

12/12/07

LB Expected Share of Real Estate Commitments (\$24,798 in millions)

Transaction	LB Commitment	Funded*	Page #
	\$378		
25 Broad		Yes	8
237 Park Avenue	\$867	Yes	3
Archstone (Project Easy Living)	\$5,361	Yes	1
Beacon Capital Strategic Partners III (Rosslyn)	\$673	Yes	4
Beacon Fund III	\$1,153	Yes	2
Beta	\$298	Yes	6
Calvino	\$477	No	6
Coeur Defense	\$1,239	Yes	2
Crescent Hotel Portfolio	\$477	Yes- P	5
Dermodly Portfolio	\$1,540	Yes	2
Diversity Funding / Project Gospel	\$2,846	Yes- P	1
Drapers Garden	\$0	Yes	8
EOP Austin	\$900	Yes- P	3
Fontainebleau 320	\$300	Yes- P	9
Project Green (German CRE Yellow & Blue)	\$848	Yes	5
GM Building	\$475	Yes	5
Goodwater Advantage (German Office)	\$407	Yes- P	7
Harpen Immobilien	\$0	Yes	8
Heritage Fields	\$650	Yes	4
Innkeepers USA Trust	\$760	Yes	4
Intrawest	\$456	Yes- P	6
Octopus (German Office Portfolio)	\$362	Yes	8
Project Deuce	\$448	Yes	3
Project Elevation	\$365	Yes- P	5
Project Murphy	\$1,575	Yes	1
Ryowa Life Create	\$448	Yes	7
Toy Building	\$793	Yes- P	4
Trizec Atlanta (Tishman Speyer)	\$340	Yes	6
Vintners Place	\$364	Yes	7
Total	\$24,798		

12/14/07 Foreign Exchange Summary

- €1 = \$1.44212
- £1 = \$2.01686
- \$1 = ¥113.429

* **P = Partially Funded**

** **Bolded transaction(s)(if any) indicate new transaction(s).**

LB Expected Share of Real Estate Commitments

- **Total Commitments down \$659mm to \$24,798 from \$25,457mm**
Syndication Risk (final docs)

- **Archstone (Project Easy Living) \$5.361bn (no change on the week)**

- Lehman acted as lead co-lender (47.3%) with BoA (27.5%), and Barclay's (25%) of the \$22.97bn acquisition of Archstone-Smith Trust by Tishman Speyer Properties and Lehman (equity investor).
- Financing transaction closed on October 5, 2007, and consists of \$17.87bn senior floating loan, \$4.6bn bridge equity, and \$500mm permanent equity.
- Lehman's allocable share of financing: \$8,450mm senior debt \$2.176bn bridge equity.
- Exposure reductions to date:
 - \$7.1bn (LB share \$3.358bn) sold to FNMA (closed 10/5/07).
 - \$1.8bn (LB share \$850mm) sold to Freddie Mac (closed early 11/1/07)
 - \$1.35bn asset sold (LB share \$655mm) to Irvine Companies.
 - \$40mm term loan A paydown (LB share \$18.9mm)
 - \$43mm (LB share \$20.3) syndicated out dollar price of 97. Issuer will make up difference to dealers.
- Lehman's current exposure:
 - \$2.47bn Term Loan, \$541mm mezz loan, \$2.14bn bridge equity.
- Lehman's Real Estate Private Equity Group retained \$250mm permanent equity position.
- Lehman and Tishman are co-GP's of the newly formed core multifamily property fund each investing \$250mm of equity. Future bridge equity investors will become LP's.
- Archstone-Smith is one of the largest U.S. multifamily REITs with asset concentrations in the best U.S. markets including Washington, D.C., New York City, San Francisco and Southern California

- **Diversity Funding / Project Gospel - \$2,846mm (down \$19mm on the week)**

- £1.4bn (\$2.84bn) purchase of Northern Rock's entire commercial real estate portfolio at 101.3% premium. Agreed May 2007 and funded August-October 2007.
- The loans have 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. Servicing for the portfolio is currently carried out by Northern Rock, third party servicers have been considered.
- Northern Rock is a leading UK retail mortgage bank reliant upon wholesale funding, and under current market conditions has received emergency backstop funding from the Bank of England. The share price has dropped 75% since July and a sale is being explored.
- Securitization is targeted for early 2008, subject to market conditions.

