

Document# 114

April 9, 2008

Ernst & Young LLP

5 Times Square

New York, New York 10036

In connection with your review of the interim consolidated statement of financial condition of Lehman Brothers Holdings Inc. (the "Company") as of February 29, 2008, and the related consolidated statement of income for the three-month periods ended February 29, 2008 and February 28, 2007, and the consolidated statement of cash flows for the three-month periods ended February 29, 2008 and February 28, 2007, we recognize that obtaining representations from us is a significant procedure in enabling you to perform your review for the purpose of determining whether you are aware of any material modifications that should be made to the interim consolidated financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's Responsibilities

We recognize that, as members of management of the Company, we are responsible for the fair presentation of its interim consolidated statement of financial condition as of February 29, 2008, its consolidated statement of income for the three-month periods ended February 29, 2008 and February 28, 2007, and its consolidated statement of cash flows for the three-month periods ended February 29, 2008 and February 28, 2007. We believe that such interim consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles applicable to interim financial statements and have been applied on the same basis, where applicable, as that used for the Company's audited consolidated financial statements as of and for the year ended November 30, 2007 and prior quarters, and reflect all adjustments necessary for a fair presentation of the interim consolidated financial statements.

We also recognize that, as members of management of the Company, we are responsible for establishing and maintaining effective internal control over financial reporting, for making an annual assessment of the effectiveness of internal control over financial reporting, and for providing quarterly certifications with respect to our responsibility for, and certain disclosures about, the Company's internal control over financial reporting.

We have responded fully to all inquiries made to us by you during your review and have made available to you all financial data and records, including applicable documentation relating to

internal control over financial reporting.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Unrecorded Differences

There are no unrecorded differences (including the effects of correcting or reversing prior year audit differences) identified during the current interim review and pertaining to the interim periods presented.

Internal Control over Financial Reporting

There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the interim consolidated financial statements.

We are not aware of any significant deficiencies or material weaknesses (as defined by applicable standards) in the design or operation of internal control over financial reporting other than those significant deficiencies communicated by you to the audit committee.

There were no significant changes in the design or operation of the Company's internal control over financial reporting as it relates to the preparation of annual or interim consolidated financial information that occurred during the quarter ended February 29, 2008. Further, we do not believe disclosure in the Company's filing on Form 10-Q in accordance with Item 308(c) of Regulation S-K is required, as there have been no changes in the design or operation of internal control over financial reporting during the quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Fraud

We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the interim consolidated financial statements. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the interim consolidated financial statements or otherwise affect the financial reporting of the Company.

Minutes and Contracts

The dates of meetings of shareholders, directors, committees of directors, and important management committees from the beginning of the period covered by the interim consolidated financial statements to the date of this letter are as follows:

Audit Committee
December 12, 2007
January 24, 2008
January 28, 2008
March 14, 2008
April 2, 2008

Board of Directors
January 29, 2008
March 4, 2008
March 25, 2008
March 31, 2008

Finance and Risk Committee
January 29, 2008
March 25, 2008

Compensation and Benefits Committee
December 7, 2007
January 28, 2008
February 9, 2008
March 4, 2008
March 12, 2008

*Nominating and Corporate Governance
Committee*
January 28, 2008
March 4, 2008

We have made available to you the minutes of these meetings or summaries of actions at recent meetings for which minutes have not yet been prepared and such minutes or summaries are complete and authentic records or summaries of such meetings.

We also have made available to you all significant contracts and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of the contractual agreements that would have a material effect on the interim consolidated financial statements in the event of noncompliance.

We also have made available to you all internal audit reports that were issued to management during the quarter that address controls related to internal control over financial reporting, including reports issued by internal audit as a result of operational audits or specific reviews of key processes if those reports address controls related to internal control over financial reporting.

Related Party Transactions

Transactions with related parties, as defined in Statement of Financial Accounting Standards ("SFAS") No. 57, *Related Party Disclosures*, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, have been properly recorded and/or disclosed in the interim consolidated financial statements.

