

Quarterly Real Estate Recap
Q3'07 and AugYTD

LEHMAN BROTHERS

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Quarterly Analysis

\$ in Millions

	Quarter 3 2007	Quarter 2 2007		Quarter 3 2006		FY 2007		FY 2006	
REVENUES:									
Commercials	175,403	192,301	-9%	184,856	-5%	603,397		505,236	19%
CMBS Securities	(2,258)	2,921	-177%	1,474	-253%	6,805		8,639	-21%
PTG	155,951	282,239	-45%	430,612	-64%	613,953		923,948	-34%
NPL	(287)	19,090	-102%	11,719	-102%	27,063		30,552	-11%
Real Estate Advisory	91,475	78,812	16%	78,144	17%	255,023		223,851	14%
Australia	1,526	-		-		1,526		-	n/m
Aging	<u>(2,663)</u>	<u>(3,522)</u>	-24%	<u>741</u>	-460%	<u>(10,025)</u>		<u>(2,865)</u>	250%
Total Americas	<u>419,147</u>	<u>571,841</u>	-27%	<u>707,545</u>	-41%	<u>1,497,741</u>		<u>1,689,360</u>	-11%

New Banking Model Adjustments:

Commercials	(25,596)	(24,515)	4%	(22,227)	15%	(86,746)		(46,495)	87%
PTG	(221)	0	n/m	(625)	n/m	(221)		(599)	n/m
Less Real Estate Advisory	(91,475)	(78,812)	16%	(78,144)	17%	(255,023)		(223,851)	14%
Total Fixed Income Revenue	<u>301,856</u>	<u>468,513</u>	-36%	<u>606,549</u>	-50%	<u>1,155,752</u>		<u>1,418,415</u>	-19%

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Quarterly Analysis

<i>\$ in Millions</i>	Quarter 3 2007	Quarter 2 2007		Quarter 3 2006		FY 2007	FY 2006	
Americas								
Commercials	118,562	135,510	-13%	139,100	-15%	418,940	355,139	18%
CMBS Securities	(2,258)	2,921	-177%	1,474	-253%	6,805	8,639	-21%
PTG	75,941	121,429	-37%	242,251	-69%	294,205	639,990	-54%
Real Estate Advisory	73,204	43,063	70%	61,352	19%	192,418	187,966	2%
Aging	<u>(2,597)</u>	<u>(3,456)</u>	-25%	<u>825</u>	-415%	<u>(9,827)</u>	<u>(2,616)</u>	276%
Total Americas	<u>262,852</u>	<u>299,467</u>	-12%	<u>445,001</u>	-41%	<u>902,540</u>	<u>1,189,118</u>	-24%

New Banking Model Adjustments:								
Commercials	(25,625)	(17,259)	48%	(19,872)	29%	(76,975)	(41,880)	84%
Less Real Estate Advisory	(73,204)	(43,063)	70%	(61,352)	19%	(192,418)	(187,966)	2%
Total Fixed Income Revenue	<u>164,023</u>	<u>239,145</u>	-31%	<u>363,778</u>	-55%	<u>633,148</u>	<u>959,271</u>	-34%

Quarterly Analysis

<i>\$ in Millions</i>	Quarter 3 2007	Quarter 2 2007		Quarter 3 2006		FY 2007		FY 2006	
Europe									
Commercials	26,803	28,067	-5%	42,120	-36%	89,962		117,050	-23%
PTG	55,822	105,917	-47%	26,148	113%	212,847		44,390	379%
NPL	(574)	(769)	-25%	(621)	-8%	(1,964)		(1,561)	26%
Real Estate Advisory	8,907	31,289	-72%	13,785	-35%	47,962		32,878	46%
Aging	(66)	(66)	0%	(84)	-22%	(198)		(248)	-20%
Total Europe	<u>90,892</u>	<u>164,437</u>	-45%	<u>81,347</u>	12%	<u>348,609</u>		<u>192,508</u>	81%
New Banking Model Adjustments:									
Commercials	30	(7,256)	-100%	(2,356)	-101%	(9,772)		(4,615)	112%
Less Real Estate Advisory	(8,907)	(31,289)	-72%	(13,785)	-35%	(47,962)		(32,878)	46%
Total Fixed Income Revenue	<u><u>82,015</u></u>	<u><u>125,893</u></u>	-35%	<u><u>65,207</u></u>	26%	<u><u>290,876</u></u>		<u><u>155,015</u></u>	88%

Quarterly Analysis

<i>\$ in Millions</i>	Quarter 3 2007	Quarter 2 2007		Quarter 3 2006		FY 2007		FY 2006	
Asia									
Commercials	30,039	28,724	5%	3,637	726%	94,495		33,047	186%
PTG	24,188	54,893	-56%	162,213	-85%	106,901		239,568	-55%
NPL	287	19,859	-99%	12,340	-98%	29,027		32,113	-10%
Real Estate Advisory	9,364	4,461	110%	3,007	<i>n/m</i>	14,643		3,007	<i>n/m</i>
Australia	1,526	-	<i>n/m</i>	-	<i>n/m</i>	1,526		-	<i>n/m</i>
Total Asia	<u>65,403</u>	<u>107,937</u>	-39%	<u>181,197</u>	-64%	<u>246,592</u>		<u>307,734</u>	-20%

New Banking Model Adjustments:									
PTG	(221)	0	<i>n/m</i>	(625)	-65%	(221)		(599)	-63%
Less Real Estate Advisory	(9,364)	(4,461)	110%	(3,007)	<i>n/m</i>	(14,643)		(3,007)	0%
Total Fixed Income Revenue	<u>55,818</u>	<u>103,476</u>	-46%	<u>177,565</u>		<u>231,728</u>		<u>304,129</u>	-24%

Quarterly Analysis

<i>\$ in Thousands</i>	Quarter 3 2007	Quarter 2 2007		Quarter 3 2006		FY 2007	FY 2006	
REVENUES:								
Commercials	175,403	192,301	-9%	184,856	-5%	603,397	505,236	19%
CMBS Securities	(2,258)	2,921	-177%	1,474	-253%	6,805	8,639	-21%
PTG	155,951	282,239	-45%	442,952	-65%	614,563	956,057	-36%
NPL	(287)	19,090	-102%	(621)	-54%	27,063	(1,561)	-1833%
Real Estate Advisory	91,475	78,812	16%	78,144	17%	255,023	223,851	14%
Australia	1,526	0		0		1,526	-	
Aging	(2,663)	(3,522)	-24%	741	-460%	(10,636)	(2,861)	272%
Total Revenue	419,147	571,841	-27%	707,545	-41%	1,497,741	1,689,359	-11%
Personnel Expenses	(68,292)	(75,840)	-10%	(62,990)	8%	(230,272)	(207,896)	11%
Non-Personnel Expenses	(11,963)	(14,101)	-15%	(8,066)	48%	(37,097)	(27,822)	33%
Allocations	(75,077)	(90,946)	-17%	(68,008)	10%	(224,755)	(151,579)	48%
Pretax Income	263,815	390,954	-33%	568,481	-54%	1,005,618	1,302,062	-23%

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Quarterly Analysis

Real Estate generated revenues of \$419mm for Q3'07

- Down 27% and 41% from Q2'07 and Q3'06, respectively, driven by fewer significant gains in Principal Transactions and a sudden downturn in the American and European CMBS markets

Principal Transaction revenues decreased to \$156mm

- Down 45% and 64%, respectively versus Q2'07 and Q3'06 driven by fewer significant gains and the impact of various write-downs on both land and condo conversions:

- Significant PTG revenue for the quarter included:

- Stamford - \$100mm – MTM;
- LBS Holdings SARL - \$35mm – MTM (1/3 US and 2/3 Europe);
- PCCP LB Wailea - \$28mm – sale and MTM
- LB Athenaeum LLC - \$20mm MTM;
- Washington Post – Columbia - \$12mm – sale of position
- NCV Apartment Portfolio - \$(15)mm – MTM
- Various land and condo conversions \$(84)mm – MTM

Commercial revenues slowed with revenues of \$175mm

- Revenues were down versus Q2'07 (9%) and Q3'06 (5%) driven by the CMBS slowdown and markdowns on various positions, particularly on the mezz and b-notes.

- Significant write-downs for the quarter included:

- Project Gospel and Project Green - \$(35)mm – MTM (Europe)
- LBFRC 2007 C5 (mezz & b-notes) - \$(22)mm - MTM
- Suncal (various positions) – \$(18)mm – MTM

Quarterly Analysis

- Securitization volumes increased as Lehman completed 6 securitization (\$73mm) during the quarter compared to 3 in Q2'07 (\$76mm) and 4 in Q3'06 (\$90mm), however securitization revenue margins were down significantly in Americas and Europe due to spread widening and inability to unload all of the bonds due to the current market turmoil.

- LBCMT 2007 C3 (Americas) - \$40mm;
- LBFRC 2007 C5 (Americas) - \$7mm;
- LB-UBS 2007 C6 (Americas) - \$15mm;
- Windermere XI (Europe) - \$4mm;
- Windermere XII (Europe) - \$0mm and
- LJAC 5 (Asia) - \$7mm

Significant commercial revenue included:

- Protego - \$36mm – sale (Europe)
- Carr Americas DC Portfolio - \$25mm – syndication
- E-Shelter - \$21mm – sale of loans (Europe)

Market

The latest slump in CMBS, not seen since 2001, was touched off by an increase in defaults in the residential subprime-bond market. Concerns about the subprime sector first hit in late February. Combined with warnings from the rating agencies about the quality of commercial mortgage collateral, uncertainty over lending standards and a drying up of demand for corporate debt, it led to a 10-bp widening in fixed-rate triple-A CMBS spreads, which had been rolling along at historically tight levels at a time while volume was hitting record levels. The levels actually widened approximately 50bps wider at its worst time in the middle of August, but settled down, tightening about 15 basis points by the end of August.

The abrupt turnabout for the CDO market — which grew by leaps and bounds in the past year and now is almost at a standstill — is a major event for CMBS shops, because many buyers of subordinate paper finance themselves via CDOs. The illiquidity in the CDO market substantially increases the cost of financing for B-piece buyers, forcing them to lower their bids for subordinate CMBS. Accordingly spreads in lower rated classes have widened to all-time highs. Also at issue is the pullback of CMBS investors, especially foreign investors who are currently on the sidelines.

Thus, it should be noted that It should be noted that the subprime crisis was only part of the reason for the pullback in CMBS.

Effect on Lehman

US

In the US, Lehman issued a \$2.4bn fixed-rate securitization in April and made 2 points. In mid-July, we issued a \$3.2bn fixed-rate securitization and made 1.25 points, which reflected the beginnings of concerns in the market. In early August, we issued a \$2.3bn floating-rate securitization and made less than one-third of a point, but more importantly we retained \$1.2bn of investment-grade bonds, which were marked down a little less than \$2mm. However, the retained B-notes and mezz loans related to the floating rate loans in the securitization were marked down approximately \$20mm due to liquidity issues combined with the reasons noted above. Before the crisis, we probably would have made a little over one point, not needed to mark down the retained mezz loans and sold almost all of the bonds. This was due to the collapse of the CDO market as well as investors, who remain active, requiring higher yields.

Market

Americas

We also issued a \$1.9bn fixed rate securitization in August and were able to make about three quarters of a point, but more importantly sold the non-investment grade classes and all but \$200mm of the investment grade classes. The primary reason we did not lose money was because of the hedges placed on the CMBS index. As spreads widened, the hedges were profitable and the profit was marked into the basis of the loans.

Europe

Europe experienced the same issues as the US as demand waned precipitously. We priced a \$1.4bn UK CMBS deal in late July and only realized a \$4mm profit vs. about \$15mm-\$20mm in normal times. At closing, we retained a little over \$500mm of investment-grade bonds, which was reduced to \$300mm by August 31st. We also priced the \$2.1bn Coeur Defense (Windermere X11) deal in early August, of which we share 50/50 with Goldman. Fortunately, we were able to sell the bottom classes, but pulled back all the investment-grade classes (~ \$2bn) from the market with the intention to re-market them in September. Accordingly, we made no money on the securitization and are holding approx \$1bn in investment-grade bonds. It should be noted that there is no established market yet in Europe for hedging CMBS spread risk.

Asia

Asia issued a \$650mm large loan CMBS in late August and did not see any material effects in the execution of the deal.

Future

One reason for hope that there will be a quick recovery in CMBS is the fact that commercial real estate fundamentals remain robust. Of course, others see that as a cause for concern because of the potential for further deterioration if the subprime problem begins to spill over into other areas of the economy.

Delinquencies are at an all-time low, but investors need to see spreads stabilize if they're going to get comfortable coming back to the market. What is going on now is a justified correction but over the short-term, it's a painful period. In the new environment, lenders are tightening underwriting standards, are willing to lend less than in the past and are much more selective.

Market

The current pipeline of CMBS deals in the US is approximately \$30 billion and commercial mortgage-backed securities originators are sitting on an estimated \$30 billion to \$60 billion of unsecuritized loans and bonds that weren't sold from securitizations during August. It remains to be seen how the market will react in the short term. In two other down parts of the cycle, both in 1998 after the Russian debt default and in 2001 after 9/11, the effects were short-lived and the markets tightened each time to then record levels.

The situation on new lending is exacerbated by the uncertainty of how new loans should be priced. Without a sense of when spreads will stabilize, lenders don't know what the cost of capital is and the result is a lot of debt and equity being re-priced.

Quarterly Trend

\$ in Thousands

	Quarter 1 2005	Quarter 2 2005	Quarter 3 2005	Quarter 4 2005	Fiscal Year	Quarter 1 2006	Quarter 2 2006	Quarter 3 2006	Quarter 4 2006	Fiscal Year	Quarter 1 2007	Quarter 2 2007	Quarter 3 2007
REVENUES:													
Commercials	112,354	108,888	239,593	130,064	590,898	139,134	181,246	184,856	156,688	661,923	235,694	192,301	175,403
CMBS Securities	2,179	254	338	(1,338)	1,434	2,065	5,100	1,474	(1,974)	6,665	6,142	2,921	(2,258)
PTG	245,995	307,390	338,795	227,774	1,119,953	264,352	248,753	442,952	192,654	1,148,711	176,374	282,239	155,951
NPL	-	-	-	(360)	(360)	(429)	(512)	(621)	(1,655)	(3,217)	8,260	19,090	(287)
Real Estate Advisory	25,761	16,661	127,142	87,853	257,417	75,150	70,557	78,144	84,203	308,054	84,735	78,812	91,475
Australia	-	-	-	-	-	-	-	-	-	-	-	-	1,526
Aging	(1,300)	(104)	74	(246)	(1,576)	(1,470)	(2,132)	741	(2,902)	(5,763)	(4,451)	(3,522)	(2,663)
Total Revenue	384,990	433,089	705,942	443,746	1,967,766	478,803	503,012	707,545	427,014	2,116,374	506,754	571,841	419,147

Regional Revenue:													
Americas	302,316	304,911	611,805	287,940	1,506,971	380,062	364,054	445,001	226,986	1,416,104	340,222	299,467	262,852
Europe	7,878	32,396	58,368	95,312	193,955	32,615	78,546	81,347	148,581	341,089	93,280	164,437	90,892
Asia	74,795	95,782	35,769	60,494	266,840	66,126	60,411	181,197	51,447	359,181	73,252	107,937	65,403
	384,990	433,089	705,942	443,746	1,967,766	478,803	503,012	707,545	427,014	2,116,374	506,754	571,841	419,147

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Commercials

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CMBS Securitizations

Americas

Deal Type (LB-UBS; LLF)	LB Amt (\$m)	Pricing Date	Date P&L Recognized	Closing Date	RE FID P&L	Banking P&L	Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
LBCMT 2007 C3	3,234	7/19/07	7/24/07	7/26/07	36	4	40	46	As of 7/31, Lehman retained approximately \$46mm of the investment grade bonds.
LBFRM 2007 C5	2,310	8/3/07	8/29/07	8/23/07	5	3	7	1,150	Lehman retained \$1.15bn in investment grade bonds of which \$870mm were AAA
LB-UBS 2007 C6	1,910	8/24/07	8/29/07	8/30/07	12	4	15	200	Lehman retained approximately \$200mm of investment grade classes.
Totals for 2007	7,454				52	10	62		

Europe

Deal Type	LB Amt (\$m)	Pricing Date	Date P&L Recognized	Closing Date	Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
WINXI	1,435	7/25/2007	8/3/2007	8/3/2007	4	522	Retained approximately \$522mm of bonds. Currently retain \$300mm of the bonds as of 08/31/07
WINXII	1,041	8/2/2007	N/A	08/10/07	0	1,033	Retained all but the two lowers tranches: G and H.
Totals	2,476				4	1,555.0	

Asia

Deal Type	LB Amt (\$m)	Pricing Date	Date P&L Recognized	Closing Date	RE FID P&L (\$m)	Struct Fin P&L	Est Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
LJAC 5	550	08/31/07	08/31/07	09/10/07	6	1	7	-	\$510mm bonds placed with investors under binding commitments. Remaining \$40mm to be sold early October. Deal not closing until 09/10/07

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Americas

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Americas – 2007 CMBS Securitization

LB Commercial Mortgage Trust, 2007-C3 – \$39.5mm - Priced July 19th and settled on July 26th

Amount: \$3,233.8 million

Property Types: Office (57.5%), multi-family (27.7%), retail (10.7%), industrial (2.2%), hotel (0.8%), mixed use (0.7%), self-storage (0.4%)

Concentration: New York (19.9%), Texas (16.3%), and California (11.9%)

Loan contributors: Lehman (100%)

B-Piece Buyer: Anthracite Capital

Comments:

This was the first solo deal in 7 years (33 securitizations) following the collapse of Dillon Read, who were Lehman's partner on all fixed rate fusion deals

The benchmark triple-A class priced at swaps plus 34bp. Of the deals that priced the same week, Lehman Brothers did slightly better than BofA and Citigroup but the same as Morgan Stanley and Bear Stearns, who both led a \$2.8bn "TOP" deal. The benchmark triple-A class priced 5bp higher than the LB-UBS C2 securitization in April.

The triple-B class priced at 300bp, the widest level since swaps became the pricing benchmark a few years ago and 50 bp wider than the last spate of deals from late June. The same class from the BofA deal wound up at 290 bp.

Lehman retained approximately \$46mm of bonds due to the concerns in the market.

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Americas – 2007 CMBS Securitization

LB Floating Rate Commercial Mortgage Trust, 2007-LLF C5 – \$7mm - Priced August 3rd and settled on August 23rd

Amount: \$2,473.9 million

Property Types: Office (51%), hotel (24.3%), industrial (12.9%), mixed use (10.2%), multi-family (1.3%) and land (0.1%)

Concentration: California (49%) and Texas (10.4%)

Loan contributors: Lehman (93.3%) and RBS Greenwich (6.7%)

Comments:

The 1.4 year, triple-A class, with a 38% subordination level, priced at 30bp over Libor, or 10bp wider than initial price talk. That was a whopping 12bp wider than the previous prevailing level and 20bp wider than the LBFRC 2006 – LLF C5.

Due to the difficult market conditions and significant spread widening, Lehman retained \$1.15bn of the investment grade bonds.

Americas – 2007 CMBS Securitization

LB-UBS Commercial Mortgage Trust, 2007-C6 – \$15mm - Priced August 24th and settled on August 30th

Amount: \$2,978.9 million

Property Types: Retail (42.7%); office (22.8%); hotel (15.6%); multi-family (12.8%), mobile home park (1.4%); assisted living (1.3%); self-storage (1.3%); industrial (1.2%) and mixed-use (0.9%)

Concentration: California (17.4%); Virginia (15.2%); New York (14.2%) and Texas (10.1%)

Loan contributors: Lehman (64.1%) and UBS (35.9%)

B-Piece Buyer: Five Mile Capital

Comments:

This was the first deal done with the new UBS CMBS team.

The benchmark triple-A class priced at swaps plus 59bp, considerably tighter than the blowout in mid-August where triple As priced at 76bp, although still significantly wider than the LBCMT 2007 C3 deal which priced in mid-July where the triple-A class priced at 34bp.

The triple-B class priced at 350bp, slightly narrower than the market, which stood at about swaps plus 375bp, which according to Morgan Stanley is the widest level since the investment bank started tracking CMBS spreads in 1993.

Despite the market turmoil, Lehman managed to retain only \$200mm of the bonds, all investment grade.

Americas - Commercials

CarrAmericas DC Portfolio - \$25mm – Syndication

Collateral

The Portfolio included 21 office properties (16 wholly owned and five joint ventures) comprising 5.5 million square feet owned (6.5 million total square feet) in Washington D.C. and the metro area. Also included in the Portfolio are third party asset management services for twenty-seven properties in Washington D.C. and a development site on K-Street ("Mount Vernon Square") of approximately 200,000 square feet. The Portfolio represents Washington D.C. and greater DC area assets acquired by Blackstone in its acquisition of Carr America which closed on July 13, 2006.

Lehman's Investment

On December 27 2006, Lehman Brothers provided acquisition financing to Tishman Speyer for the purchase of 21 Washington D.C. office properties, third party management services and a development site owned by the Blackstone Group. Financing included \$1.225bn of senior debt (50% LTC), \$923mm of bridge equity, \$355mm term loan and a \$175mm revolver; the partnership assumed \$103mm of JV debt and Tishman provided \$200mm of equity through its fund. As of 7/31/07, Lehman had \$166mm of mezz debt and \$143mm of bridge equity left.

P&L

Lehman Brothers syndicated out approximately \$250mm of bridge equity to GE Pension Trust and \$12mm of bridge equity to Consolidated in July 07, resulting in \$25mm of p&l.

FIN 46

This is not a consolidated position.

Americas - Commercial

LB Atlanta Area Portfolio bridge equity - \$8mm – Payoff

Collateral

21 assets and 5 development sites in Atlanta acquired by Tishman and Lehman from Blackstone/Brookfield Properties.

Lehman's Investment

In October 2006, Lehman provided a financing package consisting of a \$520mm five year senior mortgage loan (70% LTC), a \$35mm revolving facility and \$95mm of bridge equity. In August, the ownership entity sold the Palisades property and recapitalized the Two Alliance development site. The equity allocation to the Palisades property is \$14mm.

