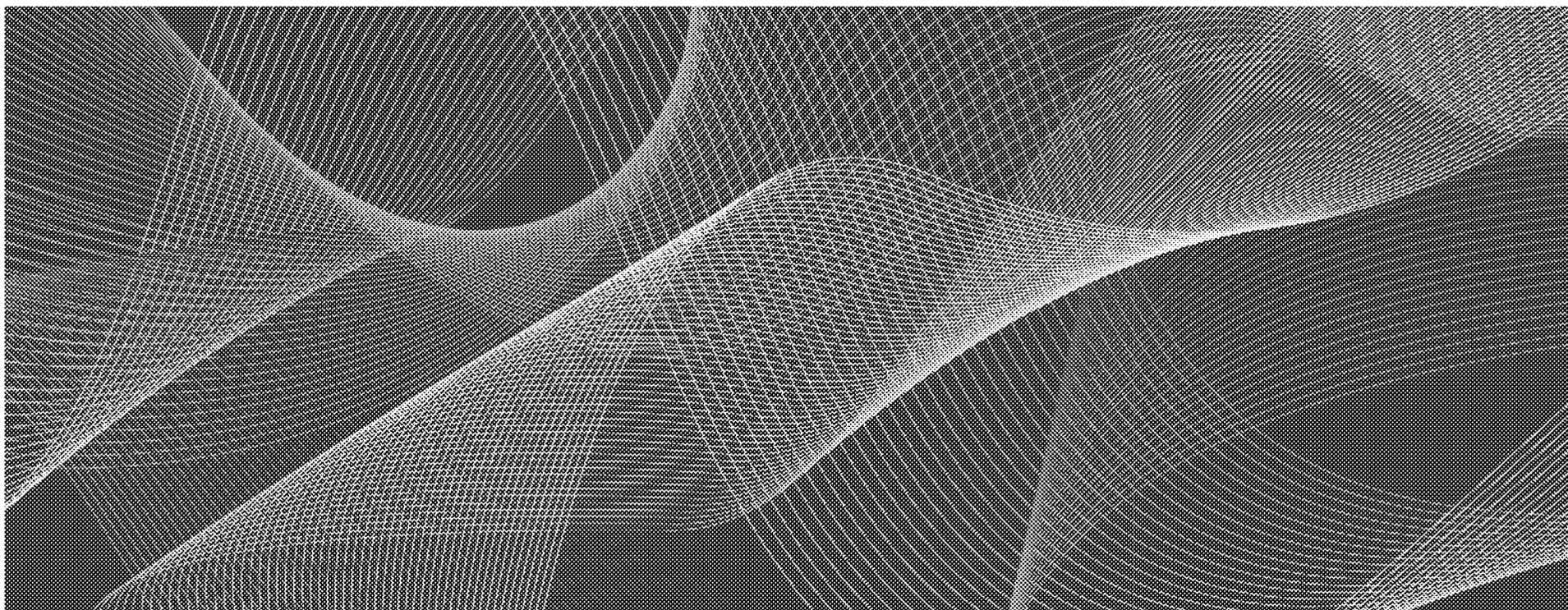


**Note: This document includes
non-GAAP financial measures**

The Gameplan – Downgrade Scenario



Funding Availability (Cash Capital and Banks)

- ◆ 2Q-08 Funding
 - Cash capital availability:
 - Excl Banks and surplus: \$135B
 - Banks \$6B
 - Surplus \$15B
 - Bank funding availability:
 - \$29B deposits + \$[9] ECB repo

- ◆ 3Q-08 Funding
 - Cash capital availability:
 - Excl Banks and surplus: \$128B (Common \$19.5B, Pref \$9, LTD \$114B, Banks \$6B, less surplus \$15B)
 - Banks \$6B
 - Surplus \$15B
 - Bank funding availability:
 - \$[29]B deposits + \$[9] ECB repo

- ◆ End 2009 Funding assuming no issuance of LTD and capital plan to solve for 11% tier 1 ratio
 - Cash capital availability:
 - Excl Banks and surplus: \$101B (Common \$18B, Pref \$9, LTD \$95B, Banks \$6, surplus \$15)
 - Banks \$6B
 - Surplus \$15B
 - Bank funding availability:
 - \$[50]B deposits + \$[9] ECB repo