Ownership and Pledging of Assets

Except for properties capitalized under capital leases, the Company has satisfactory title to all assets appearing in the interim consolidated statement of financial condition. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged except as disclosed in the interim consolidated financial statements. All assets to which the Company has satisfactory title appear in the interim consolidated statement of financial condition.

Oral or Written Guarantees

There are no oral or written guarantees (other than those reported in the interim consolidated financial statements), including guarantees of the debt of others.

For those guarantees reported in the consolidated financial statements for which we are not required to recognize a liability under SFAS No. 5, Accounting for Contingencies ("SFAS 5"), the guarantee is either reported at the value of the premium received or receivable (for stand-alone arms-length transactions with an unrelated party) or at fair value using our best estimate (for transactions with multiple elements with an unrelated party or as a contribution to an unrelated party). In the event that, at the inception of the guarantee, we are required to recognize a liability under SFAS 5 for the related contingent loss, we have recorded a liability representing the greater of (a) the amount that satisfies the fair value objective as discussed in paragraph 9 of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, or (b) the contingent liability amount required to be recognized at inception of the guarantee by paragraph 8 of SFAS 5.

Receivables

Receivables, including those from brokers, dealers and clearing organizations, customers, and others, which are material to the interim consolidated financial statements, are correctly described in the financial statements, and represent valid claims against the debtors indicated.

Adequate provision has been made for credit losses that have been incurred as of February 29, 2008.

Securities and Other Inventory Positions Owned

Financial instruments are valued at fair value, as appropriate, with unrealized gains and losses reflected in Principal transactions in the consolidated statement of income. Fair value, as appropriate, is measured in accordance with SFAS No. 157 "*Fair Value Measurement*" (SFAS 157).

Fair value does not include adjustments for transaction cost and assumes the highest and best use of the asset as defined in SFAS 157. The fair value is generally based on listed market prices in the principle or best available market. If listed market prices are not available, fair value is either determined based on broker quotes, internal valuation pricing models which take into account time value, volatility factors underlying the inventory positions and credit risk, or management's estimate of the amounts that could be realized under current market conditions. The fair value of the instruments represents the exit price or the price that would be received if the asset was sold

or transferred at February 29, 2008. We account for real estate positions held for sale at the lower of its carrying amount or fair value less cost to sell, with gains or losses reflected in Principal transactions.

We believe that the methods and significant assumptions used are reasonable and result in a measure of fair value that is appropriate for financial statement measurement and disclosure purposes. In addition, our disclosures related to fair value measurement are complete and adequate.

We are responsible for applying the principles and objectives of Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115*, in a good faith manner consistent with those principles and objectives. We have provided clear and transparent disclosure of the reasons for electing the fair value option for specific eligible items and for not electing the fair value option for other eligible items within a group of similar items, including a discussion of any accounting motivations of such elections, with the other required disclosures of Statement of Financial Accounting Standards No. 159.

All firm-owned securities pledged to counterparties where the counterparty has the right, by contract or custom, to sell or repledge the securities are classified as Securities Pledged as Collateral as required by SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS 140").

At February 29, 2008, all securities exchange memberships have been properly recorded in the accounting records underlying the interim consolidated financial statements.

The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the interim consolidated financial statements:

1. The extent, nature, and terms of financial instruments with off-balance-sheet risk.
2. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.
3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

Long-Lived Assets, Including Amortizable Intangible Assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable. Assets classified as held for sale under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, are measured at the lower of carrying amount or fair value less cost to sell. In these instances we plan to sell an interest in the underlying real estate partnership that currently makes us the primary beneficiary. These assets are measured at the lower of carrying amount or fair value.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and intangible assets with indefinite useful lives have been tested for impairment in

accordance with the requirements of SFAS No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”), and impairment losses have been recorded when required. The determination of fair value of reporting units and the implied fair value of goodwill was based on reasonable and supportable assumptions.

