

From: Sullivan, Tim [IBD] [tisulliv@lehman.com].

Sent: 8/27/2008 1:56 PM.

To: Freidheim, Scott J [Freidheim@lehman.com]; Wise, Monique [monique.wise@lehman.com].

Cc: McGee III, Hugh E [hmcgee@lehman.com].

Bcc: .

Subject: Draft Press Releases.

Scott and Monique--

Per Skip's request, attached please find drafts of 3 separate but related preliminary press releases for the three most likely scenarios. Skip asked me to pass these along to you so that we are all working off the same versions. Please let us know any comments, questions or changes at your convenience. Obviously, these will shift around as we get more clarity on the specifics and fine-tune the wording but this is the direction Skip is thinking these will go.

Thanks,

TS

<<Q3 Earns PR_DRAFT A_Skip (Strategic_Khaki).doc>> <<Q3 Earns PR_DRAFT A_Skip (No Strategic).doc>> <<Q3 Earns PR_DRAFT A_Skip (Strategic_Indigo).doc>>

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LEHMAN BROTHERS

Press Release

For Immediate Release

Media Contacts: Kerrie Cohen
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LEHMAN BROTHERS ANNOUNCES EXPECTED THIRD QUARTER RESULTS AND STRATEGIC RESTRUCTURING PLAN

- *Expects to Report a Net Loss of \$[3.3 – 3.7] billion, or [(\$4.50-\$5.50)] Per Share -*
 - *Intends to Spin Off Commercial Real Estate Portfolio into Separate Publicly-Traded Entity -*
 - *Materially Reduces Residential Mortgage and Leveraged Finance Exposure -*
- *[Indigo] Announces Agreement to Invest \$[] billion in pro forma Lehman Brothers (post-spin) at \$[] per share (pro forma book value per share) –*
- *Lehman Brothers and [Khaki] Intend to Enter Into Broad Strategic Collaboration for Acquisition Finance and Investment Banking in [Khaki Home] -*
- *Announces Agreement to Convert \$[] billion of [Series P] Convertible Preferred Stock Into Common Stock -*
 - *Significant Expense Reductions -*
 - *Reduces Quarterly Common Dividend to \$[] per Share –*
 - *Senior Management to Invest \$[] Alongside [Khaki] -*

NEW YORK, September [] 2008 – Lehman Brothers Holdings Inc. (ticker symbol: LEH) announced today that it expects to report a net loss of approximately \$[3.3 – 3.7] billion, or

[\$4.50-\$5.50] per common share (diluted) for the third quarter ended August 31, 2008, compared to a net loss of \$2.8 billion, or (\$5.14) per common share (diluted) for the second quarter of fiscal 2008 and net income of \$887 million, or \$1.54 per common share (diluted), for the third quarter of fiscal 2007.

The Firm expects to report net revenues (total revenues less interest expense) for the third quarter of fiscal 2008 of [(\$1.5-3.0)] billion, compared to (\$0.7) billion for the second quarter of 2008 and \$4.3 billion for the third quarter of fiscal 2007. Net revenues for the third quarter of fiscal 2008 reflect negative mark to market adjustments and principal trading losses, net of gains on certain risk mitigation strategies and certain debt liabilities. Negative revenues were driven largely by the Firm's significant reduction of exposure to Residential Mortgage assets.

For the first nine months of fiscal 2008, the Firm expects to report a net loss of [\$5.7-6.1 billion], or \$[] per common share (diluted), compared to net income of \$3.3 billion, or \$5.71 per common share (diluted) for the first nine months of fiscal 2007. For the first nine months of fiscal 2008, the Firm expects to report a net revenues of [\$1.3 - (\$0.2) billion], compared to \$14.9 billion for the first nine months of fiscal 2007.

During the fiscal third quarter, the Firm incurred negative mark to market adjustments on assets of an estimated \$[4.2 billion to 4.7 billion], including gross negative mark to market adjustments of \$[3.8] billion on residential mortgage-related positions, \$[1.6] billion on commercial real estate positions and \$[0.3] billion on other asset-backed and acquisition finance positions. Net of \$[1.3] billion gains from risk mitigation strategies, the Firm incurred mark to market adjustments of \$[] billion. The Firm also recorded losses on principal investments of \$[] million.

During the fiscal third quarter, the Firm made substantial progress in reducing its exposure to key asset classes and in strengthening its liquidity and capital position (all below amounts are estimated at the end of the third fiscal quarter):

- Residential mortgage-related exposures were reduced by an estimated [xx%] to \$[12.6] billion; [Agreement with [Asset Acquiror]]
- Commercial real estate exposures were reduced by an estimated [16%] to \$[33.2] billion

- High-yield acquisition exposures were reduced by an estimated [26%] to \$[6.4] billion
- Holding Company liquidity pool remained at an estimated \$[41.0] billion
- Cash capital surplus increased to an estimated \$[15.0] billion
- Gross leverage reduced to []x from []x at the end of the second quarter, and net leverage decreased to []x from []x
- [Tier 1 Capital percentage]

Strategic Initiatives

The Firm undertook a series of strategic actions during its third fiscal quarter to address its exposure to less liquid and challenged (particularly real estate) assets, enhance its capital position and position the Firm for a return to profitability in 2009.

Commercial Real Estate Spin-Off

The Firm announced its intention to spin-off its commercial real estate portfolio into a separate publicly-traded entity, Lehman Commercial Real Estate Partnership (“the Partnership”). The current value of the real estate portfolio to be contributed to the Partnership is \$[33] billion.

At the time of the spin-off, Lehman Brothers will fund the Partnership through a combination of a transfer of common equity and the provision of debt financing, which the Firm intends to syndicate as markets normalize. The Partnership’s primary focus will be to reduce debt and maximize shareholder returns by selling assets or holding them to maturity, whichever provides the greater return. The Partnership will not make new investments and any excess cash flow after debt paydown will be returned to shareholders [See Exhibit X on proforma for Spinco].

