | 0            | 0            | 0            |
| <b>Total Revenue</b>                         | <b>\$993</b>            | <b>\$1,055</b> | <b>\$1,183</b> | <b>\$1,336</b> | <b>\$483</b>             | <b>\$746</b> | <b>\$887</b> | <b>\$1,149</b> | <b>\$630</b>                  | <b>\$614</b> | <b>\$645</b> | <b>\$709</b> |
| <b>Expenses</b>                              |                         |                |                |                |                          |              |              |                |                               |              |              |              |
| Comp & Benefits                              | \$430                   | \$465          | \$520          | \$581          | \$237                    | \$240        | \$259        | \$296          | \$319                         | \$305        | \$314        | \$338        |
| NPE  | 120                     | 129            | 141            | 154            | 39                       | 39           | 40           | 42             | 67                            | 73           | 76           | 80           |
| Dedicated Allocations                        | 51                      | 56             | 59             | 62             | 46                       | 45           | 47           | 49             | 163                           | 157          | 165          | 178          |
| <b>Total Expenses</b>                        | <b>\$601</b>            | <b>\$651</b>   | <b>\$720</b>   | <b>\$796</b>   | <b>\$322</b>             | <b>\$323</b> | <b>\$346</b> | <b>\$388</b>   | <b>\$548</b>                  | <b>\$535</b> | <b>\$555</b> | <b>\$596</b> |
| <b>EBITDA (Excl LEH Alloc)<sup>(2)</sup></b> | <b>\$394</b>            | <b>\$407</b>   | <b>\$465</b>   | <b>\$542</b>   | <b>\$162</b>             | <b>\$424</b> | <b>\$541</b> | <b>\$762</b>   | <b>\$83</b>                   | <b>\$80</b>  | <b>\$91</b>  | <b>\$115</b> |
| <i>% margin</i>                              | <i>40%</i>              | <i>39%</i>     | <i>39%</i>     | <i>41%</i>     | <i>34%</i>               | <i>57%</i>   | <i>61%</i>   | <i>66%</i>     | <i>13%</i>                    | <i>13%</i>   | <i>14%</i>   | <i>16%</i>   |

1. "Management Fees" for PIM business include transactional based revenues.

2. EBITDA adds back ~\$5M of fixed assets depreciation across IMD throughout all time periods (NB Equities: \$2.5M, Established Alts: \$0.8M, PIM: \$1.4M, Fixed Income: \$0.5M, Europe/Asia-Pacific: \$0.2M, Start-up Alts: \$0.1M).

# Financial Summary – Developing and Start-up Businesses

Appendix

| (\$ in millions)                             | Developing Businesses |              |              |              |                         |               |               |               | Start-up Businesses |               |              |              |
|--|-----------------------|--------------|--------------|--------------|-------------------------|---------------|---------------|---------------|---------------------|---------------|--------------|--------------|
|  | Fixed Income          |              |              |              | Europe and Asia-Pacific |               |               |               | Alternatives        |               |              |              |
|  | 2007                  | 2008         | 2009         | 2010         | 2007                    | 2008          | 2009          | 2010          | 2007                | 2008          | 2009         | 2010         |
| <b>Revenue</b>                               |                       |              |              |              |                         |               |               |               |                     |               |              |              |
| Management Fees                              | \$132                 | \$176        | \$206        | \$253        | \$11                    | \$19          | \$33          | \$61          | \$21                | \$35          | \$100        | \$140        |
| Performance Fees                             | 3                     | 0            | 2            | 2            | 0                       | 0             | 3             | 3             | 14                  | 4             | 52           | 63           |
| <b>Total Revenue</b>                         | <b>\$135</b>          | <b>\$176</b> | <b>\$208</b> | <b>\$256</b> | <b>\$11</b>             | <b>\$19</b>   | <b>\$35</b>   | <b>\$64</b>   | <b>\$35</b>         | <b>\$39</b>   | <b>\$152</b> | <b>\$203</b> |
| <b>Expenses</b>                              |                       |              |              |              |                         |               |               |               |                     |               |              |              |
| Comp & Benefits                              | \$81                  | \$84         | \$89         | \$95         | \$41                    | \$39          | \$49          | \$64          | \$33                | \$59          | \$77         | \$88         |
| NPE  | 26                    | 29           | 32           | 36           | 10                      | 13            | 14            | 14            | 5                   | 9             | 10           | 10           |
| Dedicated Allocations                        | 23                    | 25           | 26           | 27           | 27                      | 34            | 19            | 20            | 8                   | 10            | 10           | 11           |
| <b>Total Expenses</b>                        | <b>\$130</b>          | <b>\$138</b> | <b>\$147</b> | <b>\$158</b> | <b>\$79</b>             | <b>\$86</b>   | <b>\$82</b>   | <b>\$98</b>   | <b>\$47</b>         | <b>\$78</b>   | <b>\$97</b>  | <b>\$109</b> |
| <b>EBITDA (Excl LEH Alloc)<sup>(1)</sup></b> | <b>\$6</b>            | <b>\$38</b>  | <b>\$62</b>  | <b>\$98</b>  | <b>(\$67)</b>           | <b>(\$66)</b> | <b>(\$46)</b> | <b>(\$34)</b> | <b>(\$12)</b>       | <b>(\$39)</b> | <b>\$55</b>  | <b>\$94</b>  |
| <i>% margin</i>                              | 4%                    | 22%          | 30%          | 38%          | NA                      | NA            | NA            | NA            | (34%)               | (102%)        | 36%          | 46%          |

