Confidential

Global Real Estate Group

GREG University

START Analysts & Associates Deep Dive Training

September 2007

LEHMAN BROTHERS

Agenda – Week of September 10th

All Training will take place in Conference Room 8A.

I. Monday, September 10th

9:30 – 11:00	Overview of GREG and Basic Real Estate Concepts
11:00 – 11:15	Break
11:15 – 12:00	Basic Real Estate Concepts and Market Trends
12:00 – 1:00	Break for Lunch
1:00 – 2:15	Conduit Presentation
2:15 – 3:30	Large Loan Presentation
3:30 – 3:45	Break
3:45 – 5:00	Lines of Credit / Structuring Presentation

I. Tuesday, September 11th

9:00 – 9:30	Recap of Day One; Questions
9:30 – 10:45	Securitization Presentation
10:45 – 11:00	Break
11:00 – 12:15	Mezzanine - Equity Presentation
12:15 – 1:15	Break for Lunch
1:15 – 2:30	Bridge Equity Presentation
2:30 – 3:45	Asset Management Presentation
3:45 – 4:00	Break
4:00 – 5:00	Creative Services Presentation

Agenda – Week of September 10th

All Training will take place in Conference Room 8A.

I. **Wednesday, September 12th**

9:00 – 9:30	Recap of Day Two; Questions
9:30 – 10:30	Our Culture
10:30 – 11:00	Presentation by GREEN and GREAT
11:00 – 11:15	Break
11:15 – 12:00	Brainstorming
12:00 – 1:00	Break for Lunch
1:00 – 2:30	Rotation #1
2:30 – 4:00	Rotation #2
4:00 – 5:30	Rotation #3
5:30	Delivery of Placements

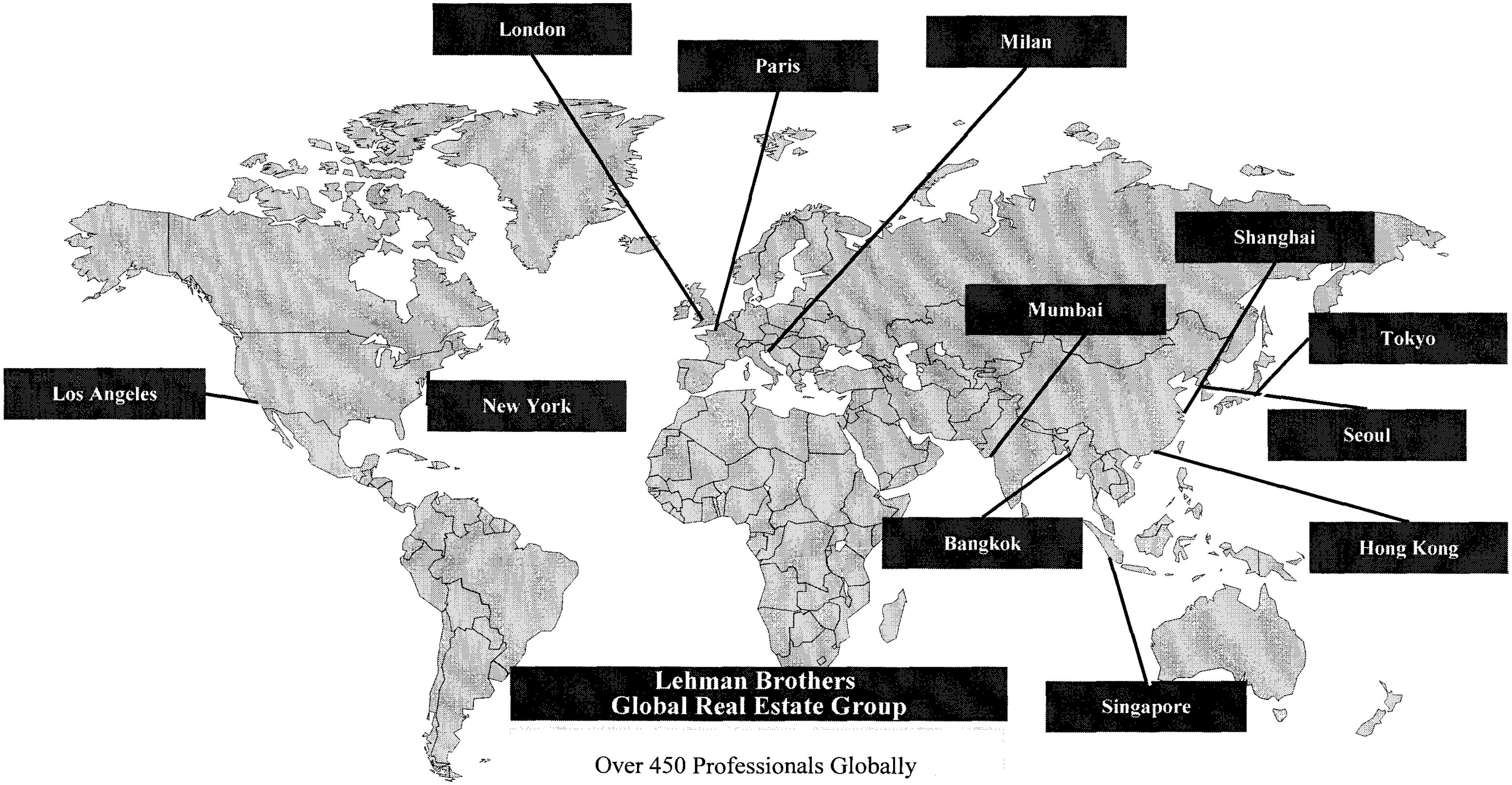
Global Real Estate Group Overview

Lynn Gray, SVP, Global CAO

LEHMAN BROTHERS

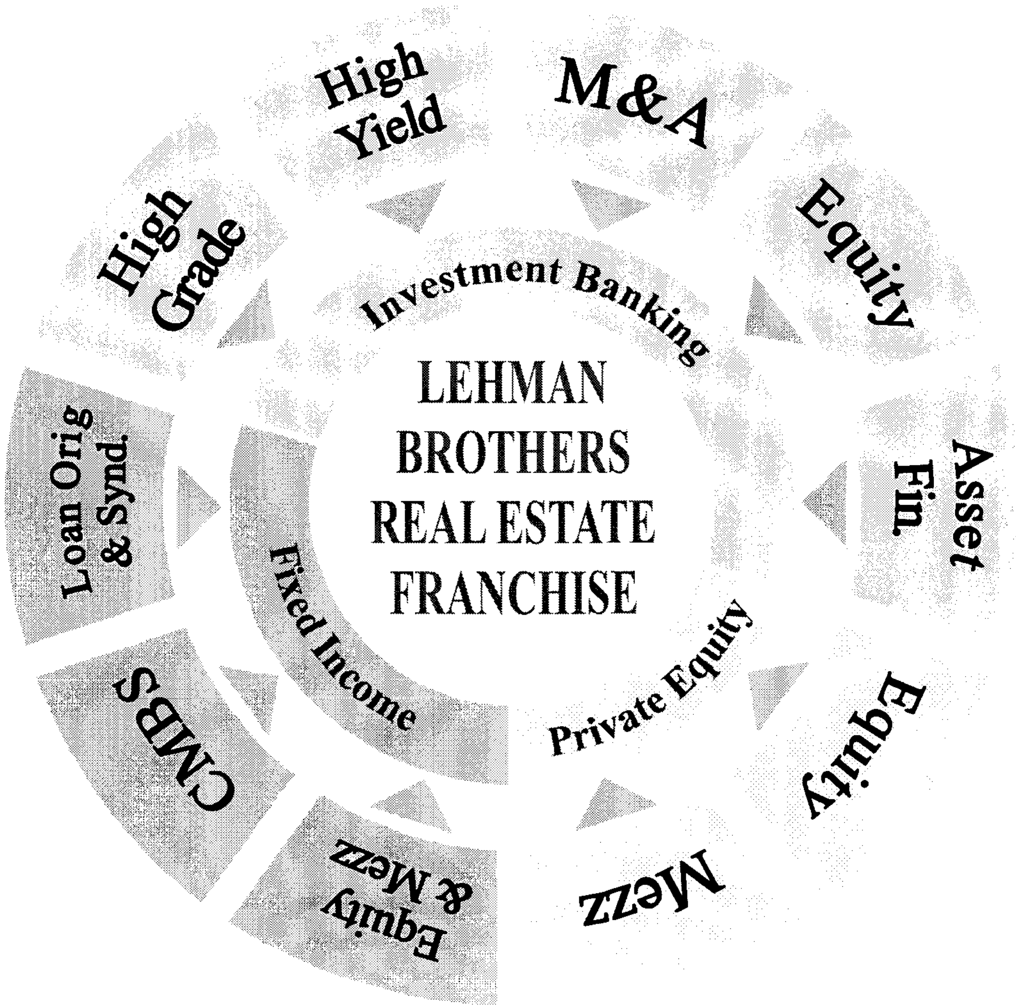
Who and Where We Are

We are over 450 Professionals located in nine countries and twelve cities throughout the world



Global Real Estate Group

Our real estate platform integrates all of the Firm's resources to create innovative solutions and products for clients



Global Real Estate Group

Lehman Brothers' Global Real Estate Group is a fully-integrated, dominant player in all products and markets

Global Real Estate Group
Mark Walsh

Banking
- Strategic Advisory
- Private Equity
- Equity (IPO and Secondary)
- Preferred Equity and Convertibles
- Debt (Investment Grade and High Yield)
- Asset Finance / Dispositions

CMBS
- Loan Origination for Securitization
  - Conduit
  - Large Loan (fixed and floating rate)
- CMBS Securitizations
  - Client and Proprietary Transactions

Lines of Credit / Syndication
- Bridge Loans
- Term Loans / Lines of Credit
- Syndicated Whole Loans

Principal Investment
- Strategic Equity Investments
- Co-Investment Equity
- Bridge Equity
- Distressed Debt and Portfolio Acquisition
- Mezzanine Investments
- Loan Origination

Lehman Brothers' Real Estate Franchise

Private Equity
- Equity and Equity Related Investments
- Mezzanine Related Investments

Research
- CMBS
- Equity
- Unsecured REIT Debt

Trading
- CMBS / CMBX
- Corporate Debt
- REIT Equity

Surveillance
- CMBS Credit Analysis
- Conduit & Non-Conduit Guide
- Conduit / Fusion Deal Database

Conduit

John Bird, SVP

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Conduit Group

Overview of Conduit Origination

- **Basic Facts**
  - Sizes range between $1.5 million and $350 million
  - Property types: Multifamily, Anchored/Unanchored Retail, Industrial, Office, Hotel, Self Storage.
  - Typically fixed-rate, 5 - 15 year term, 15 - 30 year Amortization, or Interest-Only.

Conduit Group

Overview of Conduit Origination

- **How are conduit loans originated?**
  - Lehman Originators and Mortgage Banker / Brokers estimate the size of overall loans and tranches that will sell in the market based on projected property cash flows
  - Interest rate spreads and loan parameters determined by prevailing market conditions
  - Origination volume influenced by reputation, relationships with clients, and ability to execute the transaction

Conduit Group

Overview of Conduit Origination

- **How does a conduit loan differ from a large loan?**
  - Size of individual loans
  - Primarily fixed-rate
  - Higher leverage level (75% - 80 % vs. 50% - 65%)
  - Property features (usually stable with little projected upside)
  - Pools are comprised of a larger number of loans, therefore diversifying property-specific risk

Conduit Group

Overview of Conduit Origination

- **Basic Structure/Parameters**
  - Interest accrual on actual/360 basis
  - Minimum Debt Service Coverage Ratio of 1.20x to 1.40x depending on property type
  - Maximum Loan-to-Value Ratio of 70% to 80% depending on property type
  - Vacancy assumptions; Primary vs. secondary markets vs. tertiary markets; Tenant credit exposure
  - Non-recourse carve-outs

Conduit Group

Overview of Conduit Origination

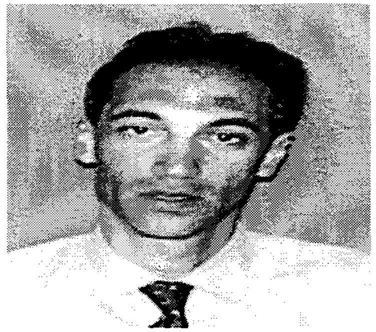
- **Basic Structure/Parameters (continued)**
  - Borrower structure: rating agency and investor credit for SPE's
  - Hard or springing lockbox
  - 2 year initial lockout period followed by a defeasance period then a short open period (3-6 months prior to maturity)
  - Tax and insurance reserves and where applicable, TI/LC reserves and replacement reserves

Conduit Group

Overview of Conduit Origination

- **Basic Trends/Profitability**
  - Spread
  - Historically, overall conduit margins have ranged from 1%-3% averaging 1%-2% in the last few months.
  - Greater profit stability in the conduit business over the past 2-3 years. However, new market entrants are putting pressure on margins

Conduit Group – Head Honchos



Brett Ersoff
Managing Director
Head of Origination

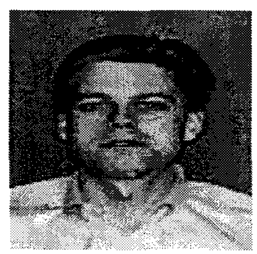
John Herman
Managing Director
Head of Credit

Paul Morfogen
Managing Director

Ted Meylor
SVP

Amy Sackin
SVP

Edmund Moy
SVP



Robert Fanto
SVP

David Rosenberg
SVP

Large Loan

Sonya Naths, SVP

Anjum Sharma, Analyst

Carla Simpson, Analyst

LEHMAN BROTHERS

Agenda

I. Overview

II. Structure / Credit Considerations

III. Portfolio Structure

IV. Case Studies

V. Q & A

Overview

Overview / History

- The Large Loan Group was established in 1997 to provide financing for Lehman's Real Estate Investment Banking and other institutional clients
- The initial focus was for investment grade, fixed rate large loans to be pooled into discreet large loan deals
- Lehman also provided short term floaters of less than 18 months to the same clients on an exception basis
- Lehman's first large loan deal, 1997 LL-1 was named deal of the year by the CSSA (CMSA)
- In 1998 we began utilizing the fusion structure to securitize large, fixed rate loans
- In 1999 we established the floating rate program to provide short term, floating rate debt to our institutional client base, who were seeking:
  - Acquisition financing
  - Slight/moderate repositioning
  - Balance sheet management for fixed/floating exposure
- The Large Loan Program has evolved to include fixed rate loans that are securitized as whole loans, are co-originated with balance sheet lenders, or have an A/B structure
- Lehman now originates floating rate loans for securitization or syndication
- We also provide our borrowers with one-stop shopping for higher leverage loans (85%+-) whereby we securitize or syndicate the senior debt, sell the senior mezzanine portion, and retain the junior mezzanine portion

