

Confidential

ALCO

Summary Package

August 2, 2007

LEHMAN BROTHERS

Today's Highlights

◆ Liquidity pool as of August 1: \$24.3 billion (slide 2)

◆ Cash Capital Surplus: (slide 2)

<i>\$billions</i>	7/20 (actual)	7/31 (FC)	8/31 (FC)	9/30 (FC)	10/31 (FC)	11/30 (FC)
CC Surplus	7.7	3.3	4.2	(4.5)	(10.2)	2.0

◆ Secured Funding Status: (slide 3)

◆ Business Updates:

- Credit/HY/LBO (slide 4)
- Real Estate (slide 5, 6)
- Securitized Products and Other FID (slide 5, 6)

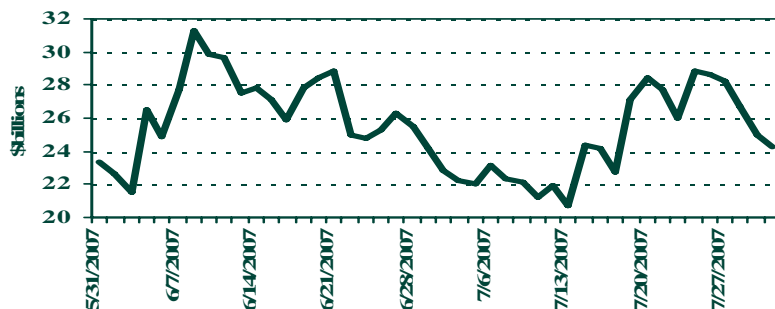
◆ Fundraising Game Plan: RACERS under negotiations with Rabobank on overcollateralization terms (slide 7)

◆ Market Updates: (slide 8)

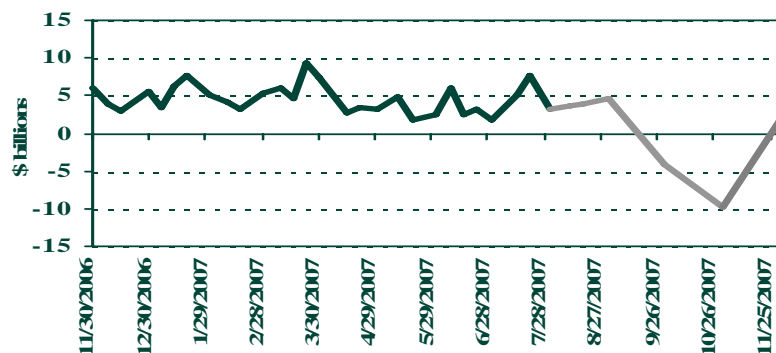
Liquidity and Cash Capital

- ◆ Liquidity pool as of August 1 stood at \$24.3 billion, \$0.7 billion decrease from previous day.
- ◆ Cash Capital surplus as of July 20 was \$7.7 billion. The Q3 and Q4 surpluses are projected to be \$4.6 billion and \$2.0 billion respectively.

QTD Liquidity Pool Trend



YTD Cash Capital Surplus/ (Deficit)



Cash Capital Projection

CC Projection for the month ending 7/31

3.3

Change in Liabilities	
Projected Structured Issuance	1.3
Vanilla Issuance	-
New Facilities	5.1
Roll into Current Portion	(1.5)
Equity	0.2
Total	5.0
Change in Business Usage	
HY/HG	
- Loan Funding	(5.9)
- Syndication/Selldown	1.2
Total HY/HG	(4.7)
Real Estate	
- Loan Funding	(4.2)
- Securitization/Syndication/Selldown	4.2
Total Real Estate	0.0
Other	0.5
Total Change in Business Usage	(4.1)

CC Projection for the month ending 8/31 (Q3)

4.2

Change in Liabilities	
Projected Structured Issuance	3.3
Vanilla Issuance	-
New Facilities	10.5
Roll into Current Portion	(3.0)
Equity	0.5
Total	11.3
Change in Business Usage	
HY/HG	
- Loan Funding	(15.3)
- Syndication/Selldown	1.9
Total HY/HG	(13.4)
Real Estate	
- Loan Funding	(11.3)
- Securitization/Syndication/Selldown	11.2
Total Real Estate	(0.1)
Other	0.1
Total Change in Business Usage	(13.5)

CC Projection for the month ending 11/30 (Q4)

2.0

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Secured Funding Status

- ◆ An increase in haircuts of Asset Backs, Private Labels, and Corporates has been proposed by Dresdner.

