

From: Kebede, Abe [akebede@lehman.com].

Sent: 1/23/2008 11:46 AM

To: Cohen, Kenneth [kcohen@lehman.com].

Cc:

Bcc:

Subject: CMBS Derivatives.

Ken- I also left you a voice mail. I calculated what the "true" MTM would have been and I need the desk to vouch my work. If my calculation is right, it would mean we have understated our P&L by \$45mn. I understand Liz is out this week and Dave is busy, but we will need to resolve this before our meeting with E&Y this afternoon. I have sent my supporting calculations to Dave and James and what I am looking for is for them to check if it makes sense.

thanks

Picture (Metafile)

-----Original Message-----

From: Cohen, Jonathan

Sent: Monday, January 21, 2008 1:01 PM

To: Im, James; Cook, David A; Palmer, Elizabeth; Calo, Jerry; Desmond, Jamie

Cc: Kebede, Abe; Higham, Paul; Patel, Anish; Cohen, Kenneth; Bernard, Clement

Subject: Fw: CMBS Derivatives

Apologize for the length in advance. We have tried most of last week to get EY comfortable with the DNS/TRS/IRS P&L and the \$37mm reserve in the trading ledgers. We are struggling. Obviously, it is not transparent with the system issues. That said, we need as much help from everyone to prove P&L for the last few months (possibly 3rd and 4th qtrs per EY) and the valuation of the swaps at nov 30th and then validate the \$37mm reserve. Abe has come up with a model to price test the DNS, but we are having significant issues comparing the difference between that value and what is in quest to the reserve balance. We must be missing something in our analysis somewhere along the way. Hence the call for help from all of us. If we work together, I am confident we can get EY to the right place. Obviously, the alternative would not be pleasant. You can read the below chain to understand EY's concern. Let's talk Tues morning. Thx everyone.

----- Original Message -----

From: Reilly, Gerard

To: Bernard, Clement; Cohen, Jonathan; Chopra, Neeraj

Sent: Sun Jan 20 13:38:44 2008

Subject: Fw: CMBS Derivatives

We need to close this down asap

----- Original Message -----

From: joe.palumbo@ey.com <joe.palumbo@ey.com>

To: Reilly, Gerard

Sent: Fri Jan 18 18:48:02 2008

Subject: CMBS Derivatives

Gerry - As Clement has mentioned to you we have spent time with Jonathan, Abe and him to address our concerns around TRS and DNS derivative trading within commercial real estate. I think we agree the issues primarily center around understanding the valuation and p&l of these trades. We agreed to meet on Wednesday morning to give your team a few days to work with the front office and operations group to resolve the outstanding questions. I am concerned as the issues here seem to be a bit deeper than everyone had originally anticipated and our sign off date is a week from this Monday. I would be happy to discuss this further with you at anytime over the weekend or early next week. You have my phone numbers below. Thank you.

Regards:

Joseph Palumbo  
Ernst & Young LLP  
Financial Services Office  
Direct: (212) 773-3326  
Cell: (973) 202-0050

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Vice President  
Global Real Estate Product Control

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399 Park Avenue, 5th Floor  
New York, NY 10022  
Tel. 1-212-526-2658  
Fax. 1-646-758-3589  
E-mail: akebede@lehman.com

From: Kebede, Abe [akebede@lehman.com].

Sent: 1/29/2008 1:13 AM.

To: Desmond, Jamie [jdesmond@lehman.com].

Cc:

Bcc:

Subject: imLive TimeStamp: 03:06:19 PM 01/28/2008 .

<imliveTimestamp.process>

akebede:sorry i was away from my desk (03:06:19 PM 01/28/2008)

akebede:we cant explain the variance (03:06:29 PM 01/28/2008)

jdesmond:you mean your estimate vs flash? (03:06:56 PM 01/28/2008)

akebede:but we are saying \$70 mn is immaterial to mis-state our financials (ie., compared to our \$20 bn net revenue) (03:07:06 PM 01/28/2008)

akebede:the variance b/n my calculated MTM and Quest compared to the reserve balance of 38mn (03:08:24 PM 01/28/2008)

From: Kebede, Abe [akebede@lehman.com].

Sent: 1/30/2008 9:08 AM.

To: Im, James [jamesim@lehman.com].

Cc:

Bcc:

Subject: RE: CDS on CMBS Composites.

can you please call me on this when you get a minute. thanks

---

From: Kebede, Abe  
Sent: Thursday, January 17, 2008 9:04 AM  
To: Im, James; Pei, Wendy  
Cc: Park, Jennifer  
Subject: FW: CDS on CMBS Composites

James-

Please see below response from Markit. In short, the results for CDS-CMBS are not that great because of the few contributions. Kiet called me and mentioned that Citi and UBS are also joining and if LB could join, we may have better results. Let me know what you think.

In a related note, to address your concern on the amount of time you guys spend to explain variances with Fitch every month, we will increase the threshold to \$1 million. Hopefully, this will reduce the number of variances significantly. For December month-end, this would have reduced the number of positions researched by 50%.

thanks  
Abe

---

From: Kiet Tran [mailto:kiet.tran@markit.com]  
Sent: Wednesday, January 16, 2008 4:38 PM  
To: Kebede, Abe  
Cc: Ali Amjad; Alex Lim; Edward Lipes; Park, Jennifer  
Subject: RE: CDS on CMBS Composites

Hi Abe as discussed on the phone, the process for composites at the index level is somewhat different than that of the single name. Due to that, we would have cases where index level composites do not tie back to single name levels. We have also observed cases where aggregation of single names at dealer level do not tie back to that dealer's index submissions. Our understanding is that there would be a basis between the single names and indices. Below are constituents of the CMBX-NA-BBB-1 index where we have coverage for, as you can see we do have a range of spreads at the single name level.

For the index process, we collect spreads from 14 dealers on a daily basis and apply the top and tail process. For the single name process, we collect spread and risky duration from about 5-6 contributors for the CDS of CMBS process. We take each contribution, multiply spread and risky duration pairs which we top and tail. We then average the pairs in

between along with their risky duration and finally divide the average pairs with the risky duration to come up with a spread composite.

Attached is a file with the detailed contributions that were used to build these composites. I would like to schedule a call with you for a more detailed discussion

Cusip Catype Spread Risky Duration

396789LX5 F 3.58% 5.95  
12513EAY0 F 3.90% 6.20  
36828QQW9 F 3.95% 6.22  
05947U3C0 F 3.96% 5.52  
59022HNM0 F 4.00% 6.21  
05947U4R6 F 4.00% 6.10  
05947UZ35 F 4.10% 6.23  
07387BBJ1 F 4.34% 6.13  
52108H7K4 F 4.45% 7.51  
07387BAW3 F 4.47% 7.49  
52108MAU7 F 4.60% 6.22  
46625YYK3 F 4.61% 5.79  
46625YWQ2 F 4.62% 6.00  
59022HLS9 F 4.62% 5.71  
92976BAD4 F 4.63% 5.67  
225470NZ2 F 4.67% 5.45  
617451AV1 F 4.91% 6.15  
617451CC1 F 5.00% 5.45  
225470BG7 F 5.00% 5.64  
52108MDY6 F 5.00% 6.08  
617451DB2 F 5.15% 6.31  
07387BER0 F  
361849S52 F  
46625YUX9 F  
92976BCC4 F  
Average 4.46% 6.10

Regards,

Kiet Tran  
Director  
Structured Finance

Markit

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NY, NY 10036  
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+ 1 347 272 5252 Mobile  
+ 1 212 221 9860 Fax  
kiet.tran@markit.com  
<<http://www.markit.com/>> www.markit.com

---

From: Kebede, Abe [mailto:[akebede@lehman.com](mailto:akebede@lehman.com)]  
Sent: Wednesday, January 16, 2008 12:47 PM

To: Kiet Tran  
Cc: Ali Amjad; Alex Lim; Edward Lipes; Park, Jennifer  
Subject: RE: CDS on CMBS Composites

Kiet-

Thanks for sending this over. We had a discussion with our desk and have a few follow-up questions:

1.

05947U3B2 & 05947U3C0 are BBB and BBB- securities from the same deal are included in CBMX 1. The spreads you have are 383 and 396 versus 350 and 489 for CMBX BBB 1 & CMBX BBB- 1, respectively.

2.

05947U4Q8 & 05947U4R6: same issue as above.

3.

05947U6L7: BBB- issue b/n CMBX 1 & 2. You have a spread of 470, which is tighter than CMBX BBB- 1 closing spread of 489. CMBX BBB- 2 was at 718.

4.

07387JAW6: BBB- in CMBX 2. markit spread of 614 vs index of 718

5.

22541SBK3: 2004 BBB- issue. Markit's spread of 145 is more like a single A spread

6.

225470NZZ & 396789LX5: very similar names in the same index with more than 100 bps in spread differences.

Can you please shade some light on these questions.

thanks  
Abe

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Vice President  
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Fax. 1-646-758-3589  
E-mail: akebede@lehman.com

---

From: Kiet Tran [mailto:kiet.tran@markit.com]  
Sent: Wednesday, January 09, 2008 3:16 PM  
To: Kebede, Abe  
Cc: Ali Amjad; Alex Lim; Edward Lipes

Subject: CDS on CMBS Composites

Hi Abe, please find the attached file for our December month end results. We welcome you on board to the CDS on CMBS submission process.

Regards,

Kiet Tran  
Director  
Structured Finance

Markit

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NY, NY 10036  
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From: Kebede, Abe [akebede@lehman.com].

Sent:1/31/2008 1:46 PM.

To: Cohen, Jonathan [jonathan.cohen@lehman.com].

Cc:

Bcc:

Subject: RE: Spread Comparison.

These don't compare good to where we are marking to

Picture (Metafile)

---

From: Cohen, Jonathan  
Sent: Thursday, January 31, 2008 1:28 PM  
To: RE Control US  
Subject: FW: Spread Comparison

Jonathan Cohen  
Senior Vice President  
Real Estate Finance  
Lehman Brothers  
399 Park Avenue, 5th floor  
New York, NY 10022  
Tel. (212) 526-2469  
Fax (646) 758-1570  
jonathan.cohen@lehman.com

---

From: Cohen, Kenneth  
Sent: Thursday, January 31, 2008 1:21 PM  
To: Cohen, Jonathan  
Subject: FW: Spread Comparison

---

From: Chan, Kee  
Sent: Tuesday, January 29, 2008 4:51 PM  
To: Cohen, Kenneth  
Subject: Spread Comparison

<< File: sprds.xls >>

From: Kebede, Abe [akebede@lehman.com].

Sent: 2/6/2008 8:30 PM.

To: Cohen, Jonathan [jonathan.cohen@lehman.com].

Cc: Patel, Anish [anish.patel@lehman.com].

Bcc:

Subject: RE: DNS.

I agree

-----Original Message-----

From: Cohen, Jonathan  
Sent: Wednesday, February 06, 2008 8:18 PM  
To: Kebede, Abe  
Cc: Patel, Anish  
Subject: Re: DNS

So it is a trade capture issue. We must discuss with jamie and jerry tomorrow.

----- Original Message -----

From: Kebede, Abe  
To: Cohen, Jonathan  
Sent: Wed Feb 06 20:15:51 2008  
Subject: RE: DNS

it is in the MDX ledger, so I believe it will be marked to the loans

-----Original Message-----

From: Cohen, Jonathan  
Sent: Wednesday, February 06, 2008 8:15 PM  
To: Kebede, Abe  
Subject: Re: DNS

So we have 38mm of P&L?

----- Original Message -----

From: Kebede, Abe  
To: Cohen, Jonathan  
Cc: Patel, Anish  
Sent: Wed Feb 06 19:58:14 2008  
Subject: DNS

Anish just told me that there were two trades with a notional of \$500 million done on 12/17 which were not booked until today. These trades have an approx. net MTM of \$38mn. I cant believe how this could happen.....

From: Kebede, Abe [akebede@lehman.com].

Sent: 3/4/2008 6:07 PM.

To: Cook, David A [David.Cook@lehman.com].

Cc:

Bcc:

Subject: RE: CMBS Securities.

Can you call me?

>  
>  
> From: Cook, David A  
> Sent: Tuesday, March 04, 2008 6:06 PM  
> To: Kebede, Abe  
> Subject: RE: CMBS Securities  
>  
> Generically speaking we're marked wide of cmbx spreads.

>  
>  
> From: Kebede, Abe  
> Sent: Tuesday, March 04, 2008 6:05 PM  
> To: Cook, David A  
> Subject: RE: CMBS Securities  
>  
> Is it fair to say we are marked close to cmbx spreads?

>  
>  
> From: Cook, David A  
> Sent: Friday, February 29, 2008 11:02 AM  
> To: Kebede, Abe  
> Subject: RE: CMBS Securities

> no

>  
>  
> From: Kebede, Abe  
> Sent: Friday, February 29, 2008 11:02 AM  
> To: Cook, David A  
> Subject: RE: CMBS Securities  
>  
> are we marking the fixed rate bonds to cmbx spreads?

>  
> From: Cook, David A  
> Sent: Friday, February 29, 2008 7:23 AM  
> To: Kebede, Abe  
> Subject: RE: CMBS Securities  
>  
> These third party prices are crazy. We can't sell any of these bonds.  
> Clearly over the last few months marking bonds has become much more  
> difficult due to the lack of liquidity and transparency but these  
> marks are way off.

>  
>  
> From: Kebede, Abe  
> Sent: Thursday, February 28, 2008 5:42 PM  
> To: Cook, David A  
> Subject: RE: CMBS Securities

>  
> Dave- It seems like there is a misunderstanding on this email. We are  
> not asking, nor implying, to mark-up any bonds. all we are asking is  
> to have a quick discussion so that we can explain the material  
> variances b/n your prices and third party prices. Call me when you get  
> a minute to discuss.  
>  
> thanks  
> Abe  
>  
>  
> \_\_\_\_\_  
> From: Park, Jennifer  
> Sent: Thursday, February 28, 2008 2:48 PM  
> To: Cook, David A  
> Cc: Kebede, Abe  
> Subject: CMBS Securities  
>  
> Hi Dave,  
>  
> Attached is a list of CMBS securities with pricing variances  
> (threshold of +/- \$500K) between the avg 3rd party price and desk  
> price. The 3rd party and desk spreads were derived from the given  
> prices using Trepp. PC prices were calculated using the spreads  
> published in CMA as of 2/22 for the fixed rate bonds. P&L is  
> calculated based on desk price vs. 3rd party price/PC price.  
>  
> We'd like to discuss with you some time today the results and get some  
> color on the current market. Can you let us know your availability?  
>  
> Thanks  
> Jen  
>  
> << File: CMBS Securities 2.27.08.xls >>

From: akebede@lehman.com [akebede@lehman.com].

Sent: 4/16/2008 11:27 PM.

To: jonathan.cohen@lehman.com [jonathan.cohen@lehman.com].

Cc:

Bcc:

Subject: imLive TimeStamp: 01:54:02 PM 04/16/2008 .

<imliveTimestamp.process>

akebede:vasey said there is a 4% fee on coeur defense bridge, but it is in reserve; ie. not reflected in the mark (01:54:02 PM 04/16/2008)

jonathan.cohen:unbelievable. How is it not in the mark or shown as a reserve on the balance sheet (01:54:44 PM 04/16/2008)

From: Kebede, Abe [akebede@lehman.com].

Sent: 5/21/2008 10:32 AM.

To: Rabin, Eli [eli.rabin@lehman.com]; Platt, Rebecca [rebecca.platt@lehman.com].

Cc:

Bcc:

Subject: FW: .

In finalizing pricing for Apr., please report all positions on this list as pricing variances to report; with comments saying "in discussion with front office for mark adjustment" or something to that effect.

> <file://\Veh\corp\groups\fin\finance\Capital Markets\FID Control\Real  
> Estate\Database\Misc\2Q 2008\May Update\May08 Writedowns.xls>

From: Kebede, Abe [akebede@lehman.com].

Sent: 6/4/2008 7:18 PM.

To: Cohen, Jonathan [jonathan.cohen@lehman.com].

Cc:

Bcc:

Subject: RE: .

sure

>

> From: Cohen, Jonathan

> Sent: Wednesday, June 04, 2008 7:17 PM

> To: Kebede, Abe

> Subject: FW:

>

> Can u talk to web tomorrow on this. Do not think we ever got the Q1

> yield and they still need to run the Q2 with the recent mark downs.

>

> Jonathan Cohen

> Senior Vice President

> Real Estate Finance

> Lehman Brothers

> 399 Park Avenue, 5th floor

> New York, NY 10022

> Tel. (212) 526-2469

> Fax (646) 758-1570

> jonathan.cohen@lehman.com

>

>

>

> From: Bernard, Clement

> Sent: Wednesday, June 04, 2008 7:14 PM

> To: Cohen, Jonathan

> Subject:

>

> Could you give the yield price for Archstone bridge Equity at the end

> of Q1 and end of Q2.

