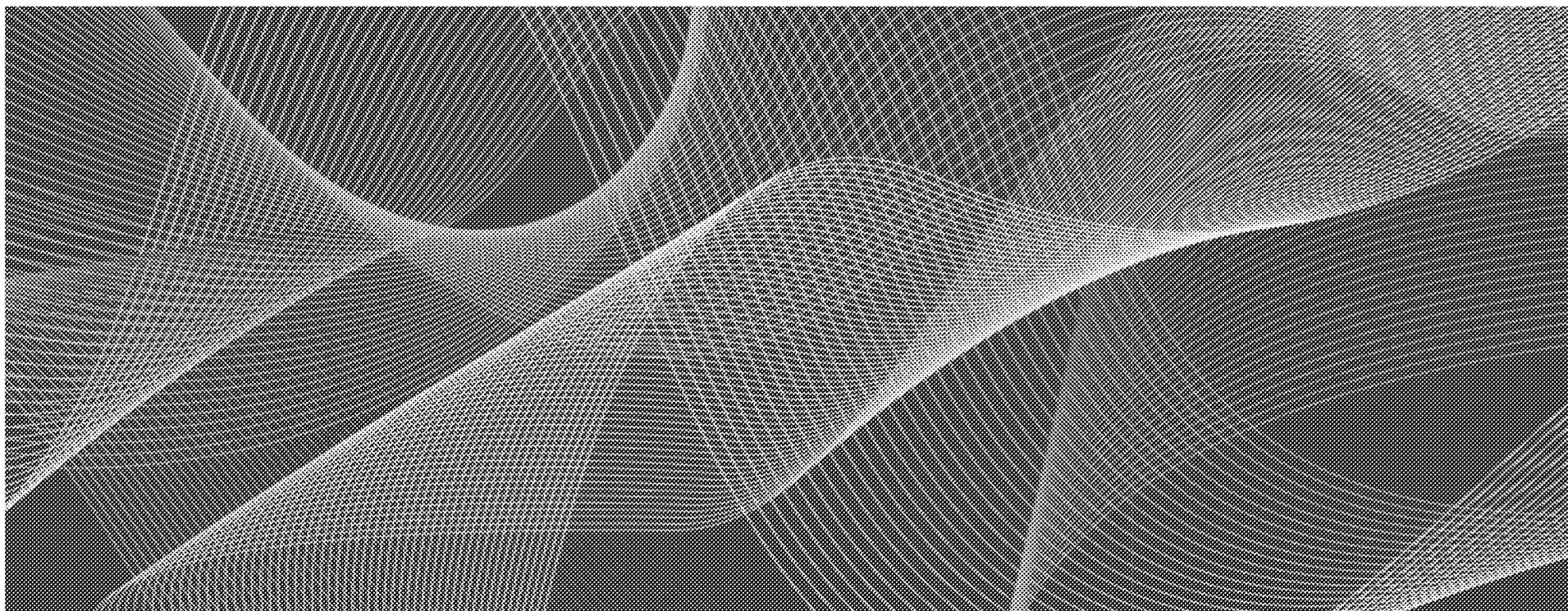


DRAFT

LEHMAN BROTHERS

June 20, 2008

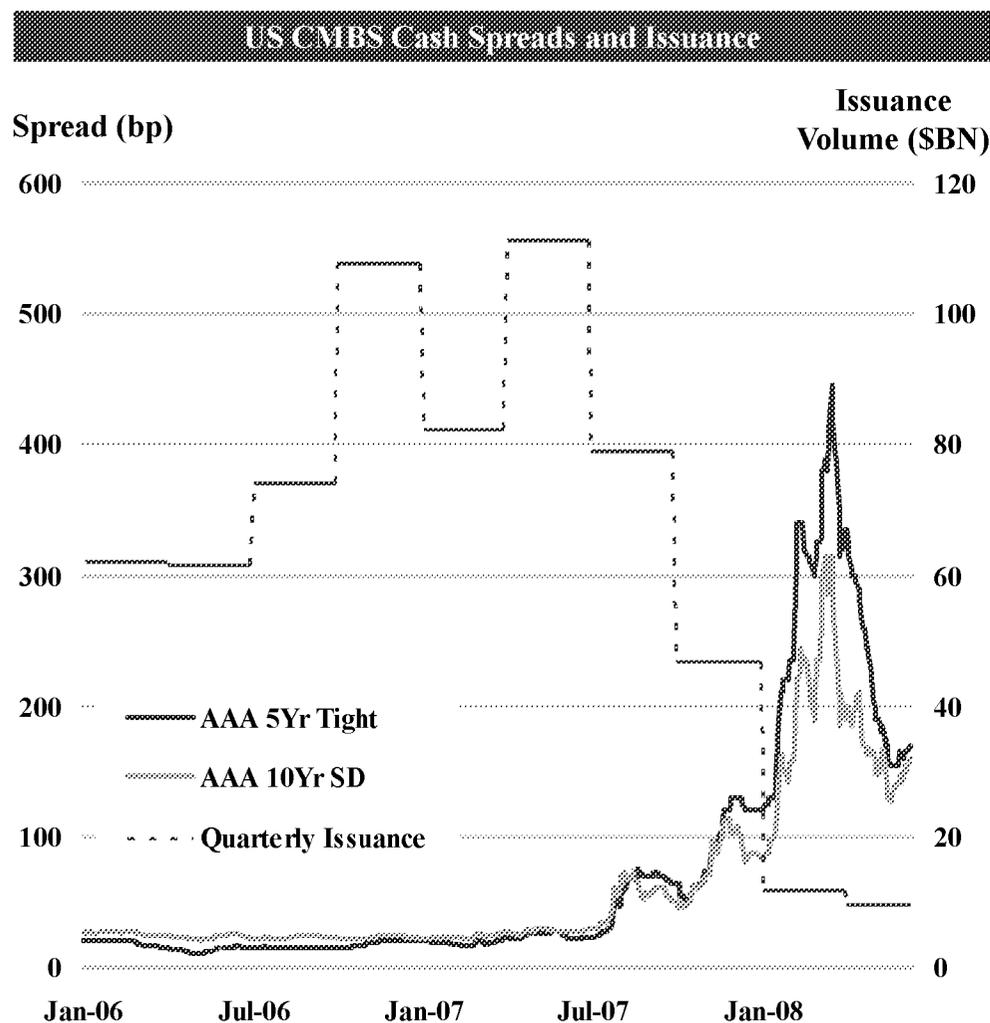
GREG 2009 Strategy – Executive Update



Confidential Presentation

Perfect Storm

Commercial Real Estate experienced a perfect storm, impacting GREG performance



Source: Lehman Brothers.

Market Impact

- ◆ Unprecedented spread widening across the capital structure
- ◆ Dramatically reduced CMBS volumes since securitization markets are shut
- ◆ Dichotomy between *Equity* buyers focused on fundamentals and *Credit* buyers impacted by spread contagion

GREG Impact

- ◆ Forced to hold positions originally originated for securitization/syndication
- ◆ GREG write-downs of ~\$2.5BB 1H'08