1. EBITDA adds back ~\$5M of fixed assets depreciation across IMD throughout all time periods (NB Equities: \$2.5M, Established Alts: \$0.8M, PIM: \$1.4M, Fixed Income: \$0.5M, Europe/Asia-Pacific: \$0.2M, Start-up Alts: \$0.1M).

# Financial Summary – IMD

Appendix

| (\$ in millions)   | Total Developed Businesses |                |                |                | Total Developing and Start-up Businesses |               |              |              | Total          |                |                |                |
|--|----------------------------|----------------|----------------|----------------|--|---------------|--------------|--------------|----------------|----------------|----------------|----------------|
|  | 2007                       | 2008           | 2009           | 2010           | 2007                                     | 2008          | 2009         | 2010         | 2007           | 2008           | 2009           | 2010           |
| <b>Revenue</b>   |                            |                |                |                |  |               |              |              |                |                |                |                |
| Management Fees  | \$1,851                    | \$1,985        | \$2,213        | \$2,534        | \$164                                    | \$230         | \$338        | \$454        | \$2,016        | \$2,214        | \$2,551        | \$2,988        |
| Performance Fees   | 98                         | 24             | 107            | 193            | 17                                       | 4             | 57           | 69           | 115            | 28             | 164            | 261            |
| Minority Stakes  | 156                        | 407            | 394            | 468            | 0  | 0             | 0            | 0            | 156            | 407            | 394            | 468            |
| <b>Total Revenue</b>                                       | <b>\$2,105</b>             | <b>\$2,416</b> | <b>\$2,715</b> | <b>\$3,195</b> | <b>\$181</b>                             | <b>\$234</b>  | <b>\$395</b> | <b>\$522</b> | <b>\$2,287</b> | <b>\$2,649</b> | <b>\$3,110</b> | <b>\$3,717</b> |
| <b>Expenses</b>  |                            |                |                |                |  |               |              |              |                |                |                |                |
| Comp & Benefits  | \$985                      | \$1,010        | \$1,093        | \$1,215        | \$155                                    | \$182         | \$214        | \$247        | \$1,140        | \$1,192        | \$1,308        | \$1,463        |
| NPE  | 226                        | 241            | 257            | 276            | 42                                       | 51            | 55           | 60           | 268            | 292            | 313            | 336            |
| Dedicated Allocations                                      | 260                        | 258            | 271            | 289            | 58                                       | 68            | 56           | 58           | 318            | 326            | 326            | 346            |
| <b>Total Expenses</b>                                      | <b>\$1,471</b>             | <b>\$1,509</b> | <b>\$1,621</b> | <b>\$1,780</b> | <b>\$255</b>                             | <b>\$301</b>  | <b>\$325</b> | <b>\$365</b> | <b>\$1,726</b> | <b>\$1,810</b> | <b>\$1,946</b> | <b>\$2,145</b> |
| <b>EBITDA (Excl LEH Alloc)<sup>(1)</sup></b>               | <b>\$639</b>               | <b>\$911</b>   | <b>\$1,098</b> | <b>\$1,419</b> | <b>(\$73)</b>                            | <b>(\$67)</b> | <b>\$71</b>  | <b>\$158</b> | <b>\$566</b>   | <b>\$844</b>   | <b>\$1,169</b> | <b>\$1,577</b> |
| % margin   | 30%                        | 38%            | 40%            | 44%            | (40%)                                    | (29%)         | 18%          | 30%          | 25%            | 32%            | 38%            | 42%            |
| Shared LEH Allocations                                     |                            |                |                |                |  |               |              |              | (135)          | (144)          | (151)          | (159)          |
| <b>EBITDA (incl. Shared LEH Allocations)<sup>(1)</sup></b> |                            |                |                |                |  |               |              |              | <b>\$431</b>   | <b>\$700</b>   | <b>\$1,018</b> | <b>\$1,418</b> |