>

> Thanks

>

From: Cohen, Jonathan [jonathan.cohen@lehman.com]. Sent:6/5/2008 8:09 PM.  
To: Reilly, Gerard [greilly@lehman.com]; Kebede, Abe [akebede@lehman.com].  
Cc: Bernard, Clement [clement.bernard@lehman.com].  
Bcc:  
Subject: RE: Can we create back up for this assumption.

We have 200mm of net position marks and 180mm of hedge gains used to mark down positions. Of the 380mm, I would estimate that \$100mm was used on assets that were sold this period and \$280mm was based on price discovery. Our gross writedown was \$873mm so the price discovery marks represented approx one-third of the gross writedowns.

Jonathan Cohen  
Senior Vice President  
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>Lehman Brothers  
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>New York, NY 10022  
>Tel. (212) 526-2469  
>Fax (646) 758-1570  
jonathan.cohen@lehman.com

-----Original Message-----

From: Reilly, Gerard  
Sent: Thursday, June 05, 2008 7:23 PM  
To: Kebede, Abe  
Cc: Cohen, Jonathan; Bernard, Clement  
Subject: RE: Can we create back up for this assumption

These are not in the 400 I am talking about

-----Original Message-----

From: Kebede, Abe  
Sent: Thursday, June 05, 2008 7:22 PM  
To: Reilly, Gerard  
Cc: Cohen, Jonathan; Bernard, Clement  
Subject: RE: Can we create back up for this assumption

\$100mn was Archstone & \$150mn was Suncal

-----Original Message-----

From: Reilly, Gerard  
Sent: Thursday, June 05, 2008 7:22 PM  
To: Kebede, Abe  
Cc: Cohen, Jonathan; Bernard, Clement  
Subject: RE: Can we create back up for this assumption

Didn't we take 400 gross on commercial items in the US non PTG?

-----Original Message-----

From: Kebede, Abe  
Sent: Thursday, June 05, 2008 7:20 PM  
To: Reilly, Gerard  
Cc: Cohen, Jonathan; Bernard, Clement  
Subject: RE: Can we create back up for this assumption

Gerry- The below statement may not hold true for real estate. Out of

\$1.1 billion of Q208 write-downs, only about \$65mn was generated by our discovery from asset sales. Of that about half is realized and half is unrealized. The majority of the write down was driven by our own internal analysis of yield and credit impairment.

-----Original Message-----

From: Cohen, Jonathan

Sent: Thursday, June 05, 2008 6:58 PM

To: Kebede, Abe

Subject: FW: Can we create back up for this assumption

Jonathan Cohen  
Senior Vice President  
Real Estate Finance  
>Lehman Brothers  
399 Park Avenue, 5th floor  
>New York, NY 10022  
>Tel. (212) 526-2469  
>Fax (646) 758-1570  
jonathan.cohen@lehman.com

-----Original Message-----

From: Reilly, Gerard

Sent: Thursday, June 05, 2008 4:21 PM

To: Bernard, Clement; Fitzgibbon, Jennifer

Cc: Fox, Gary J; Guarino, James; Cohen, Jonathan

Subject: Can we create back up for this assumption

I think our discovery related to our asset sales generated about 30% of our write downs. Of that half is realized and half is unrealized (marks on remaining asset).

I think this is close:

Can we try to quantify this?

-----

From: Kebede, Abe [akebede@lehman.com].

Sent: 6/10/2008 10:27 AM.

To: Park, Jennifer [jennifer.park@lehman.com].

Cc:

Bcc:

Subject: FW: Changes to Marks -SunCal.

>  
> From: Bjornstad, Sheila M  
> Sent: Wednesday, June 04, 2008 3:36 PM  
> To: Kebede, Abe; Barry, Brian  
> Subject: RE: Changes to Marks -SunCal  
>  
> <<1Print Summary for Risk Mgmt.xls>>  
>  
>  
> From: Kebede, Abe  
> Sent: Wednesday, June 04, 2008 3:26 PM  
> To: Bjornstad, Sheila M; Barry, Brian  
> Subject: RE: Changes to Marks -SunCal  
>  
> Hi Sheila- Can you please send us a revised version with the updated  
> marks. I believe we ended up taking \$150mn.  
>  
> Thanks  
> Abe  
>  
>  
> From: Bjornstad, Sheila M  
> Sent: Thursday, May 29, 2008 2:03 PM  
> To: Barry, Brian; Kebede, Abe  
> Subject: Changes to Marks -SunCal  
>  
>  
> Our marks have changed based upon decisions made by mgmt yesterday.  
> I have edited my models to reflect these new changes. Attached is the  
> updated summary with the marks, market conclusions, etc.  
>  
> << File: 1Print Summary for Risk Mgmt.xls >>  
>  
>  
>  
>  
>  
> Sheila M. Bjornstad  
> Lehman Brothers Inc.  
> Global Real Estate Group  
> 399 Park Avenue, 8th Floor  
> New York, NY 10022  
>  
> P: 212-526-8943  
> F: 646-758-1783  
> M: 908-313-7397  
> E: sbjornst@lehman.com  
>

From: Cohen, Jonathan [jonathan.cohen@lehman.com].

Sent: 6/11/2008 9:10 PM.

To: Kebede, Abe [akebede@lehman.com].

Cc:

Bcc:

Subject: Re: Commercial Disclosures.

200 from dirk in resi and for pvt eq, the 110 in coeur defense and whatever the suncal master III is. Not sure of that number, but nancy huie had seen it in the gl at 178mm. You should confirm with lonnie.

----- Original Message -----

From: Kebede, Abe

To: Cohen, Jonathan

Sent: Wed Jun 11 21:07:23 2008

Subject: RE: Commercial Disclosures

How much are we expecting from resi & private equity on RE held for sale?

-----Original Message-----

From: Cohen, Jonathan

Sent: Wednesday, June 11, 2008 9:00 PM

To: Litvin, Tal; Kebede, Abe; Patel, Anish; Malkani, Kunal

Subject: Re: Commercial Disclosures

Office may have shown at 27%, but since they went with 25% at the press release, that is the amt to use. As for land, it was not shown purposefully in the Q so if you want to be apples and apples, put in other in 2nd qtr.

----- Original Message -----

From: Litvin, Tal

To: Kebede, Abe; Cohen, Jonathan; Patel, Anish; Malkani, Kunal

Sent: Wed Jun 11 20:57:14 2008

Subject: RE: Commercial Disclosures

Abe, Can we reword the footnote. You say Land/SF was included in Other but for the prior period you aren't showing any balances, which implied to me that this is really a new piece and not a reclass. Also, if you look at the Q, we are showing slightly different numbers than what you have in your schedule, like Office was 27% and you are now showing 25%. Is that because of the addition of the Mezz piece?

From: Kebede, Abe

Sent: Wednesday, June 11, 2008 8:52 PM

To: Litvin, Tal; Cohen, Jonathan; Patel, Anish; Malkani, Kunal

Subject: RE: Commercial Disclosures

Nothing should have moved

From: Litvin, Tal

Sent: Wednesday, June 11, 2008 8:52 PM

To: Kebede, Abe; Cohen, Jonathan; Patel, Anish; Malkani, Kunal

Subject: RE: Commercial Disclosures

Do you have another footnote we can add that explains why the numbers in Q1 moved from what we are showing in the disclosure.

---

From: Kebede, Abe  
Sent: Wednesday, June 11, 2008 8:45 PM  
To: Litvin, Tal; Cohen, Jonathan; Patel, Anish; Malkani, Kunal  
Subject: RE: Commercial Disclosures

Tal- attached are the disclosures on pages 57 & 58. Let me know if you have any questions.

Thanks  
Abe

---

From: Litvin, Tal  
Sent: Wednesday, June 11, 2008 8:14 PM  
To: Cohen, Jonathan; Kebede, Abe; Patel, Anish; Malkani, Kunal  
Subject: Commercial Disclosures

Jon - Can you please fill in the remainder of the disclosure and send back to me. Thanks

<< File: Book10.xls >>

From: Cohen, Jonathan [jonathan.cohen@lehman.com].

Sent: 6/12/2008 12:29 PM.

To: Koutouvides, Ari [akoutouv@lehman.com]; Hughson, Paul A [phughson@lehman.com].

Cc: Barsanti, Anthony [abarsant@lehman.com]; Kebede, Abe [akebede@lehman.com].

Bcc:

Subject: RE: .

Paul,

Also, to be consistent with the LTV in the Feb Q, we are changing the LTV of senior and mezz in the combined Mortgage and REHFS category to 76% and 78%, respectively. The previous numbers under the Hughson way were 73% and 75%, respectively. I think for now we stay consistent with the Q unless the decision is made to go the new way. Personally, I do not think we should be reducing LTV in the Q to account for the new measure.

-----Original Message-----

From: Koutouvides, Ari

Sent: Thursday, June 12, 2008 12:06 PM

To: Hughson, Paul A

Cc: Barsanti, Anthony; Cohen, Jonathan; Kebede, Abe

Subject: RE:

Paul,

The WAM for both Senior and Mezz included an error.

Those numbers have been revised as follows:

Senior WAM of 37 Months

Mezz WAM of 31 Months

Thanks

Ari

-----Original Message-----

From: Koutouvides, Ari

Sent: Thursday, June 12, 2008 12:03 PM

To: Hughson, Paul A

Cc: Barsanti, Anthony

Subject: RE:

Here it is...

Please note the footnotes.

At Risk Balance Mark

\$MM

Senior \$20,422.1 93%

Mezzanine \$6,824.7 89%

Equity \$7,185.8 77%

Securities (Trading) \$2,457.7 87%  
Securities (Funding) \$2,819.2 96%

Grand Total \$39,709.4 89%

Notes:

Senior Debt: \$1.7Bn in NPL's are excluded from the senior mark calculation (NPL's marked at 9%)

Securities (Trading): \$.3Bn in IO Securities with a mark of 1% is excluded from the Securities (Trading) mark calculation

-----Original Message-----

From: Hughson, Paul A  
Sent: Thursday, June 12, 2008 11:54 AM  
To: Koutouvides, Ari  
Cc: Barsanti, Anthony  
Subject:

Ari- anything on the marks?

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

From: Cohen, Jonathan [jonathan.cohen@lehman.com].

Sent: 6/15/2008 11:26 AM.

To: Cohen, Jonathan [jonathan.cohen@lehman.com]; Fitzgibbon, Jennifer [jennifer.fitzgibbon@lehman.com]; Nadler, Mirey S [mirey.nadler@lehman.com]; Kendall, Susan [skendall@lehman.com].

Cc: Cohen, Kenneth [kcohen@lehman.com]; Hughson, Paul A [phughson@lehman.com]; Kebede, Abe [akebede@lehman.com]; Bernard, Clement [clement.bernard@lehman.com].

Bcc:

Subject: RE: Data for the speech.

Based on 39.8bn of combined mtg and rehfs due to asia increase at 11th hour of \$69mm comm mtg senior loan, following changes from below:

Pg 20: reduced whole loans by \$6.2bn or 20% is still accurate

Pg 20: regionally, we reduced assets by 22% in US, 19% IN Europe and 10% in Asia (was 11%).

Pg 26: Of the \$39.8bn (was \$39.7bn) 52% is in US (was 53%), 27% in Europe and 21% in Asia (was 20%).

Pg 27: \$19.4bn of senior loans should now be \$19.5bn.

Still think fixed vs floating on pg 20 is not relevant and not sure if we can get accurate figures on that.

Also, on securities sold, not sure what is being asked. In the April securitization, we sold 90% of AA or better. We sold \$2.85bn in total of securities, but how to calc exactly what is AA or below is difficult. It certainly is greater than 85% and I would think if we said approximately 90%, we should be okay.

Finally, what are we disclosing for asset sales? Pages 19& 20 still show \$7bn, but number is actually \$7.8bn.

-----Original Message-----

From: Cohen, Jonathan

Sent: Saturday, June 14, 2008 9:33 PM

To: Fitzgibbon, Jennifer; Nadler, Mirey S; Kendall, Susan

Cc: Cohen, Kenneth; Hughson, Paul A

Subject: Re: Data for the speech

Reduced assets by 22% in US (26,614 in Q1 vs 20,854 in Q2), 19% in Europe (13,239 in Q1 vs 10,721 in Q2) and 11% in Asia (9,086 in Q1 vs 8,133 in Q2)

By asset type, reduced loans by 6.2bn or 20% (31,576 in Q1 vs 25,336 in Q2), and securities and other by 3.1bn or 18% (17,433 in Q1 vs 14,374 in Q2)

Loans sold included 47% of mezz and lower (1.97bn divided by 4.21bn) and 53% of senior lien (2.24bn divided by 4.21bn)

Still open is the securities question and confirmation that you are okay deleting how many loans sold were fixed vs floating. I honestly believe that it will make no difference if it is deleted.

Also, want to mak sure someone fixed the suncal info on pg 27. Of the 1.6bn, only 150mm is on the equity line and the balance is in first lien. The aggregate position is marked at 76.

On Archstone, not sure how wee get to 1.6bn of equity value on pg 28. There is 1.61bn in FID and 185mm in pvt equity. Total is slightly less than 1.8bn.

-----  
----- Original Message -----

From: Fitzgibbon, Jennifer  
To: Cohen, Jonathan  
Sent: Sat Jun 14 19:34:18 2008  
Subject: Fw: Data for the speech

Can u provide real estate numbers for below?

Thx

-----  
----- Original Message -----

From: Nadler, Mirey S  
To: Fitzgibbon, Jennifer  
Cc: Kendall, Susan  
Sent: Sat Jun 14 19:18:39 2008  
Subject: RE: Data for the speech

Jennifer - Is there anybody else on your team who could help us?

We are specifically looking for the following on the COMBINED commercial and real estate portfolio:

- TO GIVE A SENSE THAT WE LIQUIDATED MANY TYPES OF ASSETS, AND NOT JUST THE MOST LIQUID:

§ REGIONALLY, WE REDUCED ASSETS BY [25]% IN THE U.S., [19]% IN EUROPE AND [11]% IN ASIA  
§ BY ASSET TYPE, WE REDUCED WHOLE LOANS BY \$[5.5] BILLION, OR [22]%, AND SECURITIES BY \$[1.6] BILLION, OR [14]%

§ WHOLE LOANS SOLD INCLUDED [ ]% OF MEZZANINE LOANS AND LOWER AND [ ]% OF 1ST LIEN;  
[ ]% WERE FLOATING RATE AND [ ]% FIXED

§ IN APRIL WE SECURITIZED AND SOLD \$500 MILLION OF LOANS

§ SECURITIES SOLD INCLUDED [ ]% OF AA OR BETTER

We also need the data to fill in the following:

\* WITH RESPECT TO OTHER NON-MORTGAGE ASSET-BACKED SECURITIES, THESE ASSETS [REMAINED FLAT AT] \$[6.5] BILLION THIS QUARTER

- THIS INCLUDES \$750 MILLION OF ASSET SALES

- THESE ASSETS ARE SECURITIZED ASSET-BACKED ISSUANCES, AS WELL AS SOME WHOLE LOANS, AND THERE ARE A VARIETY OF DIFFERENT DEBT INSTRUMENTS INCLUDING:

§ APPROXIMATELY [ ]% OF FRANCHISE-RELATED WHOLE BUSINESS FINANCINGS (INCLUDING \$[ ] BILLION RELATED TO IHOP'S ACQUISITION OF APPLEBEE'S)

§ [ ]% STUDENT LOANS

§ [ ]% SMALL BUSINESS LOANS

§ [ ]% AUTO LOANS

§ [ ]% CREDIT CARDS, AND

§ [ ]% OTHER LOANS

- WITH RESPECT TO THE APPLEBEE'S ASSET, THIS POSITION IS INVESTMENT GRADE RATED, AND WE SOLD \$[ ] MILLION DURING THE QUARTER AND AN ADDITIONAL \$[ ] MILLION AFTER QUARTER-END

Thanks,  
Mirey

-----Original Message-----

From: Fitzgibbon, Jennifer  
Sent: Saturday, June 14, 2008 7:15 PM  
To: Nadler, Mirey S  
Cc: Kendall, Susan  
Subject: Re: Data for the speech

Actually at a family dinner now (fathers day)

Can I call u later or touch base in the am? Ill be in around 830am

----- Original Message -----

From: Nadler, Mirey S  
To: Fitzgibbon, Jennifer  
Cc: Kendall, Susan  
Sent: Sat Jun 14 19:13:06 2008  
Subject: Data for the speech

Jennifer -

Could you please give me a call when you have a chance? Wanted to connect with you on some of the holes we had in the speech. thanks

Mirey Sen Nadler  
Lehman Brothers  
Investor Relations  
Phone: (212) 526-3687  
Fax: (212) 520-9339

From: Cohen, Jonathan [jonathan.cohen@lehman.com]. Sent:6/15/2008 3:01 PM.

