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Cc: McDade, Bart [bmcdade@lehman.com].
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Subject: presentation.

David

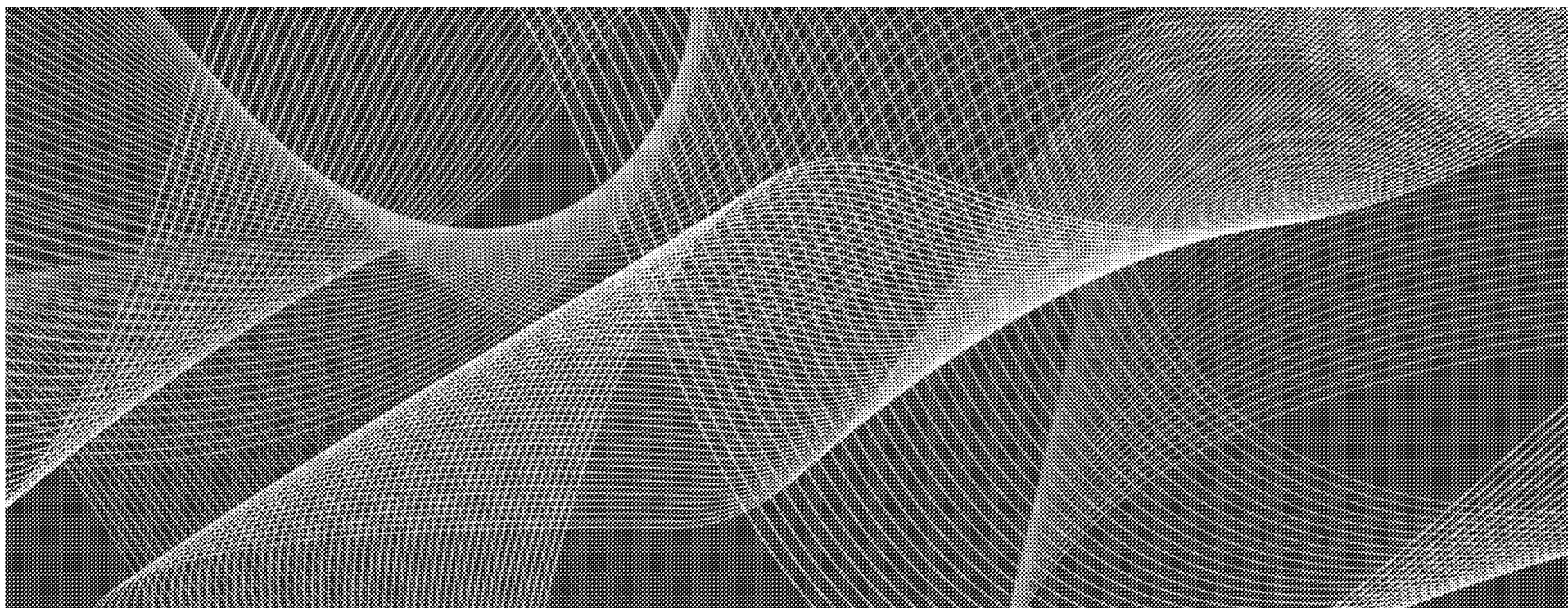
Attached please find a copy of the presentation Bart McDade will walk you through this afternoon on our call. He and I will call you at 330pm ny time. Regards

Skip

Ps Did you guys sign an NDA? We will need to get one signed up.

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The Gameplan



v. B60

Confidential

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Gameplan Summary

During Q3 we executed series of changes to ensure long-term success of the franchise.

- ◆ Announced creation of Lehman Commercial Real Estate Corporation to remove substantively all of our commercial real estate (CRE) exposures
- ◆ Strengthened our capital position
 - Announced conversion of \$2B preferred equity into common equity
 - Announced issuance of \$3.0B contingent preferred equity which will convert into \$3.0B common equity upon creation of Lehman CRE Corp.
- ◆ Significantly reduced less liquid asset exposure
 - Reduced residential mortgages exposure by 53% (\$13B)¹
 - Reduced commercial real estate exposure by 17% (\$7B)
 - Reduced high yield acquisition finance exposure by 38% (\$4B)
 - Reduced other ABS exposure by 24% (\$1.5B)
- ◆ Announced sale of 51% stake in Investment Management Division
- ◆ Implemented significant headcount reduction, focused on discretionary corporate areas and businesses in secular decline
- ◆ Made multiple management changes to improve operational performance and risk management
- ◆ Finalized restructuring of all securitized product origination platforms, including sales/closure of multiple businesses
- ◆ Launched process to reduce non-personnel expenses - \$360M in annualized saves already identified (16% of impactable costs)
- ◆ Reduced common dividend to 1.25 cents per quarter

=> Resulting “Core Lehman” is freed from illiquid asset overhang and could achieve [\$23-\$29] stock price

Lehman Commercial Real Estate Corp

What is The Lehman CRE Corp?

The Lehman CRE Corp will be a standalone, publicly-traded company focused on managing our existing CRE assets to maximize shareholder returns.

- ◆ Lehman will transfer substantially all of its commercial real estate portfolio to the Lehman CRE Corp
 - \$32.7B portfolio
 - 1,800 positions, including Archstone
 - Diversified by geography (58% AM, 26% EU, 16% Asia) and property type
 - Includes highly rated securities portfolio; 93% Investment Grade, 74% AA and above
- ◆ Lehman will also transfer \$8.2B of equity into the new entity and initially provide \$24.5B in debt financing
 - Existing Lehman shareholders will receive new shares in the Lehman CRE Corp
 - Lehman will pursue 3rd party participation in financing
- ◆ Company's primary purpose will be to monetize and distribute Lehman's existing commercial real estate assets
 - Will not make new investments in new properties
 - All cash flow will be used to develop existing properties, protect current investments, reduce debt or will be returned to shareholders
- ◆ Management will have flexibility to manage portfolio in a way that maximizes shareholder value
 - Lehman CRE Corp. will report financial results on a held-to-maturity basis
 - Can sell assets or hold them until maturity, whichever alternative offers a greater return
 - Retains flexibility to develop / restructure individual positions as warranted by specific situations
 - No pressure to sell immediately into deteriorating market at reduced valuations
- ◆ Likely to be treated as a C-Corp

Rationale

Spinning off Lehman's CRE portfolio represents the best way to maximize the value of these assets and the value of the Core Lehman Brothers franchise.

- ◆ Our current portfolio of commercial real estate assets is highly diversified across geographies and property types and underwritten by Lehman to high credit standards
- ◆ We are confident these assets will perform well over time and feel strongly that the value maximizing path is to manage the assets as intended at the time of origination
- ◆ In recent months, shareholders, creditors, and counterparties have expressed increasing concern about the size and concentration of our positions and their impact on our overall creditworthiness, and they have put increasing pressure on the firm to reduce our exposure
- ◆ To accomplish this objective without selling these positions at distressed prices, we have developed an innovative structure which will enable us to manage the portfolio as originally intended
- ◆ This construct should not only enable us to maximize the value of our commercial real estate assets for shareholders, but should also increase the value of Core Lehman by eliminating market concerns about our balance sheet

Are You Confident You Can Get It Done?

Structural issues around creating the entity are being addressed.

- ◆ SEC has confirmed that CRE Corp will report financial results on a held-to-maturity basis
- ◆ Ratings agencies have been positive about the impact of this effort on Core Lehman's creditworthiness
- ◆ Will achieve true sale and off-balance sheet treatment
- ◆ Have determined funding model
 - Initially seller financed
 - Expect to syndicate as markets normalize over time
- ◆ Counterparty consent required to transfer some assets; expect to receive consent in most cases
- ◆ Board selection and management structure being finalized
- ◆ Timing: target spin in December 2008 / January 2009

Alternatives Considered and Rejected

Other structural alternatives for CRE assets were considered, but the Lehman CRE Corp provides best solution.

- ◆ Could achieve similar risk transference through targeted stock
 - CRE assets would be sold into a securitization-like structure with equity transferred to current shareholders
 - However, CRE assets would still be consolidated and remain on balance sheet
 - Therefore, no benefit of clear separation

- ◆ Sale of all or majority of portfolio in one or more block transactions
 - Eliminates future risk to Lehman but also removes potential upside of CRE assets for shareholders
 - Would require significant discount due to large size of transaction, diverse nature of properties and limited universe of buyers
 - Likely would need to provide full seller financing

- ◆ Continue current sales process of ~\$5B per quarter
 - Although discounts likely lower than in bulk sale, this process would continue through 2009
 - Concerns regarding size/concentration of CRE portfolio and erosion of Core Lehman franchise remain

Risk Characteristics of Assets

Lehman CRE Corp assets very diverse with strong credit quality and cash flows.

Portfolio Characteristics

Whole Loans

- ◆ Geographically diverse
- ◆ Primarily senior loans; remainder Mezz
- ◆ Short maturity
- ◆ Conservative LTV at origination
- ◆ Mostly floating rate

Securities

- ◆ Predominantly European portfolio
- ◆ High credit quality
- ◆ Average position small

Equity

- ◆ Small number of large equity bridge positions, including Archstone
- ◆ Larger number of small single-property positions

Company Assets (\$B)

	Exposure	Americas	Europe	Asia	Mark ⁽⁵⁾	# of Positions	Average Value ⁽¹⁾	WALTV ⁽²⁾	WAM ⁽³⁾	WALA ⁽⁴⁾	Fixed	Float
Whole loans												
Senior	\$15.8	\$8.6	\$3.5	\$3.6		669	\$24	76%	34	20	6%	94%
Mezzanine	3.9	3.1	0.5	0.4		216	18	80%	32	18	32%	68%
Equity	7.8	5.3	1.5	1.1		598	13					
Securities	4.8	0.8	3.5	0.5		302	16					
Revolver	0.1	0.1	-	-		1	113					
Other Corp Debt	1.9	1.9	-	-		2	935					
Total as of 7/31 ⁽⁶⁾	\$34.3	\$19.8	\$8.9	\$5.6	86	1,788	\$19.2					
Assets to be Sold ⁽⁷⁾	\$1.6											
Total Transferred	\$32.7											

1. In millions. Average value for Revolvers and Other Corporate Debt is related to Archstone

2. WALTV is weighted average loan to value at origination

3. WAM is weighted average number of months remaining to fully extended maturity

4. WALA is weighted average loan age in months

5. Excludes interest only securities

6. Includes assets to be sold (identified)

7. Includes assets to be sold but not yet identified

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Conservative Leverage on Original Face Value of Assets

Leverage for the overall portfolio is set at 75% of the marked asset values. This 75% is built up from market rate leverage ratios on similar seller financings for each underlying asset class. Portfolio leverage is just 64% based on the original face value of the assets.