- **Project Murphy - \$1,575mm (no change from last week)**

- Lehman is 7.5% (\$1.575bn) co-lender in the financing consortium which provided acquisition financing for Blackstone Group's \$26bn purchase of Hilton Hotels Corporation.
- \$21bn senior loan financing, funded October 22' 2007, is secured by Hilton's owned and leased hotels, timeshare collateral and franchise asset represents an 80% loan to cost.
- Exposure reduction:
 - IG portion (\$620mm - 31.4% LTV) to be contributed to a standalone floating-rate securitization planned for the 1Q08. The mezz tranches would be sold to institutional investors.
- Lehman' current exposure:
 - \$1.575bn: \$1.0bn Term Loan, \$571mm mezz loan.
- Hilton owns, manages and develops hotels, resorts, timeshare and franchising of lodging properties. Hilton's system contained 3,005 properties with 505,363 rooms located in 76

countries. 50% of Hilton owned property EBITDA is generated from four trophy properties. Americas account for 72% of company EBITDA.

- **Beacon Fund III Portfolio \$1,152.5mm (no change on the week)**
 - Acquisition financing for Broadway Partners to purchase a sub-portfolio of Beacon Capital Strategic Partners III, L.P.
 - Financing package funded May 16, 2007 and is comprised of \$1,581mm of senior debt, \$322mm of senior bridge mezzanine, and \$142mm of junior bridge mezzanine; sponsor contributed \$113mm of equity
 - Exposure reduction:
 - \$144mm was securitized in the LBCMT 2007-C3
 - \$330.2mm securitized in LBFRC C5
 - \$418.3mm securitized in LBUBS C6
 - IG portion of the fixed and floating rate loans are targeted for securitization in the 1Q08.
 - Mezzanine loan[s] will be marketed by Lehman to institutional investors;
 - Bridge mezzanine is intended to be fully redeemed within 12 months of close through either co-investor syndication or additional Broadway Fund III investors.
 - Lehman's current exposure:
 - \$689mm senior loan, \$464mm mezzanine.
 - Portfolio encompasses 5.7mm square feet of Class A office space in New York, Boston, San Francisco, and Los Angeles

- **Dermody Portfolio \$1,540mm (no change on the week)**
 - \$1,540mm acquisition financing for ProLogis purchase of 25mm sq ft industrial portfolio located in Reno, the Mid-Atlantic, Las Vegas, Chicago and Southern California
 - Financing package funded July 11th and is comprised of \$965mm bridge debt and \$575mm bridge equity.
 - Exposure reduction:
 - The senior bridge loan is expected to repaid from refinancing and equity proceeds. Met Life no longer interested in funding \$540mm refinancing.
 - Lehman and ProLogis intend to jointly syndicate bridge equity by 1Q08.
 - Lehman's current exposure: unchanged from origination.
 - Portfolio comprised of warehouse/distribution centers (93%) light industrial (6%) and office/flex (1%). The portfolio will be sold by DP Industrial, a joint venture between Dermody Properties and the California State Teachers' Retirement System (CalSTRS).

- **Coeur Defense (Paris Office) \$1,239mm (down \$20mm on the week)**
 - Original €1.63mm (\$2.35bn) 75% LTC senior loan and €475mm (\$685mm) bridge equity financing to for LBREP and Atemi's acquisition of the Coeur Defense office building located in the La Defense business district in Paris. Bridge equity accounted for 86.4% of the total equity envelope. The acquisition price was €2.10bn (4.1 % net initial yield, 4.65% reversionary)
 - The property was constructed in 2001 and comprises 1.8mm sf of Grade A+ office space in La Defense. Occupancy is 90% with 15 high quality tenants and weighted average term of 3.7 years. Rental growth is anticipated in the Paris La Defense district.
 - LBREP and Atemi have worked together on multiple transactions with LBREP owning a 40% stake in Atemi, and asset management firm with extensive French experience
 - Closed July 2007. The senior loan was syndicated 50% to Goldman Sachs at closing and exited through a \$2.1bn (total) securitization and placement of \$330mm junior unlisted notes, joint-led by GS. The junior notes were placed at closing and \$686mm of senior notes remain (LB share)
 - €75m (\$108mm) of bridge equity was syndicated to GE Pension Fund mid-August and marketing to eight investors currently.