- ◆ Active deleveraging: Reduced commercial mortgages by ~\$7BB in Q2

LEHMAN BROTHERS

1

Real Estate Fundamentals

However, Commercial Real Estate will still be an attractive business for Lehman

Revenue Potential

- ◆ Commercial Real Estate market will continue to exist (not sub-prime)
- ◆ Large stock of commercial real estate with significant turnover
- ◆ CMBS issuance will re-emerge, albeit at lower (e.g., 2004) levels

Intermediation Opportunity

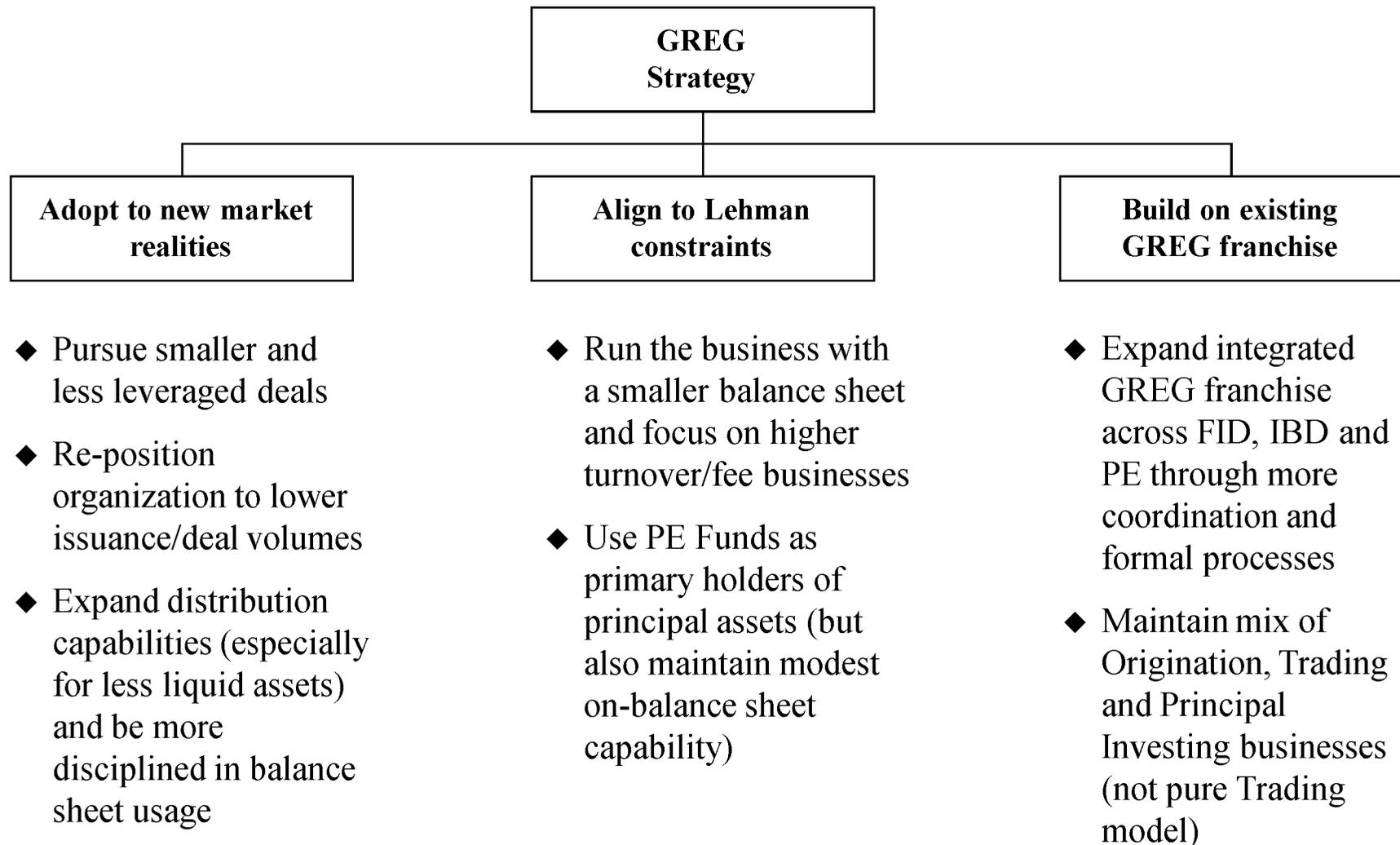
- ◆ Borrowers continue to need financing (and no GSEs for CRE)
- ◆ Insurance and bank balance sheets can't compensate for capital markets
- ◆ All Wall Street competitors impaired or exiting (e.g., UBS, Wachovia, Morgan Stanley, RBS, Bear Stearns, Nomura, Countrywide, Deutsche Bank)

