

Global Real Estate Group

Introduction to Asset Management

September 11, 2007



Chatsworth Apartments



Carillon North Tower



Bachelor Gulch



Portland: Block 30, 34 & 38

LEHMAN BROTHERS

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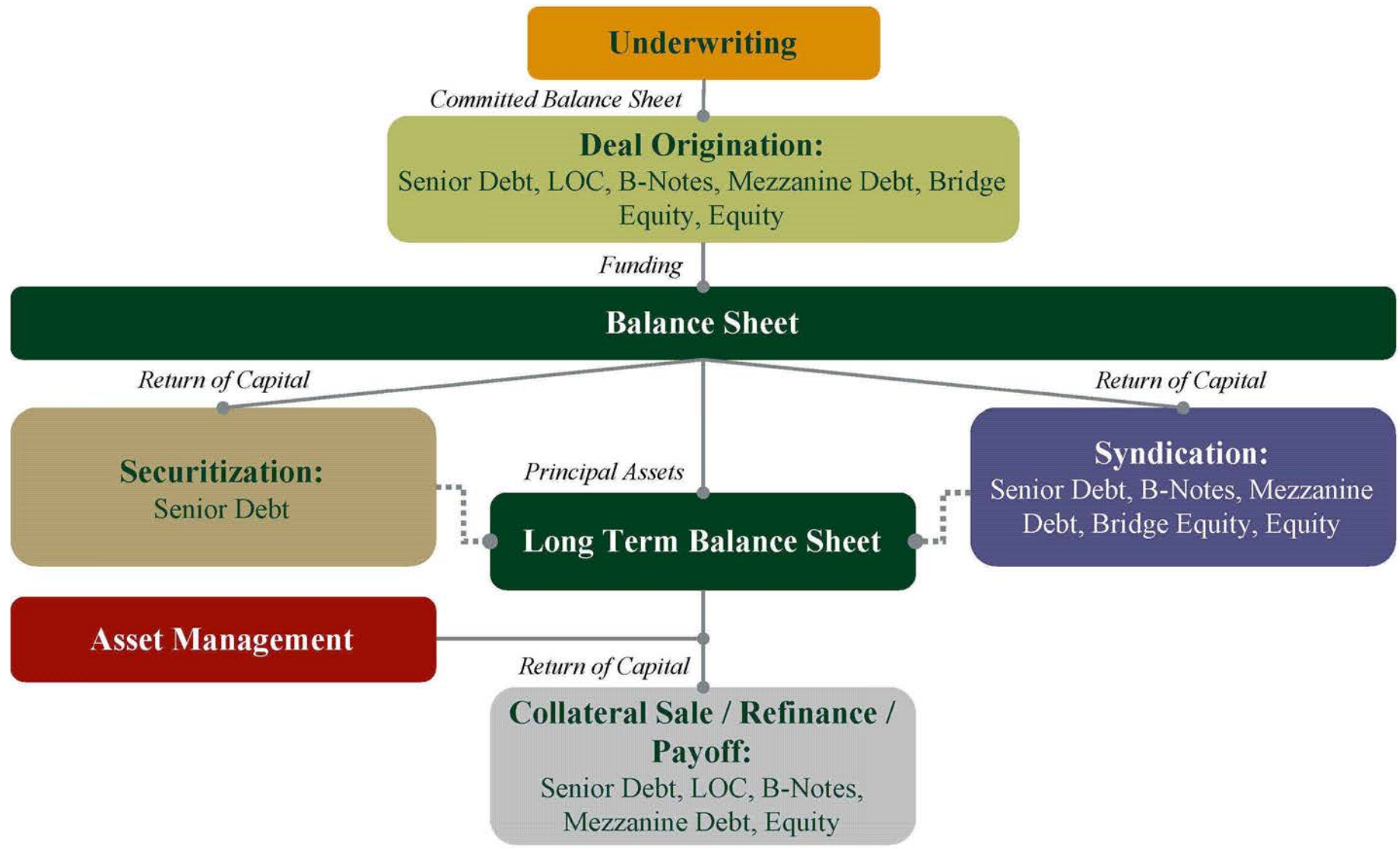
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GREG Asset Management

Balance Sheet Turnover

Assets that remain on balance sheet will be actively asset managed through exit



Core Functions

GREG Asset Management monitors long term real estate investments (debt & equity) and their related exposure in order to minimize risks and maximize returns for the firm

◆ **Portfolio Management and Forecasting**

- Monthly review of retained investments on GREG's balance sheet
 - Identify and monitor asset / portfolio level risks
 - Forecast P&L events (payoffs, syndications, marks, etc.)
- Verify all SPE's / JV's are properly formed and maintained
- Ensure appropriate insurance coverage is in place for real estate balance sheet assets

◆ **Cash Flow Reporting**

- Monitor new originations, remittance activity and payoffs
- Report P&L and balance sheet activity to Originators and GREG Management

◆ **Work Outs**

- Work with originators and clients to resolve deal issues (cost overruns, construction delays, foreclosures, defaults, restructures, etc.)
- Facilitate and execute Lehman's exit strategy on poorly performing investments