Approach	Leverage Sensitivities								
◆ Advance rates determined for each asset class based on: – Seller financing advance rates observed in the market place – Expected returns on marked portfolio (proforma for August 31, 2008, the portfolio was marked at approximately 0.85x) ◆ This approach results in an LTV on the marked asset values of 75% – However, on the original face value of the assets, LTV would be just 64% => This implies that the portfolio value would need to decrease to 0.64x original face value for LTV to reach 100% and Lehman note to be impaired	<table> <tr> <th>Portfolio Mark</th><th>Implied LTV ⁽¹⁾</th></tr> <tr> <td>1.00x</td><td>64.0%</td></tr> <tr> <td>0.85x</td><td>75.0%</td></tr> <tr> <td>0.64x</td><td>100.0%</td></tr> </table>	Portfolio Mark	Implied LTV ⁽¹⁾	1.00x	64.0%	0.85x	75.0%	0.64x	100.0%
Portfolio Mark	Implied LTV ⁽¹⁾								
1.00x	64.0%								
0.85x	75.0%								
0.64x	100.0%								

1. Based on constant leverage amount of \$24.6B.

2. Unmarked advance rates based on implied unmarked asset balances.

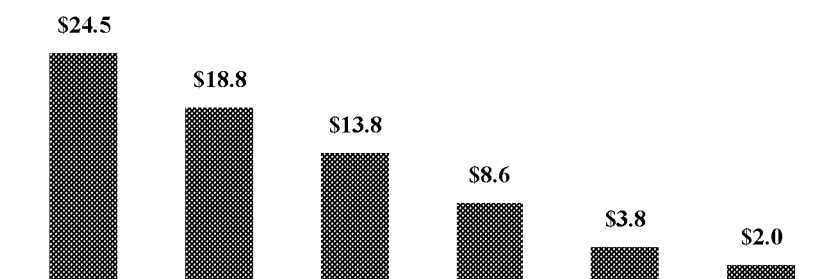
Accelerated Repayment of Leverage and Decreasing LTV

Given cash flow sweep, leverage declines rapidly from 75% to 50% marked LTV.

- ◆ Use cash flow in excess of that required to fund the original investment plan to pay down debt until 50% LTV is achieved
 - Impact is to reduce leverage by 24% (\$5.8B) by year-end 2009 and by 44% (\$10.8B) by year end 2010
- ◆ As leverage decreases, book equity to assets increases
 - Equity represents 25% of total assets at EOY 2008 compared to 81% of total assets in 2013

Projected Leverage and Equity to Assets Ratio

Leverage (\$ B)



	Initial Balance	2009	2010	2011	2012	2013
Leverage / RE Assets	75%	70%	63%	52%	50%	50%
Equity BV	\$8.2	\$8.1	\$8.1	\$8.1	\$8.2	\$8.2
RE Assets	\$32.7	\$27.0	\$21.9	\$16.7	\$7.6	\$3.9
Cash	0.0	0.0	0.0	0.0	4.4	6.2
Total Assets	\$32.7	\$27.0	\$21.9	\$16.7	\$12.0	\$10.2
Equity / RE Assets	25%	30%	37%	48%	-	-
Equity / Total Assets	25%	30%	37%	48%	68%	81%

Asset Impairment Stress Test

- ◆ Equity cushion will increase throughout the period due to cash sweep and debt paydown, even if asset values were impaired ⁽¹⁾

		Period					
		Initial Balance	2009	2010	2011	2012	2013
Impairment To Initial Real Estate Asset Value	0%	25%	30%	37%	48%	-	-
	5%	21%	26%	32%	43%	-	-
	10%	17%	21%	26%	36%	-	-
	15%	12%	15%	19%	27%	-	-
	20%	6%	8%	10%	15%	-	-

1. Assumes sufficient cash flow is available to reduce leverage in each impairment scenario.

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Entity Can Withstand Even Major Stress Event

Step 1:

- ◆ **Identify 1- and 2-year time periods with largest decline in property values for each property type in every geographic market where Lehman Commercial Real Estate Corp. will own commercial real estate assets**
 - Data sourced from Property & Portfolio Research in U.S. and PMA in Europe, leading commercial real estate research and valuation providers; covers every major market where we own CRE assets
 - 1990-2006 time period used encompasses the severe commercial real estate recession of early 1990s

Step 2:

- ◆ **Apply declines for each property type and region to the current mark-to-market value of every property that will be included in the Company. Scenario represents severe stress case since:**
 - Stress applied to the already marked-down value of each Lehman asset, not the original face value
 - Since maximum property price decline typically occurs in the 2 years immediately following the market peak, applying the maximum 2-year stress represents an aggressive incremental decline from current levels
 - Assumes markets for each property type in each region decline simultaneously to worst case levels
 - Historical experience suggests timing of declines across property types and region can vary significantly
 - Assumes we hold every asset throughout entire decline and sell at cycle bottom rather than throughout the period
 - For positions >5% of Company equity, apply concentration charge on overage – 100% for equity, 20% for debt

Step 3:

- ◆ **Adjust 2-year scenario to account for fact that (1) we are already part way through the current cycle, and (2) current downturn is driven by different fundamentals - e.g., substantially less overbuilding than prior cycles**
 - Adjustments based on degree to which each property type, by region, has already fallen from the market peak
 - This “Through the Cycle” decline falls between the 1- and 2-year scenarios and represents the most realistic “worst case” around the Company’s incremental exposure, given the current environment

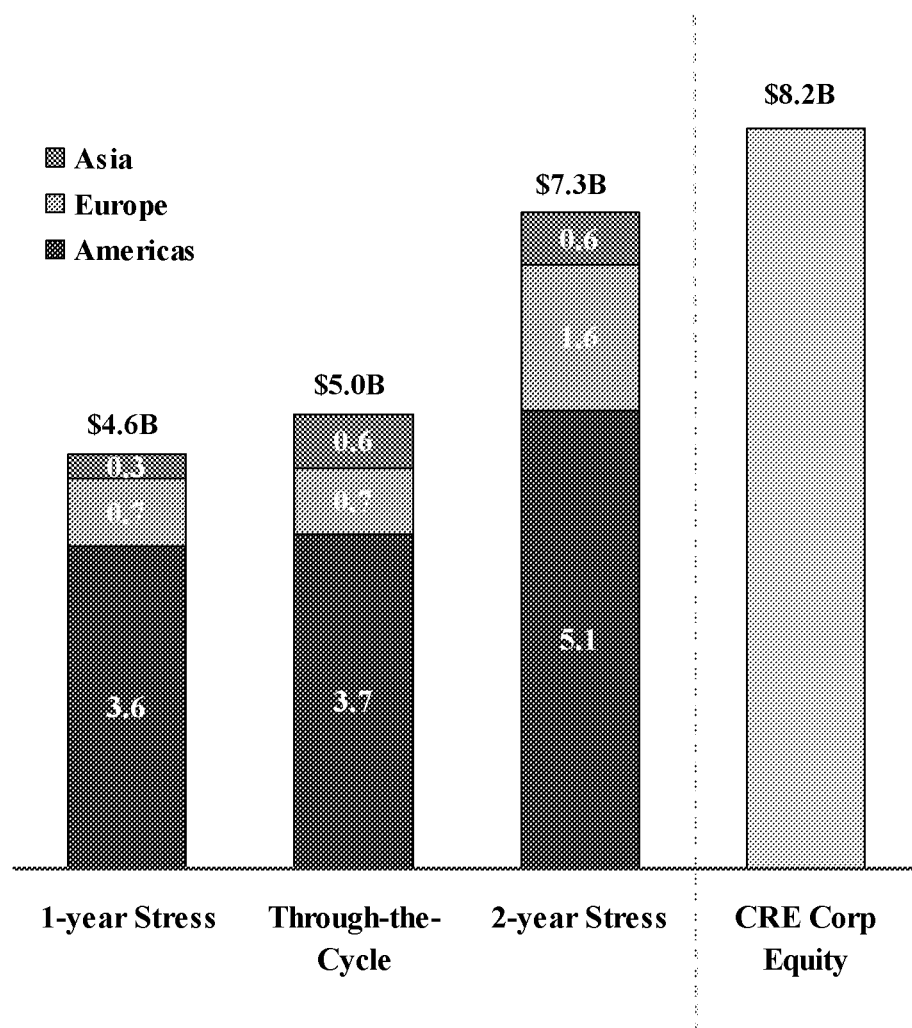
Step 4:

- ◆ **Determine impact of the maximum decline in property values on each asset to be transferred to Lehman Commercial Real Estate Corp., based on:**
 - Aggregate Lehman Brothers exposure to that property
 - Lehman’s position in the overall capital structure

Impact on CRE Assets

1

Losses Under Various Stress Scenarios (\$B)



CRE Corp Asset Value Reductions
2-year Stress Scenario

♦ Americas		
– Land (2nd & Mezz)		-70%
– Land (Equity)		-54%
– Non-land (Bridge equity)		-72%
– Non-land (Equity)		-38%
– Non-land (2nd & Mezz)		-22%
♦ Europe		
– Bridge equity		-97%
– Equity		-71%
– 2 nd & Mezz.		-39%
♦ Asia		
– Mezzanine		-37%
– Equity		-5%

Q3 Results

Quarterly Performance

During Q3, we expect to post a net loss of \$3.9B. This was driven by \$7.3B in gross writedowns as we continued to reduce our exposure to less liquid asset classes.