P&L

Based on the \$21.3mm of proceeds received (\$1mm of which is a distribution on Two Alliance) and an expectation of additional \$1mm from the tax and operating expense lender reserve account from the Palisades sale, P&L of \$8.1mm was recorded.

FIN46

This was a consolidated position.

Americas - Commercials

Project Trois – Figueroa - \$7mm – Payoff

Collateral

Figueroa is a 653,207SF class A office building in Los Angeles, CA, which was part of the Beacon Fund III portfolio purchased by Broadway Partners. The portfolio encompassed 5.7mm square feet of Class A office space in New York, Boston, San Francisco, and Los Angeles.

Lehman's Investment

In May 2007, Lehman provided portfolio financing consisting of \$1.6bn of senior debt, \$322mm of senior bridge mezz and \$142mm of junior bridge mezz. As of August 31, Lehman had securitized \$144mm in LBCMT 2007-C3, \$330mm in LBFRC 2007-C5 and \$418mm in LB-UBS 2007 C6.

P&L

In August, the \$211mm senior loan secured by Figueroa was paid off, due to the sale of the building, resulting in P&L of \$7.2mm.

FIN46

The position was consolidated.

Americas - Commercials

Suncal - \$(18)mm – MTM adjustment

Background

SunCal is a full service real estate firm headquartered in Irvine, California that specializes in large-scale land development projects in California. Seven decades of commitment and experience have made SunCal Companies the largest privately owned developer of masterplanned and mixed-use communities in the West. Today, SunCal Companies has more than 250,000 residential lots in various stages of development across California, Arizona, Nevada and New Mexico. SunCal focuses on land use planning, engineering, construction management and associated development activities, as well as market and financial analysis during the due diligence period.

Lehman's Investment

Lehman has approximately \$1.9 billion of commitments with SunCal in either term loans or revolvers, of which \$1.7 billion has been funded to date. The key positions are SunCal Communities 1 -\$273mm bridge; Marblehead/Hearland - \$316mm; Oak Valley - \$120mm and Ritter Ranch - \$264mm

Americas - Commercials

Suncal - \$(18)mm – markdowns - continued

Suncal Communities 1, LLC

On November 17 2005, Lehman Brothers Inc originated a \$75mm delayed draw term loan facility to Suncal Communities I, LLC. On March 31, 2006 Lehman increased the borrowing base by an additional \$75mm, raising the Term Loan capacity to \$150mm. On August 23, 2006, the borrower increased the capacity from \$150mm to \$273mm. The primary purpose of the Term Loan is to fund the acquisition and development of multiple master planned communities.

Suncal Communities – Heartland & Marblehead

In previous years Lehman provided a \$198mm senior secured credit facility, which was later upsized to \$316mm in July, 2006. The facility consists of a \$211mm senior secured term loan and an \$85mm delayed draw term loan. The collateral consists of a 313-lot plus 51 acre commercial and retail development located on 248 acres of undeveloped coastal in-fill land in the City of San Clemente, Orange County, California. Heartland is a 982-lot master planned community on approximately 417 acres located in the City of Beaumont, Riverside County, California.

Ritter Ranch

On February 8, 2007, Lehman originated a \$264mm senior secured credit facility for SunCal's development of Ritter Ranch project. The property is a 10,625 acre and 7,158 unit master planned residential community located in the city of Palmdale, Ca. The loan is comprised of a \$55mm revolver and a \$209mm term loan.

Americas - Commercial

Suncal - \$(18)mm – markdowns - continued

Others

The other positions are Pacific Point (\$125mm), Ritter Ranch mezz (\$95mm); Northlake (\$100mm) and Palm Springs Village (\$90mm) totaling \$410mm of commitments of which \$360mm has been funded to-date consisting of either term loans or revolvers. The collateral consists of various land lots across California for the purpose of being used to develop various master planned communities.

P&L

Lehman took a write-down on certain Suncal positions. The mark-downs reflect widening of spreads and declining collateral values in the portfolio. Total p&l of the mark downs equals \$(17.8)mm.

Facility Name	Commitment	Old		New		
		Mark	P&L in Mark	Mark	P&L in Mark	P&L Impact
Heartland/Marblehead	316,061,300	96.39%	11,423,319	96.39%	11,423,319	0
Pacific Point	125,000,000	97.89%	2,468,750	96.00%	4,688,299	(2,219,549)
Oak Valley Champions	120,000,000	96.72%	3,937,500	94.04%	7,026,264	(3,088,764)
Northlake	100,000,000	98.44%	1,565,000	98.44%	1,565,000	0
Ritter Ranch (Senior)	264,000,000	99.00%	2,640,000	96.78%	8,500,000	(5,860,000)
Ritter Ranch (Mezz)	95,000,000	99.46%	510,000	95.00%	4,750,000	(4,240,000)
Palm Springs Village	90,000,000	99.00%	900,000	97.22%	2,500,000	(1,600,000)
Suncal Comm I	257,863,713	93.89%	18,402,710	93.00%	19,170,460	(767,750)
						<u>(17,776,063)</u>

LEHMAN BROTHERS

Americas - Commercial

Various B-Notes: \$(22)mn Mark-downs

LB completed the pricing of a \$2.47 billion floating- rate loans securitization (LBFRC 2007-LLF) in August 2007. The deal priced on August 3rd and closed on the 23rd. Given the recent widening of spreads on CMBS bonds and volatility in the market, the deal priced at wider spreads. Also, LB was not able to sell all the bonds and retained securities valued at approx. \$1.16 billion.

P&L Event

To account for the widening spreads, a number of retained junior notes carved from the securitized large loans were marked down by \$22mm. The following table summarizes mark-downs > \$1mm.

Loan	Type	Legal Balance	Mark	Mkt Value	New Mark	New Market Value
301 Howard Street	Sr Mezz Future Funding	37,850,000	96.83	36,650,125	95.10	(1,199,875)
301 Howard Street	Intermediate Mezz	30,860,000	95.65	29,516,146	95.65	(1,093,828)
Almaden Financial Plaza	Jr Mezz	37,700,000	94.23	35,526,305	94.23	(1,947,910)
John Hancock Center	Intermediate Mezz 1	98,066,000	93.48	91,669,596	93.48	(5,415,744)
John Hancock Center	Intermediate Mezz 2	44,500,000	93.58	41,643,514	93.58	(2,411,486)
San Francisco Office Portfolio	Intermediate Mezz 1	123,645,000	98.02	121,196,606	98.02	(2,413,516)
San Francisco Office Portfolio	Intermediate Mezz 2	58,930,000	93.66	55,192,329	93.66	(3,429,113)
Total > \$1mn MTM						(17,911,473)
<i>Others (Various < \$1mn marks)</i>						<i>(4,326,047)</i>
Total Mark Downs						(22,237,520)

Europe

LEHMAN BROTHERS

Europe – 2007 CMBS Securitization

Windermere XI - \$7mm – Priced on July 25th and settled on August 3rd

Amount: £708mm (\$1,435 million)

Property Types: Office (83.4%); Retail (15%) and Industrial (1.6%)

Concentration: UK (100%)

Other Comments:

UK securitization of 8 well structured first ranking mortgage loans originated specifically for the Windermere program and secured by a pool of 47 institutional quality assets.

Lehman retained \$522mm of the bonds, as a result of the volatility in the market. They currently retain \$300mm of the bonds as of 08/31/07.

Europe – 2007 CMBS Securitization

Windermere XII - \$0mm – Priced on August 2nd and settled on August 10th

Amount: €1,519mm (\$2,081.6 million)

Property Types: Office (100%)

Concentration: France (100%)

Other Comments:

Lehman and Goldman securitized two loans on the 1.9 million-sf Coeur Defense office complex in Paris.

LBREPII and French investment firm Atemi used the loan proceeds to buy the complex.

Lehman originated the five-year floaters on July 10 and syndicated 50% to Goldman.

Because of the lack of investment demand in the bond market, Lehman and Goldman retained investment grade classes A-F (approx \$2bn) with the intention of re-offering them in a couple of months.

Europe – Commercial

Protego - \$36mm – sale

During July 2007 Lehman extended a €287.0m 65% senior loan facility secured on a portfolio of Swedish retail assets sponsored by Protego Real Estate Investors. The Sponsor is in the process of creating a closed end, geared equity fund focused on acquiring and managing retail based property investments across the Nordic Region. The Fund will initially be seeded with a pool of 46 assets which the Sponsor has agreed to acquire from Boulton Holdings. The following GREG deals were included in the Protego transaction : Axfast, High Coast, Luxor, Tornet and Kungsliden.

P&L

Key driver behind the revenues on this transaction were the gains made on the Profit Participation Loans in Luxor \$6.1m, Axfast \$2.4m and High Coast \$2.3m – these Loans were arranged at a 2 x profit multiple. In addition, during 2006 a markdown of \$(5.4)m was taken on Luxor – this was reversed as part of the loan sale.

The release of Senior and Mezzanine arrangement fees on all deals generated a further \$4.0m.

For the Tornet deal Lehman had been holding a Tax accrual – confirmation was received from Boulton that all further tax liabilities would be covered by Boulton, this provided a further \$5.6m. Finally as all deals were Fin 46 consolidations the coupon on the Mezzanine loans had been reserved – the release of these reserves provided \$5.1m.

Fin 46 Consideration

Axfast, Luxor, Tornet, Goldcup, High Coast and Kungsliden were all consolidated deals.

Europe – Commercial

E Shelter/Yellow - \$21m

Background

The Yellow portfolio was purchased in Dec 2005 and is comprised of performing, sub-performing and also non-performing mortgage loans backed by German commercial real estate made to corporate and individual borrowers.

P&L

The E Shelter loan was part of the Yellow portfolio. At the end of 2006 part of the E Shelter loan was sold – the remaining piece was later securitised in Windermere X. The sale of E Shelter generated a gain of €23m as the loan was purchased at a significant discount. In addition Lehman received €5m in prepayment fees and also €2m in swap breakage gains. In total this amounted to €30m, (\$40m).

A subsequent markdown of \$(19)m was taken on the Yellow portfolio to reflect the projected profitability of the loan pool as a whole. In particular DBVI/Opel was marked down by \$(16)m – this being based on the expected cash flows from the underlying loan.

Reporting of these revenues has been delayed due to the need to confirm and reconcile all cash receipts for the entire loan portfolio.

Fin 46 Consideration

Deals are within an NPL portfolio.

Europe – Commercial

Project Gospel and Project Green CMBS Loans: \$(34) million (Unrealized)

Collateral Description

Project Gospel – Won the bid in late May 2007 for Northern Rock's entire commercial real estate portfolio at a bid price of 101.3%. The portfolio contains 1159 fixed and floating rate loans backed by 2000 UK properties, with a weighted average LTV of 68%, 3.5 year seasoning and historically low delinquencies. The portfolio is diversified by asset type (43% office, 21% retail, 16% industrial) and geography.

Project Green – The planned securitization of \$825mm of performing German commercial real estate loans acquired in January 2006 (Project Yellow) and December 2006 (Project Blue).

LB's Investment

Project Gospel - £1.6bn (\$3.3bn) of which \$560mm remains unfunded.
Project Green - €715mm (\$965mm) of combined basis.

P&L

Both deals are expected to be securitized in the 4th quarter. In each case, the transaction price was based on CMBS spreads that existed prior to the recent widening seen in both Europe and the US. In the case of Gospel, the price exceeded 101. The sub-prime issues as well as credit concerns have pushed many investors to the sidelines. Thus, from fair value perspective, assuming estimated current CMBS spreads, these positions were marked down a combined \$34mm with Gospel accounting for \$26mm.

Asia

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Asia – 2007 CMBS Securitization

LJAC 5 – Priced on August 31st, settled on September 10th - \$7mm

Amount: \$550mm (JPY63.6bn)

Lead Managers: Lehman Brothers

Comments:

L-JAC Five consisted of:

- 17 non-recourse loans (virtually 10 loans) originated by New Century Finance Co LTD and backed by 17 real estate properties
- 3 non-recourse loans originated by Lehman Brother Japan Inc and backed by 64 real estate properties.
- The time remaining until maturity of the 17 loans, which account for about 92% of all of the loan pools, is less than 3 years.

Over 93% was sold on pricing date. Issued in 17 tranches, including X1 and X2, rated AAA to B. They were largely taken by Norin Chuo Kinko, Mizuho Corporate Bank, and Fukuoka Bank. The 7%, which was unsold as of the pricing date, will be subscribed in September and October while the business has already obtained their verbal commitments.

Despite the recent crunch in credit products on a global basis, the impact on the Japanese structured finance market to date has been rather limited. Investor appetite remains strong with spreads widening only 2-4 bps than initially expected levels a few months ago.

The revenue ratio on this transaction is small compared to other issuances, due to 1) shorter remaining life of the underlying collateral, 2) thin spreads on the loans (weighted average spread = 1.6%).

As of the Q3-end, LBJ has obtained legally binding purchase commitments from most of the bond buyers, resulting in the balance reduction of \$510mm. The \$40mm will be off-balanced upon subscription by rest of the investors in Sept/Oct.

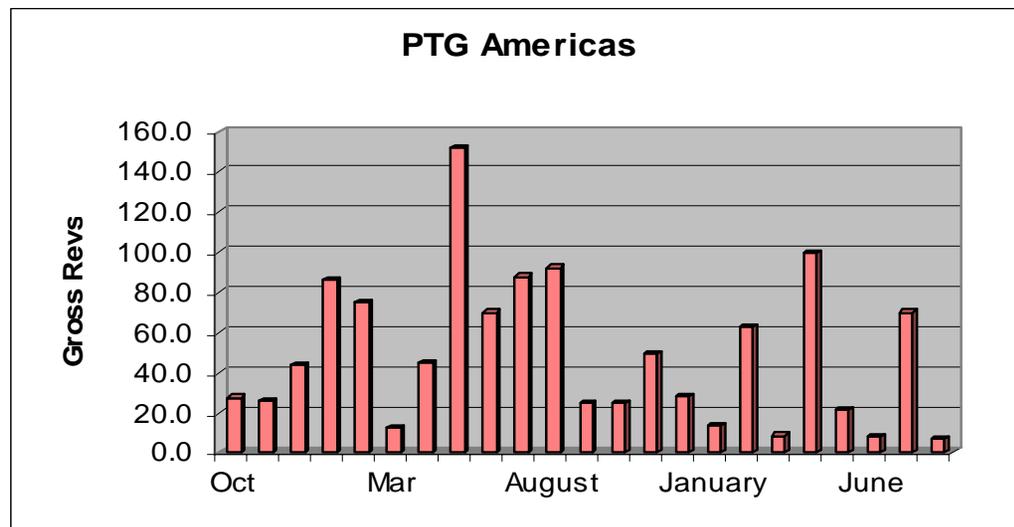
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Principal Transactions

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PTG – Americas (Gross Revenue)

Type	Q3'06	Q4'06	Dec	Jan	Feb	Q1'07	Mar	Apr	May	Q2'07	Jun	Jul	Aug	Q3'07
	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's
Transfer to Mezz	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Fees	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.0	0.0	0.0	0.0
Payoff	23.8	8.9	25.2	0.7	6.8	32.7	0.0	9.6	0.0	9.6	0.0	0.0	1.1	1.1
Refinance	3.6	15.1	6.7	0.0	5.8	12.5	1.0	38.3	24.1	63.4	0.0	0.0	0.0	0.0
Other	41.3	35.4	11.2	2.9	6.6	20.7	7.1	6.0	5.9	19.0	-2.6	10.3	14.6	22.3
Preferred Return	36.2	14.7	0.0	3.9	2.5	6.4	4.4	3.8	1.7	9.9	10.3	1.8	0.0	12.2
Recapitalization	40.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	151.5	18.7	0.0	17.3	5.3	22.6	13.9	87.1	11.2	112.2	17.3	30.0	21.3	68.5
MTM	(18.1)	50.1	0.2	0.0	52.8	53.0	-5.0	-28.3	-2.8	-36.1	0.0	43.9	-10.0	33.9
Net Carry	(33.0)	(40.8)	(14.6)	(10.7)	(17.1)	-42.5	-12.1	-17.3	-19.1	-48.5	-18.6	-15.4	-19.2	-53.2
Meridien	1.8	(2.6)	(0.5)	(0.5)	0.0	-1.0	-0.6	0.0	0.0	-0.6	1.9	-0.6	-1.0	0.3
Total	250.0	99.6	28.2	13.5	62.7	104.4	8.7	99.2	21.8	129.7	8.3	70.0	6.8	85.1



PTG – Americas (Gross Revenue)

Stamford: \$100 million gain (unrealized)

Background

Stamford Associates, L.P., a New York limited partnership acquired in November 1984 an office building, a parking garage and a leasehold interest in the parcel of land on which the building is located in Stamford, Connecticut. The Property is net leased by the Partnership to Stamford Real Estate Corporation (SREC), an affiliate of Lehman Brothers Inc through 01/31/2020., and, in turn, leased by SREC to General Re Corporation (GenRe) through 01/31/10.

- Bank of America is the general partner (Stamford Managers LLC) and 93% limited partner of Stamford Associates, L.P.
- Gen Re, who also owns the land, has the right to terminate its lease on Feb.1 of each year by providing one-year advance notice.
- Lehman guaranteed “sandwich” entity’s (Stamford Real Estate Corporation) obligations to Bank of America through 01/31/2020 (amounts to \$28.6mm per year commencing February 2010).

Stamford Investment Partners (SIP), an affiliate of Lehman, provided an acquisition note of \$26mm (25% of which was held by limited partners) to the above partnership for the purpose of acquiring the office building. In 2005, Lehman settled litigation with the Limited Partners of SIP to purchase their 25% interest in the deferred interest acquisition note for \$21mm.

PTG – Americas (Gross Revenue)

Stamford: \$100 million gain (unrealized)

Collateral Description

The collateral is a 537,561 sq. ft. office building located in Stamford, Connecticut which was constructed in 1984.

Lehman's Investment

In 1984, SIP provided an acquisition note of \$26mm to the above partnership for the purpose of acquiring the office building, which bears simple-interest at 20.4622% through February 1, 2010. The partnership is not required to pay principal or interest currently on the acquisition note and such interest accrues through February 1, 2010. Subsequent to February 1, 2010, interest accrues at 7.3% with semi-annual payments of \$11.3mm due to SIP from the partnership. The balance of Lehman's acquisition note at 07/31/07 is approximately \$147mm, representing \$121mm in interest and \$26mm in principal. There is also a senior mortgage on the property in the amount of \$26mm as of December 31, 2006.

P&L

Lehman is currently evaluating its options including (i) to purchase Gen Re's fee title to land; (ii) to purchase Bank of America's equity; and (iii) negotiate out of Gen Re's termination options. As the market has improved, Lehman's contingent liability on the guaranty period when the building may be vacated by Gen Re has lessened. Lehman has hired Keystone Realty, a local real estate advisory firm, to explore its options to monetize its interest on the note. Based on valuation input received from Keystone and additional stress performed by Lehman, the position was marked up \$100mm in July & August and now has a revised basis of \$121mm.

FIN46 Considerations

This is not a consolidated position.

LEHMAN BROTHERS

PTG – Americas/Europe (Gross Revenue)

LBS Holdings SARL - \$35mm – (Unrealized)

Collateral

LBS Holdings SARL is a JV between Lehman and Starwood Capital which owns a portfolio of 26 Le Meridien Hotels. This investment resulted from the sale and recapitalization of Meridien in November 2005. Of the 32 hotels originally in the JV portfolio, 6 properties have been sold, most notably the property in Milan.

The strategy is maximize operations at the properties through management and renovations and position them for sale.

Lehman's Investment

In November 2005, following the recapitalization, Lehman entered into a 50% JV equity interest (Legal Bal: €93.7mm; Basis: €93.7mm) with Starwood Capital. Lehman also participated in a portion of the debt totaling €655mm, but has since syndicated it to third parties. The position has a legal balance of €66mm, but was marked at €135mm as of August 31, 2007 reflecting profits on hotel sales, settlement of a dispute over net cash assets at the old Meridien entity and general strong performance in hotel operations and increases in values.

P&L

HVS, a hospitality valuation firm, was engaged to update last year's valuations on the properties. Several of the properties experienced valuation increases, most notably the largest hotel in the portfolio, Etoile, which went from €11mm to €340mm and Eden, which went from €73mm to €160mm (after purchasing the land under the hotel for €61mm). Based on the updated values and Lehman's share of the net assets of the company, a mark up of €25.8 (\$35mm) was recognized, which is split between Americas (\$12mm) and Europe (\$23mm).

FIN46 Consideration

This is a non-consolidated position

PTG – Americas (Gross Revenue)

PCCP LB Wailea LLC \$28mn (\$16mn realized + \$12mn unrealized)

Collateral

The Wailea property consists of 670 acres of unentitled land and an ocean front beach lot adjacent to the Wailea Resort on the Island of Maui.

The business plan was to develop a master planned resort community consisting of a private 18-hole golf course, 300 estate lots on at least 20,000 square feet each, and 400 villa style residential units.

Lehman's Investment

Lehman provided equity in conjunction with PCCP and other sponsors in 2000 for the acquisition and construction of the Wailea property.

P&L

In July 2007, the property was sold to DE Shaw for \$212.5mn “as is” (\$100 mm in cash and a \$112.5mn 6-month purchase money note), resulting in the pay-down of Lehman's equity along with a preferred return. Lehman recognized \$16mn in realized gain from cash distributions in excess of basis, and a \$12mn mark-up for the expected proceeds from the note.

FIN 46 Considerations

This was a consolidated position prior to the sale.

PTG – Americas (Gross Revenue)

LB Athanaeum: \$20 million gain (Unrealized)

Collateral Description

The subject property consists of two tracts of land totaling 77,701 sf or approximately 1.8 acres and a 5-story 360,765 square foot office building. The land is located in Cambridge, MA approximately 1 mile Northwest of the Boston Central Business District. Currently the property is being used as a parking lot for the Athenaeum Office building. The land was purchased in December 2004 with the intent of developing it into a residential community.

