

Lehman Brothers Holdings Inc.
Report to Unsecured Creditors Committee
November 13, 2008



LEADERSHIP • PROBLEM SOLVING • VALUE CREATION



ALVAREZ & MARSAL

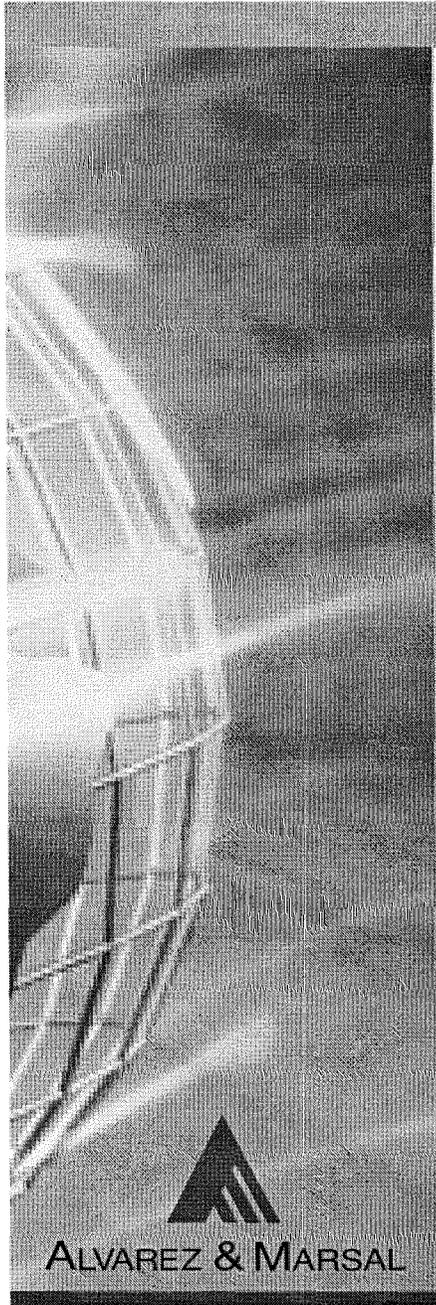
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I. Operational Overview

➤ Priority #1: Preserve and Protect Data

- After a somewhat rocky start with BarCap, the situation has improved significantly.
- The cooperation with the UK Receiver (PwC) remains uneven but always pleasant.
- PwC seems to be overly concerned on the question of their liability.
- Overall, the situation is stable to improving with about half of the data captured to date.

➤ Priority #2: Address Melting Assets

- Number of crises are diminishing and case has fewer melting assets. By mid-December '08, this should no longer be an issue.

I. Operational Overview *(continued)*

➤ Priority #3: Build Asset and Claims Management Work Teams

- Significant headway in every area, including derivatives.
- Teams are nearly complete in all areas except for the Derivatives Book and Asia.

➤ Priority #4: Determine Pre-Bankruptcy Events

- Organize a triage unit to handle requests for information on collateral, cash or transaction status.
- Address 2004 motion requests.
- In addition, a full-scale forensic is underway on transactions and activities before and after filing of LBHI and LBI.

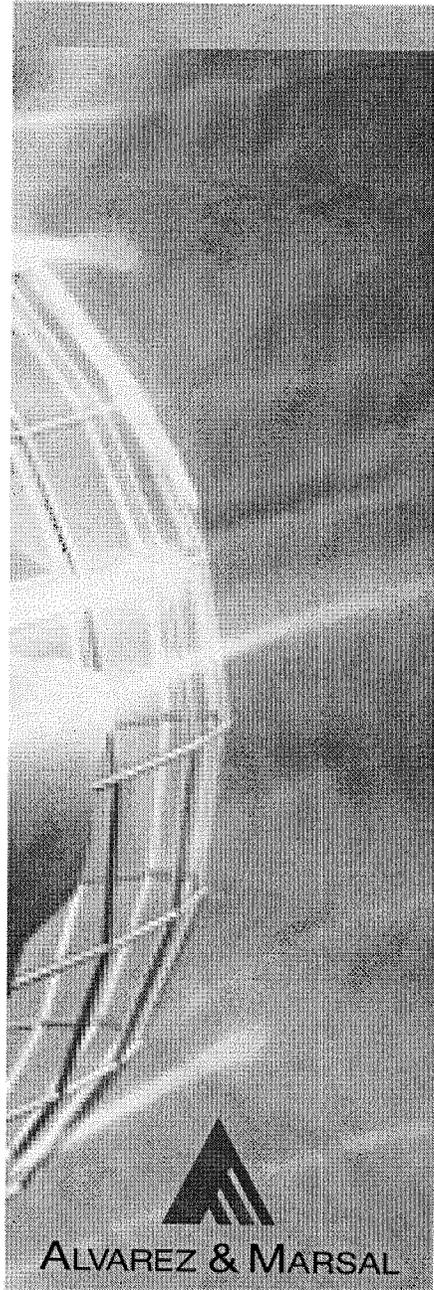
I. Operational Overview *(continued)*

➤ Summary:

- Project is settling down. Biggest challenge continues to be obtaining the data. Solutions remain dependent on US and UK technology systems of BarCap and UK Receiver, respectively.
- Liquidity remains strong and is growing.
- Divestitures are proceeding on a commercially reasonable pace versus distressed selling.
- Claims management is just beginning to come into focus, but this will be at least an 18-24 month project.
- A&M will continue to act as a fiduciary of the interests of all creditors in all Lehman entities.

II. Financial Reporting

- A. Current Cash Position
- B. Cash Protection Strategy Update
- C. Cash Flow Activities – LBHI, New Accounts
- D. Cash Management Protocol
- E. Cash Flow Forecast – LBHI
- F. Cash Management Activities and Challenges
- G. Finance and Accounting
- H. Tax Update



II. Financial Reporting *(continued)*

A. Current Cash Position

- A&M circulates a weekly cash report to FTI. Through 11/7, the debtors' aggregate cash balances have increased by \$2.2 billion.

(Dollars in Millions)

	<u>11/7/08</u>	<u>As of Filing Date</u>	<u>Filing Date</u>
Cash Accounts			
Americas - LBHI New Accounts	\$ 1,700.3	\$ -	9/15/08
Americas - LBHI Legacy Accounts	177.9	317.3	9/15/08
Americas - Other Debtors	1,585.3	943.6	10/3,10/5
Subtotal Debtors	<u>3,463.5</u>	<u>\$ 1,260.8</u>	
Americas - Non-debtors	<u>149.2</u>		
Subtotal Americas	3,612.7		
Short-term Investment Accounts			
Neuberger Berman	1,169.0		
LBHI Money Market Funds	80.0		
	<u>1,249.0</u>		
Total	(a) <u>\$ 4,861.7</u>		

- (a) Excludes \$1.3 billion at LBHI UK and various other entities where PwC asserts that these monies belong to LBIE. Also excludes the monies swept and segregated by JPM on the eve of the filings of LBSF and LBCS in the amount of \$417 million and \$67 million, respectively.

II. Financial Reporting *(continued)*

A. Current Cash Position *(continued)*

- A fuller analysis of debtor entity cash is as follows:

(Dollars in Millions)

	US Cash Balances		Filing Date
	11/7/08	As of Filing Date	
Debtor Entities			
Lehman Brothers Holdings Inc. - New Accounts	\$ 1,700.3 (a)	\$ -	9/15/08
Lehman Brothers Holdings Inc. - Legacy Accounts	177.9	317.3	9/15/08
Lehman Brothers Derivative Products Inc.	306.2	296.9	10/5/08
Lehman Brothers OTC Derivatives Inc.	131.8	131.8	10/3/08
Lehman Brothers Commodity Services Inc.	70.2	30.2	10/3/08
Lehman Commercial Paper Inc.	669.7	460.7	10/5/08
Lehman Brothers Commercial Corporation	30.8	8.0	10/5/08
Lehman Brothers Special Financing Inc.	311.7	7.1	10/3/08
Lehman Brothers Financial Products Inc.	62.6	6.6	10/5/08
Other Debtor Subsidiaries (7 entities)	2.4	2.4	Various
	<u>3,463.5</u>	<u>\$ 1,260.8</u>	
Non-debtor Entities			
Neuberger Berman LLC	38.4		
Other Non-debtor Entities (78 entities)	110.8		
	<u>149.2</u>		
Total	<u>\$ 3,612.7</u>		

(a) Includes \$110 million awaiting transfer from LBI; stipulation awaiting court approval.

II. Financial Reporting *(continued)*

B. Cash Protection Strategy Update

- Remittances successfully redirected to U.S. Bank.
- New Citibank accounts opened, Bank of America accounts in process.
- All new banking institutions required to execute no “set-off” agreements.
- Identifying qualifying investments in conjunction with UST and WGM.

II. Financial Reporting *(continued)*

C. Cash Flow Activities – LBHI, New Accounts

(Dollars in Millions)

	Filing Date thru 11/7	Comments
Receipts		
Investment Settlements	\$ 50	
Other Settlements	12	
Asset Sales	1,644	
Receipts from Subsidiaries	130	
Interest Income	1	
Total Receipts	1,838	\$1.3 billion sale to Barclays, \$0.2 billion sale of Eagle Energy, \$0.1 billion sale of R3 Capital stake. XO Jet note payoff (\$59 million), Other (\$71 million).
Disbursements - Operating		
Compensation and Benefits, Net	(9)	
Rent / Leases	(21)	
Real Estate Capital Calls	(17)	
Private Equity Capital Calls	(18)	
Advances to Subsidiaries, Net	(62)	
Other Disbursements	(2)	
Total Disbursements - Operating	(129)	Capital Calls: PE \$51 million, RE \$4 million, Other Advances of \$7 million.
Operating Cash Flow	1,708	
Disbursements - Other		
Restructuring Professional Fees	-	
DIP Fees / Interest	(14)	
Interim DIP Loan	-	
Subtotal Disbursements - Other	(14)	
Net Cash Flow	\$ 1,695	
Cash Balance		
Beginning Cash	\$ -	
Net Cash Flow	1,695	
Change in Investments	6	
Ending Cash	\$ 1,700	

II. Financial Reporting *(continued)*

D. Cash Management Protocol

- The Interim Cash Management Order was executed as of October 20, 2008. As of last week, the debtors have received 5 notes and an additional 5 are in process. A form of security agreement is currently being drafted.

Transfer Type	Protocol
Debtor to Non-Debtor Affiliate	Debtor must use "commercially reasonable efforts" to obtain from Non-Debtor Affiliate: (i) a note accruing interest at a market rate (will be a master note governing all transfers between the same entities), and (ii) a valid perfected junior lien.
Affiliate Debtor to Affiliate Debtor	Transferor Debtor gets super priority administrative expense claim in Transferee Debtor's chapter 11 case.
Non-Debtor Affiliate to Debtor	Transferor gets super priority administrative expense claim in Transferee Debtor's chapter 11 case.

II. Financial Reporting *(continued)*

E. Cash Flow Forecast – LBHI

- A&M conducts a weekly liquidity review with the various business units. These meetings are the basis behind the development of the 13-week cash flow forecast.
- The most significant cash projection issues remain:
 - Worldwide TSA costs.
 - Real estate and private equity capital calls / investments.
 - Timing and amount of asset realizations.
- A 13-week cash flow forecast will be circulated on or about December 5th.

II. Financial Reporting *(continued)*

F. Cash Management Activities and Challenges

- Use of LBI accounts – the debtors and non-debtors continue to use the LBI accounts for disbursement of Accounts Payable and Payroll.
 - New disbursement accounts being established for LBHI and certain subsidiaries to avoid LBI (SIPC Trustee) operating requirements.

- Systems:
 - Barclays has agreed to run the legacy PeopleSoft A/P and Payroll systems for LBHI and subsidiaries per the TSA agreement; A&M will need to evaluate and secure alternative systems by calendar Q1.

- Cash Management:
 - Currently integrating new accounts into the integrated Barclays/Lehman system.
 - Citi accounts to provide web functionality in anticipation of separation from Barclays.

II. Financial Reporting *(continued)*

G. Finance and Accounting

- The debtors are required to file MOR's (largely cash based) yet remain subject to SEC oversight
- In the absence of timely period end financials, A&M's asset team leaders relied on product control, embedded financial resources and management accounting tools to effectively inventory and manage their positions and businesses
- Asset teams are obtaining the marks they deem necessary to be able to make investment disposal and operating decisions
- Controls over debtor cash disbursements are absolute and visibility/oversight over non-debtor cash and business activities are in place
- Despite the closing challenges outlined in the table that follows, capability exists to conduct deep forensic review and reconstruction to bridge the 8/31 balance sheet positions to the petition date (9/15). Further bridging exercises will track activity between 9/15 and the filing dates of the subsequently filed subs (10/3-10/5).
- Entities controlled under various Administrators are subject to local regulations, policies and requirements. Consolidated financials prepared for future periods may not include such entities.