Quarterly P&L (\$B)

(BPM View)

	2007		2008		
	Q3	Q4	Q1	Q2	Q3
Revenues					
Fixed Income	\$1.3	\$0.4	\$1.0	(\$2.1)	(\$4.5)
Equities	1.5	1.5	1.4	1.1	0.6
Investment Banking (Post Offset)	0.3	0.8	0.2	(0.0)	0.2
Investment Management	0.4	1.0	(0.1)	(0.1)	0.3
Principal Investments	(0.2)	0.3	0.2	(0.3)	(0.6)
Corp/Other	1.0	0.5	0.8	0.8	1.4
Total Net Revenues	\$4.3	\$4.4	\$3.5	(\$0.7)	(\$2.6)
Compensation and Benefits	\$2.1	\$2.2	\$1.8	\$2.3	\$2.0
Non-Personnel Expenses	1.0	1.0	1.0	1.1	1.0
Total Expenses	\$3.1	\$3.2	\$2.8	\$3.4	\$2.9
Pre-Tax Income	\$1.2	\$1.2	\$0.7	(\$4.1)	(\$5.5)
Net Income	\$0.9	\$0.9	\$0.5	(\$2.8)	(\$3.7)
Diluted EPS	\$1.54	\$1.54	\$0.81	(\$5.14)	(\$5.65)
Book Value Per Share	\$38.29	\$39.44	\$39.45	\$34.21	\$27.54

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

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Run-Rate Revenues

Excluding the effect of these writedowns and the offsetting hedges and losses on our principal portfolio, our run rate revenue was \$3.1B.

Run-Rate Revenues (\$B)

(BPM View)

	2007		2008		
	Q3	Q4	Q1	Q2	Q3
Run-Rate Revenues	\$5.0	\$5.2	\$5.3	\$4.2	\$3.1
Gross MTM Adjustments	(3.5)	(3.2)	(5.3)	(4.0)	(7.1)
Hedges ¹	2.8	2.4	3.5	0.3	2.1
Losses on Principal Portfolio	-	-	-	(0.5)	(0.7)
Loss on Defensive Positions	-	-	-	(0.7)	0.0
Net Revenues (Reported)	\$4.3	\$4.4	\$3.5	(\$0.7)	(\$2.6)
Run-Rate Revenues	\$5.0	\$5.2	\$5.3	\$4.2	\$3.1
Compensation & Benefits	2.1	2.2	1.8	2.3	2.0
Non-Personnel Expenses	1.0	1.0	1.0	1.1	1.0
Pre-Tax Income	\$1.9	\$2.0	\$2.5	\$0.8	\$0.2

◆ \$4.7B due to cost of sales & writedowns in residential mortgages

◆ \$1.7B due to cost of sales & writedowns in CRE

◆ \$0.7B due to cost of sales & writedowns in other ABS/LBO

1. Including gains on debt of \$0.9B in Q3 07, \$0.4B in Q4 07, \$0.6B in Q1 08, \$0.4B in Q2 08 and \$1.4B estimated in Q3 08.

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

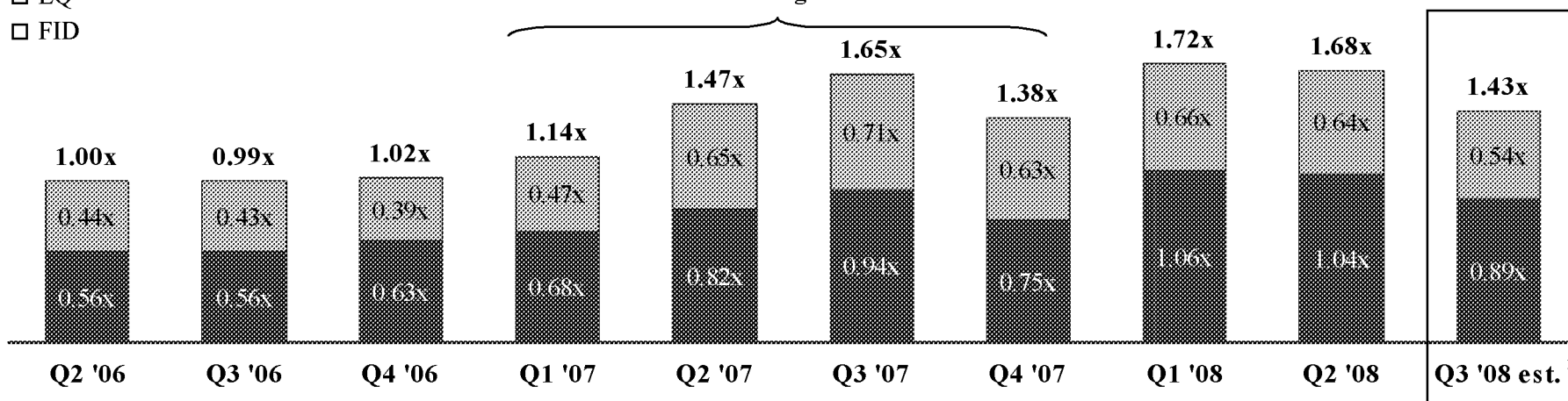
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Client Franchise

Capital Markets Client Revenues (Index)

□ EQ
□ FID

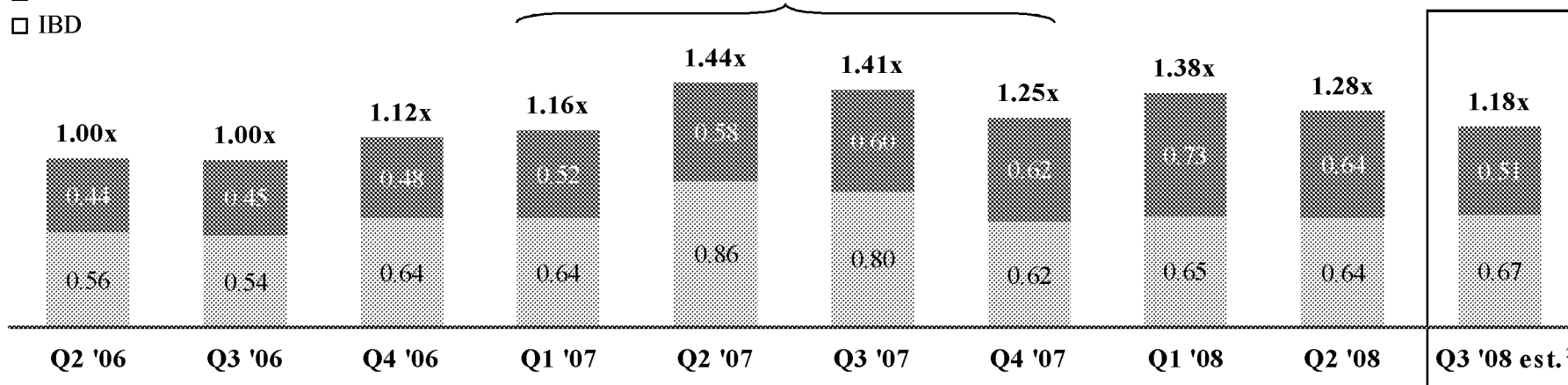
FY07 Average: 1.41x



Investment Banking and Investment Management Net Revenues (Index)

□ IMD
□ IBD

FY07 Average: 1.31x



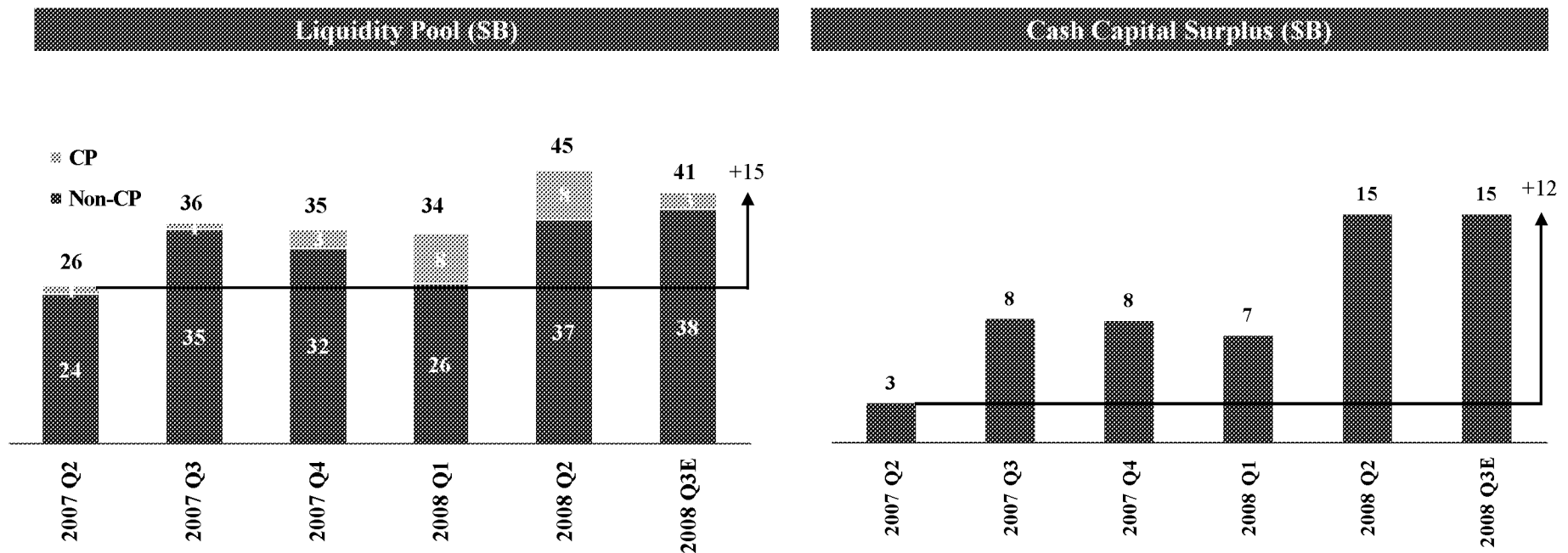
1. Q3 data represents QTD through 8/21/08 extrapolated from 58 to 64 trading days.
2. Q3 data represents QTD through 8/14/08 extrapolated from 53 to 64 trading days.

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Holdings' Liquidity

We have a \$41B liquidity pool and \$15B cash capital surplus at Holdings.

- ◆ Since the third quarter of 2007 when the funding environment became more challenging, we have grown our liquidity pool by \$15 billion and our cash capital surplus by \$12 billion
 - We closed the third quarter of 2008 with a liquidity pool of \$41 billion
 - Cash capital surplus at record level of over \$15 billion at the end of the third quarter



Secured Funding

Our Secured funding position also remains strong with significant overfunding of our Tri-party Repo Book and an increase in the length of our funding for non-central bank eligible collateral.

