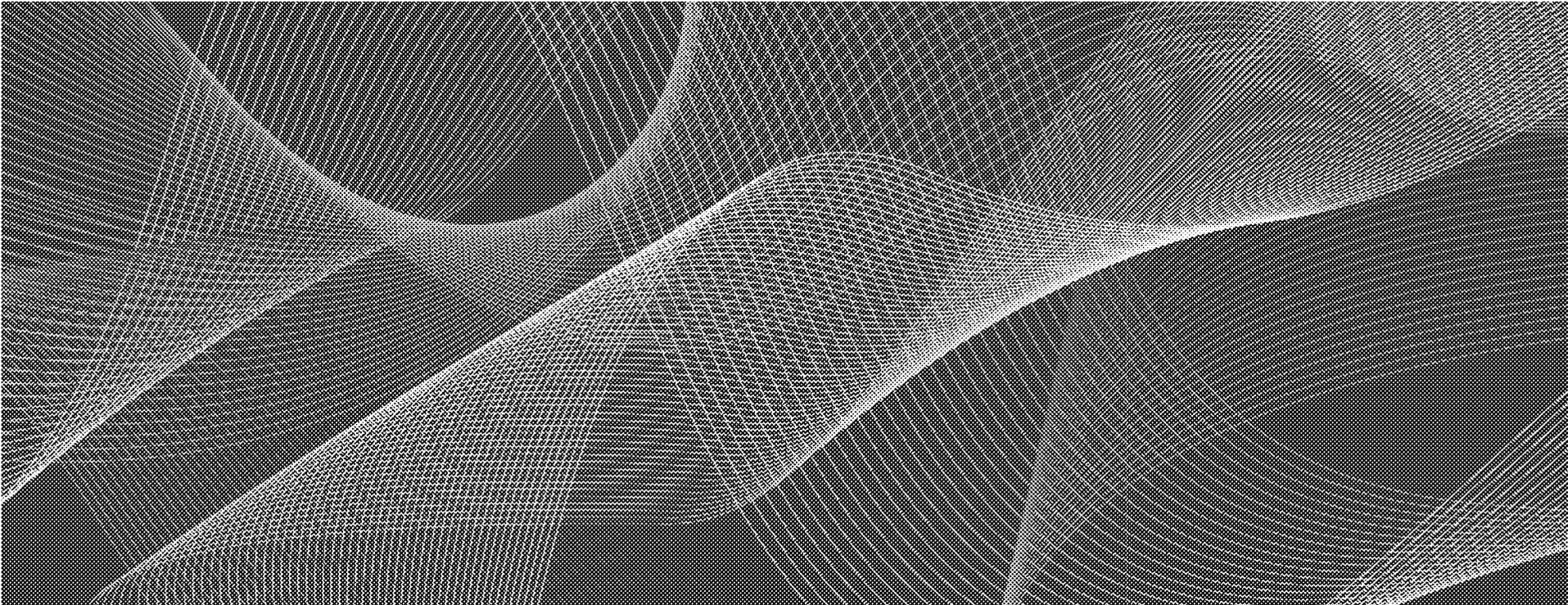


# Project Greenland



Confidential Presentation

# Objective

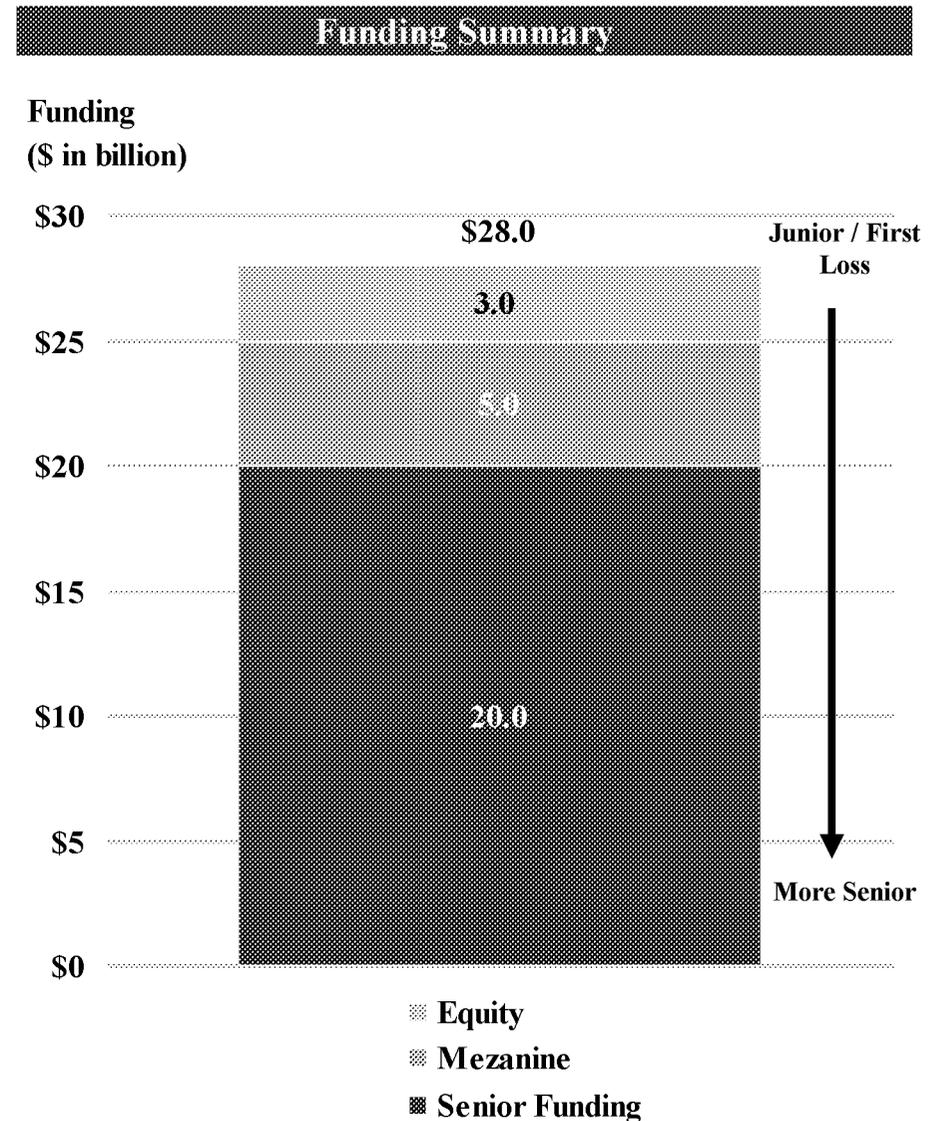
---

- ◆ The objective is to generate funding for the acquisition of \$[28] billion of residential and commercial real estate assets from Green
  - Green will provide the equity portion of the funding
  - Investor will generate the mezzanine and senior funding
- ◆ Senior funding can be provided either directly by Investor or indirectly through an SPV with an Investor credit enhancement and liquidity backstop
  - Direct funding
    - Market is better understood by investors
    - Provide greater size and more cost effective funding
  - Indirect funding
    - Asset-backed market is challenged by a general aversion to asset-backed paper by money funds
- ◆ Both direct and indirect funding will provide diversification of Investor's existing funding program
  - Not expected to compromise current funding sources
  - Rating agencies will need to reaffirm current rating levels to facilitate either the direct or indirect funding structure

# Funding Overview

## Proposed asset purchase funding structure

- ◆ Total funding of approximately \$[28.0] billion will come from multiple sources
  - \$[3] billion of equity from Green
  - \$[5] billion of mezzanine funding from Investor
  - \$[20] billion senior funding from / supported by Investor
- ◆ Green believes a combination senior unsecured commercial paper (“CP”) and medium-term notes (“MTN”) issued directly by Investor provides the best structure for senior funding
  - The direct funding structure offers significant advantages in terms of size and pricing
- ◆ Investor could raise \$[15]-[18] billion in senior funding in the next twelve months and an additional \$[3]-\$[5] billion over time
  - Green would structure the sale to coincide with Investor’s funding activities
  - Incremental issuance over time would take out existing repo funding