To: Traversari, Ryan [ryan.traversari@lehman.com]; Deegan, Christopher J [cdeegan@lehman.com].

Cc: Bernard, Clement [clement.bernard@lehman.com]; Kelly, Martin [martin.kelly@lehman.com]; Scicutella, Leonard [lscicute@lehman.com]; Kebede, Abe [akebede@lehman.com]; Cohen, Kenneth [kcohen@lehman.com].

Bcc:

Subject: RE: Consolidated QA - v10.ppt.

Those won't change. Mark Walsh, Kenny Cohen, Abe and I are currently looking at the equity line on pg 6. The number of positions may be too high and the corresponding avg position size too low as it includes numerous zero valued positions and other items that may be misleading to the reader. We will resolve and let you know of the changes.

>

> From: Traversari, Ryan  
> Sent: Sunday, June 15, 2008 2:46 PM  
> To: Deegan, Christopher J; Cohen, Jonathan  
> Cc: Bernard, Clement; Kelly, Martin; Scicutella, Leonard  
> Subject: RE: Consolidated QA - v10.ppt

>

> Jonathan: If those changes are made do any of the other numbers in  
> the table change - the weighted averages, etc.?

>

>

> From: Deegan, Christopher J  
> Sent: Sunday, June 15, 2008 2:34 PM  
> To: Cohen, Jonathan; Traversari, Ryan  
> Cc: Bernard, Clement; Kelly, Martin; Scicutella, Leonard  
> Subject: RE: Consolidated QA - v10.ppt

>

> Jonathan,

>

> Thanks. The 5.3 will be in the next version. Ryan, please see below  
> on the senior comment.

>

> Please confirm

>

> Thanks

>

>

> From: Cohen, Jonathan  
> Sent: Sunday, June 15, 2008 2:29 PM  
> To: Deegan, Christopher J  
> Cc: Bernard, Clement  
> Subject: RE: Consolidated QA - v10.ppt

>

> Pg 6 of the press release supplement. Sr should be 19.5 instead of  
> 19.4 and securities should be 5.3 instead of 5.4

>

> Jonathan Cohen  
> Senior Vice President  
> Real Estate Finance  
> Lehman Brothers  
> 399 Park Avenue, 5th floor  
> New York, NY 10022  
> Tel. (212) 526-2469

> Fax (646) 758-1570  
> jonathan.cohen@lehman.com

>

>

>

---

> From: Deegan, Christopher J  
> Sent: Sunday, June 15, 2008 2:12 PM  
> To: Cohen, Jonathan  
> Cc: Bernard, Clement  
> Subject: FW: Consolidated QA - v10.ppt

>

>

> Jonathan,

>

> Just want to make sure you are good on the Comm RE section (think it  
> was mostly Walsh presentation)

>

> Thanks

>

---

> From: Lyons, Timothy G  
> Sent: Sunday, June 15, 2008 7:32 AM  
> To: Bernard, Clement  
> Cc: Hyat, Taimur; Deegan, Christopher J  
> Subject: Consolidated QA - v10.ppt

>

> << File: Consolidated QA - v10.ppt >>

>

> Current draft

>

> Taimur,

> Can you reach out to Chris and Clement to make sure we have a process  
> in place for making sure all numbers are correct

> Thank t

>

>

From: Cohen, Jonathan [jonathan.cohen@lehman.com]. Sent:6/15/2008 3:25 PM.  
To: Deegan, Christopher J [cdeegan@lehman.com]; Traversari, Ryan [ryan.traversari@lehman.com]; Kendall, Susan [skendall@lehman.com]; Nadler, Mirey S [mirey.nadler@lehman.com].  
Cc: Bernard, Clement [clement.bernard@lehman.com]; Kelly, Martin [martin.kelly@lehman.com]; Scicutella, Leonard [lscicute@lehman.com]; Cohen, Kenneth [kcohen@lehman.com]; Cohen, Kenneth [kcohen@lehman.com]; Kebede, Abe [akebede@lehman.com].  
Bcc:  
Subject: RE: Consolidated QA - v10.ppt.

Change on pg 6 of press release supplement and to the earnings speech (pg 28 on draft F) to the equity line item. Number of positions changes from 731 to 670 and the avg position size to \$10.7mm.

>  
> From: Deegan, Christopher J  
> Sent: Sunday, June 15, 2008 2:34 PM  
> To: Cohen, Jonathan; Traversari, Ryan  
> Cc: Bernard, Clement; Kelly, Martin; Scicutella, Leonard  
> Subject: RE: Consolidated QA - v10.ppt  
>  
> Jonathan,  
>  
> Thanks. The 5.3 will be in the next version. Ryan, please see below  
> on the senior comment.  
>

> Please confirm

> Thanks

>  
> From: Cohen, Jonathan  
> Sent: Sunday, June 15, 2008 2:29 PM  
> To: Deegan, Christopher J  
> Cc: Bernard, Clement  
> Subject: RE: Consolidated QA - v10.ppt  
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> Pg 6 of the press release supplement. Sr should be 19.5 instead of  
> 19.4 and securities should be 5.3 instead of 5.4  
>

> Jonathan Cohen  
> Senior Vice President  
> Real Estate Finance  
> Lehman Brothers  
> 399 Park Avenue, 5th floor  
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> Tel. (212) 526-2469  
> Fax (646) 758-1570  
> jonathan.cohen@lehman.com  
>  
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> From: Deegan, Christopher J  
> Sent: Sunday, June 15, 2008 2:12 PM  
> To: Cohen, Jonathan  
> Cc: Bernard, Clement  
> Subject: FW: Consolidated QA - v10.ppt  
>

>  
> Jonathan,  
>  
> Just want to make sure you are good on the Comm RE section (think it  
> was mostly Walsh presentation)  
>  
> Thanks  
>  
-----  
> From: Lyons, Timothy G  
> Sent: Sunday, June 15, 2008 7:32 AM  
> To: Bernard, Clement  
> Cc: Hyat, Taimur; Deegan, Christopher J  
> Subject: Consolidated QA - v10.ppt  
>  
> << File: Consolidated QA - v10.ppt >>  
>  
> Current draft  
>  
> Taimur,  
> Can you reach out to Chris and Clement to make sure we have a process  
> in place for making sure all numbers are correct  
> Thank t  
>  
>

From: Kebede, Abe [akebede@lehman.com].

Sent: 6/16/2008 3:07 PM.

To: Reilly, Gerard [greilly@lehman.com].

Cc:

Bcc:

Subject: RE: Real Estate Cuts.

Gerry- can you please call me. I am not exactly sure of what you are looking for.

-----Original Message-----

From: Reilly, Gerard

Sent: Monday, June 16, 2008 2:45 PM

To: Cohen, Jonathan; Kebede, Abe

Subject: RE: Real Estate Cuts

Is there anyway to separate cash flowing assets from non cash flowing assets?

-----Original Message-----

From: Cohen, Jonathan

Sent: Monday, June 16, 2008 2:44 PM

To: Kebede, Abe

Cc: Reilly, Gerard

Subject: Fw: Real Estate Cuts

Abe

Could u pls assist. Gerry, I just left for rest of day. Not feeling feel. Thx.

----- Original Message -----

From: Reilly, Gerard

To: Cohen, Jonathan

Sent: Mon Jun 16 14:42:28 2008

Subject: RE: Real Estate Cuts

Can you separate commercial from PTG?

-----Original Message-----

From: Cohen, Jonathan

Sent: Monday, June 16, 2008 9:10 AM

To: Reilly, Gerard

Subject: Real Estate Cuts

Before add for Asia of \$69mm in commercial mtg which we found out on Friday.

From: Cohen, Jonathan [jonathan.cohen@lehman.com].

Sent: 6/17/2008 10:58 AM.

To: Kebede, Abe [akebede@lehman.com].

Cc:

Bcc:

Subject: Fw: Firedrill !!!

----- Original Message -----

From: Hughson, Paul A

To: Lyons, Timothy G; Lowitt, Ian T

Cc: Cohen, Kenneth; Walsh, Mark; Cohen, Jonathan

Sent: Tue Jun 17 10:25:15 2008

Subject: RE: Firedrill !!!

1. The commercial mortgage Book has \$5.9B of mezzanine loans. What LTV tranche is this? What are the marks on this book? What types of exposure?

Answer- I told them that the weighted average last dollar leverage of the mez book is 78%-and that there are two types of mezzanine in the book-mezzanine that was originated in connection with first mortgage debt that we originated and mezzanine that is stand alone mezzanine- In the US it is not uncommon for a 75% ltv loan to be evidenced by a mortgage up to 50% ltv and have the balance up to 75% ltv documented as mez- a substantial component of the US book is structured this way so that the transactions do not give rise to mortgage recording tax- In Asia the book is predominantly stand-alone mezzanine and the European book is a combination of the two- I told them that the marks on the entire book were in the high 80's- it is 89 on a global level, 87 in the US, 96 in Europe and 99 in Asia- We talked a little bit about the yields on the mez- The mark is not all that relevant without knowing the underlying yield on the asset- I told him that most of the mezzanine debt that we sold was in the unlevered 7.5-9.5% range in terms of return profile- In terms of the asset types- there are a broad range of commercial property types- office, industrial, apartments, retail, hospitality etc. located across the globe- well diversified by geography both in the United States as well as in Europe and Asia-

2. Are the 5.3B of Securities Mezzanine as well? They didn't ask this question, but as we've disclosed 94% of the securities are Investment Grade and 77% are AA or better.

3. What about the \$3.8B in Europe? Where are they marked vs CMBX? We talked about the securities in Europe- I mentioned that approximately \$2B of those were whole loans that had been put in securities form to effect more efficient funding and are being ultimately sold down as whole loans rather than securities and given the exit for this subset of the book, it was more appropriate to mark it to its intended exit rather than its legal form- As it relates to the balance of the European book it is important to note that there is no European CMBS index and CMBX does not include European deals- We sold over \$1B of Euro denominated securities in the 2nd quarter and have a reasonable degree of price visibility in that market- I did not give them the European Securities mark but for your information it is 96- the US mark is 78 and Asia is at 99 for a weighted average mark of 92 globally-

4. The commercial equity book has \$7.2B of Exposure, 4.5B in the US and 1.5B in Europe- Norges asked me how levered the equity book is, so that in a 10-20% downturn how much would we lose, everything? They didn't ask about a 30% decline- although he made the case that a 20% decline had happened- I told him that most of the larger equity positions tended to be lower leverage- that our largest position away from Archstone was Prologis, a global operator of best in class industrial projects- the leverage for that portfolio is 60%- I told him that the way we mark our equity book we are looking at the return profile that institutional capital would require for that risk profile- We have core, core plus/value add and opportunistic types of equity investments- for example- while Prologis may have been originated to a 9% yield (which was appropriate for core investors last year), we have marked the position such that it is yielding 12%- In Europe our largest

equity position is Coeur Defense-one of the best office buildings in all of Europe which is located in the La Defense district in Paris- we have widened yield expectations to low to mid-teens for an asset like that which historically would have traded in the low double digits-I contrasted those assets with a development deal in Singapore which will have a return north of 25%, which we would put in the opportunistic bucket- I told him that it was very difficult to generalize across property types and geographies in terms of value declines and while we have seen substantial value erosion in certain assets in certain markets, what we have experienced is a more pronounced tiering in properties and markets- That is the best properties in the best markets have suffered the least and that is why the GM building could trade at a 4 Cap in today's market and second tier properties in secondary markets have declined the most- When we stress our portfolio, we don't do an across the board value haircut, but instead look to time series data that tracks price declines on an msa basis- They asked whether we could foresee another \$2-3B in equity writedowns- I told him that I felt that our book was marked to today's market which had already seen substantial price declines in certain market segments and that we would adjust our marks as certain segments either improved or declined.

5. Plan to reduce SunCal and Archstone- We didn't talk about this and Mark is sending under separate cover

6. Hedging- Is it likely to perform better in the next 6 months than last Quarter? We didn't address this on the call, but our view is that in the last quarter we had an unprecedented move in derivatives market relative to the cash market, we have significantly reduced our fixed rate cash positions, so that any future dislocation between the cash and derivative markets will be minimized. We have a core hedge against our floating rate book that is primarily designed to protect against a macro economic downturn-As we continue to manage down that book the broader effects of any near term volatility will be muted-It is important to remember that almost 40% of the floating rate book has been securitized to primarily effect a more efficient funding framework and is ultimately being exited through the traditional bank syndication market- As such it is not subject to any of the near term price volatility of the securities markets.

-----Original Message-----

From: Lyons, Timothy G  
Sent: Tuesday, June 17, 2008 9:03 AM  
To: Hughson, Paul A  
Subject: FW: Firedrill !!!

-----Original Message-----

From: Lowitt, Ian T  
Sent: Tuesday, June 17, 2008 8:49 AM  
To: Grieb, Edward; Reilly, Gerard; Kelly, Martin  
Cc: Lyons, Timothy G  
Subject: Firedrill !!!

Need as much as we can on the answers to these questions. Dick meeting them soon. Tim can you please coordinate. I may get called onto the phone to answer !! Ian

-----Original Message-----

From: Fuld, Dick  
Sent: Tuesday, June 17, 2008 8:45 AM  
To: Lowitt, Ian T  
Subject: Fw: Questions for Dick Fuld

----- Original Message -----

From: Kittredge, Francine  
To: Fuld, Dick

Sent: Tue Jun 17 08:29:49 2008  
Subject: Fw: Questions for Dick Fuld

Dick--

They are coming armed with questions. Please see below. Do you want briefing advanced to 1:55?

Sent from my Comstar Wireless Handheld  
(www.Comstarinteractive.com)

----- Original Message -----

From: Morrar, Emad  
To: Kittredge, Francine  
Sent: Tue Jun 17 07:29:11 2008  
Subject: Questions for Dick Fuld

Fran:

I received a list of questions from Norges Bank, I am going to try to answer as many of these as possible BEFORE the meeting (with Rich McKinney). But I wanted you to be aware that they will be coming into the meeting with this mindset. I will filter as many of the detailed questions as I can.

Let me know if you have any issues with this.

Emad

Emad,

Given the circumstances we will have to put some quite detailed questions to Mr Fuld. Hope that is ok. Please find the issues we want to discuss below:

#### EXPOSURES

We noted that you have \$ 9.3 bn in European residential mortgage related assets, \$ 5.7 bn being securities. Are these mezzanine or senior tranches? What rating? You mentioned that the pricing of these assumes a downturn of 28% in the housing market. With marks in the low 80s, does this mean that you had an original LTV of about 90? Please explain how you get to the 28%.

Are the 3.6 bn whole loans also marked at low 80s? What differentiates them from the securities risk wise?

The 07 vintage AAA ABX index has fallen about 10% so far this quarter (Q3), how do you see this affecting your marks in your AAA securities portfolio, both the Alt A and the subprime/Second Lien? We understand the lowest marks are around 75 when the AAA ABX is around 50 for the 07 vintage. Also, are any of the Alt-A book in the form of structured products ie. Mezz?

The commercial mortgage book has \$ 5.9 bn worth of mezzanine whole loans. What LTV tranche is this (ie 65-75%)? And what marks are there on this book? What types of exposure? Are the \$ 5.3 bn of securities (3.8 in Europe) mezzanine as well? Or senior? CMBX AA trading around 500 bps. Is this consistent with your marks on the AA securities?

The commercial equity has \$ 7.2 bn of exposure, of which 4.5 in the US and 1.5 in Europe. How sensitive would these be to say a 30% downturn in the commercial property market? 100% loss? When were these properties acquired, and how have they performed in the downturn the last year? What is the market value of these investments?

What is the plan and timeline to reduce exposure to SunCal and Archstone?

Can you talk a bit about your hedging efforts. Is it likely to perform better in the next 6 months than in the last quarter. Are they big enough to off-set say a 10% fall in cash positions across the residential and CRE/Commercial book? We understand that you have some Credit index hedges on vs some of the Residential and Commercial mortgage exposure. And that you have hedged the BBB type mortgage exposure; but remain long AAA mortgages unhedged. Would not this make you vulnerable to a further downturn in the ABX AAA, and housing market in general?

Can you please explain the large loss in Europe?

Discuss the potential liabilities related to SIV's.

#### STRATEGY

Where will the new capital be allocated. Where do you see the opportunity?

Regulatory impact on business.

How will the increased funding cost, reduced leverage and reduction of revenues from structured products and LBO affect your business both operationally and strategically?

#### OTHER

That is the cost related to improving the liquidity position of the firm?

Revenue gap? How will you fill this. Adjusted for write downs in 2007, we have assumed that revenues related to LBO and structured products is around 20%.

In addition, we have some questions related to industry, business mix, rating agencies, M&A, sustainability of client revenues (30% growth across some business lines), change of management etc.

As you can see from our questioning we are hoping to better understand the risk of further writedowns, risk of further dilution and how the firm will restore profitability and on what timeline.

Kind regards,

Ola

From: Kebede, Abe [akebede@lehman.com].