Lehman Brothers has already received approval from the Securities and Exchange Commission for the structure of the Partnership and its disclosure requirements. The Partnership will own a high quality portfolio of assets (essentially all of which were originated by Lehman Brothers), diversified geographically and by property type, which the Firm believes will perform well over time.

Through the creation of the Lehman Commercial Real Estate Partnership, the Firm will realize a true separation of its commercial real estate assets, maximize their long-term value and retain that upside potential for Lehman Brothers' shareholders. A "bulk sale" of this highly diverse portfolio was never seriously considered as either feasible (given the nature of the assets and current market conditions) or value-accretive to Lehman Brothers' shareholders. By transferring substantively all of the Firm's legacy commercial real estate exposure, Lehman Brothers will better be able to focus its efforts on its long-term strategy of delivering value to clients.

\$[]B Strategic Investment by [Khaki] and Related Broad Strategic Collaboration

Lehman Brothers announced that [Khaki] has agreed to make a \$[] billion strategic investment in the Firm [simultaneously with the occurrence of the spin-off]. Due to a current lack of authorized common shares, the investment will initially be in the form of contingent preferred ("common equivalent") stock mandatorily convertible into Lehman Brothers common stock upon the approval of additional authorized common shares by Lehman Brothers' shareholders at a special meeting of shareholders to be called by Lehman Brothers' Board of Directors. This security will be convertible into common stock at a price of \$[], which represents a 1.[x] multiple of Lehman Brothers' pro forma book value per share of \$[] following the completion of the spin-off. Upon conversion into common stock, it is expected that [Indigo] will own []% of Lehman Brothers' outstanding common stock. Upon conversion, [Indigo] will have the right to nominate one new member to the Lehman Brothers Board of Directors.

Lehman Brothers and [Khaki] also announced that they intend to pursue a broad strategic collaboration focused on acquisition finance globally and investment banking within [Khaki home] specifically. [While no definitive agreements for either joint venture have yet been reached, the management of Lehman Brothers and Khaki believe that these ventures will generate significant value for both sets of shareholders by expanding the scope of Lehman Brothers' acquisition finance capabilities and partnering Lehman Brothers' global investment banking platform with extensive local relationships and reputation of [Khaki] in [Khaki home]. Discussions on the specific terms and scope of these ventures are ongoing, and Lehman Brothers and [Khaki] expect to issue detailed press releases upon the execution of definitive agreements.

[COMMENT FROM DICK and KHAKI CEO]

[For additional details on the strategic investment in Lehman Brothers by [Khaki], please see Exhibit [].

Conversion of Existing Convertible Preferred Stock into Common Stock

Lehman Brothers announced that it has entered into a series of transactions with holders of its [Series P] convertible preferred stock to convert their preferred stock into common stock. In aggregate, these transactions resulted in a \$[] billion reduction in preferred equity and a \$[] billion increase in common equity due to issuances of common stock and resulting gains on the acquisition of preferred shares. These transactions (“the Conversion”) will result in an enhanced equity capitalization. Pro forma for these transactions, \$[] billion of Series P convertible preferred stock remained outstanding.

Dividend Reduction

The Firm announced its intention to reduce its quarterly dividend to \$[] per common share from \$[0.17] per common share, enabling the Firm to retain \$[] million for investment in [].

Finalization of Restructuring Securitized Products Origination Platform

Lehman Brothers expects to finalize the restructuring of all securitized product origination platforms during the third fiscal quarter. The Firm has completed the sale of Campus Door and Capital Crossing, and announced plans to close ELQ and Small Business Finance.

[The Firm expects to report that it has \$[] billion in residential mortgage assets at the end of the third fiscal quarter. *Statement about ongoing ability to make markets in these asset classes while allocating less balance sheet*]

Personnel and Non-Personnel Expense Reductions

Mainly as a result of headcount reductions in businesses in secular decline and in other discretionary areas, the Firm expects to announce staff reductions of approximately [1,900] during the [fourth?] fiscal quarter. The Firm also launched a process to reduce non-personnel expenses by approximately \$[360] million annually, or [16]% of impactable costs.

Lehman Brothers expects to end the third fiscal quarter with tangible equity of \$[XX] billion, an increase of \$[XX] million from the prior quarter, reflecting the Firm's June capital raising activities. We expect to end the third quarter with tangible equity of approximately \$[XX] billion. Net leverage at the end of the third quarter is estimated at []x and our Tier 1 Capital Ratio is []%.

Pro forma for the spin-off, the conversion of convertible preferred shares into common equity and the sale of common equivalent equity to [Khaki], net leverage at the end of the third quarter is estimated at []x and our Tier 1 Capital Ratio is []%.

Chairman and Chief Executive Officer Richard S. Fuld, Jr. said, "These actions demonstrate our commitment to meeting our current challenges with thoughtful solutions and are important steps in our ongoing efforts to position the Firm for a successful future in delivering value to our clients and shareholders. The reduction in our legacy exposures to commercial and residential mortgage assets in the third quarter combined with the planned spin-off of our commercial real estate assets will materially reduce the Firm's overall exposure to these assets by []%, removing a significant overhang on our future performance while maintaining upside for our shareholders. Coupled with the significant equity investment from [Khaki], I believe we are in a strong position to maximize value for shareholders through the continued growth and development of our client-facing businesses."

Expected Results – Business Segments

Capital Markets is expected to report net revenues of negative (\$[2.2]) billion in the third quarter of fiscal 2008, compared to (\$2.4) billion in the second quarter of fiscal 2008 and \$2.4 billion in the third quarter of fiscal 2007. Fixed Income Capital Markets is expected to report net revenues of negative (\$[3.1]) billion, compared to (\$3.0) billion in the second quarter of 2008 and \$1.1 billion in the third quarter of 2007. [--Excluding mark to market adjustments, related hedges and structured note liability gains, client activity in securitized products, municipals and commodities remained strong, while credit, interest rate and financing were down from last quarter but each up versus the year ago period--]. Equities Capital Markets is expected to report

net revenues of \$[0.9] billion, an increase from \$0.6 billion in the second quarter of fiscal 2008 and a decrease from \$1.4 billion in the third quarter of 2007, [--as record revenues in prime brokerage and solid execution services activity were offset, in part, by lower volatility revenues as well as estimated losses of approximately \$0.3 billion on private equity and principal investments--].