Funding Profile

In a downgrade scenario reduce balance sheet to ~\$260B

Net Asset Funding Scenario (\$B)

Funding Source	2Q-08	2009	Comment
Cash Capital	\$127	\$102	- Assumes no long term debt issuances in '08 or '09 - Cash capital cushion of \$15B
Banks	43	36	- Potential to increase bank deposit funding ~\$1B-2B p/month
Repos			- Inventory funding only; excludes matched book repos
Gov. & Agencies	22	50	- Non Gov. & Agency assets represent smaller % of repo funding
Non Gov. & Agencies	37	20	- 63% at 2Q-08; 28% end '09
Non Recourse Borrowings	22	3	- Primarily FAS 140 gross up associated with CRE and Resi
Payables	71	45	- Includes \$21B derivative liabilities - Includes \$23B customer & other payables
Holdings' Liquidity Pool	6	3	- Remainder of total \$42B liquidity pool funds gross assets
Total	\$328	\$259	

LEHMAN BROTHERS

2

Note 1: Q2 Tri-Party repo funding (\$188B) included: inventory (\$72B), matched book (\$97B), other (\$17B)

Note 2: Bridge from Q2 net assets (\$328B) to gross assets (\$639B): securities borrowed to cover short positions, matched book reverse repos, cash/securities segregated and intangible assets

Secured Funding

Secured Funding Scenario (SB)

	Funded by: Repos
Repo 105	
Global Rates	\$31.9
	31.9
Corporate Equities	
Volatility	6.9
Global Trading Strategies	2.6
Equities Strategies (Proprietary Products)	0.9
Convertibles Products	1.2
Execution Services / Liquid Market	0.3
	11.9
Government & Agencies	
Global Rates	12.8
High Grade Credit	1.5
Securitized Products	0.6
Municipal Bonds	2.8
Global Foreign Exchange	0.2
	17.9
Mortgage and Asset-Backed Securities	
Securitized Products	1.6
CDO	1.1
FID Corp Loans	0.4
High Yield	0.3
FID Prime Services	0.1
Global Trading Strategies	0.2
	3.7
Commercial Paper & Other Money Mkt Instruments	
High Grade Credit	1.2
Treasury	1.1
FID Prime Services	0.1
	2.5
Corporate Debt and Other	
Volatility	1.4
	1.4
Total Use of Repos for Net Assets (Pre Ballooning)	\$69.3

Diversified Business Generating \$11.7B+ Run Rate – BPM

2008/2009 Revenue Scenario (\$B) - BPM

(BPM View)

	Actuals				Scenario		Excl. Marks & 45% IMD 2008
	2005	2006	2007	2008	2009 ¹		
Fixed Income							
FX	\$0.3	\$0.3	\$0.4	\$0.6	\$0.6	\$0.6	\$0.6
Real Estate	2.0	2.1	1.3	(4.7)	0.2	(0.8)	(0.8)
Securitized Prod.	3.0	2.6	(0.1)	(6.5)	0.7	1.4	1.4
Commodities	0.0	0.0	0.3	0.5	0.5	0.5	0.5
Munis	0.4	0.4	0.2	0.2	0.3	0.2	0.2
Credit	1.8	2.4	2.1	2.3	2.0	2.4	2.4
Rates	1.4	1.3	1.7	1.4	1.5	1.6	1.6
FID Prime Services	0.5	0.6	0.8	1.2	0.3	1.2	1.2
Corp/Other/PIM Adj.	(0.9)	(0.7)	(0.8)	0.2	(0.6)	0.1	0.1
Total Fixed Income	\$8.5	\$9.0	\$6.0	(\$4.9)	\$5.4	\$7.1	
Equities							
Liquid Mkts	\$1.7	\$2.0	\$2.7	\$2.4	\$2.2	\$2.5	\$2.5
Converts	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Vol	0.6	0.9	1.9	0.4	0.8	0.4	0.4
EQ Strat	0.2	0.2	0.6	0.3	0.5	0.3	0.3
EQ Prime Services	0.6	0.8	1.2	1.1	0.0	1.1	1.1
Corp/Other/PIM Adj.	(0.1)	(0.1)	(0.3)	(0.3)	(0.5)	(0.3)	(0.3)
Total Equities	\$3.2	\$4.0	\$6.1	\$4.2	\$3.1	\$4.2	
Invest. Mgmt.	\$1.2	\$1.7	\$2.6	\$0.5	\$0.5	\$0.5	
Invest. Banking (Net)	\$1.9	\$2.1	\$2.4	\$0.9	\$2.0	\$2.1	
Principal Investing	\$0.1	\$0.6	\$0.7	(\$0.6)	\$0.3	\$0.0	
Corp/Other	(\$0.2)	\$0.2	\$0.3	\$0.7	\$0.5	\$0.7	
Revenue Pre Debt Reval	\$14.6	\$17.6	\$18.1	\$0.9	\$11.7	\$14.6	
Debt Reval	0.0	0.0	1.2	2.4	0.0	2.4	
Total Reported	\$14.6	\$17.6	\$19.3	\$3.3	\$11.7	\$17.1	