- **Project Deuce- \$448mm (no change on week)**
 - Acquisition financing for Broadway Real Estate Partners \$3.425bn partial purchase Beacon Fund II Portfolio and will contribute \$320mm permanent equity.
 - Financing package funded December 28, 2006, consists of \$1.75bn (55.5% LTC, 1.22x DSCR) senior loan, \$1.0bn (87.3% LTC, 0.67x DSCR) mezzanine loan.
 - The financing will be split 50% LB / 50% Greenwich.
 - Exposure reduction:
 - IG loans securitized. The B-Notes (non- IG portion of senior loans) and the mezz will be jointly marketed by LB and Greenwich to institutional investors. LB contributed the senior loans over several securitizations.
 - Lehman's current exposure:
 - \$121.0mm senior loan (B-Notes) and \$327mm mezzanine loan.
 - Broadway Real Estate Partners is a private real estate investment and management firm based in NY; since 2000 Broadway has purchased approximately 8.5mm sq ft of office space valued at \$2.7bn properties include 8 office properties and a 2,000 space parking garage with over 5.8mm sq ft of space located in Boston, Washington D.C. and California

- **EOP Austin- \$900mm (no change on the week)**
 - Acquisition financing for Thomas Properties Group purchase of 3.5mm sq. ft. office portfolio located in Austin, TX
 - Portfolio includes five of the city's premier CBD office buildings (2.5mm square feet) and five Class A/B suburban assets (1.0mm square feet). Portfolio represents the former Equity Office Properties' Austin portfolio, which was purchased by Blackstone as part of their \$39bn take-private acquisition of the public REIT.
 - Financing package funded June 4, 2007, consists of a \$908mm debt commitment, \$100mm credit facility (undrawn at closing), and a \$221mm bridge equity commitment
 - Exposure reduction:
 - syndicated \$74mm of the bridge equity on July 5, 2007 to ADIA;
 - \$212mm securitized in the LBCMT 2007-C3 settled July 26, 2007;
 - \$43mm securitized in LBFRC C5.
 - Lehman current exposure:
 - \$653mm senior loan, \$147mm bridge equity and \$100mm revolver.
 - Thomas Properties is a national full-service real estate operating company. TPG has acquired properties in the West Coast, Southwest and Mid-Atlantic regions of the United States and currently owns and/or manages approximately 12mm rentable square feet, including 5.6mm sq ft in the state of Texas.

- **237 Park Avenue \$867mm (no change on the week)**
 - Acquisition financing for Broadway Real Estate Partners to purchase 237 Park Avenue. Collateral is a 21-story Class A office tower located in the Grand Central Submarket in Midtown Manhattan; property is 98% occupied.
 - Broadway acquired the property through its acquisition of Beacon Fund III; remaining interests in the property were purchased by Monday Properties
 - Financing transaction funded May 15, 2007, and is comprised of \$900mm senior debt, \$225mm of senior bridge mezzanine, \$104mm of junior bridge mezzanine, and \$58mm of bridge equity; sponsor contributed \$53mm of equity
 - Exposure reduction:
 - \$420mm was securitized in the LBCMT 2007-C3 that settled on July 26th
 - 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
 - Lehman current exposure:
 - \$480mm senior debt, \$329mm bridge mezzanine loans, \$58mm bridge equity.