1. EBITDA adds back ~\$5M of fixed assets depreciation across IMD throughout all time periods (NB Equities: \$2.5M, Established Alts: \$0.8M, PIM: \$1.4M, Fixed Income: \$0.5M, Europe/Asia-Pacific: \$0.2M, Start-up Alts: \$0.1M).

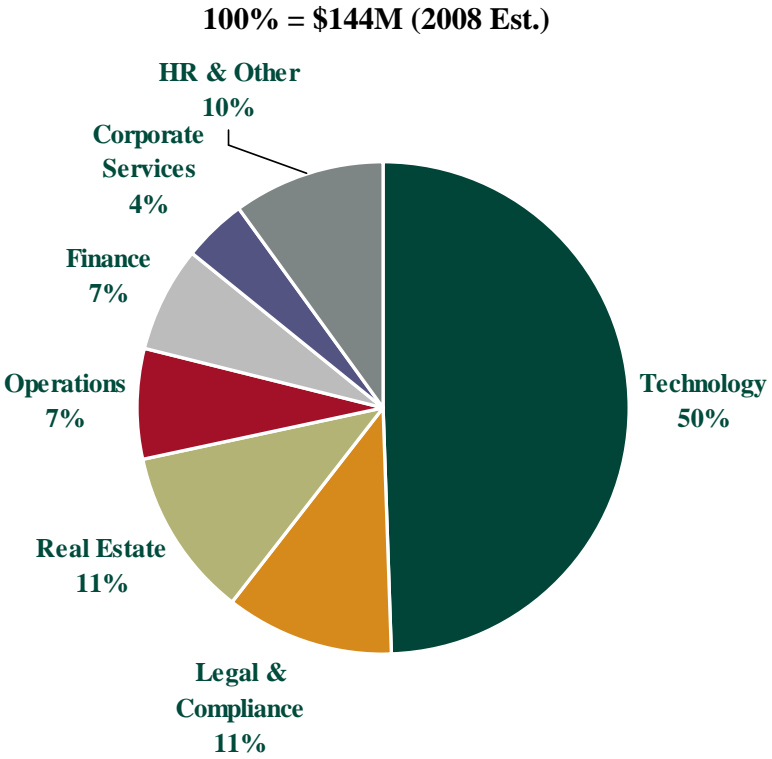
# Shared LEH Allocations

- ◆ Beyond direct expenses, IMD receives additional services provided by Lehman Brothers Corporate
- ◆ Shared allocations are an estimate of the cost Lehman Brothers incurs for services that are provided by shared central corporate functions (i.e. technology allocation reflects network infrastructure and IT security services) that would be required on a prospective basis
  - Technology resources specifically dedicated to IMD are included in the direct expenses of the business
- ◆ Lehman Brothers anticipates it will continue to provide a significant number of these functions as part of an on-going services agreement
- ◆ IMD expects that certain efficiencies will be achievable in the future

### Estimated Shared Allocations by Business (\$M)

|                                   | <u>2008 Est.</u> |
|-----------------------------------|------------------|
| <b>Developed Businesses</b>       |                  |
| Equities                          | \$40             |
| Private Equity - Established      | 18               |
| Alternatives (ex. PE)             | 3                |
| HNW Brokerage                     | 63               |
| <b>Total Developed Businesses</b> | <u>124</u>       |
| <b>Developing Businesses</b>      |                  |
| Fixed Income                      | 10               |
| Europe/Asia                       | 6                |
| <b>Total Developing</b>           | <u>16</u>        |
| <b>Start-up Businesses</b>        | 3                |
| <b>Total</b>                      | <b>\$144</b>     |