Note:
Business Performance Management (“BPM”) View is a form of management reporting and differs from GAAP.

LEHMAN BROTHERS

2009 Income Scenario

Core Lehman could potentially generate low double-digit ROEs post LEH CRE spin and NPE reductions.

2009 Income Statement Scenario (\$B)

	2009 Scenario	
	Incl. Debt Reval & Restructuring	Excl. Debt Reval & Restructuring
Core Revenues	\$11.7	\$11.7
Less Debt Revaluation	0.0	
Net Revenues	\$11.7	\$11.7
Compensation & Benefits	5.5	5.5
Non-Personnel Expenses	3.3	3.3
Restructuring, Incl. Acceleration IMD RSUs	1.1	
Pre-Tax Income	\$1.7	\$2.8
Pre-Tax Margin	15%	24%
Taxes	0.5	0.8
Preferred Dividends	0.7	0.7
Net Income to Common	\$0.5	\$1.3
Return on Common Equity	3%	8%

Capital Position Post Restructuring

Capital Scenario (\$B)

	Q2 '08	Q3 '08	Q4 '08	REI Global	Q4 '08 Proforma 1	55% Sale IMD	Q4 '08 Proforma 2
Common Equity							
Beginning Common	\$21.8	\$19.3	\$19.4		\$19.4		\$19.4
Net Income to Common	(2.9)	(4.1)	(0.0)		(0.0)	(0.0)	(0.0)
Common Dividends	(0.1)	(0.1)	(0.0)		(0.0)		(0.0)
Equity Awards, net & Other	0.5	0.5	0.3		0.3		0.3
Issuances (Repurchases)	(0.1)	3.9	0.0	2.9	2.9		2.9
CRE Spin				(6.9)	(6.9)		(6.9)
+ Ending Common	\$19.3	\$19.4	\$19.7		\$15.7		\$15.7
Preferred Equity							
Beginning Preferred Stock	7.0	7.0	9.0		9.0		9.0
Issuances (Repurchases)	0.0	2.0		0.0	0.0		
Convert Preferred to Common				0.0	0.0		0.0
+ Ending Preferred Stock	\$7.0	\$9.0	\$9.0		\$9.0		\$9.0
+ Junior Sub. Debt	5.0	4.9	4.9		4.9		4.9
= Permanent Capital	\$31.3	\$33.4	\$33.6		\$29.6		\$29.6
- Less Intangible Assets	(4.1)	(4.1)	(4.1)		(4.1)	3.2	(0.9)
= Leverage Equity	\$27.2	\$29.3	\$29.5		\$25.5		\$28.7
Non Qualifying Preferred Capital							
Certain Deferred Tax Assets	(2.3)	(4.5)	(4.2)		(4.2)		(4.2)
Capital Req. for Insurance Entities	(0.1)	(0.1)	(0.1)		(0.1)		(0.1)
Cumulative Fair Value Gains on Debt, After Tax	(1.5)	(2.5)	(2.5)		(2.5)		(2.5)
- Total Capital Deductions	(\$3.9)	(\$7.1)	(\$6.8)		(\$6.8)		(\$6.8)
= Tier 1 Capital	\$23.2	\$22.2	\$22.7		\$18.7		\$21.9
Net Assets	\$328	\$311	\$310	(\$7)	\$303	(\$0)	\$303
Net Leverage Ratio	12.1x	10.6x	10.5x		11.9x		10.6x
Risk Weighted Assets	\$217	\$199	\$205	(\$6)	\$199	(\$0)	\$198
Tier 1 Ratio	10.7%	11.2%	11.1%		9.4%		11.0%
Common + Mandatory as % of Permanent	62%	64%	65%		60%		60%

Capital Position

Core Lehman will be capitalized consistent with a mid-strong “A” rating and will be able to support \$300B in net assets.