Investment Banking is expected to report net revenues of \$0.9 billion, consistent with \$0.9 billion in the third quarter of fiscal 2007 and a decrease from \$1.1 billion in the third quarter of fiscal 2007. Debt underwriting revenues are expected to be \$[xx] billion, consistent with \$0.3 billion in the first and second quarters of fiscal 2008 and a decrease from \$0.4 billion in the third quarter of 2007, [--as strong high grade debt underwriting revenues were offset by continued weakness in high yield new issuance--]. Equity underwriting revenues are expected to be \$[xx] billion, an increase from \$0.3 billion in the second quarter of fiscal 2008 and consistent with \$0.3 billion in the third quarter of 2007. Merger and acquisition advisory revenues are expected to be \$[xx] billion, an increase from \$0.2 billion in the second quarter of fiscal 2008 and consistent with \$[xx] billion in the third quarter of 2007.

Investment Management is expected to report net revenues of \$[xx] billion, a decrease from record revenues of \$[xx] billion in the second quarter of fiscal 2008 and an increase from \$[xx] billion in the third quarter of fiscal 2007. Asset management revenues are expected to be \$[xx] billion, a decrease from \$[xx] billion in the second quarter of fiscal 2008 and consistent with \$[xx] billion in the third quarter of 2007. The Firm expects to report assets under management of approximately \$[xx] billion, consistent with the prior quarter. Private Investment Management is expected to report revenues of \$[xx] billion, consistent with \$[xx] billion in the second quarter of fiscal 2008 and an increase from \$[xx] billion in the third quarter of 2007, [--with strength across both fixed income and equity products--].

Firm Profitability and Capital

Non-interest expenses for the third quarter of fiscal 2008 are expected to be \$[xx] billion, compared to \$[xx] billion in the second quarter of fiscal 2008 and \$[xx] billion in the third quarter of fiscal 2007. Compensation expense was approximately \$[xx] billion in the third

quarter of 2008, compared to \$[xx] billion in the second quarter of fiscal 2008. Non-personnel expenses for the period were approximately \$[xx] billion, compared to \$[xx] billion in the second quarter of fiscal 2008. The expected tax rate is [xx]%.

As of August 31, 2008, Lehman Brothers' total stockholders' equity was an estimated \$[xx] billion, and total long-term capital was approximately \$[xx] billion. Estimated book value per common share was approximately \$[xx].

Lehman Brothers (ticker symbol: LEH), an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients, and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The Firm is headquartered in New York, with regional headquarters in London and Tokyo, and operates in a network of offices around the world. For further information about Lehman Brothers' services, products and recruitment opportunities, visit the Firm's Web site at www.lehman.com.

Pre-Announcement Conference Call

A conference call to discuss the Firm's pre-announced financial results will be held [today at xxx a.m. ET]. The call will be open to the public. For members of the public who would like to access the conference call, it will be available through the "Shareholders" section of the Firm's Web site under the subcategory "Events and Presentations." The conference call will also be available by phone by dialing, from the U.S., [xxx] or, from outside the U.S., [xxx] at least fifteen minutes prior to the start of the conference call. The pass code for all callers is "[xxx]". For those unable to listen to the live broadcast, a replay will be available on the Firm's Web site or by dialing [xxx] (domestic) or [xxx] (international). The replay will be available immediately after the beginning of the call and will remain available on the Lehman Brothers Web site and by phone until 11:59 p.m. ET on [xxx], 2008.

Third Quarter Earnings Call

The Firm will announce its full third quarter fiscal 2008 results on [xxx], 2008 in a press release that will be issued at approximately [xxx] a.m. ET. The press release will also be available on the Firm's Web site: <http://www.lehman.com>.

A conference call to discuss the Firm's financial results and outlook will be held at [xxx] a.m. ET that day. The call will be open to the public. For members of the public who would like to access the conference call, it will be available through the "Shareholders" section of the Firm's Web site under the subcategory "Events and Presentations." The conference call will also be available by phone by dialing, from the U.S., [xxx] or, from outside the U.S., [xxx] at least fifteen minutes prior to the start of the conference call. The pass code for all callers is "[xxx]". For those unable to listen to the live broadcast, a replay will be available on the Firm's Web site or by dialing [xxx] (domestic) or [xxx] (international). The replay will be available immediately after the beginning of the call and will remain available on the Lehman Brothers Web site and by phone until 11:59 p.m. ET on [xxx], 2008.

Please direct any questions regarding the conference call to Shaun Butler at [xxx], shaun.butler@lehman.com.

Cautionary Note Regarding Forward-Looking Statements

This press release may contain forward-looking statements. These statements are not historical facts, but instead represent only the Firm's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include risks and uncertainties relating to market fluctuations and volatility, industry competition and changes in the competitive environment, investor sentiment, liquidity and credit ratings, credit exposures, operational risks and legal and regulatory matters. The Firm's actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition in any such forward-looking statements and, accordingly, readers are cautioned not to place undue reliance on such statements. The Firm undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. For more information concerning the risks and other factors that could affect the Firm's future results and

financial condition, see “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in the Firm's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

The Firm’s financial statements for the third fiscal quarter of 2008 are not finalized until they are filed in its Quarterly Report on Form 10-Q for the third fiscal quarter of 2008. The Firm is required to consider all available information through the finalization of its financial statements and the possible impact of such information on its financial condition and results of operations for the reporting period, including the impact of such information on the complex and subjective judgments and estimates the Firm made in preparing certain of the preliminary information included in this Press Release. Subsequent information or events may lead to material differences between the preliminary results of operations described in this Press Release and the results of operations that will be described in the Firm’s subsequent earnings release and between such subsequent earnings release and the results of operations described in the Firm’s Quarterly Report on Form 10-Q for the third fiscal quarter of 2008. Those differences may be adverse. Readers should consider this possibility in reviewing the earnings information in this Press Release.

