From: Thatcher, Kevin [kevin.thatcher@lehman.com]. Sent:6/10/2008 12:57 PM.
To: Lowitt, Ian T [ilowitt@lehman.com]; Sayani, Faizal [faizal.sayani@lehman.com].
Cc: Tonucci, Paolo [paolo.tonucci@lehman.com]; Financial Planning and Analysis New York [FinancialPlanningandAnalysisNY@lehman.com].
Bcc: .
Subject: RE: Initial results for resi and commercial exposure.

Ian,

Here are the graphs that I promised you. They are based on the data that we sent you earlier and show that on an absolute and relative basis, Lehman has an outsized exposure to commercial real estate relative to its comparables (although the degree of this overexposure is slightly less when looking at leverage equity vs. tangible common equity). At the same time, we look very good from a residential perspective (especially when compared to MER).

I have a call in to Fitch and will ask if they look at "at risk" positions vs. gross ups.

Call if you have any comments on the graphs or further questions.

Kevin

<<Peer Comparision of Mortgage Positions 06 10 08v3.ppt>>

> ____
> From: Lowitt, Ian T
> Sent: Tuesday, June 10, 2008 11:30 AM
> To: Sayani, Faizal
> Cc: Thatcher, Kevin
> Subject: RE: Initial results for resi and commercial exposure
>
> Is that what Fitch does or do they use the grossed up numbers? Ian
>
> ____
> From: Sayani, Faizal
> Sent: Tuesday, June 10, 2008 11:28 AM
> To: Lowitt, Ian T
> Cc: Thatcher, Kevin
> Subject: RE: Initial results for resi and commercial exposure
>
> We are taking the 'at risk positions' for all competitors (i.e. no
> gross ups). Peers seem to include Real Held for Sale within their
> Mortgage Inventory numbers. Merrill specifically states that.
> Faizal
>
>
> ____
> From: Lowitt, Ian T
> Sent: Tuesday, June 10, 2008 11:26 AM
> To: Sayani, Faizal
> Subject: RE: Initial results for resi and commercial exposure
>
> Is that true for competitors? Ian
>
> ____
> From: Sayani, Faizal
> Sent: Tuesday, June 10, 2008 11:25 AM
> To: Lowitt, Ian T; Thatcher, Kevin
> Subject: RE: Initial results for resi and commercial exposure
>

> We are not including the gross up. RAS is only 'at risk' position.
> Faizal
>
> ____
> From: Lowitt, Ian T
> Sent: Tuesday, June 10, 2008 11:24 AM
> To: Thatcher, Kevin; Sayani, Faizal
> Subject: RE: Initial results for resi and commercial exposure
>
> Actually wondered if could exclude the gross up only. Isn't that a
> subset of RAS? Ian
>
> ____
> From: Thatcher, Kevin
> Sent: Tuesday, June 10, 2008 11:15 AM
> To: Lowitt, Ian T; Sayani, Faizal
> Subject: RE: Initial results for resi and commercial exposure
>
> We will do two versions; one with RAS and one without.
>
> Kevin
>
> ____
> From: Lowitt, Ian T
> Sent: Tuesday, June 10, 2008 11:12 AM
> To: Sayani, Faizal
> Cc: Thatcher, Kevin
> Subject: RE: Initial results for resi and commercial exposure
>
> Think we should show this with and without gross up for us and others.
> Ian
>
> ____
> From: Sayani, Faizal
> Sent: Tuesday, June 10, 2008 11:11 AM
> To: Lowitt, Ian T
> Cc: Thatcher, Kevin
> Subject: FW: Initial results for resi and commercial exposure
>
> Real Estate Available for Sale is our positions in consolidated Real
> Estate investments. These assets require us to gross up the entire cap
> structure of investment. They are not part of the SFAS 157 (i.e. Level
> I, II, III) disclosure. Rather they are part of inventory and are
> marked at the lower of market or cost.
>
> Let me know if you have any questions.
> Faizal
>
> ____
> From: Thatcher, Kevin
> Sent: Tuesday, June 10, 2008 11:07 AM
> To: Sayani, Faizal
> Subject: FW: Initial results for resi and commercial exposure
>
>
>
> ____
> From: Lowitt, Ian T
> Sent: Tuesday, June 10, 2008 11:06 AM
> To: Thatcher, Kevin
> Subject: RE: Initial results for resi and commercial exposure
>