Lehman Positioning

- ◆ Strong brand name and deep client relationships
- ◆ Real Estate hard asset knowledge and expertise
- ◆ Ability to deliver the capital markets through integrated GREG franchise

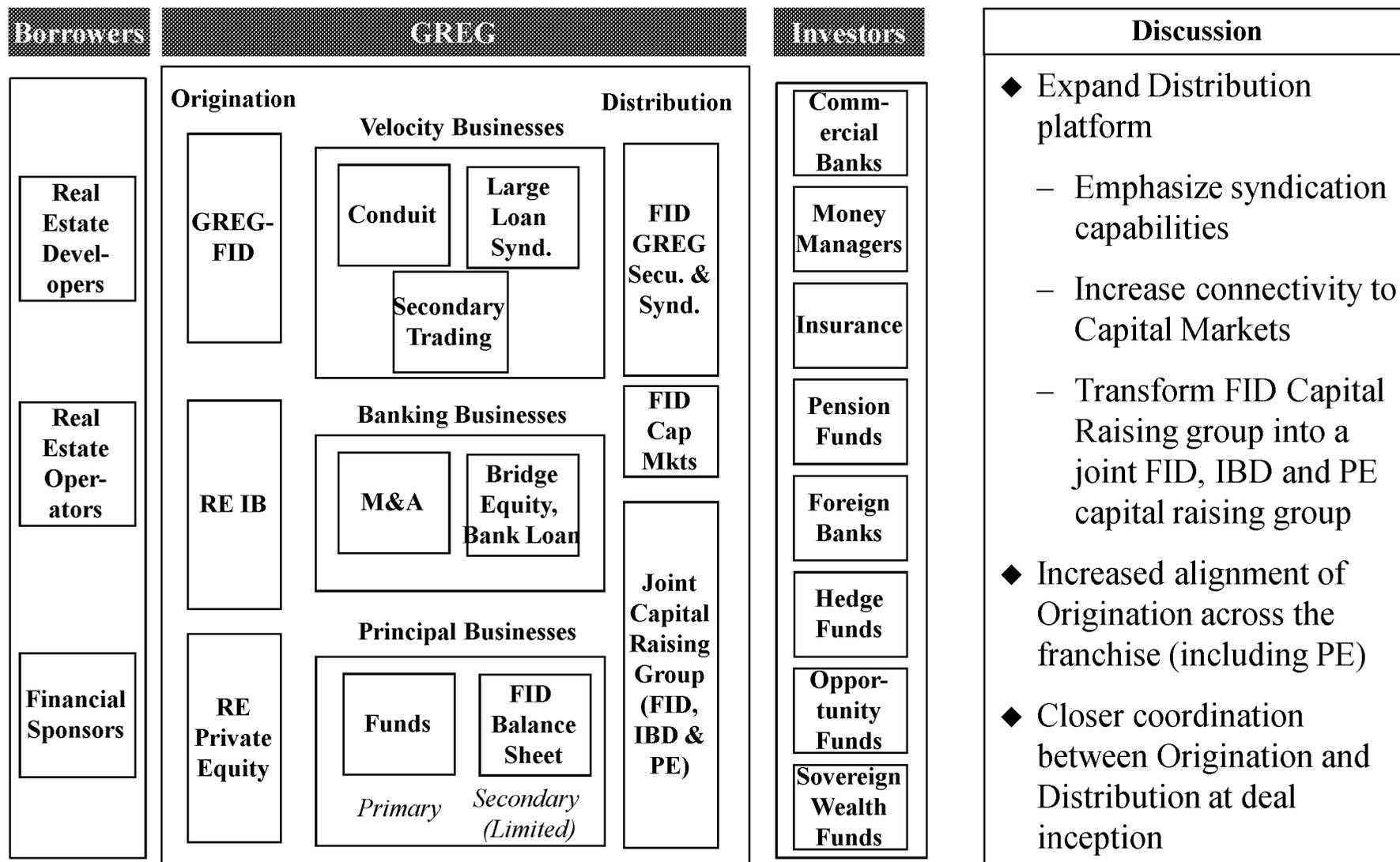
GREG Strategy

GREG will adjust its strategy to the new environment, but build on the existing franchise