Non-Government & Agency Repo Book Metrics

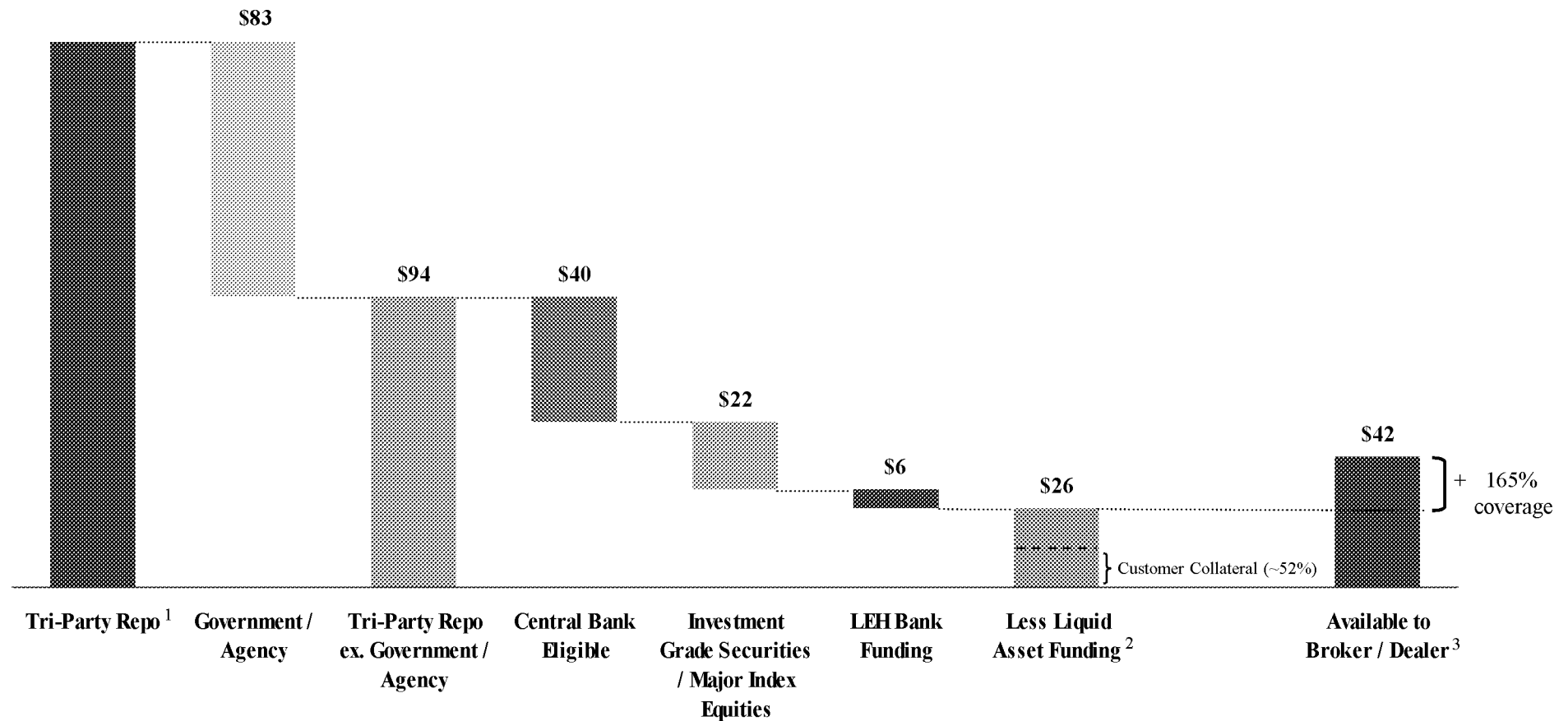
Triparty Repo Book	<u>Q407</u>	<u>Q108</u>	<u>Q208</u>	<u>Q308</u>	<u>Q3 vs Q2 Change</u>
Total Overfunding (\$B)	\$18	\$15	\$27	\$32	18%
Tickets	\$6	\$9	\$16	\$20	26%
Excess Collateral	\$12	\$6	\$11	\$12	9%
Average tenor (days)	27	22	35	33	-2
Central bank eligible	-	-	30	25	-5
Non Central bank eligible	-	-	38	38	0
% Overnight	52%	56%	42%	46%	4%
% ≤1 week	13%	18%	12%	8%	-4%
% > 1 week	<u>35%</u>	<u>25%</u>	<u>46%</u>	<u>46%</u>	0%
	100%	100%	100%	100%	
% > 1 month	24%	20%	29%	28%	-1%

Note: Primary Tri-party Repo provider in the U.S. is JPMorgan Chase

Liquidity Risk Of Secured Funding

Liquidity risk of our secured funding is well contained.

Tri-Party Repo Book Collateral - August 31, 2008 (\$B)



Q2 '08:	\$188B	\$83B	\$105B	\$40B	\$25B	\$8B	\$32B	\$50B (+150% coverage)
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1. Gross exposure
2. 28% of the \$26B is > 1 month duration
3. Includes Liquidity Pool (\$41B) and LBIE (\$1.3B)

Q3 Headcount Reduction

In Q3, we reduced headcount, focusing disproportionately on businesses in secular decline and on discretionary corporate areas.

Headcount Reduction							
	11/30/07	6/30/08	Net Reductions ¹	Pro Forma	% Change from 6/30	Associate & Analyst Class ²	9/15/08
Fixed Income	3,467	3,012	(262)	2,750	(9%)	203	2,953
Equities	2,427	2,332	(164)	2,168	(7%)	160	2,327
Prime Services	699	686	(64)	622	(9%)	51	674
Investment Banking	2,537	2,275	(178)	2,097	(8%)	324	2,421
Investment Management	3,035	2,877	(40)	2,837	(1%)	74	2,911
Principal	111	125	(18)	107	(14%)	0	107
Front Office ex-Mortgages	12,276	11,307	(726)	10,581	(6%)	812	11,393
Mortgage Capital ³	4,419	2,692	(1,209)	1,483	(45%)	0	1,483
Front Office	16,695	13,999	(1,935)	12,064	(14%)	812	12,876
IT	4,860	4,909	(158)	4,751	(3%)	91	4,842
Operations	2,422	2,625	4	2,629	0%	94	2,723
Finance	2,193	2,163	51	2,214	2%	53	2,267
Core HR	423	412	(16)	396	(4%)	4	400
Legal / Compliance / Audit	836	837	12	849	1%	14	863
Discretionary Corp	1,120	1,076	(298)	778	(28%)	3	781
Total Corporate	11,854	12,022	(405)	11,617	(3%)	259	11,876
Total Firm	28,549	26,021	(2,340)	23,681	(9%)	1,071	24,752

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1. Incl. completed reductions & those targeted by 9/15/08 as well as transfers, pipeline activity and replacement hires.
2. Includes all analysts and associates who will be joining after 6/30/08.
3. Mortgage Capital net reductions include Q4 pipeline.

Balance Sheet Evolution

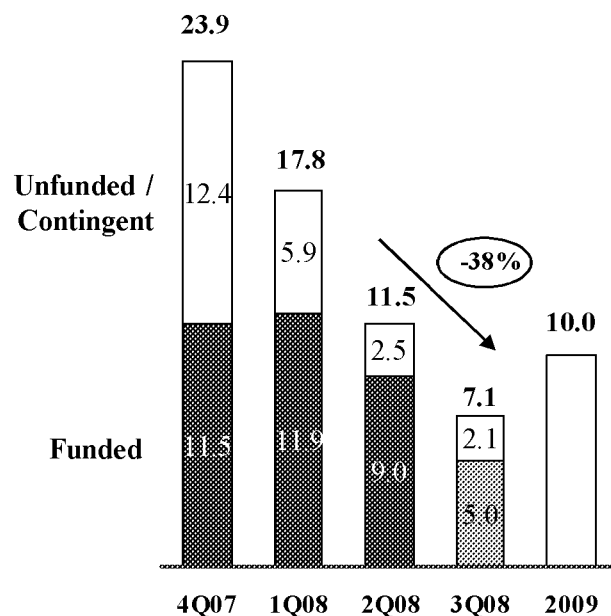
Reduced Exposures

We continued to reduce our exposures to less liquid asset classes. Following the spin of our CRE assets, we will be appropriately positioned in each of these areas.

Reduction in Key Asset Classes (\$B)

High Yield Acquisition Financing

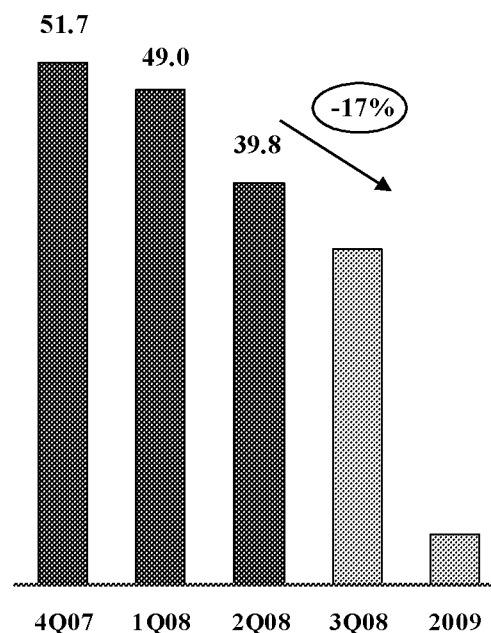
Appropriately Positioned



- ◆ Below threshold maximum
- ◆ Combination of sales / roll-off

Comm. Mortgages & Real Estate Held for Sale

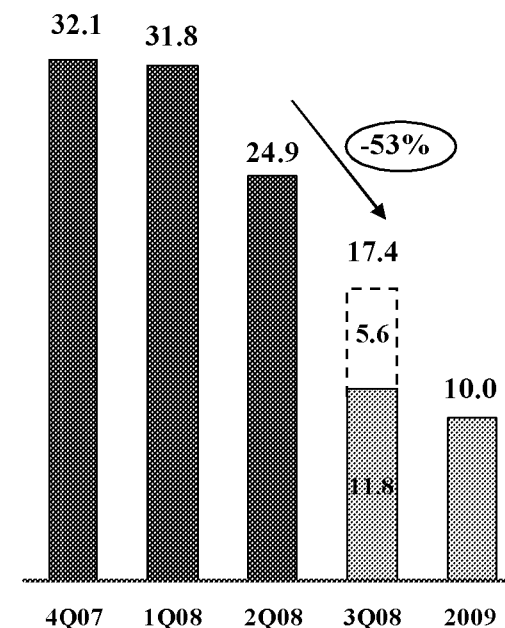
Executing Plan



- ◆ Below threshold maximum, following creation of Lehman Commercial Real Estate Corp.