Sent:6/18/2008 1:27 PM.

To: Covill, Laurence [laurence.covill@lehman.com]; Vasey, David [dvasey@lehman.com]; Lin, Kenny [kenny.lin@lehman.com]; Chan, Raymond [raymond.chan@lehman.com].

Cc: Cohen, Jonathan [jonathan.cohen@lehman.com]; Park, Jennifer [jennifer.park@lehman.com].

Bcc:

Subject: Stress Testing on Retained Interest (CMBS).

All

For our 10Q disclosures, we will have to perform some stress testing on yield and credit losses on our retained CMBS bonds. In the previous quarters, we were only performing stress testing on yield on the ground that most of the retained interest was from U.S., historic credit loss in the U.S. was/is below 0.5%, and loss severity was in the 30 ~ 40% range, making credit losses minimal. However, such argument may not hold true in the current market environment and we will have to do a stress testing assuming a 10% and 20% credit loss scenarios (CDR). You may have to consult your respective regions' CMBS research desks for reasonable loss severity assumptions.

Jen has completed the yield stress scenarios globally based on information provided by you guys and she will forward the templates for you to update the credit loss stresses. As this is a required disclosure in our 10Q, your prompt attention is greatly appreciated.

Also, please populate the cash flows from the retained securities at the bottom of the summary template.

If you have any questions or need any clarifications, feel free to call me.

Thanks,

Abe

Abe Kebede  
Vice President  
Global Real Estate Product Control  
> LEHMAN BROTHERS  
> 399 Park Avenue | 5th Floor  
> New York, New York 10022  
> (212) 526-2658 (phone)  
(646) 758-3589 (fax)  
akebede@lehman.com

>  
> From: Kebede, Abe  
> Sent: Wednesday, June 18, 2008 3:30 PM  
> To: Goodman, Jeffrey; Cohen, Jonathan; Petrow, Donald E; Barry,  
> Brian  
> Subject: RE: Delinquent loans  
>  
> I know we have some in PTG and we should be able to quantify. I am not  
> aware of any in commercial. We may need to reach out to Anthony's team  
> or Servicers.  
>  
>

---

> From: Goodman, Jeffrey  
> Sent: Wednesday, June 18, 2008 2:05 PM  
> To: Cohen, Jonathan; Petrow, Donald E; Barry, Brian; Kebede, Abe  
> Subject: Delinquent loans  
>  
> MS has some disclosure about their tiny amount of delinquents, do we  
> have easy source to say what we have?  
>  
>

> Jeffrey Goodman  
> Managing Director  
> Lehman Brothers  
> Risk Management  
> 745 Seventh Avenue, 29th Floor  
> New York, NY 10019  
> Ph: 212-526-7742  
> Fax: (212) 519-1950  
> Email: jeffrey.goodman@lehman.com  
>

From: Platt, Rebecca [rebecca.platt@lehman.com].

Sent: 6/18/2008 4:10 PM.

To: Kebede, Abe [akebede@lehman.com].

Cc:

Bcc:

Subject: RE: Delinquent loans.

Most of the positions do not have pricing variances. The ones that do are ones I wanted to discuss the comment with you because they are foreclosures.

Thanks

<<NPLs 53108.xls>>

>

> From: Kebede, Abe

> Sent: Wednesday, June 18, 2008 4:03 PM

> To: Platt, Rebecca

> Subject: RE: Delinquent loans

>

> What does your pricing currently say. Need to see a summary of what you have

>

>

> From: Platt, Rebecca

> Sent: Wednesday, June 18, 2008 3:58 PM

> To: Kebede, Abe

> Subject: RE: Delinquent loans

>

> I will request IRRs for ones that I have not requested yet.

>

>

> From: Kebede, Abe

> Sent: Wednesday, June 18, 2008 3:48 PM

> To: Platt, Rebecca

> Subject: RE: Delinquent loans

>

> Some of these positions are marked high. Can you investigate those marked over 80. How are we comfortable at the current marks?

>

>

> From: Platt, Rebecca

> Sent: Wednesday, June 18, 2008 3:44 PM

> To: Kebede, Abe

> Subject: RE: Delinquent loans

>

> << File: Book1.xls >>

> Please see the attached. Thanks.

>

>

> From: Kebede, Abe

> Sent: Wednesday, June 18, 2008 3:31 PM

> To: Platt, Rebecca

> Subject: FW: Delinquent loans

>

> Can you get a list of all non-performing loans from the most recent debt export. thx

>

From: Kebede, Abe [akebede@lehman.com].

Sent: 6/23/2008 6:30 PM.

To: Chin, Grace [grace.chin@lehman.com].

Cc:

Bcc:

Subject:

I think the reason why you have a large variance with GFS is because of the derivative mtm which at the time of our reporting was \$893mn, but has been changed to \$136mn since then. However, since the derivative mtm is in other assets, it wouldn't have affected our disclosures

From: O'Meara, Chris M (NY) [comeara@lehman.com].

Sent: 8/5/2008 11:40 AM.

To: Kebede, Abe [akebede@lehman.com].

Cc:

Bcc:

Subject: RE: Global Real Estate - Yields to Investors.

Thanks, Abe. Is it easy to convert these to spreads, vs absolute yields? I spoke with Don Petrow about it as well. C

>

> From: Kebede, Abe

> Sent: Tuesday, August 05, 2008 8:31 AM

> To: O'Meara, Chris M (NY)

> Subject: RE: Global Real Estate - Yields to Investors

>

> Chris- The second tab has position level yields. The file is sorted by

> balance sheet at risk in descending order. The yields are in column

> AI.

>

> Let me know if you need anything else.

> << File: RE yield analysis\_05.31.08.xls >>

> Thanks,

> Abe

>

>

> From: O'Meara, Chris M (NY)

> Sent: Monday, August 04, 2008 6:05 PM

> To: Kebede, Abe

> Subject: RE: Global Real Estate - Yields to Investors

>

> Abe - This only has a one page summary. And I can't make out how it

> works. Is there something that has more detail.....line by line

> transaction, for the ones that you have yield info on? Thanks, C

>

>

> From: Kebede, Abe

> Sent: Friday, August 01, 2008 3:56 PM

> To: O'Meara, Chris M (NY); Cohen, Jonathan; Petrow, Donald E; Barry,

> Brian; Goodman, Jeffrey; Bernard, Clement; Reilly, Gerard

> Subject: RE: Global Real Estate - Yields to Investors

>

> Chris-

>

> As per our conversation this morning, we are missing yield info on all

> Europe senior positions. Also, though we have tried to calculate the

> yield on some of the PTG positions, the data is not as reliable as

> what we have for the commercial book.

>

> << File: RE yield analysis\_05.31.08.xls >>

>

> Call with any questions.

>

> Thanks

> Abe

>

>

> From: O'Meara, Chris M (NY)

> Sent: Wednesday, July 30, 2008 8:00 AM

> To: Kebede, Abe; Cohen, Jonathan; Petrow, Donald E; Barry, Brian;  
> Goodman, Jeffrey; Bernard, Clement; Reilly, Gerard  
> Subject: RE: Global Real Estate - Yields to Investors  
>  
> Yes. Thanks, Chris  
>  
>  

---

> From: Kebede, Abe  
> Sent: Wednesday, July 30, 2008 7:55 AM  
> To: O'Meara, Chris M (NY); Cohen, Jonathan; Petrow, Donald E; Barry,  
> Brian; Goodman, Jeffrey; Bernard, Clement; Reilly, Gerard  
> Subject: RE: Global Real Estate - Yields to Investors  
>  
> Chris- we have the yield info as of 5/31st. Would that suffice?  
>  
>  

---

> From: O'Meara, Chris M (NY)  
> Sent: Wednesday, July 30, 2008 7:38 AM  
> To: Cohen, Jonathan; Petrow, Donald E; Kebede, Abe; Barry, Brian;  
> Goodman, Jeffrey; Bernard, Clement; Reilly, Gerard  
> Subject: Global Real Estate - Yields to Investors  
>  
> Guys - Do we have on an individual investment by investment basis, and  
> in aggregate by class, a schedule showing the stated coupon on the  
> instrument, the maturity date, the LTV, our mark (vs par), our market  
> value (in \$), and the effective yield to maturity that the mark  
> represents? I've seen all the info listed on various reports, except  
> for the effective yield to maturity. Would be great to get that info  
> laid out. Let me know. Thanks, Chris



From: Im, James [jamesim@lehman.com] Sent: 8/11/2008 5:42 PM.  
To: Park, Jennifer [jennifer.park@lehman.com]; Cook, David A [David.Cook@lehman.com].  
Cc: Kebede, Abe [akebede@lehman.com].  
Bcc:  
Subject: RE: CMBS Issues 7.31.08.xls.

I don't have support or explanation for my mark but I defn have proof that the 3p price is too high. On 7/31 we were offering it at \$54 and no one bought it so clearly their \$66 is too high. Today we are offering it at \$49 and still have not sold it. Is that sufficient?

In terms of assumptions for MSC 98-XL1 H, the bond prices at 0 cpy so no diff from other cash bonds that are not IOs

James Im  
LEHMAN BROTHERS  
CMBS Trading  
745 7th Avenue- 3rd flr  
New York, NY 10019  
(212) 526-0001 Office  
(646) 758-3111 Fax

>

---

> From: Park, Jennifer  
> Sent: Monday, August 11, 2008 5:14 PM  
> To: Cook, David A; Im, James  
> Cc: Kebede, Abe  
> Subject: CMBS Issues 7.31.08.xls

>

> Dave / James -

>

> Attached is CMBS pricing issues as of 7/31. There is one bond where the desk is marked more conservatively than the 3rd party and PC. Can you please provide support/explanation for your mark? Also there is one bond that I was not sure how to price (MSC 1998-XL1 H) . What kind of assumptions should be used? Can you please advise?

>

> Thanks,

> Jen

> 3-9964

>

>

> << File: CMBS Issues 7.31.08.xls >>

From: Muthyala, Rajiv [rajiv.muthyala@lehman.com]. Sent: 8/18/2008 3:57 PM.  
To: Kebede, Abe [akebede@lehman.com].  
Cc: Sayani, Faizal [faizal.sayani@lehman.com]; Lax, Stephen [slax@lehman.com].  
Bcc:  
Subject: Top 40 CRE List - Marks .

Abe -

Attached is the Top 40 CRE Exposure file with marks. Please help us the following inconsistencies in the marks. We would like to send it out to Rating Agencies by today.

Inconsistent in Marks

Delta Cove - Senior debt mark - 57.6% considerably lower than wt. avg (by MTM) of all positions.

Bridge Equity & Permanent Equity marks not equal within a deal

Senior Debt marks less than lower tranche marks in certain deals (highlighted in color)

Certain positions marked above par

Thanks,  
Rajiv

<<Top Global Real Estate Exposures 07\_31-Top40-RM.zip>>

Rajiv Muthyala | LEHMAN BROTHERS | 1301 Avenue of the Americas, 6th Floor | New York, NY 10019 | Voice: 212-320-7368 | rajiv.muthyala@lehman.com

From: Park, Jennifer [jennifer.park@lehman.com].

Sent: 8/20/2008 10:22 AM.

To: Kebede, Abe [akebede@lehman.com].

Cc: Rabin, Eli [eli.rabin@lehman.com]; Platt, Rebecca [rebecca.platt@lehman.com].

Bcc:

Subject: Real Estate PT template 073108.xls.

Abe -

Attached is the revised pricing template file (taking into account the positions that were already marked down). Total variance is approx. \$878mn. Can you review?

Thx  
Jen

<<Real Estate PT template 073108.xls>>



From: Kebede, Abe [akebede@lehman.com].

Sent: 8/20/2008 1:27 PM.

To: Chopra, Neeraj [neeraj.chopra@lehman.com].

Cc: Sapia, Joseph [joseph.sapia@lehman.com].

Bcc:

Subject: RE: priceverification.

<<priceverification.doc>>

How about this?

>

> From: Chopra, Neeraj

> Sent: Wednesday, August 20, 2008 12:12 PM

> To: Kebede, Abe

> Subject: FW: priceverification

>

>

>

>

> From: Sapia, Joseph

> Sent: Wednesday, August 20, 2008 9:45 AM

> To: Chopra, Neeraj

> Subject: FW: priceverification

>

> I made some changes.

>

>

> Joseph Sapia

> Vice President, Securitized Products Valuation and Control

> Lehman Brothers

> 1301 Avenue of the Americas

> New York, New York 10019

> 212-320-2669

> joseph.sapia@lehman.com

>

>

> From: Chopra, Neeraj

> Sent: Wednesday, August 20, 2008 7:52 AM

> To: Lee, William; Kebede, Abe; Sapia, Joseph; Goswami, Scott

> Subject: FW: priceverification

>

> Could you please take a look through this one pager and make any

> suggestions - put the audit tracker on so we know what the changes

> are.

>

> thanks

>

>

> From: Primiano, Vincent

> Sent: Tuesday, August 19, 2008 6:26 PM

> To: Chopra, Neeraj

> Cc: Reilly, Gerard; Ferraro, Michael; Korell, Steven

> Subject: FW: priceverification

>

> Neeraj

>

> Please take a look at the attached description of our price

> verification process. We plan on providing this explanation to the

> OTS. Gerry suggested that you should approve before we send.  
>  
> Thanks  
>  
> Vinny  
>  
>  

---

> From: Primiano, Vincent  
> Sent: Friday, August 15, 2008 3:39 PM  
> To: Reilly, Gerard  
> Cc: Ferraro, Michael  
> Subject: FW: priceverification  
>  
> Gerry  
>  
> The OTS asked us to explain our mark to market /price testing process.  
> Info attached was provided by Jim Guarino and Jonathan Cohen. Can we  
> give this to the OTS?  
>  
> Vinny  
>  
>  

---

> From: Ferraro, Michael  
> Sent: Friday, August 15, 2008 3:34 PM  
> To: Primiano, Vincent  
> Subject: priceverification  
>  
> << File: priceverification.doc >>

All positions are marked to market daily and price verified monthly. Price verification is done by a separate valuation team of professionals with-in the LBHI finance group.

In the current market environment, marks are also reviewed monthly by senior fixed income and finance management.

Pricing methods are always based on observable market prices to the extent possible. While the use of models is common, in pricing RMBS positions required rate of return and performance assumptions are market based assumptions - market pricing.

Below is a summary of price testing procedures for our major categories of positions.

Residential

During the past few quarters despite pricing pressure the mortgage market has been very active and transparency has improved. In the month of July alone our trading desk executed \$2.467B of buys and \$3.582B of sales in RMBS bonds, primarily in triple-A bonds. Triple-A pricing is particularly transparent. Lehman brothers Triple-A, Alt-A price at June 30, 2008 was within 25bps of UBS' recently disclosed June 30, 2008 pricing.

Residential Whole loans - Price testing is based on recent Lehman trading activity, and published broker dealer marks.

Securities - Price testing is based on recent Lehman trading activity, published ABX and cash prices, third party pricing vendors and modeled prices using current published market spreads (primarily from JP Morgan) and the most current performance assumptions available (primarily from Lehman Research).

Commercial Real Estate

1) The principal book (PTG) contains leveraged debt and equity investments in Real Estate properties. This is price verified using a NPV approach with a significant emphasis on the credit qualities of each collateral. Testing comprises:

- Property level information provided by third party servicers (Trimont & PCCP). Information received includes position attributes, collateral valuation and current update commentary

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- Discount rates are derived from third party publications (Institutional Investors' Real Estate Finance & Investments)
- Product Control also reviews IRR models developed for each position by Trimont for reasonableness
- Watch list assets are discussed in quarterly credit committee meetings with the servicers

2) Large loans held for syndication or securitization and B-notes / Mezz loans (these are typically stripped out from floating rate large loans and generally have LTVs of up to 80%). The prices are verified using internal models based on spreads obtained from third party publications (e.g. Commercial Mortgage alert) giving special emphasis to:

- recent sales, circles and bids on notes of similar attributes (LTV, property type, location, etc)
- Shadow ratings assigned based on LTV and spreads based on these shadow ratings
- Floating rate notes capped at 100% of legal balance to account for lack of prepayment protection

3) Bridge equity generally marked to target investor yields for the specific investment. Product Control reviews / discusses the reasonableness of the valuation assumptions.

4) CMBS securities and IO positions – these are price tested using:

- Third party data from pricing services e.g. EJV, IDC and Extel
- Position marks are compared to recent sales activity. There was substantial sales activity in the second quarter
- Where third party prices are not available or are found to be unreasonable / inaccurate, positions are modeled in Intex, Trepp or Bloomberg using spreads for similar securities
- Reference is also made to the CMBX index, taking into account any basis that exists between the cash and Index markets

Product Control holds regular discussions with the business senior management to discuss pricing variances that exceed our established thresholds. Based on the results of the price verification review, PC recommends/ suggests mark adjustments. Those positions are either remarked or adequate justification or support is provided by the business to support the existing mark.