GREG Operating Model

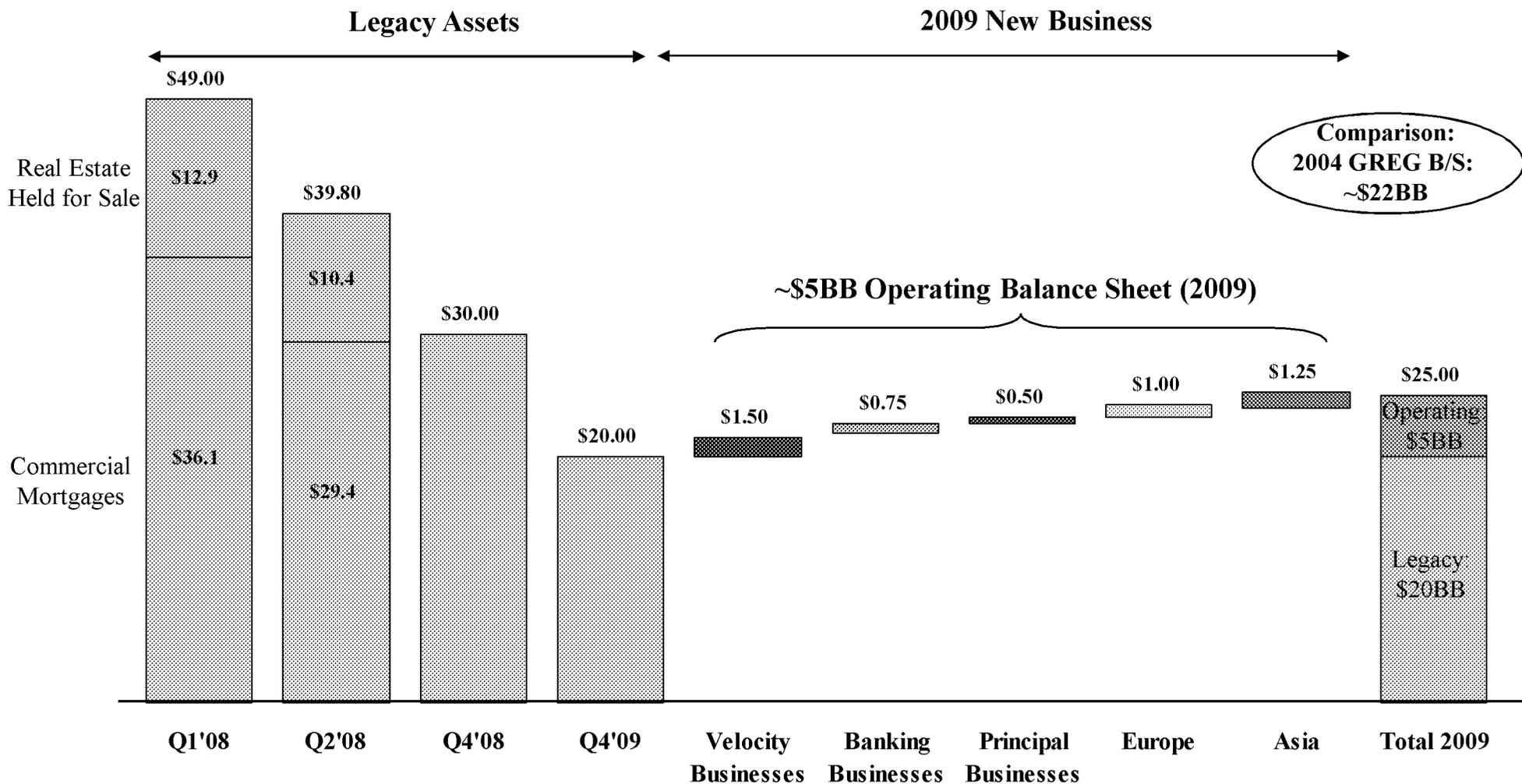
GREG will expand distribution and use the Funds as the primary holder of principal assets



Balance Sheet

GREG will run a small operating balance sheet and reduce the legacy book further in 2009

GREG Commercial Mortgages and Real Estate Held for Sale Balance Sheet 2009 (SBB)

