LEHMAN BROTHERS

June 9, 2008

Presentation to Fitch Ratings
Rating Appeal

Confidential Presentation

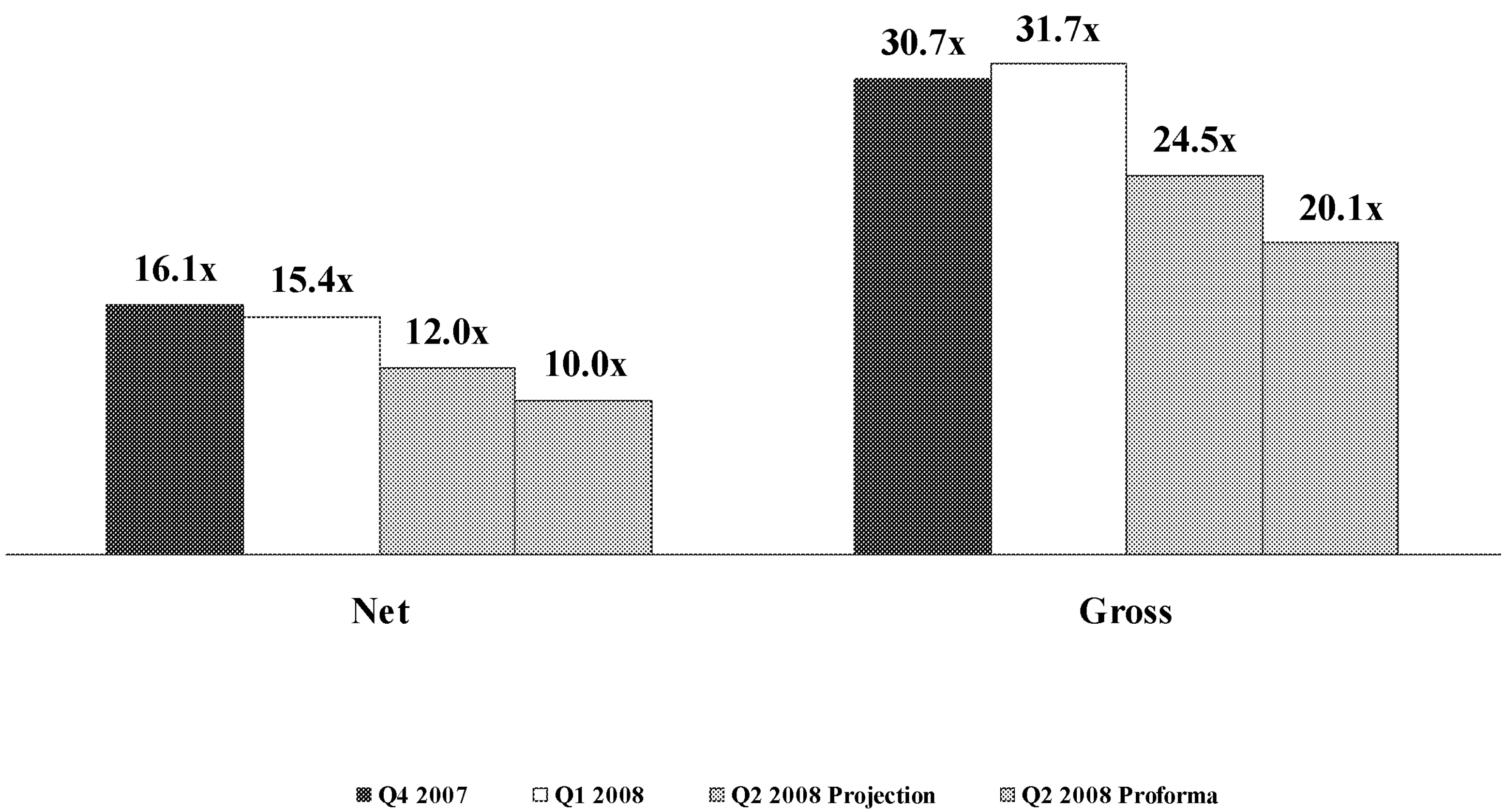
Introduction

- Purpose of this presentation is to present the rationale for disagreeing with Fitch Ratings' decision to downgrade Lehman Brothers by one notch from AA- to A+ (long-term) and F-1+ to F-1 (short-term) and keep our outlook negative.
- The following information was not available when we last spoke
  - We have raised $6 billion of capital ($4 billion in common shares, $2 billion in mandatory convertible preferred) instead of the $4 billion that we initially envisaged. This additional $2 billion strengthens our capital position, protects bondholders and creditors and is a rating positive.
  - Trading conditions have materially improved. June YTD we have already generated $0.4 billion of revenues, which, if the pace continues unabated, would translate into a $6.2 billion of revenues for Q3.
  - We are continuing to reduce our commercial real estate exposure and, based on recent sales (ours and our competitors'), we believe that our marks are conservative.