> What is RAS? Ian
>
> ______________________________
> From: Thatcher, Kevin
> Sent: Tuesday, June 10, 2008 10:53 AM
> To: Lowitt, Ian T
> Cc: Tonucci, Paolo; Sayani, Faizal
> Subject: Initial results for resi and commercial exposure
>
> Ian,
>
> Here are the results in tabular format. Faizal is putting together
> some more insightful graphics which we will send to you shortly.
>
> Right now, here are our exposures vs. GS/MS/MER (calculated on a value
> weighted basis)
>
>
> Lehman % TCE % Leverage
> Equity Comp Average % TCE % Leverage Equity
> Commercial (inc RAS for Lehman) 39.3bn 204.7%
> 118.4% 23.0bn 83.2% 58.0%
> Residential 25.6bn 133.3%
> 77.1% 35.6bn 128.8% 89.8%
> Total 64.9bn 338.0%
> 195.5% 58.6bn 212.0% 147.8%
>
> You can see that Lehman's exposure to Resi is not that different from
> the 3 comps but our commercial exposure (which includes RAS, or RE
> held for sale) is much bigger.
>
> Scaling the comp averages to get an implied exposure for Lehman, we
> get the following:
>
> using TCE ratio Using Leverage Equity Ratio vs.
> Actual
> Commercial 16.0bn 19.3bn
> -20bn
> Residential 24.7bn 29.8bn
> No change
> Total 40.7bn 49.1bn
> -10bn or so
>
> You can see that our resi exposure is where it should be but the
> commercial exposure is outsized relative to the comps by around 20bn
> or so given our current size.
>
> These are initial results and I need to confirm them. We will send
> you the graphs which show this more clearly as soon as they are done.
>
> Call with any questions.
>
> Regards,
>
>
> Kevin Lee Thatcher
> Managing Director
> Lehman Brothers
> Financial Planning & Analysis
> 1301 6th Ave., 6th Floor
> New York, NY 10019
> Ph: (212) 526-2248

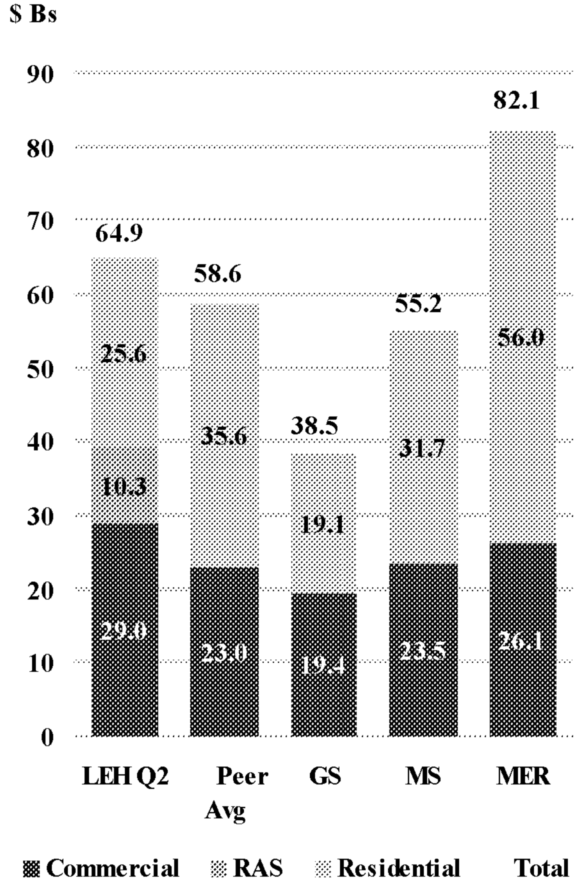
> Fax: (212) 520-0077
> kevin.thatcher@lehman.com
>

