

From: Gabbay, Mark <mgabbay@lehman.com>
Sent: Thursday, February 28, 2008 10:17 AM (GMT)
To: Hughson, Paul A <phughson@lehman.com>
Cc: Walsh, Mark <mawalsh@lehman.com>; Cohen, Kenneth <kcohen@lehman.com>; Lee, Hyung S <hyung.lee@lehman.com>; Morton, Andrew J <amorton@lehman.com>; Pearson, Thomas <tpearson@lehman.com>
Subject: RE: Balance Sheet Reduction Project
Attach: RE Invnt _013108_Details(debt) (4).xls

Paul,

Suggest we set up a call to further discuss but will summarize where we are:

1. There are some positions that perhaps could move between "RE HFS" and "Mortgage Inventory" but it's immaterial - so those numbers are generally in line with our understanding
2. The attached spreadsheet has further broken down the "Debt" positions into loans that can be securitized in the current market but are still in whole loan format; loans that can be syndicated (which we have further broken down to senior/mezz notional) and loans that have legal maturities by 11/30 of this year.

Regarding reducing the balance sheet this is what we are doing:

-Broadly speaking we have over 225 billion (\$2,100 mm) in Japan in the market over the next 90-days

-We have commitments through end of March in the region of \$470mm total

-Although March is the slowest part of the year to sell product in Japan due to fiscal YE we have the following deals:

- Ryowa/Clover - \$250mm by 2/29 or 3/5 - 95% probability
- Pacific Golf - \$170mm legal maturity at 3/25 - indications they will use corporate line to re-pay - 75% prob
- Daikoku - \$160mm repayment by 3/21 - 95% probability
- Jingumae - \$125mm syndication by 3/25 - 75% prob
- DA Office Reit - \$140mm syndication by 3/27 - 35% probability - dependent on GE on size
- Crescent Heights - \$140mm syndication by 3/26 - 20% probability - dependent on GE early stages
- LJAC-7 Securitization - \$550mm securitization pricing by 3/26 - 20%

-Total range is from \$705mm (high degree) to \$1,535mm (depending on market depth and timing)

Let us know if you need more color.

Thxs

<<RE Invnt _013108_Details(debt) (4).xls>>

> _____
> From: Hughson, Paul A
> Sent: Wednesday, February 27, 2008 11:28 PM
> To: Gabbay, Mark; Pearson, Thomas
> Cc: Walsh, Mark; Cohen, Kenneth; Lee, Hyung S; Morton, Andrew J
> Subject: Balance Sheet Reduction Project
>
> We are putting together our schedule for Erin Callan regarding the
> targeted global balance sheet reduction of \$5B by March 18 -Since
> yesterday's e-mails we have learned a few things-
> 1) trade date is fine, it does not have to be settlement date-
> 2) the primary focus is on the roughly \$40B of assets that are
> categorized as "commercial mortgage inventory" and not the \$12B in
> "Real Estate held for sale"-unfortunately we did not receive this
> breakdown until this morning and many of our distribution initiatives
> are focused on assets that reside in the real estate held for sale
> bucket(basically the consolidating positions although it's a little
> more complicated than that)- That said we are not diverting our focus
> from the distribution effort on those assets as the reduction of
> overall risk in the global real estate balance sheet is another
> important objective- I will send you that breakdown from Jonathan
> Cohen.
> 3) Jonathan also relayed that product control in Asia conformed that
> Ryowa was still scheduled to fund by month end-
>
> Tom and Mark-can you put together your list and let Ken and me know
> when you can be available to discuss so that we can incorporate your
> numbers into the US and European projections-It would also be helpful
> if you broke down the positions into the two broad categories of
> "mortgage inventory" and "real estate held for sale"- Thanks
>
>
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