- **Innkeepers USA Trust Deal - \$760mm (no change on the week)**
 - Acquisition financing for Apollo Investment Corp \$1.2bn purchase (take private) of Innkeepers USA Trust, a public hotel REIT; deal announced on April 16th
 - Financing transaction closed June 29, 2007, represents 80% LTC; loan split into \$825mm fixed rate debt, \$368mm floating rate debt, and a \$21mm term loan; term loan is secured by the Hilton Suites in Anaheim, CA; sponsor equity is \$198mm
 - Exposure reduction:
 - \$412.7mm of fixed rate debt securitized in the LBUBS 07 C6.
 - \$41.5mm contributed to LBUBS 07 C7 – priced November 21, 2007.
 - Assets are 69 hotels, primarily extended stay and limited service; main flags are Marriot's Residence Inn and Hamptons Inn

- **Toy Building- \$793mm (no change on the week)**
 - Acquisition financing for L&L Acquisitions to purchase and redevelop 200 Fifth Avenue, the "Toy Building," a Manhattan office tower located in the Flat Iron District Submarket.
 - Financing transaction closed in May 2007, includes \$575mm construction loan and \$195mm bridge equity investment. Funded \$293mm of the senior loan and all of bridge and permanent equity in May 07.
 - Lehman has a \$45mm of permanent equity investment in the Sponsor. The sponsor L&L made a \$5mm equity investment. Total capitalization of \$820mm.
 - Exposure reduction:
 - Syndicated \$22.5mm of permanent equity on 5/24
 - L&L intent is to syndicate Lehman's bridge equity within a six month after close.
 - L&L Acquisitions is a savvy New York City landlord with a portfolio of seven buildings totaling three million square feet. Business plan is to redevelop the asset and lease the space as Class A office. The sponsor pre-leased 45% of space to an advertising agency WPP.

- **Beacon Capital Strategic Partners III (Rosslyn) - \$673mm (no change on week)**
 - Acquisition financing for Monday Properties and LBREP II \$1,225mm purchase of the Rosslyn, VA - Beacon Capital Fund III portfolio from Broadway Partners, the winning bidder of the entire Beacon Fund III. 1139
 - Sponsors are Monday Properties and LBREP II who committed \$40mm of equity each
 - Financing transaction funded on May 15, 2007, includes \$568mm mortgage loan (\$385mm A-Note; \$183mm B-Note), \$120mm in bank debt, and a \$100mm revolver; Lehman also provided \$310mm of bridge equity on 1000 -1100 and 1101 Wilson Blvd and \$41mm on the newly added 1812 building; Sponsors assumed \$251mm of existing debt.
 - Exposure reduction:
 - Lehman syndicated \$90mm of the revolver and \$25mm of the bank debt on July 26th
 - \$41mm #1812 Building loan paid off October 2007.
 - Office assets in Rosslyn are high quality and represent a good repositioning and redevelopment play. institutional return on bridge equity is expected to be in the 13% area, assuming a 7 year holding period

- **Heritage Fields - \$650mm (no change on the week)**
 - The senior A&D commitment has been increased to \$775mm from \$445mm. The loan proceeds are being used for the development of the former El Toro Marine Corps Aviation Airstation in Orange County, CA. As part of the loan amendment maturity date has been extended (out 50 months with 2 one year extensions) and interest rate reduced to L+200bps.
 - Borrower is a SPV controlled by Lennar Corporation, LNR Property Corporation as developers and a consortium of seven other capital partners originally contributing a total of \$541mm of equity. As part of the amended use of proceeds the borrower may receive up to a \$125mm return of capital distribution.
 - Loan closed on 11/30/05 and refinances a temporary \$253mm bridge loan closed by LBREM in July 2005; LBREM held a 30% junior participation behind LB. The most recent amendment reduced LBREM's participation to 16% from 30%.
 - The amended loan participation is as follows: \$650mm from PTG and the \$125mm LBREM. The current funded amount totals \$547mm (\$459mm PTG / \$88mm Mezz fund).