LB's Investment

Lehman provided approximately \$6mm of equity in 2004 and subsequently invested an additional \$5mm in the ownership entity.

P&L

Initial offers on the property in July 2007 ranged from \$122mm down to \$10mm. Ultimately, there were best and finals and a purchase and sale agreement was signed with a contract price of \$150mm and a September 2007 closing date. The due dil period ended and the \$10mm deposit was hard as of Aug 31, 2007. The net sales proceeds to LB will be approx. \$34mm based on the most recent Trimont projection. LB will receive its \$10.9mm equity inv. and its pref equity return of approx. \$4mm. In addition, LB has a 35% profit partic which will generate an additional \$19mm. Lehman marked up the position as of August 31, 2007 for \$20mm.

FIN46 Consideration

The position was not consolidated.

LEHMAN BROTHERS

PTG – Asia (Gross Revenue)

RCC VI & RCC VII - \$18 million gain (Unrealized)

RCC VI - \$5mm

Collateral Description

The portfolio is well diversified with 56 remaining loans (46 secured/10 unsecured), backed by a wide segment of collateral properties in various locations in Japan. The original issuance size was JPY16.2b (\$136.4m) of senior trust certificates rated AAA to BBB, mezzanine certificate, and subordinated piece (unrated) backed by the pool of loans.

Lehman's Investment

The 6th securitization sponsored by RCC (Resolution and Collection Corp) closed on June 17, 2005. Sunrise (100% Lehman entity) along with other non LB sellers (ie: Capital Servicing, RCC, and other Financial institution) sold NPL's into a SPC (100% consolidated Lehman entity). The SPC was funded by using a Trust Structure to issue senior, mezzanine and subordinated trust certificates. 100% of the senior certificates were sold to external investors, the mezzanine tranche was sold to RCC, and Lehman held the subordinated equity tranche marked at JPY3.14b (\$26mm) at closing.

P&L

In August, a mark up of \$4.6mm was taken based on the discounted future cash flows on the remaining equity.

FIN46 Consideration

FIN 46 does not apply as the underlying collateral is NPL, however, LB grosses up the outstanding senior and mezz certificate positions since the securitization is not a qualified SPE under FAS140.

PTG – Asia (Gross Revenue)

RCC VI & RCC VII - \$18 million gain (Unrealized) (continued)

RCC VII - \$13mm

Lehman's Investment

The 7th securitization sponsored by RCC (Resolution and Collection Corp) closed on February 21, 2006. Lehman, via a SPC, purchased performing, sub-performing, and non-performing loans from RCC, and contributed existing NPL inventory into a CMBS issuance. The issuance size was JPY40.7bn (\$350mn) of senior trust certificates rated AAA to BBB, mezzanine certificate, and subordinated certificate (unrated) backed by the pool of loans.

P&L

In August, a mark up of \$13.2mm was taken based on the discounted future cash flows on the remaining equity. The value was mainly derived from the following:

- Increase in repayments of the borrowers due to the improving property market in Japan, the quality of the underlying collaterals are getting better in terms of higher selling price together with higher rent payments.
- JPY1.6 billion of collections received from key borrowers in July 2007 which was used to pay off the certificates outstanding.
- An increase in the value of the underlying loans due to lower yields required by investors as many of the loans are becoming performing.

FIN46 Consideration

FIN 46 does not apply as the underlying collateral is NPL, however, LB grosses up the outstanding senior and mezz certificate positions since the securitization is not a qualified SPE under FAS140.

PTG – Americas (Gross Revenue)

Washington Post- \$12mm - sale

Collateral

Columbia Center will be a 394,500 sf trophy level office building when complete in July 2007. The building is being constructed on a 35,464 sf parcel of land located on 15th Street, NW, between L and M Streets, on the border of the CBD and East End submarkets of Washington, D.C..

Lehman's Investment

LB provided a \$20 million mezz loan to sponsor for the acquisition of a 36,000 SF parcel of land adjacent to the Washington Post head quarters building in Washington D.C. The loan was originated in December 2003. UBS had provided a senior loan.

In December 2005, Lehman purchased the UBS senior loan in the amount of \$36mn. At the same time, LB provided a \$197 million construction loan to retire the old LB senior and mezz loans and to fund the construction of the building. \$11mm in P&L was recognized in Dec-05 from the refinancing. Through the refinancing, LB also obtained a 48% ownership interest in the deal which was carried at zero. As of 5/31/07, approximately \$74mn was funded.

PTG – Americas (Gross Revenue)

Washington Post- \$12mm – sale

P&L

In May, 2006, UBS bought a 50% interest in the deal (50% of the construction loan and 50% of the equity). The senior was sold at par, and there was no gain or loss. UBS priced the entire equity on the deal at \$36mn and paid \$18mn for the 50%. LB received \$6.8mn from the proceeds. After this transaction, LB had a 20% interest, the sponsor, Monument, had 30% and UBS had 50%. Lehman sold the remaining portion of their debt and equity to UBS in June 2007, making \$12mm from the sale.

FIN46 Consideration

The deal was initially a consolidated deal under FIN46, but it was deconsolidated when Lehman completed the refinancing in Dec-05.

PTG – Americas (Gross Revenue)

Meridien Forte Village Resort, Sardinia - \$8mm - sale

Collateral

Investment type: 100% unlevered ownership in 759-room resort hotel located in Sardinia, Italy. This investment resulted from the sale and recapitalization of Meridien in November 2005. The hotel has been marketed for sale since the point of ownership in November 2005. The strategy was to maximize operations at the property, increase EBITDA and sell.

Lehman's Investment

Lehman bought the property out of the recap in November 2005 at a price agreed with our partner at the time, Starwood Capital, of 311.3mm EUR. The asset was immediately marked down to 280mm EUR reflecting current bids on the property. It was further marked down 8mm EUR to the current carrying value of 272mm EUR in October 2006 reflecting necessary capital improvements as well as the complex capital structure of the asset. This structure as well as the seasonality of the hotel (closed in winter), has led to lack of any formal contracts to this point in time.

P&L

On 6/26/07 Lehman closed on the Sardinia sale to FIMIT, an Italian real estate investment fund. Lehman netted 311mm EUR, which is about the value that Starwood ascribed to it when Lehman purchased it out of the recap in 11/05. The position had initially marked down to 280mm EUR at the time of the recap reflecting current market bids, but was marked back up to the current basis of 306mm EUR as operations have steadily improved. The closing of the sale resulted in further p&l of \$8mm for June 2007 (two-thirds of which was booked in Europe).

FIN46 Consideration

This was consolidated position. This position was deconsolidated upon sale.

LEHMAN BROTHERS

PTG – Americas (Gross Revenue)

Johnston - \$7mm - sale

Collateral

340,000 square foot office building.

Lehman's Investment

This is an old DAG investment. The note was originally \$3.2MM, however, in July 1984 Lehman sold 25% to Wertheim and Eastdil, who each hold \$0.4mm, all secured by one second mortgage. The loan accrues interest at the rate of 10% which compounds semi-annually. The current balance is \$8.5mm.

P&L

CapLease, who recently acquired EntreCap's interest in the FM Global entity (Prefco II LP) owning the property in Johnston, RI, agreed to pay off the second mortgage (the collateral Lehman shares with Wertheim and Eastdil). Lehman received \$8.2mm principal balance plus accrued interest of \$0.3mm. However, Lehman also had an obligation to pay Robert D, Dellas and Walter Barker, Jr each 10% of any monies received under the \$2.4mm note (former bankers on the deal). After Lehman received the \$8.5mm payoff, Lehman remitted a total of \$1.7mm to Dellas and Barker, netting Lehman \$6.8mm of P&L

PTG – Americas (Gross Revenue)

LB Laurels - \$6mm- MTM

Collateral

The Laurels is a 520-unit, 467,123 square foot property built in 1966. The property is located in the southern portion of the Village of Justice, a southwestern suburb of Chicago, in Cook County. Significant portions of the apartment units have undergone complete renovations by the previous owner (Forest City); part of the overall plan to further improve the property and increase revenues.

Lehman's Investment

In October 2003, Lehman provided \$6.23mm of equity with Waterton Associates to acquire The Laurels. The basis of the position was \$6.1mm.

P&L

The refinance of the existing mortgage closed on 7/31. An application has been signed to refinance with a Wells Fargo originated 10 year fixed rate Freddie Mac loan for \$29.1mm. Due to the refinance, which closed in early August 2007, Lehman marked up the position by \$5.6mm.

FIN 46

This is not a consolidated position.

PTG – Americas (Gross Revenue)

Waterfront Square - \$5mm – sale

Collateral

Waterfront Square is a to-be-developed 953 unit, five tower residential condominium project located in Philadelphia, Pennsylvania on the Delaware River. Phase 1 consists of two towers totaling 305 units and 364,540 saleable square feet. Phase II includes two towers, the Reef and the Horizon, consisting of 421 units and 526,944 saleable square feet. Phase III will include a single tower, the Tides, consisting of 227 units and 287,302 saleable square feet.

Phase I is sold out with 305 out of 305 units under contract. 253 of 419 units in phase 2 are either under contract or reserved; Reef has 108 of 139 units (78%) under contract; Horizon has 63 (22%) of 280 units under contract and 35 units (12%) reserved. 125 units have closed through 09/15/06. Phase II is expected to be completed in another 24 months.

Lehman's Investment

In July 2004, Lehman provided a \$24mm mezzanine financing to the Isle of Capri Associates, L.P. to develop Phase I of Waterfront Square. Phase I consists of two towers, the Regetta and the Peninsula, totaling 305 units. The remaining capitalization included Borrower's equity of \$12.0mm and a construction loan of \$90.0mm from ULLICO.

In November 2005, Lehman provided a \$27.5mm mezzanine loan for phase II of the Waterfront Square development. The mezzanine loan was used by the Sponsor to recapitalize the borrowing entity (\$20.0mm) and for costs of predevelopment associated with Phase II of the project (\$7.5mm).

P&L

The loan was paid off by the borrower with Lehman receiving a payoff total of \$37.25mm which included the principal loan balance, the outstanding interest and \$5.3mm profit participation.

FIN 46 Consideration

The position is not consolidated.

LEHMAN BROTHERS

PTG – Americas (Gross Revenue)

NCV Apartments: \$(15) million (unrealized)

Collateral Description

The NCV portfolio consists of nine cross-collateralized apartment projects with 3,001 units in the cities of Denver, Las Vegas, and Austin.

Lehman's Investment

LB provided a mezzanine loan of \$15.1mn in July, 2006 to National Commercial Ventures (NCV) for the acquisition, renovation and repositioning of the collateral assets. The business plan was to renovate and reposition these generally underperforming "C" and "C+" assets, in "B-" to "B" neighborhoods, and move rents up to market levels over a period of 24-36 months.

P&L

A recent review of the deal revealed that the original plan to bump rents across the board may not be achievable or may take longer than originally planned. Borrower was planning to recapitalize the deal via a CDO or by raising equity through an IPO. The CDO route was unsuccessful and efforts to pursue an IPO with a REIT status has been stopped. The interest reserve on the senior loan (from GE) has been exhausted and the borrower is making injecting additional cash flows. In light of these facts, was decided to write off Lehman's mezz balance.

FIN46 Considerations

This position is not consolidated.

LEHMAN BROTHERS

PTG – Americas (Gross Revenue)

Various Land and Condominium Positions (not including SunCal): \$(84) million (Unrealized)

Collateral Description

Various land parcels in California and condominium properties primarily in California, Connecticut, Maryland and Florida.

LB's Investment & P&L

The market for land investments and condominium properties has declined steadily over the past six to 12 months. The lack of demand has pushed out absorption rates and lowered prices, thereby reducing the yield on Lehman's investment. Based on estimated values and expected sell-outs of land and condominium properties, Lehman marked down certain investments, with a current basis of \$265mm, to reflect market yields. Lehman's investments and corresponding mark downs are as follows.

Description	Property Type	Location	Legal Bal	Basis	Mark down
LB Chase	Condo Conversion	MD	22.8	15.6	(10.6)
Spring Mountain Ranch Mezzanine	Land	CA	47.4	45.3	(8.8)
Troxler 39/Mammoth	Land	CA	8.5	8.5	(8.5)
LB Troxler Residential Ventures 29	Land	CA	12.9	12.9	(7.2)
Pacific Point Mezz (includes \$5.8mm funding loss)	Land	CA	27.2	27.2	(11.8)
LB/L III Barrington LLC	Land	CA	8.6	7.6	(6.0)
PCCP Mountain House	Land	CA	65.5	65.4	(5.0)
Antares Greenwich	Condo Conversion	CT	58.8	54.3	(5.0)
LB Troxler 17	Land	CA	17.1	17.1	(5.0)
LB CRV XLI LLC (Prairie House)	Land	CA	3.4	3.4	(3.4)
LB Rilington Coachella 232 LLC	Land	CA	3.3	3.3	(3.3)
LB Aqua Vista LLC	Condo Development	FL	6.2	3.2	(3.2)

LEHMAN BROTHERS

PTG – Americas (Gross Revenue)

Various Land and Condominium Positions (not including SunCal): \$(84) million (Unrealized) (continued)

Description	Property Type	Location	Legal Bal	Basis	Mark down
Bloomfield Hunt Club	Land/Houses	MI	14.3	13.5	(3.0)
LB Silverland	Land	CA	6.0	5.0	(3.0)
LB Troxler 12 (Spring Mt Ranch)	Land	CA	2.8	2.8	(2.8)
Boulder Springs Mezzanine	Land	CA	28.4	28.4	(2.7)
PCCP LB Rollingwood LLC	Condo Conversion	CA	6.4	2.4	(2.4)
LB Montecito	Land	CA	5.4	5.4	(2.0)
LB Hercules II LLC	Commercial Condos	CA	3.1	3.1	(2.0)
LB Milpitas LLC	Land	CA	4.3	4.3	(2.0)
Prairie House	Condo Conversion	IL	5.9	1.3	(1.3)
LB Monterey Park LLC- CRV XVIII	Land	CA	2.4	2.4	(1.0)
LB Valle Di Oro (CRV XXXIV)	Land	CA	2.7	2.7	(1.0)
LB Capstone Residential Ventures	Land	CA	2.2	2.2	(1.0)
LB Troxler 36	Land	CA	8.5	8.5	(1.0)
			<u>303.9</u>	<u>284.9</u>	<u>(83.7)</u>

Year-To-Date Analysis

LEHMAN BROTHERS

Year to Date Analysis

Real Estate generated revenues of \$1,498mm as of Augytd

- Down 11% versus 2006 driven by a slowed performance in Q3'07, as a result of the slowdown in the CMBS market and the lack of any significant gains in PTG.

Principal Transaction revenues decreased to \$614mm

- Down 34% versus 2006 driven by a decline in the number of payoffs and sales and the continued slowdown in the residential land and condominium sectors.

- Significant PTG revenue for the year included:

- 9900 Wilshire - \$138mm – sale;
- Stamford - \$100mm – MTM;
- LBS Holdings SARL - \$84mm – MTM (1/3 US and 2/3 Europe);
- Colombes - \$47mm – sale;
- Meridien Forte Village Resort, Sardinia - \$47mm – MTM and sale (1/3 US and 2/3 EUR);
- Ballpark Assemblage- \$33mm – recapitalization;
- PCCP LB Wailea LLC - \$28mm – MTM and sale
- 2 Rector Street - \$24mm – refinance;
- Project Sun - \$24mm – MTM and sale (Europe);
- LB Athanaeum - \$20mm – MTM
- RCC VI & VII - \$18mm – MTM (Asia)
- CEIDCO - \$16mm – sale (Europe);
- Kajima - \$15mm – MTM (Asia);
- Manhattan Mall - \$15mm – sale;
- NCV Apartments - \$(15)mm – MTM;
- Warner Center \$(22)mm – MTM
- Various land and condo conversions \$(84)mm – MTM

Year to Date Analysis

Commercial revenues were strong with revenues of \$603mm

- Up significantly versus 2006 (19%) driven by an increase in balance sheet and bridge equity and securitization revenues.
- Bridge Equity p&l through Augytd was \$72mm, up more than 52% versus full year 2006
- Balance sheet has increased by more than 71% over the year, driven by growth across all regions.
- Lehman completed 11 securitizations during the first half compared to 7 in 2006 (\$91mm). Revenues from securitizations were also up significantly as the average securitization size increased:
 - LB-UBS 2007 C1 (\$58mm);
 - LB-UBS 2007 C2 (\$50mm);
 - LBCMT 2007 C3 (\$40mm);
 - LBFRC 2007 C5 (\$7mm);
 - LB-UBS 2007 C6 (\$15mm);
 - Windermere X (Europe) (\$13mm);
 - Windermere XI (Europe) (\$4mm);
 - Windermere XII (Europe) (\$0mm);
 - DTC 8 (Asia) (\$24mm);
 - LJAC 4 (Asia) (\$12mm) and
 - LJAC 5 (Asia) (\$7mm)

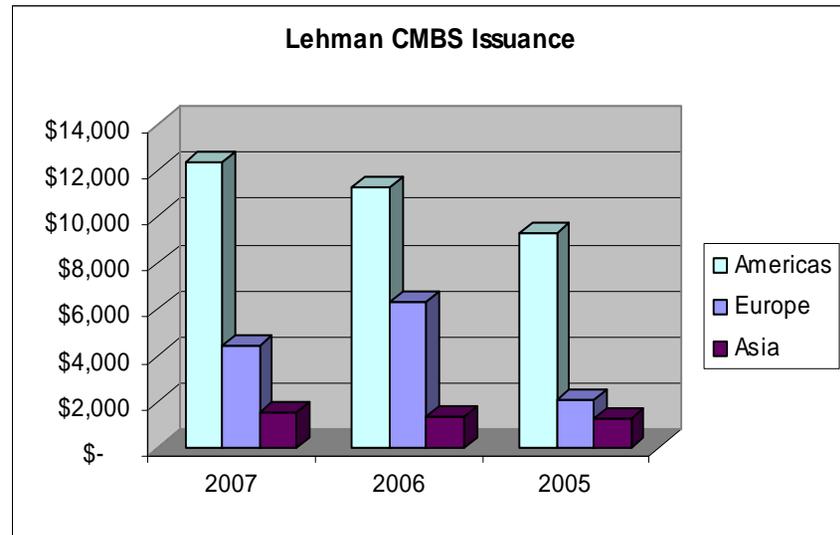
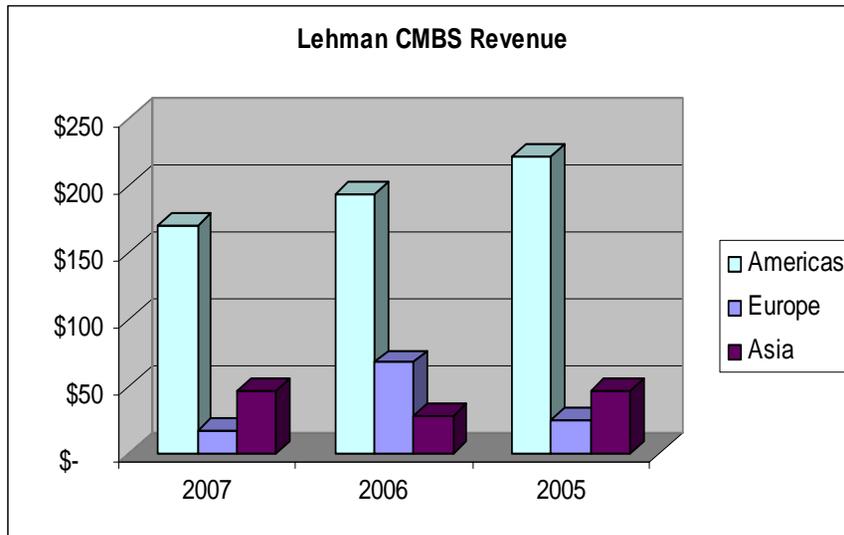
Lehman's Securitizations

LEHMAN BROTHERS

Commercials - Year to Date

Lehman CMBS Revenue			
In Millions	2007	2006	2005
Americas	\$ 171	\$ 193	\$ 223
Europe	\$ 16	\$ 68	\$ 25
Asia	\$ 47	\$ 27	\$ 46
Total	\$ 234	\$ 289	\$ 293

Lehman CMBS Issuance			
In Millions	2007	2006	2005
Americas	\$ 12,359	\$ 11,304	\$ 9,265
Europe	\$ 4,467	\$ 6,327	\$ 2,057
Asia	\$ 1,566	\$ 1,330	\$ 1,317
Total	\$ 18,392	\$ 18,961	\$ 12,639



**Please note: Lehman CMBS Issuance is based on closing date

2007 CMBS Securitizations

LEHMAN BROTHERS

Americas - 2007 CMBS Securitizations

Americas

Deal Type (LB-UBS; LLF)	LB Amt (\$m)	Pricing Date	Date P&L Recognized	Closing Date	RE FID P&L	Banking P&L	Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
LB-UBS 2007 C1	2,463	2/15/07	2/28/07	2/27/07	45	13	58	198	Lehman retained \$84mm of class A4; \$56mm of class AM; \$30mm of class AAB; \$20mm of class A3 and \$5mm of class H. As of 5/31, \$21mm remained.
LB-UBS 2007 C2	2,442	4/24/07	4/30/07	5/9/07	41	10	50	340	Lehman retained approximately \$340mm of the investment grade bonds. As of 5/31, \$205mm remained.
LBCMT 2007 C3	3,234	7/19/07	7/24/07	7/26/07	36	4	40	46	As of 7/31, Lehman retained approximately \$46mm of the investment grade bonds.
LBFRM 2007 C5	2,310	8/3/07	8/29/07	8/23/07	5	3	7	1,150	Lehman retained \$1.15bn in investment grade bonds of which \$870mm were AAA
LB-UBS 2007 C6	1,910	8/24/07	8/29/07	8/30/07	12	4	15	200	Lehman retained approximately \$200mm of investment grade classes.
Totals for 2007	12,359				137	33	171		