Residential Mortgages

Actively Trading



- ◆ Down to manageable exposure levels, pro-forma for bulk sales of ~\$6B in Europe in early Q4
- ◆ Trading business active and focused on making markets

Residential Mortgages – Remaining Exposure

Exposure in Residential Mortgages \$B										
	2Q 2008			3Q 2008			3Q 2008 Proforma			
	Face	Mkt Value	Price	Face	Mkt Value	Price	Face	Mkt Value	Price	% Chg in Mkt
US										
Prime/Alt-A										
Whole loans	2.4	2.1	86.6	1.8	1.2	65.9	1.8	1.2	65.9	-42%
AAA securities	4.3	3.4	78.3	2.4	1.3	54.5	2.4	1.3	54.5	-61%
AAA IO	0.5	0.5		0.6	0.6		0.6	0.6		8%
Subordinates	4.7	1.8	37.3	4.8	1.0	21.3	4.8	1.0	21.3	-42%
Total Prime / Alt-A	12.0	7.7	64.6	9.6	4.1	42.7	9.6	4.1	42.7	-47%
Non-Prime										
Whole Loans	1.7	1.1	63.2	1.5	0.6	41.5	1.5	0.6	41.5	-40%
Securities	3.8	1.9	50.9	3.4	1.1	32.5	3.4	1.1	32.5	-45%
Total Non-Prime	5.4	3.0	54.7	4.9	1.7	34.4	4.9	1.7	34.4	-43%
Servicing	1.7	1.7		1.7	1.7		1.7	1.7		0%
Reverse Mortgages	0.6	0.6	99.1	0.7	0.7	95.9	0.7	0.7	95.9	16%
Residuals	0.9	0.9		0.2	0.2		0.2	0.2		-76%
Scratch & Dent	0.9	0.4	43.4	0.5	0.2	41.4	0.5	0.2	41.4	-47%
ABS CDOs	1.8	0.6	35.0	1.7	0.5	28.6	1.7	0.5	28.6	-21%
Total US	23.3	14.9	64.1	19.4	9.1	46.9	19.4	9.1	46.9	-39%
Europe										
Whole loans										
UK	2.4	2.2	88.9	2.2	1.9	87.2	0.5	0.5	87.8	-79%
Ireland	0.3	0.3	97.3	0.3	0.2	85.5	0.3	0.2	85.8	-18%
Netherlands	0.4	0.4	98.5	0.1	0.1	90.2	0.0	0.0		-100%
Italy	0.2	0.2	89.1	0.2	0.1	74.4	0.0	0.0	74.4	-92%
NPL	0.6	0.6		0.6	0.6		0.6	0.6		-5%
Europe Wholeloans	4.0	3.7	92.2	3.3	2.9	88.7	1.4	1.3	92.4	-64%
Securities	5.7	5.3	91.8	5.2	4.6	88.7	0.8	0.6	67.6	-89%
Residuals	0.4	0.4		0.3	0.3		0.3	0.3		-27%
Total Europe	10.1	9.3	92.3	8.8	7.8	89.1	2.6	2.2	85.2	-76%
Asia (Japan / Korea)										
Whole loans	0.5	0.5	100.0	0.7	0.5	66.8	0.7	0.5	66.8	1%
Securities	0.2	0.2	87.8	0.0	0.0	100.0	0.0	0.0	100.0	-97%
Total Asia	0.7	0.7	96.4	0.7	0.5	67.1	0.7	0.5	67.1	-26%
Total Residential	34.1	24.9	73.1	28.9	17.4	60.3	22.7	11.8	52.0	-53%

- ◆ During the quarter, we have lowered our marks to reflect the distressed nature of the residential mortgage market. These prices assume considerable further deterioration in performance that may or may not actually materialize.
- ◆ Portfolio reduced to under half its size from Q2 levels
- ◆ Remaining \$11.8B exposure significantly diversified, with ~ \$3B in servicing, IOs and reverse mortgages and another ~\$3bn in non US assets
- ◆ Reduction in credit-sensitive areas
 - Non-Prime down 43%
 - Prime Subordinates down 42%
 - Residuals down 76%

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Residential Mortgages – Outlook is Constructive

Attractive Valuations of Core Portfolio

U.S. portfolio delivers 12% yields across assets even under current assumptions of:

- ◆ 44% Prime/Alt-A defaults (vs. current 60-day delinquencies of 18%)
- ◆ 57% Non-Prime defaults (vs. current 60-day delinquencies of 23%)
- ◆ 32% peak-to-trough housing price decline nationally, with 50% drop in California, where recovery is about 40% on Prime and 30% on non-prime.

U.S. Residential portfolio will yield positive returns even if 80% of the borrowers default with a 35% recovery

More Balanced Business Mix

Multiple distinct and active sub-businesses

- ◆ Agency Structuring and Trading
- ◆ Secondary Trading of Mortgage Credit: Cash and Synthetic
- ◆ Secondary Trading of ABS Cash and Synthetic and Related indices (ABX, CMBX)
- ◆ Servicing and NPL management
- ◆ Whole loan Trading
- ◆ Client Advisory and Structured Solutions

Have made a significant shift from origination business to secondary trading and advisory

Clients continue to value both our market and product knowledge and support our franchise.

Market contains many sub

sectors that require specific expertise. Significant value to be added by deploying intellectual capital.

Significant Opportunities in Secondary Trading

- ◆ Uncertainty in the residential sector has led to
 - Wider bid offers
 - Fewer competitors
 - More efficient pricing of capital
- ◆ In agency MBS, volumes have been \$90-100bn a month with \$25bn in CMOs, increasing revenue potential in the sector substantially.
- ◆ Significant trading activity in the non-agency sector – buys and sells combined added to about \$15bn in the third quarter 21

LEHMAN BROTHERS

Core Lehman

Core Lehman Overview

Overview

- ◆ Over the past several quarters, there have been significant changes in the marketplace and competitive environment
 - Reduced activity in key businesses such as securitized products and real estate
 - Less liquidity and availability of capital, such that capital is now priced at market-clearing levels
 - ◆ However, these changes have not reduced our clients' fundamental demand for our products/services or our ability to compete in our core businesses (Fixed Income, Equities, Investment Banking and Investment Management)
 - ◆ Our ability to compete in these businesses is grounded in our operating model which centers on four principles: operational excellence, the creation and delivery of intellectual capital, risk management and a strong client orientation
 - ◆ Through consistent execution of these principles, Core Lehman has the capacity to generate \$15.5B¹ in annual revenues in 2009
 - ◆ We are confident we can deliver this performance, even without a material contribution from securitized products or real estate, since:
 - We have competitive advantages in each of the underlying products and geographies where we choose to compete
 - We have well-defined growth opportunities which we can capture by leveraging our existing capabilities
 - We have achieved comparable performance in the recent past with substantially less balance sheet
 - ◆ Going forward, our balance sheet composition of Core Lehman will be significantly more liquid, with fewer Level 3 assets
 - And we will fund these assets from existing, more stable sources, such as the increased use of our bank entities
 - ◆ To support these assets at 11x net leverage, we will need \$21B of common equity and \$29B of tangible equity capital
 - This will require us to raise \$3.0B in new equity capital
 - ◆ We will also need to reduce our NPE from current levels, and have identified a series of specific saves to achieve that goal
 - ◆ Taken together, Core Lehman could achieve a \$23-\$29 share price over near term²
- => The combined value of Core Lehman and the Lehman Commercial Real Estate Corp. could be \$27-\$35 a share, which would represent a ~100% return to shareholders over the next 12-18 months²**

1. \$14.5B after effect of debt revaluation.

2. Lehman Brothers provides no assurances of future stock price performance.

Change in Market and Impact on Lehman Model

What's Changed	What Hasn't
◆ Shift in market opportunity – Residential / commercial mortgage origination and securitization substantially reduced – Sponsors activity diminished / re-oriented – Increase in distressed and restructuring ◆ Less liquidity in market ◆ Reduced access to long term debt market ◆ Capital priced at market clearing levels	◆ Client needs – Activity levels remain strong – Capital accumulating / needs to be invested ◆ Growth of key geographies – Asia – Emerging Markets
Implications for Lehman Model	
◆ Focus on client franchise – Content – Service quality ◆ Diversify funding sources – Reduce reliance on secured market – Expand use of banks	◆ Increase discipline around risk-return characteristics of balance sheet – Charge for all risks incurred, including funding ◆ Establish and adhere to absolute limits around asset class concentration
Lehman's core competencies and culture remain intact	

Defining “Core Lehman”

- ◆ Global institutional investment bank => four major business lines, three geographic regions
- ◆ Client focused business model
- ◆ Concentrated operations focused on key money centers

Core Lehman		Changes
Fixed Income ◆ Rates ◆ Credit (HG, HY) ◆ FX ◆ Commodities ◆ Securitized Products ◆ Comm. Mortgages / Real Estate ◆ Municipals and Public Finance ◆ Research	Equities ◆ Liquid Mkts / Execution Svcs ◆ Leveraged Products ◆ Equity Strategies ◆ Research	Businesses exited ◆ Residential mortgage origination, globally ◆ Non-U.S. residential mortgage servicing ◆ All other asset origination, including student loans and small business finance
Prime Services		
Investment Banking ◆ M&A ◆ Restructuring ◆ Equity Underwriting ◆ Debt Underwriting ◆ Leveraged Finance ◆ Derivative Solutions	Investment Management ◆ Asset Management ◆ Alternative Investments ◆ Private Equity ◆ Private Investment Management	Businesses repositioned ◆ Commercial Real Estate – Transition to fund format and advisory

LEHMAN BROTHERS

Operating Model

Philosophy

Maximize risk-adjusted returns through disciplined delivery of our capital, product-service platform and expertise to win dominant wallet share with highest-priority investing customers and corporate finance clients

Strategic Principles

Operational Excellence	Intellectual Capital	Risk Management	Client-Invested
◆ Diversified platform ◆ Local excellence, global strategy – Balanced geographical investment – <u>One</u> shared philosophy ◆ Disciplined resource allocation – Capital – Risk – Talent	◆ Defining the Marketplace ◆ <u>The</u> recognized global research provider – Fundamental: deep industry expertise, differentiated capabilities – Non-fundamental: Quantitative, Analytics, Macro/Strategies, Equity-linked ◆ Product and transaction advisory excellence – Leadership in idea generation, transaction structuring	◆ Managing businesses for risk-adjusted returns – Funding at market prices – Hurdle rates – Concentration limits ◆ Leverage external capital ◆ Market leading risk infrastructure – Skilled operators – Sound framework ◆ Execution on principles ◆ Market-based inputs	◆ Forge Inner-Circle Relationships – “First Call” – Tactical → Strategic ◆ Foundation of Trust – Aligned interests – Confidentiality and anonymity ◆ Delivering the Global Franchise – One Firm mindset – Integrated solutions – Synergy value