- This is a newly planned community situated on 3,723 acres and will consist of 3,630 residential home sites, 3.1 million square feet of R&D / office space, 225,000 square feet of retail space and two golf courses
- **Project Green (combined German CRE Blue/Yellow) - \$861mm (down \$14mm on the week)**
 - €1.1bn (\$1.59bn) portfolio purchased in two pools during 2005 and 2006; performing and sub-performing German commercial real estate loans sold by AMV at 94-96% of face value.
 - 20 November 2007 the portfolio has been securitized and is being held in inventory for marketing in late 2007 or early 2008; collateral will be used for repos. The original pool amortized and also EUR 190mm (\$278mm) of loans are retained and being worked out.
 - Portfolio collateral is mixed use, primarily West German.
- **Project Elevation - \$365mm (no change on the week)**
 - Acquisition financing for MSREF V, L.P.'s purchase of 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 financed the acquisition of 7 out of 10 of the office assets within the financial district.
 - Financing transaction closed on April 24, 2007, Lehman funded \$214mm of the senior and \$117mm of the mezzanine loan secured by four properties; the remaining balance was funded in August 2007. Total capitalization will be \$712mm.
 - Exposure reduction:
 - \$187mm senior loan securitized in LBFRC C5 August 2007
 - \$160mm commitment syndicated out (\$123mm funding \$37mm future funding commitment)
 - Intend to sell the remaining mezzanine loan to financial institutions
- **Crescent Hotel Portfolio- \$477mm (no change on the week)**
 - Acquisition financing (\$477) for Walton Street Capital, LLC purchase of Crescent Real Estate Equities' Portfolio of six hotel properties, one office tower and a golf course.
 - Financing transaction consists of five individual senior loans totaling approximately \$387mm and one preferred equity component of approximately \$90mm. The senior loans funded on May 24, 2007.
 - Exposure reduction
 - Intend to contribute the senior loans into the next floating rate securitization in 2008.
 - Preferred Equity will be marketed and sold to institutional investors.
 - The hotel portion of the portfolio contains approximately 1,852 rooms and in 2006 achieved an average ADR and RevPar of \$195.11 and \$136.21, respectively. In addition, overall, the hotels have achieved a weighted average occupancy of 71%. The office portion consists of 339,116 sf of Class A office space and is 96.9% occupied.
- **GM Building \$475mm (no change on the week)**
 - On September 19, 2007 Lehman purchased 25% (\$475mm) of the \$1.9bn Deutsche Bank originated GM Building mortgage loan.
 - Macklowe Properties will use the loan proceeds to repay the existing \$1.1bn mortgage loan, retire the \$630mm bridge loan and repatriate \$134mm in equity.
 - Collateral is a 50-story Class A office tower located in the Plaza District submarket in Midtown Manhattan; property is 98% occupied
 - Macklowe Properties equity in the GM Building has been (49%) pledged as additional collateral in their financing of the Equity Office Properties NY portfolio. As a result Lehman and the lending consortium will delay until the second half of 2008 the contribution of the senior debt into a fixed rate securitization.
 - Macklowe Properties is a real estate investment firm in New York City that buys, develops, manages and leases commercial office properties and apartment building primarily in Manhattan.

- **Intrawest - \$456mm (no change on the week)**
 - Acquisition financing for Fortress Investment Group \$2.9bn acquisition of Intrawest Corporation.
 - Financing transaction consisted of a one-year \$620mm revolving facility (out of a total of \$1.775bn) and a \$80mm credit facility; facility to be split with DB and Bear; Fortress will also invest \$1.25bn of equity
 - Exposure reduction: \$5.0mm paydown
 - Lehman's current exposure: \$366mm of term loan and a \$90mm revolver
 - Intrawest is a developer of leisure-oriented resorts and adventure travel. Fortress Investment Group is an alternative investment firm founded in 1998 with over \$22bn in equity capital under management