II. Financial Reporting *(continued)*

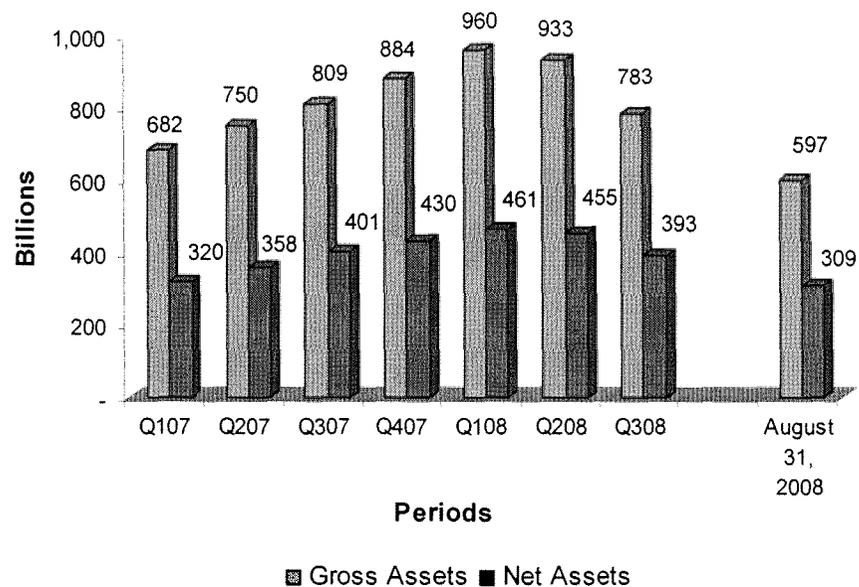
G. Finance and Accounting *(continued)*

<u>Issue</u>	<u>Impact</u>	<u>Resolution/Approach</u>
Unprecedented mid-month close	IT and data feed challenges	The IT developed G/L "test" is operational for mid-month (Sept.) closing process; validation of data and numerous feeds ongoing as reconciliations are performed
Reduced control and oversight over G/L feeds and the absence of timely cash reconciliations	Closing controls compromised	Conduct detailed cash based B/S review and corroboration to ensure completeness and accuracy of post 8/31 activity
Backlog of unreconciled trades exacerbated by trading volumes immediately prior to LBHI's filing and fails subsequent to filing	Obstacle to timely and accurate month-end closings	Combination of BarCap and Ops led dedicated TSA resources focused on addressing this backlog
A&M's efforts to drive the closing process are being frustrated due to inadequate BarCap support	Non-timely petition date closing	Renewed focus, via TSA obligations with BarCap (and Nomura) and mutual dependencies (with Administrators in UK and Asia) together with a ("fully supportive") BarCap is anticipated to lead to a 9/15 closing in early December and a November ('proforma') closing in January
Shared General Ledger	Obstacle to timely and accurate month-end closings	A&M working with BarCap IT to develop "work around"

II. Financial Reporting *(continued)*

G. Finance and Accounting *(continued)*

AVERAGE ASSETS (Except as at August 31, 2008)



- Gross Assets – average of amounts reported on consolidated balance sheets
- Net Assets – reflect reductions for reverse repos, borrowed securities segregated cash, and goodwill

II. Financial Reporting *(continued)*

G. Finance and Accounting *(continued)*

Financial Information at August 31, 2008 (unaudited)
LBHI Control vs. Separately Administered
 (\$ in billions)

	<u>Assets [1]</u>	<u>As a % of Assets</u>	<u>Intercompany Balance w/ LBHI [2]</u>	<u>Total Liabilities [3]</u>
<u>LBHI Control</u>				
Americas:				
Debtors	\$ 120.0	18.4	\$ (30.3)	\$ (365.1)
Non-debtors	44.4	6.8	(10.4)	(64.6)
Americas total	<u>\$ 164.4</u>	<u>25.2</u>	<u>\$ (40.7)</u>	<u>\$ (429.6)</u>
Europe	2.8	0.4	(8.8)	(39.5)
Asia	4.3	0.7	(0.3)	(5.4)
South America	0.9	0.1	0.3	0.4
	<u>\$ 172.4</u>	<u>26.4</u>	<u>\$ (49.5)</u>	<u>\$ (474.1)</u>
<u>Separately Administered</u>				
Americas [4]	\$ 234.9	35.9	\$ (26.2)	\$ (299.4)
Europe [5]	220.2	33.7	11.4	(485.0)
Asia	26.2	4.0	(11.2)	(65.2)
	<u>\$ 481.3</u>	<u>73.6</u>	<u>\$ (26.0)</u>	<u>\$ (849.6)</u>
Subtotal	\$ 653.7	<u>100.0</u>	\$ (75.5)	\$ (1,323.7)
Elimination [6]	(56.1)		-	754.5
Totals	<u>\$ 597.6</u>		<u>\$ (75.5)</u>	<u>\$ (569.2)</u>

[1] Excludes investment in consolidated subsidiaries and intercompany balances

[2] Intercompany amounts represent net (payable to) / receivable from LBHI; provides some visibility to absolute claim size

[3] Total Liabilities, including gross intercompany liabilities; provides some visibility to relative size of intercompany claim

[4] Represents standalone LBI Inc., Lehman Re and other subsidiaries

[5] Includes Lehman Brothers Treasury Co B.V. (the Netherlands) a subsidiary of LB UK Holdings (Delaware), Inc. with total non-affiliated assets of \$9 million and net intercompany from LBHI of \$34.8 billion

[6] Represents elimination entries in consolidation

II. Financial Reporting *(continued)*

G. Finance and Accounting *(continued)*

(\$ in Millions)

Debtors [1]	Total Assets [2]
Lehman Brothers Holdings Inc.	\$ 36,436
LB Special Financing Inc.	56,581
Lehman Commercial Paper Inc.	18,284
LB OTC Derivatives Inc.	3,802
LB Commodity Services Inc.	2,582
LB Derivative Products Inc.	763
LB 745 LLC	574
LB Financial Products Inc.	556
LB Commercial Corporation	346
Lehman Scottish Finance LP	62
CES Aviation	22
Pami Statler Arms LLC	20
CES Aviation IX	8
CES Aviation V LLC	4
East Dover Limited	-
Total Debtors	\$ 120,042

Non-Debtors	Total Assets [2]
Lehman Brothers Bank	\$ 5,636
Property Asset Management Inc.	5,625
LB I Group Inc.	5,250
Racers Series 2007-7 MM Trust	5,000
LB Commercial Bank (LBCB)	4,055
Neuberger Berman Holdings LLC	2,616
Eagle Energy Partners 1 LP	1,716
Ali Inc.	1,586
Neuberger Berman Llc (LLCNB)	1,253
Aurora Loan Services LLC	1,084
LB R3 Holdings L.P.	1,048
Real Estate Private Equity Inc.	962
LB Offshore Partners Ltd.	958
Other	7,586
Total Non-Debtors	\$ 44,374

[1] Includes entities which have filed Chapter 11 petitions in United States Bankruptcy Court

[2] Excludes investment in consolidated subsidiaries and inter-company balances

II. Financial Reporting *(continued)*

H. Tax Update

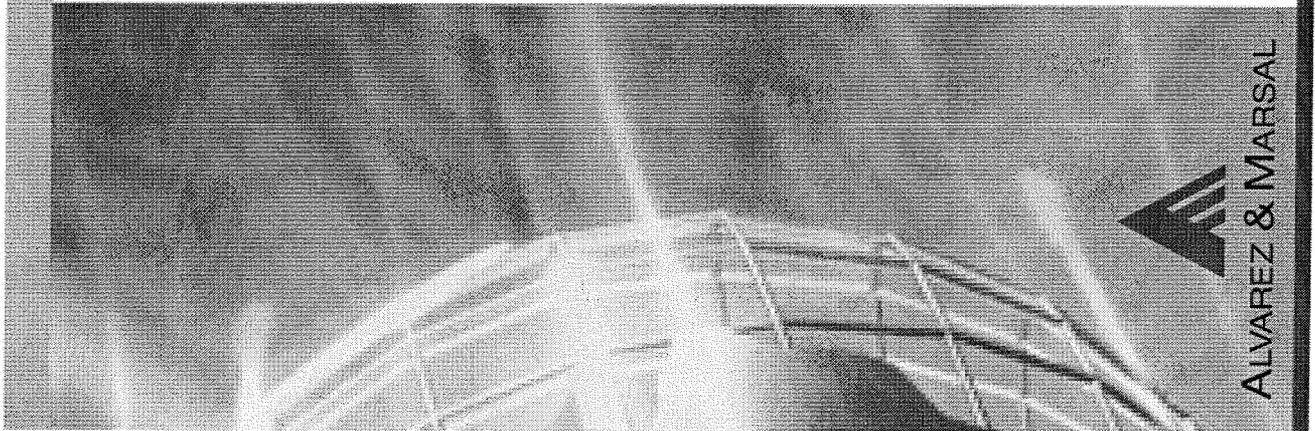
Challenges

- Tax department lost 29 FTE's since 4/08 and 7 since filing
- SIPC Trustee / Administrator coordination and cost savings
- Data needs to complete returns and answer audits
- Significant workload, little diminished by filing
 - IRS \$500 million refund litigation progressing on an accelerated basis ('97 - '00)
- Complexity and sheer number of entities

Progress

- Two key hires made, six more being pursued.
- A&M tax filling gaps as necessary
- Major work streams identified, prioritized and staffed
- Regular multi-party briefing sessions
- Coordination with BarCap and Lehman legacy accounting group
- \$34 million of state tax refunds received in October (primarily LBB for 2006)
- \$47.5 million of state tax refunds sought for December
- \$36 million of state tax refunds anticipated in 2009
- Focus on claims mitigation
- 500 + corporate structures identified for dissolution
- REC and low income housing tax credits being remarketed

III. Upcoming Transactions / Developments



A. Wilton Re Insurance

(McCarthy)

B. Neuberger Berman / IMD

(Fogarty)

III. Upcoming Transactions / Developments *(continued)*

A. Wilton Re Insurance

Company Description

- Wilton Re is a U.S. life reinsurance company that focuses on purchasing closed blocks of life insurance policies
- Located in Wilton, CT and Hamilton, Bermuda
- Founded in Jan. 2005, with 30 employees and \$628 million in committed capital from original investors
- Management team primarily comprised of former senior executives of Swiss Re's U.S. reinsurance business
- Two lines of business: Treaty Reinsurance Business and Run-off Solutions
- The initial platform, based on the acquisition of JP Morgan's life insurance business, has been supplemented by various bolt-on acquisitions

Lehman Brothers Investment

- Original owners / investors in Wilton Re included Stone Point Capital, Vestar, and Freidman Fleischer & Lowe Capital Partners
- In December 2007 Lehman Brothers (through LBHI) acquired an equity stake in Wilton Re
 - Investment was structured to allow Lehman to invest and increase its stake in phases
 - Q1 '07: \$100 million @ \$52.50 /share
 - Q3 '08: \$78 million @ \$59.45 /share
 - Q4' 08 / Q1 '09: \$122 million @ \$57.00 / share
 - Senior management of Wilton Re has agreed to propose to the Board to issue the capital call @ \$50.00 / share
 - Lehman currently holds a 22% stake in Wilton Re. If all commitments are funded Lehman will hold ~30% in Wilton Re

III. Upcoming Transactions / Developments *(continued)*

A. Wilton Re Insurance *(continued)*

Current Situation

- **Wilton Re expects the investor group to contribute remaining unfunded commitment in two installments**
 - Lehman Brothers unfunded commitment is \$122 million
 - \$60 million likely due by December 2008
 - Remainder due in Q1 2009
 - If funded, price per share should be \$50.00 vs. \$57.00 / share based on original investment P/B multiple of 1.05x
 - Remaining investors to contribute \$60 million @ \$50.00 / share (pursuant to 2004 commitments)

- **Capital raised will be used to:**
 - Provide capital for previously approved (Summer '08) Texas Life transaction for \$150 million
 - Replenish capital to maintain credit rating (A-, Positive Outlook) and standings with regulators / creditors / counterparties

III. Upcoming Transactions / Developments *(continued)*

A. Wilton Re Insurance *(continued)*

Due Diligence Completed

- Parties involved in Due Diligence: Alvarez & Marsal, Houlihan Lokey, Lazard, Weil Gotshal
- Materials Reviewed:
 - Financials / Business Plan
 - Portfolio of underlying investments
 - As of June 30, 2008
 - Updated as of September 30, 2008
 - Market analysis, opinion on future prospects and IRR analysis (Lazard)
 - Actuarial Embedded Value analysis (Milliman)
 - Legal documentation (Weil Gotshal)
- Meetings Held:
 - Meetings / conference calls with senior management
 - Board / business planning meetings
 - Discussions with co-investors

Key Findings

- Strong management team
- Viable business plan / market position
- Favorable medium term industry prospects
- Asset portfolio appropriately valued and well positioned given current market circumstances
- Embedded Value (EV) analysis provides positive returns on portfolio supporting current firm valuation
- General approach, methodology, model construction, internal calculations, assumptions utilized in the EV calculation are appropriate
- Strong base of support from co-investors possessing significant industry knowledge