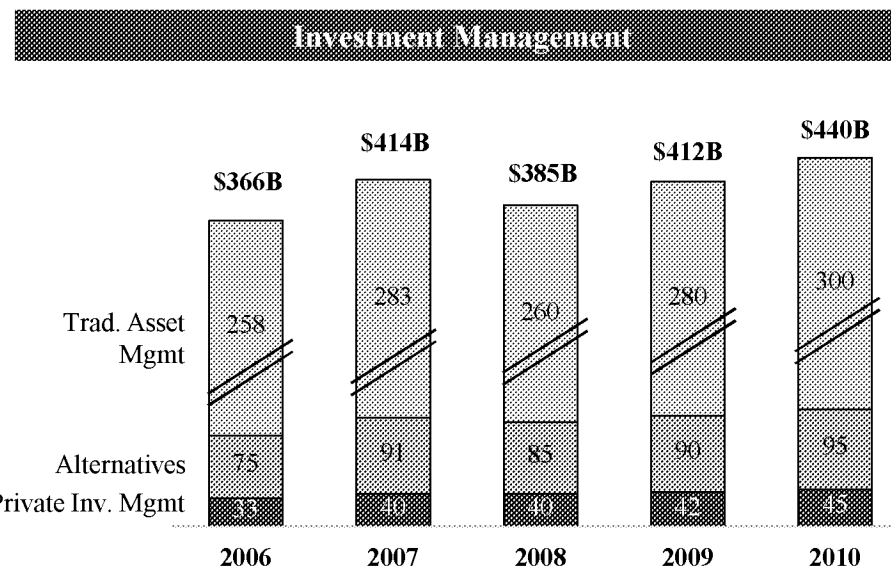
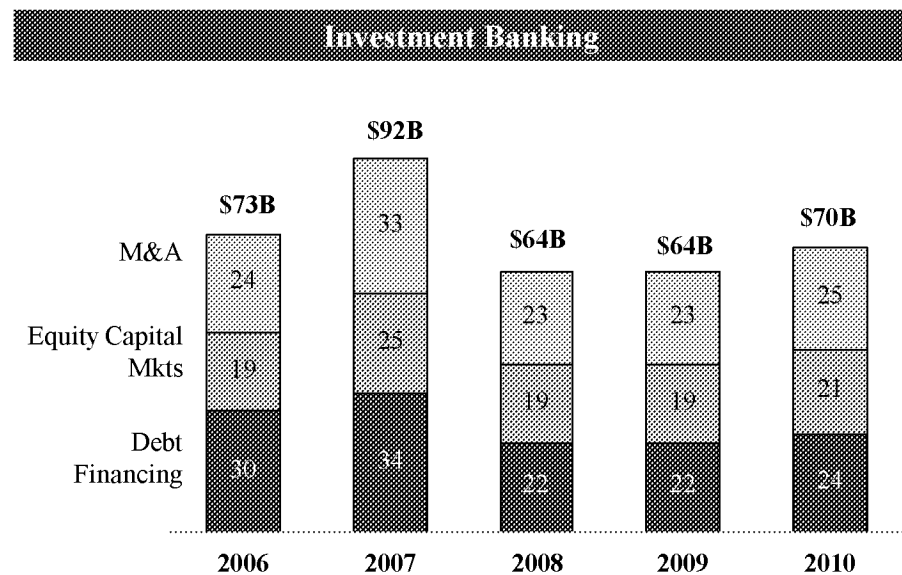
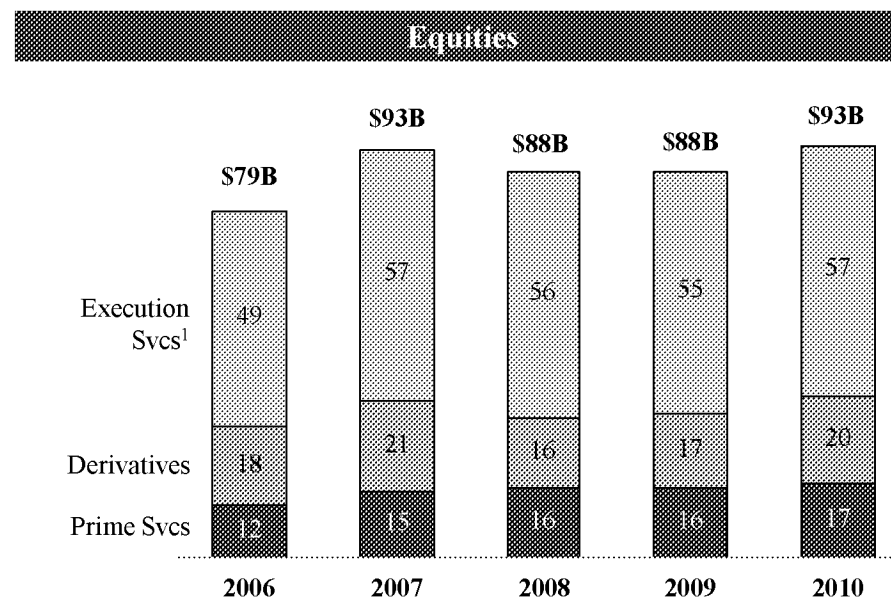
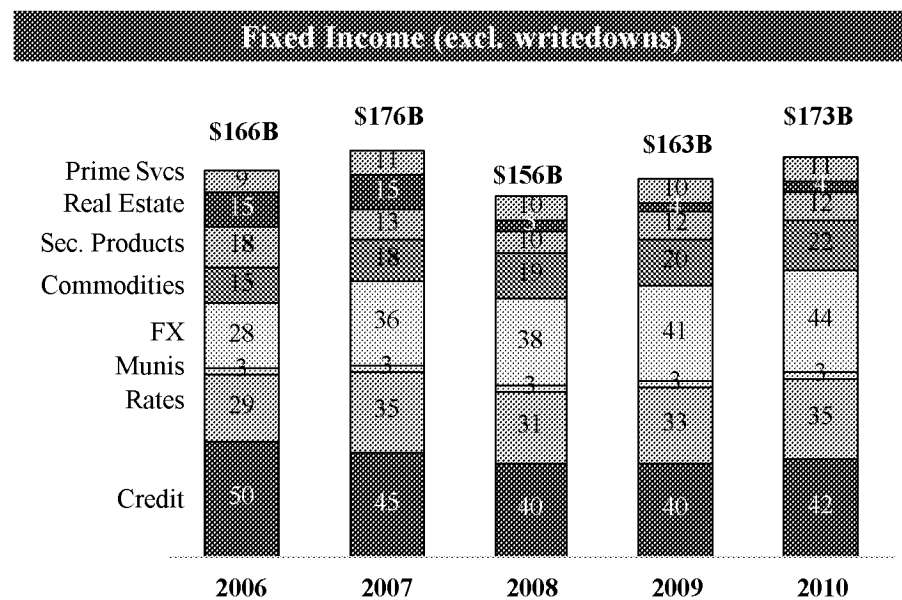
Revenue Scenario

Revenue Scenario (\$B)						
	Actuals				Scenario	
	2005	2006	2007	2008	2009	Excl. Marks 2008
Fixed Income						
FX	\$0.3	\$0.3	\$0.4	\$0.6	\$0.6	\$0.6
Real Estate	2.0	2.1	1.3	(4.3)	0.2	(0.4)
Securitized Prod.	3.0	2.6	(0.1)	(6.2)	0.7	1.3
Commodities	0.0	0.0	0.3	0.5	0.5	0.5
Munis	0.4	0.4	0.2	0.2	0.3	0.2
Credit	1.8	2.4	2.1	2.3	2.0	2.4
Rates	1.4	1.3	1.7	1.5	1.5	1.6
FID Prime Services	0.5	0.6	0.8	1.2	0.8	1.2
Corp/Other	(0.9)	(0.7)	(0.8)	(0.2)	(0.4)	(0.3)
Total Fixed Income	\$8.5	\$9.0	\$6.0	(\$4.5)	\$6.1	\$7.0
Equities						
Liquid Mkts	\$1.7	\$2.0	\$2.7	\$2.6	\$2.2	\$2.6
Converts	0.1	0.2	0.1	0.1	0.2	0.1
Vol	0.6	0.9	1.9	0.3	1.2	0.3
EQ Strat	0.2	0.2	0.6	0.3	0.5	0.3
EQ Prime Services	0.6	0.8	1.2	1.1	1.2	1.1
Corp/Other	(0.1)	(0.1)	(0.3)	(0.3)	(0.2)	(0.3)
Total Equities	\$3.2	\$4.0	\$6.1	\$4.2	\$5.0	\$4.2
Invest. Mgmt.	\$1.2	\$1.7	\$2.6	\$0.7	\$2.3	\$1.5
Invest. Banking (Net)	\$1.9	\$2.1	\$2.4	\$0.9	\$2.0	\$2.2
Principal Investing	\$0.1	\$0.6	\$0.7	(\$0.7)	\$0.3	\$0.0
Corp/Other	(\$0.2)	\$0.2	\$0.3	\$0.5	(\$0.1)	\$0.5
Revenue Pre Debt Reval	\$14.6	\$17.6	\$18.1	\$1.2	\$15.5	\$15.5
Debt Reval	0.0	0.0	1.2	2.4	(1.0)	2.4
Total Reported	\$14.6	\$17.6	\$19.3	\$3.7	\$14.5	\$17.9