For purposes of the goodwill impairment test, we have identified the reporting units of the Company after considering the requirements of SFAS 142 and the relevant provisions of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* and related interpretive literature. The reporting units are consistent with those used in prior periods.

No events or circumstances were identified that would have required an impairment test for goodwill or indefinite-lived intangible assets other than the required annual impairment test under SFAS 142.

Arrangements with Financial Institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, funds on deposit, marketable securities, and lines of credit or similar arrangements have been properly recorded or disclosed in the interim consolidated financial statements.

Provision for Losses

Provisions have been recorded for dividends, transfer items and security differences sufficient to cover any anticipated losses.

At February 29, 2008, adequate provisions have been recognized for expected losses associated with excess facilities.

Capital Stock

Capital stock repurchase options or agreements, or capital stock reserved for options, warrants, conversion, or other requirements have been properly recorded or disclosed in the interim consolidated financial statements.

Financial Asset Transfers Accounted for as Sales under SFAS 140

We have determined that the transferred financial assets have been isolated – put presumptively beyond the reach of the Company, its creditors, and a bankruptcy trustee or other receiver for the Company or any of its affiliates (except for an affiliate that is a qualifying special purpose entity). There are no agreements between the Company and the other parties to the transaction that constrain the other party or permit or obligate the Company to buy back the previously transferred assets other than those disclosed in the financial statements.

We have determined that the requirements for sales treatment under SFAS 140 continue to be met, including that the Qualifying Special Purpose Entities used in the transactions continued to meet such requirements through the dates of this letter.

We have determined that the entities to which the assets were transferred met the requirements of SFAS 140 to be a Qualifying Special Purpose Entity both at the initial transfer date as well as in subsequent periods through the current date of this letter.

Variable Interests and Variable Interest Entities

We have appropriately identified, consolidated (where applicable), and disclosed all variable interests and variable interest entities. The Company has reconsidered the initial determination of whether an entity is a variable interest entity and/or whether it is the variable interest entity's primary beneficiary, as required by FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities*.

Hedging

The Company's documentation for derivatives designated as hedges was prepared contemporaneously with the inception of hedge accounting and included all elements required under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), and EITF Topic D-102, *Documentation of the Methods Used to Measure Hedge Ineffectiveness under FASB Statement No. 133*.

Purchase and Sales Commitments and Sales Terms

There were no material commitments outstanding at February 29, 2008 including but not limited to derivative contracts, futures contracts, short sales, hedge transactions, delayed delivery contracts, underwritings and when-issued contracts, endorsements or puts and calls, and commitments in foreign currencies and spot (cash) commodity contracts which have not been properly recorded or disclosed in the interim consolidated financial statements. In addition, there were no agreements or commitments to repurchase assets previously sold which have not been properly recorded or disclosed in the interim consolidated financial statements.

At February 29, 2008, adequate provision has been made for any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any purchase or sales commitments.

Investments in Subsidiaries and Affiliates

We have appropriately consolidated all entities for which we directly or indirectly have a controlling financial interest.

The equity method is used to account for the Company's investments in the common stock of certain investees over which the Company has the ability to exercise significant influence over the investees' operating and financial policies, or when we hold at least 3% of a limited partnership interest.

Deferred Charges

We believe that all material expenditures that have been deferred to future periods are recoverable.

Segment Information

The information about operating segments included in the notes to the interim consolidated financial statements has been prepared and presented in conformity with SFAS No. 131,

Disclosures about Segments of an Enterprise and Related Information (“SFAS 131”). We have appropriately identified our operating segments based on the information used by our chief operating decision maker to evaluate the operating performance of and make resource allocation decisions among business units. For reportable operating segments that are the result of the aggregation of multiple operating segments, (1) the aggregation is consistent with the objective of SFAS 131, (2) the aggregated operating segments have similar economic characteristics, and (3) the aggregated operating segments are similar in each of the following areas:

1. The nature of the products and services
2. The nature of the production processes
3. The type or class of customer for their products and services
4. The methods used to distribute their products or provide their services
5. If applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

Differences between the measurements used in reporting operating segment information and those used in the interim consolidated financial statements, if any, are adequately disclosed in the notes to the interim consolidated financial statements.