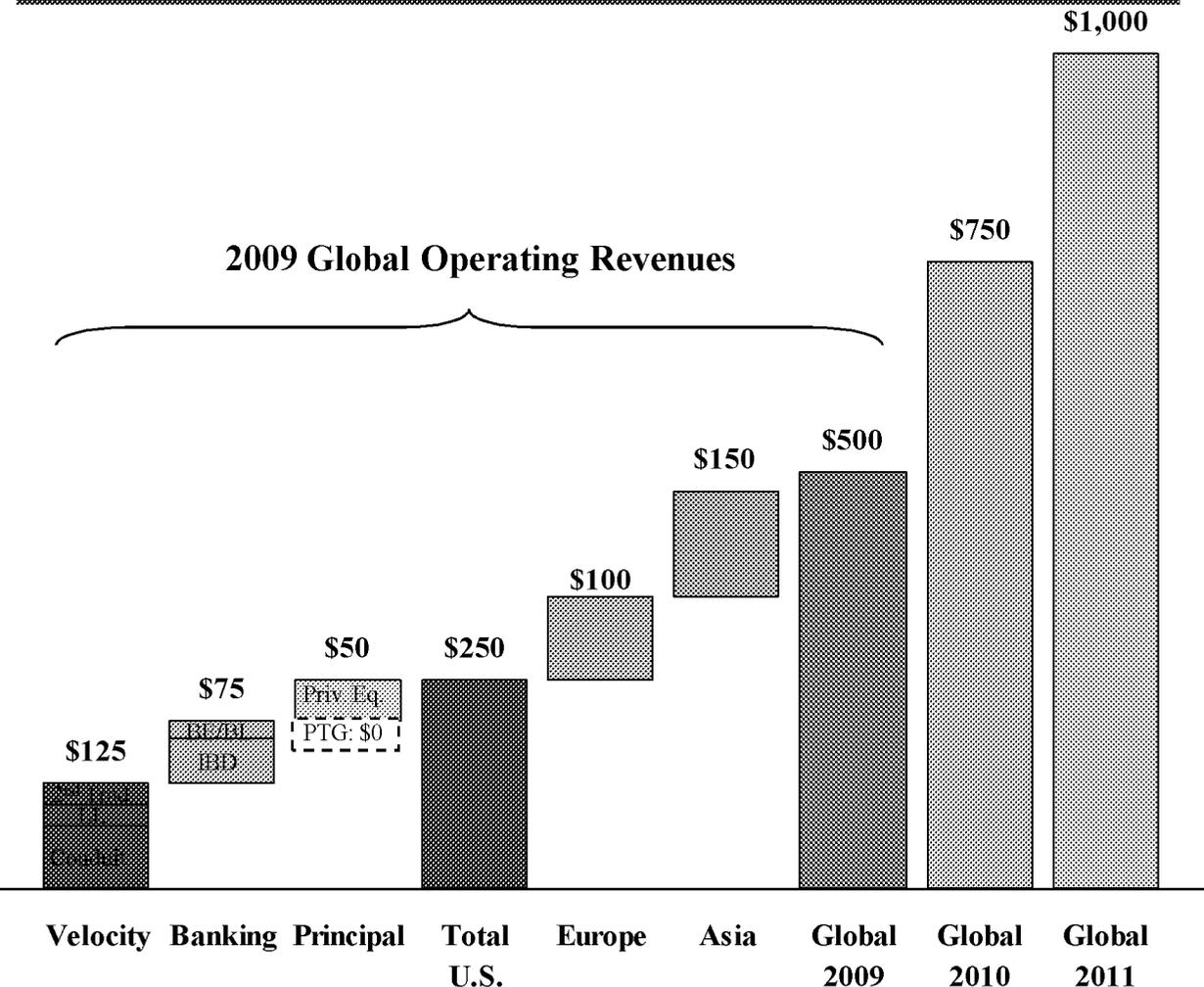


1. Balance Sheet does not include Corporate Debt, Corporate Equity, Derivative Mark to market and Gross-Ups

Revenues

Revenues will be primarily generated off higher velocity and fee-based businesses

GREG Operating Revenue Budget 2009 and 2010/11 (SMM)

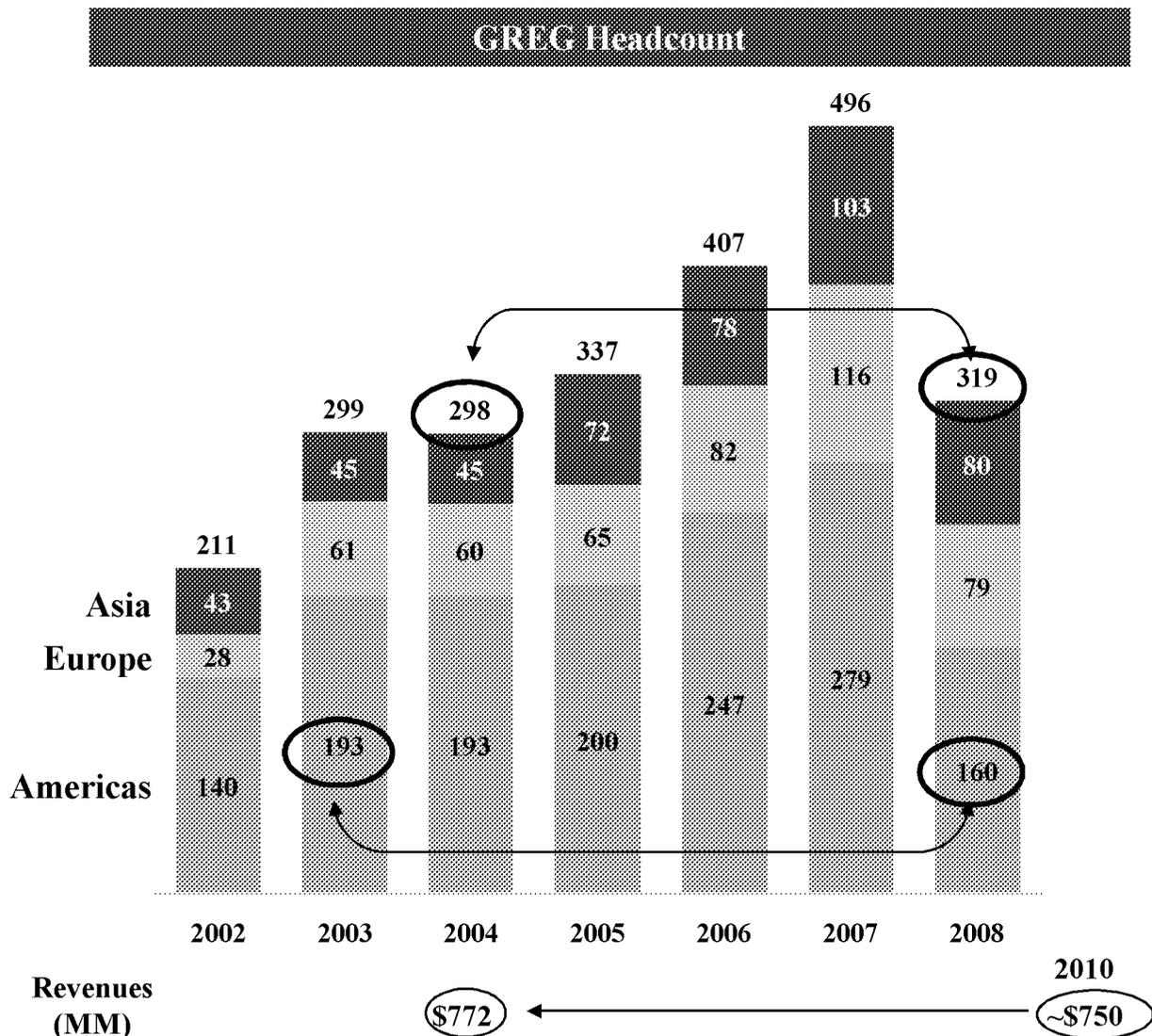


Discussion
<ul style="list-style-type: none"> ◆ Revenues driven by higher turnover/low balance sheet and fee businesses <ul style="list-style-type: none"> – Conduit Lending – Large Loan Syndication – Secondary Trading – M&A – Private Equity ◆ Significantly scale back (but not exit) balance sheet-intensive businesses <ul style="list-style-type: none"> – Large Loan Lending – PTG