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

LEHMAN BROTHERS

Market Fee Pools



LEHMAN BROTHERS

1. Includes Flow Vol for Americas
Note: Lehman Brothers estimates

Current Positioning

	Product	2007				G'wich/Thomson Rank			Competitive Edge			
		Mkt	LEH	LEH	'06-'07				Intellect	Tech-	Business	Client
		Size ¹	Share ²	Revs	△ share	Amer	Eur	Asia	Capital	nology	model/org	Franchise
Fixed Income	Credit	\$45	4.4%	\$2.1	(0.3)%	1	8	>10	✓		✓	✓
	Rates	35	4.6%	1.7	0.0 %	1	>10	6			✓	✓
	Munis	3	7.6%	0.2	(5.2)%	na	na	na	✓		✓	✓
	FX ³	36	0.9%	0.4	(0.2)%	7	10	4	✓	✓		
	Commodities	18	1.4%	0.3	1.2 %	7	8	7			✓	
	Sec Prods	13	10.1%	(0.1)	(4.5)%	1			✓			✓
	Real Estate	15	13.8%	1.3	(0.4)%	6			✓			✓
	FI Prime Svcs ⁴	11	7.2%	0.8	1.4 %	5	>10	>10		✓	✓	
	FI Corp/Other	nm	nm	(0.8)	nm	na	na	na				
	Total	\$176		\$6.0								
Equities	Liquid Mkts	\$57	4.7%	\$2.7	0.6 %	2	8	12	✓	✓		✓
	Derivatives ⁵	21	9.6%	2.0	3.2 %	3	2	11	✓			✓
	EQ Prime Svcs ⁴	15	7.8%	1.2	0.2 %	8	7	6			✓	
	EQ Strategies	nm	nm	0.6	nm	na	na	na				
	EQ Corp	nm	nm	(0.3)	nm	na	na	na				
	Total	\$93		\$6.1								
Invest. Banking ⁵	Advisory	\$33	3.7%	\$1.2	(0.5)%	6	4	2	✓			✓
	Equity Origination	25	3.8%	0.9	(0.8)%	3	9	>10				✓
	Debt Origination	34	4.2%	1.4	(0.7)%	8	>10	>10			✓	✓
	Banking Offset	nm	nm	(1.2)	nm							
	Total	\$92		\$2.4								
Invest. Mgmt	Traditional AM	\$283	0.4%	\$1.1	0.4 %	na	na	na	✓			
	Alternatives	91	0.7%	0.6	0.7 %	na	na	na	✓			
	Priv. Inv. Mgmt (shadow)	40	3.4%	1.4	0.2 %	na	na	na				✓
	Other ⁷	nm	nm	0.8	nm							
	Total (excl. PIM)	\$374		\$2.6								

1. Lehman Brothers estimates

2. LEH share of client revs; excl effect of MTM losses.

3. Ranking per Euromoney's '08 FX poll.

4. Rank based on financing for FI, eq lending for EQ; Eur & Asia financing = estimates.

5. Amer = client recog; Eur & Asia = quality index.

6. CY YTD through 7/31/08.

7. Includes Private Equity gains.

LEHMAN BROTHERS

2009 Scenario

							Growth Drivers			
	Product	Market Size Est.		LEH '09 Scenario		'07-'09	Electronic	Sectors/		
		2007 ¹	2009 ¹	Share ²	Revs	△ Revs	Trading	Products	Regions	Clients
Fixed Income	Credit	\$45	\$40	5.0%	\$2.0	(\$0.1)		Distressed	EMEA	
	Rates	35	33	4.5%	1.5	(0.2)		Exotics	Non G-7	IBD clients
	Munis	3	3	9.6%	0.3	0.1				
	FX	36	41	1.4%	0.6	0.2	FXLive	Exotics	EMG	
	Commodities	18	20	2.5%	0.5	0.2		Oil/refined	EU/Asia	Corporates
	Sec Prods	13	12	5.6%	0.7	0.7		NPL	Restruct	
	Real Estate	15	4	5.2%	0.2	(1.1)		Distressed		
	FI Prime Svcs	11	10	8.0%	0.8	(0.0)		Deriv Svc	EU/Asia	
	FI Corp/Other	nm	nm	nm	(0.4)					
	Total	\$176	\$162		\$6.1	\$0.1				
Equities	Liquid Mkts	\$57	\$55	4.0%	\$2.2	(\$0.4)	Internalization		EU/Asia	↑ Tiering
	Derivatives	21	17	8.1%	1.4	(0.6)			Asia retail	Corp/Pensions
	EQ Prime Svcs	15	16	7.4%	1.2	0.0	LLive Prime			Long-short
	EQ Strategies	nm	nm	nm	0.5	(0.1)				
	EQ Corp	nm	nm	nm	(0.2)					
		Total	\$93	\$88		\$5.0	(\$1.0)			
Invest. Banking	Advisory	\$33	\$23	4.3%	\$1.0	(\$0.2)		X-border EU	BRICs	NatRes/FIG
	Equity Origination	25	19	4.7%	0.9	(0.0)		Recap	Asia	FIG
	Debt Origination	34	22	5.0%	1.1	(0.3)		Esoteric credit	Underfund pens	
	Banking Offset	nm	nm	nm	(1.0)					
		Total	\$92	\$64		\$2.0	(\$0.4)			
Invest. Mgmt	Traditional AM	\$283	\$280	0.5%	\$1.5	\$0.4				Partner model
	Alternatives	91	90	0.8%	0.7	0.1		Successor funds		
	Priv. Inv. Mgmt (shadow)	40	42	3.5%	1.5	0.1		PE + HF		\$10M+ HHs
		Total (excl. PIM)	\$374	\$371		\$2.3	(\$0.3)			

1. Lehman Brothers estimates

2. Includes only LEH share of client revenues; excludes effect of mark to mkt losses for LEH and market in each product category

LEHMAN BROTHERS

Revenues and Net Assets

We are confident that we can deliver on our revenue goals, because we have done so in both 2005 and 2006 with substantially less balance sheet devoted to the businesses remaining in Core Lehman.

Revenue & Net Asset Scenario (\$B)

(BPM View)

	Actuals			Scenario	
	2005	2006	2007	2008	2009
Fixed Income (Incl. Prime Services)					
Revenues	\$8.5	\$9.0	\$6.0	(\$4.5)	\$6.1
Net Assets	134	174	233	206	154
Revenues (ex. RE and Sec. Prod.)	\$3.6	\$4.3	\$4.8	\$6.0	\$5.3
Net Assets (ex. RE and Sec. Prod.)	59	89	106	133	138
Equities (Incl. Prime Services)					
Revenues	\$3.2	\$4.0	\$6.1	\$4.2	\$5.0
Net Assets	53	68	89	65	75
IBD Revenues (Net)	\$1.9	\$2.1	\$2.4	\$0.9	\$2.0
IMD Revenues	\$1.2	\$1.7	\$2.6	\$0.7	\$2.3
Assets Under Management	175	225	282	318	366

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

Revenue Return on Net Assets

Revenue returns on net assets in the 2009 Scenario are reasonable in light of historical performance, current business model and existing market dynamics.

Revenue Returns (\$B)

(BPM View)	2009 Scenario		Historical Revenue Return on Net Assets		
	Revenue	Revenue Return on Net Assets	Last 12 Months	Q1'05 - Q2'08	Q1'05 - Q3'07
Fixed Income					
FX	\$0.6	10%	9%	10%	11%
Real Estate (Post Spin)	0.2	3%	NM	2%	6%
Securitized Prod.	0.7	3%	NM	2%	4%
Commodities	0.5	7%	14%	15%	30%
Munis	0.3	5%	4%	7%	7%
Credit	2.0	6%	5%	8%	9%
Rates	1.5	2%	4%	5%	5%
Total		4%	NM	4%	6%
Equities					
Liquid Mkts	\$2.2	28%	36%	30%	28%
Converts	0.2	4%	4%	4%	3%
Vol	1.2	5%	4%	5%	6%
EQ Strat	0.5	9%	8%	12%	13%
Total		10%	10%	11%	11%

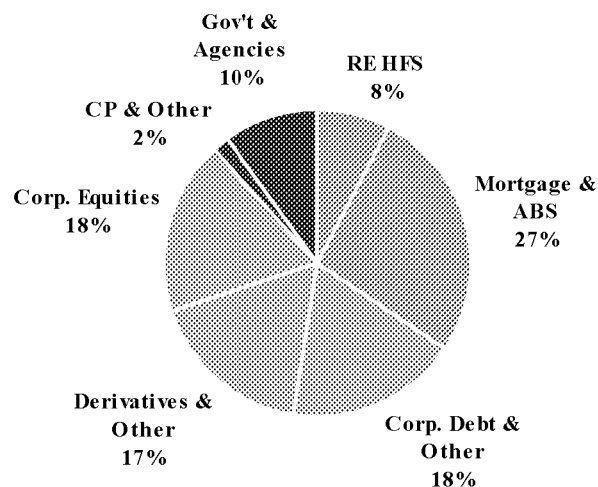
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Balance Sheet Composition

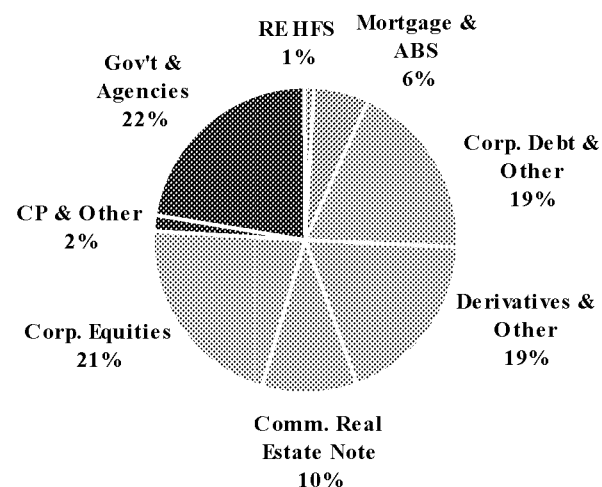
Our balance sheet will include a substantially smaller proportion of less liquid assets.

Financial Instruments and Other Inventory Positions Owned

Q2 2008



2009 Scenario



Less Liquid Assets

Rules of the Road

- ◆ Maintain ~\$300B B/S at under 12x net leverage
- ◆ Concentration limits (absolute, less liquid, level 3)
- ◆ Charge for illiquidity and hedgability
- ◆ Minimum return hurdle on risk equity

Assets (\$B)	Q3 '08	Target
Residential Mortgages	\$12 ¹	\$10
Comm. Mtg & RE HFS	33	5
Other ABS	5	1
HY Acq Financing	7	10
Principal	8	10
Total Less Liquid Assets	\$67	\$36

Net Asset Funding Scenario

Net balance sheet funded through conservative and stable sources.