- **Project Calvino - \$485mm (down \$8mm on the week)**
 - €331mm (\$477mm) mezzanine acquisition loan to an SPV sponsored by Whitehall, for the purchase of 95% of publicly traded Italian closed end real estate fund, Berenice. Purchase price represented an 11% premium to NAV and 7% premium to unit price at close (Sep 2007)
 - Facility is to Bidco level and secured by the fund units. LTC is 70% of acquisition costs with 30% (€147mm or \$212mm) equity provided by Whitehall. Senior secured mortgage debt at the Fund level is at 49% LTV; the acquisition loan has a 92% LTV.
 - The fund comprises 51 Italian assets with concentrations in Rome (47%) and Milan (25%). The assets are mainly high quality office buildings with some mixed use; 86% occupancy and is under rented. The business plan calls for disposal of the portfolio over a three year average period and increased rents by a 14% increase in gross rents.
 - Exit is through the planned syndication of €304mm (\$438mm) in senior mezzanine up to 87% LTV to Italian banks and retention of up to a €38mm (\$55mm) junior mezzanine piece.

- **Trizec Atlanta (Tishman Speyer) - \$340mm (no change on the week)**
 - Acquisition financing for Tishman Speyer purchase of 21 assets and five development properties located in Atlanta from Blackstone / Brookfield Properties.
 - financing transaction closed on October 2, 2006, includes: \$520mm five-year senior mortgage loan (70% LTC); \$35mm revolving facility, and \$95mm of bridge equity. Tishman will contribute \$63mm of equity
 - Exposure reduction:
 - \$182mm of senior loan securitized in LB-UBS 2006-C7;
 - \$57.2mm securitized in LBFRC 07 C5.
 - Palisades sold \$52m debt repaid, and \$14mm equity.
 - remaining investment grade paper will be securitized in upcoming floating rate securitization while the non-investment grade portion will be sold to financial institutions
 - LB and Tishman will each look to syndicate 50% of their respective equity and hold the remainder
 - One Alliance building was sold in February with LB/Tishman JV retaining a 20% ownership interest in the property.
 - Tishman Speyer is a repeat LB borrower as we have completed over \$6.2bn of real estate transactions with them; the company is headquartered in New York and has over 17 offices worldwide. Initial portfolio consists of 21 office buildings (3.4mm sq ft) clustered in 5 locations in the Buckhead, Midtown, Northwest and Central Perimeter submarkets and are on average 93% occupied (portfolio also has over 2mm sq ft of development rights)

- **Project Beta - \$298mm (down \$5mm on the week)**
 - €196mm (\$282mm) one year acquisition bridge loan and €10.7mm (\$15mm) equity investment for the purchase of up to 65% of publicly traded Italian closed end real estate fund, Fondo Beta. The purchase price represented an 8% premium to then unit price (July-07) and a substantial 23% discount to the sponsors' estimated NAV of €431mm (\$622mm).
 - The sponsor group consists of LB (31%), Pitagora (29%), a closed end real estate fund with high net worth investors; Sansedoni (20%), a leading Italian real estate company with