Large Loan Origination

- Loans are originated for acquisition, refinancing, or repositioning purposes
- Sponsors are primarily REITS, pension funds, opportunity funds and experienced, reputable real estate companies
- Lehman's origination process is credit oriented
- Loans are underwritten extensively at the quoting stage to avoid "surprises" during the closing process
- Transactions are underwritten to both "prudent lender" and rating agency standards

Large Loan Production

- Since 1998 Lehman has originated over $74.4 billion of large loans
- Provided approximately $20.7 billion of interim financing to facilitate client acquisitions and capital raising since 1998
- Floating rate loans total approximately $42 billion and fixed rate loans total approximately $32.4 billion as of April 2007

Large Loan Production (cont'd)

- Sponsors of the properties include public companies, pension funds and experienced, regionally or nationally active real estate companies who are typically repeat clients of the Lehman Brothers mortgage loan origination program and, in certain cases, are also clients of other divisions of Lehman Brothers
- Sample Sponsors include:
  - Tishman Speyer Properties
  - Broadway Real Estate Partners
  - Beacon Capital Partners, LLC
  - Tishman Hotel Corporation / Metropolitan Life Insurance Company
  - Whitehall Global Real Estate / Archon Group
  - GEM Realty Capital, Inc. / Accor Business and Leisure Management, LLC
  - Lubert-Adler Funds / Klaff Realty / Cerberus Capital Management / Kimco Realty Corp. / Jubilee Limited Partnership
  - The Rockpoint Group
  - Morgan Stanley Real Estate Fund
  - Harry Macklowe
  - The Witkoff Group
  - Edward Minskoff Equities
  - The Blackstone Real Estate Partners IV L.P.
  - Monument Realty
  - Fortress Investment Group
  - Brickman Associates / New Valley Corporation

Structure / Credit Considerations

Lehman Brothers' Approach

Lehman Brothers would work with the client to develop the most effective structure in an acquisition scenario. Lehman Brothers would develop a strategy with the client, taking into account the needs & desired flexibility in order to maximize the returns on the investment

	CMBS		Term Loan	Equity
	Fixed Rate	Floating Rate	Real Estate Term Loan	Bridge Equity
	◆ Non-recourse ◆ Lowest cost ◆ Flexible structuring (term, amortization) ◆ Ability to release and substitute properties after lock-out period	◆ Non-recourse ◆ Lowest cost ◆ Prepayment flexibility ◆ Little or no amortization ◆ Ability to release or substitute properties after lock-out period	◆ Comparable cost to CMBS ◆ Little or no amortization ◆ Freely prepayable at par ◆ Ability to substitute properties	◆ Certainty of execution ◆ Potential co-investment features from Lehman Brothers ◆ Single source of equity eliminates multiple approval processes ◆ Transparency of structure and compensation
	◆ Limited prepayment flexibility (lock-out then defeasance)	◆ Interest rate risk (requires purchase of a LIBOR cap)	◆ Covenants ◆ Interest rate risk (mitigated through hedges)	◆ Syndication risk
	◆ Long-term hold assets ◆ Well-positioned competitively going forward ◆ Do not need significant repositioning / redevelopment	◆ Near-term holds that may be sold later ◆ Strong fundamentals but not core to portfolio ◆ Reposition assets ◆ Performing less competitively in market ◆ Are in good markets for conversion into different use	◆ Assets that may be sold or converted within 6 months of closing	◆ Corporate level transactions that require a short-term commitment of capital to finance acquisitions of companies and properties

CMBS Financing

A typical structure for a CMBS loan includes the following terms that might be tailored to accommodate the borrower's strategy and achieve an optimal execution. CMBS financing will offer efficient pricing by leveraging off the real estate value of the portfolio and by creating a lease structure to support the debt service payments.

Borrower

- A special-purpose, bankruptcy-remote entity with sole business purpose of owning the property

Property

- A fee-owned asset or portfolio of fee-owned or leasehold-owned assets
  - May include ground lease and, perhaps, space lease properties, although it would affect pricing and size of proceeds

Principal Amount

- Determined based on the following characteristics:
  i. Required leverage characteristics based on appraised value and/or acquisition price as determined by lender
     i. Lower leverage generally considered to be approximately 40-50% LTV
     ii. Higher leverage generally considered to be approximately 65-75% LTV
  ii. DSCR based on NOI, interest rate and principal amortization of the loan
  iii. Fair-market valuation of real estate must be obtained consistent with CMBS rating agency guidelines
  iv. Spreads/market execution vary for different asset classes

Term

- Fixed-rate loans are customarily 10-year terms with 30-year amortization period; fixed-rate loans are typically quoted as a spread to swaps
- Floating rate loans are customarily 2-year terms with three 1-year extension options; interest-only; 1.00% upfront fee and 0.125% extension fee

Interest Rate

- Fixed or floating: floating rate tranche would normally offer greater prepayment flexibility
- Level depends on leverage and other loan characteristics
- Monthly debt service payments based on interest calculated on the actual amount of days divided by 360 ("Actual/360")

Security

- The loan is typically secured by (i) the cross-collateralized and cross-defaulted first mortgage/deed of trust and security agreement, or its equivalent on the fee simple and leasehold estate(s); (ii) a first priority assignment of all leases and rents with respect to the Property and (iii) a pledge of equity interests

CMBS Financing (cont'd)

A typical structure for a CMBS loan includes the following terms that might be tailored to accommodate the borrower's strategy and achieve an optimal execution. CMBS financing will offer efficient pricing by leveraging off the real estate value of the portfolio and by creating a lease structure to support the debt service payments.

Leases

- Leases to be structured based on:
  - Rent as a percentage of gross profit
  - Lease terms including rent, term and structure to be in-line with market for similar assets
  - Net rent sufficient to satisfy minimum DSCR requirements

Amortization

- Fixed: Generally, 30-years with some flexibility for early term interest-only period
- Floating: Flexible depending on asset class and quality

Reserves

- Customary reserves include those for real estate taxes, insurance and required repairs. Certain structuring requirements are sometimes needed to mitigate risks specific to different asset classes in the form of:
  - Rollover reserve for re-leasing the property
  - Reserve for capital expenditures
  - Reserve for potential environmental remediation

Releases

- Provisions for release and substitution of properties, subject to certain requirements
  - Release price based on allocated loan amount per property
  - Certain financial tests must be met after the release
  - CMBS REMIC rules allow substitution under certain circumstances

Environmental Issues

- Due to certain potential environmental issues, the loan might require structure to mitigate prospective risks in the form of reserves or environmental insurance
- Phase 1 Environmental Site Assessments (and Phase 2, where applicable) will be required, but environmental issues are routinely dealt with in CMBS loan structure

Tenancy

- Multi-tenanted assets would customarily have tenants of average to above average credit quality
- Single tenant assets would have more scrutiny of tenant credit worthiness
  - While rating not required of single tenant CMBS transactions, best execution is achieved when tenant is a public company with financial condition consistent with investment grade criteria, although non-investment grade single-tenant transactions are also financeable

Credit Considerations

While evaluating the credit worthiness of loan, the following criteria is used:

- Key Credit Considerations:
  - Sponsorship, sponsorship, sponsorship
  - Amount of equity in transaction
  - Market strength and depth
  - Location within market
  - LTV and DSCR characteristics – sustainability of value and cash flows:
  - Expertise of sponsor with property type and market
  - Structure loan to address future events, e.g. capital expenditures and tenant rollover
    - Reserves, letters of credit, guarantees from investment grade borrowers

Property Specific Credit Determinants

Office

- ◆ CBD vs. suburbs
- ◆ Position of building in submarket
- ◆ Quality of tenants: Credit characteristics
- ◆ Rollover schedule
- ◆ Rents above/below market
- ◆ Capital expenditure requirements – Tenant Improvements and Leasing Commissions

Hotel

- ◆ Performance trend
- ◆ Flag and position in market
- ◆ Forward supply
- ◆ Quality of service
- ◆ Loan and value per key
- ◆ Capital expenditure requirements - PIPs

Retail

- ◆ Position within market
- ◆ Aggregate sales and sales per square foot
- ◆ Anchors and anchor performance
- ◆ Health ratio – cost of occupancy

Portfolio Structure

Changes to Facility Portfolio under a CMBS Structure

Acquisitions

- Acquisitions of additional properties can be made by using cash flow, traditional borrowing (based on cash flow) or new CMBS debt
- Company must still adhere to pre-existing covenants and DSCR limits under the existing CMBS regardless of financing method
- New CMBS can be used to finance an acquisition of a property on a one-off basis or finance an aggregated pool of new properties
  - CMBS may be used to finance relatively small amounts
- An existing CMBS loan may not be increased by adding properties to an underlying pool of facilities
  - Existing property owner cannot make any acquisitions
- Pre-negotiated CMBS documents and terms may be used to minimize time and expenses
- Type of CMBS borrowing (floating or fixed) depends in part on the size of the deal
  - Generally, acquisitions less than $25 - $30 million must be fixed rate
  - Acquisitions > $30 million may be fixed or floating

Divestitures

- CMBS may impose certain restrictions on divesting properties underlying the structure, including
  - In some cases, initial time period during which divestitures may not be made
  - Economic costs in terms of pre-payment penalties, release premium, etc.
  - For Fixed-Rate CMBS debt, defeasance will be required of the allocated loan amount plus release premium
- While such restrictions are the norm, there is room to negotiate changes to optimize structure
- Release provisions differ between fixed and floating rate CMBS debt
  - Generally, floating rate CMBS offers greater flexibility and entails lower cost for divestitures
    - Potential ability to divest at any time
    - No defeasance requirement
  - However, the cost of floating rate debt is currently more expensive in the current rate environment, this is due to the yield curve but is not always the case.
  - A combination of fixed and floating rate CMBS may be employed to optimize outcome based on operating / investment objectives

Divestitures Under CMBS

Fixed Rate Loans

- Properties under fixed rate CMBS loans are cross-collateralized with certain restrictions on divestitures
- Some standard restrictions are as follows:
  - Initial period restriction: Repayment/defeasance is typically not permitted for a specified period (e.g., 2 years)
  - Release Premium: Properties to be released for divestitures past the initial period restrictions require a release premium
    - Release premium varies based on the percentage of asset value to be divested from the pool and will typically be in the 5 – 30% range, based on the outstanding principal balance of the CMBS loan
  - Defeasance: When properties are released from the CMBS pool for divestitures, the allocated loan amount plus release premium must be defeased with Treasury bonds
    - DSCR test must be met: Ratio must be equal to or higher than (1) the ratio at close and (2) the ratio before defeasance
    - LTV test is not required for larger pools

Floating Rate Loans

- The process of divesting properties from a CMBS floating rate pool is similar to that in a fixed rate pool with a few notable exceptions
  - Flexibility regarding prohibitions on releases in early years
  - A negotiated prepayment fee will be applied if a property is sold within the defined initial period (e.g., the first two years),
  - The allocated loan amount plus release premium must be repaid, but not defeased, at the time of property release from the pool
    - Results in lower economic burden
- However, financial tests are similar
  - DSCR test must be met (though LTV test is not required for larger pools)

Asset Substitution in CMBS Portfolio

- Substitution allows a borrower to release and divest a property in a CMBS pool and avoid pre-payment / defeasance by placing a substitute property into such pool
  - The substitute property could be (1) from another CMBS pool, (2) previously unencumbered, or (3) newly purchased
  - The substitute property must pass Appraised Value Test and be of similar quality to the released property
  - DSCR test must be met
- Accordingly, opportunity exists to divide properties into a fixed and a floating rate CMBS pool
  - Floating rate pool affords greater flexibility to divest facilities
    - Divestiture out of floating rate pool or divestiture out of fixed rate pool with a simultaneous substitution of asset from the floating-rate pool
  - However, in the current pricing environment, floating rate pool is likely to be more expensive at the equivalent leverage point
  - Fixed / floating rate mix may be structured to optimize outcome

Case Studies

Sample Deal Timeline

Week	CMBS – Origination	CMBS – Credit
Week 1	◆ Receive preliminary deal information including financing offering memorandum ◆ Preliminary analysis performed by Origination/Structuring team to determine feasibility of the deal	◆ Upon receipt of initial information package, begin preliminary underwriting ◆ Start Underwriting Memo
Week 2	◆ Continue dialogue with the client ◆ Engage the distribution side to determine spreads on subordinate pieces of the loan ◆ **Deal meeting** within 5-7 business days of receipt of initial loan material	◆ Finalize underwriting and distribute underwriting package to necessary parties ◆ Loan credit meeting ◆ **Deal Meeting**
Week 3	◆ After deal meeting, prepare term sheet outlining the terms and structure of the deal ◆ **Client awards deal to Lehman Brothers**	◆ Upon awarding of the deal, begin commissioning third-party reports (appraisal, engineering and environmental).
Weeks 4 & 5	◆ Negotiate structure and implement into loan documents ◆ Solicit internal committee approval	◆ Continue receipt and review of third party reports ◆ Prepare final underwriting including review of leases, tenant estoppels, and tenant and property financial information ◆ Lehman personnel (or representative) performs site visit
Week 6	◆ Finalize loan documents ◆ Prepare internal funding documents ◆ **Fund the Loan**	◆ Finalize underwriting
Thereafter	◆ Begin preparing for loan securitization ◆ Work with Lehman distribution team to sell the subordinate portions of the debt stack	

Month 1

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	252	26	27
28	29	30	31			

Month 2

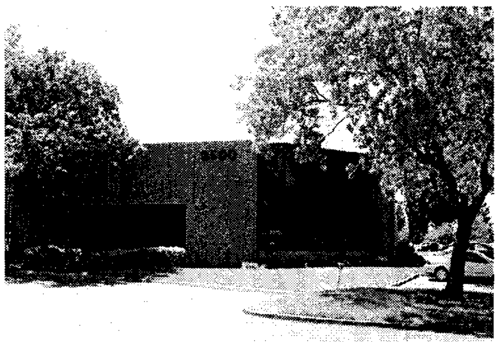
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

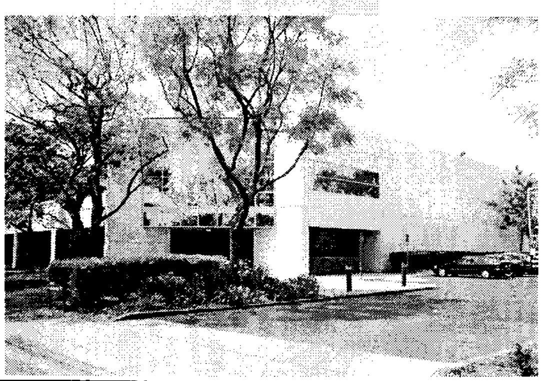
Key Event

Case Study – Large Loan Origination

Acquisition Financing for Walton Street Capital's purchase of the Cal West Industrial Portfolio

Date	May 2007
Asset Class	Industrial
Asset Size	23,600,000 Sq. Ft.
Sponsor	Walton Street Capital
Transaction Type	Acquisition
Lehman Portion	$612,100,000





Transaction Overview

- In April 2007, Walton Street agreed to acquire the Cal West Industrial Portfolio (the "Portfolio"), a 98 asset, 23.6 million square feet industrial portfolio for $2.78 billion. Lehman Brothers ("Lehman"), Barclays Capital Real Estate ("Barclays") and Goldman Sachs ("Goldman") jointly committed to a loan of $2.45 billion to finance Walton Street Capital's acquisition of the entire portfolio at 89% LTV.
- The Portfolio is being sold by a joint venture between RREEF and CalPERS ("CalWest"). The Portfolio is located in seven state and thirteen MSA's throughout the United States.
- Cal West, formed in 1998, accumulated its portfolio through three large scale acquisitions. In 2000, Cal West purchased a 72-property, 15 million square foot portfolio from Pacific Gulf Properties and an additional 7 million square feet from Spieker Properties. In late 2001, Cal West purchased Cabot Industrial Trust and its 370 building, 40 million square feet industrial portfolio. As of 2001, Cal West began to liquidate the majority of its assets, leaving the 98 asset portfolio that Walton Street acquired in May 2007.