III. Upcoming Transactions / Developments *(continued)*

A. Wilton Re Insurance *(continued)*

Alternatives for Lehman Brothers

A. Alvarez & Marsal recommends to commit and fund

- Conclusion supported by analysis from Houlihan Lokey / Lazard
- Versus alternative B and C, Lazard believes this is most attractive option and would enable LBHI to receive full investment with the potential of a return
- Investment could be monetized as market returns close to invested capital or held for a period of time (~2-3 years) at an expected increase in value

B. Sell shares with the buyer assuming unfunded commitment

- According to Lazard, LBHI would have to accept significant discount:
- Investment too small for the larger insurers. PE firms likely to require market discount in addition to discount to assume unfunded commitment
- The new shares purchased under the commitment will be valued at 1.05x P/B (\$57) vs. a \$50 value at which the remaining shareholders' commitments of \$60 million are priced

C. Do not fund

- Contractual provisions in the agreements allow Wilton Re to demand LBHI to forfeit or unilaterally cancel 90% of LBHI's securities and warrants
- Would reduce LBHI shares to ~322,000 with a current value of about \$15-\$17 million
- According to Weil Gotshal, reduction could be delayed, but it is not certain that Wilton Re would not prevail

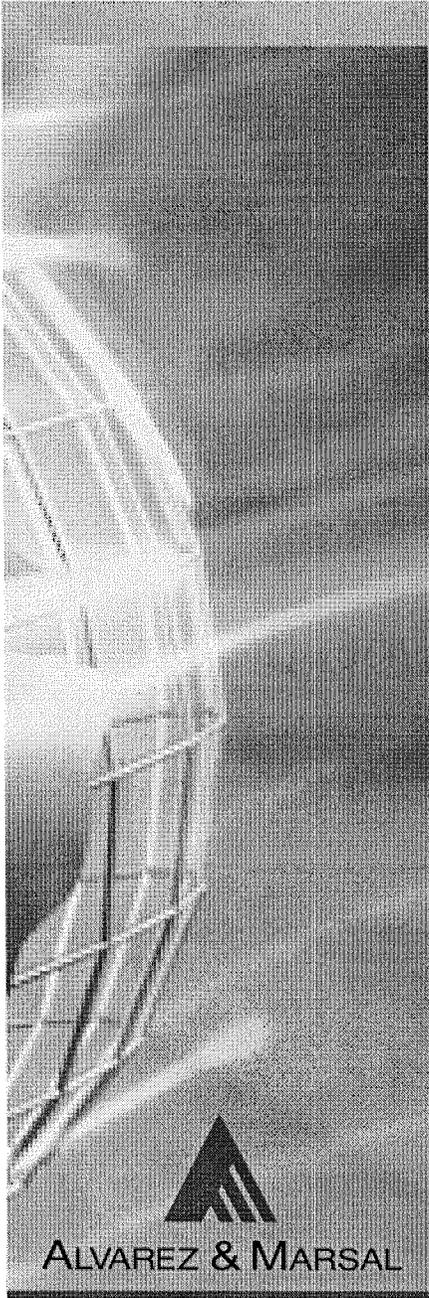
III. Upcoming Transactions / Developments *(continued)*

B. Neuberger Berman Sale to Bain / H&F

- Market decline (S&P down 21%) impacts both the business earning power (EBITDA) and the Bain / H&F deal net purchase price

	Sale to Bain/H&F			
	As of Signing		Latest Thinking	
	\$ in Millions	Implied EBITDA Multiple	\$ in Millions	Implied EBITDA Multiple
FY '09 Plan EBITDA	\$ 250		\$ 175	
Gross Purchase Price	2,150		2,150	
Liberty View Backstop	(103)		(103)	
Retained Cash	(100)		(100)	
Adj. - S&P 500	-		(717)	
Adj. - NB Revenue Run-Rate	-		(101)	
Adj. - Audit / Other	-		-	
	1,947	7.8 x	1,129	6.5 x
Equity to Portfolio Managers (18.6%)	(400)		(248)	
Net Purchase Price	\$ 1,547	6.2 x	\$ 881	5.0 x

IV. Wind Down Issues



- A. Retention and Recruiting Plan Update
 - Headcount Fact Base
 - Motion Filed

- B. Transition Services (TSA)
 - Timeline
 - “Ring Fenced” Headcount

- C. Asset Protocols

IV. Wind Down Issues *(continued)*

A. Retention and Recruitment Plan – Headcount Fact Base

	<u>Actual After Filing (9/16/08)</u>	<u>Actual (11/10/08)</u>	<u>Target (12/31/08)</u>
<u>Asset Teams</u>			
Derivatives	-	48 (a)	316
Real Estate	-	47	57
Bank Book	-	20	24
Private Equity	-	13	15
	<u>-</u>	<u>128</u>	<u>412</u>
<u>Corporate</u>			
Finance	84	72	104
Legal	19	22	31
IT	-	3	13
Other	67	39	50
	<u>170</u>	<u>136</u>	<u>198</u>
Total Headcount	<u>170</u>	<u>264</u>	<u>610</u>
Compensation Dollars <i>(\$ in millions)</i>		<u>\$ 76</u>	<u>\$ 206</u>

(a) Including "Ring Fenced" personnel at Barclays (119), Pending Hires (18), Natixis (25), and A&M (9), there are 219 "on the problem".

IV. Wind Down Issues *(continued)*

A. Retention and Recruitment Plan – Motion Filed

(\$ in millions)

	Target (12/31/08)	Lehman Wind-Down Compensation Plan (Cost Thru Commitment)		
		Base	Bonus	Total
<u>Asset Teams</u>				
Derivatives	316	\$ 49	\$ 74	\$ 123
Real Estate	57	11	10	21
Bank Book	24	5	4	9
Private Equity	15	8	5	13
	<u>412</u>	<u>73</u>	<u>93</u>	<u>166</u>
<u>Corporate</u>				
Finance	104	10	6	16
Legal	31	7	4	11
IT	13	2	4	6
Other	50	4	3	7
	<u>198</u>	<u>23</u>	<u>17</u>	<u>40</u>
	<u>610</u>	<u>\$ 96</u>	<u>\$ 110 *</u>	<u>\$ 206</u>

* The total Bonus planned for the non-A&M wind-down team is on average up to 110% of base salary, provided the employees achieve specific performance objectives.

IV. Wind Down Issues *(continued)*

B. Transition Services (TSA) - Timeline

- Friday, October 3rd Initial Approach
 - A&M requests substantially improved cooperation
 - Rich Ricci, Co-Chair Barclays, sends memo to key US employees encouraging TSA cooperation

- October 4th - 7th – Barclays senior team saying the right things.

- Wednesday, October 8th – Lehman / UCC Meeting “Cooperation will Remain a Key Issue”

- October 9th - 14th Efforts not working / further issues develop
 - A&M team becomes aware of significant system decommissioning (no approved migration plan)
 - A&M teams not receiving access to (1) info requests, (2) live system access, (3) system data for preservation
 - Loan Book not being marked – personnel were moved without notification and no longer had appropriate system access
 - Derivatives inventory still not delivered
 - Concerns about ability to execute financial statement close as of filing and otherwise
 - Key individuals being terminated (TSA services not being delivered)

IV. Wind Down Issues *(continued)*

B. Transaction Services (TSA) - Timeline *(continued)*

- Wednesday, October 15th – Lehman / Barclays “Lay Down the Gauntlet Meeting”
 - Lehman (Bryan Marsal, Jim Fogarty, Bill Gordon, Jeff Donaldson, Harvey Miller, Tom Roberts)
 - Barclays (Jonathan Hughes – Global GC)
 - Hughes leaves meeting promising to investigate

- Wednesday, October 22nd Serious Breakdown
 - Ian Lowitt (Exec Integration Team Head - Legacy Lehman Global CFO) communicates that a substantial RIF is coming
 - Marsal / Miller discuss Temporary Restraining Order (TRO)
 - Gordon / Donaldson meet with Lowitt to discuss the problem
 - Marsal calls Hughes (Global GC) – “Fix” or “TRO”
 - “Top to Top Meeting” scheduled for Friday

- Friday, October 24th – Lehman / Barclays “Top to Top Meeting”
 - Jonathan Hughes – Global GC
 - Phil Freeborn – Global CIO
 - Patrick Clackson – Global CFO
 - Ike Bush – US Ops Head of TSA (Legacy Lehman / US Ops)
 - Alistair Blackwell – US Ops Head (Legacy Lehman / Global Ops)
 - Ian Lowitt – Executive Integration Team Head (Legacy Lehman / CFO)
 - James Walker – Americas CFO
 - We lay out our key issues and their deliverable to us

IV. Wind Down Issues *(continued)*

B. Transaction Services (TSA) - Timeline *(continued)*

➤ October 25th - 31st

- Issues noted above are being addressed / attitude substantially improved
- Barclays is “dedicating” personnel against the tasks
- Slowly receiving (1) info requests, (2) live system access, (3) system data for preservation
- Teams being “Ring Fenced” by Barclays to more directly address loan book, derivatives inventory / mark issues, IT requirements, and financial / accounting close issues.

Mobilization to Perform

➤ November 3rd - 7th

- Improved performance:
 1. Derivatives inventory substantially marked,
 2. Loan book substantially marked,
 3. Data capture working, and
 4. Financial / accounting issues work in progress.

“Cautiously Optimistic”
“Cooperation Remains a Key Issue”

IV. Wind Down Issues *(continued)*

B. Transition Services (TSA) – “Ring Fenced” Headcount

- In addition to focusing Barclays traders / others on marking the Derivatives and Loan portfolio, an important element to fix TSA problems was to “ring fence” Barclays operation employees to provide more direct accountability against services.

	<u>“Ring Fenced” Barclays Personnel</u>		<u>Lehman Holdings (Offers Accepted)</u>		<u>Total “On the Problem”</u>
<u>Asset Teams</u>					
Derivatives	33	Front / Middle Office	48	Front / Middle Office	81 (a)
Bank Book	2		20	Front / Middle Office	22
Real Estate	-		47	Front to Back	47
Private Equity	-		13	Front to Back	13
Shared Ops (Derivatives & Loan Book)	86	Back Office	-		86 (a)
	<u>121</u>		<u>128</u>		<u>249</u>
<u>Corporate</u>					
Finance	32	Controllership / Product Control	72	Tax / Acctg / Treasury	104
IT	104		3		107
Data Capture	9		-		9
Other	6		61	Legal / Admin / Other	67
	<u>272</u>		<u>264</u>		<u>536</u>

(a) Including Pending Hires (18), Natixis (25), and A&M (9) there are 219 "on the problem".

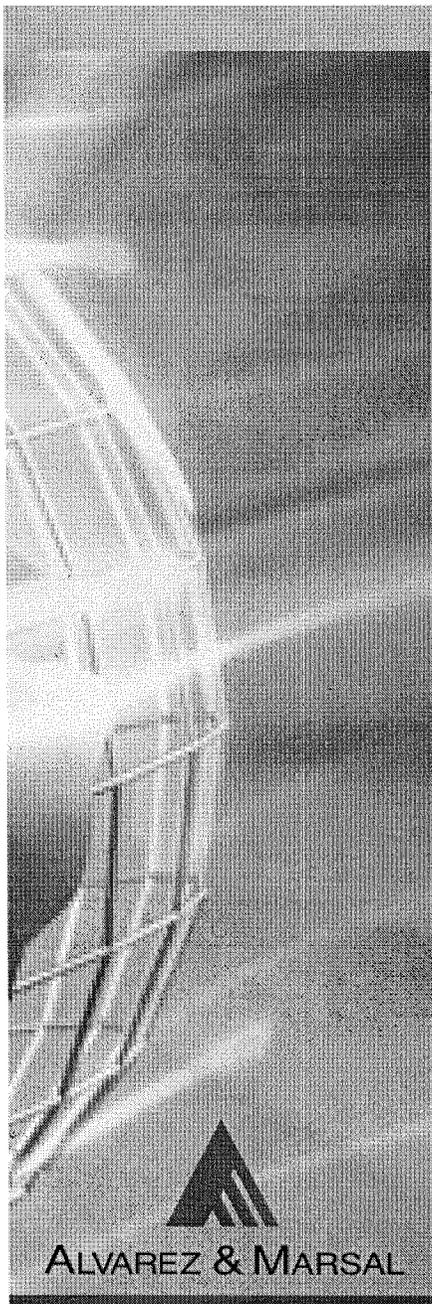
IV. Wind Down Issues *(continued)*

C. Asset Protocols

(\$ in Millions)

	Alvarez & Marsal		Unsecured Creditor Committee Review Threshold (> Than Involve UCC and Seek Court Approval; < Than No Involvement From UCC and Court Approval Only As Required)		
	Team Leader Sign-Off (\$0 - \$10)	Plus 2nd Partner Sign-Off (any 1 of the below) (\$10 - \$25)	Plus CRO Sign-Off (\$25 +)	Sell Operating Businesses; Sale Assets / Positions; Negotiate Unfunded Commitments	Make Capital Call
<u>Primary Assets</u>					
PE / Proprietary Assets	McCarthy	Coles Fogarty Suckow	Marsal	\$50	\$25
International Operations (Not Administered)	Ehrmann			50	N/A
Loan Book	Briggs			50	N/A
Real Estate Book	Fitts / Pietroforte			50	Weekly Update - Capital Calls Over Next 2 Months
Derivative Book	Winter			50	N/A
Bank / Thrift	Stiklorius			50	N/A
<u>Other Assets</u>					
Plane / Art	Gordon			50	N/A
Tax Refund	Lehman Tax			Ongoing Briefing	N/A

