

June 2, 2008

Research Update:

**Lehman Brothers Holdings Inc.
Rating Lowered To 'A' From 'A+';
Outlook Negative**

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Research Update:

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Rationale

On June 2, 2008, Standard & Poor's Ratings Services lowered its long-term rating on Lehman Brothers Holdings Inc. (Lehman) to 'A' from 'A+', and we affirmed our 'A-1' short-term rating. The outlook is negative.

The rating action is in conjunction with our review of the global securities industry. (See "S&P Completes Review Of Global Securities Industry; Ratings Lowered On Morgan Stanley, Merrill Lynch & Co. Inc., And Lehman Brothers Holdings Inc.; Outlooks Negative," published June 2, 2008, on RatingsDirect.) The downgrade primarily reflects our concern that the pace and extent of earnings improvement could be considerably more muted than we previously assumed. Lehman's earnings performance in recent quarters has held up relatively well under current market conditions despite write-downs on troubled assets. However, with a first-quarter end in February, the effects of a particularly difficult operating environment in March will only be reflected in Lehman's second-quarter performance. Consequently, we expect a relatively meaningful deterioration in Lehman's second-quarter performance owing to a generally slower business environment, additional write-downs on certain troubled exposures, and the negative effects of hedges due to basis risk and de-levering of the balance sheet. Although we expect write-downs in subsequent quarters to be more muted, given the extent of write-downs to date, we are concerned that persistent dislocations in global capital markets could further weigh on core operating performance for the securities industry as a whole. Adjusted to exclude write-downs and negative hedges, we expect weakness in Lehman's operating revenues to be tempered by cost-cutting efforts that should begin to positively affect the pretax margin in third-quarter 2008.

To respond to a nervous environment in which securities firms have come under pressure owing to their reliance on wholesale funding sources, Lehman has bolstered its liquidity and funding profile. Management has and continues to implement a number of measures to ensure sound liquidity and the ability to meet funding obligations in a stressed operating environment. Overall, and despite nervous market sentiment in recent months, Lehman has maintained a very stable funding profile, with an excess liquidity position and contingent funding plan that we consider to be sound. In addition, the Federal Reserve has, in recent months, made available to the U.S. securities firms various financing programs (e.g., Primary Dealer Credit Facility) in which they can borrow on a secured basis, using a wide range of securities as collateral. Although these programs have restrictions and may be only temporary, they nonetheless enhance Lehman's and its peers' near-term funding flexibility. Nevertheless, this does not reduce Lehman's reliance on wholesale funding, which could be adversely affected if there is a change in market perception of the firm, however ill founded.

Outlook

The outlook is negative. There are many uncertainties that could affect the future financial performance of the broker-dealer sector. The ratings could be lowered further if Lehman were to incur substantial losses either as the result of depressed business conditions or sizeable write-downs. The ratings could also be lowered if the firm's ability to sustain potential liquidity stresses should weaken. Conversely, the outlook could be revised to stable if Lehman's operating performance rebounds to more normal levels.

Standard & Poor's will hold a telephone conference call on Tuesday, June 3, 2008, at 10:30 a.m. EDT to discuss this and related actions. The live call-in numbers for this call are (1) 210-795-1098 (U.S./all others) and (44) 20-7108-6248 (U.K.); the conference ID for this call is 2029583, and the passcode is SANDP. A replay of this call will be available starting about one hour after the call concludes through Tuesday, June 10th; the replay number will be (1) 203-369-1201.

Ratings List

Downgraded

	To	From
Lehman Brothers Holdings Inc.		
Senior Unsecured		
Foreign Currency	A	A+
Subordinated		
Local Currency	A-	A
Preferred Stock		
Local Currency	BBB+	A-
Lehman Brothers Holdings Capital Trust III		
Lehman Brothers Holdings Capital Trust VII		
Lehman Brothers UK Capital Funding III LP		
Preferred Stock		
Local Currency	BBB+	A-
Lehman Brothers Holdings PLC		
Senior Unsecured	A	A+
Subordinated		
Local Currency	A-	A
Preferred Stock		
Local Currency	BBB+	A-
Lehman Brothers Inc.		
Counterparty Credit Rating	A+/Negative/A-1	AA-/Negative/A-1+
Subordinated		
Local Currency	A	A+
Commercial Paper		
Local Currency	A-1	A-1+

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Lehman Brothers Treasury Co. B.V.		
Senior Unsecured	A	A+
Subordinated		
Local Currency	A-	A
Lehman Brothers UK Capital Funding IV LP		
Preferred Stock		
Foreign Currency	BBB+	A-
Neuberger Berman Inc.		
Senior Unsecured		
Local Currency	A	A+
Downgraded; Ratings Affirmed		
	To	From
Lehman Brothers Holdings Inc.		
Counterparty Credit Rating	A/Negative/A-1	A+/Negative/A-1
Senior Unsecured		
Local Currency	A/A-1	A+/A-1
Lehman Brothers (Luxembourg) Equity Finance S.A.		
Lehman Brothers (Luxembourg) S.A.		
Lehman Brothers Asia Holdings Ltd.		
Lehman Brothers Bankhaus AG		
Lehman Brothers Commercial Bank		
Lehman Brothers Commodity Services		
Lehman Brothers Equity Finance (Cayman) Ltd.		
Lehman Brothers Finance S.A.		
Lehman Brothers International (Europe)		
Lehman Brothers Securitites N.V.		
Lehman Brothers Treasury Co. B.V.		
Counterparty Credit Rating	A/Negative/A-1	A+/Negative/A-1
Lehman Brothers Bank FSB		
Lehman Brothers Commercial Corp. Aisa Ltd.		
Lehman Brothers Commercial Corporation		
Lehman Brothers Holdings PLC		
Lehman Brothers PTE Ltd.		
Lehman Brothers Securities Asia		
Neuberger Berman Inc.		
Counterparty Credit Rating	A/Negative/A-1	A+/Negative/A-1
Ratings Affirmed		
Lehman Brothers Holdings Inc.		
Short-Term Debt		
Local Currency	A-1	
Commercial Paper		
Local Currency	A-1	

Lehman Brothers Holdings PLC
Commercial Paper
Local Currency

A-1

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