Europe - 2007 CMBS Securitizations

Europe

Deal Type	LB Amt (\$m)	Pricing Date	Date P&L Recognized	Closing Date	Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
WINX	1,991	3/30/2007	3/30/2007	4/11/2007	13		15 Pan European commercial loans secured by 167 properties throughout Germany, France, and other parts of Europe
WINXI	1,435	7/25/2007	8/3/2007	8/3/2007	4	522	Retained approximately \$522mm of bonds. Currently retain \$300mm of the bonds as of 08/31/07
WINX1I	1,041	8/2/2007	N/A	08/10/07	0	1,033	Retained all but the two lowers tranches: G and H.
Totals	4,467				16		

Asia – 2007 CMBS Securitizations

Asia

Deal Type	LB Amt (\$m)	Pricing Date	Date P&L Recognized	Closing Date	RE FID P&L (\$m)	Struct Fin P&L	Est Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
DTC 8	366	02/27/07	02/27/07	03/07/07	24	3	27	4	8th series of Daito apartment loan securitization.
LJAC 4 (large commercial loans)	650	05/25/07	05/25/07	05/31/07	12	1	13	-	4th Commercial loan CMBS issuance since 2004, consisting of 5 large loans
LJAC 5	550	08/31/07	08/31/07	09/10/07	6	1	7	-	\$510mm bonds placed with investors under binding commitments. Remaining \$40mm to be sold early October. Deal not closing until 09/10/07
Totals	1,566				42	5	47	-	

2006 CMBS Securitizations

LEHMAN BROTHERS

Americas – 2006 CMBS Securitizations

Americas - 2006

Deal Type (LB-UBS; LLF)	LB Amt	Pricing Date	Date P&L Recognized	Closing Date	RE FID P&L	Banking P&L	Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
LB-UBS 2006 C1	1,400	1/20/06	1/24/06	2/1/06	17	4	21	143.0	LBUBS 2006 C1 - retained approximately \$142mm of the A-4 tranche and \$1mm of A-M tranche.
LB FRC 2006 CCL C2	943	3/31/06	3/31/06	4/20/06	12	-	12	8.9	Retained the IO piece.
LB-UBS 2006 C3	980	4/3/06	04/04/06	4/10/06	23	1	24	63.0	Lehman retained approximately \$63mm of securities (\$23mm of the A-4)
LB-UBS 2006-C4	1,757	6/20/06	6/21/06	6/29/06	31	5	36	19.7	Lehman retained \$19.7mm of the A-4 tranche
LB-FRC 2006 C5	1,977	8/7/2006	8/16/2006	8/22/2006	24	4	27	-	Lehman retained no interest in the securitization.
LB-UBS 2006 C6	2,250	09/22/06	9/29/2006	10/04/06	28	5	33	270.0	Lehman retained \$270mm of securities (\$122mm of the A-2 tranche, \$62mm of the A-1 tranche, \$58mm of the A-4 tranche and \$13mm of the IO piece.
LB-UBS 2006 C7	1,997	11/21/06	11/28/06	12/05/06	34	6	40	233.0	Lehman retained \$94mm of class AJ, \$18mm of class K and \$121mm notional IO
Totals for 2006	11,304				169	24	193		

Europe – 2006 CMBS Securitizations

Europe - 2006

Deal Type	LB Amt	Pricing Date	Date P&L Recognized	Closing Date	Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
FIP	342	03/31/06	03/31/06	03/31/06	6	5	Fondo Immobili Pubblici ("FIP")
Windemere VII	970	4/25/06	4/25/06	5/16/06	13		Originally did not get off BS treatment for FAS140 but issue resolved and subsequently removed from balance sheet.
Imser	1,115	6/9/06	6/1/06	6/23/06	2		Imser Securitisation Srl, 2
Windemere VIII	1,920	7/11/2006	7/28/2006	8/1/2006	24		8 U.K loans, 52 properties.
Mines De La Lucette	342	10/6/2006	10/30/2006	10/30/2006	5		Securitization of the \$342m (LB share only) debt advanced as part of the Kan Am financing for Mines de La Lucette.
Windemere IX	1,638	11/15/2006	11/17/2006	11/28/2006	17		GSW and Woba German multi-family positions
Totals	6,327				68		

Asia – 2006 CMBS Securitizations

Asia - 2006

Deal Type	LB Amt	Pricing Date	Date P&L Recognized	Closing Date	RE FID P&L	Struct Fin P&L	Total P&L	Retained Pieces	Comments about P&L (spreads, subord levels, other)
RCC 7	337	02/14/06		02/21/06	(4.1)	4.1	-	71.2	LB will retain sub-equity for subsequent period MTM. PL recognized through MTM
LEO 3	174	05/15/06	05/25/06	05/23/06	12.0	3.0	15.0	28.5	3rd series of Leo Palace apt loan CMBS. Current unsold position is \$25.5mm of A class, \$1.8mm of D class, and \$1.7mm of E class.
LJAC 3	603	10/03/06	10/18/06	10/10/06	7.1	1.0	8.1	-	downsized from \$900mm due to exclusion of small loans.
DTC 7	216	11/06/06	11/17/06	11/16/06	12.3	1.4	13.7	-	7th series of Daito apartment loan securitization.
Totals	1,330				27.3	9.5	36.8	99.7	

Americas

LEHMAN BROTHERS

Americas – 2007 CMBS Securitization

LB-UBS Commercial Mortgage Trust 2007-C1 - \$58mm - Priced on February 15th- Closed February 27th

Amount:: \$3,713.2 – Lehman Brothers (66.3%), Dillon Read (33.7%) and Wachovia (2.0%)

Property Types: Office (45.7%); Retail (23%); Multifamily (20.7%); Healthcare (3.4%); Industrial (2.8%); Mobile Home Park (2.2%); Hotel (1.3%); Mixed Use (0.6%); and Self Storage (0.3%)

Concentration: New York (19%); California (17.2%); Washington, D.C. (10.9%)

Comments:

LB-UBS 2007 – C1

All of the triple-A and single-A tranches of the LB-UBS deal priced about 1 bp tighter than initial price talk. Lehman did as well or better on 12 of the 16 classes than their competitors. Lehman held onto 70mm of the 7yr AAAs and sold another 25mm of the 10yr AAs a bp tighter.

Market

Investors quickly snapped up the three fixed-rate commercial MBS issuances that priced the week of Feb 15th, causing spreads to tighten slightly. Lehman Brothers, Dillon Read and Wachovia floated a \$3.7billion offering under the “LB-UBS” flag. Banc of America and Eurohypo priced a \$3.1 billion fusion deal. And Morgan Stanley, LaSalle Bank and Principal Commercial set the terms on a \$2.4 billion “HQ” brand issue. The benchmark triple-A class of each deal priced at 23 bp over swaps. That was 1.5 bp tighter than in the most-recent comparable offering, which priced in mid-December. There was one intervening fusion deal, a “TOP” brand deal that Morgan Stanley led last month. The benchmark triple-A class of that transaction priced tighter, at 22 bp over swaps, but TOP deals typically price inside of the market average.

Americas – 2007 CMBS Securitization

LB-UBS Commercial Mortgage Trust, 2007-C2 – \$50mm - Priced April 24th and settled on May 9th

Amount: \$3,554.4 million

Property Types: Office (54.1%), multi-family (18%), retail (9.5%), hotel (6.1%), healthcare (6%), mixed use (2.5%), industrial (1.9%) mobile home park (1.1%) self-storage (0.6%) and other (0.2%)

Concentration: Washington D.C. (17.4%) and Illinois (10.8%)

Loan contributors: Lehman (68.7%), Dillon Read (27.8%), Countrywide (2.3%) and Greenwich (1.2%)

B-Piece Buyer: Redwood Trust

Comments:

The benchmark triple-A class priced at swaps plus 29bp, which was in line with comparable fusion deals, although much wider than LB-UBS 2007 C1 deal which priced at 23bp, following recent warnings from the rating agencies about declining loan underwriting standards and the prospect of higher subordination levels.

The triple-B class priced at 170bp – 35bp wider than the previous deals, but 10bp tighter than the GE deal which had to be restructured, resulting in \$277 million of loans being pulled from the \$4.2 billion fusion offering after bond holders raised concerns about credit quality.

The recent spread widening did not materially affect the profit margins (2.0%) as gains on CMBS hedges offset the losses on the sale of the bonds at higher interest rates.

Lehman retained approximately \$340mm of the investment grade bonds due to the perceived temporary lack of investor demand, but has since been reduced to \$205mm..

LEHMAN BROTHERS

Americas – 2007 CMBS Securitization

LB Commercial Mortgage Trust, 2007-C3 – \$39.5mm - Priced July 19th and settled on July 26th

Amount: \$3,233.8 million

Property Types: Office (57.5%), multi-family (27.7%), retail (10.7%), industrial (2.2%), hotel (0.8%), mixed use (0.7%), self-storage (0.4%)

Concentration: New York (19.9%), Texas (16.3%), and California (11.9%)

Loan contributors: Lehman (100%)

B-Piece Buyer: Anthracite Capital

Comments:

This was the first solo deal in 7 years (33 securitizations) following the collapse of Dillon Read, who were Lehman's partner on all fixed rate fusion deals

The benchmark triple-A class priced at swaps plus 34bp. Of the deals that priced the same week, Lehman Brothers did slightly better than BofA and Citigroup but the same as Morgan Stanley and Bear Stearns, who both led a \$2.8bn "TOP" deal. The benchmark triple-A class priced 5bp higher than the LB-UBS C2 securitization in April.

The triple-B class priced at 300bp, the widest level since swaps became the pricing benchmark a few years ago and 50 bp wider than the last spate of deals from late June. The same class from the BofA deal wound up at 290 bp.

Lehman retained approximately \$46mm of bonds due to the concerns in the market.

LEHMAN BROTHERS

Americas – 2007 CMBS Securitization

LB Floating Rate Commercial Mortgage Trust, 2007-LLF C5 – \$7mm - Priced August 3rd and settled on August 23rd

Amount: \$2,473.9 million

Property Types: Office (51%), hotel (24.3%), industrial (12.9%), mixed use (10.2%), multi-family (1.3%) and land (0.1%)

Concentration: California (49%) and Texas (10.4%)

Loan contributors: Lehman (93.3%) and RBS Greenwich (6.7%)

Comments:

The 1.4 year, triple-A class, with a 38% subordination level, priced at 30bp over Libor, or 10bp wider than initial price talk. That was a whopping 12bp wider than the previous prevailing level and 20bp wider than the LBFRC 2006 – LLF C5.

Due to the difficult market conditions and significant spread widening, Lehman retained \$1.15bn of the investment grade bonds.

Americas – 2007 CMBS Securitization

LB-UBS Commercial Mortgage Trust, 2007-C6 – \$15mm - Priced August 24th and settled on August 30th

Amount: \$2,978.9 million

Property Types: Retail (42.7%); office (22.8%); hotel (15.6%); multi-family (12.8%), mobile home park (1.4%); assisted living (1.3%); self-storage (1.3%); industrial (1.2%) and mixed-use (0.9%)

Concentration: California (17.4%); Virginia (15.2%); New York (14.2%) and Texas (10.1%)

Loan contributors: Lehman (64.1%) and UBS (35.9%)

B-Piece Buyer: Five Mile Capital

Comments:

This was the first deal done with the new UBS CMBS team.

The benchmark triple-A class priced at swaps plus 59bp, considerably tighter than the blowout in mid-August where triple As priced at 76bp, although still significantly wider than the LBCMT 2007 C3 deal which priced in mid-July where the triple-A class priced at 34bp.

The triple-B class priced at 350bp, slightly narrower than the market, which stood at about swaps plus 375bp, which according to Morgan Stanley is the widest level since the investment bank started tracking CMBS spreads in 1993.

Despite the market turmoil, Lehman managed to retain only \$200mm of the bonds, all investment grade.

Europe

LEHMAN BROTHERS

Europe – 2007 CMBS Securitization

Windermere X - \$12.7mm – Priced on March 31st and settled on April 11th

Amount: €1,497mm

Collateral: 15 loans secured by 167 institutional quality assets

Property Types: Office (57%), Mixed Use (20%), Datacenter (9%), Multifamily (8%), Industrial (4%), and Retail (1%)

Concentration: Germany (56%), France (17%), The Netherlands (9%), Italy (9%) and Switzerland (8%)

Other Comments:

- ◆ Diverse Tenant pool with 1,650 unique commercial tenants.
- ◆ 63% of commercial rental income derived from investment grade tenants.
- ◆ Single asset, single tenant secured loans represent only 21% of the pool.
- ◆ Exposure to a diversified group of 27 regional sub-markets with no more than 27% by rent in any one submarket.
- ◆ Tenant base including over 3,000 commercial and over 2,500 multifamily leases.
- ◆ Europe has not been impacted by the spread widening epidemic in the U.S.

Europe – 2007 CMBS Securitization

Windermere XI - \$7mm – Priced on July 25th and settled on August 3rd

Amount: £708mm (\$1,435 million)

Property Types: Office (83.4%); Retail (15%) and Industrial (1.6%)

Concentration: UK (100%)

Other Comments:

UK securitization of 8 well structured first ranking mortgage loans originated specifically for the Windermere program and secured by a pool of 47 institutional quality assets.

Lehman retained \$522mm of the bonds, as a result of the volatility in the market. They currently retain \$300mm of the bonds as of 08/31/07.

Europe – 2007 CMBS Securitization

Windermere XII - \$0mm – Priced on August 2nd and settled on August 10th

Amount: €1,519mm (\$2,081.6 million)

Property Types: Office (100%)

Concentration: France (100%)

Other Comments:

Lehman and Goldman securitized two loans on the 1.9 million-sf Coeur Defense office complex in Paris.

LBREPII and French investment firm Atemi used the loan proceeds to buy the complex.

Lehman originated the five-year floaters on July 10 and syndicated 50% to Goldman.

Because of the lack of investment demand in the bond market, Lehman and Goldman retained investment grade classes A-F (approx \$2bn) with the intention of re-offering them in a couple of months.

Asia

LEHMAN BROTHERS

Asia – 2007 CMBS Securitization

DTC 8– \$22mm - Priced on February 27th, closed on March 7

Amount: \$366mm (JPY44.2bn)

Lead Managers: Lehman Brothers

Property Type: Apartment

Concentration: Japan (100%)

Comments:

Deal priced on February 27th, and closed on March 7th. The CMBS securitization consisted of 256 Daito apartment loans. Lehman originated these loans to borrowers sourced by Daito, an apartment builder who constructs and manages rental buildings.

Deal was issued in 7 tranches, A to F and NIM. With spreads at 6ML + 36bp, 58bp, 83bp, 160bp and 400bp for class A to E respectively, and AS + 200bp for NIM. All of the classes were subscribed to investors (except for class F), largely taken by domestic banks, namely, Norin Chukin Bank (35%) and Mizuho Bank (25%) and the rest were split among regional banks and life insurance companies. As for the NIM class (former IO class), life insurance companies, corporate and other financials took almost equal portion, largest taker (25% of total NIM) was a corporate. LB will retain class F, which will be marked at zero basis for no expected future cash flows until year 2025.

This is the 8th Daito CMBS issuance (1st CMBS issuance for the financial year 2007). The trade structure will qualify for off balance sheet accounting.

LEHMAN BROTHERS

Asia – 2007 CMBS Securitization

LJAC 4 – Priced on May 25th, settled on May 31st - \$12mm

Amount: \$650mm (JPY78.7bn)

Lead Managers: Lehman Brothers

Comments:

Deal priced on May25th, and closed on May 31st. The CMBS securitization consists of 5 large loans in the amount of USD650mm (JPY78.7bn), backed by 34 properties.

The revenue ratio on this transaction is small compared to other issuances, due to 1)shorter remaining life of the underlying collateral, 2)thin spreads on the loans (weighted average spread = 1.7%), 3)spread widening in the Japan CMBS market due to a rise in the JPY yield rate, etc.

The structure is slightly different from the past LJAC structure. NCF will entrust the underlying loans to a trust bank, then the trust bank issues trust beneficiary interests ("TBIs") to NCF. NCF sells the TBIs to a SPC, and the SPC issues notes backed by the TBIs. LBJ, as the arranger, then sells the notes to investors.

This is the 4th commercial loan CMBS issuance since 2004 (2nd CMBS issuance for FY'07).

The trade structure will qualify for off balance sheet accounting (i.e. SPV is a good QSPE), resulting in BS reduction of \$650mm.

Issued in 20 tranches, including X1, rated AAA to BBB-. All were subscribed to investors; largely taken by Mizuho Corp Bank (10%), Mizuho Bank (7.6%), and Joyo Bank (7.5%). The investors are well-diversified (42 investors).

Asia – 2007 CMBS Securitization

LJAC 5 – Priced on August 31st, settled on September 10th - \$7mm

Amount: \$550mm (JPY63.6bn)

Lead Managers: Lehman Brothers

Comments:

L-JAC Five consisted of:

- 17 non-recourse loans (virtually 10 loans) originated by New Century Finance Co LTD and backed by 17 real estate properties
- 3 non-recourse loans originated by Lehman Brother Japan Inc and backed by 64 real estate properties.
- The time remaining until maturity of the 17 loans, which account for about 92% of all of the loan pools, is less than 3 years.

Over 93% was sold on pricing date. Issued in 17 tranches, including X1 and X2, rated AAA to B. They were largely taken by Norin Chuo Kinko, Mizuho Corporate Bank, and Fukuoka Bank. The 7%, which was unsold as of the pricing date, will be subscribed in September and October while the business has already obtained their verbal commitments.

Despite the recent crunch in credit products on a global basis, the impact on the Japanese structured finance market to date has been rather limited. Investor appetite remains strong with spreads widening only 2-4 bps than initially expected levels a few months ago.

The revenue ratio on this transaction is small compared to other issuances, due to 1)shorter remaining life of the underlying collateral, 2)thin spreads on the loans (weighted average spread = 1.6%).

As of the Q3-end, LBJ has obtained legally binding purchase commitments from most of the bond buyers, resulting in the balance reduction of \$510mm. The \$40mm will be off-balanced upon subscription by rest of the investors in Sept/Oct.

LEHMAN BROTHERS

Commercials

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Commercials - Americas

CarrAmericas DC Portfolio - \$39mm – Syndication

Collateral

The Portfolio included 21 office properties (16 wholly owned and five joint ventures) comprising 5.5 million square feet owned (6.5 million total square feet) in Washington D.C. and the metro area. Also included in the Portfolio are third party asset management services for twenty-seven properties in Washington D.C. and a development site on K-Street ("Mount Vernon Square") of approximately 200,000 square feet. The Portfolio represents Washington D.C. and greater DC area assets acquired by Blackstone in its acquisition of Carr America which closed on July 13, 2006.

Lehman's Investment

On December 27 2006, Lehman Brothers provided acquisition financing to Tishman Speyer for the purchase of 21 Washington D.C. office properties, third party management services and a development site owned by the Blackstone Group. Financing included \$1.225bn of senior debt (50% LTC), \$923mm of bridge equity, \$355mm term loan and a \$175mm revolver; the partnership assumed \$103mm of JV debt and Tishman provided \$200mm of equity through its fund.

P&L

Lehman Brothers has syndicated out approximately \$782mm of bridge equity, realizing P&L of \$39mm. In Q3'07, Lehman syndicated \$250mm to GE Pension Trust and \$12mm to Consolidated (\$25mm of p&l). In Q2'07 Lehman syndicated approximately \$470mm: SITQ for \$335mm, Abu Dhabi Investment Authority for \$100mm and Nippon Life for \$35mm (\$9.4mm of pnl). In Q1'07 Lehman syndicated \$50mm (\$3mm in P&L).

In addition, Lehman syndicated out all of the term loan and all but \$7.5mm of the revolver, resulting in \$5.6mm of pnl for Lehman, of which real estate's share was \$1.4mm (25%). The remainder was shared with Banking and High Yield.

FIN 46

This is not a consolidated position.

Commercials - Europe

Protego - \$36mm – sale

During July 2007 Lehman extended a €287.0m 65% senior loan facility secured on a portfolio of Swedish retail assets sponsored by Protego Real Estate Investors. The Sponsor is in the process of creating a closed end, geared equity fund focused on acquiring and managing retail based property investments across the Nordic Region. The Fund will initially be seeded with a pool of 46 assets which the Sponsor has agreed to acquire from Boulton Holdings. The following GREG deals were included in the Protego transaction : Axfast, High Coast, Luxor, Tornet and Kungsleden.

P&L

Key driver behind the revenues on this transaction were the gains made on the Profit Participation Loans in Luxor \$6.1m, Axfast \$2.4m and High Coast \$2.3m – these Loans were arranged at a 2 x profit multiple. In addition, during 2006 a markdown of \$(5.4)m was taken on Luxor – this was reversed as part of the loan sale.

The release of Senior and Mezzanine arrangement fees on all deals generated a further \$4.0m.

For the Tornet deal Lehman had been holding a Tax accrual – confirmation was received from Boulton that all further tax liabilities would be covered by Boulton, this provided a further \$5.6m. Finally as all deals were Fin 46 consolidations the coupon on the Mezzanine loans had been reserved – the release of these reserves provided \$5.1m.

Fin 46 Consideration

Axfast, Luxor, Tornet, Goldcup, High Coast and Kungsleden were all consolidated deals.

Commercials - Americas

1211 Avenue of the Americas - \$30mm – (\$25mm – Realized; \$5mm Unrealized)

Collateral

A 45 story, 1.9mm sf trophy office building located in the Rockefeller Center submarket. The landmark building, which was originally constructed in 1973 as the headquarters for the Celanese Corporation, is currently 99% leased.

Lehman's Investment

In August 2006, Lehman provided financing to Beacon Capital for the acquisition of 1211 Avenue of the Americas, a 45 Story. The purchase price was \$1.52bn (\$812psf) with a going-in cap rate of 4.29%.

The financing package consisted of \$940mm of senior, \$157mm of junior mezz and \$405mm of bridge equity. Lehman exited the senior through two CMBS securitizations, while marketing the bridge and mezz to institutional investors. As of fiscal year end, Lehman had \$377mm of bridge equity.