Capital Scenario (\$B)

	Scenario			
	Q2 '08	Q3 '08	Q4 '08	2009
Common Equity				
Beginning Common	\$21.8	\$19.3	\$19.4	\$19.7
Net Income to Common	(2.9)	(4.1)	(0.0)	0.5
Common Dividends	(0.1)	(0.1)	(0.0)	(0.0)
Equity Awards, net & Other	0.5	0.5	0.3	1.8
Issuances (Repurchases)	(0.1)	3.9	0.0	2.9
CRE Spin				(6.9)
Ending Common	\$19.3	\$19.4	\$19.7	\$17.9
Preferred Equity				
Beginning Preferred Stock	7.0	7.0	9.0	11.9
Issuances (Repurchases)	0.0	2.0	2.9	(2.9)
Ending Preferred Stock	\$7.0	\$9.0	\$11.9	\$9.0
Junior Sub. Debt	5.0	4.9	4.9	4.9
Total Equity Capital	\$31.3	\$33.4	\$36.5	\$31.8
Less Intangible Assets	(4.1)	(4.1)	(4.1)	(0.9)
Tangible Equity Capital	\$27.2	\$29.3	\$32.4	\$31.0
Common % of Total Equity Capital	62%	58%	54%	56%
Net Assets	\$328	\$311	\$310	\$259
Net Leverage Ratio	12.1x	10.6x	9.6x	8.4x
Tier 1 Capital Ratio	10.7%	11.2%	11.1%	14.6%
Total Risk Based Capital Ratio	16.1%	16.7%	16.6%	19.9%

◆ Q4 Assumptions

- Issued \$2.9B contingent convertible security; assumes conversion to common in 1Q09 at creation of REI Global
 - 160M common shares converted at \$18 per share (1x proforma book value after CRE spin)
- No share repurchases
- Break even Q4 net income

◆ 2009 Assumptions

- CRE assets spun out in Q1
- \$1.8B equity issued in the form of Restricted Stock Units (“RSU”), including \$0.5B associated with severance costs and accelerated IMD RSU vesting
- No share repurchases

Gameplan

Funding Profile

Core Lehman will have less reliance on wholesale secured funding for illiquid assets and increased use of bank deposits. Even with no new debt issuance in 2009, Core Lehman likely to have sufficient cash capital to fund the business.

Net Asset Funding Scenario (\$B)

Funding Source	2Q-08	2009	Comment
Cash Capital	\$127	\$103	- Assumes no long term debt issuances in '08 or '09 - Cash capital cushion of \$15B
Banks	43	60	- Increase bank deposit funding ~\$1B to \$2B p/month
Repos			- Inventory funding only; excludes matched book repos
Gov. & Agencies	22	50	- Non Gov. & Agency assets represent smaller % of repo funding
Non Gov. & Agencies	37	24	- 63% at 2Q-08; 32% end '09
Non Recourse Borrowings	22	0	- Primarily FAS 140 gross up associated with CRE and Resi
Payables	71	59	- Includes \$23B derivative liabilities - Includes \$33B customer & other payables
Holdings' Liquidity Pool	6	4	- Remainder of total \$42B liquidity pool funds gross assets
Total	\$328	\$300	

LEHMAN BROTHERS

8

Note 1: Q2 Tri-Party repo funding (\$188B) included: inventory (\$72B), matched book (\$97B), other (\$17B)

Note 2: Bridge from Q2 net assets (\$328B) to gross assets (\$639B): securities borrowed to cover short positions, matched book reverse repos, cash/securities segregated and intangible assets

Diversified Business Generating \$13B+ Run Rate – BPM

2008/2009 Revenue Scenario (\$B) - BPM

(BPM View)