Lehman Brothers Role

- Barclay's was the lead bank for the financing and funded 50% of the loan ($1.2 billion). Lehman and Goldman each funded 25% of the loan ($612.5 million).
- A portion of the loan was securitized in the Lehman Brothers 2007 – LLF C5. The remaining balance is expected to jointly marketed by Lehman, Barclays and Goldman to investors and foreign and domestic financial institutions including insurance companies, commercial banks and subordinate debt funds

Relationship Overview

- Lehman Brothers has been the primary financing source for Walton Street Capital with over 14 transactions and approximately $1.0 billion of capital commitments.

Case Study – Large Loan Origination

Debt origination for an affiliate of Simon Property Group Inc. and Farallon Capital Management

Date	June 2007
Asset Class	Retail
Asset Size	1,808,506 Sq. Ft.
Sponsor	Simon Property Group Inc. / Farallon Capital Management
Transaction Type	Refinance
Total Debt Amount	Lehman Brothers: $121 million JP Morgan: $200 million

Transaction Overview

- In June 2007, Lehman Brothers co-originated a loan in the aggregate amount of $321 million (Lehman portion: $121 million) with JP Morgan to a special purpose affiliate of a joint venture between Simon Property Group Inc ("Simon") and Farallon Capital Management ("Farallon") secured by the shopping center known as Gurnee Mills Mall (the "Property") located in Gurnee, IL .
- The Property consists of a one-story, 200 store discount mega-mall comprised of 1,808,506 square feet anchored by Burlington Coat Factory, Marshalls, Bed Bath & Beyond and Kohls among other national retailers. Built in 1991, the Property underwent a $5 million interior renovation in addition to a $71 million redevelopment between 2004 and 2005. As of March 2007, the Property had a in-line occupancy of 99.5%.

Lehman Brothers Role

- Simon and Farallon comprised the sponsorship which eventually merged with The Mills Corporation in early 2007 for $25.25 per common share in cash. The total value of the transaction was approximately $1.64 billion for all of the outstanding common stock, and approximately $7.9 billion including assumed debt and preferred equity.
- Lehman and JP Morgan subsequently co-originated $321 million loan at 79.2% LTV based on an appraisal completed in March by Cushman & Wakefield. The Loan was used to refinance the indebtedness secured by the Property.

Sponsorship Overview

- The Mills Corporation, based in Chevy Chase MD is a developer owner and manager of a diversified portfolio of retail destinations including regional shopping malls and entertainment centers. They currently own 38 properties in the United States totaling 47 million square feet.

Case Study – Large Loan Origination

Acquisition Financing for Thomas Properties Group's purchase of the EOP Austin Portfolio

Date	June 2007
Asset Class	Office
Asset Size	3,500,000 Sq. Ft.
Sponsor	Thomas Properties Group / CalSTRS
Transaction Type	Acquisition
Total Debt	Fixed Rate Loan: $626 million Floating Rate Loan: $89 million

Transaction Overview

- In June 2007, an affiliate of Thomas Properties Group ("TPG") acquired a critical mass of high quality office properties for $1.20 billion. This collection of 10 properties (the "Portfolio") comprised of 3.5 million square feet is located in Austin, the capital of Texas and one of the fastest growing cities in the US. Lehman Brothers committed to a loan of $907.5 million of debt and $147 million of bridge equity to finance TPG's acquisition of the entire portfolio at 75.5% LTV.
- The Portfolio represents the former Equity Office Properties' ("EOP") Austin portfolio which was purchased by Blackstone Real Estate Partners as part of their 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.

Lehman Brothers Role

- TPG acquired the Portfolio in a joint venture with California State Teachers' Retirement System ("CalSTRS"). The financing structure shifted several times during the closing process, requiring Lehman to provide flexible solutions – various leverage points and different combinations of fixed and floating rate financing.
- Lehman subsequently co-originated 8 mortgage loans (5 fixed rate loans totaling $626 million and 2 floating rate loans totaling $89 million) and a $192.5 million term loan in connection with the acquisition of the Portfolio.

Sponsorship Overview

- TPG is a full-service real estate operating company that owns, acquires, develops and manages office, retail, multi-family properties nationwide. Founded in 1998 and traded publicly since October 2004, it is the successor company to Thomas Properties Group, LLC. This was Lehman Brothers' first transaction with TPG.

Lines of Credit / Structuring

Brian Gross, SVP
Derek Schneider, Analyst
Andrew Wilson, Analyst

LEHMAN BROTHERS

Lines of Credit/Structuring Group Overview

Lines of Credit/Structuring Group Overview

First investment bank to enter leveraged loan market in 1992 – our franchise is built on innovation, capital and execution

Capital and Dedicated Resources

- First investment bank to enter the Leveraged Loan Market in 1992
  - Raised over $140 billion in 250 syndicated loans since 1998
- Leveraged lending coupled with high yield expertise provides for comprehensive "one-stop" financings
  - Seasoned leveraged finance professionals averaging over 10 years of experience
  - Over 20 sales, trading and capital markets professionals globally dedicated to loan franchise
- Diversified lending portfolio results in structuring expertise across all industry segments
- History of multiple financing assignments with our franchise clients
- Lehman Brothers actively uses its balance sheet for franchise clients

A History of Innovation

- First investment bank to establish a full functioning administrative agency capability in 1998
  - Currently servicing approximately 80 credit facilities aggregating over $15.0 billion
  - Ranging from $3.8 million to $1.0 billion
- Built Franchise through creativity and innovation
  - Inaugural use of both OID and *LIBOR Floor* concepts
  - Cross investor marketing of deals appealing across investor segments and growing lender universe
  - Initiated dynamic structure in credit agreements allowing issuers to make "open market purchases" of bank debt in order to enhance secondary support

A Leadership Position

- #1 FY 2005 investment bank in the US Leveraged Loan Market
- #8 Global Leveraged Loan Book Runner
- #1 FY 2004 investment bank in the US Leveraged Loan Market
- IFR's "2004 US Leveraged Loan of the Year" – Boise Cascade
- #1 FY 2003 investment bank in the US Leveraged Loan Market

IFR

#1

Select Lead Managed Transactions

Hertz

MAGNUM COAL

KERR McGEE

EXTENDICARE

PINNACLE ENTERTAINMENT

Key

Lines of Credit/Structuring Group Overview

Lehman is a market leader in originating and syndicating unique and highly structured real estate based corporate credit facilities

- During 2006, Lehman Brothers' syndicated real estate lending group led or participated in 21 newly originated and uniquely structured transactions totaling approximately $8.8 billion in proceeds
- Lehman Brothers' syndicated real estate lending group has significant experience in originating multiple types of corporate credit facility structures, including:
  - Term and revolving lines of credit
  - Repurchase facilities
  - Bridge loan facilities
  - Acquisition financing
  - Distressed debt investments
  - DIP facilities and exit financings
  - Strategic preferred equity investments
- Lehman Brothers extends credit on both a secured and unsecured basis
- Lehman Brothers has an extensive history of multiple financings assignments with franchise clients
- Lehman Brothers actively uses its balance sheet for franchise clients

Lines of Credit/Structuring Group Overview

Loan Origination / Structuring

Frank Gilhool
Managing Director

Tom Buffa
Senior Vice President

Brian Gross
Vice President

Derek Schneider
Analyst

Real Estate Underwriting

Sheila Bjornstad
Senior Vice President

Nakeyshia Kendall
Associate

Andrew Wilson
Analyst

Real Estate Investment Banking

Steve Hash
Managing Director

Loan Capital Markets

Bill Hughes
Managing Director

Chip Heflin
Vice President

Real Estate Lending Franchise

Loan Capital Market Sales

Jim Seery
Managing Director

Real Estate Sales

Gene Golden
Senior Vice President

Doug Fitton
Senior Vice President

Rating Agency Advisory

Michael Crehan
Senior Vice President

Secondary Markets Trading

Alex Stromberg
Associate

Matt McQuade
Analyst

Lines of Credit/Structuring Group Overview

Lehman is a market leader in originating and syndicating unique and highly structured real estate based corporate credit facilities

- Lehman has provided financing to a variety of REITs and real estate owners/operators across the United States, including:
  - **Hospitality** (Boykin Lodging, Interstate Hotels and Resorts, Lodgian, MeriStar Hospitality and Starwood)
  - **Land development** (Moonlight Basin, SunCal Companies)
  - **Mixed-use/other** (CalSTRS, Capital Automotive REIT, CenterPoint Properties, Corrections Corporation of America, H2 Capital, iStar Financial, Kite Companies and Vornado)
  - **Movie theaters** (Cinemark and Regal Cinemas)
  - **Multifamily** (AIMCO, Archstone, AvalonBay, Gables Residential, The Related Companies and Sun Communities)
  - **Office** (Arden, HQ Global, Monday Properties, The Rubenstein Company, SL Green, Thomas Properties Group and Tishman Speyer)
  - **Regional malls** (Developers Diversified, General Growth Properties, Glimcher Properties, Westfield America and Westfield Corporation)
  - **Self storage** (Amsdell Companies, Storage Deluxe, StorageMart and U-Store-It)
  - **Senior living** (Brookdale Senior Living, Inc.)
  - **Service/gas stations** (Getty Petroleum Marketing and MAPCO)

Lines of Credit/Structuring Group Overview

Real Estate Underwriting	Loan Origination / Structuring	Successful Syndication
◆ Perform Asset Valuation	◆ Structure Bank Loan Positions	◆ Host Bank Meeting / Rating Agencies
◆ Conduct Due Diligence	◆ Prepare Cash Flow Models	◆ Interface with Investors
- Market Research	◆ Perform Valuation Analyses	◆ Finalize Loan Allocations
- Environmental Review	◆ Analyze Comparable Credit Facilities	◆ Close and Fund Facility
- Property Condition Review	◆ Structure Financial Covenants	
- Insurance Review	◆ Prepare Marketing Materials	
- Appraisal Review		

Advantages of Bank Loan Financing

Bank loan financing affords the borrower with several strategic advantages

Benefits	Considerations
◆ Ability to access a broad investor base by tapping the institutional investors market	◆ Bank loans are slightly more expensive than a typical first mortgage real estate loan
◆ Generally, credit facilities are structured to be freely prepayable without premium or penalty at any point	◆ Bank loan financing is typically short dated, with tenor ranging between three to seven years
◆ Credit facilities can be structured to provide the borrower with flexibility to substitute collateral, subject to certain requirements	◆ Typically, the borrower is required to pledge collateral as credit support for the facility
	◆ Public ratings may be required for institutional investors
◆ Ability exists to upsize a credit facility through an accordion feature or add-on term loan	◆ Borrower may be required to hedge a portion of the credit facility
◆ Credit facilities can be executed rapidly through a truncated marketing process	◆ Borrower is subject to maintenance covenants

Real Estate Lines of Credit - Select Transactions

Select Transactions:

September 2007
Moonlight Basin Ranch
$100.0 million
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

June 2007
Thomas Properties Group Inc
Thomas Properties Group: Austin Portfolio
$292.5 million
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

May 2007
ihr Interstate Hotels & Resorts
Interstate Hotels & Resort
$75 million (upsized to $200 million)
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

March 2007
INTRAWEST
Intrawest
$186 million (upsized to $1,936 million)
Senior Secured Credit Facility
Lehman Brothers
Joint Lead Arranger

February 2007
SunCal (Ritter Ranch)
$264 million
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

December 2006
Tishman Speyer (D.C. Area Portfolio)
$570 million
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

November 2006
BROOKDALE SENIOR LIVING
Brookdale Senior Living, Inc.
$400 million
Senior Secured Credit Facility
Lehman Brothers
Joint Lead Arranger

July 2006
William Lyon Homes
William Lyon Homes
$312.5 million
Senior Secured Term Loan
Lehman Brothers
Sole Lead Arranger

December 2005
cars
CAPITAL AUTOMOTIVE REIT
Capital Automotive REIT
$2.2 billion
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

December 2005
Westfield
Westfield America, L.P.
$1.945 billion
Senior Unsecured Credit Facility
Lehman Brothers
Joint Lead Arranger

September 2005
GABLES RESIDENTIAL
Gables Residential Trust
$2.2 billion
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

August 2005
MERISTAR HOSPITALITY CORPORATION
MeriStar Hospitality Corporation
$150 million
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

November 2004
GGP
General Growth Properties
$7.295 billion
Senior Secured Credit Facility
Lehman Brothers
Co-Lead Arranger

May 2004
The Rubenstein Company, L.P.
The Rubenstein Company, L.P.
$200 million
Preferred Equity Bridge
Lehman Brothers
Sole Lead Arranger

January 2003
California STRS State Teachers' Retirement System
California State Teachers' Retirement
$275 million
Revolving Note Repurchase Facility
Lehman Brothers
Sole Lead Arranger

Lines of Credit/Structuring Group Case Studies

Moonlight Basin Ranch

September 2007

$100,000,000

Senior Secured Credit Facility

LEHMAN BROTHERS

Sole Lead Arranger

Transaction Overview

- On September 7, 2007, Lehman Brothers closed and funded a six-month (plus one six-month extension option) term loan bridge (the "Term Loan" or the "Facility") in the aggregate principal amount of $100.0 million dollars
- Proceeds will be used to (i) repay existing project development debt, (ii) fund six months of development costs, (iii) fund twelve months of operating costs and (iv) capitalize an interest reserve to cover twelve months of interest expense for the Project
- Project consists of an 8,150 acre residential development and ski resort located in Big Sky, MT
- Upon completion, the Project will include 1,260 residential lots and units (of which 322 have been sold), as well as a Jack Nicklaus designed 18-hole championship golf course. The Project currently has access to Moonlight Basin's 1,900-acre ski area, which adjoins the Big Sky ski resort, offering 80 mapped trails and a vertical drop of 4,150 feet, which is the second largest vertical drop for all ski resorts located in the United States, behind Snowmass Ski Resort (Snowmass, CO).