Secured Funding Volumes

Asset Class	Principal	Avg Spread to Libor	Avg Tenor (Days)
Asset Backs - Investment Grade	8,023,097,886	(5)	18
Asset Backs - Non-Investment Grade	845,852,318	8	19
C1 - Investment Grade Convertibles	2,034,337,488	3	8
C2 - Non-Investment Grade Convertibles	2,924,113,768	6	5
Corporates - Investment Grade	13,388,280,544	1	7
Corporates - Non-Investment Grade	9,363,150,651	4	6
E1 - Major Index Equities	11,120,533,859	2	16
E2 - Non-Major Index Equities	9,724,793,687	(38)	7
E3 - Non-Major Index Equities (<\$5)	1,812,822,287	3	22
EMG	11,081,305,883	4	9
Fund Units	409,519,823	7	13
G1 - Investment Grade Governments	87,009,186	0	9
Government Agency	12,490,121,615	(20)	1
Lehman Paper	343,839,001	(2)	5
MBS	26,515,156,397	(9)	2
Money Markets (A1)	1,606,797,319	(5)	1
Money Markets (A2, A3, Other)	388,916,324	0	1
Muni	2,437,483,941	2	1
Other	456,193,322	3	4
Preferreds	977,883,542	(1)	4
Private Labels - High Yield	2,637,509,843	(2)	30
Private Labels - Investment Grade	10,341,516,887	(1)	29
Treasuries	4,373,506,965	(41)	1
Wholeloan Commercial	6,500,000,000	16	136
Wholeloan Residential	2,819,175,064	11	51
G2 - Non Investment Grade Governments	44,054,348	1	7
Total	142,746,971,946	(6)	16

Top 25 Counterparties

Counterparty Group	Principal	Avg Tenor (Days)
STATE STREET	15,049,128,875	27
JP MORGAN / BANK ONE	13,776,287,760	10
BANK OF NEW YORK	11,689,457,203	2
FIDELITY	8,250,000,000	58
DRESDNER	7,799,926,360	2
BARCLAYS	5,719,216,053	65
RBC	5,341,367,500	10
NORTHERN	5,340,000,000	4
DANSKE BANK	3,042,679,764	15
IXIS	2,936,833,700	6
RACERS	2,929,020,000	5
CALYON	2,826,365,585	4
ING	2,809,681,566	3
RABOBANK	2,665,744,490	12
ABN AMRO	2,609,644,047	8
AEGIS	2,371,369,189	1
ROYCE & ASSOCIATES INC	2,055,000,000	1
DEXIA	1,953,934,657	45
WESTLB	1,850,000,000	2
MELLON	1,730,000,000	1
CSFB	1,633,106,000	1
Key Bank	1,550,000,000	1
SWEDBANK	1,350,000,000	21
MET WEST/WACHOVIA	1,333,283,400	4
HSBC	1,129,942,500	6
OTHER	33,004,983,298	14
Total	142,746,971,946	16

1. The above is based on global Triparty cash repo trades as of July 31st, 2007 and excludes products traded special.

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Real Estate / Securitized Products - Market Color

Real Estate

- ◆ CMBS investors have been running to the sidelines, causing what may have been an unprecedented one-week spike of 14 bps in triple-A spreads.
- ◆ Issuers have needed to widen price talk numerous times to sell the bonds.
- ◆ The key triple-A spread had widened by 14 bps in the week since two fusion deals priced at 34 bps (Issuers not hedging CMBS spreads are getting hit hard).
- ◆ CMBS pros are bracing for a severe slowdown in lending and most believe the worst isn't over. The meltdown prompted comparisons to the last major disruption in the CMBS market, which also was sparked by a problem in another fixed-income sector.
- ◆ The buzz is that some banks stopped quoting loans entirely this week because of uncertainty about pricing. Wider CMBS spreads have added 75 bps to the break-even spread for a loan. In turn, lenders are raising their spreads on loans — a move that suppresses demand.
- ◆ The sharp downturn in the commercial mortgage-backed securities market is expected to significantly tighten the availability of credit, resulting in a drop in property prices and a slowdown in sales volume.