Business Risks and Actions Steps

GREG Asset Management continues to address the changing risk landscape in both the residential and commercial real estate markets

Business Risks	Actions Steps
<ul style="list-style-type: none">◆ Fall out of sub-prime residential mortgage credit crunch<ul style="list-style-type: none">– Slowing absorption rates– Downward pressure on prices significantly lowers demand for land from developers➤ LB: Monitor sales velocity of condo and land deals and determine optimal exit strategy➤ LB: Strict underwriting of new deals and experienced sponsor/borrower to minimize downside◆ Decline in underwriting standards<ul style="list-style-type: none">– More banks competing for similar business– Trending markets result in lowering of standards➤ LB: Maintain integrity and standards while attempting to maximize profitability◆ High concentrations of risk in trending markets and property types (e.g. Condos, land development etc.)<ul style="list-style-type: none">➤ LB: Monitor concentration risks of the portfolio◆ Changes in accounting rules has created a need to syndicate equity to max LB ownership of 49%	<ul style="list-style-type: none">◆ Active management of 3rd party (Trimont) asset manager performance and reporting requirements<ul style="list-style-type: none">– Identify deals, property types, sponsors and/or markets to focus asset manager efforts (work-outs, monitoring, etc.)– Develop and deliver efficient reporting to LB at the deal and portfolio level (projected deal P&L, IRR returns, annual valuations, expected payoffs, etc.)◆ Build out of internal GREG technology and infrastructure (Whole Loan Tracking / Core Pipeline) to strengthen risk reporting and deal management<ul style="list-style-type: none">– Detailed tracking of deal performance metrics throughout life of position (track actual vs. underwriting)– Efficient portfolio level reporting– Direct data feeds of 3rd party servicer information◆ Monthly Trimont Credit Committee, coupled with internal review of positions to ensure appropriate mark-to-market◆ Review deal pipeline to ensure current underwriting guidelines (property types, markets, etc.) are the focus of deal managers

Service Overview

Servicer Overview: Trimont Real Estate Advisors

Trimont currently services approximately 855 GREG debt and equity positions

- ◆ TriMont was originally founded in 1988 as Hatfield Philips, Inc. The name was changed in February 2003 to TriMont Real Estate Advisors, Inc.
- ◆ They currently employ over 270 employees in offices located in Atlanta, Irvine, London & New York
- ◆ Current portfolio statistics include:
 - Assets Under Management: \$27+ Bn
 - Number of Assets Under Management: ~1,300
 - Value of Assets Under Management: \$77+ Bn
- ◆ Cores Services: Primary Asset Management, Special Asset Management, Fund Asset Management, REO Asset Management, Underwriting and Due Diligence, Consulting and Market Research, Portfolio Risk Analysis, Reporting and Asset Management Database, Defeasance, Asset Servicing, Treasury Services
- ◆ Representative clients include AIG, Anglo Irish Bank, Bank of Scotland, Barclays Capital, Fannie Mae, H2 Capital, HSBC, Lehman Brothers, Merrill Lynch, Prudential, and Wachovia.
- ◆ Rated Primary and Special Servicer by:

	Fitch	S&P
– Primary Servicer:	CPS2	Above Average/Stable
– Special Servicer:	CSS2	Above Average/Stable
– Construction Servicer:	N/A	Above Average/Stable

Deal Summaries

PTG Deal Summary: Stellar Apartment Portfolio

Deal Summaries

Recapitalization of an apartment portfolio in Virginia and Maryland

Financial Summary

<i>Start Date:</i>	May-06
<i>Property Type:</i>	Multi-family
<i>Location:</i>	VA / MD
<i>Sponsor:</i>	Stellar Advisors
<i>Deal Type:</i>	Transitional

Capital Structure (\$MM):

LB Senior Loan	190.0
LBREM Senior Mezz	19.6
LB Junior Mezz 1	8.6
LB Junior Mezz 2	7.8
LB Equity	3.2
Stellar Equity	5.9
Total Deal Commitments	235.0

Deal Summary

- ◆ **Business Plan:** Refinance of the Stellar Apartment Portfolio, a 1,430 unit four-asset portfolio of apartment units containing over 1.45MM SF. The proceeds from the refinance was used to pay off the existing senior and mezzanine loans, to pay closing costs, to reserve future working capital, and to pay down all preferred return and the majority of the equity balance on each asset. The assets that are included in the portfolio are Belmont, Chatsworth, Haverhill and Ashton Woods, with three of the four assets located in Northern Virginia and the fourth located in Maryland outside of Baltimore.
- ◆ **LB Participation:** LB provided the original senior loans, mezzanine loans (for all assets except Ashton Woods) and equity on the acquisition of all four properties with the Sponsor: Ashton Woods closed in February 2004, Chatsworth Park closed in July 2004, Belmont closed in August 2004, and Haverhill closed in December 2004. The May 2006 refinance involved various teams within GREG and consisted of the following: LB's Conduit Group provided a senior 1st mortgage loan of \$190MM, LBREMP provided a senior mezzanine loan of \$19MM (L+1000bps), LB provided two junior mezzanine loans (Junior 1 Mezzanine Loan of \$8.6MM and Junior 2 Mezzanine Loan of \$7.8MM at L+1200bps), and LB also reinvested a total of \$3.2MM of equity in the deal for nearly a 50% stake in future equity returns of the portfolio.
- ◆ **Sponsor:** Stellar Advisors was formed in 1997 to serve as a real estate investment advisor specializing in the acquisition, repositioning, and asset management of multifamily housing. The Sponsor has been successful in purchasing properties at a value based on its current income stream, providing sufficient capital infusion to bring amenities up to market expectations, instituting a professional management team, and providing experienced asset management oversight.
- ◆ **Current Status:** Stellar has recently marketed the portfolio for sale and sold Belmont in June of 2007 for \$50.5MM. Chatsworth is currently under contract for \$129.5MM. The two remaining properties may also be sold in 2007 depending on market conditions.