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LEHMAN BROTHERS

Press Release

For Immediate Release

Media Contacts: Kerrie Cohen
1-212-526-4092
Monique Wise
1-646-333-9056
Investor Contact: Shaun Butler
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LEHMAN BROTHERS ANNOUNCES EXPECTED THIRD QUARTER RESULTS AND STRATEGIC RESTRUCTURING PLAN

- *Expects to Report a Net Loss of \$[3.3 – 3.7] billion, or [(\$4.50-\$5.50)] Per Share -*
- *Intends to Spin Off Commercial Real Estate Portfolio into
Separate Publicly-Traded Entity -*
- *Materially Reduces Residential Mortgage and Leveraged Finance Exposure -*
- *Announces Agreement to Convert \$[] billion of [Series P] Convertible Preferred Stock Into
Common Stock -*
- *Additional Capital To Be Raised Prior to Consummation of Spin-Off -*
- *Confirms Exploration of Monetization Options for Investment Management Division –*
 - *Significant Expense Reductions -*
 - *Reduces Quarterly Common Dividend to \$[] per Share –*

NEW YORK, September [] 2008 – Lehman Brothers Holdings Inc. (ticker symbol: LEH) announced today that it expects to report a net loss of approximately \$[3.3 – 3.7] billion, or [(\$4.50-\$5.50)] per common share (diluted) for the third quarter ended August 31, 2008, compared to a net loss of \$2.8 billion, or (\$5.14) per common share (diluted) for the second

quarter of fiscal 2008 and net income of \$887 million, or \$1.54 per common share (diluted), for the third quarter of fiscal 2007.

The Firm expects to report net revenues (total revenues less interest expense) for the third quarter of fiscal 2008 of [(\$1.5-3.0)] billion, compared to (\$0.7) billion for the second quarter of 2008 and \$4.3 billion for the third quarter of fiscal 2007. Net revenues for the third quarter of fiscal 2008 reflect negative mark to market adjustments and principal trading losses, net of gains on certain risk mitigation strategies and certain debt liabilities. Negative revenues were driven largely by the Firm's significant reduction of exposure to Residential Mortgage assets.

For the first nine months of fiscal 2008, the Firm expects to report a net loss of [\$5.7-6.1 billion], or \$[] per common share (diluted), compared to net income of \$3.3 billion, or \$5.71 per common share (diluted) for the first nine months of fiscal 2007. For the first nine months of fiscal 2008, the Firm expects to report a net revenues of [\$1.3 - (\$0.2) billion], compared to \$14.9 billion for the first nine months of fiscal 2007.

During the fiscal third quarter, the Firm incurred negative mark to market adjustments on assets of an estimated \$[4.2 billion to 4.7 billion], including gross negative mark to market adjustments of \$[3.8] billion on residential mortgage-related positions, \$[1.6] billion on commercial real estate positions and \$[0.3] billion on other asset-backed and acquisition finance positions. Net of \$[1.3] billion gains from risk mitigation strategies, the Firm incurred mark to market adjustments of \$[] billion. The Firm also recorded losses on principal investments of \$[] million.

During the fiscal third quarter, the Firm made substantial progress in reducing its exposure to key asset classes and in strengthening its liquidity and capital position (all below amounts are estimated at the end of the third fiscal quarter):

- Residential mortgage-related exposures were reduced by an estimated [xx%] to \$[12.6] billion; [Agreement with [Asset Acquiror]]
- Commercial real estate exposures were reduced by an estimated [16%] to \$[33.2] billion
- High-yield acquisition exposures were reduced by an estimated [26%] to \$[6.4] billion
- Holding Company liquidity pool remained at an estimated \$[41.0] billion

- Cash capital surplus increased to an estimated \$[15.0] billion
- Gross leverage reduced to []x from []x at the end of the second quarter, and net leverage decreased to []x from []x
- [Tier 1 Capital percentage]

Strategic Initiatives

The Firm undertook a series of strategic actions during its third fiscal quarter to address its exposure to less liquid and challenged (particularly real estate) assets, enhance its capital position and position the Firm for a return to profitability in 2009.

Commercial Real Estate Spin-Off

The Firm announced its intention to spin-off its commercial real estate portfolio into a separate publicly-traded entity, Lehman Commercial Real Estate Partnership (“the Partnership”). The current value of the real estate portfolio to be contributed to the Partnership is \$[33] billion.

At the time of the spin-off, Lehman Brothers will fund the Partnership through a combination of a transfer of common equity and the provision of debt financing, which the Firm intends to syndicate as markets normalize. The Partnership’s primary focus will be to reduce debt and maximize shareholder returns by selling assets or holding them to maturity, whichever provides the greater return. The Partnership will not make new investments and any excess cash flow after debt paydown will be returned to shareholders [See Exhibit X on proforma for Spinco].

Lehman Brothers has already received approval from the Securities and Exchange Commission for the structure of the Partnership and its disclosure requirements. The Partnership will own a high quality portfolio of assets (essentially all of which were originated by Lehman Brothers), diversified geographically and by property type, which the Firm believes will perform well over time.

Through the creation of the Lehman Commercial Real Estate Partnership, the Firm will realize a true separation of its commercial real estate assets, maximize their long-term value and retain that upside potential for Lehman Brothers’ shareholders. A “bulk sale” of this highly diverse

portfolio was never seriously considered as either feasible (given the nature of the assets and current market conditions) or value-accretive to Lehman Brothers' shareholders. By transferring substantively all of the Firm's legacy commercial real estate exposure, Lehman Brothers will better be able to focus its efforts on its long-term strategy of delivering value to clients.