Securitized Products

- ◆ The primary market of HEL ABS has practically ceased activity
- ◆ The ABX Series 2007-2 BBB and BBB minus both ended down for the day closing at 45 and 40 respectively. This series launched on July 19, 2007 at 57 and 50 respectively.
- ◆ Fitch announced it was increasing loss coverage for certain HEL ABS Loans
- ◆ Earnings announcement by Countrywide and Indymac along with American Home Mortgages recent demise indicates that credit problems have expanded into the ALT-A sector.
- ◆ Moody's announced a revised ALT-A RMBS and Option ARM securitization methodologies

Real Estate / Securitized Products - Funding & Securitizations Pipeline

Real Estate

◆ Total Fundings - \$15.5Bn, Total Securitizations \$15.4Bn

Projected Fundings	Projected Sales
<p>- \$15.5Bn Total Fundings:</p> <ul style="list-style-type: none"> - \$1.5Bn - Funding of Gospel - \$5.0Bn - Funding of Archstone Debt (estimated net funding) - \$1.6Bn - Funding of Hilton - \$0.6Bn - Funding of Legacy Loan - \$6.8Bn - Funding of Real Estate loans < \$0.5Bn 	<p>- \$15.4Bn Total Securitizations:</p> <ul style="list-style-type: none"> - \$1.1Bn - Windermere 11 securitization - \$0.8Bn - Windermere 12 securitization - \$0.8Bn - RE loan transfers to Bankhaus - \$0.5Bn - USCWL C-5 securitization (floater) - \$1.0Bn - USCWL C-6 securitization - \$0.5Bn - Project Pearl securitization - \$0.5Bn - Syndication of Floater B note and Mezz - \$3.2Bn - Gospel Securitisation - \$1.6Bn - Syndication of Hilton - \$1.5Bn - Windermere 14 securitization - \$1.0Bn - USCWL C-7 securitization - \$2.9Bn - Other securitizations < \$0.5Bn

Securitized Products

◆ Total Fundings – currently none projected, Total Securitizations \$2.2Bn

Projected Fundings	Projected Sales
<p>- Nothing in the pipeline</p>	<p>- \$2.2Bn Total Securitizations:</p> <ul style="list-style-type: none"> - \$0.5Bn - ELQ 2007-1 securitization - \$0.7Bn - Eurosail 07-4 securitization - \$0.7Bn - CASA 2007-1 securitization - \$0.3Bn - Other securitizations < \$0.5Bn

Fundraising Game Plan - Key Initiatives

	Funding Type	Description	Notional (billions)	Term	Status
Secured Funding	RACERS	Corp loans in trust (wrapped by AAA bank) that will repo to Bankhaus for funding	\$2.0	18 months extendible	Negotiation with Rabo on over collateralization
	CWL Secured Funding	Various counterparties (Evergreen, Fidelity, ABN, etc.) to fund secured	\$3.0+	13 months extendible	Various stages primarily client risk and docs review
	Dresdner	Off balance sheet CLO/HY loans warehouse financing	\$2.0	5 years	Working out details of deal: cash settle time, non eligible loans in CLO
	RE trust repo	Funding of RE assets not securitized through trust repo	TBD	Short term	New idea. Investigating possibility
	Asia bilateral facilities	Various counterparties (Shinkin, ANZ, Citi HK, etc)	\$1.0	Various 1 to 2 year	Various proposals made in past weeks. Follow up meetings this/next week.
Unsecured Funding	Bankhaus Funding	\$2.5bn growth in Bankhaus cash capital sources to be able to take in LBHI (incremental to RACERS)	\$2.5	N/A	Aggressive diversification of deposits underway
	LBCB Growth	FDIC approved plan to increase assets to \$7.9bn and include non USD assets.	\$3.5	N/A	Underway

Market Update

- ◆ Spreads look to be unchanged this morning from last night's close but have traded with a better tone and tightened since the open appx. 5 bp's.

CDS open:

BSC	98/108
GS	74/79
MER	74/79
MS	75/80
LEH	93/98

- ◆ Our cash bonds have tightened 5-8 since the open as well:

Cash open:

5y	L + 70
10y	L + 128
30y	L + 149