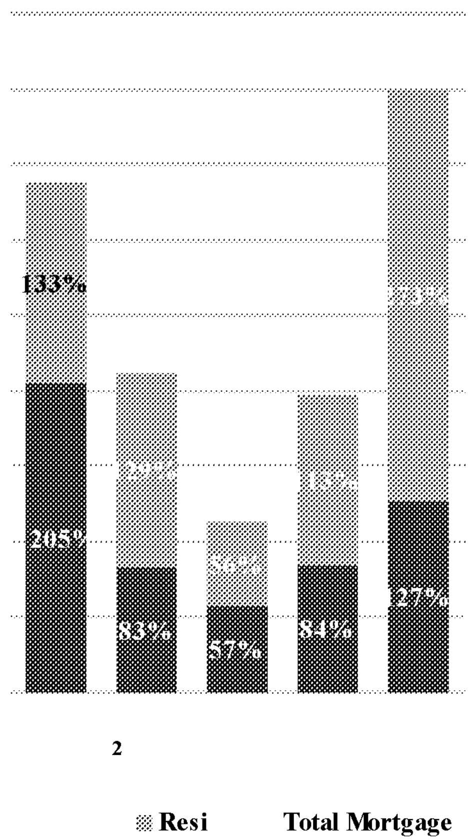
Lehman Commercial Mortgage Exposure is Outsized Relative to Peers

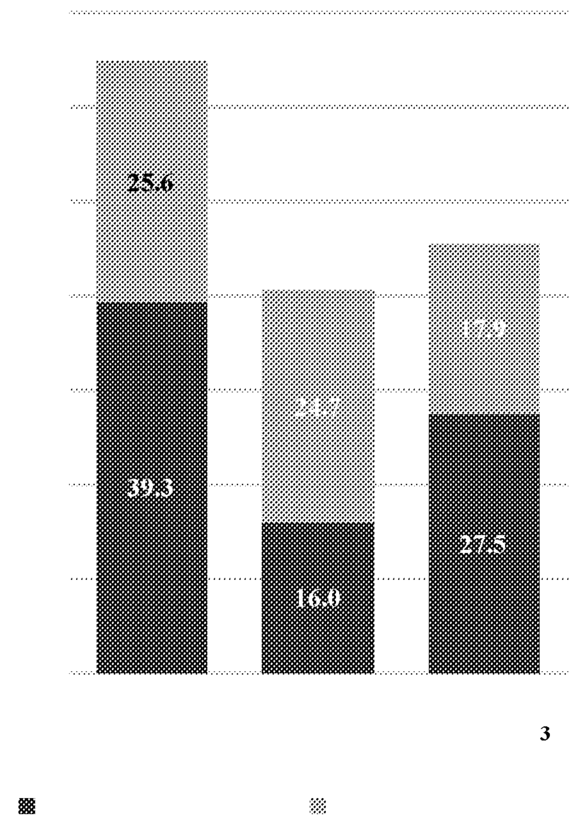
Lehman's exposure to commercial mortgage related assets are higher then that of its peers, especially when viewed relative to Tangible Common Equity

- At the same time, Lehman's exposure to Residential Real Estate is in line with that of its peers

Mortgage Related Assets[1]	As a % of Tangible Common Equity	LEH vs. Industry Implied Mortgages Positions







1. *Peers data is as of Q1 '08 and includes holdings in Bank subs where applicable*
2. *Proforma includes $6B in equity raised during Q3 '08*
3. *Q4'08 Forecast assumes 30% reduction in all mortgage related assets relative to Q2'08*