# Funding Alternative Comparison

Green believes senior funding should be raised directly by Investor in the US and European funding markets

Senior Funding Alternative Comparison		
	Investor Issued CP / MTN	Investor “Wrapped” CP
<b>Summary</b>	<ul style="list-style-type: none"> <li>Senior unsecured CP issued by Investor in the US and Europe</li> <li>MTN issued by Investor in the US and Europe</li> </ul>	<ul style="list-style-type: none"> <li>ABCP to US and European money markets investors fully-supported as to principal and interest by a support facility provided by Investor</li> </ul>
<b>Indicative Maximum Size in Initial Capital Raise</b>	<ul style="list-style-type: none"> <li>CP: \$7-9 billion</li> <li>MTN: \$8-9 billion</li> <li>Total: \$15-18 billion</li> </ul>	<ul style="list-style-type: none"> <li>CP: \$4-8 billion</li> <li>Total: \$4-6 billion</li> </ul> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Any MTN Capacity?</div>
<b>Indicative Terms</b>	<ul style="list-style-type: none"> <li>CP: L-flat to L+10bp</li> <li>MTN: [TBD]</li> </ul>	<ul style="list-style-type: none"> <li>CP: L+35 to L+50bp</li> </ul>
<b>Positives</b>	<ul style="list-style-type: none"> <li>Supports target size of funding over time</li> <li>Attractive pricing</li> <li>Green can structure the sale of assets to coincide with capital raise</li> </ul>	<ul style="list-style-type: none"> <li>Could increase the size of the program as the asset backed market recovers from current stress</li> <li>Potential to achieve off balance sheet treatment</li> </ul>
<b>Considerations</b>	<ul style="list-style-type: none"> <li>Rating agencies must reaffirm current ratings will remain stable post-issuance</li> <li>Broader market liquidity issues have reduced the size of the relevant markets</li> </ul>	<ul style="list-style-type: none"> <li>Less attractive in terms of size and terms</li> <li>Broader market liquidity issues has considerably reduced the size of ABCP market – concerns over ability to fund</li> <li>Off balance sheet structure would add time and complexity to the execution process</li> </ul>

# Funding Market Update

---

## **Broader market stress has impacted historically robust, highly liquid funding markets**

- ◆ Conventional method of funding Greenhouse would be through a credit enhanced ABCP with a liquidity backstop
  - Market impaired in 2007 and now provides only a fraction of its capacity
  - Current maximum size for an A1 / P1 issuer is \$2-\$5 billion in the US and \$2-3 billion in Europe
  - Requires full liquidity backstop today; historically, partial liquidity support was sufficient
  
- ◆ **Provide some color (bullet points and statistics) on:**
  - **Current market (vs. historical period when the Investor's structure could've worked)**
  - **Capacity in funding markets (12/2006 vs. 6/2008)**
  - **Size of the funding markets (12/2006 vs. 6/2008)**
  - **Recent significant transactions / precedents**
    - **Need to highlight the LloydsCancara structure (size, rating, etc.)**