Investment Banking

Underwriting revenues, net of related underwriting expenses, and revenues for merger and acquisition advisory and other investment-banking-related services are recognized when services for the transactions are completed. Underwriting expenses are deferred and recognized at the time the related revenues are recorded.

Risks and Uncertainties

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations known to management that have not been disclosed in accordance with the AICPA’s Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, in the interim consolidated financial statements.

Pension and Other Postretirement Benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes that constitute the plan.

The actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

We have disclosed to you all significant postretirement benefits other than pensions (OPEBs) promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes, that constitute the plan for each significant OPEB.

The assumptions used in measuring OPEB costs and related obligations (assets) represent our best estimate of future conditions. All OPEB plan assets qualify as plan assets under SFAS No.

Income Taxes

Adequate provision has been made for all applicable current and deferred federal, state, local, and foreign taxes on income, including amounts applicable to prior years. Recognition has been given to significant adjustments which have been or are expected to be proposed by any taxing authorities.

We have disclosed to you all significant tax planning strategies that were put in place during the current year or prior years that could materially affect the current year provision for income taxes, or the recorded amount of tax assets or liabilities.

We recognize that we are responsible for the Company's compliance with jurisdictional tax laws and regulations that are applicable to it. We have identified and disclosed to your representatives all significant methods of accounting used under the applicable jurisdictional tax laws and regulations that materially affect the determination of financial statement amounts.

We have provided you all tax opinions or memoranda of law that serve as support for material tax accruals (including contingencies and determinations of the application of interest and penalties) as well as any tax opinions or memoranda of law that contradicted, or provided lower levels of assurance than, the opinions or memoranda of law ultimately used by the Company to support its tax positions.

Deferred Tax Assets

The valuation allowance has been determined pursuant to the provisions of SFAS No. 109, *Accounting for Income Taxes*, including the Company's estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized.

The tax planning strategies that we assumed in determining a valuation allowance for deferred tax assets are prudent and feasible strategies that we would implement, if necessary, to prevent a tax operating loss or credit carryforward from expiring.

We are responsible for the significant assumptions used in developing the analysis of future taxable income for purposes of determining whether an additional valuation allowance for deferred tax assets is necessary.

Subordinated Claims

For those consolidated entities subject to SEC Rule 15c3-1, all liabilities subordinated to the claims of general creditors are covered by satisfactory subordination agreements and have been approved by the applicable examining authority.

At February 29, 2008, the Company had no borrowings or claims unconditionally subordinated to all claims or general creditors pursuant to a written agreement except as disclosed in the interim consolidated financial statements.

Events of Default under Debt Agreements

No events of default have occurred with respect to any of the Company's debt agreements.

Share-Based Payments

Grant Approval

All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plans from which they were granted.

Share-Based Payment Valuation

The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), or SFAS No. 123(R), *Share-Based Payments* ("SFAS 123(R)), as applicable. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding obligations, penalties and interest, as appropriate, under the applicable accounting standards.

We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with APB 25, SFAS 123 and SFAS 123(R) as applicable. Fair value and intrinsic value measurements under the applicable literature are based on the grant date or measurement date share price as specified in that literature. The assumptions used in fair value measurements made in accordance with SFAS 123, or SFAS 123(R), represent our best estimates as of the measurement date of expectations of future conditions.

Contingent Liabilities

There are no unasserted claims or assessments, including those that our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* ("SFAS 5"), other than those disclosed in the interim consolidated financial statements.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the interim consolidated financial statements or as a basis for recording a loss contingency, other than those disclosed or accrued in the interim consolidated financial statements.