—

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~~Deleted: Commercial real estate whole loans - The prices are verified using internal models based on spreads obtained from third party publications (e.g. Commercial Mortgage alert) giving special emphasis to:  
Recent sales, circles and bids on notes of similar attributes (LTV, property type, location, etc)  
Shadow ratings assigned based on LTV and spreads based on these shadow ratings  
Floating rate notes capped at 100% of legal balance to account for lack of prepayment protection~~

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~~Deleted: Securities - Price testing is based on recent Lehman trading activity prices, published ABX and cash prices, third party pricing vendors and modeled prices using current published market spreads (primarily from JP Morgan) and the most current performance assumptions available (primarily from Lehman Research).~~

From: Koutouvides, Ari [akoutouv@lehman.com].

Sent: 8/21/2008 3:58 PM.

To: Kebede, Abe [akebede@lehman.com].

Cc:

Bcc:

Subject: RE: PTG LTVs.

Call soon I am leaving.

I am planning on being out of the office tomorrow and Monday.

>

> From: Kebede, Abe

> Sent: Thursday, August 21, 2008 3:56 PM

> To: Koutouvides, Ari

> Subject: RE: PTG LTVs

>

> Yup. Will call you in a bit

>

>

> From: Koutouvides, Ari

> Sent: Thursday, August 21, 2008 3:55 PM

> To: Kebede, Abe

> Subject: RE: PTG LTVs

>

> Do we still need to discuss this?

>

>

> From: Kebede, Abe

> Sent: Tuesday, August 19, 2008 7:24 PM

> To: Koutouvides, Ari

> Cc: Barsanti, Anthony; Cohen, Jonathan; Rabin, Eli

> Subject: FW: PTG LTVs

> Importance: High

>

> Ari- For Q2 disclosures, we calculated LTVs based on total  
> capitalization. We have been asked to calculate LTVs based on  
> collateral values and it appears that for a number of positions the  
> CVs in the export are off. For e.g., they have \$102mn CV for  
> Exhibition city resulting in a 300+% LTV on our positions. Need to  
> discuss these as soon as possible and come up with better valuation  
> numbers or a different methodology that we can defend.

>

> Thanks

> Abe

>

> << File: 731 LTV (3).xls >>

>

From: Aperia, Michael [michael.aperia@lehman.com]. Sent: 8/22/2008 11:25 AM.  
To: Kebede, Abe [akebede@lehman.com].  
Cc:  
Bcc:  
Subject: RE: OTS Questions/Requests.

Hi Abe,  
Just wanted to follow-up with you on this to see if you will be able to send me some draft responses sometime today.

Thank you,  
Mike

>  
> From: Kebede, Abe  
> Sent: Monday, August 18, 2008 8:21 PM  
> To: Aperia, Michael; Vecchio, Laura M  
> Cc: Chopra, Neeraj; Bernard, Clement; Cohen, Jonathan  
> Subject: RE: OTS Questions/Requests  
>  
> Apologies for the delayed response. Can we discuss questions 1 and 2  
> tomorrow. I believe the \$39.3 billion includes consolidated real  
> estate, which is not subject to FAS157, however, since I don't have  
> the details I can't be 100% certain. Given that, the reason why we have  
> these assets classified as Level 2 is because we had a significant  
> volume of asset sales in Q2 from which we were able to obtain market  
> observability that enabled us mark the rest of the book. It is true  
> that the assets are less liquid, however, categorization of assets  
> into different FAS157 levels primarily rests on the observability of  
> pricing inputs (in this case spreads) for similar assets.  
>  
> Neeraj / Jonathan- feel free to add.  
>  
> Thanks  
> Abe  
>  
>  
> From: Vecchio, Laura M  
> Sent: Friday, August 08, 2008 7:52 AM  
> To: Cohen, Jonathan; Kebede, Abe; Chopra, Neeraj  
> Cc: Bernard, Clement  
> Subject: OTS Questions/Requests  
>  
> All,  
>  
> Following the OTS Quarterly Review and also as part of their follow-up  
> and conclusion to the CRE Inspection, we have been receiving a number  
> of different questions pertaining to various items. I will need your  
> help in preparing responses to the following questions:  
>  
> Question #1: (8/5)  
> In the 10Q on page 24 the residential securities total is 15.0B and  
> the note states there is 5.3B in IG retained interest and 1.2B in NIG  
> retained interests, but in the Green Binder (p.9) IG is 4.7B (4.1 plus  
> 0.6) and NIG is 2.2B (1.6 plus 0.6). And with CMBS, the business I am  
> looking at, the Q states that there is 1.6B of IG interests and 0.1 of  
> NIG but the Green Binder (p. 10) has 4.3B IG and 0.3 NIG.  
>

- > Question #2:(8/6)
- > The firm's exposure I believe is 59.5B, not the 49.2B in the GREG
- > summary since 10.3 of consolidated voting interest entities and VIE's
- > are consolidated. Is this correct? The list of 9 entities you
- > provided I believe are subs, a LDN branch and the HC not these 2 type
- > entities. Is that right? Could you get a list and related numbers for
- > those 2 type entities for me? As we were discussing at the last
- > meeting, you are consolidating the PE LLPs sponsored by IMD in terms
- > of the firm's investment and I guess that those several are included,
- > correct.
- >
- > Questions #3:(8/7)
- > Of the \$39.31 billion of commercial mortgage and real estate-related
- > investments (at risk assets before consolidation of voting and
- > variable interest entities), only \$10.9 billion are listed as Level 3
- > under the Real Estate category. Since \$5.3 billion in CMBS may be
- > legitimately in Level 2, there apparently are about \$34.5 billion not
- > listed in Level 3, or about 67 percent of such assets after excluding
- > the CMBS. The balance would be in Level 2, which seems questionable
- > given the less than liquid nature of these assets.
- >
- >
- > The Green Binder that is referenced is the Quarterly Review Binder
- > that we presented to the OTS on 7/22. Both Clement and Gerry have
- > copies and Tony Stucchio should have extra copies if anybody needs an
- > extra to review the schedules referenced in the above questions. I
- > have listed the page numbers in the Binder that are being referenced
- > in the questions.
- >
- > Not sure I fully understand or that Question #2 makes sense as it
- > seems that Ron is referencing/including PE investments that do not
- > roll up to Real Estate but perhaps one of you can confirm.
- >
- > Thanks,
- > Laura
- >

From: Kebede, Abe [akebede@lehman.com] Sent: 8/25/2008 7:06 PM.  
 To: Cohen, Jonathan [jonathan.cohen@lehman.com]; O'Reilly, David [david.oreilly@lehman.com]; Gregory, Jeremiah [jeremiah.gregory@lehman.com]; Madigan, Ann M [ann.madigan@lehman.com].  
 Cc: Petrow, Donald E [donald.petrow@lehman.com]; O'Sullivan, Mark [maosulli@lehman.com]; Barry, Brian [bbarry@lehman.com].  
 Bcc:  
 Subject: RE: CRE Portfolio @ \$32.7B.

<<Jul 31 08 Projected Starting Portfolio\_v7\_Master\_08.25.08.zip>>

I have added columns BD to BH to update the write-downs. There was \$80.7mn of writedowns in Europe which were not identified at a position level which are topsided on Europe senior in summary 1 tab. Mark O'Sullivan will be calling you to update some analysis performed for a presentation. Call me with any questions.

Thanks,  
 Abe

>  
 > From: O'Sullivan, Mark  
 > Sent: Monday, August 25, 2008 10:42 AM  
 > To: Cohen, Jonathan; Kebede, Abe  
 > Cc: O'Reilly, David; Madigan, Ann M; Gregory, Jeremiah; Petrow, Donald E  
 > Subject: CRE Portfolio @ \$32.7B  
 >  
 > Jonathan, Abe,  
 >  
 > As you may have heard from Gerry we need to update the attached  
 > spreadsheet to reflect the additional \$1B write-down we are assuming  
 > for Q3, bringing the total of assets transferred to \$32.7B. I  
 > understood from Gerry that the intention is to do a  
 > back-of-the-envelope analysis today in order to have a preliminary  
 > version ready by the end of the day, and in parallel do the analysis  
 > properly over the next 2 days. Is this in line with your  
 > understanding?  
 >  
 > I'm sure you're already in contact with the other teams that rely on  
 > the underlying data for their analyses, but I'd like to make sure  
 > we're all sync'd up (I believe GREG needs to know how the additional  
 > write-down is allocated to equity/mezz/debt and Don Petrow, who is  
 > running a stress test of the portfolio, needs the raw data to re-run  
 > his analysis). Could you also indicate the \$ amount of the additional  
 > \$1B write-down allocated to the assets not transferred, if any?  
 >  
 > Once completed, could you share the revised figures with this group so  
 > they can re-revise their analysis?  
 >  
 > Appreciate your help.  
 >  
 > Mark O'Sullivan | Corporate Development  
 > LEHMAN BROTHERS INC.  
 > 1271 6th Ave., 45th Floor, New York, NY 10019  
 > Tel: 646.333.9125 | Fax: 646.758.1710 | Cell: 917.328.5709  
 >  
 >  
 > << File: SpinCo\_Exposures\_Table\_082008\_8am\_MOS.xls >>

From: O'Sullivan, Mark [maosulli@lehman.com] Sent: 8/26/2008 11:11 AM.  
 To: Kebede, Abe [akebede@lehman.com]; Cohen, Jonathan [jonathan.cohen@lehman.com].  
 Cc:  
 Bcc:  
 Subject: RE: CRE Portfolio @ \$32.7B.

Jonathan, Abe,

Could you confirm that Archstone is indeed included in the analysis you pulled together? The large file you sent yesterday seems to indicate that it is. However, for some reason Alex Kirk seems to think it isn't.

Looking at the file Archstone should be captured in the table as follows:

Revolver: \$0.1B  
 Debt: \$2.0B  
 Equity: \$1.6B  
 P.E. (IMD): \$0.2B  
 Total: \$3.9B.

Is this correct?

Thanks for your help.

Mark O'Sullivan | Corporate Development  
 LEHMAN BROTHERS INC.  
 1271 6th Ave., 45th Floor, New York, NY 10019  
 Tel: 646.333.9125 | Fax: 646.758.1710 | Cell: 917.328.5709

>  
 > From: Kebede, Abe  
 > Sent: Monday, August 25, 2008 7:06 PM  
 > To: Cohen, Jonathan; O'Reilly, David; Gregory, Jeremiah; Madigan,  
 > Ann M  
 > Cc: Petrow, Donald E; O'Sullivan, Mark; Barry, Brian  
 > Subject: RE: CRE Portfolio @ \$32.7B  
 >  
 >  
 >  
 > I have added columns BD to BH to update the write-downs. There was  
 > \$80.7mn of writedowns in Europe which were not identified at a  
 > position level which are topsided on Europe senior in summary 1 tab.  
 > Mark O'Sullivan will be calling you to update some analysis performed  
 > for a presentation. Call me with any questions.

> Thanks,  
> Abe

>  
 > From: O'Sullivan, Mark  
 > Sent: Monday, August 25, 2008 10:42 AM  
 > To: Cohen, Jonathan; Kebede, Abe  
 > Cc: O'Reilly, David; Madigan, Ann M; Gregory, Jeremiah; Petrow,  
 > Donald E  
 > Subject: CRE Portfolio @ \$32.7B  
 >  
 > Jonathan, Abe,

>  
> As you may have heard from Gerry we need to update the attached  
> spreadsheet to reflect the additional \$1B write-down we are assuming  
> for Q3, bringing the total of assets transferred to \$32.7B. I  
> understood from Gerry that the intention is to do a  
> back-of-the-envelope analysis today in order to have a preliminary  
> version ready by the end of the day, and in parallel do the analysis  
> properly over the next 2 days. Is this in line with your  
> understanding?  
>  
> I'm sure you're already in contact with the other teams that rely on  
> the underlying data for their analyses, but I'd like to make sure  
> we're all sync'd up (I believe GREG needs to know how the additional  
> write-down is allocated to equity/mezz/debt and Don Petrow, who is  
> running a stress test of the portfolio, needs the raw data to re-run  
> his analysis). Could you also indicate the \$ amount of the additional  
> \$1B write-down allocated to the assets not transferred, if any?  
>  
> Once completed, could you share the revised figures with this group so  
> they can re-revise their analysis?  
>  
> Appreciate your help.  
>  
> Mark O'Sullivan | Corporate Development  
> LEHMAN BROTHERS INC.  
> 1271 6th Ave., 45th Floor, New York, NY 10019  
> Tel: 646.333.9125 | Fax: 646.758.1710 | Cell: 917.328.5709  
>  
>  
> << File: SpinCo\_Exposures\_Table\_082008\_8am\_MOS.xls >>



From: Katz, Allan  
Sent: Tuesday, August 26, 2008 8:12 AM  
To: Ryan, Paula; Pelosi, David  
Subject: Fw: E&ME RE Depreciation

FYI

----- Original Message -----

From: Kandola, Nik  
To: Fiebert, Mark  
Cc: Katz, Allan; Kuo-Zelnik, Fenney  
Sent: Tue Aug 26 04:52:08 2008  
Subject: RE: E&ME RE Depreciation

Mark,  
Latest I heard it was still with the Accounting Policy Team.

<<Re: Are you aware of RE depreciation charges being booked to NPE for Q2/Q3?>> Thanks.

- \* Nik Kandola
- \* NPE Finance
- \* Lehman Brothers
- \* 25 Bank Street, London, E14 5LE
- \* T: +44 (0) 20 7102 9832
- \* E: nik.kandola@lehman.com

---

From: Fiebert, Mark  
Sent: 25 August 2008 17:46  
To: Hiom, Richard; Cohen, Jonathan  
Cc: Katz, Allan; Kuo-Zelnik, Fenney; Kandola, Nik  
Subject: FW: E&ME RE Depreciation

Richard/Jonathan,

Do we know where we stand with this for the August close? Please advise, thanks.

Regards,  
Mark

---

Mark Fiebert  
Lehman Brothers  
Office: 212-320-6955  
Fax: 646-758-4316  
Cell: 732-423-1819  
Email: mark.fiebert@lehman.com  
1301 Ave of the Americas - 4th Floor  
New York, N.Y. 10019

---

From: Katz, Allan

Sent: Friday, August 15, 2008 8:13 AM  
To: Fiebert, Mark  
Subject: FW: E&ME RE Depreciation

Mark,

Thought that we agreed that they would have to take the depreciation and if the asset was sold, they could record a gain at that time. Is this the correct accounting treatment? If so, can we get Europe to book appropriate entries this month.

Thank you ..... Allan

---

From: Kandola, Nik  
Sent: Tuesday, August 05, 2008 4:13 PM  
To: Katz, Allan; Kuo-Zelnik, Fenney; Fiebert, Mark  
Cc: Whittaker, Alan; Brazier, Paul  
Subject: FW: E&ME RE Depreciation

fyi

- \* Nik Kandola
- \* NPE Finance
- \* Lehman Brothers
- \* 25 Bank Street, London, E14 5LE
- \* T: +44 (0) 20 7102 9832
- \* E: nik.kandola@lehman.com

---

From: Hiom, Richard  
Sent: 05 August 2008 18:38  
To: Cosaitis, Mark; Bennett, James; Kandola, Nik; Tjon, Sandra  
Cc: Cohen, Jonathan; Covill, Laurence; Slape, Nick; Mirfield, Matthew; Sherwood, Paul; Vasey, David  
Subject: E&ME RE Depreciation

All,

Update of where we are for the depreciation for Real Estate per prior discussions:

\* We are still waiting for Accounting Policy to confirm in NY as to whether we can reverse the number taken on Octopus [\$8.9m]. We think we have a good case and if as expected they agree to the reversal, then we need to prepare similar documentation wrt marketing, intent of sale, general market conditions etc.... for the other relevant investments. Any reversal if granted would go through NPE.

\* With no decision taken as at m-end, Jonathan has agreed to again post the Q2 number of \$22.9m in NY. Once Acc Policy finally opine, we will look to get this booked locally for August close, less any agreed reversals.

\* Until a decision is given it is therefore impossible to forecast any further depreciation charge for the remainder of the year.

\* The concept of double counting where we have already taken a mark-down is also with APG - I will follow up in August wrt the correct accounting treatment

Will update when we have APG clarity.

Rgds,

Richard

From: Lane, John [john.lane@lehman.com]. Sent: 8/27/2008 7:56 AM.  
To: Kebede, Abe [akebede@lehman.com]; Amboss, Rodolpho [ramboss@lehman.com].  
Cc: Cohen, Jonathan [jonathan.cohen@lehman.com]; Shaw, Robert [robert.shaw@lehman.com]; Rothbort, Lonnie [lrothbor@lehman.com].  
Bcc:  
Subject: Re: Hilton Mezz.