	Actuals				Scenario		Excl. Marks & 45% IMD 2008
	2005	2006	2007	2008	2009 ¹		
Fixed Income							
FX	\$0.3	\$0.3	\$0.4	\$0.6	\$0.6	\$0.6	\$0.6
Real Estate	2.0	2.1	1.3	(4.7)	0.2	(0.8)	(0.8)
Securitized Prod.	3.0	2.6	(0.1)	(6.5)	0.7	1.4	1.4
Commodities	0.0	0.0	0.3	0.5	0.5	0.5	0.5
Munis	0.4	0.4	0.2	0.2	0.3	0.2	0.2
Credit	1.8	2.4	2.1	2.3	2.0	2.4	2.4
Rates	1.4	1.3	1.7	1.4	1.5	1.6	1.6
FID Prime Services	0.5	0.6	0.8	1.2	0.8	1.2	1.2
Corp/Other/PIM Adj.	(0.9)	(0.7)	(0.8)	0.2	(0.6)	0.1	0.1
Total Fixed Income	\$8.5	\$9.0	\$6.0	(\$4.9)	\$5.9	\$7.1	
Equities							
Liquid Mkts	\$1.7	\$2.0	\$2.7	\$2.4	\$2.2	\$2.5	\$2.5
Converts	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Vol	0.6	0.9	1.9	0.4	1.2	0.4	0.4
EQ Strat	0.2	0.2	0.6	0.3	0.5	0.3	0.3
EQ Prime Services	0.6	0.8	1.2	1.1	1.2	1.1	1.1
Corp/Other/PIM Adj.	(0.1)	(0.1)	(0.3)	(0.3)	(0.5)	(0.3)	(0.3)
Total Equities	\$3.2	\$4.0	\$6.1	\$4.2	\$4.7	\$4.2	
Invest. Mgmt.	\$1.2	\$1.7	\$2.6	\$0.5	\$0.5	\$0.5	
Invest. Banking (Net)	\$1.9	\$2.1	\$2.4	\$0.9	\$2.0	\$2.1	
Principal Investing	\$0.1	\$0.6	\$0.7	(\$0.6)	\$0.3	\$0.0	
Corp/Other	(\$0.2)	\$0.2	\$0.3	\$0.7	(\$0.0)	\$0.7	
Revenue Pre Debt Reval	\$14.6	\$17.6	\$18.1	\$0.9	\$13.3	\$14.6	
Debt Reval	0.0	0.0	1.2	2.4	(1.0)	2.4	
Total Reported	\$14.6	\$17.6	\$19.3	\$3.3	\$12.3	\$17.1	

Note:
Business Performance Management (“BPM”) View is a form of management reporting and differs from GAAP.

LEHMAN BROTHERS

9

1. 2009 FID and Equities total excludes PIM HNW revenues

2009 Income Scenario

Core Lehman could potentially generate low double-digit ROEs post LEH CRE spin and NPE reductions.

2009 Income Statement Scenario (\$B)

	2009 Scenario	
	Incl. Debt Reval & Restructuring	Excl. Debt Reval & Restructuring
Core Revenues	\$13.3	\$13.3
Less Debt Revaluation	(1.0)	
Net Revenues	\$12.3	\$13.3
Compensation & Benefits	6.6	6.6
Non-Personnel Expenses	3.3	3.3
Restructuring, Incl. Acceleration IMD RSUs	1.1	
Pre-Tax Income	\$1.3	\$3.4
Pre-Tax Margin	11%	26%
Taxes	0.4	1.0
Preferred Dividends	0.7	0.7
Net Income to Common	\$0.2	\$1.7
Return on Common Equity	1%	10%

Capital Position Post Restructuring

Capital Scenario (\$B)