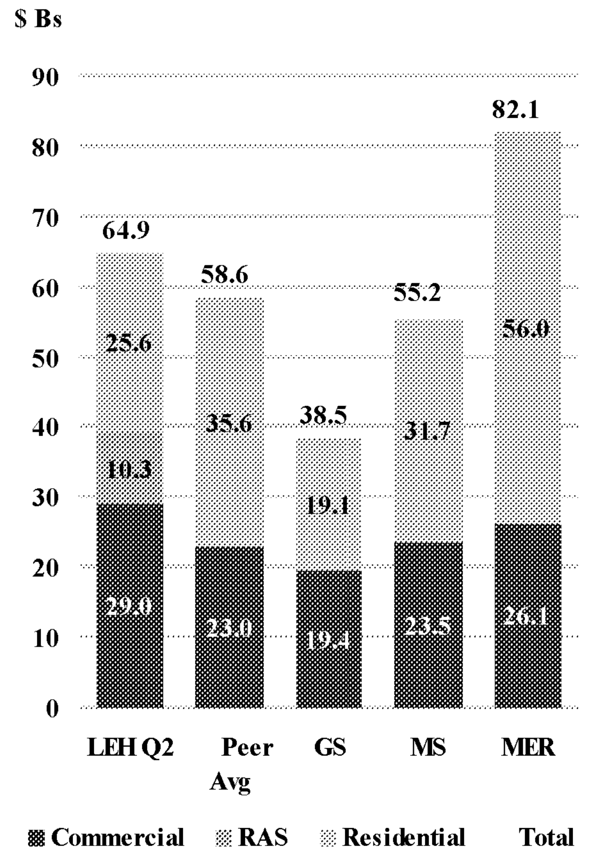
LEHMAN BROTHERS

Lehman Commercial Mortgage Exposure is Outsized Relative to Peers

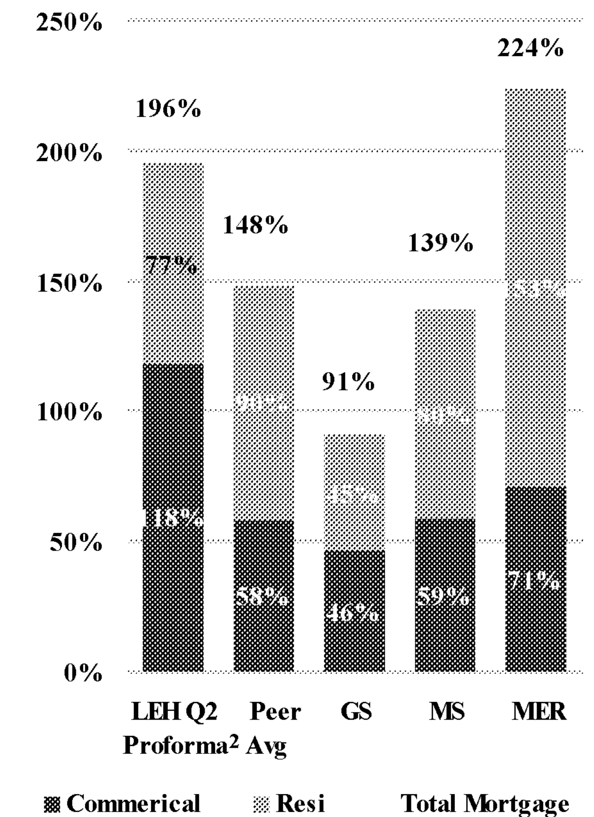
Looking at mortgage exposure relative to leverage equity, Lehman still has an outsized exposure to commercial real estate but not by as much due to a significant level of hybrid capital within Lehman's capital structure

- In this case, Lehman's exposure to Residential Real Estate is actually below that of its peers

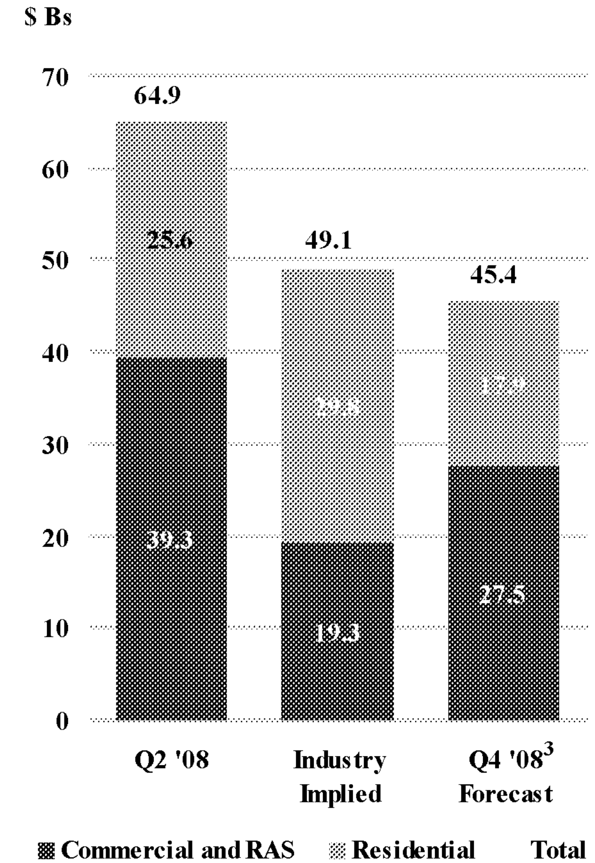
Mortgage Related Assets[1]



As a % of Leverage Equity



LEH vs. Industry Implied Mortgages Positions



1. *Peers data is as of Q1 '08 and includes holdings in Bank subs where applicable*
2. *Proforma includes $6B in equity raised during Q3 '08*
3. *Q4' 08 Forecast assumes 30% reduction in all mortgage related assets relative to Q2'08*

LEHMAN BROTHERS