Robert, please coordinate with Jonathan, Lonnie and Rodolpho to sync up and conclude on valuation mark. We are required to submit a final forecast to corporate for Q3 by end of day, therefore we have to resolve today. Please let me know if you need any assistance, thanks

----- Original Message -----

From: Kebede, Abe  
To: Amboss, Rodolpho  
Cc: Lane, John; Cohen, Jonathan; Shaw, Robert; Rothbort, Lonnie  
Sent: Tue Aug 26 22:16:11 2008  
Subject: Hilton Mezz

Rodolpho,

Lehman's junior mezz (Mezz 6) is carried at about a DM of 750. I believe PE's junior mezz position (Mezz 7) will need to have a wider DM. FYI, a DM of 900 would translate into a dollar price of 85.5 and 1000 DM would be equivalent to 82.

Let me know if you have any further questions.

Thanks,  
Abe

Abe Kebede  
Vice President  
Global Real Estate Product Control  
LEHMAN BROTHERS  
1301 Avenue of Americas | 12th Floor  
New York, New York 10019  
(212) 320-9961 (phone)  
(646) 758-3589 (fax)  
akebede@lehman.com

From: Shaw, Robert [robert.shaw@lehman.com].

Sent: 8/27/2008 8:10 AM.

To: Kebede, Abe [akebede@lehman.com]; Cohen, Jonathan [jonathan.cohen@lehman.com].

Cc:

Bcc:

Subject: MTM's.

Please let me know this morning if you are aware of potential/actual marks on Archstone or Couer for quarter-end.

Thx

From: Kebede, Abe [akebede@lehman.com] Sent: 8/27/2008 10:28 AM.  
To: Koutouvides, Ari [akoutouv@lehman.com].  
Cc: Rabin, Eli [eli.rabin@lehman.com].  
Bcc:  
Subject: FW: PTG LTVs.

This was the list I sent

>  
> From: Kebede, Abe  
> Sent: Tuesday, August 19, 2008 7:24 PM  
> To: Koutouvides, Ari  
> Cc: Barsanti, Anthony; Cohen, Jonathan; Rabin, Eli  
> Subject: FW: PTG LTVs  
> Importance: High  
>  
> Ari- For Q2 disclosures, we calculated LTVs based on total  
> capitalization. We have been asked to calculate LTVs based on  
> collateral values and it appears that for a number of positions the  
> CVs in the export are off. For e.g., they have \$102mn CV for  
> Exhibition city resulting in a 300+% LTV on our positions. Need to  
> discuss these as soon as possible and come up with better valuation  
> numbers or a different methodology that we can defend.  
>  
> Thanks  
> Abe  
>  
> <<731 LTV (3).xls>>  
>

From: O'Sullivan, Mark [maosulli@lehman.com]. Sent: 8/27/2008 11:09 AM.  
To: Kebede, Abe [akebede@lehman.com]; Cohen, Jonathan [jonathan.cohen@lehman.com].  
Cc: Coku, Edmond Z [edmond.coku@lehman.com].  
Bcc:  
Subject: RE: Current LTV.

Gents, could you let me know if you are able to pull this together in the next few hours? Bart has been asking for it.

Apologies for the short notice.

Mark

>  
> From: Kebede, Abe  
> Sent: Wednesday, August 27, 2008 10:23 AM  
> To: O'Sullivan, Mark; Cohen, Jonathan  
> Subject: RE: Current LTV  
>  
> We just had a meeting with the business. We are trying to see if we  
> can get that, but it is going to be a challenging exercise.

>  
> Thanks,  
> Abe

>  
> From: O'Sullivan, Mark  
> Sent: Wednesday, August 27, 2008 10:21 AM  
> To: Kebede, Abe; Cohen, Jonathan  
> Subject: Current LTV  
>  
> Abe, Jonathan,  
>  
> Bart asked if we can determine the current LTV for the CRE portfolio.  
> Is this something we can back out using the spreadsheet you sent on  
> Monday?

>  
> Best,  
>  
> Mark O'Sullivan | Corporate Development  
> LEHMAN BROTHERS INC.  
> 1271 6th Ave., 45th Floor, New York, NY 10019  
> Tel: 646.333.9125 | Fax: 646.758.1710 | Cell: 917.328.5709

From: Kebede, Abe [akebede@lehman.com] Sent: 8/28/2008 3:53 PM.  
 To: Shao, James [james.shao@lehman.com].  
 Cc: Dinar, Omar K (CORP) [omdinar@lehman.com].  
 Bcc:  
 Subject: RE: Two positions with abnormally large marks for US equity.

Ok, let's leave it as-is for now

>  
 > \_\_\_\_\_  
 > From: Shao, James  
 > Sent: Thursday, August 28, 2008 3:22 PM  
 > To: Kebede, Abe  
 > Cc: Dinar, Omar K (CORP)  
 > Subject: RE: Two positions with abnormally large marks for US  
 > equity

>  
 > We have the same marks for May and July. The issue never surfaces  
 > until now because we never look at the equity mark based on region;  
 > we've always looked at it from a global perspective, as those two  
 > marks would have less impact when we look at it with other regions'  
 > equities.

> James

>  
 > \_\_\_\_\_  
 > From: Kebede, Abe  
 > Sent: Thursday, August 28, 2008 3:08 PM  
 > To: Shao, James  
 > Cc: Dinar, Omar K (CORP)  
 > Subject: RE: Two positions with abnormally large marks for US  
 > equity

> What did we have for May or July?

>  
 > \_\_\_\_\_  
 > From: Shao, James  
 > Sent: Thursday, August 28, 2008 2:32 PM  
 > To: Kebede, Abe  
 > Cc: Dinar, Omar K (CORP)  
 > Subject: Two positions with abnormally large marks for US equity

> Hi Abe,

> The two positions responsible for our slightly higher mark for US  
 > equity are the two positions below:

>  
 > I checked with Eli, who have confirmed these two numbers and suggest  
 > that perhaps I should calculate my equity marks excluding these two  
 > positions. Please let us know what's the best course to take.

>  
 >  
 > Sec Nbr Sec Desc Close Pos Mark Market Value  
 > Lien  
 > WB28 LB STAMFORD LLC WHOLE LOAN 20.65 584.33  
 > 120.65 Equity  
 > 1US400351 LB STARMAN HOTELS LLC 0.000% 2 33.83 379.34  
 > 189.36 Equity

> Thanks,  
>  
> James Shao  
> LEHMAN BROTHERS  
> 1301 Sixth Avenue, 12th Floor  
> New York, NY 10019  
> 212.320.9968 (P)  
> james.shao@lehman.com <mailto:elizabeth.palmer@lehman.com>  
>  
>  
>

From: Kuo-Zelnik, Fenney [fenney.kuozelnik@lehman.com].

Sent: 8/29/2008 9:22 AM.

To: Kebede, Abe [akebede@lehman.com]; Malkani, Kunal [kunal.malkani@lehman.com].

Cc: Errazo, Rina [rina.errazo@lehman.com]; Zhao, Dac [dac.zhao@lehman.com]; Pultman, Avi [avi.pultman@lehman.com]; Sapienza, Joseph [joseph.sapienza@lehman.com].

Bcc:

Subject: FW: NPE Outlook.

Abe / Kunal,

I understand there is a reversal of RE depreciation that was a portion of the \$79m. Could you provide which region(s) will receive the credits?

Avi, If you are in the office today, please reduce Misc Other by \$12m. When regional information is received, we will change the Est accordingly. For now, I want to get the reduction into the est.

Thanks.  
Fenney

>  
> From: Kuo-Zelnik, Fenney  
> Sent: Thursday, August 28, 2008 1:56 PM  
> To: Kebede, Abe  
> Cc: Ryan, Paula; Katz, Allan; Fiebert, Mark; Kebede, Abe; Pelosi, David; Ng, Michelle  
> Subject: FW: NPE Outlook

>  
> Abe,  
>  
> Could you provide background as to the reverse of \$11.73mm of RE depreciation charge in August? Is the reduction due to re-evaluation of the properties?

> Thanks.  
> Fenney

>  
>  
> From: Ng, Michelle  
> Sent: Thursday, August 28, 2008 12:24 PM  
> To: Kuo-Zelnik, Fenney; Ryan, Paula; Katz, Allan; Pelosi, David; Fiebert, Mark  
> Cc: Scicutella, Leonard  
> Subject: RE: NPE Outlook

> Fenney,  
>  
> Yes - this is the account that was used in Q2 - 6404000010 Other Misc  
>  
> In Q2, I believe Ryan Traversari's group took care of the booking in conjunction with Abe Kebede in RE PC. Dave - will you be following with them to get this \$11.7mm entry in?

> Let me know if you need anything else.

> Thanks,

> Michelle

>

>

---

> From: Kuo-Zelnik, Fenney  
> Sent: Thursday, August 28, 2008 11:29 AM  
> To: Ng, Michelle; Ryan, Paula; Katz, Allan; Pelosi, David; Fiebert, Mark  
> Cc: Scicutella, Leonard  
> Subject: RE: NPE Outlook

>

> Michelle,

>

> Will this item come out of the Misc Other?

>

> Fenney

>

>

---

> From: Ng, Michelle  
> Sent: Thursday, August 28, 2008 11:28 AM  
> To: Ryan, Paula; Katz, Allan; Pelosi, David; Fiebert, Mark; Kuo-Zelnik, Fenney  
> Cc: Scicutella, Leonard  
> Subject: RE: NPE Outlook

>

> All,

>

> We just confirmed with Jonathan Cohen, Chris O'Meara and Martin Kelly  
> that we can reverse \$11.73mm of RE depreciation charge in August.

>

> For Q3 forecast, we will therefore lower your latest estimate of  
> \$1,009mm from last night to \$997mm.

>

> Let us know if there's any other update.

>

> Thanks

> Michelle

> 3-4970

>

>

---

> From: Ryan, Paula  
> Sent: Monday, August 25, 2008 3:00 PM  
> To: Ng, Michelle  
> Cc: Katz, Allan; Pelosi, David  
> Subject: RE: NPE Outlook

>

> Michelle,

> The 3rd qtr still looks about \$343M. There was some movement in fixed  
> and variable, but they seem to offset each other. We will send you an  
> update early tomorrow.

> Thanks,

> Paula

>

> Paula Ryan

> Global Transaction Cost Efficiency

> Lehman Brothers Inc.

> 1301 6th Ave.

> New York, NY 10019

> Phone: 212-320-3550

> Fax: 212-520-0572

>  
>  
>

---

> From: Ng, Michelle  
> Sent: Monday, August 25, 2008 1:01 PM  
> To: Ryan, Paula  
> Cc: Katz, Allan; Pelosi, David  
> Subject: RE: NPE Outlook

>  
> Thanks

---

> From: Ryan, Paula  
> Sent: Monday, August 25, 2008 1:00 PM  
> To: Ng, Michelle  
> Cc: Katz, Allan; Pelosi, David  
> Subject: RE: NPE Outlook

>  
> I will send you what I have by 3pm today so you can give Ian the  
> latest numbers for your 5pm meeting.

>  
> Paula Ryan  
> Global Transaction Cost Efficiency  
> Lehman Brothers Inc.  
> 1301 6th Ave.  
> New York, NY 10019  
> Phone: 212-320-3550  
> Fax: 212-520-0572

---

> From: Ng, Michelle  
> Sent: Monday, August 25, 2008 12:59 PM  
> To: Ryan, Paula  
> Cc: Katz, Allan; Pelosi, David  
> Subject: RE: NPE Outlook

>  
> If it hasn't changed materially I can wait for an update later today  
> or tomorrow. Thanks.  
> There's a meeting with Ian at 5 today.

---

> From: Ryan, Paula  
> Sent: Monday, August 25, 2008 12:58 PM  
> To: Ng, Michelle  
> Cc: Katz, Allan; Pelosi, David  
> Subject: RE: NPE Outlook

>  
> We should have a better number by this evening or early tomorrow  
> morning. Do you need something right away?  
> Thanks,  
> Paula

>  
> Paula Ryan  
> Global Transaction Cost Efficiency  
> Lehman Brothers Inc.  
> 1301 6th Ave.  
> New York, NY 10019  
> Phone: 212-320-3550

> Fax: 212-520-0572

>  
>  
>

---

> From: Ng, Michelle  
> Sent: Monday, August 25, 2008 12:54 PM  
> To: Ryan, Paula  
> Cc: Katz, Allan; Pelosi, David  
> Subject: RE: NPE Outlook

>  
> Hi team  
>  
> Any update on August NPE forecast?

>  
> Thanks  
> Michelle

>  
>

---

> From: Ryan, Paula  
> Sent: Monday, August 18, 2008 5:48 PM  
> To: Ng, Michelle  
> Cc: Katz, Allan; Pelosi, David  
> Subject: RE: NPE Outlook

>  
> Michelle,  
> The Q3 Forecast of \$1,015 is as follows:

>  
> June Actual \$340  
> July Actual \$332  
> August Fcst \$343 (includes \$6.4M of expected MCD write-off; excludes  
> potential \$75M of Goodwill)

>  
> I am waiting to hear back from Tom O'Sullivan on the timing of the  
> potential \$75M Goodwill.

>  
> Thanks,

>  
> Paula Ryan  
> Global Transaction Cost Efficiency  
> Lehman Brothers Inc.  
> 1301 6th Ave.  
> New York, NY 10019  
> Phone: 212-320-3550  
> Fax: 212-520-0572

>  
>  
>

---

> From: Ng, Michelle  
> Sent: Monday, August 18, 2008 5:22 PM  
> To: Pelosi, David; Ryan, Paula  
> Subject: RE: NPE Outlook

>  
> Dave / Paul

>  
> Do you have an updated Q3 (or August) NPE forecast in Allan's absence?

>  
> Ian would like to review the Q3 forecast with us tomorrow.  
> Tom O'Sullivan in MCD mentioned that there will be a \$75mm hit to NPE  
> (vs. Goodwill) related to the disposition of Capital Crossing in

> August.  
>  
> Thanks,  
> Michelle  
>  
>  

---

> From: Katz, Allan  
> Sent: Friday, August 01, 2008 4:26 PM  
> To: Ng, Michelle  
> Cc: Lieberberg, Robert; Pelosi, David; Ryan, Paula  
> Subject: NPE Outlook  
>  
> Michelle,  
>  
> As discussed yesterday, the outlook for NPE is as follows:  
>  
> July: \$330m  
> \* Expecting that this number could shift slightly during the early  
> part of next week  
> \* Includes \$3.7m of commercial real estate depreciation  
>  
> Q3 Forecast: \$1,026m  
> \* Includes \$11m of commercial real estate depreciation  
>  
> FY Forecast: \$4,200m  
> \* Includes \$101m of commercial real estate depreciation  
> \* Includes \$45m of expected Q4 one-time charges relating to  
> changes to the firm's real estate footprint  
>  
> Please let me know if you have any questions regarding this  
> information.  
>  
> Regards ..... Allan

From: Kebede, Abe [akebede@lehman.com].

Sent: 8/29/2008 12:12 PM.

To: Rothbort, Lonnie [lrothbor@lehman.com]; Shaw, Robert [robert.shaw@lehman.com].

Cc: Lane, John [john.lane@lehman.com]; Cohen, Jonathan [jonathan.cohen@lehman.com]; Nordell, Deborah [dnordell@lehman.com].

Bcc:

Subject: RE: MTM - URGENT.

Jonathan is currently discussing with front office

-----Original Message-----

From: Rothbort, Lonnie

Sent: Friday, August 29, 2008 12:11 PM

To: Shaw, Robert; Kebede, Abe

Cc: Lane, John; Cohen, Jonathan; Nordell, Deborah

Subject: Re: MTM - URGENT

Abe - what mark are we using on Archstone and Coeur?

Thanks

----- Original Message -----

From: Shaw, Robert

To: Kebede, Abe

Cc: Lane, John; Cohen, Jonathan; Rothbort, Lonnie; Nordell, Deborah;

Shaw, Robert

Sent: Fri Aug 29 11:43:12 2008

Subject: MTM - URGENT

We are trying to make sure both of our groups stay coordinated with respect to the Aug 31 marks. In particular, want to agree to the correct split between GREG and PE on Archstone and Coeur. When we receive the Firm total mark down, how should we split it between our groups. Please advise.

Additionally, PE is booking today their 50% share of the mark down in the M3 position (\$29.6mm in total of which we split 50/50; \$14.8mm each). Please confirm you will do the same.

Thanks,  
Robert

From: Rothbort, Lonnie [lrothbor@lehman.com].

Sent: 8/29/2008 12:19 PM.

To: Lane, John [john.lane@lehman.com]; Shaw, Robert [robert.shaw@lehman.com]; Kebede, Abe [akebede@lehman.com].

Cc: Cohen, Jonathan [jonathan.cohen@lehman.com]; Nordell, Deborah [dnordell@lehman.com]; Amboss, Rodolpho [ramboss@lehman.com].

Bcc:

Subject: Re: MTM - URGENT.