    - Contrary to your assertions, we are not selling the "best" assets first. Our intention is to keep the best assets (e.g., last waterfront development property in Orange County) due to their higher upside when the market recovers.
- Additionally, in view of our very strong liquidity position ($45 billion of liquidity pool, $15 billion of cash capital surplus at quarter end), we believe strongly that a short-term rating downgrade is not warranted – particularly because we were already rated F-1+ when our long-term rating was last A+.
- We have been informed that both Moody's and DBRS will affirm their long-term debt ratings at A1 and AA-, respectively
  - They will both revise their outlook to 'Negative'

Significant Shrinkage of the Balance Sheet…

Net balance sheet (primarily inventory) is expected to be almost $70 billion lower than Q1 '08, and gross balance sheet is expected to be almost $140 billion lower. This coupled with the capital raised reduces leverage significantly

Gross and Net Leverage Ratios

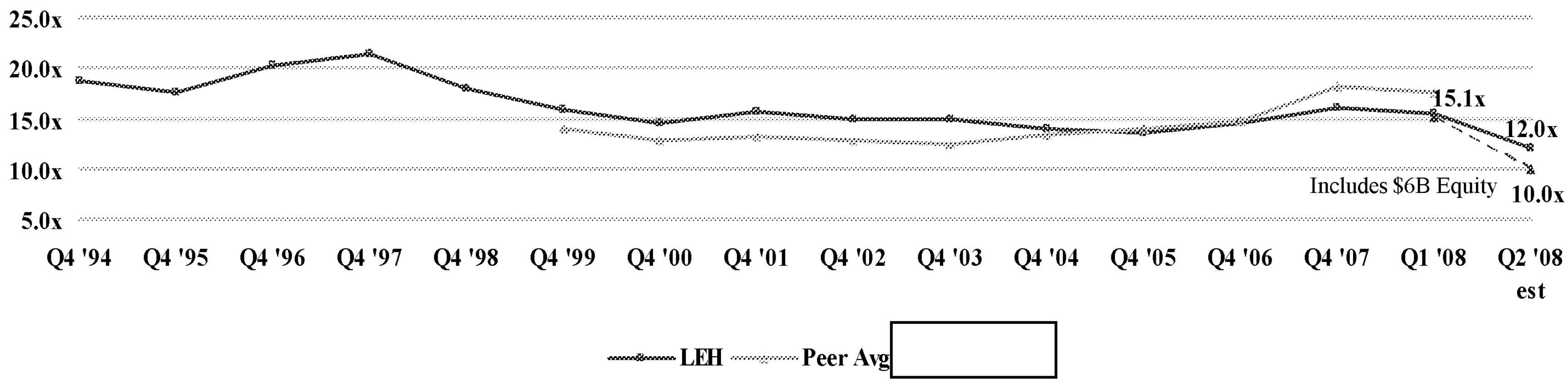


1. *Q2'08 Balance Sheet still being finalized: Net $326B and Gross $643B*
2. *Q2'08 Proforma includes impact of $4B Common Equity and $2B Non-cumulative Preferred offering*

