

**Lehman Brothers Holdings, Inc.**

**PIK Note Analysis**

**Pro-forma Combining Balance Sheet - September 14, 2008**

**Note:** Presented below, based on total asset value, are the five largest "Subject Entities [1]". For ease of presentation and data assembly, note that: a) the Consolidated Balance Sheets below include the parent and its direct subsidiary entities on a gross asset basis less any intra-company eliminations in order to arrive at reported total assets and b) significant "due from" and "due to" subsidiary balances are presented on a gross basis.

\$ millions	LB Special Financing Inc. (Consolidated)	Lehman Commercial Paper Inc. (Consolidated)	LB I Group Inc. (Consolidated)	Lehman Brothers Financial Products Inc. [2]	Lehman Bros. Derivative Products Inc. [2]	Others Subject Entities (Consolidated)	Subject Entity Eliminations [3]	Subject Entities Combined (9/14/08) [4]
<b>Assets:</b>								
Cash & Equivalents	\$ 276	\$ 1,159	\$ 41	\$ 1	\$ 9	\$ 67	\$ -	\$ 1,553
Financial Instr. & Other Inventory Positions Owned								
Governments & Agencies	19,181	1	0	-	-	29	-	19,211
Total Comm Paper & Other Mmkt Instruments	(5)	(2)	(6)	311	210	0	-	509
Mortgages & Asset-Backed Sec	395	1,781	135	-	-	0	-	2,311
Real Estate Held For Sale	0	3,681	0	-	-	-	-	3,681
Real Estate Held For Use	0	476	0	-	-	28	-	504
Total Corporate Debt & Other	5,909	12,646	585	-	-	0	-	19,141
Total Corporate Equities	8,757	104	5,577	-	-	679	-	15,118
Derivatives And Other Contr. Agreements	23,318	145	54	247	497	228	-	24,489
Securities	57,556	18,832	6,347	558	707	964	-	84,963
Other Assets	3,569	1,434	1,546	6	15	211	-	6,780
Due From Subsidiaries	53,697	31,339	977	0	3	1,459	(6,315)	81,160
LB International (Europe)	30,730	1,550	1	-	-	-	-	32,281
Lehman Brothers Inc.	14,504	277	35	-	-	-	-	14,817
Lehman Brothers Holdings Inc.	1,083	13,388	306	-	-	345	-	15,122
Lehman Brothers Treasury Co. B.V.	970	-	-	-	-	-	-	970
Lehman Brothers Commercial Corporation	504	425	5	-	-	-	-	933
Lehman Brothers Finance S.A.	456	0	-	-	-	-	-	457
Lehman Brothers Bankhaus AG	428	225	-	-	-	-	-	654
ALI Inc.	-	4,796	-	-	-	-	-	4,796
Property Asset Management Inc.	1	5,331	360	-	-	-	-	5,692
7th Avenue Inc.	-	1,396	-	-	-	-	-	1,396
LB RE Financing No. 3 Limited	208	-	-	-	-	-	-	208
Storm Funding Ltd.	174	-	-	-	-	-	-	174
LB 745 LLC	-	648	-	-	-	-	-	648
Lehman Investments Inc.	-	215	-	-	-	-	-	215
Lehman Brothers Asia Capital	37	167	-	-	-	-	-	203
Lehman Asia Holdings Ltd	-	-	0	-	-	522	-	522
LB Commercial Corp Asia	-	-	0	-	-	279	-	279