We have made you aware of all significant internal investigations or communications from regulatory agencies or government representatives concerning inquiries, investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the interim consolidated financial statements. We have provided you access to information related to all significant ongoing investigations.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by SFAS 5, other than those accrued or disclosed in the interim consolidated financial statements, nor are there any accruals for loss contingencies included in the interim consolidated statement of financial conditions that are not in conformity with the provisions of SFAS 5.

Regulatory

As of December 1, 2005, the Company is an approved consolidated supervised entity (“CSE”). At February 29, 2008, the Company was in compliance with the CSE capital requirements and had allowable capital in excess of the minimum capital requirements on a consolidated basis.

Additionally, certain of the Company’s subsidiaries are subject to various securities, commodities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. At February 29, 2008 and through the date of this letter, such subsidiaries were in compliance with the applicable local capital adequacy requirements.

Accounting Support Fees Assessed by the PCAOB

We have no past due balances for accounting support fees owed to the Public Company Accounting Oversight Board (PCAOB) to fund the operations of the PCAOB and the Financial Accounting Standards Board.

Independence and Conflicts of Interest

Based on inquiries we have made of our officers, directors, and substantial stockholders, except as described below, we are not aware of any business relationship between any such officer, director, or substantial stockholder (or any entity for or of which such an officer or director acts in a similar capacity) and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an “EY Entity”), other than one pursuant to which an EY Entity performs professional services. For this purpose, a “substantial stockholder” is a person or entity (excluding mutual funds) that owns five percent or more in the Company.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent.

There are no instances where any officer or employee of the Company has an interest in a company with which the Company does business that would be considered a “conflict of interest.” Such an interest would be contrary to Company policy.

Other

The representations made to you in our letter dated January 28, 2008 relating to your audit of our November 30, 2007 consolidated financial statements remain current.

Effects of New Accounting Principles

Tax Positions Accounted for Under FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”

Tax positions have been reflected in the financial statements at appropriate amounts. Such tax positions are, based solely on their technical merits, more likely than not to be sustained upon examination by taxing authorities or have otherwise been effectively settled in accordance with FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes,” and reflect the largest amount of benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon settlement with the applicable taxing authority with full knowledge of all relevant information.

We have adequately disclosed the total amount of unrecognized tax benefits including the amount that, if recognized, would affect the Company's effective tax rate. We also have adequately disclosed the nature of tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months of the balance sheet date, including the nature of the events that could cause the changes and, if feasible, an estimate of the range of the reasonably possible changes.

Subsequent Events

No events or transactions have occurred since February 29, 2008 or are pending that would have a material effect on the interim consolidated financial statements at that date or for the three-month periods then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the interim consolidated financial statements in order to make them not misleading regarding the interim consolidated financial position, results of operations, or cash flows of the Company.

Also, to the best of our knowledge and belief, no matters have occurred or are pending since February 29, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting or that are of such significance in relation to the Company's internal control over financial reporting to require mention as part of our quarterly certifications with respect to our responsibility for, and certain disclosures about, the Company's internal control over financial reporting.

We understand that your interim review was made in accordance with the standards of the Public Company Accounting Oversight Board (United States). We understand that your interim review consisted principally of performing analytical procedures and making inquiries of management responsible for financial and accounting matters. We also understand that it involved a review of the interim consolidated financial information included in the filing on Form 10-Q, and did not include any earlier earnings releases or other such communications. In addition, we understand that your review was substantially less in scope than an audit of financial statements and of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements and on the effectiveness of internal control over financial reporting taken as a whole, and accordingly, that you have not expressed an opinion on the interim consolidated financial statements or on the effectiveness of internal control over financial reporting as of any interim date. We also understand that your procedures would not necessarily uncover all matters of significance that would be disclosed in an audit of the Company's consolidated financial statements or of internal control over financial reporting.

Very truly yours,

Richard S. Fuld, Jr.
Chairman and Chief Executive Officer

Erin M. Callan
Chief Financial Officer, Controller, and
Executive Vice President