CMBS Deal Summary: Trump Hollywood

Deal Summaries

Debt financing of a ground up condominium project in Hollywood, FL

Financial Summary	Deal Summary
<i>Start Date:</i> April-07	<ul style="list-style-type: none">◆ Business Plan: Construction of a 200 unit condominium tower totaling 622,544 SF located on an ocean front parcel in Hollywood, FL. Amenities will include an elevated pool, two spas, a reflecting pool overlooking the Atlantic Ocean, a 3,000 SF fitness center, club room, billiards and game room, air conditioned storage spaces and beachside cabanas.◆ LB Participation: In April 2007, LB originated a \$226.6MM floating rate First Mortgage Loan, and LBREMP originated a \$23MM Mezzanine Loan to The Related Group of Florida. The First Mortgage Loan will be split into a \$211.6MM A-Note and a \$15.0MM B-Note. The First Mortgage Loan was syndicated to six banks with LB retaining the B-Note at a coupon of Libor plus 21.1%.◆ Sponsor: The Related Group of Florida has built and managed more than 55,000 residential units throughout Florida. Related's current development portfolio includes projects valued in excess of \$1.4 Bn with reported sales of more than \$1.07 Bn for 2006 and over \$2.5 Bn in the last four years. As of December 31, 2005 Related reported total assets of \$4.3 Bn, with cash and marketable securities of \$349.1MM, net worth of \$456.5MM and net income of \$202.7MM.◆ Current Status: To date, 115 of the 200 condominium units (58%) are under contract for sale at an average price per square foot of \$678. 10% of the initial deposits have been collected on these units and the aggregate contract price for these units is \$222MM. Construction began in April 2007 and is expected to take approximately 2 years. Thus, the expected date of completion is May 2009.
<i>Property Type:</i> Condo Ground Up	
<i>Location:</i> Hollywood, FL	
<i>Sponsor:</i> The Related Group	
<i>Deal Type:</i> Development	
Capital Structure (\$MM):	
LB A-Note (Syndicated) 211.6	
LB B-Note 15.0	
LBREM Mezz Loan 23.0	
Buyer Deposits 20.5	
Imputed Land Equity 35.3	
Related Group Equity 10.0	
Total Deal Commitments 315.3	

CMBS Deal Summary: Fontainebleau

Debt financing of retail development project in Las Vegas, Nevada

Financial Summary	Deal Summary
<i>Start Date:</i> June-07	◆ Business Plan: Development of the high end retail component of the Fontainebleau Las Vegas, a to be constructed signature casino hotel resort containing 3,889 hotel rooms, 100M SF casino, 280M SF of convention space and a 56M SF spa. The retail component will contain approximately 162M SF of retail space and 125M SF of restaurants and nightclubs.
<i>Property Type:</i> Retail	
<i>Location:</i> Las Vegas, NV	
<i>Sponsor:</i> Fontainebleau	
<i>Deal Type:</i> Development	◆ LB Participation: LB originated a total of \$400MM (L+428bps) in construction financing that was divided into a \$315MM senior loan and an \$85MM mezzanine loan to Fontainebleau. The initial funding of the senior loan was \$125MM and the mezzanine loan was fully funded at closing. LB intends to syndicate the entire senior loan at a spread of L+200bps while retaining the mezzanine loan at a spread of L+1278bps, which would currently yield a coupon of 18.1%.
Capital Structure (\$MM):	◆ Sponsor: Founded by Jeff Soffer and Glenn Schaeffer in 2005, Fontainebleau Resorts LLC benefits from an experienced management team with a proven track record. Soffer is a Principal of Turnberry Associates which has developed more than \$7 Bn in commercial and residential property since 1967. Glenn Schaeffer, former President and CFO of the Mandalay Resort Group, and his management team, have developed several major casino properties including Mandalay Bay, The Hotel, Monte Carlo, Excalibur and Luxor.
LB Senior Loan 315.0	◆ Current Status: Construction of the Fontainebleau Las Vegas has started and is expected to be completed in the 4th Quarter of 2009. The project's stabilized NOI (beginning October 2010) for the retail portion of the development is estimated at \$30.1MM. LB is currently marketing the senior loan for syndication with an expected sale date in the 3Q07.
LB Mezzanine Loan 85.0	
Sponsor Imputed equity 47.6	
Total Deal Commitments 447.6	