

V1 – Private Investment Valuation: With respect to privately held investments, the individual Fund Manager and their respective teams initially determine investment valuations for their respective investments at the investment level in accordance with Lehman’s accounting policy on fair value as disclosed in Lehman’s 10-K / 10-Q. Each Fund team prepares a quarterly valuation package for each investment in its applicable asset class, indicating the suggestions for marking up/down the investment or keeping it at the same FMV. Valuation packages are then forwarded to the pre-valuation Committee. If members of the pre-valuation Committee have questions, they resolve them with the deal teams. The valuation packages are delivered to the members of the Valuation Committee in advance of the quarterly committee meeting. The Valuation Committee meets on a quarterly basis whereby each Fund Manager and/or their designee(s) present their current valuation observations and any recommendations for change. The Valuation Committee approves all valuation changes.

With respect to CDO investment valuations, a third party service provider (Precision Capital) computes the fair market value of CDO investments and presents those valuations to Lehman’s CDO Fund Management team. The CDO Fund Management team reviews and approves these valuations prior to presenting any proposed changes to Valuation Committee.

After approval, PE Finance documents the changes and sends all the changes to the Head of the Valuation Committee for approval. His approval serves as the base for posting the adjustments. If there are changes to the value, each fund accountant prepares an adjusting entry and also fills out a checklist for DBS manual journal entry. The entry is then reviewed by a person who is at least a level above the preparer, the checklist is signed off and the entry is posted into DBS.

If there are any significant changes in value during the quarter, they are communicated to the members of the Investment Committee and necessary adjustments are discussed.

V1.1 Control: Valuation Committee approval of final agreed upon values.

V1.2 Control: Supervisory Review of the manual valuation adjustments by PE Finance.

V2 – Public/Fund of Fund Valuation: For public investments, PE Finance uses Bloomberg as a pricing tool. In the case of a legal restriction that may exist on a security, and to the extent the restriction impacts the Firm’s ability to sell, a discount may be taken on the securities. The amortization of the discount is booked quarterly for those securities with a discount due to the abovementioned legal restrictions.

For investments in Funds of Funds, PE Finance applies the equity method of accounting for these investments. PE Finance obtains quarterly financial

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statements for these funds (audited on an annual basis), which are used to update the net asset value for each fund. PE Finance typically will recognize gain, income and return of capital in accordance with these statements.

In cases where the most recent NAV is for a different month end, Lehman will adjust for any contribution/ distributions to/from the fund of fund between the date of the last NAV statement provided and the Lehman Quarter end.

V2.1 Control: Supervisory Review of manual valuation adjustments for public securities & non-publicly trade funds.

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