	Q2 '08	Q3 '08	Q4 '08	Issuance / REI Global	Q4 '08 Proforma 1	55% Sale IMD	Q4 '08 Proforma 2
Common Equity							
Beginning Common	\$21.8	\$19.3	\$19.4		\$19.4		\$19.4
Net Income to Common	(2.9)	(4.1)	(0.0)		(0.0)	(0.0)	(0.0)
Common Dividends	(0.1)	(0.1)	(0.0)		(0.0)		(0.0)
Equity Awards, net & Other	0.5	0.5	0.3		0.3		0.3
Issuances (Repurchases)	(0.1)	3.9	0.0	2.5	2.5		2.5
CRE Spin				(6.9)	(6.9)		(6.9)
+ Ending Common	\$19.3	\$19.4	\$19.7		\$15.3		\$15.3
Preferred Equity							
Beginning Preferred Stock	7.0	7.0	9.0		9.0		9.0
Issuances (Repurchases)	0.0	2.0			0.0		
Convert Preferred to Common				0.0	0.0		0.0
+ Ending Preferred Stock	\$7.0	\$9.0	\$9.0		\$9.0		\$9.0
+ Junior Sub. Debt	5.0	4.9	4.9		4.9		4.9
= Permanent Capital	\$31.3	\$33.4	\$33.6		\$29.2		\$29.2
- Less Intangible Assets	(4.1)	(4.1)	(4.1)		(4.1)	3.2	(0.9)
= Leverage Equity	\$27.2	\$29.3	\$29.5		\$25.1		\$28.3
Contingent Convert Issue (Non-Leveragable Equity)			\$2.5	(\$2.5)			
Certain Deferred Tax Assets	(2.3)	(4.5)	(4.3)		(4.3)		(4.3)
Capital Req. for Insurance Entities	(0.1)	(0.1)	(0.1)		(0.1)		(0.1)
Cumulative Fair Value Gains on Debt, After Tax	(1.5)	(2.5)	(2.5)		(2.5)		(2.5)
- Total Capital Deductions	(\$3.9)	(\$7.2)	(\$7.0)		(\$7.0)		(\$7.0)
= Tier 1 Capital	\$23.2	\$22.1	\$22.6		\$18.2		\$21.4
Net Assets	\$328	\$311	\$310	(\$7)	\$303	(\$0)	\$303
Net Leverage Ratio	12.1x	10.6x	10.5x		12.1x		10.7x
Risk Weighted Assets	\$217	\$199	\$199	(\$6)	\$193	(\$0)	\$193
Tier 1 Ratio	10.7%	11.1%	11.3%		9.4%		11.1%
Common + Mandatory as % of Permanent	62%	64%	65%		59%		59%

Capital Position

Core Lehman will be capitalized consistent with a mid-strong “A” rating and will be able to support \$300B in net assets.

Capital Scenario (\$B)

	Scenario			
	Q2 '08	Q3 '08	Q4 '08	2009
Common Equity				
Beginning Common	\$21.8	\$19.3	\$19.4	\$19.7
Net Income to Common	(2.9)	(4.1)	(0.0)	0.2
Common Dividends	(0.1)	(0.1)	(0.0)	(0.0)
Equity Awards, net & Other	0.5	0.5	0.3	1.8
Issuances (Repurchases)	(0.1)	3.9	0.0	2.5
CRE Spin				(6.9)
Ending Common	\$19.3	\$19.4	\$19.7	\$17.3
Preferred Equity				
Beginning Preferred Stock	7.0	7.0	9.0	9.0
Issuances (Repurchases)	0.0	2.0		0.0
Ending Preferred	\$7.0	\$9.0	\$9.0	\$9.0
Junior Sub. Debt	5.0	4.9	4.9	4.9
Permanent Capital	\$31.3	\$33.4	\$33.6	\$31.2
Less Intangible Assets	(4.1)	(4.1)	(4.1)	(0.9)
Leverage Equity	\$27.2	\$29.3	\$29.5	\$30.3
Contingent Convert Issue (Non-Leveragable Equity)			2.5	
Common % of Total Equity Capital	62%	58%	59%	55%
Net Assets	\$328	\$311	\$310	\$300
Net Leverage Ratio	12.1x	10.6x	10.5x	9.9x
Tier 1 Capital Ratio	10.7%	11.1%	11.3%	13.0%
Total Risk Based Capital Ratio	16.1%	16.7%	17.0%	17.6%

◆ Q4 Assumptions

- Issued \$2.5B contingent convertible security; assumes conversion to common in 1Q09 at creation of REI Global
 - 139M common shares converted at \$18 per share (1x proforma book value after CRE spin)
- No share repurchases
- Break even Q4 net income

◆ 2009 Assumptions

- CRE assets spun out in Q1
- \$1.8B equity issued in the form of Restricted Stock Units (“RSU”), including \$0.5B associated with severance costs and accelerated IMD RSU vesting
- No share repurchases