Conversion of Series [P] Convertible Preferred Stock into Common Stock

Lehman Brothers announced that it has entered into a series of transactions with holders of its [Series P] convertible preferred stock to convert their preferred stock into common stock. In aggregate, these transactions resulted in a \$[] billion reduction in preferred equity and a \$[] billion increase in common equity due to issuances of common stock and resulting gains on the acquisition of preferred shares. These transactions ("the Conversion") will result in an enhanced equity capitalization. Pro forma for these transactions, \$[] billion of Series P convertible preferred stock remained outstanding.

Dividend Reduction

The Firm announced its intention to reduce its quarterly dividend to \$[] per common share from \$[0.17] per common share, enabling the Firm to retain \$[] million for investment in [].

Pro Forma Capitalization

Lehman Brothers expects to end the third fiscal quarter with tangible equity of \$[XX] billion, an increase of \$[XX] million from the prior quarter, reflecting the Firm's June capital raising activities. Based on assumptions regarding capital levels and financial leverage following a spin-off of the company's commercial real estate portfolio, we expect to end the third quarter with tangible equity of approximately \$[XX] billion. Net leverage at the end of the third quarter is estimated at []x and our Tier 1 Capital Ratio was []%. Pro for the spin-off of Commercial Real Estate, Lehman Brothers expects to maintain a 12.5x-13.5x net leverage ratio and []%-[]% Tier 1 Capital Ratio going forward pro forma for the spin-off of the Partnership. These leverage levels are appropriate for the lower-risk nature of the assets on Lehman Brothers' pro forma balance sheet and is consistent with both the Firm's historical levels as well as the leverage levels of its competitors. In order to reach the level of equity capitalization (and Tier 1

Ratio) required to support its pro forma assets, Lehman Brothers will concurrently pursue three options to raise equity capital in the most efficient means possible:

- Potential sale of strategic stake in the Firm to a third-party investor
- Potential public capital markets transaction
- Exploration of monetization alternatives for its Investment Management Division

Lehman Brothers also announced that it has commenced a limited process with potential strategic and private equity acquirors to gauge interest in the sale of a majority stake of its Investment Management Division. Discussions are still preliminary, and there can be no guarantee that any definitive agreement will be reached. In the event of a majority stake sale, the Firm's goodwill associated with the Investment Management Division would be removed from its balance sheet, thus increasing tangible equity in addition to any gain recognized in association with a stake sale.

Lehman Brothers' Investment Management Division consists of three businesses: Asset Management, which includes Neuberger Berman, offers proprietary products, across traditional and alternative asset classes, through a variety of distribution channels to individuals and institutions; Private Investment Management, which offers comprehensive investment, wealth advisory and capital markets execution services for high net worth individuals and businesses, leveraging all of the resources of the Firm; and Private Equity, which provides investment opportunities in privately negotiated transactions across a variety of asset classes for institutional and qualified individual investors. Over the past five years, assets under management in Lehman Brothers' Investment Management Division have grown at a compound annual rate of 24%. AUM was totaled \$277 billion as of May 31, 2008.

Finalization of Restructuring Securitized Products Origination Platform

Lehman Brothers expects to finalize the restructuring of all securitized product origination platforms during the third fiscal quarter. The Firm has completed the sale of Campus Door and Capital Crossing, and announced plans to close ELQ and Small Business Finance.

[The Firm expects to report that it has \$[] billion in residential mortgage assets at the end of the third fiscal quarter. *Statement about ongoing ability to make markets in these asset classes while allocating less balance sheet*]

Personnel and Non-Personnel Expense Reductions

Mainly as a result of headcount reductions in businesses in secular decline and in other discretionary areas, the Firm expects to announce staff reductions of approximately [1,900] during the [fourth?] fiscal quarter. The Firm also launched a process to reduce non-personnel expenses by approximately \$[360] million annually, or [16]% of impactable costs.

Chairman and Chief Executive Officer Richard S. Fuld, Jr. said, “These actions demonstrate our commitment to meeting our current challenges with thoughtful solutions and are important steps in our ongoing efforts to position the Firm for a successful future in delivering value to our clients and shareholders. The reduction in our legacy exposures to commercial and residential mortgage assets in the third quarter combined with the planned spin off of our commercial real estate assets will materially reduce the Firm’s overall exposure to these assets by []%, removing a significant overhang on our future performance while maintaining upside for our shareholders. Upon the completion of an additional equity capital raise through one of the several options available to us, we will be in a position to return to profitability and capitalize on the market share gains in our client-facing businesses we have achieved during this period of extraordinary market turmoil.”

Expected Results – Business Segments

Capital Markets is expected to report net revenues of negative (\$[2.2]) billion in the third quarter of fiscal 2008, compared to (\$2.4) billion in the second quarter of fiscal 2008 and \$2.4 billion in the third quarter of fiscal 2007. Fixed Income Capital Markets is expected to report net revenues of negative (\$[3.1]) billion, compared to (\$3.0) billion in the second quarter of 2008 and \$1.1 billion in the third quarter of 2007. [--Excluding mark to market adjustments, related hedges and structured note liability gains, client activity in securitized products, municipals and commodities remained strong, while credit, interest rate and financing were down from last quarter but each up versus the year ago period--]. Equities Capital Markets is expected to report

net revenues of \$[0.9] billion, an increase from \$0.6 billion in the second quarter of fiscal 2008 and a decrease from \$1.4 billion in the third quarter of 2007, [--as record revenues in prime brokerage and solid execution services activity were offset, in part, by lower volatility revenues as well as estimated losses of approximately \$0.3 billion on private equity and principal investments--].