### Shared Allocation by Function (%)



# IMD Balance Sheet and Principal Revenue

Appendix

IMD holds seed investments, 3<sup>rd</sup> party LP investments in hedge funds, GLG stock, and investments in our proprietary funds

| Net Tangible Assets                          |                |                |                | Principal Revenue <sup>(2)</sup>                          |                |                |
|--|----------------|----------------|----------------|---|----------------|----------------|
| (\$ in millions)                             |                |                |                |   | 2H 2008        | 2009           |
| Investment Category                          | 5/31/2008      | 1/1/2009       | 1/1/2010       |   |                |                |
| <b>Asset Management Seed</b>                 |                |                |                | <b>Net Revenues</b>                                       |                |                |
| Equities                                     | \$244          | \$217          | \$238          | Equities  | \$12.2         | \$21.7         |
| Fixed Income                                 | 99             | 238            | 259            | Fixed Income  | 4.0            | 21.0           |
| Quant  | 318            | 250            | 274            | Quant   | 14.8           | 23.6           |
| <b>Asset Management Seed</b>                 | <b>\$662</b>   | <b>\$705</b>   | <b>\$771</b>   | <b>Total Asset Management Seed</b>                        | <b>\$31.0</b>  | <b>\$66.3</b>  |
| <b>Private Equity</b>                        |                |                |                | Private Minority Stakes & Other Strategies <sup>(1)</sup> | \$101.3        | \$236.6        |
| Merchant Banking                             | \$204          | \$287          | \$378          | Private Equity  | 87.4           | 219.2          |
| Venture Capital                              | 175            | 195            | 161            | <b>Total Principal Revenue</b>                            | <b>\$188.7</b> | <b>\$455.8</b> |
| Real Estate                                  | 705            | 858            | 967            |   |                |                |
| Private Funds Investment Group               | 429            | 617            | 817            | <b>Total Net Revenues</b>                                 | <b>\$219.7</b> | <b>\$522.2</b> |
| Credit Related                               | 252            | 339            | 355            |   |                |                |
| Infrastructure                               | 160            | 172            | 213            |   |                |                |
| SPG  | -              | -              | 150            |   |                |                |
| LBAIM  | 115            | 124            | 129            |   |                |                |
| Other  | 146            | 147            | 128            |   |                |                |
| <b>Total Private Equity</b>                  | <b>\$2,185</b> | <b>\$2,740</b> | <b>\$3,298</b> |   |                |                |
| <b>Total Internal Investments</b>            | <b>\$2,847</b> | <b>\$3,445</b> | <b>\$4,069</b> |   |                |                |
| <b>Private Minority Stakes<sup>(1)</sup></b> |                |                |                |   |                |                |
| R3 LP  | \$1,089        | \$1,241        | \$1,465        |   |                |                |
| One William Street LP                        | 265            | 878            | 1,542          |   |                |                |
| Other HF Investments                         | 87             | 95             | 110            |   |                |                |
| <b>Total Private Minority Interests</b>      | <b>\$1,441</b> | <b>\$2,214</b> | <b>\$3,118</b> |   |                |                |
| <b>Other Strategic (GLG Stock/Shares)</b>    |                |                |                |   |                |                |
| GLG Stock                                    | \$214          | \$171          | \$145          |   |                |                |
| GLG LP Investment                            | 71             | 75             | 82             |   |                |                |
| <b>Total Other Strategic</b>                 | <b>\$285</b>   | <b>\$246</b>   | <b>\$227</b>   |   |                |                |
| <b>Total External Investments</b>            | <b>\$1,725</b> | <b>\$2,459</b> | <b>\$3,346</b> |   |                |                |
| Margin Debits                                | 337            | 337            | 337            |   |                |                |
| <b>Total Tangibles Assets</b>                | <b>\$4,909</b> | <b>\$6,241</b> | <b>\$7,751</b> |   |                |                |
| <b>Excluded Working Capital Items:</b>       |                |                |                |   |                |                |
| Cash and Receivables                         | \$325          | \$325          | \$325          |   |                |                |
| Employee Loans                               | 60             | 60             | 60             |   |                |                |
| Other Assets                                 | 57             | 57             | 57             |   |                |                |
| <b>Total Excluded Items</b>                  | <b>\$441</b>   | <b>\$441</b>   | <b>\$441</b>   |   |                |                |