P&L

During the first quarter, Lehman syndicated to third party investors, all but \$55mm of the remaining bridge equity, resulting in \$25mm of P&L. \$5mm of P&L was recognized due to the MTM of the \$55mm of equity remaining on Lehman's books as of 02/28/07.

Commercials - Americas

Trizec Atlanta - \$24mm – (Realized)

Collateral

The Portfolio consists of 21 office buildings clustered in 5 locations in the Buckhead, Midtown, Northwest, and Central Perimeter submarkets of Atlanta. The properties are well-located within their respective submarkets, with great access and visibility. Overall the Portfolio is 93% occupied with relatively balanced lease expirations over the next several years.

Lehman's Investment

Lehman provided a \$615 million capital commitment to Tishman Speyer in connection with the \$680 million acquisition of The portfolio sold by Blackstone and Brookfield Properties as part of their recent acquisition of Trizec Properties. The capital commitment consisted of \$520mm of debt and \$95mm of bridge equity. Tishman provided \$63 million of equity. Lehman contributed 60% of the equity and Tishman contributed the remaining 40%.

P&L

In Q1'07, the Tishman/LB JV sold an 80% interest in One Alliance to a third party investor. Based on the value attributable to the property by the investor, which was significantly more than what was allocated in the underwriting, Lehman realized a profit of \$15.5mm on its equity interest. The bridge equity basis at the end of Q1'07 was \$86.7mm and our 60% interest in the JV's 20% ownership of One Alliance was on the books for \$3.6mm.

In Q3'07, the ownership entity sold the Palisades property and recapitalized the Two Alliance development site. The equity allocation to the Palisades property was \$14mm. Based on the \$21.3mm of proceeds received (\$1mm of which is a distribution to Two Alliance) and an expectation of an additional \$1mm from the tax and operating expense lender reserve account from the Palisades sale, P&L of \$8.1mm was recorded. The bridge equity basis at the end of Q3'07 was \$72mm.

FIN46 Consideration

The bridge equity is a consolidated position.

Commercials - Europe

E Shelter/Yellow - \$21m

Background

The Yellow portfolio was purchased in Dec 2005 and is comprised of performing, sub-performing and also non-performing mortgage loans backed by German commercial real estate made to corporate and individual borrowers.

P&L

The E Shelter loan was part of the Yellow portfolio. At the end of 2006 part of the E Shelter loan was sold – the remaining piece was later securitised in Windermere X. The sale of E Shelter generated a gain of €23m as the loan was purchased at a significant discount. In addition Lehman received €5m in prepayment fees and also €2m in swap breakage gains. In total this amounted to €30m, (\$40m).

A subsequent markdown of \$(19)m was taken on the Yellow portfolio to reflect the projected profitability of the loan pool as a whole. In particular DBVI/Opel was marked down by \$(16)m – this being based on the expected cash flows from the underlying loan.

Reporting of these revenues has been delayed due to the need to confirm and reconcile all cash receipts for the entire loan portfolio.

Fin 46 Consideration

Deals are within an NPL portfolio.

Commercials - Americas

Boston Bridge Equity: \$10mm (Realized)

Collateral Description

125 High Street is a 30-story Class-A office building located in Boston and containing approximately 1.4 million square feet. One Federal is a 38-story Class A office tower containing 1.1 million rentable square feet also located in Boston.

LB's Investment

In August 2006, Lehman provided a \$525mm senior loan, \$170mm bridge equity commitment and a \$30mm 5 year credit facility to Tishman Speyer for the purpose of acquiring the 76% stake in 125 High Street. In June 2006, Lehman provided, a \$374 million 10-year senior loan, a \$120 million bridge equity commitment and a \$25 million 5-year credit facility (mezzanine) to Tishman Speyer Properties to acquire One Federal for \$515 million. Lehman only funded \$98mm of bridge equity as ADIA funded the balance of our commitments at the respective transaction closings.

P&L

During March 2007, Lehman syndicated the final \$72mm of bridge equity. Based on the carry paid by the investors and Tishman to Lehman and the payment of the bridge equity fee by the investors, Lehman recognized a gain of \$10mm.

FIN46 Consideration

The positions were not consolidated.

Americas - Commercials

Suncal - \$(18)mm – MTM adjustment

Background

SunCal is a full service real estate firm headquartered in Irvine, California that specializes in large-scale land development projects in California. Seven decades of commitment and experience have made SunCal Companies the largest privately owned developer of masterplanned and mixed-use communities in the West. Today, SunCal Companies has more than 250,000 residential lots in various stages of development across California, Arizona, Nevada and New Mexico. SunCal focuses on land use planning, engineering, construction management and associated development activities, as well as market and financial analysis during the due diligence period.

Lehman's Investment

Lehman has approximately \$1.9 billion of commitments with SunCal in either term loans or revolvers, of which \$1.7 billion has been funded to date. The key positions are SunCal Communities 1 -\$273mm bridge; Marblehead/Hearland - \$316mm; Oak Valley - \$120mm and Ritter Ranch - \$264mm

Commercials - Americas

Suncal - \$(18)mm – markdowns - continued

Suncal Communities 1, LLC

On November 17 2005, Lehman Brothers Inc originated a \$75mm delayed draw term loan facility to Suncal Communities I, LLC. On March 31, 2006 Lehman increased the borrowing base by an additional \$75mm, raising the Term Loan capacity to \$150mm. On August 23, 2006, the borrower increased the capacity from \$150mm to \$273mm. The primary purpose of the Term Loan is to fund the acquisition and development of multiple master planned communities.

Suncal Communities – Heartland & Marblehead

In previous years Lehman provided a \$198mm senior secured credit facility, which was later upsized to \$316mm in July, 2006. The facility consists of a \$211mm senior secured term loan and an \$85mm delayed draw term loan. The collateral consists of a 313-lot plus 51 acre commercial and retail development located on 248 acres of undeveloped coastal in-fill land in the City of San Clemente, Orange County, California. Heartland is a 982-lot master planned community on approximately 417 acres located in the City of Beaumont, Riverside County, California.

Ritter Ranch

On February 8, 2007, Lehman originated a \$264mm senior secured credit facility for SunCal's development of Ritter Ranch project. The property is a 10,625 acre and 7,158 unit master planned residential community located in the city of Palmdale, Ca. The loan is comprised of a \$55mm revolver and a \$209mm term loan.

Commercials - Americas

Suncal - \$(18)mm – markdowns - continued

Others

The other positions are Pacific Point (\$125mm), Ritter Ranch mezz (\$95mm); Northlake (\$100mm) and Palm Springs Village (\$90mm) totaling \$410mm of commitments of which \$360mm has been funded to-date consisting of either term loans or revolvers. The collateral consists of various land lots across California for the purpose of being used to develop various master planned communities.

P&L

Lehman took a write-down on certain Suncal positions. The mark-downs reflect widening of spreads and declining collateral values in the portfolio. Total p&l of the mark downs equals \$(17.8)mm.

Facility Name	Commitment	Old		New		
		Mark	P&L in Mark	Mark	P&L in Mark	P&L Impact
Heartland/Marblehead	316,061,300	96.39%	11,423,319	96.39%	11,423,319	0
Pacific Point	125,000,000	97.89%	2,468,750	96.00%	4,688,299	(2,219,549)
Oak Valley Champions	120,000,000	96.72%	3,937,500	94.04%	7,026,264	(3,088,764)
Northlake	100,000,000	98.44%	1,565,000	98.44%	1,565,000	0
Ritter Ranch (Senior)	264,000,000	99.00%	2,640,000	96.78%	8,500,000	(5,860,000)
Ritter Ranch (Mezz)	95,000,000	99.46%	510,000	95.00%	4,750,000	(4,240,000)
Palm Springs Village	90,000,000	99.00%	900,000	97.22%	2,500,000	(1,600,000)
Suncal Comm I	257,863,713	93.89%	18,402,710	93.00%	19,170,460	(767,750)
						<u>(17,776,063)</u>

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Americas - Commercial

Various B-Notes: \$(22)mn Mark-downs

LB completed the pricing of a \$2.47 billion floating- rate loans securitization (LBFRC 2007-LLF) in August 2007. The deal priced on August 3rd and closed on the 23rd. Given the recent widening of spreads on CMBS bonds and volatility in the market, the deal priced at wider spreads. Also, LB was not able to sell all the bonds and retained securities valued at approx. \$1.16 billion.

P&L Event

To account for the widening spreads, a number of retained junior notes carved from the securitized large loans were marked down by \$22mm. The following table summarizes mark-downs > \$1mm.

Loan	Type	Legal Balance	Mark	Mkt Value	New Mark	New Market Value
301 Howard Street	Sr Mezz Future Funding	37,850,000	96.83	36,650,125	95.10	(1,199,875)
301 Howard Street	Intermediate Mezz	30,860,000	95.65	29,516,146	95.65	(1,093,828)
Almaden Financial Plaza	Jr Mezz	37,700,000	94.23	35,526,305	94.23	(1,947,910)
John Hancock Center	Intermediate Mezz 1	98,066,000	93.48	91,669,596	93.48	(5,415,744)
John Hancock Center	Intermediate Mezz 2	44,500,000	93.58	41,643,514	93.58	(2,411,486)
San Francisco Office Portfolio	Intermediate Mezz 1	123,645,000	98.02	121,196,606	98.02	(2,413,516)
San Francisco Office Portfolio	Intermediate Mezz 2	58,930,000	93.66	55,192,329	93.66	(3,429,113)
Total > \$1mn MTM						(17,911,473)
<i>Others (Various < \$1mn marks)</i>						<i>(4,326,047)</i>
Total Mark Downs						(22,237,520)

Commercials - Europe

Project Gospel and Project Green CMBS Loans: \$(34) million (Unrealized)

Collateral Description

Project Gospel – Won the bid in late May 2007 for Northern Rock's entire commercial real estate portfolio at a bid price of 101.3%. The portfolio contains 1159 fixed and floating rate loans backed by 2000 UK properties, with a weighted average LTV of 68%, 3.5 year seasoning and historically low delinquencies. The portfolio is diversified by asset type (43% office, 21% retail, 16% industrial) and geography.

Project Green – The planned securitization of \$825mm of performing German commercial real estate loans acquired in January 2006 (Project Yellow) and December 2006 (Project Blue).

Lehman's Investment

Project Gospel - £1.6bn (\$3.3bn) of which \$560mm remains unfunded.

Project Green - €715mm (\$965mm) of combined basis.

P&L

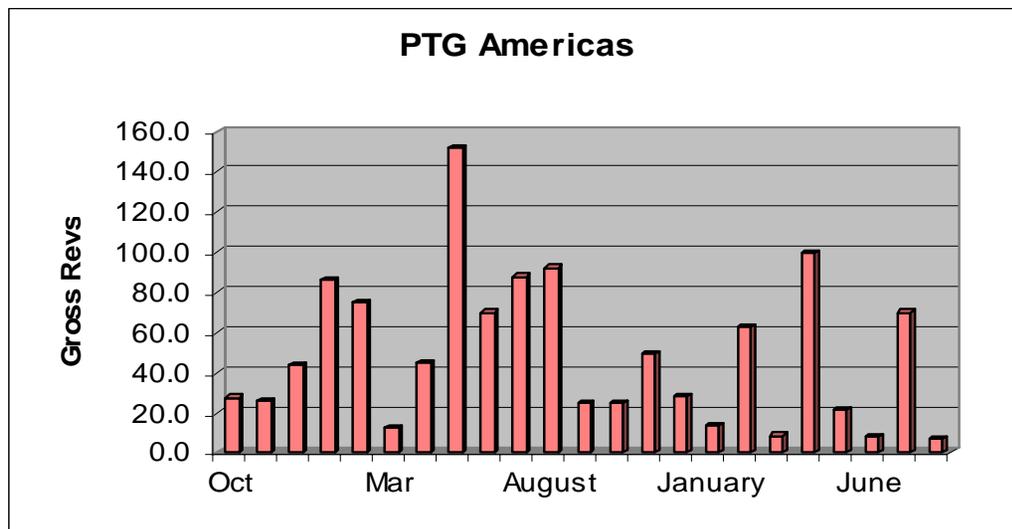
Both deals are expected to be securitized in the 4th quarter. In each case, the transaction price was based on CMBS spreads that existed prior to the recent widening seen in both Europe and the US. In the case of Gospel, the price exceeded 101. The sub-prime issues as well as credit concerns have pushed many investors to the sidelines. Thus, from fair value perspective, assuming estimated current CMBS spreads, these positions were marked down a combined \$34mm with Gospel accounting for \$26mm.

Principal Transactions Group

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PTG – Americas (Gross Revenue)

Type	Q3'06	Q4'06	Dec	Jan	Feb	Q1'07	Mar	Apr	May	Q2'07	Jun	Jul	Aug	Q3'07
	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's	Rev's
Transfer to Mezz	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Fees	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.0	0.0	0.0	0.0
Payoff	23.8	8.9	25.2	0.7	6.8	32.7	0.0	9.6	0.0	9.6	0.0	0.0	1.1	1.1
Refinance	3.6	15.1	6.7	0.0	5.8	12.5	1.0	38.3	24.1	63.4	0.0	0.0	0.0	0.0
Other	41.3	35.4	11.2	2.9	6.6	20.7	7.1	6.0	5.9	19.0	-2.6	10.3	14.6	22.3
Preferred Return	36.2	14.7	0.0	3.9	2.5	6.4	4.4	3.8	1.7	9.9	10.3	1.8	0.0	12.2
Recapitalization	40.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	151.5	18.7	0.0	17.3	5.3	22.6	13.9	87.1	11.2	112.2	17.3	30.0	21.3	68.5
MTM	(18.1)	50.1	0.2	0.0	52.8	53.0	-5.0	-28.3	-2.8	-36.1	0.0	43.9	-10.0	33.9
Net Carry	(33.0)	(40.8)	(14.6)	(10.7)	(17.1)	-42.5	-12.1	-17.3	-19.1	-48.5	-18.6	-15.4	-19.2	-53.2
Meridien	1.8	(2.6)	(0.5)	(0.5)	0.0	-1.0	-0.6	0.0	0.0	-0.6	1.9	-0.6	-1.0	0.3
Total	250.0	99.6	28.2	13.5	62.7	104.4	8.7	99.2	21.8	129.7	8.3	70.0	6.8	85.1



PTG – Americas (Gross Revenue)

LB 9900 Wilshire LLC: \$138 million (Realized)

Collateral Description

Located on the 7.95 acre site of the former Robinsons-May department store (now vacant), between Wilshire and Santa Monica Boulevards, 9900 Wilshire forms the western entrance into the City of Beverly Hills.

9900 Wilshire is proposed to be a to-be built 252 luxury condominium residences, designed by Pritzker Prize winning architect Richard Meier. The project would comprise two 12-story signature buildings, luxury town homes and two four-story contemporary loft buildings all situated in a spectacular, open-landscaped setting, featuring waterscapes and sculpture gardens. If successful, it is expected to take up to 24 months for the land to be entitled to residential.

LB's Investment

LB made an initial equity investment of \$10.5 million in Nov-04 (sponsor put in nominal equity) to acquire the subject property as an entitlement play (i.e. rezone the property to accommodate business plan of luxury condos). In 2006, the JV obtained a \$210 million land loan from Citibank to pay-off the iStar senior loan, repay LB's accumulated preferred return, reimburse LB for costs to terminate Robinson May's lease and leave a residual profit, which was split 50:50 between LB and the sponsor. Total P&L was \$61mm. Due to the largely speculative nature of this project (i.e. uncertainty of new entitlements), the position was on LB's books at \$1mm. The Citibank loan, with capitalized interest, is now approximately \$225mm, but payoff will be slightly higher to account for exit fees.

PTG – Americas (Gross Revenue)

LB 9900 Wilshire LLC: \$138 million (Realized) continued

P&L

In April 2007, the site was sold for \$500mm, which was approximately \$290mm higher than Citibank's loan (at a supposed 75% max LTV) originated just 10 months prior. The purchase price calculates to an astonishing \$63mm per acre or \$2mm per proposed condo unit. From the sale, Lehman received \$138mm of the sale proceeds of which \$50mm was recognized in the first quarter of 2007, through a MTM adjustment, leaving a further \$84mm to be recognized in April and an additional \$4mm in May.

FIN46 Consideration

The position was not consolidated.

PTG – Americas (Gross Revenue)

Stamford: \$100 million gain (unrealized)

Background

Stamford Associates, L.P., a New York limited partnership acquired in November 1984 an office building, a parking garage and a leasehold interest in the parcel of land on which the building is located in Stamford, Connecticut. The Property is net leased by the Partnership to Stamford Real Estate Corporation (SREC), an affiliate of Lehman Brothers Inc through 01/31/2020., and, in turn, leased by SREC to General Re Corporation (GenRe) through 01/31/10.

- Bank of America is the general partner (Stamford Managers LLC) and 93% limited partner of Stamford Associates, L.P.
- Gen Re, who also owns the land, has the right to terminate its lease on Feb.1 of each year by providing one-year advance notice.
- Lehman guaranteed “sandwich” entity’s (Stamford Real Estate Corporation) obligations to Bank of America through 01/31/2020 (amounts to \$28.6mm per year commencing February 2010).

Stamford Investment Partners (SIP), an affiliate of Lehman, provided an acquisition note of \$26mm (25% of which was held by limited partners) to the above partnership for the purpose of acquiring the office building. In 2005, Lehman settled litigation with the Limited Partners of SIP to purchase their 25% interest in the deferred interest acquisition note for \$21mm.

PTG – Americas (Gross Revenue)

Stamford: \$100 million gain (unrealized)

Collateral Description

The collateral is a 537,561 sq. ft. office building located in Stamford, Connecticut which was constructed in 1984.

Lehman's Investment

In 1984, SIP provided an acquisition note of \$26mm to the above partnership for the purpose of acquiring the office building, which bears simple-interest at 20.4622% through February 1, 2010. The partnership is not required to pay principal or interest currently on the acquisition note and such interest accrues through February 1, 2010. Subsequent to February 1, 2010, interest accrues at 7.3% with semi-annual payments of \$11.3mm due to SIP from the partnership. The balance of Lehman's acquisition note at 07/31/07 is approximately \$147mm, representing \$121mm in interest and \$26mm in principal. There is also a senior mortgage on the property in the amount of \$26mm as of December 31, 2006.

P&L

Lehman is currently evaluating its options including (i) to purchase Gen Re's fee title to land; (ii) to purchase Bank of America's equity; and (iii) negotiate out of Gen Re's termination options. As the market has improved, Lehman's contingent liability on the guaranty period when the building may be vacated by Gen Re has lessened. Lehman has hired Keystone Realty, a local real estate advisory firm, to explore its options to monetize its interest on the note. Based on valuation input received from Keystone and additional stress performed by Lehman, the position was marked up \$100mm in July & August and now has a revised basis of \$121mm.

FIN46 Considerations

This is not a consolidated position.

LEHMAN BROTHERS

PTG – Americas & Europe (Gross Revenue)

LBS Holdings SARL - \$84mm – (Unrealized)

Collateral

LBS Holdings SARL is a JV between Lehman and Starwood Capital which owns a portfolio of 26 Le Meridien Hotels. This investment resulted from the sale and recapitalization of Meridien in November 2005. Of the 32 hotels originally in the JV portfolio, 6 properties have been sold, most notably the property in Milan.

The strategy is maximize operations at the properties through management and renovations and position them for sale.

Lehman's Investment

In Nov 2005, following the recapitalization, Lehman entered into a 50% JV equity interest (Legal Bal: €93.7mm; Basis: €3.7mm) with Starwood Capital. Lehman also participated in a portion of the debt totaling €655mm, but has since syndicated it to third parties. As of end of Q4 '06, the position had a legal balance of €4mm, but was marked at €126mm.

P&L

In March 2007, a further adjustment to the valuation was made following a resolution to the dispute between Lehman and Starwood since November 2005 over the amount of net cash assets (NCA) as the old Meridien entity. Based on the settlement in Lehman's favor, the result was a mark-up of \$24mm to the position in anticipation of a cash distribution from the NCA and from net cash flows. The \$24mm was split between Americas (\$8mm) and Europe (\$16mm).

A cash distribution of £ 9mm (\$18mm) was to be received in May 2007 (delayed to June) reflecting final settlement of the NCA. In addition, the position had been marked down in Nov 2006 by €5mm (\$7mm) in anticipation of a negative outcome of the accounting settlement. Thus, the P&L recognized in May is \$25mm, which is split between Americas (\$8mm) and Europe (\$17mm). Total P&L for Q2 was \$49mm.

LEHMAN BROTHERS

PTG – Americas & Europe (Gross Revenue)

LBS Holdings SARL - \$84mm – (Unrealized) continued

HVS, a hospitality valuation firm, was engaged in July 2007 to update last year's valuations on the properties. Several of the properties experienced valuation increases, most notably the largest hotel in the portfolio, Etoile, which went from €311mm to €340mm and Eden, which went from €73mm to €160mm (after purchasing the land under the hotel for €61mm). Based on the updated values and Lehman's share of the net assets of the company, based on the June 2007 financial statements, a mark up of €25.8 (\$35mm) was recognized in Q3, which is split between Americas (\$12mm) and Europe (\$23mm).

FIN46 Consideration

This is a non-consolidated position

PTG – Americas/Europe (Gross Revenue)

LB FV LLC \$47mm (Meridien Sardinia) – MTM and sale

Collateral Description

Forte Village is an exclusive resort with 759 guestrooms in 7 separate buildings located in Sardinia, Italy. Due to the climate in Sardinia, the resort is only open eight months of the year. The Resort is located close to capital Cagliari (45 kilometres) and international airports. The Hotel has gathered numerous awards for excellence and was voted “Best Resort in the World” for the past six years by “World Travel Awards” and was recently voted “Best Resort” by Conde Nast Traveler. The property had been marketed since November 2005, the date Lehman Brothers took ownership on account of the Meridien recap. Fimit (Fondi Italiani Immobiliari SGR), a \$1 bn European real estate fund manager, has executed a contract for €323mm EUR gross. Fimit had known the asset from when Meridien had secretly marketed it several years ago. Due to seasonality of the hotel and the structure of the ownership entity, it has been a challenge to sell. However, after coming off a strong season with LTM EBITDA of approx 24mm EUR, this had been the most opportune time to sell. The contract closed in June.