Lehman Brothers Role

- Lehman Brothers acted as sole financial advisor and sole debt capital arranger to Moonlight Basin
- Concurrent with the closing of the Facility, Lehman Brothers funded a two year $70 million mezzanine facility to Moonlight Basin.
- Lehman Brothers is advising Moonlight Basin on the sale process which will provide the exit strategy for this loan

SunCal Companies

February 2007

SunCal Companies
$264 million
Senior Secured Credit Facility

Lehman Brothers
Sole Lead Arranger

Transaction Overview – Ritter Ranch

- On February 8, 2007, Lehman Brothers closed and funded a $264 million senior secured credit facility, comprised of a 3.5-year $55 million revolver and a 4-year $209 million term loan for SunCal's Ritter Ranch project
- The Ritter Ranch project is a 10,625-acre site located in the western portion of the city of Palmdale in Los Angeles County
- Development plans include a proposed 7,158-lot master planned community with approximately 6,000 acres being preserved as natural open space and parks

July 2006

SunCal
$312 million
Senior Secured Credit Facility
Lehman Brothers
Sole Lead Arranger

Transaction Overview – Heartland/Marblehead

- On July 28, 2006, Lehman Brothers closed and funded a $312 million senior secured credit facility, comprised of a $20 million revolver, a $207 million term loan and an $85 million delayed draw term loan
- The Heartland project is a 982-lot master planned community on approximately 417 acres located in the City of Beaumont, Riverside County
- The Marblehead project is 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

January 2006

SunCal Companies
$320 million
Senior Secured Credit Facility

Lehman Brothers
Sole Lead Arranger

Transaction Overview – 4 Asset Credit Facility

- On January 19, 2006, Lehman Brothers completed the syndication of a $320 million senior secured credit facility for SunCal and Lehman Brothers Real Estate Partners' development of four separate land parcels
- The facility is comprised of a 3-year $75 million first-lien revolver, a 4-year $160 million first-lien term loan and a 5-year $85 million second-lien term loan
- At close, S&P and Moody's rated the first lien BB- and B1 and the second lien B+ and B2, respectively
- The Developments consist of four master-planned communities encompassing 12,185 lots on 5,452 acres
- The facility was upsized with a new $75 million third-lien term loan in February 2007

Thomas Properties Group: Austin Office Portfolio

Austin Office Portfolio (Austin, TX)

Date	June 2007
Asset Class	Office
Asset Size	3,485,000 Sq. Ft.
Partner	Thomas Properties Group/CalSTRS
Transaction Type	Acquisition
Total Capitalization	$1,202,500,000

Transaction Summary

- Acquisition of an office portfolio consisting of prime assets located in Austin's CBD and suburban submarkets
  - Attractive purchase price of $330/SF compares favorably to replacement cost
- The Portfolio is comprised of five premier CBD office buildings (2.5 million square feet/~75% of the Portfolio value) and five Class A suburban assets
  - Average occupancy is currently 82%
  - In-place fully escalated rents are more than 20% below market rents; Significant upside exists as 60% of the space is either vacant or expiring over the next five years
- Thomas Properties is a national full-service real estate operating company that owns over 5.6 million square feet in Texas, largely Class A office space in Houston

Lehman Brothers Role

- Lehman Brothers is providing financing consisting of $908 million of debt and $221 million of equity enabling Thomas Properties Group and CalSTRS to complete the acquisition
- Lehman Brothers committed equity with the intent of syndicating the investment to pension funds, endowments, foundations, high net worth individuals and offshore investors

Monday Properties: Rosslyn Portfolio

Rosslyn Portfolio (D.C. area)

Date	May 2007
Asset Class	Office
Asset Size	2,501,350 Sq. Ft.
Partner	Monday Properties/ LBREP
Transaction Type	Acquisition
Total Capitalization	$1,321,000,000

Transaction Summary

- Acquisition of an office portfolio consisting of prime assets located in the D.C. area
  - Purchase price of $490/SF for the stabilized portfolio compares favorably to the sale of Waterview, a newly constructed office building in Rosslyn, for $705/SF
  - Stabilized portfolio represents approximately 30% of all rentable office space in Rosslyn and roughly 40% of Class A inventory
- The Portfolio is comprised of two irreplaceable trophy buildings (1.1 million square feet), seven Class A/B buildings (1.3 million square feet) and one Class B building
  - Portfolio is 95% occupied by strong credit tenants and provides considerable upside potential as in-place leases are more than 15% below market and 40% of the leases are expiring over the next five years
- Portfolio includes the development of 1812 N. Moore, a proposed 34-story, 550,000 square foot trophy office building ideally located above the Rosslyn Metrorail Station
- Monday Properties is a leading full-service real estate operating company that owns, acquires, develops and manages primarily Class A office properties located in the greater Washington, D.C. area and New York City

Lehman Brothers Role

- Monday and LBREP are each investing $42.5 million as permanent equity
- Lehman Brothers is providing $675 million of debt and a $100 million revolver and committing $310 million of equity
- Lehman Brothers committed the equity with the intent of syndicating it to pension funds, endowments, foundations, high net worth individuals and offshore investors

Intrawest

Lehman Brothers acted as sole financial advisor to Fortress Investment Group in the $2.8 billion privatization of Intrawest Corporation

August 2006

$2,800,000,000

FORTRESS

Fortress Investment Group
has agreed to acquire

INTRAWEST

The undersigned acted as sole financial advisor to Fortress Investment Group

LEHMAN BROTHERS

Transaction Overview

- On August 11, 2006, Intrawest Corporation ("Intrawest") announced that it had entered into a definitive agreement with Fortress Investment Group LLC ("Fortress") pursuant to which funds managed by Fortress will acquire Intrawest in an all-cash transaction
- The total value of the transaction is approximately $2.8 billion
- Intrawest shareholders will receive $35.00 per share in cash, representing a 20% premium over Intrawest's price prior to its announcement on 2/28/2006 that it would review strategic options and a 32% premium over the closing price prior to the deal announcement
- The transaction is expected to close in October 2006

Overview of Intrawest

- Intrawest (NYSE: IDR) is a world leader in destination resorts and adventure travel. Intrawest has interests in 10 North American ski resorts, including Whistler Blackcomb, a host venue to the 2010 Winter Olympics, Tremblant (outside Montreal), Stratton (VT), and Copper (CO)
- Intrawest owns Canadian Mountain Holidays, the largest heli-skiing operation in the world and an interest in Abercrombie & Kent, the world leader in luxury adventure travel
- Intrawest also develops real estate at its resorts and other locations across North America and Europe

Lehman Brothers Role and Key Benefits

- Lehman Brothers acted as sole financial advisor to Fortress and led a group of three banks in providing debt financing for the acquisition
- Fortress acquired one of the world's leading destination resort and adventure-travel companies with operations throughout North America and Europe.

CarrAmerica Washington, D.C. Portfolio

Lehman Brothers acted as exclusive financial advisor to Tishman Speyer and sole arranger of debt and bridge equity financing for its $2.8 billion portfolio acquisition

July 2006

$2,800,000,000

TISHMAN SPEYER

has agreed to acquire the CarrAmerica Washington, D.C. portfolio from

The Blackstone Group

The undersigned acted as exclusive financial advisor to Tishman Speyer

LEHMAN BROTHERS

Transaction Overview

- On July 21, 2006, Tishman Speyer Properties ("TSP") entered into an agreement to purchase a Washington, D.C. office portfolio (the "Portfolio") from The Blackstone Group for $2.8 billion
  - The Portfolio was formerly owned by CarrAmerica Realty Corporation, a publicly-traded REIT prior to its acquisition by The Blackstone Group on July 13, 2006
- The transaction allowed TSP to acquire a critical mass of high-quality office properties located in the most desirable office submarkets of Washington, D.C.
- The Portfolio consists of 16 wholly-owned and 5 joint venture office properties totaling 28 buildings and comprising 5.6mm SF owned (6.3mm SF controlled), plus a 205,000 SF entitled development site

Lehman Brothers Role

- Lehman Brothers acted as exclusive financial advisor to Tishman Speyer
- Lehman Brothers will provide over 85% of the total capitalization, including:
  - $1,225mm new mortgage debt
  - $530mm new senior secured credit facility ($355mm term loan and $175mm revolver)
  - $925mm of bridge equity (to be syndicated at, or shortly after, closing)

Key Benefits

- Lehman Brothers integrated real estate platform enabled TSP to acquire a premier office portfolio with minimal equity investment
- Due to the off-market nature of the transaction, TSP acquired the Portfolio at a significant discount to recent comparable asset sales and replacement cost

Gables Residential Trust

September 2005

$2,200,000,000

GABLES RESIDENTIAL

ING REAL ESTATE

Senior Secured Credit Facility

LEHMAN BROTHERS

Sole Lead Arranger

Lehman Brothers served as Sole Lead Arranger for a $2.2 billion credit facility. This transaction represents the largest ever public to private transaction in the multifamily sector

Transaction Overview

- On June 7, 2005, Gables Residential Trust ("Gables" or the "Company) and a private equity partnership sponsored by ING Clarion Partners ("ING Clarion"), a wholly-owned subsidiary of ING Groep, NV announced that a partnership managed by ING Clarion has agreed to acquire the Company for approximately $2.8 billion, including the assumption and refinancing of approximately $1.4 billion of the Company's outstanding debt and preferred shares
- Gables shareholders received $43.50 per share in cash ($1.4 billion in total) representing a 14.1% premium to Gables' previous closing stock price
- The transaction was funded with a $1.9 billion term loan and $800 million in equity
- Credit facility rated Ba2/BB+ by Moody's and S&P, respectively
- This was the largest ever public-to-private transaction in the multifamily REIT sector

Lehman Brothers Role

- Lehman Brothers acted as sole financial advisor and sole debt and equity capital arranger to ING Clarion Partners
- Lehman Brothers served as Sole Lead Arranger for a $2.2 billion senior secured credit facility, comprised of a $300 million revolver and $1.9 billion term loan
- Lehman Brothers retained a $100 million equity investment in the new entity

Key Benefits

- New structure will enable Gables to harvest gains from opportunistic asset sales and take advantage of premium condo conversion pricing
- Enables Gables to increase leverage and expand the scale and scope of its development activities

Securitization

Justin Driscoll, VP

LEHMAN BROTHERS

Background

What is Securitization?

- Individual mortgages secured by commercial properties are pooled and then separated into tranches of differing credit qualities. Pooling allows diversification of risk related to location, size, and property type.
- Rating agencies (Fitch, Moody's, Standard & Poor's) rate tranches, and investors purchase the bonds based upon desired yield and risk.
- CMBS are backed by a wide range of property types. Examples include rental apartments, shopping centers and malls, office buildings, hotels, warehouse and industrial facilities, mobile home parks, and self-storage
- Main type of CMBS is conduit/fusion. Others include single borrower, large loan, floating rate, etc.

Background

How Does It Work?

Why are loans more valuable in a securitization? Because of value added through:

- Credit Tranching
  - Independent Risk Assessment
  - Rating Agencies
  - B-Piece Buyers
- Securities Format – Liquidity

Background

Securitization History

- Lehman has been a market leader in the CMBS industry since its inception
  - Since 1991 Lehman has underwritten 261 transactions totaling over $204 billion
  - 1st Lehman CMBS deal in Japan - 6.4 billion yen (2002 DTC One SPC)
  - 1st standalone office CMBS deal after 9/11/01 (1166 Avenue of the Americas)
  - Largest single borrower, multiple property type CMBS transaction at issuance (CalSTRS 2002-C6)
  - First "A/B" Note securitization structure (LBCMT 1999-C2)
  - In addition to periodic floating rate securitizations Lehman partners regularly with UBS Investment Bank to issue fixed rate bonds through the LB-UBS label
    - Since 2000 Lehman has completed 31 transactions with UBS Investment Bank
- Lehman also created the first CMBS Index which has since been included in the Lehman Brothers' Family of Indices and Lehman's Aggregate Index

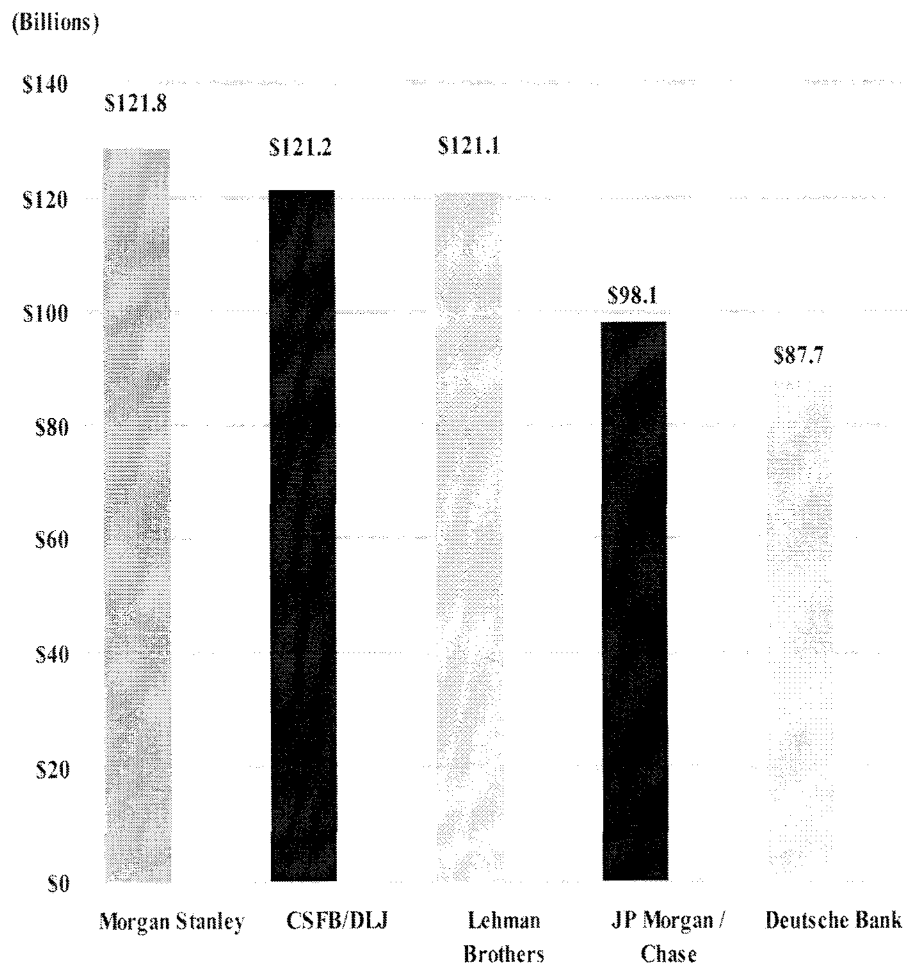
Background

As the overall market becomes larger and attracts more competition, Lehman remains one of the top lead underwriters of US CMBS over the past thirteen years