Other	994	146	268	0	3	313	-	1,723
Subject Entity Interco	3,608	2,774	2	0	0	0	(6,315)	69
<b>Total Assets</b>	<b>\$ 115,098</b>	<b>\$ 52,764</b>	<b>\$ 8,910</b>	<b>\$ 565</b>	<b>\$ 734</b>	<b>\$ 2,702</b>	<b>\$ (6,315)</b>	<b>\$ 174,489</b>
<b>Liabilities:</b>								
S.T. Borrowings & Current Portion Of L.T. Borrowings	\$ 242	\$ 3,038	\$ 236	\$ -	\$ -	\$ 0	\$ -	\$ 3,516
Fin/L Instr. & Other Inv Posns Sold But Not Purchased								
Governments & Agencies	16,232	-	-	-	-	-	-	16,232
Total Comm Paper & Other Mmkt Instruments	-	-	-	-	-	-	-	-
Mortgages & Asset-Backed Sec	2	0	-	-	-	(0)	-	2
Total Corporate Debt & Other	2,118	21	-	-	-	(0)	-	2,139
Total Corporate Equities	2,412	-	2	-	-	-	-	2,414
Denv & Other Contr Agreements	9,555	604	4	38	71	(0)	-	10,273
Total Sec. & Other Fin. Instr. Sold Not Purch.	30,320	625	6	38	71	(0)	-	31,060
Collateralized Short-Term Financing	1,072	9,566	5	-	-	(0)	-	10,643
Payables	5,010	(1,268)	648	25	33	91	-	4,538
Other Liabilities	6,082	8,298	652	25	33	91	-	15,181
Due To Subsidiaries	77,392	40,733	7,834	214	432	2,093	(6,315)	122,383
Lehman Brothers Holdings Inc.	22,447	25,850	6,399	-	-	269	-	54,965
Lehman Brothers Inc.	13,748	6,341	144	-	-	-	-	20,233
LB International (Europe)	36,222	1,514	9	-	-	-	-	37,745
Lehman Brothers Bankhaus AG	20	1,279	-	-	-	-	-	1,299
Lehman Re Limited	23	719	-	-	-	-	-	742
Property Asset Management Inc.	-	603	-	-	-	-	-	603
Variable Funding Trust 2007-1	211	488	-	-	-	-	-	699
LB Asia Holdings Ltd	47	292	128	-	-	390	-	857
Lehman Brothers Commercial Corporation	481	-	-	-	-	-	-	481
Lehman Brothers Finance S.A.	31	-	-	-	-	-	-	31
7th Avenue Inc.	1,402	-	-	-	-	-	-	1,402
Lehman Brothers Japan Inc	363	-	-	-	-	247	-	610
LB RE Financing No. 3 Limited	269	-	-	-	-	-	-	269
LB Commercial Corp Asia	-	-	-	-	-	218	-	218
Other	479	634	63	1	10	969	-	2,157
Subject Entity Interco	1,649	3,013	1,091	213	422	-	(6,315)	73
Long-Term Debt:								
Senior Notes	640	0	0	-	-	21	-	662
Subordinated Notes	-	-	0	-	-	0	-	0
Junior Subordinated Notes	-	-	0	-	-	-	-	-
Total Long-Term Debt:	640	0	0	-	-	21	-	662
<b>Total Liabilities</b>	<b>114,676</b>	<b>52,695</b>	<b>8,728</b>	<b>277</b>	<b>536</b>	<b>2,206</b>	<b>(6,315)</b>	<b>172,802</b>
<b>Stockholder's Equity</b>								
Total Stockholder's Equity	422	70	182	289	198	497	-	1,657
<b>Total Liabilities &amp; Stockholder's Equity</b>	<b>\$ 115,098</b>	<b>\$ 52,764</b>	<b>\$ 8,910</b>	<b>\$ 565</b>	<b>\$ 734</b>	<b>\$ 2,702</b>	<b>\$ (6,315)</b>	<b>\$ 174,489</b>