1. Revenue estimates for Operating Revenue only; assumes no further write-downs (but also no write-ups) from the legacy book
 2. LL – Large Loan Business, BE – Bridge Equity Business, BL – Bank Loan Business, PTG – Principal Transaction Group

Headcount

Headcount is down to 2003/4 levels and right-sized for the revenue opportunity

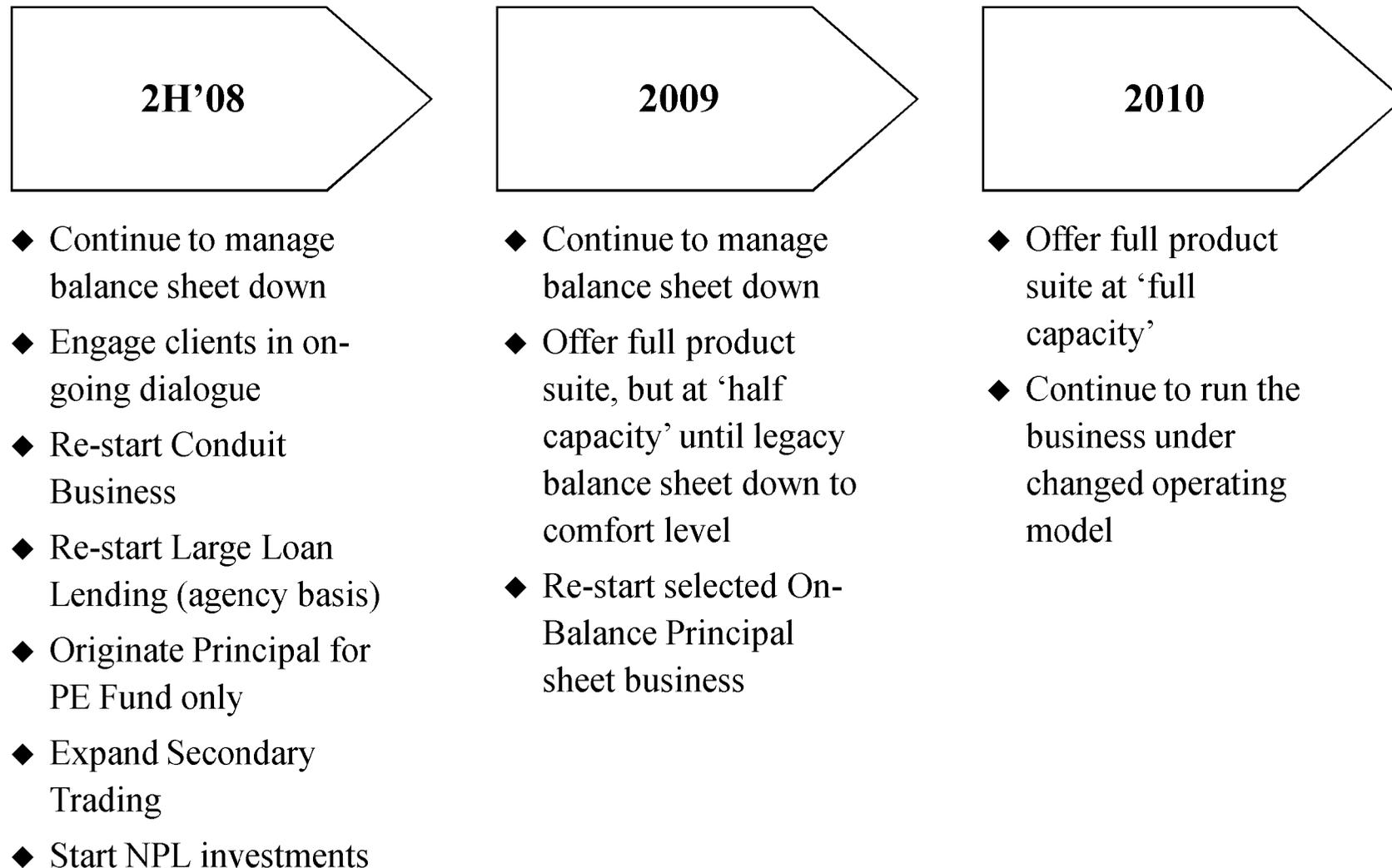


1. Does not include the Real Estate Private Equity headcount

Discussion
<ul style="list-style-type: none"> ◆ Headcount down to 2003/4 levels, when GREG was a ~\$770MM business ◆ Business is right-sized for estimated 2009/2010 revenues <ul style="list-style-type: none"> – Maintain presence as integrated franchise with capabilities across the capital structure – Ongoing asset distribution ◆ Going forward, will use more variable staffing (e.g., underwriting) where applicable

Timeline

GREG will re-start the business in a measured fashion under the new operating model