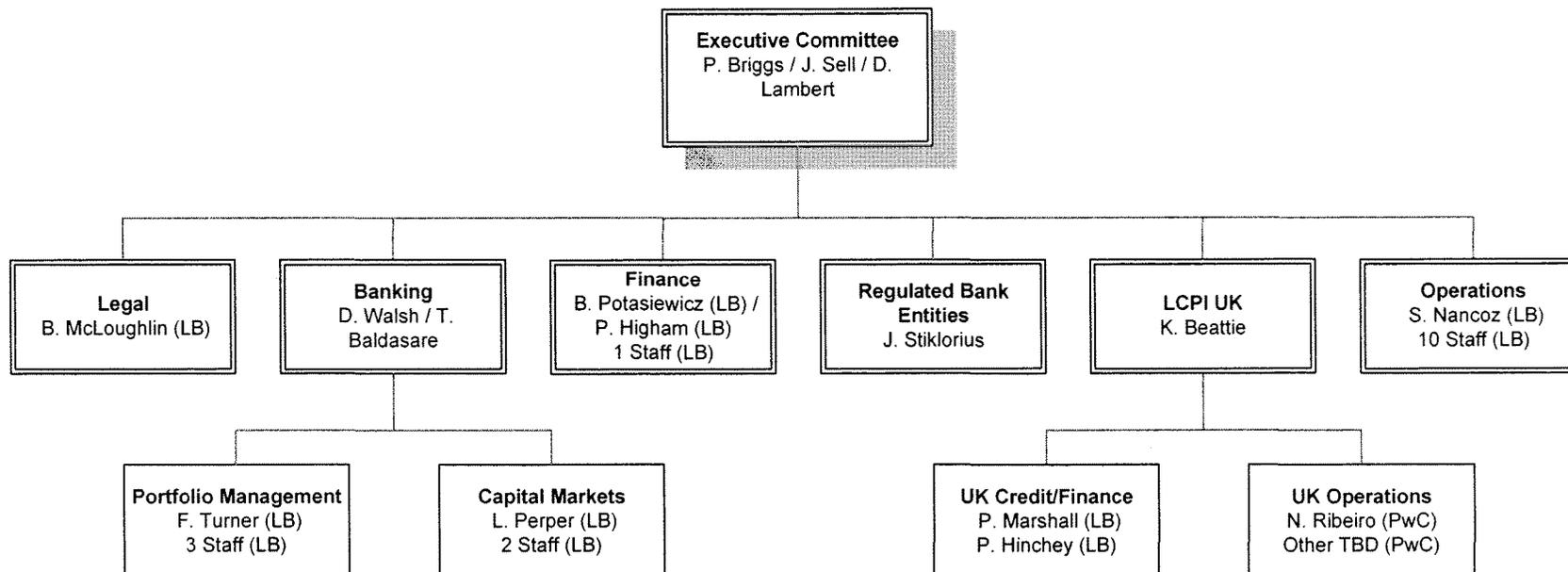
V. Asset Team Reports



- A. Bank Book *(Lambert)*
- B. Principal Investments / Private Equity *(McCarthy)*
- C. Real Estate Assets *(Fitts / Pietroforte)*
- D. International Operating Assets *(Ehrmann)*
- E. Derivatives Book *(Winter / O'Meara)*
- F. Bank Platforms *(Stiklorius)*
- G. Other Assets *(Gordon)*

V. Asset Team Reports *(continued)*

A. Bank Book



- Lehman staff retained: 20, with target of 24
- Driving issue resolution - focus shift from Reactive to Proactive
- Developing process controls and bank loan management protocols

V. Asset Team Reports *(continued)*

A. Bank Book *(continued)*

➤ Portfolio Summary (9/30/08)

(\$ in millions)	Committed			Funded			Unfunded		
	Total	Retained	Pledged	Total	Retained	Pledged	Total	Retained	Pledged
All Segments									
Lehman Brothers Holdings Inc.	\$ 583	\$ 292	\$ 290	\$ 313	\$ 123	\$ 189	\$ 270	\$ 169	\$ 101
Lehman Commercial Paper Inc.	14,299	8,194	6,105	6,500	1,883	4,617	7,799	6,311	1,488
LCPI London Branch	6,514	5,567	948	2,218	1,587	631	4,297	3,980	317
Other	1,616	1,208	408	1,469	1,065	404	147	144	4
Lehman Subtotal	23,012	15,261	7,751	10,499	4,658	5,840	12,514	10,603	1,910
LB Bankhaus London Branch	6,917	6,888	29	2,652	2,623	29	4,265	4,265	-
LB Commercial Bank (LBCB)	13,069	13,068	1	2,755	2,754	1	10,314	10,314	-
Lehman Brothers Bank	3,589	3,589	-	227	227	-	3,362	3,362	-
Regulated Entity Subtotal	23,574	23,545	30	5,634	5,604	30	17,940	17,940	-
Grand Total	\$ 46,586	\$ 38,806	\$ 7,781	\$ 16,132	\$ 10,262	\$ 5,870	\$ 30,454	\$ 28,544	\$ 1,910

V. Asset Team Reports *(continued)*

A. Bank Book *(continued)*

➤ Portfolio Summary (9/30/08) *(continued)*

(\$ in millions)	Committed			Funded			Unfunded		
	Total	Retained	Pledged	Total	Retained	Pledged	Total	Retained	Pledged
High Grade									
Lehman Brothers Holdings Inc.	\$ 306	\$ 167	\$ 138	\$ 172	\$ 48	\$ 124	\$ 134	\$ 119	\$ 15
Lehman Commercial Paper Inc.	7,735	5,353	2,382	1,296	163	1,133	6,439	5,190	1,249
LCPI London Branch	4,463	4,226	238	1,018	862	156	3,445	3,363	82
Other	518	511	7	440	435	5	78	76	1
Lehman Subtotal	13,022	10,257	2,765	2,926	1,509	1,418	10,096	8,748	1,347
LB Bankhaus London Branch	5,839	5,810	29	1,912	1,883	29	3,927	3,927	-
LB Commercial Bank (LBCB)	11,294	11,293	0	1,481	1,481	0	9,813	9,813	-
Lehman Brothers Bank	3,589	3,589	-	227	227	-	3,362	3,362	-
Regulated Entity Subtotal	20,721	20,692	29	3,620	3,591	29	17,101	17,101	-
Grand Total	\$ 33,743	\$ 30,949	\$ 2,794	\$ 6,546	\$ 5,100	\$ 1,447	\$ 27,197	\$ 25,850	\$ 1,347
High Yield									
Lehman Brothers Holdings Inc.	\$ 277	\$ 125	\$ 152	\$ 141	\$ 75	\$ 66	\$ 136	\$ 50	\$ 86
Lehman Commercial Paper Inc.	6,564	2,841	3,723	5,204	1,720	3,484	1,360	1,121	239
LCPI London Branch	2,051	1,341	710	1,200	725	475	852	616	235
Other	1,098	697	401	1,028	630	398	70	67	2
Lehman Subtotal	9,990	5,004	4,986	7,572	3,150	4,422	2,418	1,855	563
LB Bankhaus London Branch	1,078	1,078	0	740	740	0	338	338	-
LB Commercial Bank (LBCB)	1,775	1,775	1	1,274	1,273	1	501	501	-
Lehman Brothers Bank	-	-	-	-	-	-	-	-	-
Regulated Entity Subtotal	2,853	2,852	1	2,014	2,013	1	839	839	-
Grand Total	\$ 12,843	\$ 7,857	\$ 4,986	\$ 9,586	\$ 5,163	\$ 4,423	\$ 3,257	\$ 2,694	\$ 563

V. Asset Team Reports *(continued)*

A. Bank Book *(continued)*

- Actively pursuing opportunities to:
 - Eliminate Unfunded Commitments – particularly related to Regulated entities (LBB and LBCB)
 - Refocus staff resources- transferring agency roles to third party participants
 - Elevate loan participations to Assignments as a part of broader solutions

- Two Prong approach - maximize asset value while mitigating potential contingent liabilities (HY - unfunded)

V. Asset Team Reports *(continued)*

A. Bank Book *(continued)*

- Progress Eliminating Unfunded Commitment (as of 11/07/08)

Selected Commitment Terminations	Unfunded
<u>Borrower</u> ⁽¹⁾	<u>Commitment</u>
Exelon	\$ 268
Duke Energy	60
2 borrowers representing	63
Total LBB Terminations	391
Altria Group	1,000
CVS Corp	217
CBS Corp	59
Conagra Foods	50
Staples	44
13 borrowers representing	169
Total LBCB Terminations	1,538
Staples - Bankhaus	350
Staples - LCPI	417
Total Selected Terminations	<u>\$ 2,696</u>

⁽¹⁾ Includes participations.

- Eliminate Unfunded Commitments – improve RBC ratios of Regulated entities (LBB and LBCB)

V. Asset Team Reports *(continued)*

A. Bank Book *(continued)*

- Pre-petition Loan Trades - Assumption/Rejection/Modification
- Background
 - A motion was filed to compel LCPI to assume or reject unsettled pre-petition loan trades
 - Multiple counterparties were inquiring/demanding timely resolution of open trades
 - LCPI stipulated (excludes - derivatives or other transactions) to notify counterparties by Nov. 7th of its intentions except for certain (49 trades) associated with securitizations, Bankhaus, and Fusion Funding
 - Motion to assume or reject to be heard on Dec. 3rd
 - Most settlements are expected to be completed within 60 days following Hearing

(Dollars in Millions)

	Total Open Trades	Trades		Estimated Net Proceeds Range	
		Rejected	Assumed (a)	Low	High
UK	343	61	282	\$ 425	\$ 525
US	493	198	295	255	305
Total	836	259	577	\$ 680	\$ 830

(a) Excludes intercompany and trades of positions held within pledged CDO structures (Pine, Spruce, Verano)

- Summary
 - Settlement process covers 836 pre-petition trades (US and UK) which are expected to generate net proceeds of up to \$830 million
 - Net Proceed Range reflects risk associated with expected objections to assumption or rejection due to claimed set-off rights, pre-petition contract termination, and other legal and factual issues

V. Asset Team Reports *(continued)*

A. Bank Book *(continued)*

➤ Key Priorities

- Preserve value attributable to LCPI as well as Regulated Entities (LBB, LBCB) by improving RBC ratio through accelerated reduction of Unfunded Commitments
- Resolve disputes and complete settlement of pre-petition loan trades of up to \$830 million
- Restore or implement workaround to address broken cash reconciliation process (TSA) to reconcile approximately \$726M of receipts as of Nov. 7th
- Develop fact base and approach to maximize value of pledged CDO structures (Pine, Spruce, Verano)
- Perform overall credit exposure review to support hold vs. sale strategy

V. Asset Team Reports *(continued)*

B. Principal Investments / Private Equity

➤ Updates:

- Principal Investment Management Team of ~ 13 professionals to manage ongoing portfolio is hired and onboard
 - Competencies include principal investing, M&A, and transaction oriented legal

➤ Key action items:

- Identifying further assets that belong in the portfolio (e.g., Mezz, Tax, Converts)
- Monitoring financial performance; assessing value of each interest (quarterly marks); developing exit plan
- Managing unfunded commitments
 - Running default analyses on each fund/firm requiring capital
 - Making recommendation related to meeting capital calls
 - Negotiating with companies with large unfunded positions
- Filling vacant directors seats and responding to EOD/forced transfer provisions
- Establishing best practice procedures and protocols to monitor and maximize value in the remaining portfolio over time

V. Asset Team Reports *(continued)*

B. Principal Investments / Private Equity *(continued)*

➤ Summary Principal Investments

- The below table provides a current summary of “principal investments” held on Lehman’s balance sheet, broken down by asset class

(\$ in millions)

<u>Category</u>	<u>Carrying Value (a)</u>	<u>Invested Capital</u>	<u>Unfunded Commitments</u>	<u>Cash Receipts</u>	<u>Funded Capital Calls</u>
I. Private Equity Group	\$2,336	\$2,188	\$1,451	\$98	\$93
II. Private Company Investments (Approx. 120 Investments)	\$5,963	\$5,342	\$523	\$7	\$2
III. Minority Stakes in Hedge Funds GPs (5 Investments)	\$1,694	\$1,588	\$1,181	\$0	\$18
IV. Investments in Private Equity Funds and Hedge Funds (108 Investments)	\$2,554	\$3,131	\$1,007	\$135	\$12
V. “Strategic” Investments (b)	\$543	\$439	\$122	N/A	N/A
VI. Tax Credit Investments (4 Investments) (b)	\$202	\$202	\$88	N/A	N/A
VII. IMD Asset Management Seed (b)	\$532	\$582	\$2	N/A	N/A
Total Principal Investments	<u>\$13,823</u>	<u>\$13,472</u>	<u>\$4,374</u>	<u>\$240</u>	<u>\$126</u>