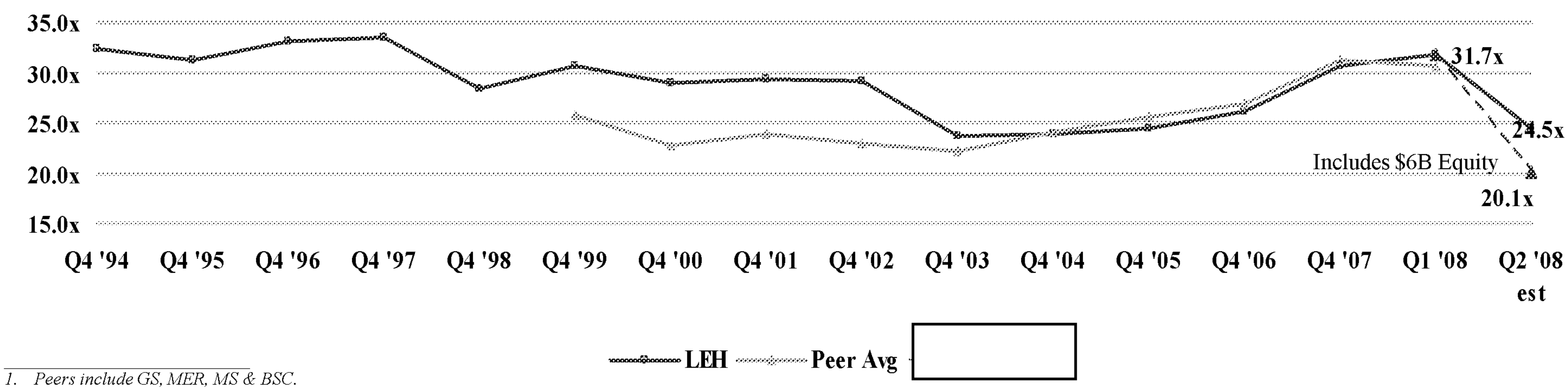
…Results in Historically Low Leverage Levels…

Lehman's equity raise results in its lowest leverage ratios since becoming a public firm

Lehman versus Peers Net Leverage[1]



Lehman versus Peers Gross Leverage[1]