Net Asset Funding Scenario (\$B)

Funding Source	2Q-08	2009	Comment
Cash Capital	\$138	\$111	- Assumes no long term debt issuances in '08 or '09 - Cash capital cushion of \$15B
Deposits at Banks	29	40	- Increase bank deposit funding ~\$1B to \$2B p/month - Potential to grow bank funding to \$60B+
Non Recourse Borrowings	25	4	- Primarily FAS 140 gross up associated with CRE and Res
Payables	60	60	- Includes \$23B derivative liabilities - Includes \$33B customer & other payables
Short Term Debt	5	5	
Repos	72	80	- Inventory funding only; excludes matched book repos - Repos fund larger % of liquid assets in '09
Total	\$328	\$300	

Repo	2Q'08	2009
Gov. & Agencies	\$31	\$50
Non Gov. & Agencies	40	30
	\$72	\$80

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

LEHMAN BROTHERS

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Capital Bridge Scenario

Core Lehman would be in a strong capital position to support ~\$300B of net assets.

Capital Scenario (\$B)				
	Scenario			
	Q2 '08	Q3 '08	Q4 '08	2009
Common Equity				
Beginning Common	\$21.8	\$19.3	\$19.5	\$21.8
Net Income to Common	(2.9)	(3.9)	0.0	0.8
Common Dividends	(0.1)	(0.1)	(0.0)	(0.1)
Equity Awards, net	0.5	0.4	0.3	1.7
Issuances (Repurchases)	(0.1)	3.9	0.0	
Convert Preferred to Common			2.0	4.5
CRE Spin				(8.2)
Ending Common	\$19.3	\$19.5	\$21.8	\$20.6
Preferred Equity				
Beginning Preferred Stock	7.0	7.0	9.0	11.5
Issuances (Repurchases)	0.0	2.0	4.5	(4.5)
Convert Preferred to Common			(2.0)	
Ending Preferred Stock	\$7.0	\$9.0	\$11.5	\$7.0
Minority Interest (IMD IPO)			0.0	0.0
Junior Sub. Debt	5.0	5.0	5.0	5.0
Total Equity Capital	\$31.3	\$33.5	\$38.3	\$32.6
Less Intangible Assets	(4.1)	(4.1)	(4.1)	(4.1)
Tangible Equity Capital	\$27.2	\$29.4	\$34.2	\$28.5
Common % of Total Equity Capital	62%	58%	57%	63%
Net Assets	\$328	\$315	\$323	\$300
Net Leverage Ratio	12.1x	10.7x	9.5x	10.5x
Tier 1 Capital	\$23.2	\$21.3	\$21.7	\$21.8
Total Risk Based Capital	\$34.8	\$32.0	\$32.5	\$30.8
Risk Weighted Assets	\$217	\$211	\$208	\$205
Tier 1 Capital Ratio	10.7%	10.1%	10.4%	10.6%

◆ Q4 Assumptions

- \$2B preferred converted to \$2B common
 - 85M common shares issued
- Issued \$3.0B contingent convertible security; assumes conversion to common in 1Q09 at creation of Lehman CRE Corp.
 - 265M common shares converted at \$17 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
- \$1.7B equity issued in the form of Restricted Stock Units (“RSU”), including \$0.3B associated with severance costs
- No share repurchases

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Non-Personnel Expense Reduction Scenario

In a lower revenue scenario, we would need to reduce our non-personnel expenses. We have already identified a set of opportunities worth \$360M in annualized saves.

NPE Reduction Scenario (\$M)

Baseline	2009 Run-rate	\$4,079
Less Targeted NPE Savings	Headcount-driven	\$38
	Office consolidations / subleases	\$102
	Country office closures	\$22
	Mortgage Capital exit	\$46
	Efficiency gains	\$75
	NPE Saves (pre-LEH CRE Partnership)	\$283
	Commercial Real Estate Partnership	\$74
	Total NPE Saves (post-LEH CRE Partnership)	\$357
	NPE post saves and divestiture	\$3,722

2009 Income Scenario

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

2009 Income Statement Scenario (\$B)

Core Revenues	\$15.5
Less Debt Revaluation	(1.0)
Net Revenues	\$14.5
Compensation & Benefits	7.9
Non-Personnel Expenses	3.7
Restructuring Charge	0.9
Pre-Tax Income	\$2.0
Taxes	0.6
Preferred Dividends	0.5
Net Income to Common	\$0.8
Return on Common Equity	4.3%
ROE (Ex. Debt Reval & Restructuring Charge)	11.2%

Core Lehman 2009 Scenario vs 2007 and 1999

Conservative return on asset assumptions relative to 2007 and 1999.

P&L (\$B)									
(BPM View)	FY 1999			FY 2007			Core Lehman 2009 Scenario		
	Rev	Net Assets	ROA	Rev	Net Assets	ROA	Rev	Net Assets	ROA
Revenues									
Fixed Income	\$2.4	\$64	3.8%	\$6.0	\$233	2.6%	\$6.1	\$154	4.0%
Equities	1.6	36	4.5%	6.1	89	6.8%	5.0	75	6.7%
Investment Banking	1.1	0		2.4	6		2.0	10	
Investment Management	0.2	1		2.6	12		2.3	8	
Principal	0.3	1		0.7	12		0.3	10	
Corp / Other	(0.3)	6		1.5	22		(1.1)	43	
Total Firm	\$5.3	\$108	4.9%	\$19.3	\$373	5.2%	\$14.5	\$300	4.8%
Compensation	2.7			9.5			7.9		
Non Personnel Expenses	1.0			3.8			3.7		
Restructuring Charge							0.9		
Pre Tax Income	\$1.6			\$6.0			\$2.0		
Taxes	0.5			1.8			0.6		
Preferred Dividends				0.1			0.5		
Net Income to Common	\$1.0			\$4.1			\$0.8		
Comp Ratio	50.7%			49.3%			54.4%		
NPE Ratio	18.8%			19.5%			25.6%		
Pre Tax Margin	30.5%			31.2%			13.7%		
Capital									
Common Equity	\$5.6			\$21.4			\$20.6		
Preferred Stock	0.7			1.1			7.0		
Junior Subordinated Notes	0.7			5.0			5.0		
Goodwill / Intangibles	(0.1)			(4.1)			(4.1)		
Subtotal	\$6.9			\$23.3			\$28.5		
Net Leverage Ratio	15.8x			16.0x			10.5x		
Common / Permanent	80%			78%			63%		
ROE	19%			19%			4%		
Adjusted ROE (ex. Restructuring and Debt Reval)							11%		

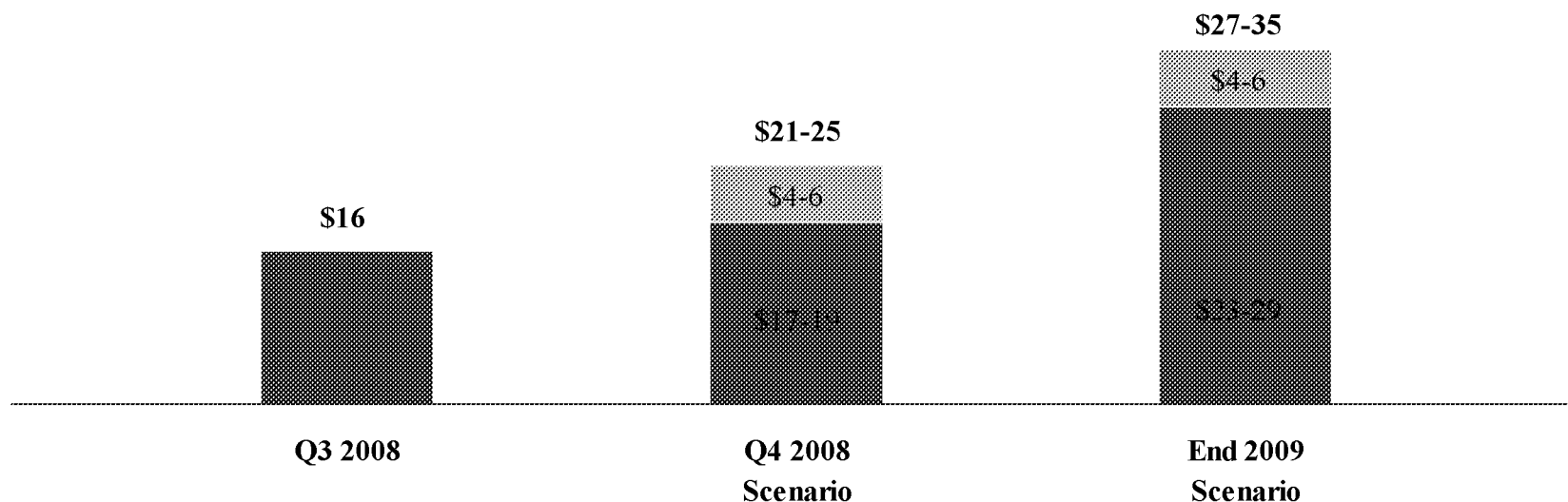
1. 2009 comp ratio higher than anticipated going forward
 Note: Business Performance Management ("BPM") View is a form of management reporting and differs from GAAP.

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Theoretical Valuation

Theoretically, we could envision a scenario generating ~\$27-35 per share for the combined value of Core Lehman and LEH CRE at end 2009.

Core Lehman & CRE Theoretical Valuation (Price per Share)



(\$B, except share data)

	Lehman
Net Income	(\$3.9)
Common Equity ¹	\$19
Common Shares Outstandi	708
Book Value per Share	\$27.54
Price / Book	0.6x
Price Range	
Price / LTM Earnings ²	NM

Core LEH	CRE
\$0.0	n/a
\$14	\$8
799	799
\$16.99	\$10.23
1.0x - 1.1x	0.4x - 0.6x
\$17 - \$19	\$4 - \$6
NM	NM

Core LEH	CRE
\$0.8	(\$0.1)
\$21	\$8
1,121	799
\$18.34	\$10.23
1.2x - 1.6x	0.4x - 0.6x
\$23 - \$29	\$4 - \$6
18x - 23x	NM

Assumes market values CRE independently post announcement

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1. Core Lehman Common Equity in Q4 2008 reflects conversion of \$2B of preferred stock to \$2.0B of common stock; 2009 includes conversion of \$4.5B contingent preferred equity.
 2. LTM earnings for Core LEH in 2009 excludes one-time restructuring charge of \$0.9B and excludes one time impact to net income for conversion of common to preferred (est. \$0.8B)
- Note: Lehman Brothers provides no assurances of future stock price performance