Top US CMBS Underwriters 1994 to 2006

Manager	Rank	Size ($B)	Market Share
Morgan Stanley	1	$128.8	14.7%
CSFB/DLJ	2	121.2	13.9
Lehman Brothers	3	121.1	13.9
JP Morgan / Chase	4	98.1	11.2
Deutsche Bank	5	87.7	10.0
Bank of America	6	72.2	8.3
Merrill Lynch	7	66.3	7.6
Wachovia	8	64.9	7.4
Goldman Sachs	9	63.3	7.3
Citigroup / Salomon	10	50.0	5.7

Top 5 US CMBS Underwriters 1994 to 2006



Background

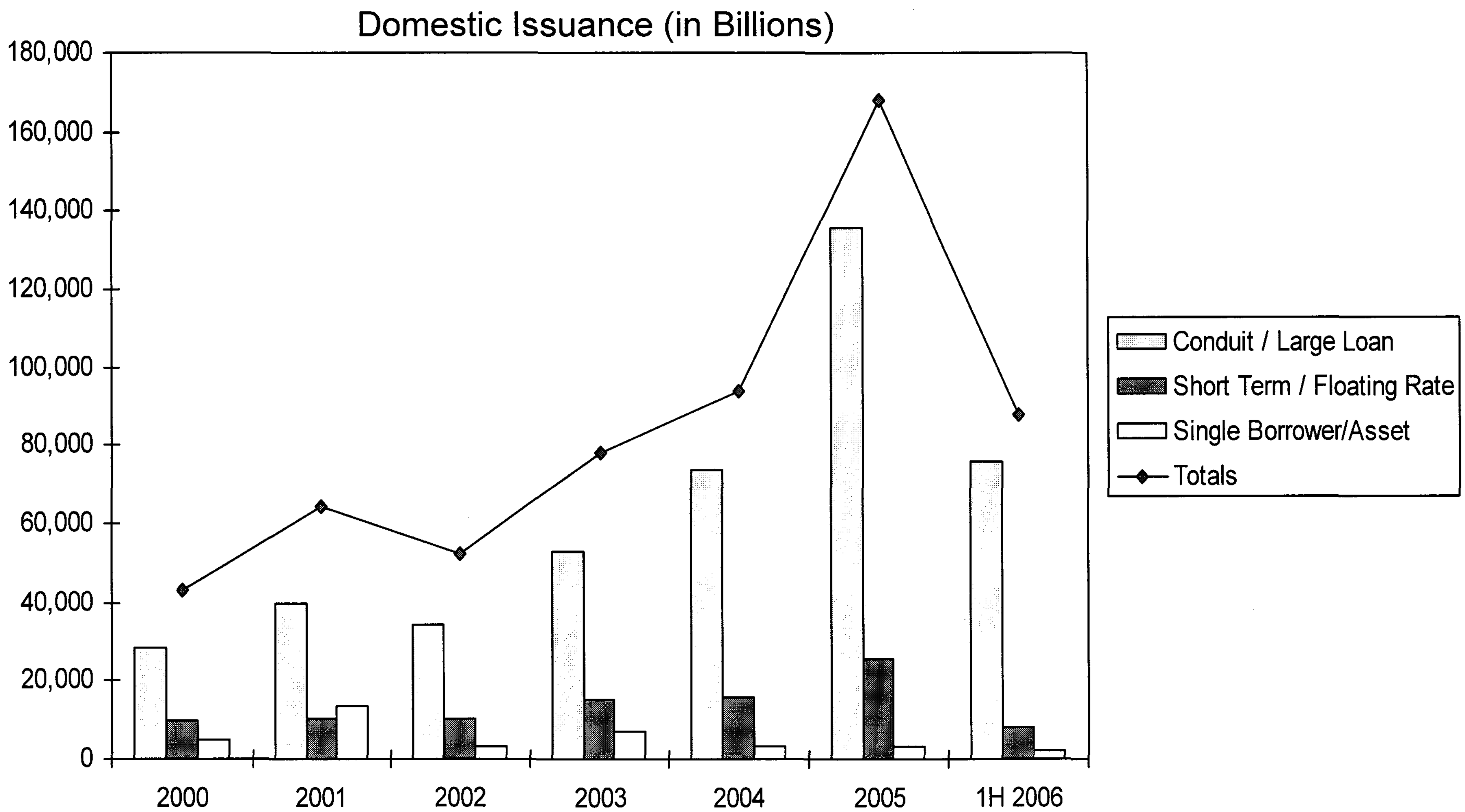
Over the past seven years Lehman has been one of the strongest domestic underwriters of CMBS with approximately $80 billion of issuance representing approximately of 12% of the market

2006*			2005*			2004*			2003*			2002*			2001*		
Lead Underwriter	U.S. Rank	Issuance (billions)	Lead Underwriter	U.S. Rank	Issuance (billions)	Lead Underwriter	U.S. Rank	Issuance (billions)	Lead Underwriter	U.S. Rank	Issuance (billions)	Lead Underwriter	U.S. Rank	Issuance (billions)	Lead Underwriter	U.S. Rank	Issuance (billions)
Wachovia	1	$27.1	J.P. Morgan	1	$21.9	Banc of America	1	$11.8	CSFB	1	$10.6	LEHMAN BROS.	1	$8.7	CSFB	1	$11.5
J.P. Morgan	2	$25.9	Morgan Stanley	2	$20.8	J.P. Morgan	2	$11.1	Deutsche Bank	2	$9.7	MARKET SHARE		13.2%	Morgan Stanley	2	$9.1
Morgan Stanley	3	$24.9	Wachovia	3	$19.1	CSFB	3	$10.5	Morgan Stanley	3	$9.1	CSFB	2	$7.8	LEHMAN BROS.	3	$9.1
Credit Suisse	4	$19.3	Banc of America	4	$18.2	Morgan Stanley	4	$10.0	LEHMAN BROS.	4	$9.0	Deutsche Bank	3	$5.4	MARKET SHARE		13%
Banc of America	5	$19.0	Credit Suisse	5	$17.2	LEHMAN BROS.	5	$9.8	MARKET SHARE		11.6%	Morgan Stanley	4	$5.0	Goldman Sachs	4	$7.8
Merrill Lynch	6	$17.4	Deutsche Bank	6	$15.2	MARKET SHARE		10.5%	J.P. Morgan	5	$7.3	J.P. Morgan	5	$4.9	Deutsche Bank	5	$7.6
LEHMAN BROS.	7	$17.2	LEHMAN BROS.	7	$12.9	Deutsche Bank	6	$9.6	Wachovia	6	$6.7	Banc of America	6	$4.9	J.P. Morgan	6	$6.4
MARKET SHARE		8.4%	MARKET SHARE		7.6%	Wachovia	7	$7.9	Goldman Sachs	7	$6.1	Wachovia	7	$3.9	Smith Barney	7	$5.5
Deutsche Bank	8	$14.6	Merrill Lynch	8	$11.6	Bear Stearns	8	$7.6	Banc of America	8	$5.6	Bear Stearns	8	$3.3	Bear Stearns	8	$4.8
Citigroup	9	$11.4	Bear Stearns	9	$9.8	Merrill Lynch	9	$4.8	Bear Stearns	9	$4.7	Goldman Sachs	9	$2.8	Banc of America	9	$4.1
Bear Stearns	10	$11.3	Goldman Sachs	10	$8.2	RBS Greenwich	10	$3.6	RBS Greenwich	10	$3.7	Smith Barney	10	$2.5	Wachovia	10	$3.3
Top 10 Totals		**$188.2**	**Top 10 Totals**		**$154.9**	**Top 10 Totals**		**$86.6**	**Top 10 Totals**		**$72.5**	**Top 10 Totals**		**$49.2**	**Top 10 Totals**		**$69.2**
U.S. Totals		**$206.0**	**U.S. Totals**		**$169.2**	**U.S. Totals**		**$93.1**	**U.S. Totals**		**$77.8**	**U.S. Totals**		**$52.8**	**U.S. Totals**		**$74.3**
Global Totals		**$299.2**	**Global Totals**		**$238.6**	**Global Totals**		**$127.6**	**Global Totals**		**$98.7**	**Global Totals**		**$95.0**	**Global Totals**		**$96.9**

**2001, 2002, 2003, 2004, 2005, 2006 rankings of lead managers of U.S. CMBS*
Source: Commercial Mortgage Alert (1/4/02, 7/5/02, 1/10/03, 1/9/04, 1/7/05, 1/06/06, 1/05/07)

CMBS Market

CMBS Volume



The Key Players

Who are the players?

Rating Agencies
- Evaluate collateral quality
- Determine subordination levels

Borrower
- Owns/acquires asset
- Seeks financing
- May utilize Mortgage Bankers

Contributor
- Underwrites loans
- Sells loans to the Trust
- Provides reps and warranties

Trust

Securities

Investors
- AAA
- AA
- A
- BBB
- BB
- B
- NR

Trustee
- Fiduciary of the Trust
- Investor and tax reporting

Master Servicer
- Collects P&I payments
- Advances P&I payments (except balloon payment)
- The master servicer must back the obligations to advance P&I payments and carry out its servicing role
- Reporting responsibility

Special Servicer
- Services delinquent loans
- "Works out" foreclosed loans
- Manages disposition of REO Properties
- Often the NR class investor
- The special servicer should be experienced at working out default situations

A Key Player – Loan Sellers/Issuers

Loan Characteristics for CMBS Pools

- Fixed Rate Loan Characteristics (Generally Speaking):
- 10-year loan terms
- 20 – 30 year amortization period (few self-amortizing loans)
- Stabilized property
- Min DSCR = 1.20x
- Max LTV = 80%
- Long Lockout: 2 – 4 payment open periods; ability to defease after 2 years from REMIC startup day
- Structured with escrows for taxes, insurance, TI/LC, and replacement reserves
- Non-recourse to Borrower/Sponsor; some partial recourse – usually temporary
- Borrowers structured as SPEs

A Key Player – Loan Sellers/Issuers

Building A Pool

- Issuance Strategy
  - Frequency in coming to market
  - Partners/Brands
    - PWR – PMCC, Bear, Wells, Nationwide, Principal
    - IQ/HQ – Morgan, Teachers, UCL, NCB, CIBC, etc.
    - TOP – Bear, Wells, Morgan, Principal
- Building a Pool
  - Property type mix
  - Loan diversity
  - Geographic concentration
  - Borrower

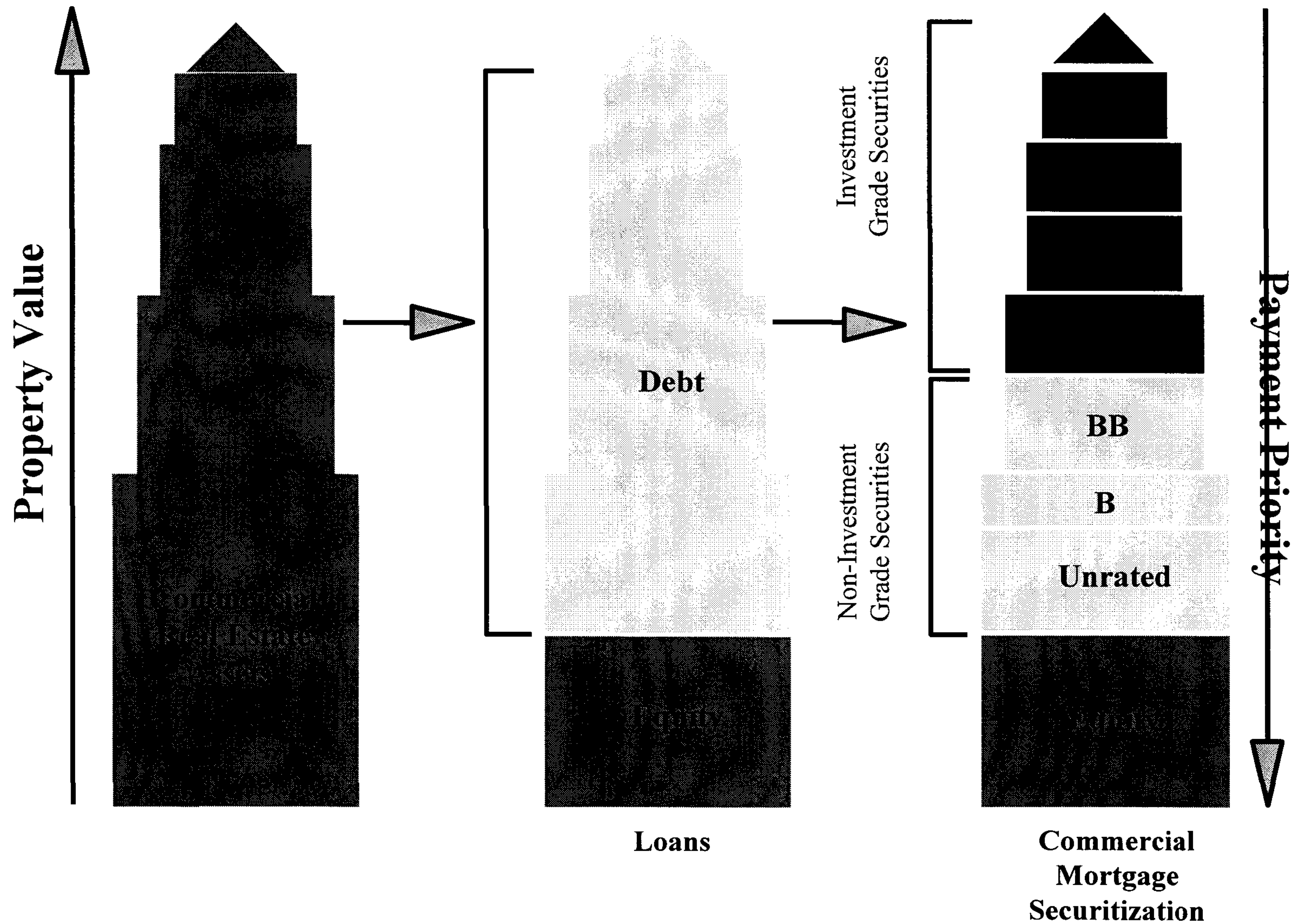
A Key Player – B-Piece Buyer

Who are They?