Notes to table:

(a) Represents Lehman’s 6/30 marks and does not reflect any further valuation work to date

(b) Includes additional assets identified since 10/8 that belong in the portfolio

V. Asset Team Reports *(continued)*

B. Principal Investments / Private Equity *(continued)*

➤ Principal Investments Unfunded Commitments

(\$ in millions)

Category	Unfunded Commitments	In process	% in process	Status/Progress
I. Private Equity Group	\$1,451	\$1,103	76%	
Merchant Banking	\$430	\$430		- Sale process underway which will include sale of the unfunded for MB, RE and VC thereby reducing our total unfunded to ~\$348 million (PFIG).
Real Estate	585	585		
Venture Capital	88	88		
PFIG	348	-		- Potential to sell PFIG unfunded with the funded portion in the secondary market.
II. Private Company Investments (Approx. 120 Investments)	\$523	\$312	60%	
SkyPower		\$214		- Decision to fund (up to \$16 million through 12/31/08) and spin out company as a going concern
Sixth Gear		61		- Decision to default due to quality of company
Cordillera		37		- Funding due to quality of management team and assets
III. Minority Stakes in Hedge Funds GPs (5 Investments)	\$1,181	\$1,180	100%	
Spinnaker		\$80		- Negotiation completed with Spinnaker and One William Street which will extinguish our unfunded commitment.
One William Street		450		
DE Shaw		650		- Process underway; next funding date April 2009
IV. Investments in Private Equity Funds and Hedge Funds (108 Investments)	\$1,007	\$395	39%	
F2i		\$218		- Monitoring capital calls/performance; Initial portfolio strategy completed
Taj		97		- Decision to sell/default (\$5 million, or 2%, funded to date)
Apax Europe		44		- Decision to sell/default due to performance (\$28 million, or 22%, funded to date)
Bain Capital		36		- Decision to sell/default due to quality of portfolio companies (\$18 million, or 29%, funded to date) - Funding due to quality of manager and fund (\$14 million, or 27%, funded to date)
V. "Strategic" Investments	\$122	\$122	100%	
Wilton Re	\$122	\$122		- Seeking approval to invest
VI. Tax Credit Investments (4 Investments)	\$88	\$0	0%	
Centerline	\$88	\$0		
VII. IMD Asset Management Seed	\$2	\$2	100%	
Total Principal Investments	\$4,374	\$3,113	71%	

Notes to table:

(a) Represents Lehman's 6/30 marks and does not reflect any further valuation work to date

(b) Includes additional assets identified since 10/8 that belong in the portfolio

V. Asset Team Reports *(continued)*

B. Principal Investments / Private Equity *(continued)*

Methodology for Unfunded Investments in PE Funds

- Lehman's portfolio of limited partnership interests in third party private equity funds consists of over 80 positions
 - Total commitments exceeding \$1.5B
 - Invested capital of over \$500M
- The portfolio is diverse in terms of size of underlying fund, percentage of commitment funded and performance
- Funds decisions are made for each position individually with focus on maximizing value of the total portfolio

Fund Portfolio Composition

(\$ in millions)

	(# Funds / Amt. Unfunded)	Total Committed Capital				Total
		\$0.0 - \$9.9	\$10.0 - \$24.9	\$25.0 - \$49.9	\$50.0+	
% Funded	0-25%	2 / \$8.8	10 / \$128.8	8 / \$186.1	2 / \$315.0	22 / \$639
	25-50%	6 / \$19.9	11 / \$92.1	3 / \$55.4	3 / \$153.2	23 / \$321
	50%+	23 / \$14.7	8 / \$15.3	3 / \$17.3	2 / \$0.0	36 / \$47
	Total	31 / \$43.5	29 / \$236.2	14 / \$258.8	6 / \$468.2	81 / \$1,007



ALVAREZ & MARSAL

V. Asset Team Reports *(continued)*

B. Principal Investments / Private Equity *(continued)*

Deals In Progress/Completed

Company/Fund	Description / Status
<p>PEG (MB, RE, VC)</p> <p>MB Commitment: \$658 million MB Unfunded: \$430 million</p> <p>RE Commitment: \$1,259 million RE Unfunded: \$585 million</p> <p>VC Commitment: \$262 million VC Unfunded: \$88 million (a)</p>	<p>Sale process with Lazard underway for MB, RE and VC - GP/management teams, unfunded and funded LP interests for sale</p> <ul style="list-style-type: none"> • MB: 1st round bids in; of the ~ 90 interested parties there were 16 bidders; 6 let through to round 2; final bids due Dec 2 • RE: 1st round underway; of the ~ 80 interested parties there were approximately 25 Cas signed; bids due Nov 24 • VC: 1st round bids in; of the ~ 20 interested parties there were 5 bidders; 2 let through to round; final bids due Nov 17
<p>One William Street</p> <p>Commitment: \$900 million Unfunded: \$450 million</p>	<p>Deal Negotiated/Agreed. Documents being drafted. Key terms:</p> <ul style="list-style-type: none"> (i) Extinguishment of \$448 million of unfunded; (ii) Extinguishment of 3 year obligation to pay management fees on total commitment (iii) Estate relinquishes 45% GP stake (OWS issues note for \$9 million to estate); (iv) Reduction in fees on LP portion already funded; (v) 18-month warrant if portion or all of GP sold
<p>Spinnaker</p> <p>Commitment: \$292 million Distributions: ~ \$70 million Unfunded: \$80 million</p>	<p>Deal Negotiated/Agreed. Documents being drafted. Key terms:</p> <ul style="list-style-type: none"> • Estate sells 25% stake in Spinnaker back to the Principals for: <ul style="list-style-type: none"> (i) \$40 million upfront; (ii) 25% net income distribution in 2009 (paid early 2010) and 2010 (paid early 2011) -- capped at \$40 million in aggregate; (iii) Estate released from earn out due in 2010 -- estimated at ~ \$80 million

(a) Does not include balance sheet position transferring - total unfunded then \$105.6 million

V. Asset Team Reports *(continued)*

B. Principal Investments / Private Equity *(continued)*

Deals In Progress/Completed *(continued)*

Company/Fund	Description / Status
GLG (Public Hedge Fund) Current Investment: \$140 Unfunded: \$0	-14% stake (33.7 million shares) valued at approx. \$65 million (incl. liquidity discount) • 25% freely tradable • 50% locked up through 11/02/09 / 25% locked up through 11/02/10 - \$75 million of \$570 million debt facility (100% funded) - \$65 million LP equity investment locked up through 2010
SkyPower Commitment: \$603 million Unfunded: \$214 million	LB, which has funded \$389 million, or 65%, of its commitment in SkyPower, is looking to spin the largest Canadian renewable energy developer out as a going concern Sale process underway; Lazard/Marathon acting as agents
Tax Credits Commitment: \$344 million Unfunded: \$88 million (Centerline)	-Energy investments (White Creek/Ormat/First Wind) - losing value with passage of time -Low income housing investment (Centerline) - losing value with passage of time -Sale process underway; CP Energy (energy) and Meridian (housing) acting as agents

V. Asset Team Reports *(continued)*

C. Real Estate Assets

- Key Accomplishments to Date:
 1. Personnel retention nearly complete
 - Commercial: 45 (to be 49)
 - Residential: 2 (to be 8)
 - Corporate: 9
 2. Significant processes established
 - Restarted funding of financial commitments
 - Continued implementation of other action items
 3. Counterparty negotiations
 - Some have seized collateral
 - Some have negotiated agreements in principle
 - Some are continuing negotiations

- Other portfolio results and findings (including SunCal update)

V. Asset Team Reports *(continued)*

C. Real Estate Assets *(continued)*

➤ Commercial Real Estate (Americas)—Counterparty Update

Portfolio Characteristics	
Pledged Counterparty	Basis
<i>Unpledged</i>	\$ 5,410
Chase	8,796
Bankhaus	2,079
Swedbank	1,448
State Street	1,142
Danske Bank	1,107
LBCB	823
Lehman RE	813
LBB	663
Metlife	346
Others	600
<i>Pledged</i>	17,817
Grand Total	\$ 23,227

Unpledged:

- The \$5.4 billion of unpledged assets have been assigned to a specific asset management team to re-underwrite and manage through dissolution
- Unpledged assets consists of \$2.7 billion in debt, \$2.7 billion in equity/REO

Pledged:

- Lehman is in discussions with each facility to help transition the assets and to determine if a long-term management and advisory agreement is needed

Pledged Counterparty Status

Chase:

- Have engaged both business and legal Chase representatives to resolve impasse.
- Numerous projects are not being funded given uncertainty of priority. Non-economic actions being executed.

Danske and Swedbank:

- Working with Lehman to fulfill funding obligations
- In negotiations with Lehman for an asset management and advisory agreement
 - Estimated length of two years and fees of 50bps with 1 point fee at asset disposition

LBB and LBCB:

- Both banks continuing to meet funding obligations
- Lehman continues to manage the assets on behalf of the banks.

Bankhaus:

- Majority of Bankhaus claims may not be perfected
- Assuming that these assets are owned by LBHI

MetLife:

- Lehman will enter into discussions to potentially asset manage the portfolio post enforcement of remedies under the trust agreement

Lehman Re and State Street:

- Counterparties have decided to independently manage and dispose of assets in their respective facilities

V. Asset Team Reports *(continued)*

C. Real Estate Assets *(continued)*

➤ Commercial Real Estate (Americas)—Cash Flows

➤ Summary of Cash Disbursements and Cash Receipts to Date (unpledged assets):

Disbursements		Receipts	
Construction Draws	\$ 18.4	Current Interest	\$ 21.8
Protective Advances	2.8	Paydowns	13.5
Operational Losses on OREO	2.1	Payoffs	2.8
Other	1.6	Total	<u>\$ 38.1</u>
Total	<u>\$ 24.9</u>		

➤ Funding Requirements/Cash Flow through 12/31 (unpledged assets):

- Estimated fundings of \$180 million through the 4Q08
- Projected paydowns and payoffs of \$260 million through the 4Q08

➤ Funding Requirements/Cash Flow through 12/31 (Chase assets):

- Estimated fundings of \$176 million through the 4Q08
- Projected paydowns and payoffs of \$375 million through the 4Q08

V. Asset Team Reports *(continued)*

C. Real Estate Assets *(continued)*

➤ Commercial Real Estate--Foreign subs (US owned)

EUROPE		ASIA	
Lien	Basis	Lien	Basis
Senior	\$ 530	Equity	\$ 960
Mezzanine	410	Senior	300
Equity	140	Mezzanine	80
Line of Credit	140	NPL	40
Bridge Equity	80	Total Unpledged	\$ 1,380
Total Unpledged	\$ 1,300		

- Estimated 80% of the assets are largely performing debt and have limited future funding obligations
- A team from NY-LBHI has been assembled to manage the deals with the help of ex-Lehman employees in Europe

- Estimated 70% of the assets are equity investments
- Third Party Consultant from the U.S. has been engaged and has been sent to the region to assess the assets and to determine headcount needs to manage the portfolio

V. Asset Team Reports *(continued)*

C. Real Estate Assets *(continued)*

➤ Residential/Structured Products:

As of 9/30/2008		
(Residential, including all Structured Finance Assets)		Notes
	<u></u>	
Whole Loans	\$1.1	
Servicing	1.6	(a)
Securities	0.5	
Other Assets	0.7	
LBI Securities	2.9	(b)
LBB Whole Loans	3.1	(a)
Mortgage Derivatives	4.2	
	<u>\$14.1</u>	(c)

(a) Part of LBB, subject to sales process and/or revaluation.

(b) LBHI loans not transferred from LBI.

(c) As of 9/12 was \$28.2. Now excludes \$8.6 in assets bought off repo by BarCap and \$5.5 part of MBS included accounting gross-ups that were not financial assets

V. Asset Team Reports *(continued)*

C. Real Estate Assets *(continued)*

➤ Corporate Real Estate

- Anticipating bulk of portfolio will be disposed within 7 months of petition date (i.e., mid-April) through rejection of leases in bankruptcy proceedings or through sublet / assignment of leases

Lease Entity	Total		Reject/Sublet		Sale of Business		Retain	
	Sq. Ft.	No.	Sq. Ft.	No.	Sq. Ft.	No.	Sq. Ft.	No.
LBHI (1)	1,256,113	27	922,603	23	-	-	333,500	4
LBI (2)	755,647	11	755,647	11	-	-	-	-
NB (3)	564,802	16	61,049	5	503,753	11	-	-
MCD (3)	895,706	28	528,360	24	367,346	4	-	-
Total	3,472,268	82	2,232,820	63	871,099	15	333,500	4

1. Will retain or acquire space for ongoing LBHI operations; 1271 6th being considered for potential occupancy by LBHI (160,000 sq. ft.); 101 Hudson being retained for data center use and occupancy for several corporate LBHI groups (95,000 sq. ft.); AIG / Livingston and 85 10th being retained for data center use (78,500 sq. ft.)