Investment Banking is expected to report net revenues of \$0.9 billion, consistent with \$0.9 billion in the third quarter of fiscal 2007 and a decrease from \$1.1 billion in the third quarter of fiscal 2007. Debt underwriting revenues are expected to be \$[xx] billion, consistent with \$0.3 billion in the first and second quarters of fiscal 2008 and a decrease from \$0.4 billion in the third quarter of 2007, [--as strong high grade debt underwriting revenues were offset by continued weakness in high yield new issuance--]. Equity underwriting revenues are expected to be \$[xx] billion, an increase from \$0.3 billion in the second quarter of fiscal 2008 and consistent with \$0.3 billion in the third quarter of 2007. Merger and acquisition advisory revenues are expected to be \$[xx] billion, an increase from \$0.2 billion in the second quarter of fiscal 2008 and consistent with \$[xx] billion in the third quarter of 2007.

Investment Management is expected to report net revenues of \$[xx] billion, a decrease from record revenues of \$[xx] billion in the second quarter of fiscal 2008 and an increase from \$[xx] billion in the third quarter of fiscal 2007. Asset management revenues are expected to be \$[xx] billion, a decrease from \$[xx] billion in the second quarter of fiscal 2008 and consistent with \$[xx] billion in the third quarter of 2007. The Firm expects to report assets under management of approximately \$[xx] billion, consistent with the prior quarter. Private Investment Management is expected to report revenues of \$[xx] billion, consistent with \$[xx] billion in the second quarter of fiscal 2008 and an increase from \$[xx] billion in the third quarter of 2007, [--with strength across both fixed income and equity products--].

Firm Profitability and Capital

Non-interest expenses for the third quarter of fiscal 2008 are expected to be \$[xx] billion, compared to \$[xx] billion in the second quarter of fiscal 2008 and \$[xx] billion in the third quarter of fiscal 2007. Compensation expense was approximately \$[xx] billion in the third

quarter of 2008, compared to \$[xx] billion in the second quarter of fiscal 2008. Non-personnel expenses for the period were approximately \$[xx] billion, compared to \$[xx] billion in the second quarter of fiscal 2008. The expected tax rate is [xx]%.

As of August 31, 2008, Lehman Brothers' total stockholders' equity was an estimated \$[xx] billion, and total long-term capital was approximately \$[xx] billion. Estimated book value per common share was approximately \$[xx].

Lehman Brothers (ticker symbol: LEH), an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients, and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The Firm is headquartered in New York, with regional headquarters in London and Tokyo, and operates in a network of offices around the world. For further information about Lehman Brothers' services, products and recruitment opportunities, visit the Firm's Web site at www.lehman.com.

Pre-Announcement Conference Call

A conference call to discuss the Firm's pre-announced financial results will be held [today at xxx a.m. ET]. The call will be open to the public. For members of the public who would like to access the conference call, it will be available through the "Shareholders" section of the Firm's Web site under the subcategory "Events and Presentations." The conference call will also be available by phone by dialing, from the U.S., [xxx] or, from outside the U.S., [xxx] at least fifteen minutes prior to the start of the conference call. The pass code for all callers is "[xxx]". For those unable to listen to the live broadcast, a replay will be available on the Firm's Web site or by dialing [xxx] (domestic) or [xxx] (international). The replay will be available immediately after the beginning of the call and will remain available on the Lehman Brothers Web site and by phone until 11:59 p.m. ET on [xxx], 2008.

Third Quarter Earnings Call

The Firm will announce its full third quarter fiscal 2008 results on [xxx], 2008 in a press release that will be issued at approximately [xxx] a.m. ET. The press release will also be available on the Firm's Web site: <http://www.lehman.com>.

A conference call to discuss the Firm's financial results and outlook will be held at [xxx] a.m. ET that day. The call will be open to the public. For members of the public who would like to access the conference call, it will be available through the "Shareholders" section of the Firm's Web site under the subcategory "Events and Presentations." The conference call will also be available by phone by dialing, from the U.S., [xxx] or, from outside the U.S., [xxx] at least fifteen minutes prior to the start of the conference call. The pass code for all callers is "[xxx]". For those unable to listen to the live broadcast, a replay will be available on the Firm's Web site or by dialing [xxx] (domestic) or [xxx] (international). The replay will be available immediately after the beginning of the call and will remain available on the Lehman Brothers Web site and by phone until 11:59 p.m. ET on [xxx], 2008.

Please direct any questions regarding the conference call to Shaun Butler at [xxx], shaun.butler@lehman.com.

Cautionary Note Regarding Forward-Looking Statements

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financial condition, see “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in the Firm's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

The Firm’s financial statements for the third fiscal quarter of 2008 are not finalized until they are filed in its Quarterly Report on Form 10-Q for the third fiscal quarter of 2008. The Firm is required to consider all available information through the finalization of its financial statements and the possible impact of such information on its financial condition and results of operations for the reporting period, including the impact of such information on the complex and subjective judgments and estimates the Firm made in preparing certain of the preliminary information included in this Press Release. Subsequent information or events may lead to material differences between the preliminary results of operations described in this Press Release and the results of operations that will be described in the Firm’s subsequent earnings release and between such subsequent earnings release and the results of operations described in the Firm’s Quarterly Report on Form 10-Q for the third fiscal quarter of 2008. Those differences may be adverse. Readers should consider this possibility in reviewing the earnings information in this Press Release.

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LEHMAN BROTHERS

Press Release

For Immediate Release

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LEHMAN BROTHERS ANNOUNCES EXPECTED THIRD QUARTER RESULTS AND STRATEGIC RESTRUCTURING PLAN

- *Expects to Report a Net Loss of \$[3.3 – 3.7] billion, or [(\$4.50-\$5.50)] Per Share -*
- *Intends to Spin Off Commercial Real Estate Portfolio into
Separate Publicly-Traded Entity -*
- *Materially Reduces Residential Mortgage and Leveraged Finance Exposure -*
- *[Indigo] Announces Agreement to Invest \$[] billion in pro forma Lehman Brothers (post-spin)
at \$[] per share (pro forma book value per share) -*
- *Announces Agreement to Convert \$[] billion of [Series P] Convertible Preferred Stock Into
Common Stock -*
- *Significant Expense Reductions -*
- *Reduces Quarterly Common Dividend to \$[] per Share –*
- *Senior Management to Invest \$[] Alongside [Indigo] -*

NEW YORK, September [] 2008 – Lehman Brothers Holdings Inc. (ticker symbol: LEH) announced today that it expects to report a net loss of approximately \$[3.3 – 3.7] billion, or [(\$4.50-\$5.50)] per common share (diluted) for the third quarter ended August 31, 2008, compared to a net loss of \$2.8 billion, or (\$5.14) per common share (diluted) for the second

quarter of fiscal 2008 and net income of \$887 million, or \$1.54 per common share (diluted), for the third quarter of fiscal 2007.