- ARCap
- Lennar Partners (LNR)
- Hyperion
- Anthracite (AHR)
- CW Capital (Cadim Tach inc.)
- JE Roberts (JER)
- Others…

A Key Player – B-Piece Buyer

What are they Buying?



A Key Player – Rating Agencies

Who are They?

- Standard & Poors ("S&P")
- FitchRatings
- Moody's Investors Service

A Key Player – Rating Agencies

What Do They Do?

- The objective of the rating process is to determine Subordination Levels for each class of certificates by measuring the probability of default and the severity of the loss in the event of default
- Subordination levels represent the amount of credit support that each tranche has
  - AAA bonds have the greatest amount of credit support
  - NR bonds have "no" credit support (first loss piece)
- Preliminary levels are issued first, and are based on:
  - Preliminary data tape
  - Top10 ASRs
  - NCF adjustments (haircuts) and property grades from prior transactions with the issuer
- Economics (i.e. estimated bond proceeds) determines which two agencies will be engaged to rate the deal

A Key Player – Loan Servicers

What Do They Do?

- *Primary Servicer*
  - maintains relationship with the borrower; collects loan payments, escrows, etc. and holds until required to remit to the Master Servicer; earns float during this time period
- *Master Servicer*
  - collects payments remitted from the primary servicer; maintains records and provides investor reports; remits (advances?) payments to the trust
- *Special Servicer*
  - work out, restructure, or foreclose loans that become delinquent or suffer other adverse events; generally appointed by first loss holder

A Key Player – Investment Grade Bond Buyers

Creating the Bond Structure

- Sequential pay structure
  - Senior classes have first priority on principal and interest
  - Losses allocated to junior classes first
- Credit enhancement achieved through subordinated bond classes
- Strong loan level call protection
  - Lockout followed by defeasance is preferred by bond investors
  - Lockout followed by YM has negative impact on IO and short-bond pricing

A Key Player – Investment Grade Bond Buyers

Who Buys CMBS?

AAA Banks Freddie Mac/Fannie Mae Hedge Funds Insurance Companies Money/Asset Managers Pension Funds	**BBB** CBO Vehicles Hedge Funds Insurance Companies Money/Asset Managers
AA & A Hedge Funds Insurance Companies Money/Asset Managers	**IO** Insurance Companies Money/Asset Managers

A Key Player – Investment Grade Bond Buyers

Investment Rationale

CLASS	RATIONALE
AAA	Highest rated class is ERISA eligible for Pension Fund investors. Safe. Lowest probability of default.
AA A	Often small classes. Insurers and mutual funds gain a bit more yield for a small amount of additional risk.
BBB	More risk, more yield, yet still investment grade rated. Greater chance of yield volatility if upgraded or down-graded.

Pricing the Deal

Pricing

- Rating Agencies determine initial capital structure
- Structuring determines how many AAA classes to create
- Investors determine dollar prices and spreads

Credit Support	
20.000%	A1
20.000%	A2
20.000%	A3
20.000%	A4
20.000%	A5
9.250%	AJ
8.625%	B
7.500%	C
6.625%	D
6.000%	E
5.250%	F
4.625%	G
3.750%	H
3.000%	J
2.875%	K
1.500%	L
1.000%	M
0.625%	N
0.500%	P
0.375%	Q
0.250%	S
0.000%	T

X (I/O)

Class	Rating	Principal Amount	Initial Coupon (%)	Avg. Life (years)	Pricing Spread	Price (%)
A1	AAA	$139,656,539	5.4780	1.70	S+9	100.250
A2	AAA	$150,000,000	5.3627	3.29	S+12	100.500
A3	AAA	$450,000,000	5.3516	4.40	S+16	100.500
A4	AAA	$250,000,000	5.3673	5.65	S+19	100.500
A5	AAA	$606,740,000	5.3993	6.96	S+22	100.500
AJ	AAA	$215,905,000	5.4573	7.96	S+27	100.500
B	AA+	$12,553,000	5.4929	8.50	S+30	100.500
C	AA	$22,595,000	5.5126	8.50	S+32	100.500
D	AA-	$17,574,000	5.5323	8.50	S+34	100.500
E	A+	$12,552,000	5.5617	8.50	S+37	100.500
F	A	$15,063,000	5.5814	8.50	S+39	100.500
G	A-	$12,553,000	5.6010	8.50	S+41	100.500
H	BBB+	$17,574,000	5.7395	8.58	S+55	100.500
J	BBB	$15,063,000	5.7914	8.80	S+60	100.500
K	BBB-	$2,503,000	6.2113	8.83	S+83	99.858
L	BB+	$27,623,000	5.1900	9.13	T+210	89.673
M	BB	$10,043,000	5.1900	9.41	T+245	87.257
N	BB-	$7,531,000	5.1900	10.57	T+450	73.912
P	B+	$2,511,000	5.1900	11.08	T+550	67.855
Q	B	$2,510,000	5.1900	11.08	T+650	63.074
S	B-	$2,511,000	5.1900	11.08	T+750	58.733
T	NR	$5,021,284	5.1900	11.08	19.75%	36.277
X	AAA	$1,998,081,823	0.8100	5.87	T+80/100 CPY	3.000
Total		**$1,998,081,823**		**5.87**		**102.863**

Total Pooled Principal Amt (mm): **$1,998** **Proceeds:** **$2,055,283,908** **Total Price:** **102.863%**

The Process

Securitization Process

Week	Activities	Responsibility
1	◆ Complete preparation of rating agency asset books (priority to top 5-10 assets) and presentation book	◆ Lehman
	◆ Complete top 5-10 rating agency asset books	◆ Lehman
	◆ Review and finalize database to be used for rating agency presentation	◆ Lehman
2	◆ Presentation to the rating agencies	◆ Lehman
3	◆ Receive preliminary feedback from rating agencies	◆ Lehman
	◆ Select rating agencies	◆ Lehman
	◆ Submit first 50% of asset books to rating agencies	◆ Lehman
	◆ Engage B-Piece Buyer	◆ Lehman
4	◆ Send out RFPs for Financial Printer, Servicer and Trustee	◆ Lehman
	◆ Begin B-Piece Buyer due diligence period	◆ Lehman
	◆ Submit remaining 50% of asset summary books to rating agencies	◆ Lehman
	◆ Commence rating agency due diligence	◆ Rating Agencies
5	◆ Select Financial Printer, Servicer and Trustee	◆ Lehman
	◆ Submit first draft of Offering Circular to LB	◆ Attorneys
	◆ Commence database comforting	◆ Accountants
6	◆ Comments on Offering Circular	◆ Lehman
	◆ Prepare first draft of Flipbook and Term Sheet	◆ Lehman
	◆ Continue rating agency due diligence	◆ Rating Agencies

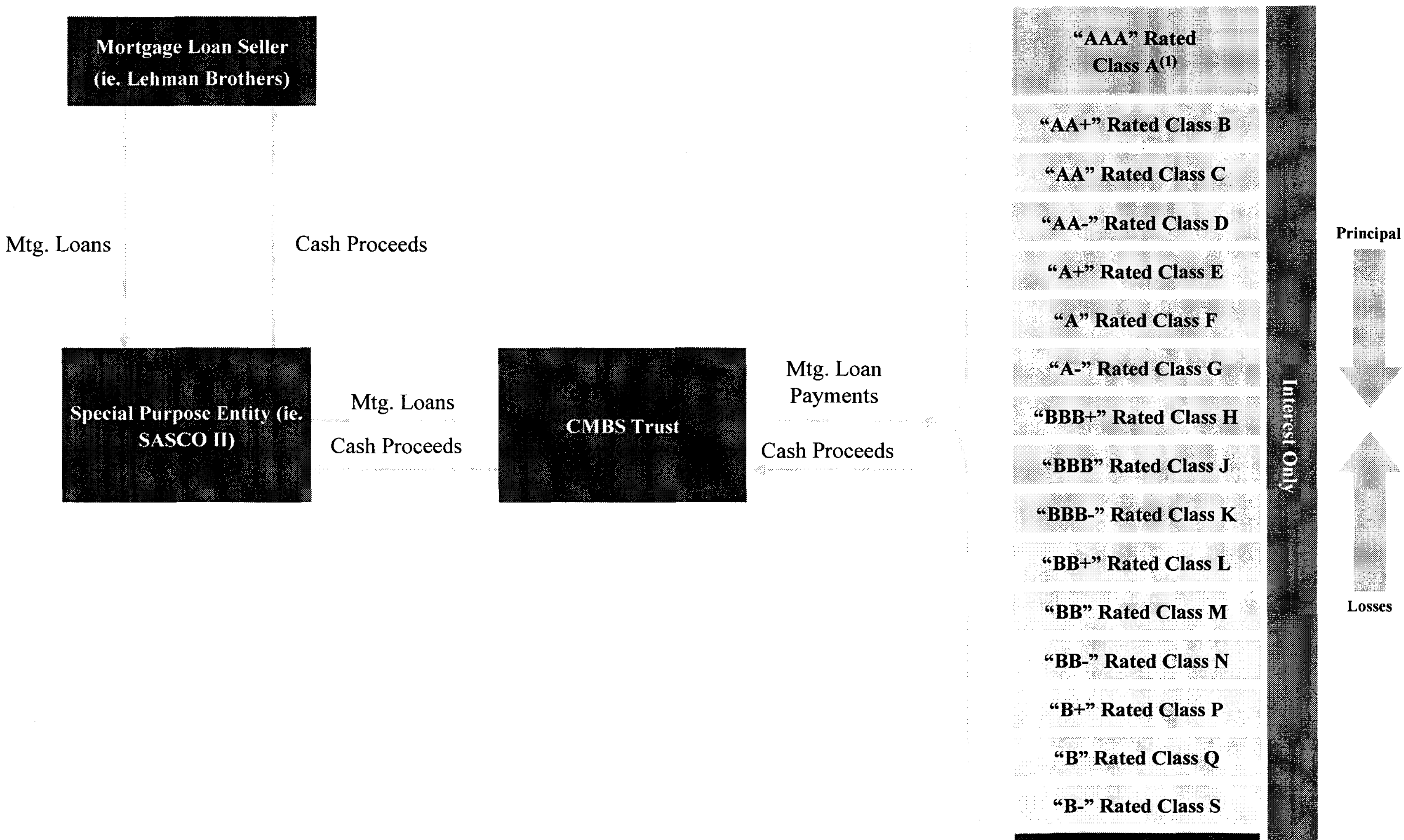
The Process

Securitization Process (cont.)

Week	Activities	Responsibility
7	◆ Wide distribution of Offering Circular (Trustee, Master Servicer, LB, Rating Agencies)	◆ Attorneys
	◆ Distribute Flipbook and Term Sheet for comments	◆ Lehman
	◆ Submit final comforted database tape to rating agencies	◆ Lehman, Accountants
	◆ Comments on Flipbook and Term Sheet	◆ Attorneys, Lehman
	◆ Complete rating agency due diligence	◆ Rating Agencies
	◆ Finalize Flipbook and Term Sheet	◆ All Parties (except RA)
	◆ Complete B-Piece Buyer Diligence Review	◆ Lehman
8	◆ Provide final rating levels	◆ Rating Agencies
	◆ Print Preliminary Offering Circular (red)	◆ All Parties
	◆ Commence Marketing	◆ Lehman
	◆ Complete Presale Reports	◆ Lehman
	◆ Distribute first draft of Pooling and Servicing Agreement	◆ Attorney
	◆ Send draft opinions to rating agencies for review	◆ Attorney
9	◆ Comments on Pooling and Servicing Agreement	◆ Lehman
	◆ Preliminary Price Talk	◆ Lehman
	◆ Pricing	◆ Lehman
10	◆ Print Final Offering Circular (black)	◆ All Parties
	◆ Finalize all documents	◆ All Parties
	◆ Closing	◆ All Parties

Securitization

How it works: Transaction Flowchart



1. It is commonplace to split the "AAA" classes to suit the current needs of investors and maximize proceeds.

Securitization Case Study

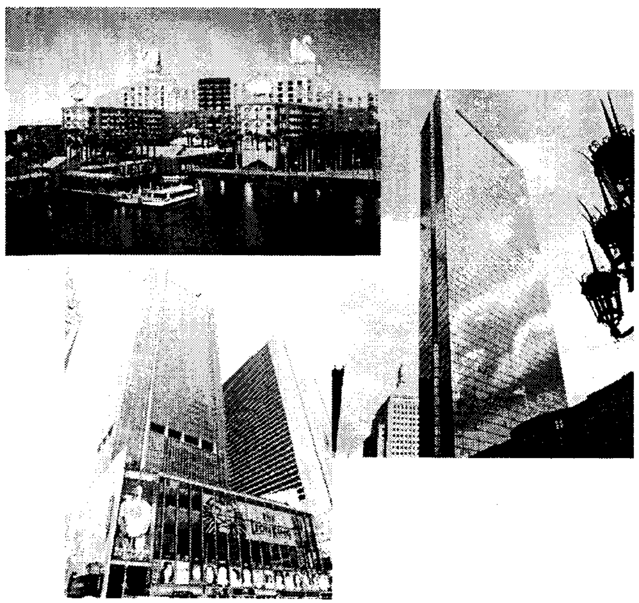
Lehman Brothers acted as Lead Manager and Sole Bookrunner on the $2.1 billion Lehman Brothers 2006-LLF C5 securitization

August 17, 2006

LEHMAN BROTHERS

Lehman Brothers Floating Rate Commercial
Mortgage Trust 2006-LLF C5
$2,133,466,342

Lead Manager and Sole Bookrunner



Transaction Summary

- Lehman completed a securitization of a pool of floating rate loans with a total initial certificate principal amount of $2.1 billion
- The Trust contained 15 Classes of Investment Grade Pooled Certificates, totaling $2.07 billion and 19 Classes of Junior Non-Pool Certificates totaling $60.3 million
- Collateral included 26 loans secured by properties located in 27 states ranging in size from $9 million to $330 million
- Property types included hotel, office, multifamily, retail, industrial and condominium conversion
- Classes were rated from AAA/Aaa to BBB-/Baa3
- The pooled mortgage loans had a weighted average LTV ratio of 39.1% and an underwritten NCF DSCR of 2.58x.
- Sponsors included Metropolitan Life Insurance Company, Tishman Hotel Corporation, Lubert-Adler, Klaff Realty, Cerberus Capital Management, Kimco Realty Corp, Jubilee LP, Beacon Capital Partners, SL Green Realty Corp., SITQ and Blackstone Real Estate Partners IV
- All of the certificates were sold at initial issuance
- Additionally, Lehman sold $342.9 million of related B Notes and Mezzanine Loans to institutional investors including real estate opportunity funds, hedge funds and commercial banks with LTV ratios ranging from 39% to 72%.