[1] Included on Schedule 1 of the Transfer Agreement, dated September 19, 2008, by and among Lehman Brothers, Inc, LB I Group, Inc, and Lehman Ali, Inc.

[2] Entity does not have subsidiaries; therefore, only parent entity presented.

[3] Eliminates intercompany transactions between and among LBSF (Consolidated), LCPI (Consolidated), LB I Group (Consolidated), LB Financial Products and LB Derivative Products.

[4] All information is as of September 14, 2008. Marks for certain financial instruments and other inventory positions reflect the values as recorded on the books as of close of business on Friday, September 12, 2008. Such marks may not be up to date and were not subjected to the normal review process by the Company. In addition, balances of deferred tax assets and cash bonus accrual were written-off in the Monthly Operating Reports (MORs), filed as of September 14, 2008. Those balances have not been written-off in the balance sheets presented.

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**Lehman Brothers Holdings Inc.****PIK Note Analysis****Pro-Forma Combining Balance Sheet - September 14, 2008**

General note: Twenty-five entities ("Subject Entities"), including subsidiaries, were transferred under the PIK Note Agreement. The entities are presented below.

The following entities are reflected in the consolidated balance sheets of LBSF, LCPI and LB 1 Group:

	9/14/2008
<b>1. LBSF (Consolidated)</b>	
LBSF Standalone	\$ 108,646
LB Commodity Services Inc.	5,148
Eagle Energy Partners 1 LP	1,892
Fundo De Investimento Multimercado	449
LB2 Limited	435
Other	28
	<u>116,598</u>
Less: Investment in subs/other intra-co eliminations	(1,500)
LBSF (Consolidated)	<u>\$ 115,098</u>
<b>2. LCPI (Consolidated)</b>	
LCPI Standalone	\$ 53,906
Racers Trust - LCPI	5,021
LCPI Properties Inc	1,520
LW-LP Inc.	1,045
Lehman Pass-Through Sec Inc.	678
Structured Asset Secur. Corp	628
Merit, LLC	311
Pentaring Inc	206
737 Portfolio Trust	139
East Dover Limited	110
Other	716
	<u>64,280</u>
Less: Investment in subs/other intra-co eliminations	(11,515)
LCPI (Consolidated)	<u>\$ 52,764</u>
<b>3. LB 1 Group (Consolidated)</b>	
LB 1 Group	\$ 5,958
LB Offshore Partners Ltd.	1,040
LB Canada Skypower	595
LB Skypower Inc	341
DL Mortgage Corp.	277
LB Bawag Holdings LLLC	164
LB Diversified PE Fund 2004 LP	134
GRA Finance Corporation Ltd.	124
LB-NL U.S. Investors, Inc.	125
LB-NL Holdings, L.P.	122
Townsend Analytics	106
Other	975
	<u>9,961</u>
Less: Investment in subs/other intra-co eliminations	(1,051)
LB 1 Group (Consolidated)	<u>\$ 8,910</u>

Subject entities without subsidiaries:

4. Lehman Brothers Financial Products (LBFP)	\$ 565
5. Lehman Brothers Derivative Products (LBDP)	\$ 734

Other Subject Entities (consolidated) include:

6. LB Investment Holding Company, Inc.	\$ 2,121
7. LB Finance (Japan) Inc.	458
8. RIBCO LLC	353
9. RIBCO SPC, Inc.	286
10. LB Securities Taiwan Ltd	47
11. LB International Services, Inc.	44
12. LB India Holdings Mauritius III Ltd	8
13. Frah Special Services	5
14. LB Holdings International Inc.	5
15. LB Investment Management Asia Lmtd	2
16. LB (Israel), Inc.	2
17. LB Europe, Inc.	1
18. LB Overseas, Inc.	0
19. LB de Venezuela C.A.	-
	<u>3,332</u>
Less: Investment in subs/other intra-co eliminations	(630)
Other subject entities (consolidated)	<u>\$ 2,702</u>

Subject entities not included in analysis (financial data unavailable/entity inactive):

20. Blue Jay Realty
21. LB Leasing Inc.
22. Lehman Brothers (Spain) SA
23. LB South Asia Ltd (inactive)
24. Lehman Realty and Development Corp.
25. MBR GP Corp

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**Lehman Brothers Holdings Inc.****PIK Note Analysis****Other Asset Detail - September 14, 2008**

(\$ in millions)