**Information needed from Jim Merli's group**

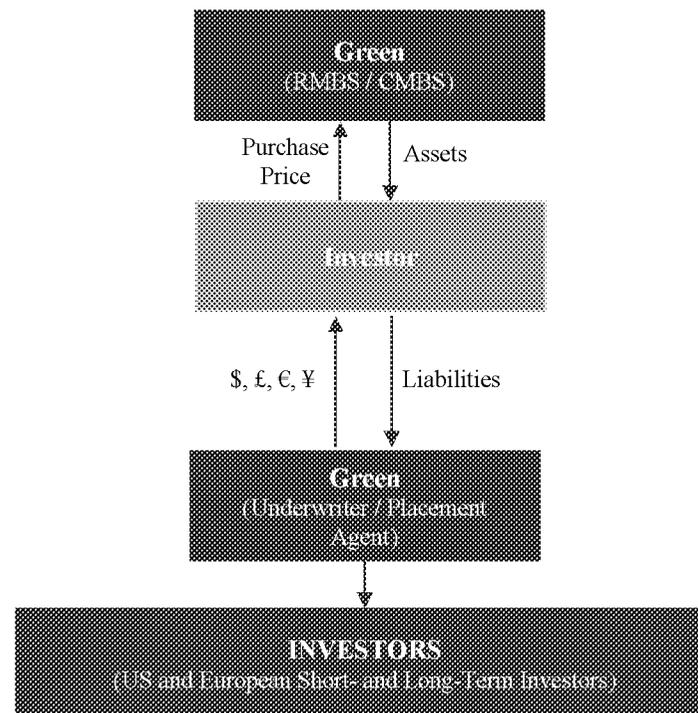
---

## Direct Funding Structure

# Structural Summary of Funding Platform

- ◆ Investor issues a combination of commercial paper and medium-term notes directly to investors
- ◆ Investor will acquire assets directly from Lehman Brothers with cash proceeds sourced from its funding activities
- ◆ Assets are on Investor's balance sheet and earnings flow directly through the income statement

## Direct Funding Structure



## Senior Funding Size and Timing

Draft

Direct Funding Structure

## Illustrative Funding Capacity – 24 Month Time Horizon (\$ in billions)



Commercial Paper	\$4.0	\$6.0	\$7.0	\$7.0	\$7.0	\$8.0
Medium-term Notes	0.0	2.0	4.0	7.0	9.0	12.0
Total	\$4.0	\$8.0	\$11.0	\$14.0	\$16.0	\$20.0
W/A Cost	3.00%	3.75%	4.09%	4.50%	4.69%	4.80%
W/A Duration (years)	0.5	1.6	2.1	2.8	3.0	3.2

## Illustrative Funding Capacity – 12 Month Horizon

Funding Source	Indicative Size (USD Equivalent)	Indicative pricing	Term	Illustrative Investors
CP – Europe	\$[3] – \$[4] billion	L-flat to L+10bp	1 – 365 days	[TBD]
CP – US	\$[3] – \$[5] billion	L-flat to L+10bp	1 – 365 days	[TBD]
MTN – Europe	\$[3] – \$[4] billion	[TBD]	5- and 7-years	[TBD]
MTN – US	\$[5] billion	[TBD]	5- and 10-years	[TBD]
<b>Total / Weighted Average</b>	<b>\$[15] – \$[18] billion</b>	<b>[TBD]</b>	<b>[TBD]</b>	<b>[TBD]</b>

LEHMAN BROTHERS

6

# Funding Considerations

## Credit Ratings

- ◆ Investor maintains Aa3 / A senior unsecured ratings and A1/P1 short term ratings
  - Ratings are on credit watch negative, which could impact pricing and capacity
- ◆ Rating agencies will need to be engaged to review the pro forma impact of the transaction
  - Rating levels will be reaffirmed prior to the consummation of the transaction

## Funding / Transaction Timing

- ◆ Expected funding capacity is insufficient to complete the planned transaction
  - Available capacity is approximately \$[15]-\$[18] billion over the next 12 months, leaving a potential \$[2]-\$[5] billion gap
- ◆ Green envisions structuring a transaction which would keep the existing repo funding structure in place for a subset of the assets to bridge any funding gap
  - Investor would replace the repo funding with incremental issuance in the MTN and / or CP markets over time

## Other?

- ◆ Text to come

# Commercial Paper Program Timeline

## US Commercial Paper Program – Timeline

**Need this for Global Program**

August 2008						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September 2008						
S	M	T	W	T	F	S
		2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October 2008						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

