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Moody's places Lehman's A1 rating on review for downgradeReview will focus on risk of franchise erosion

New York, <Rating Date Pending> -- Moody's Investors Service has placed on review for possible downgrade the long-term ratings of Lehman Brothers Holdings Inc. ("LBHI", senior at A1), as well as the ratings on the senior long-term debt of the company's principal rated operating and guaranteed subsidiaries (all referred to collectively as "Lehman"). Lehman's Prime-1 short-term rating was affirmed.

Today's rating action follows Lehman's announcement that it has replaced its President and its Chief Financial Officer. This announcement came three days after Lehman's June 9, 2008 pre-announcement of a \$2.8 billion net loss for Q2-08, as well as the completion of a \$6 billion equity capital raise. Moody's changed Lehman's rating outlook to negative on June 9 in response to the worse-than-expected Q2-08 earnings that were disclosed in the pre-announcement. Moody's continues to expect Lehman to report actual Q2-08 results next week that are in line with the pre-announcement.

Moody's said that although the objective of the management changes appeared to be an effort to assure accountability for the losses and to strengthen risk and financial controls, the changes nonetheless may be an additional factor that could exacerbate erosion in investor confidence. This could increase the risk of franchise impairment. The rating agency added that to date, Lehman's underlying customer franchises have continued to perform very well. However, challenging operating conditions and persistently negative news flow may pressure the firm, its employees, and potentially client confidence, raising concerns over the firm's ability to continue to sustain underlying performance and franchise value through this environment.

As part of the rating review, which will conclude within 90 days, Moody's will assess the degree to which Lehman's various franchises have been affected by recent market conditions. This includes understanding the firm's strategy for retaining key employees, who are the true franchise of any investment bank, given the firm's current challenges and devalued stock price. The review will also focus on potential further writedowns within Lehman's residential and commercial mortgage portfolios. A satisfactory conclusion that Lehman's customer and employee franchises have not been weakened could result in a rating confirmation. Conversely, signs of franchise erosion or additional firm-wide losses, would likely result in a downward rating action.

As Moody's noted in its June 9, 2008 press release, Lehman's liquidity management and stand-alone liquidity position remain robust. Lehman ended Q2-08 with a record \$45

billion of liquidity available to the holding company, and an additional \$150 billion of unencumbered assets, with substantial loan value. The firm also has benefited from the supportive actions of the Federal Reserve, including access (albeit temporary) to the Primary Dealer Credit Facility ("PDCF") and the Term Securities Lending Facility ("TSLF"). Moody's also viewed the \$6 billion capital raise, in conjunction with balance sheet de-leveraging/de-risking, as a positive step in bolstering both the balance sheet and creditor confidence.

Moody's also noted in the June 9, 2008 press release that Lehman's rating also reflects the firm's product and geographic earnings diversification, which has improved materially over the past five years on steady growth in primary equities, global advisory, and investment banking. The firm has built strong franchises in investment banking and equity capital markets, including increasing its penetration in prime brokerage and secondary cash equities and derivatives, in both the U.S. and abroad. The rating agency said that despite tough market conditions, Lehman's core customer-flow franchises continue to produce solid revenues, with profits generated from outside of fixed income helping to counter current weakness in residential and commercial real estate and leveraged lending. Lehman's investment management business has also become an important earnings contributor to the firm.

Lehman Brothers Holdings Inc. is an international investment bank and financial services firm headquartered in New York, NY with total stockholders equity of approximately \$31.3 billion and \$155 billion of long-term capital at May 31, 2008.

==Debt List Start (as of 13 Jun 2008, 5:24:01 PM - this line removed at Release)==

Issuer: Lehman Brothers Bank, FSB

..On Review for Possible Downgrade:

.... Issuer Rating, Placed on Review for Possible Downgrade, currently A1

....Senior Unsecured Deposit Rating, Placed on Review for Possible Downgrade, currently A1

..Outlook Actions:

....Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Bankhaus AG

..On Review for Possible Downgrade:

....Multiple Seniority Medium-Term Note Program, Placed on Review for Possible Downgrade, currently A2

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A1

..Outlook Actions:

....Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Commercial Bank

..On Review for Possible Downgrade:

... Issuer Rating, Placed on Review for Possible Downgrade, currently A1

...Senior Unsecured Deposit Note/Takedown, Placed on Review for Possible Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust I

..On Review for Possible Downgrade:

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust II

..On Review for Possible Downgrade:

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust III

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade, currently A2

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust IV

..On Review for Possible Downgrade:

....Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A2

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

....Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust IX

..On Review for Possible Downgrade:

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

....Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust V

..On Review for Possible Downgrade:

....Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A2

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

....Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust VI

..On Review for Possible Downgrade:

....Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A2

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust VII

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust VIII

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust X

..On Review for Possible Downgrade:

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust XI

..On Review for Possible Downgrade:

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Capital Trust XII

..On Review for Possible Downgrade:

...Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)A2

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings E-Capital Trust I

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Inc.

..On Review for Possible Downgrade:

.... Issuer Rating, Placed on Review for Possible Downgrade, currently A1

...Multiple Seniority Medium-Term Note Program, Placed on Review for Possible
Downgrade, currently A2

...Multiple Seniority Shelf, Placed on Review for Possible Downgrade, currently (P)A3

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

...Subordinate Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A2

...Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible Downgrade, currently A1

...Senior Unsecured Medium-Term Note Program, Placed on Review for Possible Downgrade, currently A1

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A1

...Senior Unsecured Shelf, Placed on Review for Possible Downgrade, currently (P)A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Inc. (London)

..On Review for Possible Downgrade:

...Multiple Seniority Medium-Term Note Program, Placed on Review for Possible Downgrade, currently A2

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Holdings Plc

..On Review for Possible Downgrade:

...Multiple Seniority Medium-Term Note Program, Placed on Review for Possible Downgrade, currently A2

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible
Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers International (Europe)

..On Review for Possible Downgrade:

.... Issuer Rating, Placed on Review for Possible Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers OTC Derivatives Inc.

..On Review for Possible Downgrade:

.... Issuer Rating, Placed on Review for Possible Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Special Financing Inc.

..On Review for Possible Downgrade:

.... Issuer Rating, Placed on Review for Possible Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers Treasury Co. B.V.

..On Review for Possible Downgrade:

...Multiple Seniority Medium-Term Note Program, Placed on Review for Possible
Downgrade, currently A1

...Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible
Downgrade, currently A1

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible
Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers UK Cap. Fund. II

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers UK Capital Funding III LP

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

Issuer: Lehman Brothers UK Capital Funding IV LP

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers UK Capital Funding LP

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers UK Capital Funding V LP

..On Review for Possible Downgrade:

...Preferred Stock Preferred Stock, Placed on Review for Possible Downgrade,
currently A3

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

Issuer: Lehman Brothers, Inc.

..On Review for Possible Downgrade:

.... Issuer Rating, Placed on Review for Possible Downgrade, currently Aa3

...Multiple Seniority Shelf, Placed on Review for Possible Downgrade, currently (P)A1

...Senior Subordinated Medium-Term Note Program, Placed on Review for Possible
Downgrade, currently A1

...Senior Subordinated Regular Bond/Debenture, Placed on Review for Possible
Downgrade, currently A1

..Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

==Debt List End (as of 13 Jun 2008, 5:24:01 PM - this line removed at Release)==

end