Mezzanine - Equity

Steven Gorey, SVP

LEHMAN BROTHERS

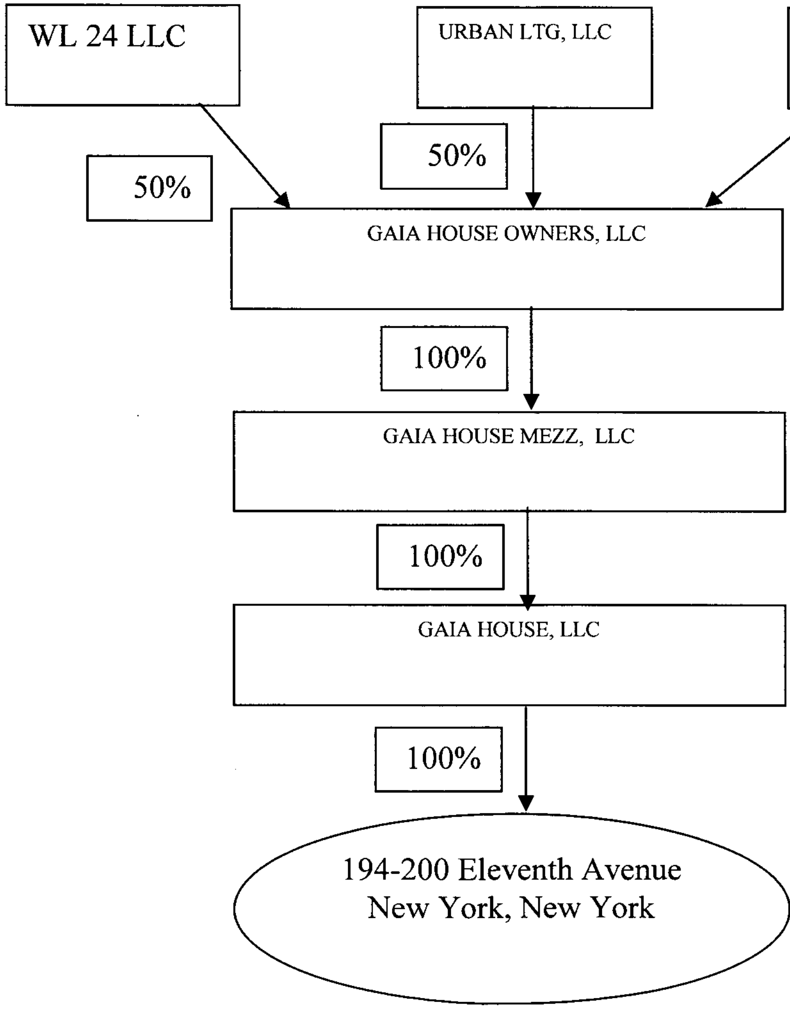
What makes Mezz-Equity group different other divisions in GREG?

- **Not "transactional"** - Part or all of these investments are intended to be held by the firm for 2-4 years.
- **Targeted yields are much higher** - Invest the firm's capital in real estate transactions that return a yield in the mid-teens or above.

What is a Mezzanine Loan?

- **A real estate loan that is subordinate to one or more senior loans.**
- **It is not collateralized by a secured interest in real estate, but by a secured pledge of ownership in a company that owns the company that owns real estate.**
  - Senior loan borrowers are typically an SPE that owns the real property that is subject to the mortgage. Mezzanine borrowers are typically an SPE that owns 100% of the property owner.
  - If a Mezz lender forecloses, the senior loan remains in place and the Mezz lender becomes the owner of the real estate. You inherit the property owner's assets *and* liabilities.
- **Typically is fully repaid before any cash flow is allowed to be distributed to equity holders.**

What is a Mezzanine Loan?



Features of a Mezzanine Loan

- **Maturity:** Typically 24-36 months
- **Leverage point:** Up to 90% loan-to-cost ("LTC")
- **Interest rates:** Mid teens to low twenties
- **Interest type:** Accrual (compounding)
- **Prepayment:** Lockout/yield protection
- **Origination/Exit Fees :** Not uncommon to have neither
- **Profit Participation:** Mezz lender provides a lower interest rate in return for a percentage of deal profits. Typically seen when lending past 90% LTC.
- **Cash flow waterfall:** The senior lender(s) may collect all CF to pay down its debt. If not, and cash flow is allowed to "leak" to the property owner, the Mezz lender will collect all remaining CF. It is very uncommon to allow the any CF to go to the equity holders while the Mezz loan is outstanding
- **Recourse:** Loans are typically non-recourse except for "bad-boy acts." "Bad-boy acts" include, but are not limited to, fraud, stealing and bankruptcy. If the borrower commits any of these acts the loan becomes fully recourse to the guarantor. Mezz lenders try to have a "warm body" as a guarantor to incentivize the borrower to behave.

Typical deal capitalization

- **Example:**

Borrower is purchasing an apartment building for $75mm. He plans on converting it to condominiums. It will cost an additional $25mm over the next 2 years at which point he will sell the condos for net revenue of $125mm.

Cap stack:		LTC	Rate
Senior loan:	$ 75,000,000	75%	L+275
Mezz loan:	15,000,000	90%	18% Fixed
Equity:	10,000,000	100%	
Total	$100,000,000		

- *Note: Historically senior lenders were in the 70-75% LTC range for these types of transactions. Over the past 2-3 years, senior lenders began lending into the 80+% range thereby squeezing the Mezz pieces into smaller slices. As a result LB now quotes senior and Mezz loans with the intent of selling off the majority of the senior debt.*

Advantages of providing the entire capital stack

- "One-stop" shopping
- Leveraged Senior loan returns

- Example:

  Using Senior Loan terms above, LB syndicates a 0-60% piece at L+175 and retains half of the origination fee and all of the exit fee.

  The retained piece now yields L+675 on a current basis. After adding in the origination fee (2.5% sized against the retained piece) and the exit fee (5% sized against the retained piece, or approximately 1.6% adjusting for a 3 year hold) the total yield on the retained piece is approximately 15.9%.

All deals are not created equal

- Generally, stabilized assets cannot generate targeted yields for balance sheet investments.
- **What transactions work?**
  - Similar property types to Conduit and Large Loan but different "play" – Must have significant upside potential and a planned exit or capital event
  - Likely to be non-cash flowing
- **Examples:**
- Construction deals (construction risk)
- Re-tenanting
- Empty office building, campus, roll-over opportunity
- Conversion: Residential rental to residential condo; Office to residential condo; Office rental to office condo
- Entitlement Risk
- Land acquisition and Pre-development
- New business models
  - Specific use facilities
  - Pioneering locations
- Resort development

Bridge Equity

David Zackowitz
Jeffrey Wechsler

LEHMAN BROTHERS

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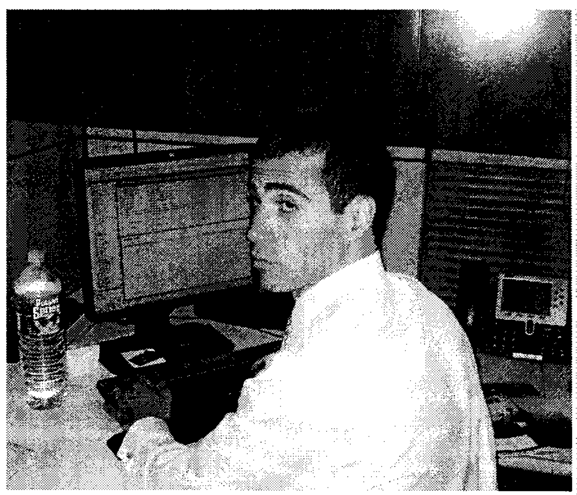
Bridge Equity Junior Team Hierarchy

Ashish "The Architect" Gupta

Oren Samari



Jeff Wechsler

Real Estate Bridge Equity Group

Investment Thesis

- Public markets currently undervalue high quality commercial real estate
- No shortage of low-cost institutional capital seeking investment in world capital cities
- Institutional capital needs an intermediary to facilitate investment due to size and specification

Investor Benefits

- Leverage Lehman Brothers' Global Real Estate Franchise to:
  - Access Lehman Brothers' proprietary deal flow
  - Co-invest with Lehman Brothers and/or proven operating partners
  - Minimize pursuit costs / no competitive auction
  - Put capital to work immediately – no fund ramp-up
- Syndication investors include:
  - US & European public and private pension funds
  - US & European insurance companies
  - University endowments
  - Super high net worth accounts
  - Petro-dollar accounts

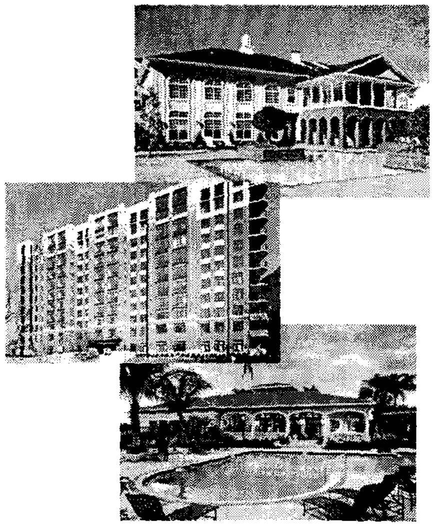
Sponsor Benefits

- Leverage core/core plus asset profile into opportunistic sponsor returns
- Allows sponsors to participate in large scale transactions with 10-20% of the total equity
- Lehman Brothers' presence in the Purchaser gives sellers and sponsors certainty of closure

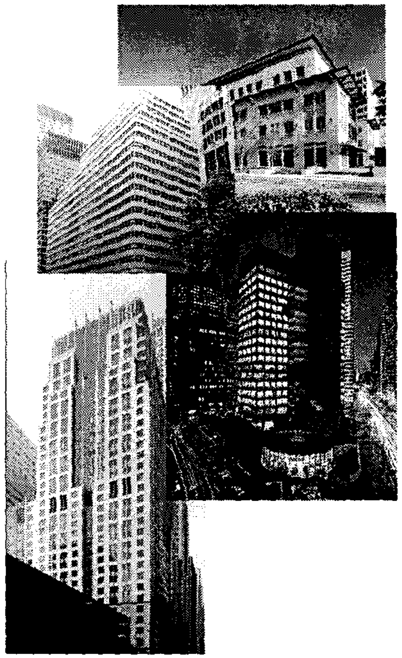
Real Estate Bridge Equity Group

2005

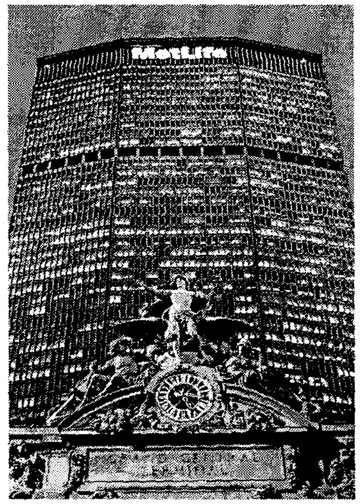
- Committed over \$1.7 billion of bridge equity in transactions totaling over \$9.3 billion in total capitalization
  - None of the \$1.7 billion of equity commitments are currently outstanding
  - Approximately \$3.9 billion of Lehman-issued debt was originated in connection with the equity commitments
  - \$150 million of bridge equity was syndicated to LBREP II [1]



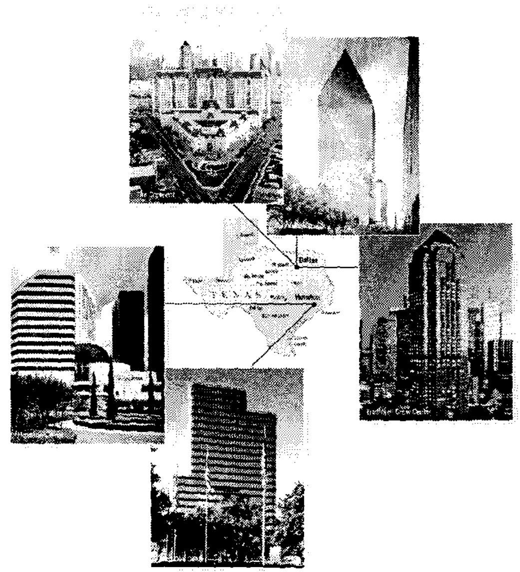
Gables Residential Trust
\$3,000mm total capitalization
\$400mm bridge equity
\$2,200mm debt