■ Public Holiday

Week of	Action	
Week 1:	<ul style="list-style-type: none"> <li>◆ Prepare and distribute term sheet and working group list</li> <li>◆ Schedule and conduct org call-discuss selection of Issuing &amp; Paying Agent</li> <li>◆ Contact rating agencies regarding CP program details</li> </ul>	<ul style="list-style-type: none"> <li>◆ Green</li> <li>◆ Green</li> <li>◆ Issuer</li> </ul>
Week 2:	<ul style="list-style-type: none"> <li>◆ Distribute 1<sup>st</sup> draft of Dealer Agreement and Information Memorandum to Issuer &amp; Issuer’s Counsel</li> <li>◆ Commence processing other required commercial paper documents</li> <li>◆ Board Authorization of Borrowing</li> <li>◆ Certificate of Incumbency</li> <li>◆ Legal Opinions</li> <li>◆ Issuing and Paying Agent Agreement</li> <li>◆ Physical Note/Master Note</li> </ul>	<ul style="list-style-type: none"> <li>◆ Green</li> <li>◆ Issuer/Issuer’s Counsel</li> </ul>
Week 3:	<ul style="list-style-type: none"> <li>◆ Provide comments on Program Documents</li> <li>◆ Distribute revised draft of Program Documents to Issuer and Issuer’s Counsel</li> <li>◆ Make comments on Program Documents</li> </ul>	<ul style="list-style-type: none"> <li>◆ Issuer/Issuer’s Counsel</li> <li>◆ Green</li> <li>◆ Issuer/Issuer’s Counsel</li> </ul>
Week 4:	<ul style="list-style-type: none"> <li>◆ Distribute revised draft of Program Documents to all Dealers</li> <li>◆ Send draft of Program Documents to rating agencies</li> <li>◆ Make comments on Program Documents</li> <li>◆ Finalize Program Documents</li> </ul>	<ul style="list-style-type: none"> <li>◆ Green</li> <li>◆ Issuer</li> <li>◆ All Dealers</li> <li>◆ Issuer/Issuer’s Counsel/Green</li> </ul>
Week 5?	<ul style="list-style-type: none"> <li>◆ Signing; receive letters from rating agencies confirming ratings; all legal opinions and ancillary documents received</li> <li>◆ Begin marketing program</li> </ul>	<ul style="list-style-type: none"> <li>◆ Issuer/Issuer’s Counsel/Dealers</li> <li>◆ Dealers</li> </ul>
Week 6:	<ul style="list-style-type: none"> <li>◆ Commence issuing</li> </ul>	<ul style="list-style-type: none"> <li>◆ Issuer/Dealers</li> </ul>

(1) Necessary steps for the establishment of a Global program are similar, but may take 1-2 weeks longer.