- €300mm (\$432mm) under management; and Immobiliare Lombarda (20%), the property management arm of Italy's third largest insurer, Fondiaria.
 - The acquisition loan is at the Bidco level and is secured by the fund units. LTC is 86% of the acquisition costs with 10% (€48mm or \$69mm) 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
- **Project Ryowa/Clover (KK Clearth Asset Refinance) (Japan)- \$448mm (up \$34mm on the week)**
 - Refinancing of acquisition bridge loans to Toranomom Capital for a tender offer bid ("TOB") of Ryowa Life Create K.K., a Tokyo based publicly traded condominium developer. Refinancing strengthen LB's financing position from unsecured margin loan and to a secured mortgage loan .
 - Facilities include JPY50.8bln (\$448mm) loan with LTV of 85% after upfront reserves deduction. The term of the loan is 18month and interest will be 1-month Yen LIBOR plus 387.5 bps.
 - Loan is secured by registered first or second priority mortgages on 30 real estate properties which will be cross-collateral and cross default.
 - 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 consists of land sites and several buildings all located within Tokyo except for two land site in Atami City and building in Chiba with total land area of 44,359 sqm and gross building area of 20,255sqm. 95% of properties located in prime locations within metropolitan Tokyo.
 - REVAMP is one of the most famous turnaround specialists in Japan; Toranomom Capital is a company with businesses in real estate consulting, M&A advisory and tax consulting pertaining to turnaround management and real estate investment.
 - Exit strategy is hold the loan until its maturity or existed partially through a syndication or sale to third-party banks and other financial institutions.
- **Goodwater Advantage (German Office) \$407mm (down \$7mm on the week)**
 - €282mm (\$407mm) 87% LTV senior loan to sponsors LBREP (85%) and Atos (15%) to acquire two German office portfolios from separate vendors.
 - The portfolios contain 89 mostly office properties (61%) geographically spread across Germany. Initial occupancy is 77% with the top ten tenants accounting for 39% of rent. The net initial yield is 5.7% with a weighted average lease term of 2.8 years.
 - Atos is an experienced Hamburg-based asset management company which will manage the properties after closing. The business plan calls for sale of 25% of the portfolio the first year, combined with improved asset management of the retained portfolio including aggressive lease-up of vacant space
 - Exit of the senior loan is targeted for Windermere XIV (road show launched Nov-2007)
- **Vintners Place (London Office) \$364mm (down \$2mm on the week)**
 - GBP 182mm (\$367mm) acquisition financing for Lehman Brothers (90%) and Atlas Capital (10%) purchase of an office building. Facilities are a GBP 117mm (\$236mm) senior loan (65% LTC), GBP 4mm (\$8mm) capex facility, bridge equity of GBP 50.3mm (\$101mm) and joint venture equity of GBP 11.3mm (23.0mm). Bridge equity accounts for 80% of equity with Atlas providing GBP 1.2mm (\$2.4mm) (10%).
 - The asset is a 268,045 sq ft office building located on the Thames in the London City market, 100% let to 12 tenants and approximately 7% under rented; the net initial yield is 5.3% and reversionary yield of 5.9%. 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
 - Funded June 2007. Bridge equity syndication is targeted within six months; the senior loan is likely to be exited through syndication in early 2008

- Atlas Capital is a specialist real estate investor founded in 2006 by principals with investment experience with UBS and the Witkoff Group; this Atlas's third investment
- **25 Broad - \$378mm (no change on the week)**
 - \$378mm senior loan to Swig Equities LLC for costs associated with the refinance and condominium conversion of a 345-unit luxury apartment building known as 25 Broad Street in the Financial District of Downtown Manhattan
 - The Project was recapitalized by a senior loan of \$378mm (89.9% LTC) and \$42.5mm of Sponsor Equity; senior was bifurcated into a \$278mm mortgage loan and a \$100mm mezzanine loan
 - The Loan has a two-year term with one 12-month extension option and pays interest at 1 month Libor + 395 bps.
 - LB originally provided a \$309mm senior loan in August 2005 for the acquisition and conversion of the property. LB's senior loan was subsequently included in the LBFCR 2006 – C2 securitization. The recapitalization will payoff the property's existing debt and remaining hard and soft costs of the conversion
 - The Borrower's business plan is to convert the Property to residential condominium units.
 - Swig Equities, LLC is a fully integrated real estate firm focusing on the acquisition, development and management of residential and commercial real estate
- **Octopus Portfolio (German Office Portfolio) - \$362mm (down \$6mm on the week)**
 - LB acquisition with Berlin-based asset management company Barg Group of a German commercial real estate portfolio. Barg contributed 10% of equity.
 - Financing includes senior debt of €221mm (\$319mm) (90% LTV), mezz at €9.9mm (\$14mm) (94% LTV), equity of €25mm (\$36mm) and a capex facility of €2.9mm (\$4mm)
 - The portfolio includes 41 properties: office (53%), technical (23%) and storage and retail (23%); Deutsche Telekom (A3/A-/A-) represents 76.7% of rental income
 - Closed Mar 2007; LB initially intended to exit from the portfolio within 12 months of closing through the sale of sub portfolios; now considering debt syndication and sale of equity
 - 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
- **Drapers Garden (London Office Development) NA (down \$269mm – to be removed)**
 - Closed June 2007. Exit is planned through syndication. £40mm (\$81mm) senior exposure was syndicated to SNS Property Finance in November 2007. **Additional £99mm (\$200mm) to closed 30 Nov 2007. LB retained £32mm (\$65mm) of which £11mm (\$22mm) is junior mezzanine (70-75% LTC) and £21mm (\$42mm) is pro rate in 56-70% LTC tranche.** As a result of the sale exposure is now below the \$300mm top risk threshold.
- **Harpen Immobilien NA --- (down \$343mm – to be removed)**
 - **A note syndicated 30 Nov 2007 with \$64mm B notes retained on balance sheet currently.** As a result of the sale exposure is now below the \$300mm top risk threshold.
- **Fontainebleau – \$300mm (no change on the week)**
 - \$400mm construction loan to Fontainebleau Resorts for the acquisition and development of 286,500 sq ft of Fontainebleau Las Vegas Casino & Resorts development retail space.
 - The construction commenced in January 2007. Estimated completion Oct. 2009.
 - The Loan was bifurcated into a \$315mm senior loan and \$85mm mezzanine loan. \$126mm of senior loan and 100% of the mezzanine loan were funded on June 6, 2007. The Senior Loan is secured by leasehold estate (expected to be converted to the fee title upon completion) in the Retail Space and the Mezz Loan is secured by a pledge of borrowers equity.
 - Exposure reduction:
 - \$80mm senior note syndicated on September 24, 2007.
 - \$20mm senior note syndicated on October 25, 2007
 - Lehman's current exposure
 - \$215mm senior loan and \$85mm mezzanine loan.