Lehman’s Investment

A 100% unlevered ownership in 759-room Forte Village Resort, with a legal balance of €311.3mm and a basis of €295.5mm. The hotel was acquired through the recapitalization which closed on 11/24/05.

P&L

Lehman initially took a €31.3mm markdown at the close of the recap in November 2005 to account for value deterioration from the agreed-upon purchase price. In the first half, Lehman marked up the position by approx \$39mm to account for the expected sale discounted for the anti-trust matter as well as the uncertainty of the net sales proceeds due to outstanding Italian tax issues. The P&L was split 2/3 to Europe and 1/3 to US. \$24mm of the mark-up was taken in Q1’07 and a further \$15mm was taken in Q2’07. Following the completion of the sale a further \$8mm was recognized in Jun, bringing the total P&L on the transaction to be \$47mm.

FIN46 Consideration

This was a consolidated position. The position was deconsolidated upon sale.

LEHMAN BROTHERS

PTG – Europe (Gross Revenue)

Colombes- \$47mm- Sale (Realized)

Collateral

The project is a 58,000sqm office building in the outskirts of Paris' main office district, La Defense. Lehman is 49% in a JV with HRO Baupost and Argent Ventures.

Lehman's Investment

A sales and purchase agreement was signed with French listed property company Gecina in Nov 06 at €350m, that completed on 14th December 06. The building is still under construction though and the 34,000 sqm phase 1 has been handed over to the client on 28 Feb 07 as scheduled. 24,000 sqm Phase 2 is predominantly complete and is awaiting on certificate of occupancy and is expected to be finalized in June.

P&L

On the back of the forward sale and purchase agreement, \$29mm was recognized in Q4'06 with \$47m profit expected to be recognized in Q1'07 and Q2'07 as construction progressed towards completion. With completion expected in June, it was decided to recognize the remainder of the cash received of \$16mm in May, having recognized \$31mm in Q1'07. Total pnl in 2007 is \$47mm.

FIN46 Consideration

This is a non-consolidated position.

PTG – Americas (Gross Revenue)

Ballpark Assemblage: \$33 million (Realized)

Collateral Description

Land parcels located within the DC tax blocks known as Squares 701 and 700 in the Ballpark District. Square 701 will be developed into a mixed-use project to be known as Half Street Development & Square 700 land parcels will be held undeveloped until the assemblage of the remaining parcels is complete.

LB's Investment

Lehman provided approximately \$22.2 million of senior debt and \$27.4 million of participating mezzanine debt to Monument Realty beginning in 2Q 2005 for the assemblage of land parcels in the near southeast area of DC in February 2005, shortly after the announcement of Montreal Expos' relocation to Washington, D.C. From February 2005 to December 2006, Monument assembled 141,404 sf of land lots at an average price of \$60 per FAR. The deal was recapitalized in April 2007 with Lehman providing senior loans totaling approx. \$98.1 million and equity investment of \$32.2 million (40%). MacFarlane Partners, an institutional investor, contributed \$35.2 million in equity (50%) and Monument Realty contributed \$7 million in equity (10%) .

P&L

In the summer of 2006, Lehman/Monument selected Macfarlane, a real estate investment management firm with \$9 billion in assets under management, as an equity partner to participate in the development leading to the recapitalization of the project in April 2007. The institutional investor's equity contribution validated the land value at approximately \$100/ FAR sf, resulting in a profit of \$33 million in accumulated preferred returns & residual profit split.

FIN46 Consideration

All the senior & mezzanine loans were consolidated in Lehman's books. These positions will be deconsolidated as a result of the recapitalization.

LEHMAN BROTHERS

PTG – Americas (Gross Revenue)

PCCP LB Wailea LLC \$28mn (\$16mn realized + \$12mn unrealized)

Collateral

The Wailea property consists of 670 acres of unentitled land and an ocean front beach lot adjacent to the Wailea Resort on the Island of Maui.

The business plan was to develop a master planned resort community consisting of a private 18-hole golf course, 300 estate lots on at least 20,000 square feet each, and 400 villa style residential units.

Lehman's Investment

Lehman provided equity in conjunction with PCCP and other sponsors in 2000 for the acquisition and construction of the Wailea property.

P&L

In July 2007, the property was sold to DE Shaw for \$212.5mn “as is” (\$100 mm in cash and a \$112.5mn 6-month purchase money note), resulting in the pay-down of Lehman’s equity along with a preferred return. Lehman recognized \$16mn in realized gain from cash distributions in excess of basis, and a \$12mn mark-up for the expected proceeds from the note.

FIN 46 Considerations

This was a consolidated position.

PTG – Americas (Gross Revenue)

2 Rector Street - \$24mm –(Realized)

Collateral

The property is a 26-story office building constructed in 1909 with a masonry facade and other architectural features found on turn of the century properties. Renovations were completed in 1984 and 1997. The property is located in downtown Manhattan in close proximity to the financial district, the former site of the World Trade Center, and Battery Park.

Lehman's Investment

Lehman held a 49.9% non-voting ownership interest in the property. In May 2007 the partner arranged for and closed a new \$110mm loan on the property, replacing the existing \$41.4mm loan with Wachovia.

P&L

When NYDOT, the subject's largest tenant, announced they may vacate the building within a year, the idea of selling the property was dropped and instead, it was refinanced in May for \$110mm, thus yielding nearly as much as any likely sale. The members received distributions of about \$50mm, with Lehman receiving about half.

FIN46 Consideration

This was a non consolidated position.

PTG –Europe (Gross Revenue)

Sun- \$24mm – \$21mm (Realised) \$3mm (Unrealised)

Collateral

A Mixed use portfolio of 7 main buildings and 136 property portions located in central-northern Italy.

Lehman's Investment

In Dec 2005, Lehman funded a €19.2m (\$26.1m) in equity and shareholder loan to Myra Srl (100% held by LB) and Calliope (50% held by LB) to provide financing for the acquisition of 85% of the Quotas (units) of the Catullo fund (Project Sun) for a nominal value of €70.3m (\$95.8m).

P&L

In May 2007, Cordea Savills purchased 65% of the total number of units (41,327) from LB for a transfer price of €69.3m. This represents 76% of the units held by Myra. The nominal value of the units sold was €53.7m which resulted in a realised profit of €15.6m (\$21.3m).

FIN46 Consideration

The deal was originally consolidated under FIN 46 and then deconsolidated further to the sale of the units in May 2007.

Remaining units

LB is holding 20% of the units with at the original nominal price of €2,000 /unit. The remaining units were marked up by \$3.5mm reflecting the sale value to Cordea Savills discounted for the minority interest factor.

LEHMAN BROTHERS

PTG - Asia (Gross Revenue)

RCC VI - \$26mm – MTM (Unrealized)

Collateral

The portfolio is well diversified with 56 remaining loans (46 secured/10 unsecured), backed by a wide segment of collateral properties in various locations in Japan. The original issuance size was JPY16.2b (\$136.4mm) of senior trust certificates rated AAA to BBB, mezzanine certificate, and subordinated piece (unrated) backed by the pool of loans

Lehman's Investment

The 6th securitization sponsored by RCC (Resolution and Collection Corp) closed on June 17, 2005. Sunrise (100% Lehman entity) along with other non LB sellers (ie: Capital Servicing, RCC, and other Financial institution) sold NPL's into a SPC (100% consolidated Lehman entity). The SPC was funded by using a Trust Structure to issue senior, mezzanine and subordinated trust certificates. 100% of the senior certificates were sold to external investors, the mezzanine tranche was sold to RCC, and Lehman held the subordinated equity tranche marked at JPY3.14b (\$26mm) at closing.

P&L

In August, a further mark-up of \$4.6mm was taken based on the discounted future cash flows on the remaining equity. This follows a \$9.8mm mark-up in Q2'07 and \$11mm in Q1'07.

FIN46 Consideration

FIN 46 does not apply as the underlying collateral is NPL, however, LB grosses up the outstanding senior and mezz certificate positions since the securitization is not a qualified SPE under FAS140.

PTG - Asia (Gross Revenue)

LB Athanaeum: \$20 million gain (Unrealized)

Collateral Description

The subject property consists of two tracts of land totaling 77,701 sf or approximately 1.8 acres and a 5-story 360,765 square foot office building. The land is located in Cambridge, MA approximately 1 mile Northwest of the Boston Central Business District. Currently the property is being used as a parking lot for the Athenaeum Office building. The land was purchased in December 2004 with the intent of developing it into a residential community.

LB's Investment

Lehman provided approximately \$6mm of equity in 2004 and subsequently invested an additional \$5mm in the ownership entity.

P&L

Initial offers on the property in July 2007 ranged from \$122mm down to \$10mm. Ultimately, there were best and finals and a purchase and sale agreement was signed with a contract price of \$150mm and a September 2007 closing date. The due dil period ended and the \$10mm deposit was hard as of Aug 31, 2007. The net sales proceeds to LB will be approx. \$34mm based on the most recent Trimont projection. LB will receive its \$10.9mm equity inv. and its pref equity return of approx. \$4mm. In addition, LB has a 35% profit partic which will generate an additional \$19mm. Lehman marked up the position as of August 31, 2007 for \$20mm.

FIN46 Consideration

The position was not consolidated.

PTG – Europe (Gross Revenue)

Ceidco - \$16mm – (Realized)

Collateral

Deal involves two warehouse developments - Warsaw District Centre (WDC) and Ozarow Business Centre (OBC) located in Poland.

Lehman's Investment

Lehman's original Mezzanine commitment originated in Feb 1998. Two developments, WDC and OBC, were funded prior to the expiration of the commitment period (Dec 1999). The loan was provided to the Central European Industrial Development Company (CEIDCO), a joint venture between The Kontrabecki Group and Heitman Financial LTD. The JV partner (Kontrebecki) defaulted on the loan in 2002 and Lehman Brothers began legal proceedings to have the Polish property holding companies put into liquidation and the properties sold.

P&L

The January p&l and May p&l represents the net sale proceeds from WDC and OBC from the bankruptcy trustee of approximately \$13mm. Lehman also received a reimbursement of expenses in the amount of \$3.3mm for a total of \$16.3mm of p&l.

FIN46 Consideration

The position is not consolidated.

PTG – Asia (Gross Revenue)

Kajima \$15mm – MTM (Unrealized)

Collateral

A 15 story, class A office building in Singapore CBD (71 Robinson Road)

Lehman's Investment

In December 2006, Lehman provided an equity investment in a JV with Kajima to re-develop an office building in Singapore CBD. The outstanding balance at April 2007 is SGD 26.4mm. Its investment is currently marked at par.

P&L

In May 2007, the property was marked up by SGD23.04mm (approx. \$15.0mm), based on the following assumptions:

- Asking rents are S\$13 to S\$15 per sf per month for Class A space and large blocks are not available (we underwrote at S\$11 for the mark-up).
- Minimal new supply for three to four years.
- Risk-free rates in Singapore have dropped 60bp's since LB's acquisition.
- Cap rate for valuation is 4.5% (versus current market cap rates of 4% or less).
- Unsolicited offer received justifying the exit value.
- Broker opinions received justifying the exit value.
- Completion timing for the mark-up is conservative and a 20% discount rate was applied to cash flows to determine the mark-up.
- Singapore is fast becoming a major financial hub and all global and local financial companies are moving to or expanding in Singapore (see comments below from Wade, LB's corporate real estate person in Asia, with respect to LB expansion).

FIN46 Consideration

This is a non-consolidated asset.

PTG - Americas (Gross Revenue)

Manhattan Mall- \$15mm – (Realized)

Collateral

Manhattan Mall is an indoor shopping center and office property in midtown Manhattan. The property occupies the entire block on Sixth Avenue between 32nd and 33rd streets, one block from New York's Penn Station. The property consists of 164,000 square feet of retail space and 812,000 gross square feet of office space, with principal leases being held by Bank of America and The Interpublic Group. The property as a whole is 97 percent leased. The original business plan was to convert a portion of the building to Telecom space but in 2000, the telecomm industry had begun its decline and the decision was made to convert the upper floors from vacant retail space to traditional office space.

Lehman's Investment

In 1999, Lehman acquired the property along with Argent Ventures and a plan was formed to convert a portion of the building to telecom space. In 2004, the Lehman partnership sold the property but retained a 25% residual interest in the excess of sale proceeds over a predetermined base and look back IRR.

P&L

The Mall was listed by Eastdil on 10/05/06 with a price expected in the range of \$500- \$600mm. On 11/28/06, the property went under contract to Vornado Realty Trust and on 1/10/07 the sale of Manhattan Mall closed for \$689mm. The distribution to LB was approximately \$61mm resulting in p&l of \$16mm (the position was marked up to \$45mm in November).

Vornado Realty Trust is a fully-integrated real estate investment trust with a portfolio of over 58 million square feet with heavy interests in the office, retail, and merchandise mart property sectors.

FIN46 Consideration

The position is not consolidated.

PTG - Americas (Gross Revenue)

Gramercy Park Hotel- \$14mm – (Realized)

Collateral

The collateral is 23 luxury coop units in the adjoining building of Gramercy Park Hotel. The hotel is located on the corner of Lexington and East 21st Street in Manhattan, NY. It is one of New York's most legendary hotels and is located across the only private park in New York City, Gramercy Park, which makes it one of the most desirable and fashionable places to live.

Lehman's Investment

Lehman Brothers originated a \$27mm mezzanine loan in May of 2004. Of the 23 units, 5 remain unsold to date which were the most expensive units at an average asking price of \$3,331psf. Units started going under contract in 7/05; by 1/06, 17 units were under contract. The remaining 5 coops have been on the market since then (approximately 1.5 years).

P&L

Ullico is refinancing the senior loan and the new loan will fully repay Lehman's position. Our 11/30/06 legal balance is \$27mm and 11/30/06 basis is \$27mm. There is also deferred interest of \$13mm. The payoff amount is \$41mm. This generated LB P&L of approximately \$14mm.

FIN46 Consideration

The position is not consolidated.

PTG - Americas (Gross Revenue)

Washington Post- \$12mm - sale

Collateral

Columbia Center will be a 394,500 sf trophy level office building when complete in July 2007. The building is being constructed on a 35,464 sf parcel of land located on 15th Street, NW, between L and M Streets, on the border of the CBD and East End submarkets of Washington, D.C..

Lehman's Investment

LB provided a \$20 million mezz loan to sponsor for the acquisition of a 36,000 SF parcel of land adjacent to the Washington Post head quarters building in Washington D.C. The loan was originated in December 2003. UBS had provided a senior loan.

In December 2005, Lehman purchased the UBS senior loan in the amount of \$36mn. At the same time, LB provided a \$197 million construction loan to retire the old LB senior and mezz loans and to fund the construction of the building. \$11mm in P&L was recognized in Dec-05 from the refinancing. Through the refinancing, LB also obtained a 48% ownership interest in the deal which was carried at zero. As of 5/31/07, approximately \$74mn was funded.

PTG - Americas (Gross Revenue)

Washington Post- \$12mm – sale

P&L

In May, 2006, UBS bought a 50% interest in the deal (50% of the construction loan and 50% of the equity). The senior was sold at par, and there was no gain or loss. UBS priced the entire equity on the deal at \$36mn and paid \$18mn for the 50%. LB received \$6.8mn from the proceeds. After this transaction, LB had a 20% interest, the sponsor, Monument, had 30% and UBS had 50%. Lehman sold the remaining portion of their debt and equity to UBS in June 2007, making \$12mm from the sale.

FIN46 Consideration

The deal was initially a consolidated deal under FIN46, but it was deconsolidated when Lehman completed the refinancing in Dec-05.

PTG - Americas (Gross Revenue)

225 Virginia Avenue - \$11mm – (Realized)

Collateral

The collateral is a five-story, 421,017 square foot office building originally constructed by the Washington Post as a production facility during the 1950s. The telecom market imploded shortly after acquisition and the property has remained vacant since.

Lehman's Investment

In April 2000, LB provided a \$61.55mm loan to acquire and convert the Subject property in southeastern Wash DC into a telecom facility. The loan has been delinquent since July 2001.

P&L

The principal balance at the time of the payoff was \$50mm and the accrued interest balance was approximately \$27mm. LB marked the loan at \$29mm. A \$40mm discounted payoff was negotiated with the borrower and the net P&L was approximately \$11m.

FIN46 Consideration

The position is consolidated.

PTG - Americas (Gross Revenue)

NCV Apartments: \$(15) million (unrealized)

Collateral Description

The NCV portfolio consists of nine cross-collateralized apartment projects with 3,001 units in the cities of Denver, Las Vegas, and Austin.

Lehman's Investment

LB provided a mezzanine loan of \$15.1mn in July, 2006 to National Commercial Ventures (NCV) for the acquisition, renovation and repositioning of the collateral assets. The business plan was to renovate and reposition these generally underperforming "c" and "C+" assets, in "B-" to "B" neighborhoods, and move rents up to market levels over a period of 24-36 months.

P&L

A recent review of the deal revealed that the original plan to bump rents across the board may not be achievable or may take longer than originally planned. Borrower was planning to recapitalize the deal via a CDO or by raising equity through an IPO. The CDO route was unsuccessful and efforts to pursue an IPO with a REIT status has been stopped. The interest reserve on the senior loan (from GE) has been exhausted and the borrower is making injecting additional cash flows. In light of these facts, it is decided to write off Lehman's mezz balance.

FIN46 Considerations

This position is not consolidated.

PTG - Americas (Gross Revenue)

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FIN46 Considerations

This position is not consolidated.

PTG – Americas (Gross Revenue)

Various Land and Condominium Positions (not including SunCal): \$(84) million (Unrealized)

Collateral Description

Various land parcels in California and condominium properties primarily in California, Connecticut, Maryland and Florida.

LB's Investment & P&L

The market for land investments and condominium properties has declined steadily over the past six to 12 months. The lack of demand has pushed out absorption rates and lowered prices, thereby reducing the yield on Lehman's investment. Based on estimated values and expected sell-outs of land and condominium properties, Lehman marked down certain investments, with a current basis of \$265mm, to reflect market yields. Lehman's investments and corresponding mark downs are as follows.

Description	Property Type	Location	Legal Bal	Basis	Mark down
LB Chase	Condo Conversion	MD	22.8	15.6	(10.6)
Spring Mountain Ranch Mezzanine	Land	CA	47.4	45.3	(8.8)
Troxler 39/Mammoth	Land	CA	8.5	8.5	(8.5)
LB Troxler Residential Ventures 29	Land	CA	12.9	12.9	(7.2)
Pacific Point Mezz (includes \$5.8mm funding loss)	Land	CA	27.2	27.2	(11.8)
LB/L III Barrington LLC	Land	CA	8.6	7.6	(6.0)
PCCP Mountain House	Land	CA	65.5	65.4	(5.0)
Antares Greenwich	Condo Conversion	CT	58.8	54.3	(5.0)
LB Troxler 17	Land	CA	17.1	17.1	(5.0)
LB CRV XLI LLC (Prairie House)	Land	CA	3.4	3.4	(3.4)
LB Rilington Coachella 232 LLC	Land	CA	3.3	3.3	(3.3)
LB Aqua Vista LLC	Condo Development	FL	6.2	3.2	(3.2)

LEHMAN BROTHERS

PTG - Americas (Gross Revenue)

Various Land and Condominium Positions (not including SunCal): \$(84) million (Unrealized) (continued)

Description	Property Type	Location	Legal Bal	Basis	Mark down
Bloomfield Hunt Club	Land/Houses	MI	14.3	13.5	(3.0)
LB Silverland	Land	CA	6.0	5.0	(3.0)
LB Troxler 12 (Spring Mt Ranch)	Land	CA	2.8	2.8	(2.8)
Boulder Springs Mezzanine	Land	CA	28.4	28.4	(2.7)
PCCP LB Rollingwood LLC	Condo Conversion	CA	6.4	2.4	(2.4)
LB Montecito	Land	CA	5.4	5.4	(2.0)
LB Hercules II LLC	Commercial Condos	CA	3.1	3.1	(2.0)
LB Milpitas LLC	Land	CA	4.3	4.3	(2.0)
Prairie House	Condo Conversion	IL	5.9	1.3	(1.3)
LB Monterey Park LLC- CRV XVIII	Land	CA	2.4	2.4	(1.0)
LB Valle Di Oro (CRV XXXIV)	Land	CA	2.7	2.7	(1.0)
LB Capstone Residential Ventures	Land	CA	2.2	2.2	(1.0)
LB Troxler 36	Land	CA	8.5	8.5	(1.0)
			303.9	284.9	(83.7)