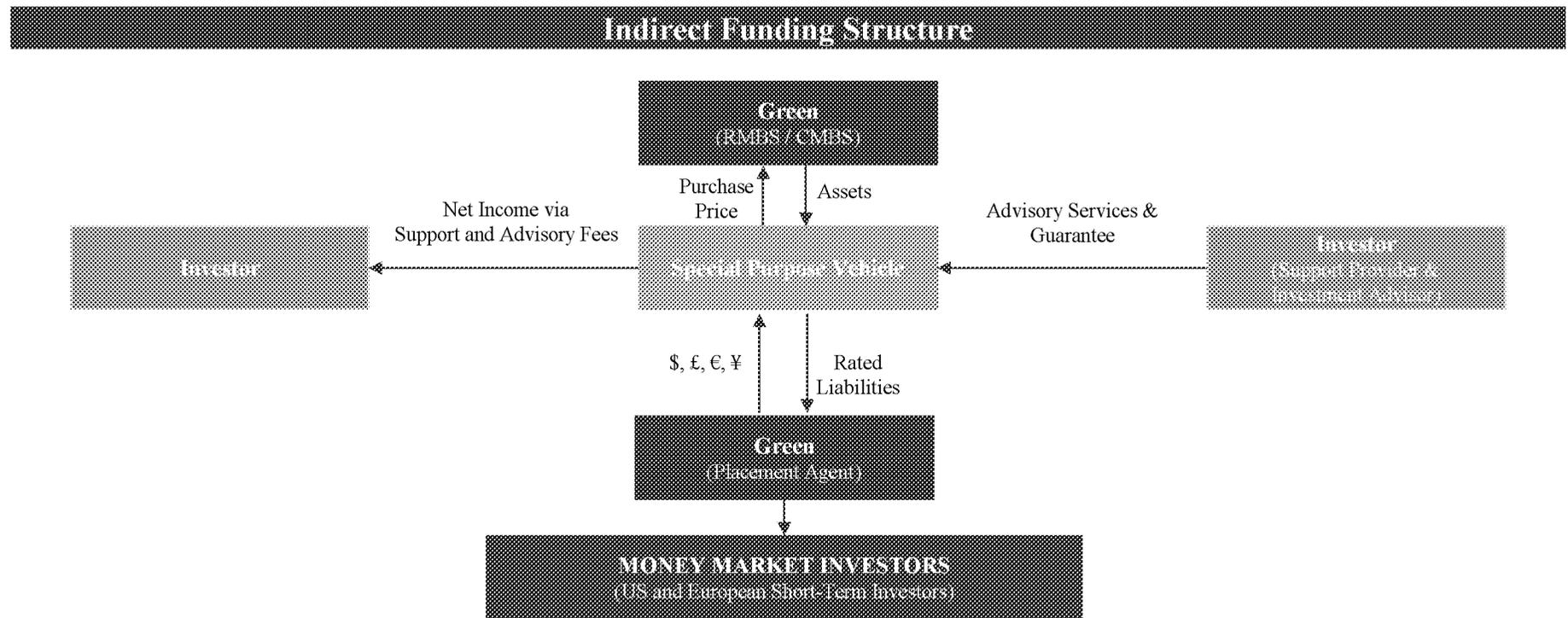
---

## Indirect Funding Structure

# Structural Summary of Funding Platform

Indirect Funding Structure

- ◆ The Issuer is an asset-backed funding infrastructure with a sizeable capacity
- ◆ The Issuer will acquire assets directly from Lehman Brothers with cash proceeds sourced from the issuance of traditional asset-backed commercial paper
- ◆ The ABCP will carry explicit ratings equal to those of Investor; counterparties should view their exposure to the Issuer as secured counterparty risk to Investor
- ◆ Investor will act as support provider and investment advisor to the Issuer, earning aggregate fees equal to Issuer's net income
- ◆ To achieve off balance sheet treatment, the Issuer will be structured in accordance with the framework established by FIN 46(R) or SIC-12, as applicable



# Senior Funding Size and Timing

Draft

Inirect Funding Structure

## Illustrative Funding Capacity – 24 Month Time Horizon (\$ in billions)



Asset Backed Commercial Paper	\$3.0	\$4.0	\$5.0	\$6.0	\$6.0	\$8.0
Total	\$3.0	\$4.0	\$5.0	\$6.0	\$6.0	\$8.0
W/A Cost	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
W/A Duration (years)	0.5	0.5	0.5	0.5	0.5	0.5

## Illustrative Funding Capacity – 12 Month Horizon

Funding Source	Indicative Size (USD Equivalent)	Indicative pricing	Term	Illustrative Investors
ABCP – Europe	\$[2] – \$[3] billion	L+35 to L+50bp	1 – 365 days	[TBD]
ABCP – US	\$[2] – \$[5] billion	L+35 to L+50bp	1 – 365 days	[TBD]
<b>Total / Weighted Average</b>	<b>\$[4] – \$[8] billion</b>	<b>[L+35 to L+50bp]</b>	<b>[180 days]</b>	<b>[TBD]</b>

# Funding Considerations

## Credit Ratings

- ◆ Investor maintains Aa3 / A senior unsecured ratings and A1/P1 short term ratings
  - Ratings are on credit watch negative, which could impact pricing and capacity
- ◆ Rating agencies will need to be engaged to review the pro forma impact of the transaction
  - Rating levels will be reaffirmed prior to the consummation of the transaction