The Firm expects to report net revenues (total revenues less interest expense) for the third quarter of fiscal 2008 of [(\$1.5-3.0)] billion, compared to (\$0.7) billion for the second quarter of 2008 and \$4.3 billion for the third quarter of fiscal 2007. Net revenues for the third quarter of fiscal 2008 reflect negative mark to market adjustments and principal trading losses, net of gains on certain risk mitigation strategies and certain debt liabilities. Negative revenues were driven largely by the Firm's significant reduction of exposure to Residential Mortgage assets.

For the first nine months of fiscal 2008, the Firm expects to report a net loss of [\$5.7-6.1 billion], or \$[] per common share (diluted), compared to net income of \$3.3 billion, or \$5.71 per common share (diluted) for the first nine months of fiscal 2007. For the first nine months of fiscal 2008, the Firm expects to report a net revenues of [\$1.3 - (\$0.2) billion], compared to \$14.9 billion for the first nine months of fiscal 2007.

During the fiscal third quarter, the Firm incurred negative mark to market adjustments on assets of an estimated \$[4.2 billion to 4.7 billion], including gross negative mark to market adjustments of \$[3.8] billion on residential mortgage-related positions, \$[1.6] billion on commercial real estate positions and \$[0.3] billion on other asset-backed and acquisition finance positions. Net of \$[1.3] billion gains from risk mitigation strategies, the Firm incurred mark to market adjustments of \$[] billion. The Firm also recorded losses on principal investments of \$[] million.

During the fiscal third quarter, the Firm made substantial progress in reducing its exposure to key asset classes and in strengthening its liquidity and capital position (all below amounts are estimated at the end of the third fiscal quarter):

- Residential mortgage-related exposures were reduced by an estimated [xx%] to \$[12.6] billion; [Agreement with [Asset Acquiror]]
- Commercial real estate exposures were reduced by an estimated [16%] to \$[33.2] billion
- High-yield acquisition exposures were reduced by an estimated [26%] to \$[6.4] billion
- Holding Company liquidity pool remained at an estimated \$[41.0] billion

- Cash capital surplus increased to an estimated \$[15.0] billion
- Gross leverage reduced to []x from []x at the end of the second quarter, and net leverage decreased to []x from []x
- [Tier 1 Capital percentage]

Strategic Initiatives

The Firm undertook a series of strategic actions during its third fiscal quarter to address its exposure to less liquid and challenged (particularly real estate) assets, enhance its capital position and position the Firm for a return to profitability in 2009.

Commercial Real Estate Spin-Off

The Firm announced its intention to spin-off its commercial real estate portfolio into a separate publicly-traded entity, Lehman Commercial Real Estate Partnership (“the Partnership”). The current value of the real estate portfolio to be contributed to the Partnership is \$[33] billion.

At the time of the spin-off, Lehman Brothers will fund the Partnership through a combination of a transfer of common equity and the provision of debt financing, which the Firm intends to syndicate as markets normalize. The Partnership’s primary focus will be to reduce debt and maximize shareholder returns by selling assets or holding them to maturity, whichever provides the greater return. The Partnership will not make new investments and any excess cash flow after debt paydown will be returned to shareholders [See Exhibit X on proforma for Spinco].

Lehman Brothers has already received approval from the Securities and Exchange Commission for the structure of the Partnership and its disclosure requirements. The Partnership will own a high quality portfolio of assets (essentially all of which were originated by Lehman Brothers), diversified geographically and by property type, which the Firm believes will perform well over time.

Through the creation of the Lehman Commercial Real Estate Partnership, the Firm will realize a true separation of its commercial real estate assets, maximize their long-term value and retain that upside potential for Lehman Brothers’ shareholders. A “bulk sale” of this highly diverse

portfolio was never seriously considered as either feasible (given the nature of the assets and current market conditions) or value-accretive to Lehman Brothers' shareholders. By transferring substantively all of the Firm's legacy commercial real estate exposure, Lehman Brothers will better be able to focus its efforts on its long-term strategy of delivering value to clients.

\$/ JB Strategic Investment by [Indigo]

Lehman Brothers announced that [Indigo] has agreed to make a \$[] billion strategic investment in the Firm. Due to a current lack of authorized common shares, the investment will initially be in the form of contingent preferred ("common equivalent") stock mandatorily convertible into Lehman Brothers common stock upon i) the completion of the spin-off of commercial real estate assets and ii) the approval of additional authorized common shares by Lehman Brothers' shareholders at a special meeting of shareholders to be called by Lehman Brothers' Board of Directors. This security will be convertible into common stock at a price of \$[], which represents a 1.[x] multiple of Lehman Brothers' pro forma book value per share of \$[] following the completion of the spin-off. Upon conversion into common stock, it is expected that [Indigo] will own []% of Lehman Brothers' outstanding common stock. Upon conversion, [Indigo] will have the right to nominate one new member to the Lehman Brothers Board of Directors.

[COMMENT FROM DICK and INDIGO CEO]

[For additional details on the strategic investment in Lehman Brothers by [Indigo], please see Exhibit [].