What's the math behind CD for the  
Splits below?  
Thanks

-----  
----- Original Message -----

From: Lane, John  
To: Rothbort, Lonnie; Shaw, Robert; Kebede, Abe  
Cc: Cohen, Jonathan; Nordell, Deborah  
Sent: Fri Aug 29 12:11:47 2008  
Subject: RE: MTM - URGENT

Just spoke with J Cohen for Archstone and Cour Defence who indicated the split to be

Arch (125 firm) 110 FID and 15 for PE to be confirmed  
CD (40 firm) 34 FID and 6 for PE

-----  
----- Original Message -----

From: Rothbort, Lonnie  
Sent: Friday, August 29, 2008 12:11 PM  
To: Shaw, Robert; Kebede, Abe  
Cc: Lane, John; Cohen, Jonathan; Nordell, Deborah  
Subject: Re: MTM - URGENT

Abe - what mark are we using on Archstone and Coeur?  
Thanks

-----  
----- Original Message -----

From: Shaw, Robert  
To: Kebede, Abe  
Cc: Lane, John; Cohen, Jonathan; Rothbort, Lonnie; Nordell, Deborah; Shaw, Robert  
Sent: Fri Aug 29 11:43:12 2008  
Subject: MTM - URGENT

We are trying to make sure both of our groups stay coordinated with respect to the Aug 31 marks. In particular, want to agree to the correct split between GREG and PE on Archstone and Coeur. When we receive the Firm total mark down, how should we split it between our groups. Please advise.

Additionally, PE is booking today their 50% share of the mark down in the M3 position (\$29.6mm in total of which we split 50/50; \$14.8mm each). Please confirm you will do the same.

Thanks,  
Robert

From: Koutouvides, Ari [akoutouv@lehman.com].

Sent: 8/30/2008 10:26 PM.

To: Kebede, Abe [akebede@lehman.com].

Cc: Cohen, Jonathan [jonathan.cohen@lehman.com]; Barsanti, Anthony [abarsant@lehman.com];  
Fischler, Steven [steven.fischler@lehman.com].

Bcc:

Subject: FW: LTV.

Abe,

Anthony and I have given you guidance on the senior deals that we feel were incorrect.

Please make the changes and let us know how this changed the total.

Speak to Fischler about the Mezz loans. He may have some idea what the appropriate LTVs are for Archstone and Prologis.

Let us know if you have any questions.

Thanks

Ari

>

> From: Kebede, Abe  
> Sent: Saturday, August 30, 2008 6:09 PM  
> To: Barsanti, Anthony; Koutouvides, Ari  
> Cc: Cohen, Jonathan  
> Subject: LTV

>

> As you can see from the attachment, there are about 100 senior  
> positions with >100% LTV and about 40 mezz positions with less than  
> 75% LTV. Because of this mismatch, I am getting a WA LTV of 81% on  
> senior and 79% on mezz. Could you please review.

> <<Book3.xls>>  
> thanks

>

> Abe Kebede  
> Vice President  
> Global Real Estate Product Control  
> LEHMAN BROTHERS  
> 1301 Avenue of Americas | 12th Floor  
> New York, New York 10019  
> (212) 320-9961 (phone)  
> (646) 758-3589 (fax)  
> akebede@lehman.com

>

>

From: bellin.michael@nl.pwc.com [bellin.michael@nl.pwc.com].

Sent:8/31/2008 9:43 PM.

To: Malkani, Kunal [kunal.malkani@lehman.com].

Cc: Kebede, Abe [akebede@lehman.com]; feely.scott@nl.pwc.com [feely.scott@nl.pwc.com].

Bcc:

Subject: Project Green Acres - EMEA & Americas Region G/L to Master List, Reconciliation.

Hi Kunal,

I have attached below the EMEA and Americas reconciliations. As you know, there are many positions which have large reconciling differences.....I know you are aware of a few of the significant adjusting items, which will reduce the unreconciled differences. Also, I noted the some of the amounts from the 'Masterlist' do not agree to Abe's totals.

Lets plan to discuss.

Regards,  
Mike

---

Michael Bellin | Capital Markets Group, Director | PricewaterhouseCoopers  
Thomas R. Malthusstraat 5 | 1066 JR | Postbus 90351 | 1006 BJ | Amsterdam  
Tel: +31 (0)20 568 66 66 | Fax: +18133290148 | Mob: +31 (0)61 344 17 84  
<mailto:Michael.J.Bellin@us.pwc.com> Michael.J.Bellin@us.pwc.com | <http://www.pwc.com/nl>  
www.pwc.nl

Help reduce waste. Consider the environment before printing this email.

From: Cohen, Jonathan [jonathan.cohen@lehman.com]. Sent: 9/1/2008 4:51 PM.

To: Reilly, Gerard [greilly@lehman.com]; Chopra, Neeraj [neeraj.chopra@lehman.com]; Bernard, Clement [clement.bernard@lehman.com].

Cc: Pearn, Francis J [francis.pearn@lehman.com]; Fitzgibbon, Jennifer [jennifer.fitzgibbon@lehman.com]; Kebede, Abe [akebede@lehman.com].

Bcc:

Subject: Re: Level 3 info in Q&A so far.

Yup

----- Original Message -----

From: Reilly, Gerard  
To: Cohen, Jonathan; Chopra, Neeraj; Bernard, Clement  
Cc: Pearn, Francis J; Fitzgibbon, Jennifer; Kebede, Abe  
Sent: Mon Sep 01 16:50:19 2008  
Subject: Re: Level 3 info in Q&A so far

So 2.3b

----- Original Message -----

From: Cohen, Jonathan  
To: Reilly, Gerard; Chopra, Neeraj; Bernard, Clement  
Cc: Pearn, Francis J; Fitzgibbon, Jennifer; Kebede, Abe  
Sent: Mon Sep 01 15:57:38 2008  
Subject: RE: Level 3 info in Q&A so far

Approx 1.8bn of global npls. Approx 150mm of corp equity (Carlyle Win 14 Trade \$57mm in Europe and balance in US of investments in funds or where sponsor is corporation). There is approx 300mm in Asia of corp debt classified as level 3

From: Reilly, Gerard  
Sent: Monday, September 01, 2008 3:43 PM  
To: Chopra, Neeraj; Bernard, Clement  
Cc: Pearn, Francis J; Fitzgibbon, Jennifer; Cohen, Jonathan  
Subject: RE: Level 3 info in Q&A so far

Europe sales are not happening in Q3. Global NPL's are 1.8b (jonathan is will anything else be L3 after spinco?). I would think resi will be lower at Q3 and Q4. should also note that this excludes Spinco debt as we have not determined yet.

From: Chopra, Neeraj  
Sent: Monday, September 01, 2008 3:39 PM  
To: Reilly, Gerard; Bernard, Clement  
Cc: Pearn, Francis J; Fitzgibbon, Jennifer  
Subject: RE: Level 3 info in Q&A so far

The attached spreadsheet answers the questions - I have also added a column post Spinco. Please note that the only assets within Real Estate will be \$1.7bn on NPLs. The reduction in L3 for the sale of RMBS in Europe (\$1bn) is reflected in Q3 as the potential sale provides observability for the assets - they will transfer to L2 for Q3 and be sold post quarter end.

<< File: FAS 157 Q3 Q&A session.xls >>

Regards  
Neeraj

Cell - 732 547 4765

---

From: Reilly, Gerard  
Sent: Monday, September 01, 2008 11:25 AM  
To: Chopra, Neeraj; Bernard, Clement  
Cc: Pearn, Francis J; Fitzgibbon, Jennifer  
Subject: Level 3 info in Q&A so far

<< File: UNTITLED.PPT >>

We should explain change Q2 to Q3 and add a Q4 as our proforma post spinco

From: Platt, Rebecca [rebecca.platt@lehman.com].

Sent: 9/2/2008 4:57 PM.

To: Kebede, Abe [akebede@lehman.com].

Cc:

Bcc:

Subject: 8/31 FAS 157 Rec.

Abe,

I noticed a variance in Level 3 of \$60 mn for MTS 1US400351. Also, there is a large difference in Level C when comparing WLT to GFS. I think this is due to adjustments such as depreciation. If you look at the GFS tab column V, all checks have changed levels from the previous month. These are consistent with the gross up files. Please let me know if you have any questions.

Thanks,  
Rebecca

<file://\veh\corp\groups\fin\finance\Capital Markets\FID Control\Real Estate\Database\Misc\FAS157\GFS\2008\08-2008\GFS FAS 157 Summary 0808.xls>

From: Sullivan, Melissa [Melissa.Sullivan@lehman.com]. Sent:9/3/2008 10:11 AM.  
To: Platt, Rebecca [rebecca.platt@lehman.com].  
Cc: Fischler, Steven [steven.fischler@lehman.com]; Kebede, Abe [akebede@lehman.com]; Park, Jennifer [jennifer.park@lehman.com]; Rabin, Eli [eli.rabin@lehman.com]; Shao, James [james.shao@lehman.com].  
Bcc:  
Subject: RE: 8/29 Quest DL.

Please see attached.  
<<Archstone Carry to be marked into the bridge equity position - August>>  
>  
> From: Platt, Rebecca  
> Sent: Wednesday, September 03, 2008 10:07 AM  
> To: Sullivan, Melissa  
> Cc: Fischler, Steven; Kebede, Abe; Park, Jennifer; Rabin, Eli; Shao, James  
> Subject: 8/29 Quest DL  
>  
> Hi Melissa,  
>  
> I noticed changes in Quest market values today. The largest  
> difference I noticed was Archstone. Are these amounts correct?  
>  
> << File: Quest Diff.xls >>  
>  
> Thanks,  
>  
> Rebecca Platt  
> Global Real Estate Product Control  
> Lehman Brothers  
> 1301 Sixth Avenue, 12th Floor  
> New York, NY 10022  
> Tel. 1-212-320-9963  
> E-mail: rebecca.platt@lehman.com  
>  
>  
>

From: Kebede, Abe [akebede@lehman.com].

Sent: 9/3/2008 12:22 PM.

To: Park, Jennifer [jennifer.park@lehman.com].

Cc:

Bcc:

Subject: RE: Suncal Exposure 8 29 08.xls.

Reduce basis suncal master III by \$30mn & send it to Sheila

>

> From: Park, Jennifer

> Sent: Wednesday, September 03, 2008 12:13 PM

> To: Kebede, Abe

> Subject: Suncal Exposure 8 29 08.xls

>

> Suncal Master III is not updated (highlighted blue) and I was not sure

> abt the lien type for the one highlighted in yellow.

>

>

> << File: Suncal Exposure 8 29 08.xls >>

From: Kebede, Abe [akebede@lehman.com]. Sent: 9/3/2008 4:26 PM.  
To: Shao, James [james.shao@lehman.com]; Dinar, Omar K (CORP) [omdinar@lehman.com].  
Cc: Cohen, Jonathan [jonathan.cohen@lehman.com].  
Bcc:  
Subject: FW: BS.

The marks are not accurate and JC is updating. You can update the positions and BS at risk for now.

>  
> From: Daryanani, Ashvind M  
> Sent: Wednesday, September 03, 2008 4:09 PM  
> To: Kebede, Abe; Cohen, Jonathan; Malkani, Kunal  
> Cc: Real Estate Product Control; Hiom, Richard  
> Subject: BS  
>  
> Gents,  
>  
> Please find attached a copy of the BS. It should have the month end  
> marks split by positions plus Deprn. I'm going to try to get my  
> adjustments in before GFS closes.  
>  
> Thanks  
>  
> Ash  
>  
> <<RealEstate\_Balance\_Sheet\_29\_08 v3 rv.xls>>  
>  
>  
>  
>  
> \_\_\_\_\_  
>  
> Ashvind Mohan Daryanani  
>  
> LEHMAN BROTHERS  
> Real Estate  
> 25 Bank Street,  
> Canary Wharf  
> London, E14 5LE  
>  
> Tel: + 44 (0)20 7102 1321  
> E-mail: ashvind.daryanani@lehman.com  
>  
> P Please don't print this e-mail unless you really need to  
>  
>

From: Covill, Laurence [laurence.covill@lehman.com] Sent: 9/4/2008 7:06 AM.  
 To: Wright, Andrew (Finance) [andrew.wright@lehman.com]; Cohen, Jonathan [jonathan.cohen@lehman.com].  
 Cc: Hiom, Richard [richard.hiom@lehman.com]; Kebede, Abe [akebede@lehman.com]; Slape, Nick [nicholas.slape@lehman.com].  
 Bcc:  
 Subject: RE: Europe Aug 31 BS JC.xls.

Andrew/Jonathan,

Have discussed this issue with the team this morning.

David is working on a position ledger file which will have all the new marks per deal. He will send to you as soon as finished - today.  
 Richard is following up with Paul on the Q3 Activity Schedule as a matter of urgency.

Going forward, we are looking to fix the 'mark' issue, by having these amended at source, either in LIQ or ITS, in order to avoid this problem at m-ends.

After we have got these spreadsheets to you today, we will sit down and determine how long this will take, though hopefully the majority can be done very quickly next week. The by-product of this fix is also that we should clean several of our outstanding timing items relating to mark-downs, fees etc....

We will follow up later today once you have all the requested data to make sure you are happy.

>  
 > \_\_\_\_\_  
 > From: Wright, Andrew (Finance)  
 > Sent: 04 September 2008 00:28  
 > To: Covill, Laurence  
 > Cc: Hiom, Richard; Kebede, Abe; Slape, Nick; Cohen, Jonathan  
 > Subject: RE: Europe Aug 31 BS JC.xls  
 >  
 >  
 > Laurence  
 > Let me know what it's going to take to get this done and if you need  
 > any help  
 > Thks  
 > andrew  
 >  
 > \_\_\_\_\_  
 > From: Cohen, Jonathan  
 > Sent: 03 September 2008 18:40  
 > To: Vasey, David; Daryanani, Ashvind M  
 > Cc: Covill, Laurence; Hiom, Richard; Wright, Andrew (Finance);  
 > Kebede, Abe  
 > Subject: Europe Aug 31 BS JC.xls  
 >  
 > << File: Europe Aug 31 BS JC.xls >>  
 >  
 > Guys  
 >  
 > Attached is Ash's bal sheet from last night. The marks were still  
 > wrong. I did calcs of the marks for all of the positions on the bal  
 > sheet before the securities and updated in purple the ones I believe

> should be changed. The problem exists where there are multiple  
> positions and the reserve/depreciation is not allocated to the  
> positions. This would overstate or understate the individual line  
> items. While not an issue if all the same tranche, it is with the  
> ones with multi-tranches. The securities were impossible to do since  
> the legal balance in column U does not make any sense based on the  
> current market value and the marks shown.  
>  
> Andrew or Laurence, we are trying to update the database and this  
> information is critical. If you could maybe give them more resources  
> to get this to us quickly so we can update it properly. They do have  
> a lot on their plate.  
>  
> Thank you in advance.

From: Coku, Edmond Z [edmond.coku@lehman.com]. Sent: 9/7/2008 6:07 PM.  
To: Kebede, Abe [akebede@lehman.com].  
Cc:  
Bcc:  
Subject: RE: Q308 Disclosures.

Thank you.

-----Original Message-----

From: Kebede, Abe  
Sent: Sunday, September 07, 2008 6:04 PM  
To: Coku, Edmond Z  
Subject: RE: Q308 Disclosures

No, it is not included anywhere. It's in corp debt; all our disclosures have only been on Commercial mortgages and RE Held for Sale

-----Original Message-----

From: Coku, Edmond Z  
Sent: Sunday, September 07, 2008 6:03 PM  
To: Kebede, Abe  
Subject: RE: Q308 Disclosures

Is archstone included in the senior LTV at origination calculation?

-----Original Message-----

From: Kebede, Abe  
Sent: Sunday, September 07, 2008 5:54 PM  
To: Coku, Edmond Z  
Subject: Re: Q308 Disclosures

Archstone is a bank debt, it is neither senior nor mezz. It prob will be more like mezz, but if you add it to mezz, the it will distort the Mezz LTV, the mezz LTV would be lower than the senior. So, it makes sense to report or disclose it separately

----- Original Message -----

From: Coku, Edmond Z  
To: Kebede, Abe  
Sent: Sun Sep 07 17:49:21 2008  
Subject: RE: Q308 Disclosures

What would the current LTV be including archstone?

---

From: Kebede, Abe  
Sent: Sunday, September 07, 2008 5:46 PM  
To: Coku, Edmond Z  
Subject: RE: Q308 Disclosures

It's all CRE & HEFS that we will disclose; column X is the same as the LTV numbers I just gave you.

From: Coku, Edmond Z  
Sent: Sunday, September 07, 2008 5:38 PM  
To: Kebede, Abe  
Subject: FW: Q308 Disclosures

Abe - is this attachment just the spinco or the CRE & HEFS that we'll report for Q3?

Can you give me a call to discuss. Also wanted to know if column X in Summary 1 is the same as the current LTV numbers you just sent.