2. Has no ongoing operations; primary locations are 399 Park (533,322 sq. ft.) and San Francisco (60,766 sq. ft.), both will be disposed

3. Locations which will be assigned upon sales of businesses; leases are in names of non-bankrupt entities.

V. Asset Team Reports *(continued)*

C. Real Estate Assets *(continued)*

➤ Major Takeaways:

- Effective legacy teams in place for all real estate asset classes
- Have established processes for funding and begun to fulfill non-economic responsibilities (eg. lease executions, etc.) and other action items
- Have engaged in active discussions with all financing counterparties
- Executing on strategic corporate real estate plan
- Need to complete re-underwriting of commercial portfolio

➤ Key Issue:

- **Reconciliation of final real estate balance sheet**
 - Commercial: Resolution of pledge issues (Chase) and foreign administration issues (PWC in Europe, KPMG in Asia)
 - Residential: Restart mark-to-market and begin portfolio analysis for liquidation

V. Asset Team Reports *(continued)*

D. International Operating Assets

1. Overview

- At 8/31 LBHI's non-US subsidiaries had \$254.4 billion of assets (excluding I/C) with \$8.0 billion in entities that are under A&M "control"

	<u>Entities</u>	<u>8/31 Assets (excl. I/C)</u>		
		<u>A&M Purview</u>	<u>Receiver Purview</u>	<u>Total</u>
Europe	312	\$ 2.8	\$ 220.2	\$ 223.0
Asia	324	4.3	26.2	30.5
South America	15	0.9	0.0	1.0
	<u>651</u>	<u>\$ 8.0</u>	<u>\$ 246.4</u>	<u>\$ 254.4</u>
<i>% of Total</i>		3.2%	96.8%	100.0%

V. Asset Team Reports *(continued)*

D. International Operating Assets

1. Overview *(continued)*

- The disposition of the operating platforms will result primarily in the mitigation of liabilities

(\$ in millions)		8/31/08				Consideration		
Country	Platform	Assets (excl. I/C)	LBHI I/C	Non I/C Liab.	Hct	Claims Mitig.	Cash	Comment
Germany	Financing Vehicle	\$ 9,818.0	\$ 1,828.0	\$ 25,146.9	84	\$ 25,000.0	N/A	Wind Down
France	Investment Banking	5.9	(195.6)	33.3	42	\$ 212.0	N/A	Orderly Wind Down
	Asset Management	12.6	(14.7)	2.9	12	\$ 23.0	N/A	Sale
Brazil	Investment Banking	38.6	1.3	7.0	30	\$ 7.0	\$ 2.9	Sale / Closing
Turkey	Broker Dealer	8.3	-	0.5	13	\$ 2.5	N/A	Orderly Wind Down
	Asset Management	96.6	-	0.6	24	\$ 33.0	TBD	Sale Process
Russia	Broker Dealer (License)	9.8	11.8	0.7	23	\$ -	\$ 0.5	Sale
Sweden	IT Provider to UK	0.7	(1.1)	-	34	\$ 0.5	N/A	Orderly Wind Down
Israel	Investment Banking	1.5	9.1	6.8	20	\$ 0.5	N/A	Orderly Wind Down

V. Asset Team Reports *(continued)*

D. International Operating Assets

1. Overview *(continued)*

- A&M has completed the following steps in each major region (Asia, Europe, SA):
 - Replaced local boards with A&M directors for most controlled entities
 - Hired local counsel for legal representation
 - Ensured continuation of operations (payroll and asset management professionals)
 - Initiated asset inventorying processes and coordination with US asset disposition teams

V. Asset Team Reports *(continued)*

D. International Operating Assets

2. Europe

➤ Status:

- Control: completed
- Stabilization: completed
 - (i) set up working protocol with PWC (daily calls);
 - (ii) set up European A&M work streams and processes to coordinate with US work streams;
 - (iii) negotiated TSA; and
 - (iv) developed retention proposal for European needs
- Next Step:
 - (i) inventory key asset pools including under PWC purview; and
 - (ii) coordinate asset management and disposition process with U.S. teams

➤ Key Issues:

- Ensure TSA implementation
- Influence PWC through Committee representation
- Unwind derivatives and loan positions

V. Asset Team Reports *(continued)*

D. International Operating Assets

3. South America

➤ Status:

- Control: completed
- Stabilization: completed
 - (i) manage asset pools requiring oversight (credit facilities, credit portfolios, NPL portfolios and derivatives); and
 - (ii) coordinate asset management and disposition process with U.S. teams
- Next Step:
 - (i) monetize liquid assets in the region; and
 - (ii) conduct valuation of illiquid assets and establish process to maximize value on realization

➤ Key Issues:

- Delinquent derivatives and credit facility contracts requiring work-out

V. Asset Team Reports *(continued)*

D. International Operating Assets

4. Asia

➤ Status:

•Control: in progress (board replacements and proceeding representation)

•Stabilization: in progress

- (i) ensure cooperation of key receivers and assert rights in proceedings;
- (ii) ensure former Lehman employee and Nomura cooperation; and
- (iii) inventory key asset pools

•Next Steps:

- (i) ensure TSA compliance by Nomura;
- (ii) develop employee retention plan
- (iii) coordinate asset management and disposition processes with US teams; and
- (iv) exert influences on insolvency proceedings to enhance asset recoveries

➤Key Issues: excerpt influence on local proceedings through

•Committee representation

•Need for international protocol (information & cooperation)

V. Asset Team Reports *(continued)*

D. International Operating Assets

4. *Asia (continued)*

➤ Assets by Territory

➤ 83% of assets are concentrated in Japan and Hong Kong under receiver control

➤ A&M controlled assets represent \$4.3 billion

(\$ in millions)	8/31/2008					Receiver
	Entities	Assets (Excl. I/Cs)	A&M Purview	LBHI I/C	Non I/C Liabilities	
Japan	109	\$ 17,137.3	\$ 1,712.2	\$ 549.4	\$ 13,790.6	Oh-Ebashi
Hong Kong	28	8,442.0	0.0	9,893.9	4,737.6	KPMG
India	28	2,314.4	1,828.0	128.6	215.9	N/A
Korea	34	760.9	348.7	172.4	115.1	KPMG
Other	125	1,837.3	439.8	498.5	574.2	Various
Total	324	\$ 30,491.9	\$ 4,328.7	\$ 11,243.0	\$ 19,433.3	
			14.2%			

V. Asset Team Reports *(continued)*

D. International Operating Assets

5. Receiver Cooperation – “Peck Protocol”

- Participants: Primary receivers (PWC / SIPA Trustee / KPMG / Oh-Ebashi / PPB)
- Key Components: “rules of engagement”
 - Fair Dealings: (i) consultation prior to any decisions impacting assets in which another receiver has an interest; (ii) restitution of post-petition property erroneously transferred to another receiver; (iii) acknowledgement of post-petition priorities with respect to funding for salvaging of assets
 - Cooperation: (i) data sharing with respect to fact finding pertaining to (a) prepetition transactions and (b) asset ownerships; and (ii) asset disposition and transaction unwinding protocol
- Progress to Date:
 - Reception: favorable while concern for compatibility with local regulatory and fiduciary duties
 - PWC / Sipa Trustee: drafting session on 11/4 with follow-up meeting scheduled
 - Asia: Meetings with all local receivers and follow-up to occur WE11/21

V. Asset Team Reports *(continued)*

E. Derivatives Book *(Winter / O'Meara)*

Overview

1. Leadership and Team Build
2. Fact Base and Operational Infrastructure
3. Priorities & Results
4. Summary

V. Asset Team Reports *(continued)*

E. Derivatives Book *(Winter / O'Meara)*

Leadership and Team Build

- Team of 219 on-board compared to 9 at last meeting

Team Build Out	Status	
	10/8/2008	11/13/2008
Leadership	Winter	Winter/O'Meara
Special Focus - JPM	N/A	Antonci
SPVs	N/A	Natixis - 25
A&M	9	9
Signed On (Lehman)	-	48
Pending Hires (Lehman)	-	18
Ring Fence (Barclays)	-	119
Total ^(A)	9	219

(A)	10/8/2008	11/13/2008
SPVs	-	25
Counterparty Teams	3	52
Product Teams	3	42
Operations/Others	3	100
	9	219

V. Asset Team Reports *(continued)*

E. Derivatives Book *(Winter / O'Meara)*

Build a fact base and operational infrastructure

Fact Base & Operational Infrastructure	Status	
	10/8/2008	11/13/2008
Inventory	Not Available	US targeted by 11/15 under TSA; UK at risk (PWC cooperation required)
Price Marks	Not Available	Partial (US) targeted by 11/15 under TSA; UK at risk (PWC cooperation required)
Risk Management/Metrics	Not Available	Not yet available
Functioning Derivatives Infrastructure	Not Available	Operational under TSA
Cash Reconciliations	Not Available	In process under TSA but not complete
Fails Receivables & Collections Process	Not Available	Operational under TSA
Margin and Collateral Management	Not Available	Operational under TSA
Letter of Credit Management	Not Available	Operational under TSA
Analysis of Derivatives Transactions	Not Available	Available, but with September price marks
SPV Analytics	Not Available	Fifty member (Natixis, Weil, A&M/Lehman) team in place
Counterparty Resolution Tracking	Not Available	Operational

V. Asset Team Reports *(continued)*

E. Derivatives Book *(Winter / O'Meara)*

Priorities & Results

- SPVs with balances due Lehman
 - Team of 50 focused on value realization (Natixis, Weil, A&M/Lehman)
 - Trustees on terminating SPV's receiving strong communication from Weil

- Derivative book

<i>(Transactions in thousands)</i>	Lehman Consolidated	Under A&M Administration		
		Total	Open	Terminated
Number of Transactions	1,415	930	197	733

Source: Lehman Credit System - terminations through 10/30/08
A&M excludes LBI, LBF, LBIE, LBJ, Eagle.

V. Asset Team Reports *(continued)*

E. Derivatives Book *(Winter / O'Meara)*

Priorities & Results *(continued)*

- **Open trades** with balances due to Lehman (excluding SPV's)
 - Teams organized – leadership established
 - 28 major counterparties contacted

- **Terminated trades** with balances due Lehman
 - Over 150 major counterparties have been contacted for collections
 - Termination notice acknowledgement with reservation of rights being mailed to over 500 counterparties

- Motion filed to facilitate settlement and collection

V. Asset Team Reports *(continued)*

E. Derivatives Book *(Winter / O'Meara)*

Priorities & Results *(continued)*

- Collections - \$922 million - US portion only
- Additional cash collected in international accounts – amounts being reconciled

Derivatives Legal Entity <i>In millions of USD</i>	Receipts 9/15 - 11/07	10/3/2008 JPM set off	Net Cash Receipts 9/15 - 11/07
LBSF	\$ 712	(\$417)	\$ 295
LBCS	127	(67)	60
Other Companies	83	0	83
Grand Total	<u>\$ 922</u>	<u>(\$484)</u>	<u>\$ 438</u>

V. Asset Team Reports *(continued)*

E. Derivatives Book (Winter / O'Meara)

Summary

- Significant collections to date
 - Active discussion with counterparties
- Good progress in team build
 - 219 people already on board
- Priorities being established and strategic approach crystallized
 - Motion filed with bankruptcy court to facilitate collections

V. Asset Team Reports *(continued)*

E. Derivatives Book *(Winter / O'Meara)*

Rocks in the Road

- Barclays delivery on TSA commitments on inventory & pricing - next key date is 11/15
- UK/PWC uncertain cooperation with inventory and pricing
- Collateral release by LBI and LBIE
- Intercompany derivative closeouts
- Market risk exposure not manageable at this time due to incomplete portfolio information

V. Asset Team Reports *(continued)*

F. Bank Platforms

➤ Utah Bank (LBCB) Balance Sheet Overview

- Since 9/17, mark-to-market ("MTM") adjustments have reduced book equity by \$0.5 billion (from \$1.0 billion to \$0.5 billion)
- Primary MTM risk against Loan Asset and Unfunded Commitment Liability

(\$ in billions)