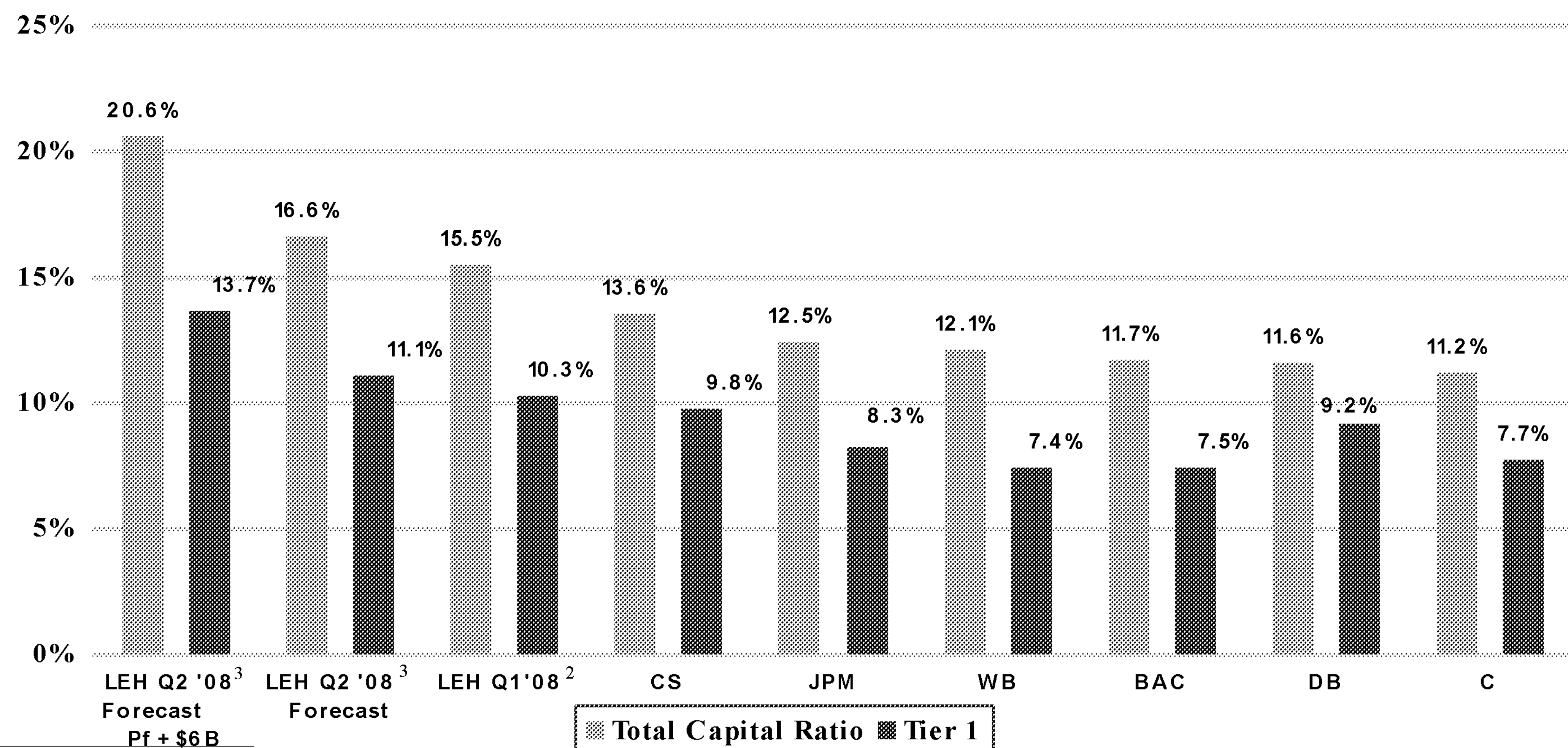


1. *Peers include GS, MER, MS & BSC.*

… And Strong CSE Capital Ratios

The Firm has made a conscious decision to shore up its capital base and maintain a Total Capital ratio under the CSE regime above that of the major Commercial Banks' equivalent Total Capital Ratio under Basel

Total Capital and Tier 1 Ratios[1]



1. All Banks' ratios are as of Q1 '08 per their Earnings press releases
2. Updated for approved SEC Methodology
3. If FV gains on debt are excluded from capital then Forecast Q2'08 ratios would be 10.4% Tier 1 and 15.6% Total Capital. For Q2'08 Proforma, the ratios would be 13.1% Tier 1 and 19.6% Total Capital

June Revenues MTD off to a Strong Start

- MTD, the Firm is on track to deliver $6.2 billion of revenues for Q3 – driven by a strong performance of Fixed Income. Strong Fixed Income performance was across all businesses.

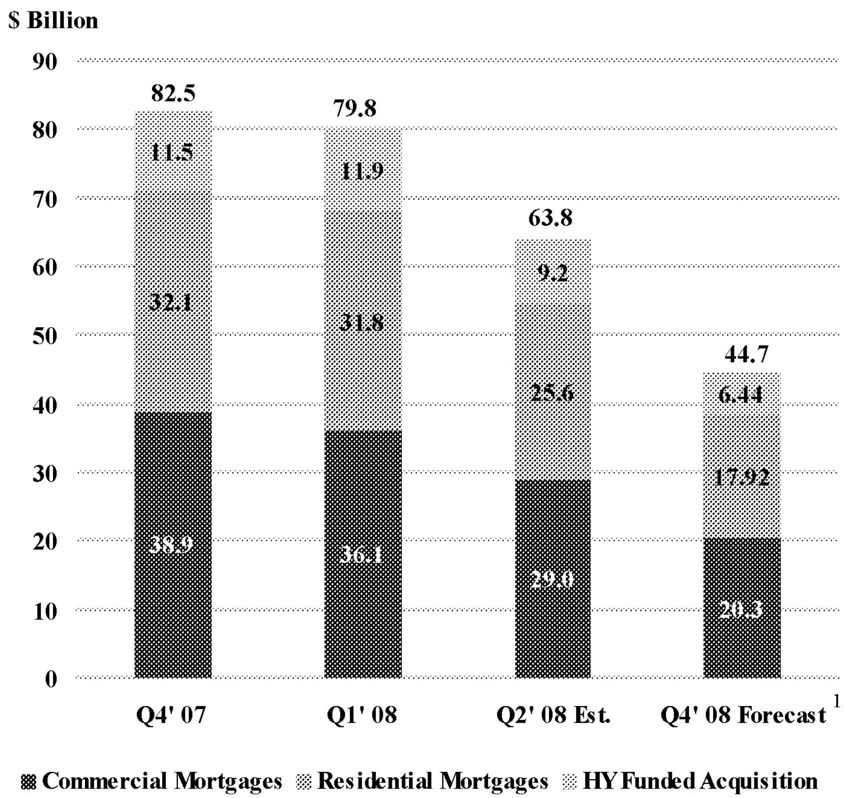
June 2008 MTD Revenues ($ Millions)

Fixed Income	270	4,315
Equities	56	899
Inv Banking	35	565
Inv Management	55	880
Principal Investing	20	322
Other and Offsets	(49)	(781)
Total	**388**	**6,200**