1. Excludes intangible assets and corresponding GP profit allocation for Hedge Fund Minority Stake investments.

2. Principal P&L is excluded from all other financials in the presentation.

LEHMAN BROTHERS

# IMD Flows

Appendix

|                        | Quarterly AUM Flow Data (\$Bn) |       |       |       |       |       |       |       |       |       |        | Annual AUM Flow Data (\$Bn) |       |          |
|------------------------|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-----------------------------|-------|----------|
|                        | 2006                           |       |       |       | 2007  |       |       |       | 2008  |       |        | 2006                        | 2007  | YTD 2008 |
|                        | Q1                             | Q2    | Q3    | Q4    | Q1    | Q2    | Q3    | Q4    | Q1    | Q2    | Jun-08 |                             |       |          |
| <b>Equities</b>        |                                |       |       |       |       |       |       |       |       |       |        |                             |       |          |
| BoP AUM                | \$75                           | \$83  | \$86  | \$87  | \$95  | \$96  | \$108 | \$104 | \$107 | \$101 | \$109  | \$75                        | \$95  | \$107    |
| Net Flows              | 4                              | 2     | 0     | 1     | (0)   | 2     | 1     | 1     | 0     | (0)   | 1      | 6                           | 3     | 0        |
| Mkt Appr.              | 3                              | 1     | 1     | 6     | 2     | 10    | (4)   | 3     | (6)   | 8     | (7)    | 12                          | 10    | (4)      |
| EoP AUM                | 83                             | 86    | 87    | 95    | 96    | 108   | 104   | 107   | 101   | 109   | 103    | 95                          | 107   | 103      |
| <b>Fixed Income</b>    |                                |       |       |       |       |       |       |       |       |       |        |                             |       |          |
| BoP AUM                | 56                             | 57    | 57    | 59    | 62    | 63    | 66    | 73    | 77    | 79    | 77     | 56                          | 62    | 77       |
| Net Flows              | 1                              | 1     | 0     | 2     | 1     | 2     | 7     | 2     | 1     | (1)   | 20     | 5                           | 12    | 20       |
| Mkt Appr.              | 0                              | (0)   | 1     | 1     | 1     | 1     | (0)   | 2     | 0     | 0     | (1)    | 2                           | 3     | (0)      |
| EoP AUM                | 57                             | 57    | 59    | 62    | 63    | 66    | 73    | 77    | 79    | 77    | 97     | 62                          | 77    | 97       |
| <b>Alternatives</b>    |                                |       |       |       |       |       |       |       |       |       |        |                             |       |          |
| BoP AUM                | 14                             | 15    | 16    | 17    | 18    | 19    | 23    | 26    | 29    | 30    | 35     | 14                          | 18    | 29       |
| Net Flows              | 0                              | 1     | 1     | 1     | 0     | 4     | 3     | 2     | 1     | 5     | 0      | 4                           | 9     | 6        |
| Mkt Appr.              | 0                              | (0)   | (0)   | (0)   | 0     | 0     | 0     | 1     | (0)   | 0     | 0      | 0                           | 2     | 0        |
| EoP AUM                | 15                             | 16    | 17    | 18    | 19    | 23    | 26    | 29    | 30    | 35    | 35     | 18                          | 29    | 35       |
| <b>Total Long Term</b> |                                |       |       |       |       |       |       |       |       |       |        |                             |       |          |
| BoP AUM                | 145                            | 155   | 159   | 163   | 175   | 178   | 197   | 203   | 213   | 210   | 221    | 145                         | 175   | 213      |
| Net Flows              | 6                              | 4     | 1     | 4     | 1     | 8     | 11    | 5     | 2     | 3     | 21     | 15                          | 24    | 26       |
| Mkt Appr.              | 4                              | 1     | 2     | 8     | 3     | 11    | (4)   | 5     | (6)   | 9     | (8)    | 14                          | 14    | (5)      |
| EoP AUM                | 155                            | 159   | 163   | 175   | 178   | 197   | 203   | 213   | 210   | 221   | 235    | 175                         | 213   | 235      |
| <b>Liquidity</b>       |                                |       |       |       |       |       |       |       |       |       |        |                             |       |          |
| BoP AUM                | 18                             | 21    | 26    | 29    | 33    | 40    | 45    | 52    | 54    | 59    | 50     | 18                          | 33    | 54       |
| Net Flows              | 3                              | 6     | 3     | 4     | 7     | 4     | 7     | 2     | 4     | (10)  | (4)    | 16                          | 20    | (11)     |
| Mkt Appr.              | (0)                            | (0)   | 1     | 0     | -     | 0     | 1     | 0     | 0     | 1     | 0      | 1                           | 1     | 1        |
| EoP AUM                | 21                             | 26    | 29    | 33    | 40    | 45    | 52    | 54    | 59    | 50    | 45     | 33                          | 54    | 45       |
| <b>Total</b>           |                                |       |       |       |       |       |       |       |       |       |        |                             |       |          |
| BoP AUM                | \$163                          | \$175 | \$185 | \$192 | \$209 | \$218 | \$241 | \$255 | \$268 | \$268 | \$270  | \$163                       | \$209 | \$268    |
| Net Flows              | 9                              | 9     | 4     | 8     | 8     | 12    | 18    | 7     | 6     | (7)   | 16     | 31                          | 44    | 15       |
| Mkt Appr.              | 4                              | 0     | 3     | 8     | 3     | 11    | (3)   | 5     | (6)   | 9     | (8)    | 15                          | 15    | (4)      |
| EoP AUM                | 175                            | 185   | 192   | 209   | 218   | 241   | 255   | 268   | 268   | 270   | 279    | 209                         | 268   | 279      |