- The senior loan is projected to yield a 12.7% IRR with \$131.7mm profit over 40-month holding period. However, if the Senior Loan is syndicated at the assumed sizing and pricing Lehman's \$85mm Mezz Loan is projected to yield a 20.7% IRR with \$73.2mm profit over same period.
- The loan structure features a Completion Guaranty, Payment Guaranty and Environmental Indemnity by Jeffrey Soffer and Fontainebleau Resort
- Fontainebleau Resorts, LLC, formed by Jeffrey Soffer (Principal of Turnberry Associates) and Glenn Schaeffer (former President and CEO of Mandalay Resort Group), operates and develops luxury hotels, condominiums, convention facilities and gaming operations in key urban markets.

TO BE REMOVED NEXT WEEK

- **Harpen Immobilien \$342mm (down \$5mm on the week)**
 - Senior debt financing to Cerberus and Whitehall to purchase Harpen Immobilien from parent RWA AG; Harpen owns 71 properties in Germany and a 90 employee development business. Sponsors are winding down development business.
 - Portfolio is mixed including 24% logistics, 23% office and 20% industrial; well diversified by tenant and property (top 5 assets 36%)
 - A-Notes initially targeted for pan European securitization or but now are in syndication process; B notes to be syndicated separately
 - **A note syndicated 30 Nov 2007 with \$64mm B notes retained on balance sheet currently,**
- **Drapers Garden (London Office Development) \$272mm (down \$1mm on the week)**
 - £172.5mm (\$355mm) 75% LTC senior construction loan and £2mm (\$4mm) VAT facility to finance the development of the Drapers Garden office building by sponsors Omega Land BV (wholly owned by MSREF, 80% partner) and Canary Wharf (20%).
 - The project consists of the demolition of a major 1960's tower building and speculative development of a 290,000 sf Grade A office building in a prime location within the City of London. Practical completion is scheduled for August 2009, with a targeted projected sales date of March 2011.
 - Both sponsors are existing LB clients. Morgan Stanley Real Estate Funds was formed in 1990 and has acquired a total of \$14bn of European assets. Canary Wharf is an integrated property development and investment group which owns and manages the Canary Wharf estate.
 - Closed June 2007. Exit is planned through syndication. £40mm (\$82mm) senior exposure was syndicated to SNS Property Finance in November 2007. **Additional £99mm (\$204mm) to closed 30 Nov 2007. LB retained £32mm (\$66mm) of which £11mm (\$23mm) is junior mezzanine (70-75% LTC) and £21mm (\$43mm) is pro rate in 56-70% LTC tranche**