	<b>LBSF (Consolidated)</b>	<b>LCPI (Consolidated)</b>	<b>LB I Group (Consolidated)</b>	<b>LB Financial Products</b>	<b>LB Derivative Products</b>	<b>Other Subject Entities (Consolidated)</b>	<b>Other Assets (9/14/08)</b>
Collateralized short term agreements	\$ 4	\$ 528	\$ 124	\$ -	\$ -	\$ -	\$ 656
Receivables							
Receivable from b/d- trade receivable	88	52	96	-	-	-	236
Customer receivable - cash collateral	2,310	-	12	-	14	-	2,336
3rd party receivable	-	488	-	-	-	-	488
Customer receivable- securities-street	21	-	315	-	-	25	361
Receivable from clearing organizations	265	-	-	-	-	-	265
Other	12	17	6	-	-	6	41
	<u>2,890</u>	<u>622</u>	<u>463</u>	<u>-</u>	<u>14</u>	<u>41</u>	<u>4,030</u>
Other assets							-
Other deposits	364	-	136	-	-	30	530
Property, equipment & L/H	10	2	368	-	-	112	491
Goowill and intangibles	291	-	190	-	-	-	481
Investments In partnerships & Jv'S	-	-	184	-	-	-	184
Fed & foreign income taxes	-	46	61	4	0	23	134
Other	30	12	0	2	0	5	50
	<u>696</u>	<u>60</u>	<u>938</u>	<u>6</u>	<u>1</u>	<u>170</u>	<u>1,870</u>
Invest in consol subs	(21)	225	21	-	-	-	224
Other assets - total	<u>\$ 3,569</u>	<u>\$ 1,434</u>	<u>\$ 1,546</u>	<u>\$ 6</u>	<u>\$ 15</u>	<u>\$ 211</u>	<u>\$ 6,780</u>

Source: general ledger

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**Lehman Brothers Holdings Inc.**

**PIK Note Analysis**

**Other Liabilities Detail - September 14, 2008**

*(\$ in millions)*

	<b>LBSF (Consolidated)</b>	<b>LCPI (Consolidated)</b>	<b>LB I Group (Consolidated) [1]</b>	<b>LB Financial Products</b>	<b>LB Derivative Products</b>	<b>Other Subject Entities (Consolidated)</b>	<b>Other Liabilities (9/14/08)</b>
Collateralized short-term financing							
Repos - street	\$ -	\$ 3,456	\$ 5	\$ -	\$ -	\$ (0)	\$ 3,460
Other non-repo secured financing	1,072	6,110	-	-	-	-	7,182
	<u>1,072</u>	<u>9,566</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>10,643</u>
Payables							
Payables- broker dealers	444	131	-	-	-	-	575
Bonus related	2,345	30	98	-	-	16	2,489
Payables- customers	2,361	35	17	-	2	-	2,415
Minority interest liability	-	1	513	-	-	-	514
Other liabs- suspense	156	6	6	-	-	-	168
Interest payable	93	(6)	-	-	-	-	87
Deferred income	40	-	19	9	1	-	69
Accounts payable	56	-	3	-	1	6	66
Corporate reserve	48	-	7	-	-	-	55
Syndicate payables	-	50	-	-	-	-	50
Non income taxes	(7)	-	-	-	-	-	(7)
Foreign income taxes	-	(33)	-	-	-	3	(30)
State & local taxes	-	(401)	(6)	(1)	(4)	-	(412)
Credit reserves	(678)	1	-	19	44	-	(614)
Fed & foreign income taxes	65	(1,100)	(18)	(2)	(11)	-	(1,066)
Other	87	18	8	-	-	66	179
	<u>5,010</u>	<u>(1,268)</u>	<u>647</u>	<u>25</u>	<u>33</u>	<u>91</u>	<u>4,538</u>
Other liabilities - total	<u>\$ 6,082</u>	<u>\$ 8,298</u>	<u>\$ 652</u>	<u>\$ 25</u>	<u>\$ 33</u>	<u>\$ 91</u>	<u>\$ 15,181</u>

*Source: general ledger*

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**LBEX-AM 086499**