Appendices

High Velocity Businesses

High velocity businesses need to use less balance sheet with increased turnover

		Market Outlook	LEH 2H'08 Strategy	LEH 2009 Strategy
US	Conduit	<ul style="list-style-type: none"> Fixed rate origination will return, but only to 2004-05 levels, floating rate dead 	<ul style="list-style-type: none"> Explore Fannie/Freddie opportunity Re-start Conduit business 	<ul style="list-style-type: none"> Continue with Fusion deals, but less leveraged large loans, smaller deal size, some single property securitizations
	Large Loan	<ul style="list-style-type: none"> Lower origination volumes, less leveraged and smaller deals 	<ul style="list-style-type: none"> Fully agented deals Expand distribution capabilities (especially for less liquid assets) 	<ul style="list-style-type: none"> Use balance sheet for warehousing (securitization and syndication), but not carry trades
	Secondary Trading	<ul style="list-style-type: none"> Re-trades of CMBS from investor balance sheets will increase significantly 	<ul style="list-style-type: none"> Expand JV with Securitized Products (CMBS, Index, Single Security CDS, Property Derivatives) 	<ul style="list-style-type: none"> Continue expansion of trading franchise
EU	Local Lending	<ul style="list-style-type: none"> Lending into syndication looks attractive – still value here 	<ul style="list-style-type: none"> Explore niche opportunities in Italy, UK, maybe France 	<ul style="list-style-type: none"> Expand lending particularly in Italy, UK, France Smaller deal size, less overall B/S
	Sponsor Lending	<ul style="list-style-type: none"> Core client base Sponsors are flush with cash 	<ul style="list-style-type: none"> Look to return to the market with financing as sponsor demand returns 	<ul style="list-style-type: none"> Capitalize on strong sponsor demand to do deals – very attractive opportunities
	Secondary Trading	<ul style="list-style-type: none"> CMBS trading active but not significant Property derivatives small 	<ul style="list-style-type: none"> Increase focus with existing resources 	<ul style="list-style-type: none"> Expand resources; but still small compared to overall business

Transaction / Banking Businesses

Transaction / Banking aligned businesses need to become more aligned and re-focus on traditional IB offerings

		Market Outlook	LEH 2H'08 Strategy	LEH 2009 Strategy
US	Lines of Credit	<ul style="list-style-type: none"> ◆ Might re-open before Securitization 	<ul style="list-style-type: none"> ◆ Scale down deals, ensure full covenants, improved credit statistics 	<ul style="list-style-type: none"> ◆ Provide levered finance for RE firms (credit), recognizing high balance sheet cost
	Bridge Equity	<ul style="list-style-type: none"> ◆ Larger deals likely not returning in near future ◆ More strategic use on smaller deals, less urgency 	<ul style="list-style-type: none"> ◆ Leverage capital sourcing abilities and strong equity investor relationships for Funds ◆ Continue to distribute book 	<ul style="list-style-type: none"> ◆ Re-focus deal sourcing to smaller deals and pre-place deals ◆ Focus primarily on asset deals
	RE IB	<ul style="list-style-type: none"> ◆ Anticipate M&A wave and less IB-driven Origination 	<ul style="list-style-type: none"> ◆ Build capability in traditional IB offerings with focus on M&A ◆ Institute better client coverage (e.g., priority accounts) 	<ul style="list-style-type: none"> ◆ Leverage sponsor relationships for IB offerings and select RE product origination
EU	Bridge Equity	<ul style="list-style-type: none"> ◆ Limited market demand—fewer big deals happening quickly 	<ul style="list-style-type: none"> ◆ Restructure & distribute existing book 	<ul style="list-style-type: none"> ◆ Re-focus deal sourcing to smaller deals and pre-place deals ◆ Focus primarily on asset deals
	RE IB	<ul style="list-style-type: none"> ◆ Limited deal execution until debt comes back and market bottoms 	<ul style="list-style-type: none"> ◆ More client activity but Lehman team will be significantly smaller, some advisory but little execution 	<ul style="list-style-type: none"> ◆ Grow advisory business and establish footholds in new regions (e.g., Dubai and CEE)

Principal Businesses

Principal businesses will use the Fund as the primary holder of assets

		Market Outlook	LEH 2H'08 Strategy	LEH 2009 Strategy
US	RE Private Equity	<ul style="list-style-type: none"> ◆ Growth opportunity, abundant equity capital available to deploy 	<ul style="list-style-type: none"> ◆ Use Funds as primary principal investing vehicle (incentives) ◆ Transform FID Capital Raising group into a joint FID, IBD and PE capital raising group 	<ul style="list-style-type: none"> ◆ Increase size and range of funds ◆ Originate for Funds as primary Principal holder in the medium term
	PTG – Mezz and Equity	<ul style="list-style-type: none"> ◆ Principal opportunities will emerge, especially out of market dislocation 	<ul style="list-style-type: none"> ◆ Only secondary principal vehicle ◆ Leadership investor for SWF (a la GS and GM building) ◆ Use small Mezz/Equity investments to win lending revenues for GREG 	<ul style="list-style-type: none"> ◆ Continue to capitalize on Real Estate Asset Knowledge “Edge”, but re-focus to high IRR deals
	NPL	<ul style="list-style-type: none"> ◆ Increasing CRE value declines and defaults 	<ul style="list-style-type: none"> ◆ Invest in attractively priced “scratch & dent” and NPLs ◆ Need to invest now to harvest revenues in 2009 (small) 	<ul style="list-style-type: none"> ◆ Continue to expand business
EU	RE Private Equity	<ul style="list-style-type: none"> ◆ Opportunity funds being created ◆ Potential for LEH to create new funds 	<ul style="list-style-type: none"> ◆ TBD 	<ul style="list-style-type: none"> ◆ TBD
	Principal Mezz and Equity	<ul style="list-style-type: none"> ◆ Principal opportunities emerging both in core and emerging Europe 	<ul style="list-style-type: none"> ◆ Select investments if compelling on an absolute basis (e.g., Mezz) 	<ul style="list-style-type: none"> ◆ Continue principal activity within balance sheet constraints
	Principal Distressed	<ul style="list-style-type: none"> ◆ Distressed assets likely to come to market as fundamentals deteriorate 	<ul style="list-style-type: none"> ◆ Potential opportunistic investments 	<ul style="list-style-type: none"> ◆ Continuing opportunity