---

From: Kunreuther, Jason  
Sent: Friday, September 05, 2008 2:01 PM  
To: Coku, Edmond Z; Mosher, Christopher  
Cc: Hyat, Taimur  
Subject: FW: Q308 Disclosures

---

From: Cohen, Kenneth  
Sent: Friday, September 05, 2008 1:56 PM  
To: Kunreuther, Jason  
Subject: FW: Q308 Disclosures

Updated charts

---

From: Kebede, Abe  
Sent: Friday, September 05, 2008 11:50 AM  
To: Hughson, Paul A; Cohen, Kenneth; Koutouvides, Ari; Barsanti, Anthony  
Cc: Cohen, Jonathan  
Subject: RE: Q308 Disclosures

Paul- as discussed, please find the revised tables. Main changes are total BS at risk reduced to \$32.7bn, WA mark for the entire portfolio, 83, and % delinquent on mezz revised down to 2.4%

<< File: Q308 Summary tables\_Com. Mtge & REHFS(4).xls >>

---

From: Hughson, Paul A  
Sent: Thursday, September 04, 2008 1:42 PM  
To: Kebede, Abe; Cohen, Kenneth; Koutouvides, Ari; Barsanti, Anthony  
Cc: Cohen, Jonathan  
Subject: RE: Q308 Disclosures

Can you fill in the aug 31 v. may 31 section?

---

From: Kebede, Abe  
Sent: Tuesday, September 02, 2008 6:01 PM  
To: Cohen, Kenneth; Hughson, Paul A; Koutouvides, Ari; Barsanti, Anthony  
Cc: Cohen, Jonathan  
Subject: RE: Q308 Disclosures

This should be good

<< File: Q308 Summary tables\_Com. Mtge & REHFS(3).xls >>

---

From: Kebede, Abe  
Sent: Tuesday, September 02, 2008 5:47 PM  
To: Cohen, Kenneth; Hughson, Paul A; Koutouvides, Ari; Barsanti, Anthony  
Cc: Cohen, Jonathan  
Subject: RE: Q308 Disclosures

Revised for Asia balance sheet and mistakes I made on delinquency (didn't reclass Delta Cove & a few Suncal deals to REO). I am checking the WA mark on the total portfolio and it could change. I will advise shortly

<< File: Q308 Summary tables\_Com. Mtge & REHFS(3).xls >>

---

From: Kebede, Abe  
Sent: Tuesday, September 02, 2008 2:26 PM  
To: Cohen, Kenneth; Hughson, Paul A; Koutouvides, Ari; Barsanti, Anthony  
Cc: Cohen, Jonathan  
Subject: RE: Q308 Disclosures

# of positions in summary 1 fixed

<< File: Q308 Summary tables\_Com. Mtge & REHFS(2).xls >>

---

From: Kebede, Abe  
Sent: Tuesday, September 02, 2008 1:17 PM  
To: Cohen, Kenneth; Hughson, Paul A; Koutouvides, Ari; Barsanti, Anthony  
Cc: Cohen, Jonathan  
Subject: RE: Q308 Disclosures

Updated with changes for Suncal. The first file is based on only commercial mortgages and RE held for sale

<< File: Q308 Summary tables\_Com. Mtge & REHFS(1).xls >> << File: Q308 Summary tables\_based on total RE Exposure(1).xls >>

---

From: Kebede, Abe  
Sent: Tuesday, September 02, 2008 11:46 AM  
To: Cohen, Kenneth; Hughson, Paul A; Koutouvides, Ari; Barsanti, Anthony  
Cc: Cohen, Jonathan  
Subject: Q308 Disclosures

Summary tables based on the \$32.9billion Commercial Mortgages & RE Held for Sale (including vintage and geographic distribution in summary 4)

\* WALTV based on May methodology: 77% & 79% for senior and mezz, respectively

\* % delinquent excluding Suncal, 8% for senior and 3% for mezz (footnote 7 in summary 1)

<< File: Q308 Summary tables\_Com. Mtge & REHFS.xls >>

Summary tables based on total RE exposure of \$41.7 billion

<< File: Q308 Summary tables\_based on total RE Exposure.xls >>

Abe Kebede  
Vice President  
Global Real Estate Product Control  
LEHMAN BROTHERS  
1301 Avenue of Americas | 12th Floor  
New York, New York 10019  
(212) 320-9961 (phone)  
(646) 758-3589 (fax)  
akebede@lehman.com

From: Traversari, Ryan [ryan.traversari@lehman.com]. Sent: 9/8/2008 8:48 AM.  
 To: Kebede, Abe [akebede@lehman.com]; Cohen, Jonathan [jonathan.cohen@lehman.com].  
 Cc: Reilly, Gerard [greilly@lehman.com]; Bernard, Clement [clement.bernard@lehman.com]; Kelly, Martin [martin.kelly@lehman.com].  
 Bcc:  
 Subject: FW: DRAFT Press Release Supplemental Tables .

Can you please see below? I represented what Abe conveyed this morning. If I got it wrong or if you want to re-visit, I'm happy to get out of the middle. Thanks.

>  
 > From: Lowitt, Ian T  
 > Sent: Monday, September 08, 2008 8:47 AM  
 > To: Traversari, Ryan  
 > Cc: Reilly, Gerard; Bernard, Clement; Kelly, Martin  
 > Subject: RE: DRAFT Press Release Supplemental Tables  
 >  
 > Can we keep Sun cal consistent with last q? Ian  
 >  
 >  
 > From: Traversari, Ryan  
 > Sent: Monday, September 08, 2008 7:36 AM  
 > To: Lowitt, Ian T  
 > Cc: Reilly, Gerard; Bernard, Clement; Kelly, Martin  
 > Subject: RE: DRAFT Press Release Supplemental Tables  
 >  
 > CRE recharacterized SunCal-related mezzanine and senior positions as  
 > real-estate owned/equity. In aggregate, this is approximately \$1bn and  
 > appears in the table as components of the reduction in senior/mezz  
 > line items and increase in equity.  
 >  
 >  
 > From: Lowitt, Ian T  
 > Sent: Sunday, September 07, 2008 8:35 PM  
 > To: Traversari, Ryan  
 > Cc: Reilly, Gerard; Bernard, Clement; Kelly, Martin  
 > Subject: RE: DRAFT Press Release Supplemental Tables  
 >  
 > Did Commercial equity really go up by 0.4 bn in the Q?  
 >  
 >  
 > From: Traversari, Ryan  
 > Sent: Sunday, September 07, 2008 6:23 PM  
 > To: Wise, Monique; Finnegan, Brian; Goldfarb, Deborah; Mosher,  
 > Christopher; Chang, Eugene J; Butler, Shaun K; Kendall, Susan;  
 > Rudolfker, Beth; Killerlane, James J  
 > Cc: Kelly, Martin; Reilly, Gerard; Fitzgibbon, Jennifer; Lowitt, Ian  
 > T; Ng, Michelle; Scicutella, Leonard; Bernard, Clement  
 > Subject: DRAFT Press Release Supplemental Tables  
 >  
 >  
 > << File: 3Q08\_Earnings\_Release\_Appendix\_090720080545PM.xls >>  
 >  
 > Please find attached draft tables of the earnings release supplement  
 > based upon data as of 7 September 2008. These documents are subject to  
 > change and your review and any use of the attached should contemplate  
 > that state. These are modeled after those used for the quarter ended

file://O:\LBHI\_Subpoena\Extracts\56\Kebede.Abe\ualA-20080902to20080912-21of22.pst... 12/3/2008

- > May 31, 2008 and exclude any disclosures to average marks. These will
- > continue to be revised as the balance sheet closes and becomes final
- > for the period ending August 31, 2008. Updated information will be
- > sent on interim basis as necessary. Additionally, Jennifer Fitzgibbon
- > and I will continue to work together on this file as certain balances
- > are rounded to allow the math to work on the "face" of the document.
- >
- > Jim - The distribution of this email is based upon those who requested
- > on Friday that they be sent this information. Can you please make sure
- > that they are appropriately reflected on insider lists?
- >

From: Kebede, Abe [akebede@lehman.com].

Sent: 9/9/2008 2:17 PM.

To: Hughson, Paul A [phughson@lehman.com].

Cc: Cohen, Jonathan [jonathan.cohen@lehman.com].

Bcc:

Subject: Q308 Disclosure supplement.

<<Q308 Disclsoure supplement.xls>>

JC & I will call you to discuss.

From: Kebede, Abe [akebede@lehman.com].

Sent: 9/11/2008 9:27 PM.

To: Cohen, Jonathan [jonathan.cohen@lehman.com].

Cc:

Bcc:

Subject: RE: .

Can you call me

-----Original Message-----

From: Cohen, Jonathan

Sent: Thursday, September 11, 2008 9:16 PM

To: Kebede, Abe

Subject: Re:

They want to see pricing. Need to get it in good shape. Also a top reconciliation to inventory. Not sure how much time we have. Will find out.

-----  
----- Original Message -----

From: Kebede, Abe

To: Cohen, Jonathan

Sent: Thu Sep 11 19:54:11 2008

Subject: RE:

August probably not in a good shape

-----Original Message-----

From: Cohen, Jonathan

Sent: Thursday, September 11, 2008 7:49 PM

To: Kebede, Abe

Subject:

Gerry said they Jy want to look at pricing in more detail. Are files cleaned up for their review

From: Kebede, Abe [akebede@lehman.com]. Sent: 9/12/2008 9:51 AM.  
To: Rabin, Eli [eli.rabin@lehman.com].  
Cc:  
Bcc:  
Subject: FW: Bridge equity yields.

>  
> \_\_\_\_\_  
> From: Gupta, Ashish  
> Sent: Friday, September 12, 2008 9:35 AM  
> To: Hamilton, Rachel; Kebede, Abe  
> Cc: Neighbor, Webster; Zackowitz, David  
> Subject: RE: Bridge equity yields  
>  
> Abe,  
>  
> Attached is the spreadsheet updated for 1211, 1745 and DC.  
>  
> Thanks,  
>  
> Ashish  
> <<Bridge Equity IRR at 3Q08 Marks.xls>>  
>  
> \_\_\_\_\_  
> From: Hamilton, Rachel  
> Sent: Friday, September 12, 2008 2:22 AM  
> To: Kebede, Abe  
> Cc: Neighbor, Webster; Zackowitz, David; Gupta, Ashish  
> Subject: RE: Bridge equity yields  
>  
> Abe,  
>  
> Please find attached a schedule showing bridge equity IRR's at the  
> current marks. David and Ashish will review it first thing in the  
> morning.  
>  
> Please let me know if you have any questions.  
>  
> Regards,  
> Rachel  
>  
>  
>  
> Rachel Hamilton  
> LEHMAN BROTHERS  
> Global Real Estate Group  
> 745 Seventh Avenue, 13th Fl.  
> New York, NY 10019  
> (212) 526-5836  
> rachel.hamilton@lehman.com  
>  
> \_\_\_\_\_  
> From: Kebede, Abe  
> Sent: Thursday, September 11, 2008 9:09 PM  
> To: Hamilton, Rachel  
> Cc: Neighbor, Webster; Zackowitz, David; Gupta, Ashish  
> Subject: Bridge equity yields

>  
> Rachel- could you please forward me the IRR's on all the bridge equity  
> positions that reflect the current marks.  
>  
> Thanks,  
> Abe  
>  
> Abe Kebede  
> Vice President  
> Global Real Estate Product Control  
> LEHMAN BROTHERS  
> 1301 Avenue of Americas | 12th Floor  
> New York, New York 10019  
> (212) 320-9961 (phone)  
> (646) 758-3589 (fax)  
> akebede@lehman.com  
>  
>

From: Patel, Anish [anish.patel@lehman.com].

Sent: 9/13/2008 11:23 AM.

To: Kebede, Abe [akebede@lehman.com].

Cc:

Bcc:

Subject: FW: IPV GREG August 2008.

>  
> From: Vasey, David  
> Sent: Friday, September 12, 2008 1:31 PM  
> To: Patel, Anish; Fitzgibbon, Jennifer  
> Cc: Daryanani, Ashvind M; Hiom, Richard; Covill, Laurence  
> Subject: IPV GREG August 2008  
>  
>  
> Please find attached the Price Testing files for August 2008.  
>  
> The file Q3 Price Test Summary shows the high level summary of what  
> has been price tested. The file also shows the movement in the  
> balance sheet across the quarter. Deal level details are shown in Q3  
> Price Test Activity Detail where you can see that the key movements  
> across the quarter were driven by Paydowns \$1.2bn, Sales \$0.7bn and  
> Marks \$0.3bn - along with significant movements in FX rates.  
>  
> Price Testing coverage is shown as being 24%. The definition of  
> coverage/verified is where the Real Estate Desk have been able to  
> provide exits prices on exact positions. Where they have been unable  
> to supply exact exit prices they have aimed to add commentary to  
> support the current mark of the position. These comments and prices  
> can be viewed in file Q3 Price Test Verification Summary .  
>  
> This file compares the current marks against the desk exit marks where  
> supplied. We are therefore able to ascertain where the desk is over  
> or under marked. This variance is shown in the column "P&L Impact".  
> For August the variance is a positive 11.4m - meaning that we are  
> conservative by this amount.  
>  
> <<Q3 Price Test - Summary.xls>> <<Q3 Price Test - Activity  
> Detail.xls>> <<Q3 Price Test - Verification Summary.xls>>  
>  
> Thanks,  
> David

>  
>  
>  
> David Vasey  
> Real Estate Product Control  
> 11th Floor  
> Lehman Brothers  
> 25 Bank Street  
> Canary Wharf  
> London  
>  
> \*: 020 7102 3491  
>  
>  
>

From: Fischler, Steven [steven.fischler@lehman.com] Sent: 9/14/2008 2:03 PM.  
 To: Patel, Anish [anish.patel@lehman.com]; Cohen, Jonathan [jonathan.cohen@lehman.com]; Geller, Michael [michael.geller@lehman.com].  
 Cc: Sullivan, Melissa [Melissa.Sullivan@lehman.com]; Kebede, Abe [akebede@lehman.com].  
 Bcc:  
 Subject: RE: Archstone Reconciliation.

Anish please work on this with Mike Geller. He will help you reconcile. We are only concerned about legal balances. Nothing to do with marks, carrying value, etc.

>  
 > From: Patel, Anish  
 > Sent: Sunday, September 14, 2008 1:19 PM  
 > To: Cohen, Jonathan; Fischler, Steven  
 > Cc: Sullivan, Melissa; Kebede, Abe  
 > Subject: RE: Archstone Reconciliation  
 >  
 >  
 >  
 > Commitment Funded  
 > A 454,905,543  
 > B 1,539,490,891 1,425,490,891  
 > BE 2,142,019,989  
 > Development 100,466,495  
 > Revolver 354,717,375 142173782.8  
 >  
 >  
 >  
 > From: Cohen, Jonathan  
 > Sent: Sunday, September 14, 2008 1:08 PM  
 > To: Fischler, Steven; Patel, Anish  
 > Cc: Sullivan, Melissa; Kebede, Abe  
 > Subject: RE: Archstone Reconciliation  
 >  
 > On legal balances  
 >  
 > I have A loan at 454,905,543; B at 1,425,490,891; Mezz at 458,059,848,  
 > Fee interest at 7,648,169; revolver commitment at 354,717,375 (if used  
 > funded amt of 140,752,045 at 99 price, then legal funded is  
 > 142,173,783; br eq at 2,142,019,989; devel loan at 100,466,495;  
 > private eq should be your amt of 245.9.  
 >  
 > Jonathan Cohen  
 > Senior Vice President  
 > Real Estate Finance  
 > Lehman Brothers  
 > 1301 Ave of Americas  
 > New York, NY 10019  
 > Tel. (212) 320-9960  
 > Fax (646) 758-1570  
 > jonathan.cohen@lehman.com  
 >  
 >  
 >  
 > From: Fischler, Steven  
 > Sent: Sunday, September 14, 2008 12:28 PM  
 > To: Patel, Anish

> Cc: Cohen, Jonathan; Sullivan, Melissa  
> Subject: Archstone Reconciliation  
>  
> Anish - We need to reconcile the attached memo that was prepared to  
> all archstone positions on the final pc balance sheet from 8/31. Can  
> you put a reconciliation of the 2 together? Thanks.  
>  
> << File: 1. Archstone Portfolio Memo.pdf >>  
> #1 Archstone --  
> a) Please reconcile the capital structure in the asset summary to the  
> LEH top 100 MTM.  
> Asset Summary Top 100  
> Mtg \$7.648 \$1,944  
> Mezz \$458.9 \$461  
> CF \$2,122 \$140  
> It appears that the debt is allocated differently between these two  
> sources of information.  
>  
>  
> Steven Fischler  
> Lehman Brothers  
> Global Real Estate Group  
> 745 7th Ave 13th Floor  
> New York, NY 10019  
> Tel. (212) 526-1696  
> Fax (917) 522-0148  
> email - Steven.Fischler@Lehman.com  
>