# Experienced Management Team

Appendix

| Name                      | Role   | No. of Years at LEH/<br>Industry Experience |
|---------------------------|--|---|
| George Walker             | Head of IMD                                      | 2/16  |
| Joseph Amato              | Head of Asset Management                         | 14/24                                       |
| John Bluhner              | Head of IMD Legal                                | 1/21  |
| Mark Bourgeois            | Co-Head of Institutional Sales                   | 1/26  |
| John Cecil <sup>(1)</sup> | Senior Advisor                                   | 10/28                                       |
| Edward Grieb              | Chief Financial Officer                          | 17/24                                       |
| Perry Hoffmeister         | Head of IMD Europe & Middle East                 | 20/20                                       |
| Eric Johnson              | Co-Head of Institutional Sales                   | 3/28  |
| Andrew Komaroff           | Chief Administrative Officer                     | 8/15  |
| Chris Manning             | Head of IMD Asia-Pacific                         | 11/14                                       |
| Mike Odrich               | Head of Private Equity                           | 22/22                                       |
| Jack Petersen             | Head of Private Investment Management            | 5/15  |
| Vittorio Pignatti         | Head of Europe & Middle East Private Equity      | 19/28                                       |
| Ken Umezaki               | Deputy Head of Asset Management                  | 19/23                                       |
| Heather Zuckerman         | Deputy Chief Administrative Officer & Head of HR | 7/12  |

1. Shared Lehman Brothers resource.

# Notes

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1. Financial data and forecasts are management reports and will differ from GAAP reported financials. Differences may occur due to the exclusion of certain businesses, the recognition and timing of certain revenue and expense items, the exclusion of certain non-recurring or one-time items and the exclusion of certain Firm overhead expense allocations. Compensation-related expenses excluded:
  - Employee severance of \$15.9M in 2007 and \$14.5M in 2008 (June YTD)
  - Retention payments associated with 2003 Neuberger Berman transaction of \$37.2M in 2007 and \$26.7M estimated for 2008. 2008 is the final year for such payments
2. Includes all IMD related businesses except for the middle market institutional sales force (ICG), including Corporate Treasury Services, and the LibertyView and Satori hedge fund platforms
3. Years reflect Lehman Brothers fiscal year (which ends November 30<sup>th</sup>); however, performance fees associated with annual incentive fee products have been shifted to match the calendar year in which such fees were generated. Minority Interest profit allocations default to methodology of each strategic partner
4. Actual headcount data as of 6/30/2008
5. Private Equity carried interest projections notes:
  - Where noted Private Equity AUM has been calculated according to the following: (1) 100% of Committed Capital beginning when management fees are earned and through the end of a Fund's commitment / investing period, then (2) Carrying value of remaining assets of Funds which are beyond their commitment / investing period. Specific funds, e.g. MLP Opportunity Fund and LBPEP, have AUM equal to NAV. AUM may differ from annual "fund raising" statistics included in this document
  - Carried interest projections are based on current modeled performance for existing investments and assumed fund-by-fund MOIC on uninvested capital
6. Shared LEH allocations are an estimate of the current cost that Lehman Brothers incurs for services that are currently provided by shared central corporate functions that would be required on a prospective basis. It is anticipated that Lehman Brothers will continue to provide a significant number of these functions as part of an on-going services agreement, however certain efficiencies may be achievable in the future