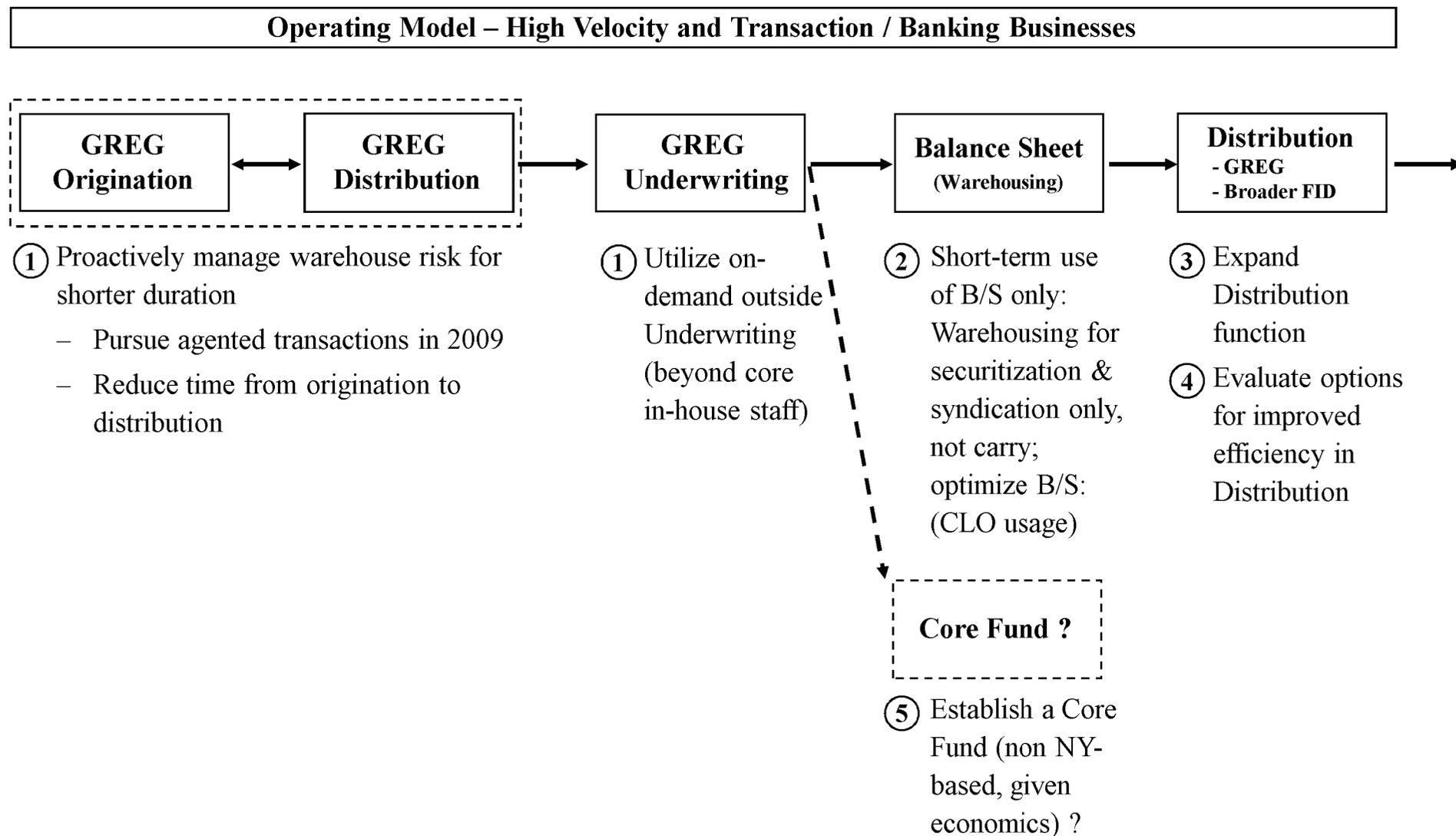
European Country Strategy

Return to our core markets by 2009. Opportunistically explore EM principal

	Stock	Transactions	LEH 2009 Strategy			
UK	\$781bn	\$51bn	Lending into syndication	Principal	Banking	◆ Lending into syndication and principal
Italy	\$240bn	\$15bn				◆ Lending into syndication and principal
France	\$384bn	\$30bn				◆ Some lending, try to do more principal
Germany	\$829bn	\$46bn	Distribution	Principal	Banking	◆ Distribution and some principal; no lending
Dubai	\$50bn	\$5bn				◆ Banking, agency and distribution
CEE and Russia	\$217bn	\$21bn	Opportunistic Principal	Principal	Banking	◆ Banking and principal; no lending
Spain	\$51bn	\$6bn				◆ Distress should be very appealing

Operating Model – High Velocity & Transaction/Banking

Change relationship between Origination, Distribution and Balance Sheet



Operating Model – Principal Businesses

Change relationship between Origination, Underwriting and the Funds