Conversion of Existing Convertible Preferred Stock into Common Stock

Lehman Brothers announced that it has entered into a series of transactions with holders of its [Series P] convertible preferred stock to convert their preferred stock into common stock. In aggregate, these transactions resulted in a \$[] billion reduction in preferred equity and a \$[] billion increase in common equity due to issuances of common stock and resulting gains on the acquisition of preferred shares. These transactions ("the Conversion") will result in an enhanced equity capitalization. Pro forma for these transactions, \$[] billion of Series P convertible preferred stock remained outstanding.

Dividend Reduction

The Firm announced its intention to reduce its quarterly dividend to \$[] per common share from \$[0.17] per common share, enabling the Firm to retain \$[] million for investment in [].

Finalization of Restructuring Securitized Products Origination Platform

Lehman Brothers expects to finalize the restructuring of all securitized product origination platforms during the third fiscal quarter. The Firm has completed the sale of Campus Door and Capital Crossing, and announced plans to close ELQ and Small Business Finance.

[The Firm expects to report that it has \$[] billion in residential mortgage assets at the end of the third fiscal quarter. *Statement about ongoing ability to make markets in these asset classes while allocating less balance sheet*]

Personnel and Non-Personnel Expense Reductions

Mainly as a result of headcount reductions in businesses in secular decline and in other discretionary areas, the Firm expects to announce staff reductions of approximately [1,900] during the [fourth?] fiscal quarter. The Firm also launched a process to reduce non-personnel expenses by approximately \$[360] million annually, or [16]% of impactable costs.

Lehman Brothers expects to end the third fiscal quarter with tangible equity of \$[XX] billion, an increase of \$[XX] million from the prior quarter, reflecting the Firm's June capital raising activities. We expect to end the third quarter with tangible equity of approximately \$[XX] billion. Net leverage at the end of the third quarter is estimated at []x and our Tier 1 Capital Ratio is []%.

Pro forma for the spin-off, the conversion of convertible preferred shares into common equity and the sale of common equivalent equity to [Indigo], net leverage at the end of the third quarter is estimated at []x and our Tier 1 Capital Ratio is []%.

Chairman and Chief Executive Officer Richard S. Fuld, Jr. said, "These actions demonstrate our commitment to meeting our current challenges with thoughtful solutions and are important steps

in our ongoing efforts to position the Firm for a successful future in delivering value to our clients and shareholders. The reduction in our legacy exposures to commercial and residential mortgage assets in the third quarter combined with the planned spin-off of our commercial real estate assets will materially reduce the Firm's overall exposure to these assets by []%, removing a significant overhang on our future performance while maintaining upside for our shareholders. Coupled with the significant equity investment from [Indigo], I believe we are in a strong position to maximize value for shareholders through the continued growth and development of our client-facing businesses.”

Expected Results – Business Segments

Capital Markets is expected to report net revenues of negative (\$[2.2]) billion in the third quarter of fiscal 2008, compared to (\$2.4) billion in the second quarter of fiscal 2008 and \$2.4 billion in the third quarter of fiscal 2007. Fixed Income Capital Markets is expected to report net revenues of negative (\$[3.1]) billion, compared to (\$3.0) billion in the second quarter of 2008 and \$1.1 billion in the third quarter of 2007. [--Excluding mark to market adjustments, related hedges and structured note liability gains, client activity in securitized products, municipals and commodities remained strong, while credit, interest rate and financing were down from last quarter but each up versus the year ago period--]. Equities Capital Markets is expected to report net revenues of \$[0.9] billion, an increase from \$0.6 billion in the second quarter of fiscal 2008 and a decrease from \$1.4 billion in the third quarter of 2007, [--as record revenues in prime brokerage and solid execution services activity were offset, in part, by lower volatility revenues as well as estimated losses of approximately \$0.3 billion on private equity and principal investments--].

Investment Banking is expected to report net revenues of \$0.9 billion, consistent with \$0.9 billion in the third quarter of fiscal 2007 and a decrease from \$1.1 billion in the third quarter of fiscal 2007. Debt underwriting revenues are expected to be \$[xx] billion, consistent with \$0.3 billion in the first and second quarters of fiscal 2008 and a decrease from \$0.4 billion in the third quarter of 2007, [--as strong high grade debt underwriting revenues were offset by continued weakness in high yield new issuance--]. Equity underwriting revenues are expected to be \$[xx] billion, an increase from \$0.3 billion in the second quarter of fiscal 2008 and consistent with \$0.3

billion in the third quarter of 2007. Merger and acquisition advisory revenues are expected to be \$[xx] billion, an increase from \$0.2 billion in the second quarter of fiscal 2008 and consistent with \$[xx] billion in the third quarter of 2007.

Investment Management is expected to report net revenues of \$[xx] billion, a decrease from record revenues of \$[xx] billion in the second quarter of fiscal 2008 and an increase from \$[xx] billion in the third quarter of fiscal 2007. Asset management revenues are expected to be \$[xx] billion, a decrease from \$[xx] billion in the second quarter of fiscal 2008 and consistent with \$[xx] billion in the third quarter of 2007. The Firm expects to report assets under management of approximately \$[xx] billion, consistent with the prior quarter. Private Investment Management is expected to report revenues of \$[xx] billion, consistent with \$[xx] billion in the second quarter of fiscal 2008 and an increase from \$[xx] billion in the third quarter of 2007, [--with strength across both fixed income and equity products--].

Firm Profitability and Capital

Non-interest expenses for the third quarter of fiscal 2008 are expected to be \$[xx] billion, compared to \$[xx] billion in the second quarter of fiscal 2008 and \$[xx] billion in the third quarter of fiscal 2007. Compensation expense was approximately \$[xx] billion in the third quarter of 2008, compared to \$[xx] billion in the second quarter of fiscal 2008. Non-personnel expenses for the period were approximately \$[xx] billion, compared to \$[xx] billion in the second quarter of fiscal 2008. The expected tax rate is [xx]%.

As of August 31, 2008, Lehman Brothers' total stockholders' equity was an estimated \$[xx] billion, and total long-term capital was approximately \$[xx] billion. Estimated book value per common share was approximately \$[xx].

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