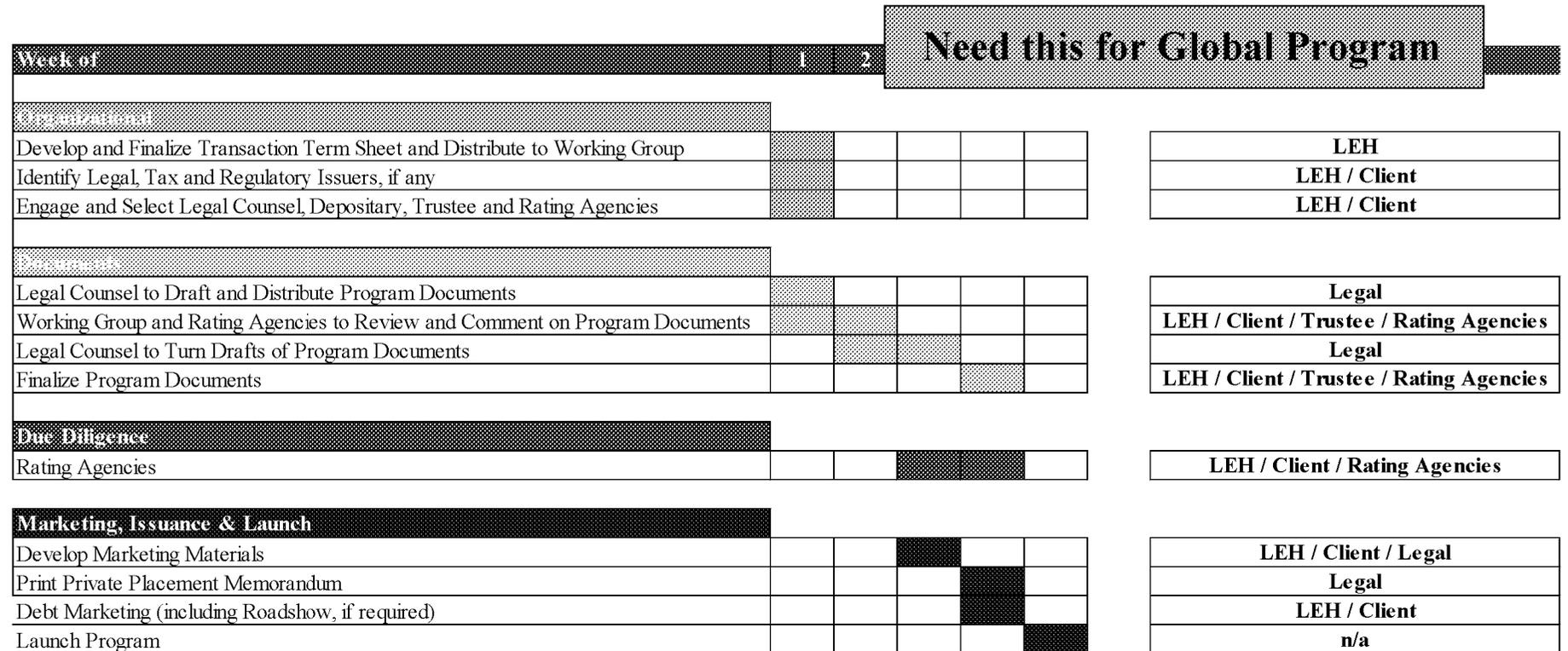
## Available Funding Capacity

- ◆ Expected funding capacity is insufficient to complete the planned transaction
  - Available capacity is approximately \$[4]-\$[8] billion over the next 12 months, leaving a potential \$[12]-\$[16] billion gap
  - Transaction may make less economic sense at these levels
- ◆ It is unclear when the asset backed market will become available at historically available levels

## Off-Balance Sheet Structure

- ◆ Structuring the Issuer off-balance sheet adds significant time and complexity to the execution process and creates additional considerations for Investor
- ◆ Would still be viewed as Investor leverage by the rating agencies

# Indicative Timeline for Establishing the Issuer



\* Actual schedule may vary from that depicted above