Bridge Equity

LEHMAN BROTHERS

Bridge Equity

Position	Sponsor	Banking (Y/N)	Balance as of 8/31/07	Q1'07 P&L	Q2'07 P&L	Q3'07 P&L	Total YTD P&L	Banking	Total P&L (net of banking)
200 FIFTH AVE - ASHMUN WHOLE L	L&L Acquisitions	N	\$ -	\$ -	(197)	\$ -	(197)	\$ -	(197)
BEACON FUND III ROSSLYN PORTFO	Beacon	Y	\$ -	(10)	(161)	(0)	(170)	(85)	(85)
ONE ORLANDO CENTER - ASHMUN WH	Eola Capital	Y	\$ -	-	(6)	-	(6)	(3)	(3)
DIRECT INVEST CREDIT FACILITY	Not Banking	N	\$ -	(9)	(6)	0	(15)	-	(15)
LB 340 MADISON AVE LLC WHOLE L	Broadway Partners	Y	\$ -	(901)	5,854	0	4,953	2,477	2,477
LB OOC LLC WHOLE LOAN	Eola Capital	Y	\$ -	-	(0)	-	(0)	(0)	(0)
LB BOSTON PRINCIPLE LP	Tishman	Y	\$ -	1,317	9,592	(0)	10,909	5,455	5,455
CARRAMERICA-ASHMUN WHOLE LOAN	Tishman	Y	\$ -	(31)	-	-	(31)	(15)	(15)
LB LIBERTY SQUARE LLC	Florida Realty Investors	N	\$ -	243	-	-	243	-	243
ROSSLYN 1812 LOAN WHOLE LOAN	Monday Properties	N	40,972	-	(110)	(565)	(675)	-	(675)
1166 SIXTH AVENUE LB SYNDICATI	Minskoff	N	29,784	(338)	(405)	(408)	(1,151)	-	(1,151)
1211 6TH AVENUE LB SYNDICATION	Beacon	Y	54,450	28,674	(695)	(1,694)	26,285	13,142	13,142
1745 BROADWAY LB SYNDICATION P	Witkoff Group	N	14,058	(1,213)	6,407	(193)	5,002	-	5,002
200 FIFTH AVENUE LB SYNDICATIO	L&L Acquisitions	N	210,239	-	224	(2,880)	(2,655)	-	(2,655)
237 PARK AVENUE LB SYNDICATION	Broadway Partners	Y	55,848	-	(140)	(765)	(905)	(453)	(453)
AUSTIN PORTFOLIO LB SYNDICATIO	Thomas Properties Group	Y	141,597	-	-	2,524	2,524	1,262	1,262
LB 200 GALLERIA BRIDGE LLC WHO	NNN 200 Galleria, LLC	N	13,860	(59)	(188)	(190)	(437)	-	(437)
LB 425 PARK AVENUE LLC WHOLE L	L&L Acquisitions	N	60,409	(704)	(912)	(827)	(2,443)	-	(2,443)
LB ATLANTA AREA - ONE ALLIANCE	Tishman	Y	3,610	3,608	(49)	(49)	3,510	1,755	1,755
LB ATLANTA AREA PORTFOLIO PART	Tishman	Y	71,515	10,422	(1,128)	7,013	16,307	8,153	8,153
LB CHS BRIDGE LLC WHOLE LOAN	Bethany	N	17,474	-	(60)	(85)	(145)	-	(145)
LB DC AREA PORTFOLIO PARTNER L	Tishman	Y	131,560	8,386	(4,766)	20,754	24,373	12,187	12,187
LB DI LLC	Not Banking	N	34,980	(353)	836	819	1,302	-	1,302
LB MIP LLC WHOLE LOAN	Evergreen Realty Partners/Waterton	N	5,186	(69)	(70)	(71)	(210)	-	(210)
Orlando Centre LB Syndication	Eola Capital	Y	23,864	-	(78)	(327)	(405)	(202)	(202)
PLF LB Syndication Partner LLC	Prologis	Y	546,424	-	-	(8,753)	(8,753)	(4,376)	(4,376)
PROLOGIS_DERMODY_ASHUM WHOLE L	Prologis	Y	-	-	-	(137)	(137)	(68)	(68)
ROSSLYN LB SYNDICATION PARTNER	Monday Properties	N	297,600	-	(722)	(4,076)	(4,798)	-	(4,798)
			\$ 1,753,430	\$ 48,963	\$ 13,220	\$ 10,090	\$ 72,273	\$ 39,227	\$ 33,046

Balance Sheet

LEHMAN BROTHERS

Balance Sheet Trend

<i>\$ in Millions</i>	As of 11/30/2000	As of 11/30/2001	As of 11/30/2002	As of 11/30/2003	As of 11/30/2004	As of 11/30/2005	As of 11/30/2006	As of 2/28/2007	As of 5/31/2007	As of 8/31/2007
Americas										
Commercials	3,114	4,322	2,910	2,201	3,820	5,805	10,671	11,452	17,019	16,984
CMBS Securities	387	915	1,175	948	652	678	1,257	1,964	1,555	1,492
PTG:										
<i>At Risk</i>	8,152	8,801	8,022	6,524	6,208	6,132	7,010	7,668	8,604	8,987
<i>Gross-up</i>	1,927	2,374	3,572	4,796	4,880	2,612	3,140	2,881	3,172	5,096
Total PTG	10,079	11,175	11,594	11,320	11,088	8,744	10,150	10,549	11,776	14,083
Total Americas	13,580	16,412	15,679	14,469	15,560	15,226	22,077	23,965	30,350	32,559
Europe										
Commercials:										
<i>At Risk</i>	-	11	495	1,190	829	3,063	4,433	7,847	8,695	11,035
<i>Gross-up</i>	-	-	-	-	-	-	940	1,290	1,316	3,327
Total Commercials	-	11	495	1,190	829	3,063	5,373	9,137	10,011	14,362
PTG:										
<i>At Risk</i>	737	1,598	884	1,164	1,381	424	1,567	654	1,173	2,868
<i>Gross-up</i>	-	1,122	629	736	2,207	505	197	69	69	50
Total PTG	737	2,720	1,513	1,900	3,588	929	1,764	723	1,242	2,918
NPL	-	-	-	-	-	57	69	68	68	65
Total Europe	737	2,731	2,008	3,090	4,417	4,049	7,206	9,928	11,321	17,345
Asia										
Commercials	-	-	-	-	395	887	1,733	2,705	2,431	3,220
PTG:										
<i>At Risk</i>	720	775	1,060	1,834	1,139	1,698	2,138	2,582	3,268	3,796
<i>Gross-up</i>	-	91	58	766	461	333	394	383	332	310
Total PTG	720	866	1,118	2,600	1,600	2,031	2,532	2,965	3,599	4,106
Total Asia	720	866	1,118	2,600	1,995	2,918	4,265	5,670	6,030	7,326
Total Balance Sheet	15,037	20,009	18,805	20,159	21,972	22,193	33,549	39,562	47,701	57,230

LEHMAN BROTHERS

December

LEHMAN BROTHERS

Balance Sheet – December

Movements onto the balance sheet:

Americas

Project Motorcycle - \$2.7 billion – acquisition financing to Tishman Speyer for the purchase of 21 Washington D.C. office properties, third party management services and a development site owned by the Blackstone Group. Financing included \$1.225bn of senior debt (50% LTC), \$923mm of bridge equity, \$355mm term loan and a \$175mm revolver. The partnership assumed \$103mm of JV debt and Tishman provided \$200mm of equity through its fund. The Portfolio included 21 office properties (16 wholly owned and five joint ventures) comprising 5.5 million square feet owned (6.5 million total square feet) in Washington D.C. and the metro area. Also included in the Portfolio are third-party asset management services for twenty-seven properties in Washington D.C. and a development site on K-Street ("Mount Vernon Square") of approximately 200,000 square feet. The Portfolio represents Washington D.C. and greater DC area assets acquired by Blackstone in its acquisition of Carr America which closed on July 13, 2006. Prior to closing, Lehman Brothers had syndicated approximately \$470m of the bridge equity position, the term loan, and all but \$22.5mm of the revolver. After closing, LB syndicated \$70mm more of the bridge equity and securitized \$487mm in the LBUBS 2007- C1 deal.

Broadway Partners– \$1.375bn - Lehman Brothers originated a \$1.375 billion portion of a \$2.75 Billion financing package in connection with Broadway Partners' acquisition of a portion of the Beacon Fund II Portfolio. The properties include 9 assets with over 5.8 million square of feet office space, located in and around Boston, Massachusetts, Washington, D.C. and Los Angeles, California. The Portfolio was being acquired by Broadway Real Estate Partners for a total acquisition cost of \$3.15 billion (\$520 per square foot of office space and \$64,000 per parking stall). The Financing Package comprised of individual permanent loans totaling approximately \$1.75 billion and a cross collateralized mezzanine loan totaling approximately \$1.0 billion. The Permanent Loans comprise of two floating-rate loans and five fixed-rate loans. Lehman co-originated the Financing Package with Greenwich Capital Financing Products. Lehman and Greenwich each funded 50% of the Loan. Lehman plans to contribute its portion of the Fixed Rate Loans over two to three fixed rate securitizations with a full exit of the Fixed Rate Loans by the end of the 3rd quarter 2007 and plans to contribute its pro-rata share of the investment grade portion of the Floating Rate Loans to its next floating rate securitization, scheduled for the 2nd or 3rd quarter 2007. The portion of the Floating Rate Loans beyond investment grade and the Mezzanine Loan will be jointly marketed by Lehman and Greenwich to institutional investors including insurance companies, commercial banks and subordinate debt funds. The Mezzanine Loan will be repaid by Broadway through a combination of proceeds from assets sales and equity raises.

Balance Sheet – December

Movements onto the balance sheet:

Americas

1745 Broadway - \$376mm- acquisition financing to the Witkoff Group concerning the purchase of the Class-A office condominium tower at 1745 Broadway for \$509mm from Jamestown. Financing consists of a 10-year \$256mm (65.4% LTC) senior loan and \$120mm of bridge equity. The property is a 674,000 sq ft Class A office condominium, constructed in 2003 by the Related Companies as the world headquarters of Random House. Lehman exited the senior loan through the LBUBS 2007- C1 securitization.

Westfield San Francisco Centre- \$218mm- Lehman and Dillon Reade (UBS Investments Inc.) co-originated a \$435mm mortgage loan comprising a \$305mm A Note, a \$95mm B-1 Note and a \$35mm B-2 Note to Emporium Mall LLC, a Delaware limited liability company and a special purpose affiliate of Westfield America Inc and Forest City Enterprises. The Loan was used to refinance the existing indebtedness secured by the Property. The Property is a 614,000 (approximate) square foot regional mall and office tower located in the Union Square district of San Francisco, California. As of November 2006, 99.2% of the in-line space is leased or leases are out for signature and 81% of the Class A office space is leased or leases are out for signature. Lehman contributed the investment grade portion of the Loan to the LB-UBS 2007 C1 securitization.

Bethany Maryland Portfolio - \$162mm – (\$17m structured as an earn-out) - Lehman Brothers Bank originated a loan in the aggregate amount of \$180mm to The Bethany Group. The Property is a 1,587-unit multifamily apartment portfolio comprised of four assets and located in Glen Burnie, Baltimore and Laurel, Maryland. The Sponsor plans to invest \$17.1 million (\$11K per unit) to rehab the portfolio. The Property is currently 88% occupied with average monthly rent of \$860 per unit. The loan will be made to acquire the Property and fund the renovation work to be performed at the Property. The fully funded A-Note (\$150m) was contributed to the LB-UBS C1 securitization in the first quarter of 2007.

Europe

German Comm. RE Loan Portfolio (Project Blue) - \$458mm- Insurer AMV is exiting the commercial real estate business and this is the second portfolio sale (initial portfolio Project Yellow); LB is not bidding for nonperforming portfolio which is being sold concurrently. Up to \$437mm is expected to be investment grade and securitized together with Yellow in the next SASCO issuance (mid 2007); junior tranches to be syndicated within 6-9 months. Collateral is 230 properties consisting of 38% multifamily, 23% retail, 14% office, and remainder mixed use; the portfolio is diversified with no property or tenant greater than 5% of the pool and with concentration in Bavaria and North Rhine-Westphalia (48%).

LEHMAN BROTHERS

Balance Sheet – December

Movements onto the balance sheet:

Asia

Keiyo Project - \$232mm- Fixed rate loan with swap. The loan was purchased on the 2ndary market from Capmark Japan KK. Collateral is Tokyo Bay Hotel, an urban resort hotel adjacent to Tokyo Disney Land. This was the first hotel in Japan to create a huge 4,500 sqm atrium, consisting of reception lobby, restaurants, and retail stores, coordinated throughout in a Mediterranean motif. The loan has an LTV of approximately 65%. The associated Swap is with Credit Suisse Int'l (Swap was assigned to LBSF), pays fixed 1.72% and receives 3ML.

Lehman is looking to securitize this loan in the next LJAC securitization.

Movements off the balance sheet:

Americas

LB-UBS Commercial Mortgage Trust 2006-C7- \$(1,997)mm – Deal priced November 21st and settled on December 5th. Please see page 9 for more details

January

LEHMAN BROTHERS

Balance Sheet – January

Movements onto balance Sheet

Americas

John Hancock Center- \$400mm- Lehman Brothers Bank, FSB and Lehman Brothers Holdings Inc. originated loans in the aggregate amount of \$400mm to a partnership between an affiliate of Whitehall Global Real Estate Funds and an affiliate of Golub & Company secured by the commercial component of the building located at 875 North Michigan Avenue, commonly known as the John Hancock Center, in Chicago, IL. A portion of the Loan was cast as a mezzanine loan prior to closing. Located on North Michigan Avenue, the Property comprises 1,049,981 rentable square feet of office, retail, observatory, and broadcasting space, as well as a 710-space parking garage. The Loan was bifurcated into a \$220mm senior mortgage loan and three mezzanine loans totaling approximately \$180mm. The senior loan (40.9% LTC) will be securitized as part of Lehman's next floating rate securitization, expected to occur in the third quarter 2007. The subordinate loans (40.9% to 89.9% LTC) will be marketed to institutional investors, such as foreign and domestic banks or U.S. insurance companies, in conjunction with the securitization.

Europe

Project Gagfah- \$693mm- Lehman Brothers provided 50% of €1.06bn (\$1.4bn) 43.3% LTV non-recourse loan with Deutsche Bank to three entities sponsored by Fortress; the loan is secured by the borrowers' shares held in Gagfah SA, representing 44.6% of the market cap; Fortress controls 80% of Gagfah (including loan collateral) with 20% floated in an Oct 06 IPO. Gagfah SA was formed in 1984 through large portfolio acquisitions and is the largest listed German real estate company and second largest owner of German residential real estate; Gagfah has a market cap of €5.6bn (\$7bn), senior mortgage debt of €5.2bn (\$7bn) and total property value of €8.2bn (\$11bn). LTV is 43.3% upon share price, 97.6% based upon property value and 105.3% against NAV. LB and Deutsche Bank plan to syndicate the loan to targeted investors including banks active in German real estate, investors not able to participate in Oct-06 IPO and Fortress relationship lenders.

Balance Sheet – January

Movements off the balance sheet:

Americas

2 Park Ave- \$(368)mm- On September 26, 2006, Lehman Brothers provided 2 Park Avenue Associates, LLC with a loan in the aggregate amount of \$368mm. The Loan comprised of a \$300mm fixed rate senior loan and a \$68mm mezzanine loan. Collateral is the building known as 2 Park Avenue. Borrower closed and paid off the loans on 1/5/07.

1211 Avenue of the Americas – \$(200)mm- In August 2006, Lehman provided financing to Beacon Capital for the acquisition of 1211 Avenue of the Americas, a 45-story, 1.9mm sf trophy office building located in the Rockefeller Center submarket. The purchase price was \$1.52bn (\$812psf) with a going-in cap rate of 4.29%. The landmark building, which was originally constructed in 1973 as the headquarters for the Celanese Corporation, is currently 99% leased. The financing package consisted of \$940mm of senior, \$157mm of junior mezz and \$405mm of bridge equity. Lehman exited the senior through two CMBS securitizations, while marketing the bridge and mezz to institutional investors. As of fiscal year end, Lehman had \$377mm of bridge equity. On 1/16/2007, Lehman syndicated a \$200mm of the bridge equity, \$100mm each to Abu Dhabi Investment Authority and NY Common.

February

LEHMAN BROTHERS

Balance Sheet – February

Movements onto the balance sheet:

Americas

Knickerbocker Hotel- \$290mm - Lehman Brothers provided a \$290mm senior loan investment to Istithmar Hotels FZE for the acquisition and pre-development of The Knickerbocker Building located in New York, New York. The loan proceeds will be used to acquire the property, pay for interest and tax expenses of \$24.1mm, pay for closing costs of \$8.9mm and fund pre-development costs of \$28.7mm. The business plan is to convert the general commercial use building into a five-star 275 room hotel with 48,057 square feet of retail space. The loan will be secured by the Knickerbocker Building and the 0.55 acre fee simple interest land parcel on which it resides. The property consists of 306,000 square feet of rentable office and retail space that is 83% occupied.

Albertson II - \$281mm –Lehman Brothers Bank, FSB originated a pari-passu note in the aggregate amount of \$220mm of a \$1.1bn loan (“Operating Store Loan”). The Operating Store Loan included a \$144mm (Lehman Portion: \$29mm) earn-out for tenant improvements, leasing commissions and capital expenditures. Lehman also originated a pari-passu note in the aggregate amount of \$61mm of a \$304mm loan (“Closed Store Loan”). The Closed Store Loan included a \$68mm (Lehman Portion: \$14mm) earn-out for tenant improvements, leasing commissions and capital expenditures). The new loan was made to a joint venture between Lubert-Adler Funds, Cerberus Partners, Klaff Realty, Kimco Realty, and Schottenstein to refinance the original \$1.7bn loan in connection with the acquisition of a portion of the real estate assets of Albertsons. The Operating Store Loan will be secured by 308 Albertsons grocery stores, 110 fuel centers and 5 distribution centers. The Closed Store Loan will be secured by 119 closed stores, 17 fuel centers and 84 surplus properties. Greenwich is the lead bank for the financing. Due to Lehman’s typical floating rate securitization schedule, it is expected that its portion will be contributed to the floating rate securitization scheduled in the summer 2008. Lehman may also elect to securitize any portion of the loan with another lender so long as such securitization occurs after the “Outside Date” (November 15, 2007).

Ritter Ranch- \$264mm – Lehman Brothers closed on a \$264mm senior secured credit facility for SunCal’s development of Ritter Ranch project. Current development plans include a proposed 7,158 unit master planned residential community located in the city of Palmdale, California. Palmdale, located just south of Lancaster, is one of the major metropolitan areas in the southern portion of the Antelope Valley. The borrower under the facility is Palmdale Hills Property, LLC, which is a special purpose entity owned by SunCal. The loan is comprised of a \$55mm revolving credit facility and a 4-year \$209mm term loan and is secured by a perfected first lien deed of trust on the property and by pledges of equity interests in the borrower.

Balance Sheet – February

Movements onto the balance sheet:

Americas

Mountain View Park- \$124mm - Lehman Brothers Bank originated a loan in the aggregate amount of \$124mm to a joint venture between the Rockpoint Group and Presidio Investments secured by the Mountain View Research Park located in Mountain View, California. Of the full funding, \$109mm was advanced at closing and \$15mm was structured as an earn-out to pay for the cost associated with tenant improvements, leasing commissions and capital and “make-ready” improvements. Lehman bifurcated the loan into a senior loan and a mezzanine loan. The Property is comprised of 15 office buildings, totaling 524,000 square feet in an office park located in Silicon Valley. The Property was built in 1976-1980 and substantially renovated in 2006. The building is currently 58.9% occupied to a variety of high-quality tenants. An \$85mm mortgage loan (50.2% LTV based on as-is appraised value) will likely be securitized in Lehman Brothers’ next floating rate securitization scheduled for the 2nd or 3rd quarter 2007. Lehman would likely then sell a \$24 million mezzanine loan (64.4% LTV based on as-is appraised value) together with the sole obligation to fund the Earn-Out to one or more mezzanine funds, foreign or domestic banks or insurance companies.

Europe

Long Acre- \$350mm –acquisition financing to Witkoff Group for the acquisition of a Class A office building in Central London for £175mm (\$344mm) from GE Benchmark / JER; purchase price equates to £903 (\$1,774) psf (4.1% net yield and 5.5% reversionary yield). Financing includes senior debt of £124mm (\$244mm) (68.6% LTV) and £57.7mm (\$113mm) bridge equity; sponsor will contribute £8.2mm (\$16mm). LB intends to securitize the senior debt in an early 2007 pan-European Windermere transaction. The property is a 10 story, 194,000 sq ft building located in Covent Garden. The building is 100% leased to diversified tenants and rents are estimated to be 25% under market; sponsor plan is to increase rent, as 49% of rent is subject to upward review in the next 2.5 years.

Project Haussman- \$350mm –commitment to Les Docks Lyonnais to finance the acquisition of a Class-A office building in the Paris CBD. The facility is a 61.5% LTV senior facility with a seven year term and three year extension; sponsor will contribute €171.9mm (\$224mm) of equity. The asset is a 267,000 sq ft office building located in the prime Paris CBD (100% let to 2 tenants, Reuters (A3/A- stable) and Atos Euronext). The borrower SPV is owned by SIIC vehicle Les Docks Lyonnais, which in turn is 95% owned by a joint venture between UBS Wealth Management Continental Europe Property Fund and Shaftesbury International Holdings; LdL owns a portfolio of French, predominately office assets valued at €1.0bn (\$1.3bn), pro forma for the acquisition. Target exit of the entire loan through a Windermere Pan European securitisation targeted for Q2/3 2007.

Balance Sheet – February

Movements onto the balance sheet:

Asia

Ryowa - \$385mm - acquisition financing to Toranomom Capital for a tender offer bid (“TOB”) of Ryowa Life Create K.K., a Tokyo based publicly traded condominium developer. Financing consist of an ¥45.1bn (\$373mm) acquisition loan; Sponsor will contribute ¥5.0bn (\$42mm) of equity. LB will hold nominal equity for 49% of bid vehicle. Security for loan will be shares of target company, with intention for LB to refinance with real estate loan once Tender is completed. LB may also look to invest in equity of entity. Ryowa has been in distress as a result of the arrest of CEO Susumu Nishioka in May 06 over allegations of illegal property transfers; current background checks on existing management team has been positive. Sponsor has retained turnaround specialist REVAMP is looking to reorganize Ryowa post acquisition. Portfolio is comprised of 18 residential buildings currently undergoing various stages of construction, 15 vacant land parcels not yet scheduled for construction, and 27 residential buildings whose construction has not commenced for a total of 60 properties. 54 of the 60 properties are located in central Tokyo.

Movements off the balance sheet:

Americas

LB-UBS Commercial Mortgage Trust 2007-C1- \$(2.5)bn – Deal priced February 15th and settled on February 27th. Please see page 10 for more details.

March

LEHMAN BROTHERS

Balance Sheet – March

Movements onto the balance sheet:

America

2000 Penn Ave - \$112mm – LB originated an \$112mm loan secured by 2000 Pennsylvania Avenue in Washington, D.C. The Property is being refinanced by the George Washington University. The Property is a ten-story 368,180 square foot Class A office building that is well-situated in the western section of Washington DC's Central Business District. The Property boasts a current office occupancy level of 94.9% and retail occupancy of 53.5% consisting of approximately 20 ground-level retail tenants and 5 office tenants comprised of high quality service and professional firms. It is anticipated that the Lehman Brothers will bifurcate the Loan into an A Note and B Note. The A note will be contributed to the LB-UBS 2007 C2 securitization (April 2007) and the B Note will be sold to foreign and domestic financial institutions or subordinate debt buyers.