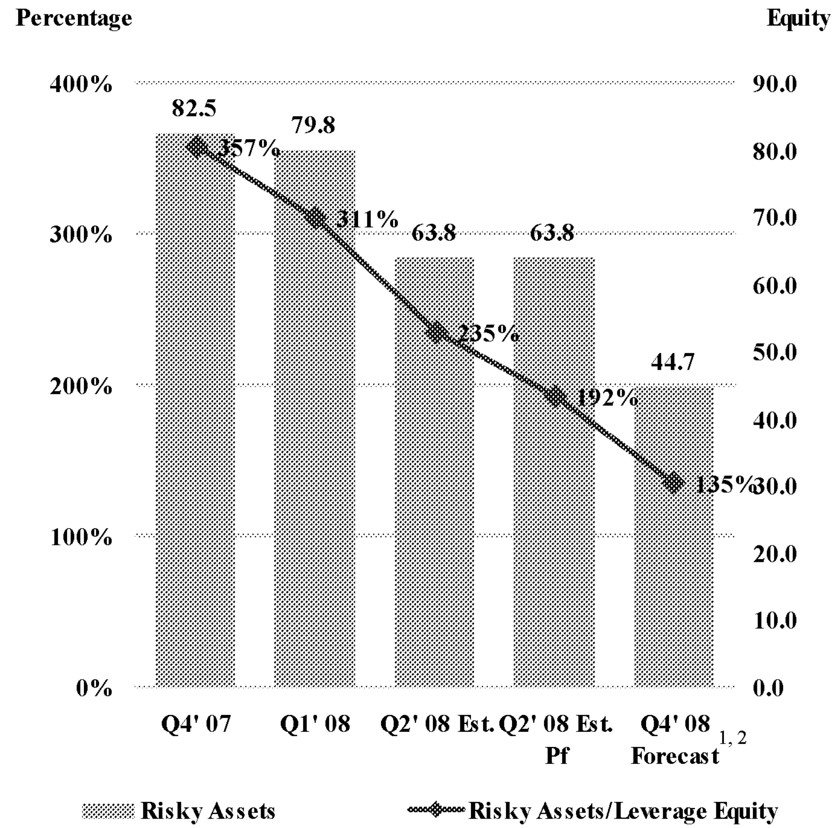
"Risky Assets" Falling both in Absolute and Relative Terms

The Firm has reduced its exposure to 'high risk' assets and that coupled with the equity raises has reduced these assets as a percentage of equity

Risky Asset Trend Q4' 07 - 08



Risky Assets as a % of Equity Q4' 07 - 08



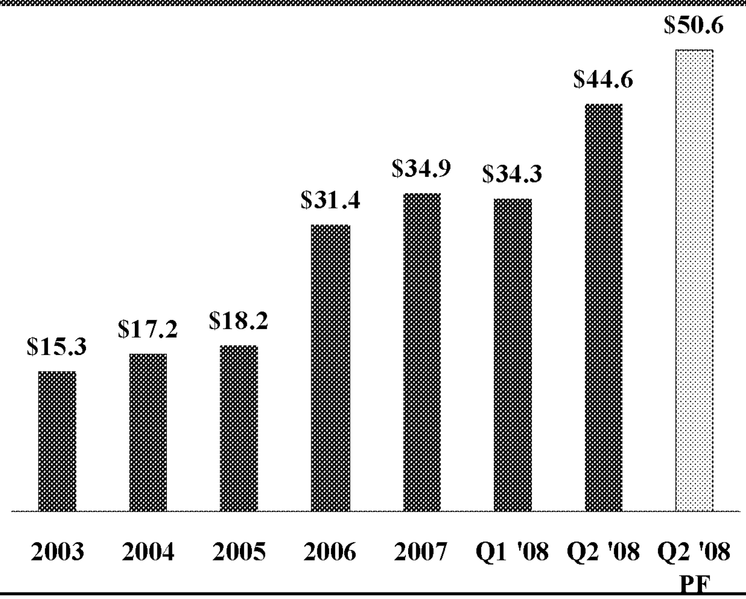
1. Q4'08 Forecast assumes a 30% decline from Q2 level in Risky Assets
2. Q4'08 Forecast assumes no growth in Leverage Equity (i.e. Tangible Common + Hybrid Equity) from Q2 level (+ $6B in equity offering)

Short-Term Rating Downgrade To F-1

- When Fitch upgraded LBHI from A+/F-1 to A+/F-1+ in 2005 Q3 (TBC), it wrote:
  - "Fitch upgraded the Short-term debt of Lehman Brothers to F1+ based on funding strength and prudent liquidity management. Lehman's funding profile is conservative emphasizing the use of longer dated and secured funding sources. Liquid investments are held at the broker dealer and at the parent providing material coverage of short term liabilities." (Report on Lehman Brothers, August 2005)

- We believe that our funding is stronger today than in 2005 and that our liquidity management is even more prudent than it was in 2005.

Liquidity Pool ($ Billions)



Cash Capital Surplus ($ Billions)