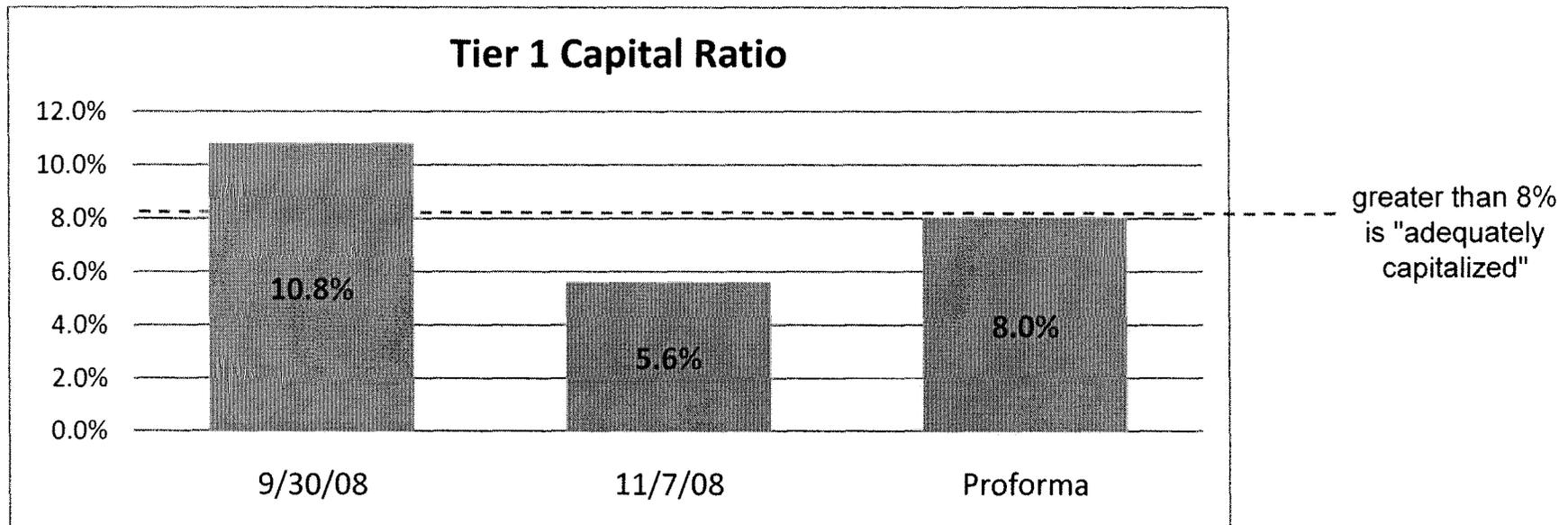
<u>Assets</u>	<u>11/7/08</u>	<u>Liabilities & Equity</u>	<u>11/7/08</u>
Cash & Investments	\$ 2.1	Brokered Deposits	\$ 5.0
Muni Bonds	0.6	Unfunded Commitment MTM Liability	0.6
Loan Asset	2.6	IRP Interco. w/ LBSF, net	(0.0)
Interest Rate Products (IRP)	0.7	Other, Net	0.0
Other, Net	0.1	Total Liabilities	5.7
Total Assets	\$ 6.2	Total Equity	\$ 0.5

Off B/S Unfunded Commitments \$ 8.8

V. Asset Team Reports *(continued)*

F. Bank Platforms *(continued)*

- While progress has been made reducing unfunded commitments at LBCB, asset marks have significantly reduced book equity, negatively impacting capital ratios (tier-one capital ratio is now 5.6%, "significantly undercapitalized")
- Significant focus is being applied to further reduce Unfunded Commitments – a further \$2.8 billion reduction in commitments and a reasonable reduction in the MTM liability would fix the capital ratio problem!



V. Asset Team Reports *(continued)*

F. Bank Platforms *(continued)*

➤ Utah Bank (LBCB) Progress on Unfunded Commitments

- \$1.4 billion of commitments have been retired since 9/17 (from \$10.4 billion to \$9.0 billion).
- An additional \$0.8 billion of commitment retirements have been negotiated but not yet closed.

(\$ in millions)

Utah Bank (LBCB)

\$ in millions

	<u>09/17/08</u>	<u>10/31/08</u>
Total Commitments	\$ 13,194	\$ 11,813
Funded Loans [1]	2,786	2,804
Unfunded portion of Funded Loans	2,172	1,893
Fully Unfunded Commitments	8,237	7,116
Total Unfunded Commitments	<u>\$ 10,408</u>	<u>\$ 9,009</u>

[1] Funded Loans indicated at face value

V. Asset Team Reports *(continued)*

F. Bank Platforms *(continued)*

- Utah Bank (LBCB) – Dual Track Strategy
 - 1) Self Help – Improve Capital Ratios
 - Reduce unfunded commitments
 - 2) Buy time with bank regulators
 - A. Communicate that current fundamental economics of Bank are good
 - Loans are decent quality/ performing
 - Demonstrate progress on reduction of unfunded commitments
 - Accounting (MTM, not business fundamentals) is impacting capital ratios
 - B. Develop stand-alone business plan
 - Develop service agreement with LBHI
 - Migration to own infrastructure (loan ops, credit process, accounting)
 - Develop origination & portfolio strategy, organization development, risk mgmt
 - Re-establish funding capability through brokered deposits
 - Achieve buy-in from regulators on business plan

V. Asset Team Reports *(continued)*

F. Bank Platforms *(continued)*

➤ Thrift (LBB) Balance Sheet Overview

- Since 9/17, mark-to-market adjustments have reduced book equity by \$0.5 billion (from \$1.5 billion to \$1.0 billion)
- Substantial risk exists in residential and commercial mortgage values
- The Intercompany asset, collateralized by servicing rights and real estate loans, is problematic

(\$ in billions)

<u>Assets</u>	<u>11/3/08</u>	<u>Liabilities & Equity</u>	<u>11/3/08</u>
Cash & Investments	\$ 1.7	Brokered Deposits	\$ 5.2
Residential Loans	1.4	Retail & Escrow Deposits	0.1
Commercial Mortgage Loans	1.1	Other, Net	0.8
Corporate Loans	0.2	Total Liabilities	6.1
Warehouse Loans	0.1		
Student Loans	0.6		
Servicing Advances	1.1		
Interco. A/R from LBHI (MFA Collateral)	0.6		
Other Assets	0.4		
Total Assets	\$ 7.1	Total Equity	\$ 1.0
		Off B/S Unfunded Commitments	\$ 3.3

V. Asset Team Reports *(continued)*

F. Bank Platforms *(continued)*

➤ Thrift (LBB) Progress on Unfunded Commitments

- LBB is lender of record on \$5.2 billion of commitments that are participated to LBCB (Utah)
- The focus on retiring lender of record commitments at LBB benefits both banks
- \$0.9 billion of lender-of-record commitments have been retired since 9/17 (from \$9.5 billion to \$8.6 billion)

Thrift (LBB)

\$ in millions

	<u>09/17/08</u>	<u>10/31/08</u>
Total Commitments	\$ 3,508	\$ 3,639
Funded Loans [1]	264	299
Unfunded portion of Funded Loans	161	226
Fully Unfunded Commitments	3,083	3,114
Total Unfunded Commitments	<u>\$ 3,244</u>	<u>\$ 3,340</u>
Thrift (LBB) - As Lender of Record		
Total Unfunded Commitments	<u>\$ 9,497</u>	<u>\$ 8,566</u>

V. Asset Team Reports *(continued)*

F. Bank Platforms *(continued)*

- Thrift (LBB) Strategy
 - 1) Improve Capital Ratios
 - Reduce unfunded commitments
 - 2) Complete Sale Process
 - JC Flowers is leading contender with \$100 million bid / subject to due diligence
 - TH Lee / Five Mile have offered zero / negative bid / subject to due diligence
 - Next step is meeting with OTS to consider deal structures - likely to be structured as an asset sale
 - 3) In the event that the sale process fails, develop wind-down plan to mitigate cross guarantee exposure for Utah (LBCB)
 - Value preservation may depend on who controls the process

V. Asset Team Reports *(continued)*

F. Bank Platforms *(continued)* – Treasury Bailout Update

- Loan Guarantee Program
 - Both banks are eligible as insured depositories under the debt guarantee
 - Each institution, by virtue of brokered CD deposits, are believed to be eligible for up to \$6 billion of guaranteed funds
 - Both banks intend to file applications this week; response expected within 2 weeks
 - If application is granted for either bank, next step would be to explore debt issuance
 - Provided debt issuance is a success, liquidity would be applied several ways:
 - Capital injection
 - Funding of loan draws
 - Execution of business plans

- TARP Capital Injection Plan
 - Program is generally understood to be for non-troubled institutions
 - Even so, both banks and LBHI will submit applications as placeholders prior to 11/14 deadline
 - OTS has left the door open to the possibility that post-transaction, LBB/Aurora may qualify

V. Asset Team Reports *(continued)*

G. Other Assets

(\$ in millions)

<u>Type</u>	<u>Book Value</u>	<u>Agreements to Sell</u>	<u>Comments</u>
<i>Planes - Done Deal</i>			
2001 GIV-SP	\$ 21	\$ 25	Court Approved; To Close 12/5/08
1987 F50	8	6	Hearing Date 12/3/08
1987 B737	3	2	Closed on 11/8; Funds to be received 11/21
1987 B737	3	2	Scheduled to Close on 11/25/08
1988 B737	3	2	Scheduled to Close on 1/10/09
1988 B737	2	2	Scheduled to Close on 3/1/09
Net Jets Shares	18	15	Sale to Net Jets; 12/23
	<u>57</u>	<u>55</u>	
<i>Planes - To Go</i>			
2008 G550	46	-	
1995 GIV-SP	11	-	
2001 CRJ 200	13	-	Conversion 70% Complete; Due 12/1/08
1995 CRJ 200	12	-	Conversion 75% Complete; Due 12/1/08
1993 CRJ 200	10	-	Evaluating Conversion Options
1987 B767	10	-	
1998 S-76C+ (Helicopter)	4	-	
	<u>106</u>	<u>-</u>	Excludes Citation-10's on lease - disposition strategy to go
Total Planes	<u>163</u>	<u>55</u>	
Artwork	30	-	
Total Planes and Artwork	<u>\$ 193</u>	<u>\$ 55</u>	

VI. Claims Management



- A. Forensic Data Preservation *(Lakhani)*
- B. Forensic Work Streams *(Kruse/Suckow)*
- C. CMS / US Trustee Requirements *(Suckow)*

VI. Claims Management *(continued)*

A. Forensic Preservation

- Communication Data
 - In progress – to be completed by 11/21
 - Inventory of 400K Backup Tapes
 - Collect 3.1 billion Iron Mountain email database
 - Completed
 - Secured 250K boxes of hard copy documents
 - Identified file servers containing 2PB of files
 - Identified servers for the 93 key applications
- Transaction Data
 - In progress – to be completed by 11/21
 - Track an individual financial instrument through its life cycle
 - Collect data for the following applications (CDS – Derivatives and ITS/TMS/MTS – Cash & Collateral)

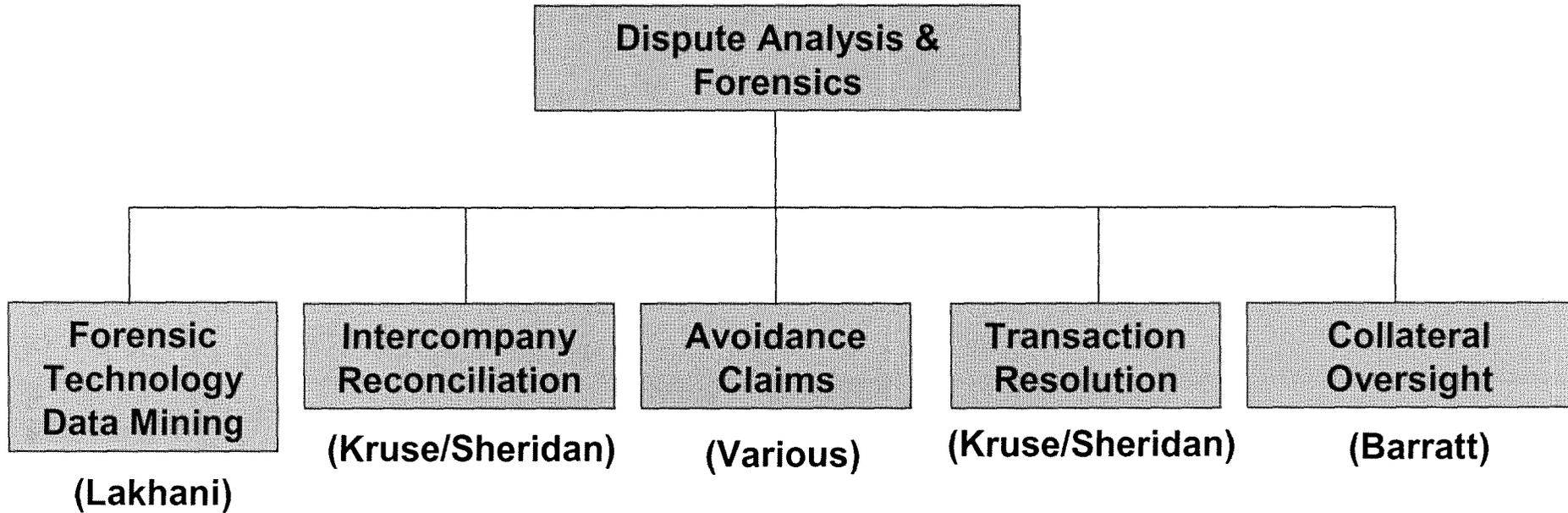
VI. Claims Management *(continued)*

A. Forensic Preservation *(continued)*

- Transaction Data *(continued)*
 - Completed
 - Backup locations identified for the 93 key applications
 - Collected data for the following core applications (G/L – Global Accounting System; DMS – Derivatives; Loan IQ – Loan Book; WLT – Real Estate Loan Book; AD – User Access & e-File Storage)
- TSA & Coordination
 - BarCap has created a dedicated team of IT and business owners that are assisting A&M's Data Preservation Team
 - Currently working with PwC (LBIE) and D&T (LBI) on information sharing; both PwC and D&T have teams working with A&M