Extendicare - \$90mm – LBB originated a loan in the amount of \$90mm to a special purpose affiliate of Extendicare Health Services, Inc. The loan is interest only for the first two years and then will amortize on a 25 year basis thereafter. The interest rate is fixed at 6.79%. The loan is secured by a portfolio of 14 skilled nursing properties located across the United States.

2100 Penn Ave - \$88mm – LB originated an \$88mm loan secured by 2100 Pennsylvania Avenue in Washington, D.C. The Property is being refinanced by the George Washington University. 2100 Pennsylvania Avenue is an eight-story 301,939 square foot Class A office building that is well-situated in the western section of Washington DC's Central Business District. The Property has a current occupancy level of 98.0% consisting of approximately 7 ground-level retail tenants and 8 office tenants comprised of governmental, service and medical professional firms. Lehman will bifurcate the Loan into an A Note and B Note. The A Note will be contributed to the LB-UBS 2007 C2 securitization (April 2007) and the B Note will be sold to foreign and domestic financial institutions or insurance companies.

Balance Sheet – March

Movements off the balance sheet:

Americas

340 Madison- \$(440)mm – The sale of the 340 Madison Mortgage loan for \$400mm and the Senior Mezzanine loan for \$40mm closed on 3/19/07. Mortgage was sold at L+115 and the mezzanine at L+175. The mortgage loan represented a fully funded LTC of 62.7% with the senior mezzanine representing 67.7% LTC. Lehman is currently retaining the \$32mm Junior Mezzanine Loan. The loan initially funded on November 9, 2006. It was secured by a 22- story Class A office building located at 340 Madison Avenue in New York, NY. Sponsor is Broadway Real Estate Partners.

John Hancock- \$(190)mm – Original loan funded on 12/18; financing commitment to Broadway Real Estate Partners for the \$3.425bn acquisition for a portion of the Beacon Fund II Portfolio. Assignment was split 50% LB / 50% Greenwich; sponsor contributed \$320mm of permanent equity. John Hancock loan was one of 8 properties in the portfolio. It was securitized in the Greenwich Capital Commercial Funding Corp., 2007-GG9 deal that priced on Feb 21st and closed on March 8th.

Movements on the balance sheet:

Europe

Kapiteeli - \$522mm- acquisition financing to Whitehall Street and Niam for the purchase of 563 commercial properties located throughout Finland. The portfolio consists of 55% retail, 35% office and 10% mixed use with greatest concentration (42%) in Helsinki, Tampere and Turku. The \$522mm senior note is expected to be included in a 2007 Windermere transaction.

Pearl - \$500mm - Bridge financing to long term asset backed financing of JAZFA's warehouse, storage and distribution facilities (Jebel Ali Port complex). Financing was a \$2bnn 6 month bridge loan from LB, Dubai Islamic Bank, Deutsche Bank and Barclays (each 25%), LB exposure is \$500mm. JAZFA is a decree company considered to have government-like status. Bridge security is guarantee by JAZFA (unrated, indicative A) with covenant requiring 100% Dubai government ownership and mandatory prepayment upon asset sales. Bridge funded week of 19 March 2007 with securitization targeted by July 2007

Balance Sheet – March

Movements on the balance sheet:

Europe

Devonshire (Senior Loan) - \$373mm – financing for the acquisition of a Class A office building in London's West End, with purchase cost of £294mm (\$581mm), a 4% net initial yield and 5.6% reversionary yield. Facilities include a £190mm (\$375mm) 68% LTV senior loan, £16mm (\$32mm capex facility) and £89mm (\$176mm) bridge equity commitment. The asset is a 187,000 sq ft office building located in Mayfair, 100% let to 10 tenants and approximately 30% under rented. Bridge equity syndication began after closing- target it have it all placed within six months; the senior loan exit strategy is through the next Windermere UK transaction, expected 2Q:2007 or 3Q:2007.

Octopus - \$338mm - acquired a German commercial real estate portfolio; bid price was €240.7mm (\$316mm); seller is Sireo, the asset management arm of Deutsche Telekom; LB acquired the portfolio together with Berlin-based asset management company Barg Group, which will invest 10% of the equity. Financing by LB included senior debt of €19.2mm (\$288mm) (90% LTV), mezz at €9.7mm (\$13mm) (94% LTV), equity of €5.6mm (\$34mm) and a capex facility of €2.9mm (4mm). LB intends to exit from the portfolio within 12 months of closing through the sale of sub portfolios; the senior loan may be securitized and the mezz syndicated. Portfolio includes 41 properties and the composition (by rental income) is office (53%), technical (23%) and storage and retail (23%); Deutsche Telekom (A3/A-/A-) represents 76.7% of rental income under new leases; the top ten tenants account for 92.5% of rents. Barg Group manages 35mm square feet of rentable space and previously has co-invested and asset managed German real estate investments exclusively with Babcock & Brown

Movements off the balance sheet:

Asia

DTC 8 - \$(339)mm – settlement of securitization – please see page 55 for details

April

LEHMAN BROTHERS

Balance Sheet – April

Movements onto the balance sheet:

Americas

Project Elevation - \$332mm – Financing in connection with Morgan Stanley Real Estate Value Fund V, L.P.’s acquisition of The Blackstone Group’s downtown San Francisco office portfolio purchased from EOP. The portfolio consists of 10 Class A office buildings and 1 parking garage; Lehman will be financing the acquisition of 7 out of 10 of the office assets within the financial district. Total capitalization will be \$712mm. On 4/24/07 Lehman funded \$214mm of the senior and \$117mm of the mezzanine loan representing four properties; remaining balance will be completely funded by June 2007. Lehman will likely contribute the senior into its floating rate securitization in the 3rd quarter of 2007 and will sell the remaining mezzanine loan to financial institutions.

Wells Fargo Tower- \$279mm – Lehman Brothers ALI, Inc co-originated a \$550mm loan to Maguire Properties with RBS Greenwich Capital to refinance a building known as the Wells Fargo Tower located at 333 Grand Avenue. The whole loan is evidenced by two (2) pari passu notes in the respective principal amounts of \$281mm (the “A1 Note”) and \$270mm (the “A2 Note”). The A1 Note was originated by Lehman while the A2 Note was originated by Greenwich. The Whole Loan is secured by the Wells Fargo Tower located in Downtown Los Angeles, CA. Originally constructed in 1982, this 54-story Class A office building is one of the nine elite “trophy” assets in the area. The entire Lehman portion of the Loan will likely be contributed to an upcoming Lehman Brothers fixed rate securitization during the third quarter of 2007.

Courvoisier Centre - \$112mm - Lehman Brothers Bank FSB originated a \$112mm loan to Tishman Speyer Properties to finance the acquisition of the Courvoisier Centre in Miami, FL. The Property consists of two class-A office buildings, a retail arcade and an attached structured parking garage located on Brickell Key Island. The property is currently 89% occupied with 65 office and retail tenants. The \$112mm mortgage loan will be securitized as part of an upcoming Lehman Brothers fixed rate securitization.

Balance Sheet – April

Movements on the balance sheet:

Europe

Devonshire House (Bridge Equity) - \$177mm - financing related to the acquisition of a Class A office building in London's West End, with purchase cost of £294mm (\$589mm), a 4% net initial yield and 5.6% reversionary yield. Facilities include a £190mm (\$381mm) 68% LTV senior loan, £16mm (\$32mm capex facility) and £89mm (\$178mm) bridge equity commitment. The asset is a 187,000 sq ft office building located in Mayfair, 100% let to 10 tenants and approximately 30% under rented; the business plan is to capture reversion of rent to market through upcoming rent reviews and improve asset management through refurbishment. Bridge equity syndication began immediately after closing; the senior loan exit strategy is through the next Windermere UK transaction, expected 2Q:2007 or 3Q:2007.

Movements off the balance sheet:

Europe

Windermere X - \$(1.9)bn- settled- please see page 54 for details

Movements on the balance sheet:

Asia

Project Cowboy- \$203mm – \$203mm loan to Goldman Sachs and KK Taurus Realty; secured by first mortgages on 16 properties in various locations in northern Japan (15 shopping centers and 1 office building). Position will likely be put in a securitization pool after a one year holding period.

Project Silvercourt - \$148mm – \$148mm (denominated in HKD) to Double Star Assets and Alpha Results Holdings & Bountiful Overseas. Acquisition financing of entire interest of a office/retail/serviced apartment building in Shanghai. Loan will be split between: Senior - \$85mm; Mezz - \$38mm and Junior Mezz- \$25mm. Exit is likely to be through syndication.

May

LEHMAN BROTHERS

Balance Sheet – May

Movements onto the balance sheet:

America

Beacon Fund - \$2,045mm - Financing commitment to Broadway Partners to acquire a sub-portfolio of Beacon Capital Strategic Partners III, L.P. Portfolio encompasses 5.7mm square feet of Class A office space in New York, Boston, San Francisco, and Los Angeles. Financing consists of \$1,581mm of senior debt, \$322mm of senior bridge mezzanine, and \$142mm of junior bridge mezzanine; sponsor contributed \$113mm of equity. Lehman plans to contribute the investment grade portion of the fixed and floating rate loans to its next fixed and floating rate securitizations, scheduled for the 3rd quarter 2007; the portion beyond investment grade and the mezzanine loan will be marketed by Lehman to institutional investors; Lehman's bridge mezzanine is intended to be fully redeemed within 12 months of close through either co-investor syndication or additional Broadway Fund III investors.

237 Park Avenue - \$1,287mm - Financing commitment to Broadway Real Estate Partners to acquire 237 Park Avenue. Broadway is acquiring a portion of the property through its recently announced acquisition of Beacon Fund III; remaining interests in the property will be purchased by Monday Properties. Financing comprises of \$900mm senior debt, \$225mm of senior bridge mezzanine, \$104mm of junior bridge mezzanine, and \$58mm of bridge equity; sponsor contributed \$53mm of equity. Collateral is a 21-story Class A office tower located in the Grand Central Submarket in Midtown Manhattan; property is 98% occupied. Lehman plans to contribute the investment grade portion of 237 Park Loan into the next fixed rate securitization; the portion beyond investment grade and the mezzanine will be marketed by Lehman to institutional investors; Broadway plans to syndicate all of Lehman's bridge equity within six months.

Beacon Capital Strategic Partners III - \$912mm - Financing of \$912mm to purchase the Rosslyn, VA assets of Beacon Capital Fund III for \$1.225mm from Broadway Partners, the winning bidder of the entire Beacon fund. Sponsors are Monday Properties and LBREP II, each committing to \$40mm equity each, with LB providing \$310mm of bridge equity on 1000 -1100 and 1101 Wilson Blvd and an additional \$41mm of bridge equity on the newly added 1812 building. LB will underwrite \$645mm of new debt, \$568mm of CMBS (\$385mm A-Note; \$183mm B-Note) and \$77mm in bank debt; Sponsors would assume \$251mm of existing debt.

Balance Sheet – May

Movements on the balance sheet:

Americas

Toy Building - \$461mm - Financing commitment to L&L Acquisitions to acquire and redevelop 200 Fifth Avenue, the Toy Building, a New York office tower prominently located in the Flat Iron District Submarket in Midtown Manhattan. Total capitalization of \$820mm; includes \$575mm construction loan and a \$195mm bridge equity investment. Lehman's equity commitment also includes \$45mm of permanent equity in the Sponsor Entity; L&L will be making a \$5mm equity investment. Funded \$293mm of the senior loan and all of bridge and permanent equity in May 07. Syndicated half of the permanent equity to LBREP on 5/24, thereby splitting Lehman's 60% co-GP interest. Business plan is to redevelop the asset and lease the space as Class A office. L&L plans to syndicate Lehman's bridge equity within a six month period.

Crescent Hotels - \$387mm - \$477 million financing package for Walton Street Capital, LLC in connection with their acquisition of Crescent Real Estate Equities' Portfolio of six hotel properties, one office tower and a golf course. Financing Package consists of five individual senior loans totaling approximately \$387mm and one preferred equity component of approximately \$90mm. Funded senior loans on 5/24. Lehman will likely contribute the senior loans into its floating rate securitization in the 3rd quarter of 2007. It is anticipated that Lehman Brothers will market all of the Preferred Equity to institutional investors.

Movements off the balance sheet:

Americas

LBUBS 2007 –C2 securitization - \$(2.4)bn- settled – please see page 53 for details

Balance Sheet – May

Movements on the balance sheet:

Europe

Fintecna - \$355mm – One of two acquisition facilities to Torre RE Speculative SGR, the fund manager of Fortress's Italian real estate fund Torre RE Fund I, to finance cross collateralized portfolios. Fintecna Portfolio: €255mm (\$342mm) 74.4% LTV senior loan and €64mm (\$86mm) VAT facility to finance a portfolio of 11 office buildings located principally in Rome. The senior loan and VAT facility are expected to be exited in the next Windermere pan-European securitization.

Goodwater – \$250mm - €284mm (\$381mm) facilities to sponsors LBREP (85%) and Atos (15%) to acquire two German office portfolios from separate vendors. The senior loan facility has an 86.8% LTV and will be drawn in two stages; one occurred in May 2007 and one will be in June 2007. The portfolios contain 89 mostly office properties (61%) covering 2.7mm sf of space geographically spread across Germany. Exit of the senior loan is targeted for Q1 2008 in either a German or pan-European securitization.

Asia

LJAC 4 - \$(650)mm - settlement of securitization. Please see page 56 for details

June

LEHMAN BROTHERS

Balance Sheet – June

Movements onto the balance sheet:

America

Innkeepers \$1,214mm – acquisition financing of \$1.2bn to Apollo Investment Corp for a take private Innkeepers USA Trust, a public hotel REIT. Financing represents 80% LTC; loan was split into \$825mm fixed rate debt, \$368mm floating rate debt, and a \$21mm term loan. The term loan is secured by the Hilton Suites in Anaheim, CA; sponsor equity is \$198mm. Approximately \$412mm of fixed rate debt will be securitized in the LBUBS C6 deal. Assets are 69 hotels, primarily extended stay and limited service; main flags are Marriot's Residence Inn and Hamptons Inn.

EOP Austin- \$1,095mm – financing to Thomas Properties Group to acquire and manage a 3.5mm square foot office portfolio in Austin, Texas. Funded \$688mm of debt and \$212mm of bridge equity. The portfolio represents the former EOP Austin portfolio which was purchased by Blackstone Real Estate Partners as part of their \$39bn take-private acquisition of the public REIT. The EOP Austin portfolio includes five of the city's premier CBD office buildings and five class A/B suburban assets. The overall portfolio is approximately 84% leased at rents that are more than 25% below market. Lehman and Thomas Properties are jointly syndicating Lehman's equity to third party investors.

Calwest \$612mm – financing provided to Walton Street Capital to co-fund a \$2.45 billion (\$104 psf) financing package for the acquisition of a 98 property industrial portfolio comprising 23.6mm sq ft located in seven states and thirteen MSA's throughout the United States. The portfolio is being sold by a joint venture between RREEF and CalPERS for a total purchase price of \$2.78 billion. Lehman funded 25% or \$612mm. Lehman intends to securitize its portion of the Mortgage Loan in Lehman's 2008 floating rate securitization. The mezzanine loan was bifurcated into a senior mezzanine loan and a junior mezzanine loan. The junior mezzanine Loan will be jointly-marketed by Barclays, Lehman and Goldman in August 2007. Lender's plan for the Senior Mezzanine Loan is to sell to investors in conjunction with any of the aforementioned securitizations.

Balance Sheet – June

Movements onto the balance sheet:

America

Fontainebleau Las Vegas \$400mm – financing to Fontainebleau Resorts, LLC; the loan was bifurcated into a \$315 million senior loan and a \$85 million mezzanine loan. The Senior Loan is secured by a first mortgage on the leasehold estate (expected to be converted to the fee title upon completion) of the retail space and the Mezzanine Loan is secured by a pledge of ownership interest in the Borrower. The Sponsor is developing the Fontainebleau Las Vegas Casino and Resort, a \$1.8 billion high-end casino hotel resort with full-scale gaming, lodging, convention, residential, entertainment and retail operations located at the north end of the Las Vegas strip. Lehman intends to syndicate the Senior Loan to one or more foreign or domestic banks in the 3rd quarter of 2007 and at the time of syndication, Lehman will determine whether to hold the \$85 million Mezzanine Loan.

Europe

Gospel - \$1,700mm -£1.6bn (\$3.3bn) financing for Northern Rock's entire commercial real estate portfolio. The bid price was approximately 101.3% premium based upon excess spread in the pool. The portfolio contains 1159 fixed and floating rate loans backed by 2000 properties, with a weighted average LTV of 68%, 3.5 year seasoning and historically low delinquencies. The portfolio is diversified by asset type (43% office, 21% retail, 16% industrial) and geography. The pool is granular with some concentrations, the top ten loans account for 20% of pool with the largest asset accounting for 3.7%. The first tranche of \$1.7bn funded in June and the remaining tranches to fund through August. The exit of the portfolio would be through securitization in November 2007. Based upon the initial LTV the estimated capital structure would include 83.5% AAA.

Vintners - \$320mm - GBP 182mm (\$367mm) firm commitment to provide acquisition financing for Lehman Brothers (90%) and Atlas Capital (10%) purchase of an office building in the City of London. The financing includes GBP 117mm (\$236mm) senior loan at 65% LTC, a GBP 4mm (\$8mm) capex facility, bridge equity of GBP 50.3mm (\$102mm) and joint venture equity of GBP 11.3mm (22.8mm). The asset is a 268,045 sq ft office building located on the Thames in the London City market. The business plan is to asset manage the property and take advantage of expected City rental uplifts; 38% of rent rolls in the initial three years. Bridge equity syndication is targeted within six months; the senior loan exit strategy is through the next Windermere UK transaction, expected 3Q:2007 or 4Q:2007. In June, the senior and balance of equity funded.

Balance Sheet – June

Movements off the balance sheet:

Europe

IZD Tower - \$(144)mm - acquisition financing to Matrix Property Fund Management concerning the purchase of IZD Tower from Doughty Hanson; Matrix paid €247.5mm (\$330mm) which equates to a 5.7% net initial yield. Financing consisted of a €236mm (\$315mm) senior loan (90% LTC, 94.3% LTV) and €19.4mm (\$26mm) of bridge equity; the senior loan was split into a five-year €155.6mm (\$208mm) senior tranche (62.8% LTV) and a €77.8mm (\$104mm) nine month bridge debt tranche (62.8% - 94.3% LTV). IZD Tower is a 38-story office tower located in the business district of Donau City of Vienna; the tower has 63,323 sqm and was completed in 2001. As of June 15, 2007 a junior tranche of the senior loan was syndicated for €87mm (\$118mm) or 60-94.3% LTV and the €19.4mm (\$26mm) bridge equity was also sold down.

Americas

Forte Village - \$(391)mm – sale

July

LEHMAN BROTHERS

Balance Sheet – July

Movements onto the balance sheet:

Americas

Dermody- \$1.5bn – \$1,540mm financing commitment to ProLogis to acquire and manage a 25 million square foot industrial portfolio located in Reno, the Mid-Atlantic, Las Vegas, Chicago and Southern California; the portfolio was sold by DP Industrial, a joint venture between Dermody Properties and the California State Teachers' Retirement System (CalSTRS). Lehman's financing is comprised of an approximate \$965mm bridge debt commitment and a \$575mm bridge equity commitment. Majority of the portfolio is comprised of warehouse/distribution centers (93%) while the balance of the portfolio consists of light industrial (6%) and office/flex (1%).

Europe

Coeur Defense- \$2.9bn – Firm financing commitment for a €1.63mm (\$2.2bn) senior loan and €475mm (\$655mm) bridge equity financing to support the acquisition of the Coeur Defense office building located in the La Defense business district in Paris. The vendors are Whitehall and Unibail. The property was constructed in 2001 and comprises 1.8mm sf of Grade A+ office space in La Defense. Funded 13 July 2007; 50% of senior loan syndicated to Goldman Sachs at closing.

Movements off the balance sheet:

Americas

LBCMT 2007 C3 - \$(3.2)bn

August

LEHMAN BROTHERS

Balance Sheet – August

Movements on and off the balance sheet:

Americas

LBFRFC 2007 C5 - \$(2,310)mm – retained approximately \$1.15bn of the bonds

LB-UBS 2007 C6 - \$(1,910)mm

Europe

Gospel - \$973mm – further financing for Northern Rock's entire commercial real estate portfolio. The bid price was approximately 101.3% premium based upon excess spread in the pool. The portfolio contains 1159 fixed and floating rate loans backed by 2000 properties, with a weighted average LTV of 68%, 3.5 year seasoning and historically low delinquencies. The portfolio is diversified by asset type (43% office, 21% retail, 16% industrial) and geography. The pool is granular with some concentrations, the top ten loans account for 20% of pool with the largest asset accounting for 3.7%. The first tranche of \$1.7bn funded in June. The exit of the portfolio would be through securitization in November 2007. Based upon the initial LTV the estimated capital structure would include 83.5% AAA.

Project Beta - \$453mm – financing consisted of a €14mm (\$432mm) one year acquisition bridge loan and €14.7mm (\$20mm) equity investment for the purchase of up to 100% of publicly traded Italian closed end real estate fund, Fondo Beta. The acquisition loan is at the Bidco level and will be secured by the fund units. LTC is 86% of the acquisition costs with 10% (€48mm or \$66mm) equity provided by the sponsors. The acquisition debt has an effective 72% LTV and maximum LTV of 75%. The fund comprises 27 mainly office properties located 70% in Rome. The business plan calls for renegotiation of the fund management fee to market levels for significant savings, and disposal of the portfolio over a three year period. The loan exit is planned through an immediate 100% syndication to Italian banks.