VI. Claims Management *(continued)*

B. Forensic Work Streams: Dispute Analysis & Forensics Team Structure



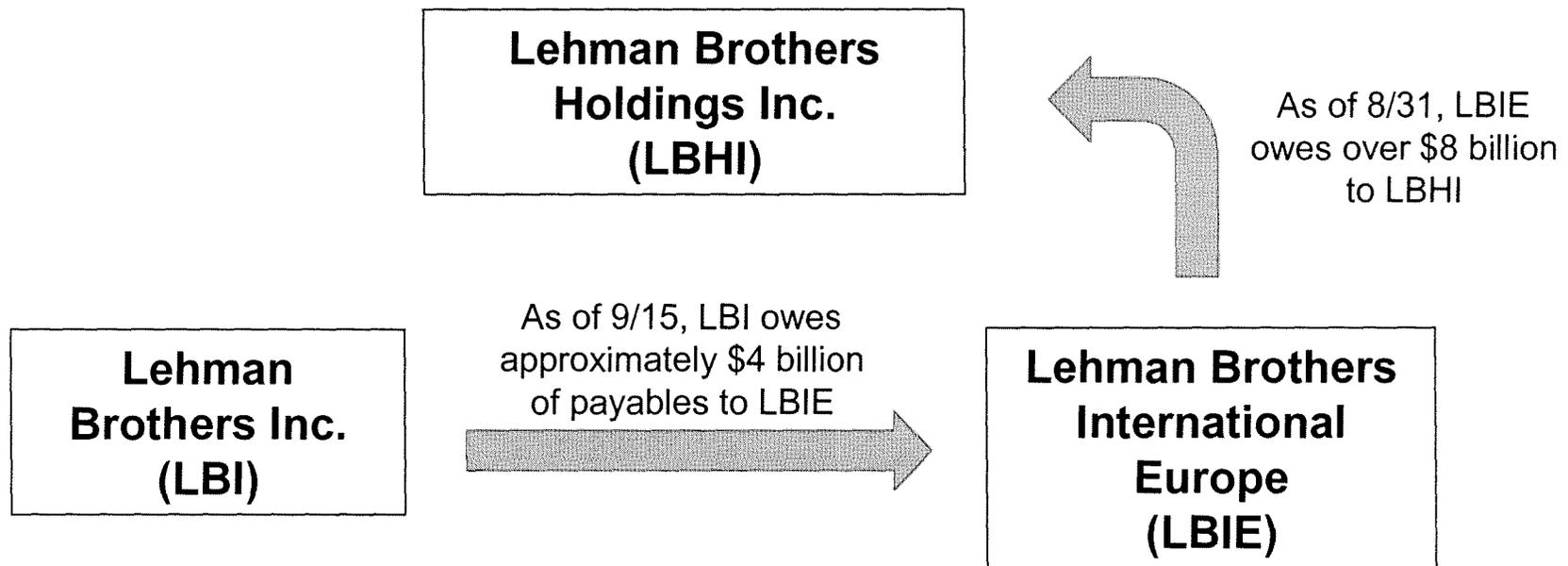
VI. Claims Management *(continued)*

B. Forensic Work Streams *(continued)*

- Intercompany reconciliations
 - Early priority on \$8 billion LBIE issue
 - Recent communication with PWC and LBIE to reconcile intercompany balances
 - LBHI claims on LBIE should result in LBHI being on the LBIE creditors committee (initial meeting on November 14, 2008)

VI. Claims Management *(continued)*

B. Forensic Work Streams: \$8 Billion LBIE Issue: (9/10/08 – 9/14/08) (continued)



- \$2.3 Billion of approximately \$4 Billion related to one batch error on 9/10/08 resolved on 9/14/08
- Run on bank environment resulted in processing backup with back office catching up on 9/14/08
- In the ordinary course, money would flow on Monday morning from LBI to LBIE
- Bankruptcy of LBHI disrupted chain of events

VI. Claims Management *(continued)*

B. Forensic Work Streams *(continued)*

- Avoidance Claims
 - Early priority on assessment of preference claim risk in non-debtor entities
 - Review of collateral pledges
 - Interviews with legal and finance
 - Analysis of asset base in non-debtor entities

VI. Claims Management *(continued)*

B. Forensic Work Streams: Avoidance Claims

- Top 20 Other U.S. Non-Debtor Entities as of August 31, 2008 (Excluding Debtor, Private Equity, Bank, Thrift, and Investment Management Division entities)

(\$ in millions)

Legal Entity Name	Total Assets as of 8/31/08
PROPERTY ASSET MANAGEMENT INC.	\$ 5,625.1
RACERS TRUST LCPI	5,000.0
Eagle Energy Partners 1 LP	1,716.0
LEHMAN ALI INC.	1,585.6
LB R3 Holdings L.P.	1,048.0
ARS Holdings II LLC	936.7
LEHMAN PASS-THROUGH SEC INC.	591.0
VARIABLE FUNDING TRUST 2008-1	344.9
LEHMAN BROTHERS ASSET MANAGEMNT LLC	183.9
LEHMAN BROS. FINANCE (JAPAN) INC.	175.9
LEHMAN HOUSING CAPITAL INC.	152.2
LB ALTERNATIVE INVMTS MGMT LLC	144.1
WHARF REINSURANCE INC	132.8
Capital Crossing Preferred Corp	117.9
TOWNSEND ANALYTICS	107.4
CAMPUS DOOR	98.0
Laminar Holdings LLC	73.9
ARS HOLDINGS I LLC	71.3
Congress Life Insurance Company	63.0
LB-NL U.S. INVESTORS, INC.	60.1
Subtotal - Top 20 Entities	18,227.9
Subtotal - Other Non-Debtor (221 Entities)	894.1
Grand Total - All Other Non-Debtor Entities	\$ 19,122.0

* Total Assets is presented net of intercompany balances as of 8/31/2008

VI. Claims Management *(continued)*

B. Forensic Work Streams *(continued)*

- Transaction Resolution
 - Creditor defines request
 - Email address will be set up to receive inbound requests
 - Log it
 - Each A&M team has a dedicated professional that will review inbound requests
 - Pursue answers across administrative lines through global protocol of information sharing
 - Establishing protocols with PWC and Deloitte, will also create protocol with KPMG as necessary
 - Respond to creditor inquiries and better manage frustration levels

VI. Claims Management *(continued)*

B. Forensic Work Streams *(continued)*

- Collateral Oversight
 - Fact finding investigation and reconstructing cash/collateral movements for LBI and LBHI.
 - JP Morgan Collateral
 - Principal clearing agent for LBHI and LBI;
 - Principally cash, money market funds, commercial paper and other assets;
 - Such collateral was posted by LBHI and LCPI increasingly from Spring 2008 through September 2008;
 - JPM required increasing collateral for intraday clearance activity;
 - In August and September 2008, JPM required wider and deeper rights of offset regarding subsidiary obligations.
 - Confirm significant transactions and relationships

VI. Claims Management *(continued)*

C. CMS / US Trustee Requirements

➤ Tasks

- Master Creditor List – initial version turned over to Claims Agent; additions and updates continue
 - Current mailing list includes 103,970 unique entries
 - Supplements will continue where new systems and/or data are identified (including but not limited to contract parties, litigation, additional vendors, etc.)
- Initial 1007 Disclosures to US Trustee – all required disclosures have been made with respect to LBHI, LB 475 LLC and PAMI Statler Arms LLC ; Debtors and WGM working to complete disclosures for additional filers in advance of continued deadline for those filings
- Monthly Operating Reports – initial data provided to the UST in accordance with Local Rules, we are meeting with the UST to discuss procedure and format for presenting MORs going forward

VI. Claims Management *(continued)*

C. CMS / US Trustee Requirements *(continued)*

➤ Tasks *(continued)*

- Claims and Claims Data Collation – data preservation efforts underway regarding claims reconciliation process including, but not limited to, collation of historical a/p detail, derivative contracts and termination reports
 - Approximately 132 claims filed to date in these cases and another 300 have been received by Claims agent and are being processed
 - Majority of claims are asserted against LBHI (list and details are available from Epiq)
 - A&M and WGM to form team to develop protocol for managing the claims reconciliation process
 - Derivative Claims – A&M developing a specialized claim form and process for administering the derivatives claims
- Litigation – efforts underway to preserve data, develop fact base, review conclusions, develop and implement strategy
- Intercompany Claims and Foreign Proceedings – claims are being filed on an ongoing basis in the non-US subsidiary cases to preserve all intercompany receivables; LBHI professionals have participated in the creditor process for many of the international proceedings and will continue to take an active role to preserve value of assets

VI. Claims Management *(continued)*

C. CMS / US Trustee Requirements *(continued)*

- Statements of Financial Affairs and Schedules of Assets and Liabilities Efforts undertaken to date
- Review and analysis of 8/31 balance sheet data in effort to understand accounts , their sub-ledger detail and tie to the data systems that populate the general ledger; this review includes pre-populating the various accounts to their respective line items on Schedule B (personal property assets)
- Interaction with IT, Forensics, TSA and other teams working to understand and map IT systems in order to determine where data may reside on a legal entity basis
- Extensive review of public and non-public information regarding the Debtors and their businesses to better understand off-balance-sheet assets and liabilities and to better predict those IT systems that will house data with respect to a particular Debtor
- Review of ISDA master services agreements and preliminary review of various contract management systems in preparation for Schedule G (executory contracts/unexpired leases)

VI. Claims Management *(continued)*

C. CMS / US Trustee Requirements *(continued)*

➤ Challenges

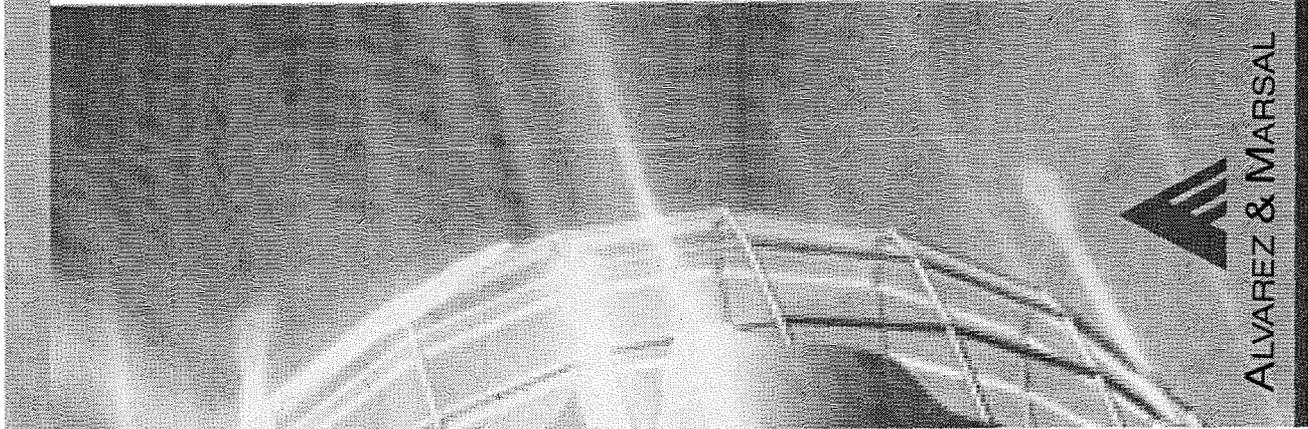
- Petition Date book close still not finalized
- Typical “data pulls” (i.e. employee lists, master vendor lists, etc.) difficult to obtain given limited access to personnel with historical knowledge and imperfect access to /understanding of the myriad systems to be culled for such detail
- Number of unique data applications (over 2,700) that support the Lehman operations and the relationship between these systems and the general ledgers

➤ Next Steps

- Debtors to seek extension of filing deadline beyond 11/14/08 (currently a bridge order through the hearing date of 11/18/08)
- Consideration of staggered filings of individual schedules/statements

VII. Administration

- A. Post-Petition D&O Coverage
- B. Communication Proposals




ALVAREZ & MARSAL

VII. Administrative *(continued)*

A. Post-Petition D&O Coverage

- Provides unencumbered D&O \ E&O \ ERISA limits for the post petition operations including all directors, officers, & employees. Security for new employees we are trying to attract to run on-going operations, sit on subsidiary or portfolio company board seats, or otherwise make executive decisions on behalf of LBHI.
 - Covers only post petition acts and claims
 - Broad coverage grant and named insured definition. Worldwide coverage.
 - \$50M limit with low retention for indemnified claims (\$1M to \$5M)
 - Premium \$4.5 to \$5M for two year policy.
 - Target binding date 11/21
 - Addresses current lack of confidence in survival or LBHI corporate D&O coverage limits given extent of potential claims.
 - Customary coverage, limits, and term for debtor in possession situations.

VII. Administrative *(continued)*

B. Communication Proposal

- Goal - Provide highlights to committee members to improve communications between in-person meetings.
- Proposed Content
 - Significant transactions by Asset Teams, as applicable;
 - Significant issues identified by Wind down, Legacy and Claims teams;
 - Filings of any significant motions; and/or
 - Other highlights
- Frequency - Weekly or Bi-Weekly, depending on level of new subject matter (i.e. don't want to create a report if there is nothing new to report).
- TBD – Filing of reports / communications to all creditors via our internet web site.