GIC Portfolio
\$1,925mm total capitalization
\$400mm bridge equity



200 Park Avenue
\$1,850mm total capitalization
\$570mm bridge equity
\$1,175mm debt



"Big Tex" Portfolio
\$1,200mm total capitalization
\$170mm bridge equity

1. LBREP II contributed \$50 million of equity as a co-sponsor in Gables Residential.

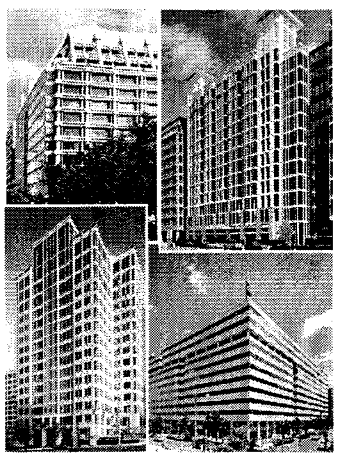
Real Estate Bridge Equity Group

2006

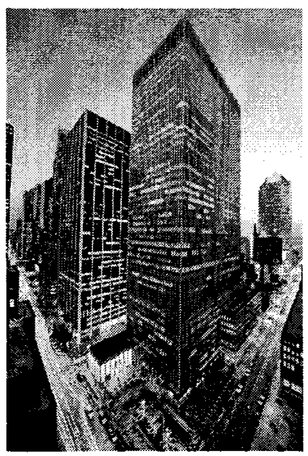
- Committed over \$2.6B of bridge equity in transactions totaling over \$10.9B in total capitalization
  - Equity commitments ranged from \$17 million to \$925 million
  - Over \$8.7B of Lehman-issued debt was originated in connection with the equity commitments
  - Approximately \$1.1B of equity commitments are currently outstanding
- 2006 notable achievements:
  - Expanded sponsor group includes EOP, Witkoff, and Edward J. Minskoff Equities
  - Expanded investor base to Middle East and Pacific Rim
  - Exported bridge equity business to Europe
    - Tour Esplanade, IZD Tower, German retail portfolio with Cordea Savills
  - Evaluating opportunities in Asia

Bridge Equity 2005 - 2006

in billions \$	2005	2006
Total Capitalization	\$9.3	\$13.1
Bridge Equity Committed	\$1.7	\$2.6
Associated Lehman CMBS	\$1.7	\$6.1
Associated Lehman Bank Debt	\$2.2	\$2.6

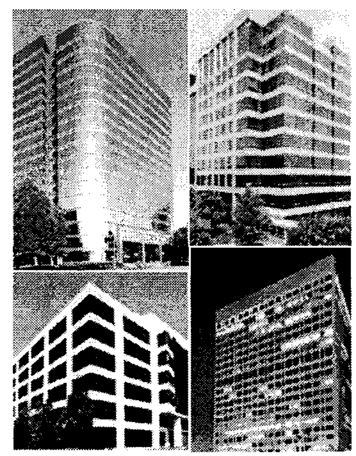


CarrAmerica DC Portfolio
Sponsor: Tishman Speyer
\$2,940mm total capitalization
\$925mm bridge equity
\$1,580mm debt

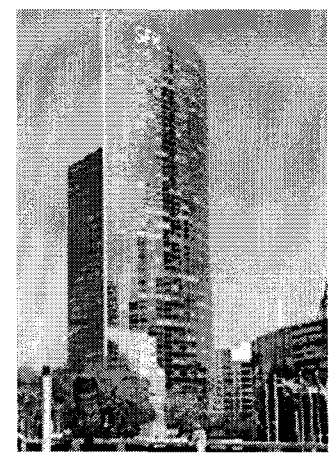


1211 Ave. of the Americas
Sponsor: Beacon
\$1,590mm total capitalization
\$565mm bridge equity
\$950mm debt

1166 Ave. of the Americas
Sponsor: Minskoff
\$147mm total capitalization
\$31mm bridge equity
\$110mm debt



Atlanta Portfolio
Sponsor: Tishman Speyer
\$693mm total capitalization
\$156mm bridge equity
\$485mm debt

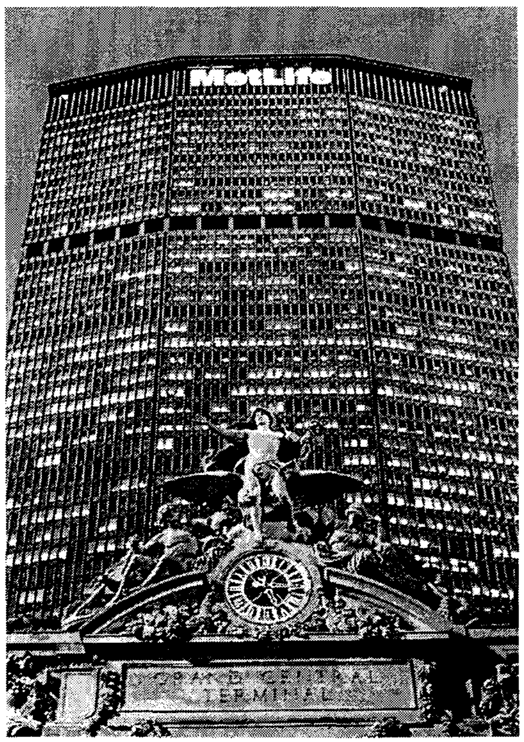


Tour Esplanade
Sponsor: Tishman Speyer
€397mm total capitalization
€91mm bridge equity
€257mm debt

Case Study – Co-Investment Equity Financing

200 Park Avenue ("The MetLife Building")

Date	May 2005
Asset Class	Office
Asset Size	2,850,971 Sq. Ft.
Partner	Tishman Speyer
Transaction Type	Acquisition
Total Capitalization	$1,850,000,000



Transaction Summary

- Acquisition of the world-renowned MetLife Building from Metropolitan Life Insurance Company
  - Represented a total capitalization of $649/SF, well below recent comparable Class A office sales
- 58-story, Class A tower that offers panoramic views and a highly accessible location
  - 100% leased with over 90% of the Building being occupied by long-term, credit-worthy tenants and blue-chip professional service firms
- The weighted average in-place fully escalated base rent was an estimated $23/SF below market, offering significant upside upon rollover
- Tishman Speyer is a well-regarded, long-time Lehman Brothers client with whom we have completed over three billion dollars worth of real estate transactions as of May 2005

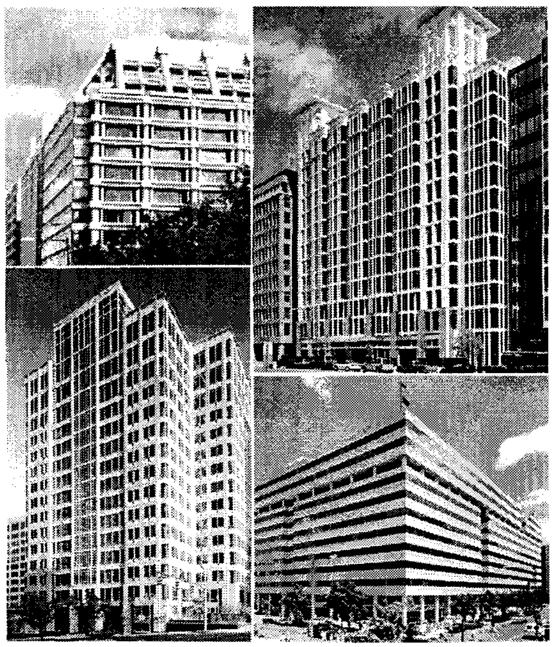
Lehman Brothers Role

- Lehman Brothers provided financing consisting of $1,175 million of debt and $570 million of equity enabling Tishman Speyer to complete the acquisition
- Lehman Brothers committed to a $570 million equity investment with the intent of syndicating the investment to pension funds, endowments, foundations, high net worth individuals and offshore investors

Case Study – Co-Investment Equity Financing

CarrAmerica DC Portfolio

Date	December 2006
Asset Class	Office
Asset Size	5,579,977 Sq. Ft.
Partner	Tishman Speyer
Transaction Type	Acquisition
Total Capitalization	$2,937,000,000



Transaction Summary

- Acquisition of a critical mass of irreplaceably located office properties in the DC area
  - Total capitalization of $526/SF is a significant discount to recent comparable asset sales and replacement cost
  - Off-market transaction that offers a unique opportunity to acquire assets assembled by Carr America over 30 years
- The Portfolio consists of 21 high quality office assets totaling 5.6 million square feet that are ideally located in high barrier to entry submarkets
  - Over 92% occupied
  - 14 assets of 3.4 million square feet in DC and 7 assets, 2.2 million square feet, in Northern Virginia and Maryland
- Potential upside in mark to market of below market leases and redevelopment of two properties located within one block of the White House and the World Bank
- Tishman Speyer is a preeminent, global real estate investment and development organization and an established client of Lehman with a proven track record

Lehman Brothers Role

- Lehman Brothers provided $1.6 billion of debt and a $200 million revolver and committed $925 million of equity
  - Lehman Brothers syndicated $470 million of equity at the closing
- Lehman committed the equity investment with the intent of syndicating it to pension funds, endowments, foundations, high net worth individuals and offshore investors

Case Study – Co-Investment Equity Financing

Rosslyn Portfolio (D.C. area)

Date	May 2007
Asset Class	Office
Asset Size	2,513,330 Sq. Ft.
Partner	Monday Properties/ LBREP
Transaction Type	Acquisition
Total Capitalization	$1,338,000,000

Transaction Summary

- Acquisition of an office portfolio consisting of prime assets located in the D.C. area
  - Purchase price of $487/SF for the stabilized portfolio compares favorably to the sale of Waterview, a newly constructed office building in Rosslyn, for $688/SF
  - Stabilized portfolio represents approximately 30% of all rentable office space in Rosslyn and more than 30% of Class A inventory
- The Portfolio is comprised of two irreplaceable trophy buildings (1.1 million square feet), seven Class A/B buildings (1.3 million square feet) and one Class B building
  - Portfolio is 98% occupied by strong credit tenants and provides considerable upside potential as in-place leases are more than 15% below market and 42% of in-place leases are expiring over the next five years
- Portfolio includes the development of 1812 N. Moore, a proposed 34-story, 550,000 square foot trophy office building ideally located above the Rosslyn Metrorail Station
- Monday Properties is a leading full-service real estate operating company that owns, acquires, develops and manages primarily Class A office properties located in the greater Washington, D.C. area and New York City

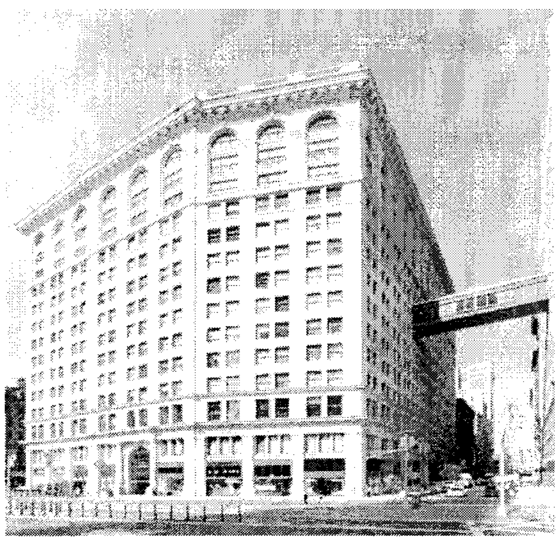
Lehman Brothers Role

- Monday and LBREP are each investing $42.5 million as permanent equity
- Lehman Brothers is providing $568 million of new fixed rate debt, a $200 million credit facility, and committing $310 million of equity
- Lehman Brothers committed the equity with the intent of syndicating it to pension funds, endowments, foundations, high net worth individuals and offshore investors

Case Study – Co-Investment Equity Financing

200 Fifth Avenue (New York, NY)

Date	March 2007
Asset Class	Office
Asset Size	835,000 Sq. Ft.
Partner	L&L Acquisitions
Transaction Type	Acquisition/ Redevelopment
Total Capitalization	$820,000,000



Transaction Summary

- Acquisition and redevelopment of a 15-story, New York office tower prominently located in Midtown Manhattan
- L&L's business plan is to redevelop the Property into Class A office space
  - Maximize the Property's prime location, spectacular views, and floor-plate flexibility
  - Projected rents of $75/SF positions the Property as a cost effective alternative to Midtown Class A rents at over $100/SF
  - Delivers large contiguous, Class A office space into a market with virtually no new construction projected on the horizon
- L&L Acquisitions focuses on the acquisition, renovation and repositioning of institutional quality real estate projects in the greater New York City area; currently owns seven properties totaling over three million square feet with a value of over $1.25 billion

Lehman Brothers Role

- Lehman Brothers is providing financing consisting of $530 million of debt and $222 million of equity enabling L&L Acquisitions to complete the acquisition
- Lehman Brothers committed $45 million in permanent equity
- Lehman Brothers committed equity investment with the intent of syndicating $177 million to pension funds, endowments, foundations, high net worth individuals and offshore investors

Primary Tasks

Underwriting Skills

Underwriting Bridge Equity Deals

- **Basic Skills**
  a. Assumptions Sheets
  b. Eye Charts
  c. Sales/Lease Comparables
  d. Mark to Market
  e. Argus
  f. Variance Schedules
  g. Memos

- **Advanced Skills**
  a. Modeling
     - "The Gupta Model"
  b. Deal Terms
  c. Structure
  d. "Can we sell our equity?"

Primary Tasks

The "Pipeline"

Tracking Bridge Equity Deals

Facilitating communication in the Group

Recording positions and risk

Recording deal terms and fees

Tracking group profitability

Tracking syndication efforts

Understanding the market place

Primary Tasks

Marketing Skills

Marketing Bridge Equity

◆ **Analyst Opportunities**

a. Preparing marketing materials
- 2 Page Overview
- Marketing book
- Syndication Models

b. Tracking investor interest
- Deal type
- Returns thresholds
- Rights requirements

c. Interfacing with clients
- Reporting deal specifics
- Answering Client Questions

ADIA

California STRS®
State Teachers' Retirement System

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GE

TIAA CREF

DUPONT®

Asset Management

Ari Koutouvides, VP

LEHMAN BROTHERS

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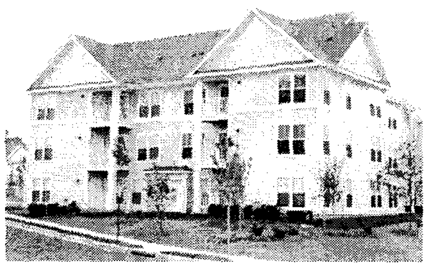
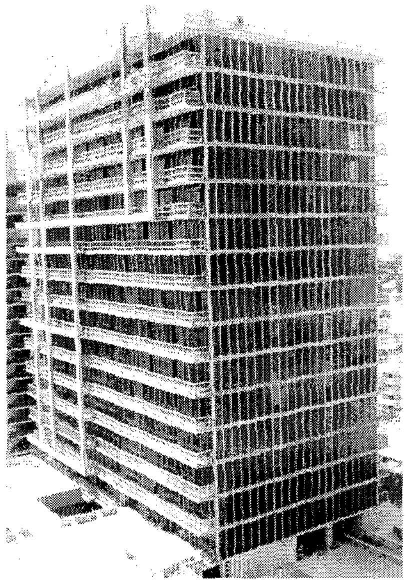
Introduction to Asset Management

Bachelor Gulch



Chatsworth Apartments

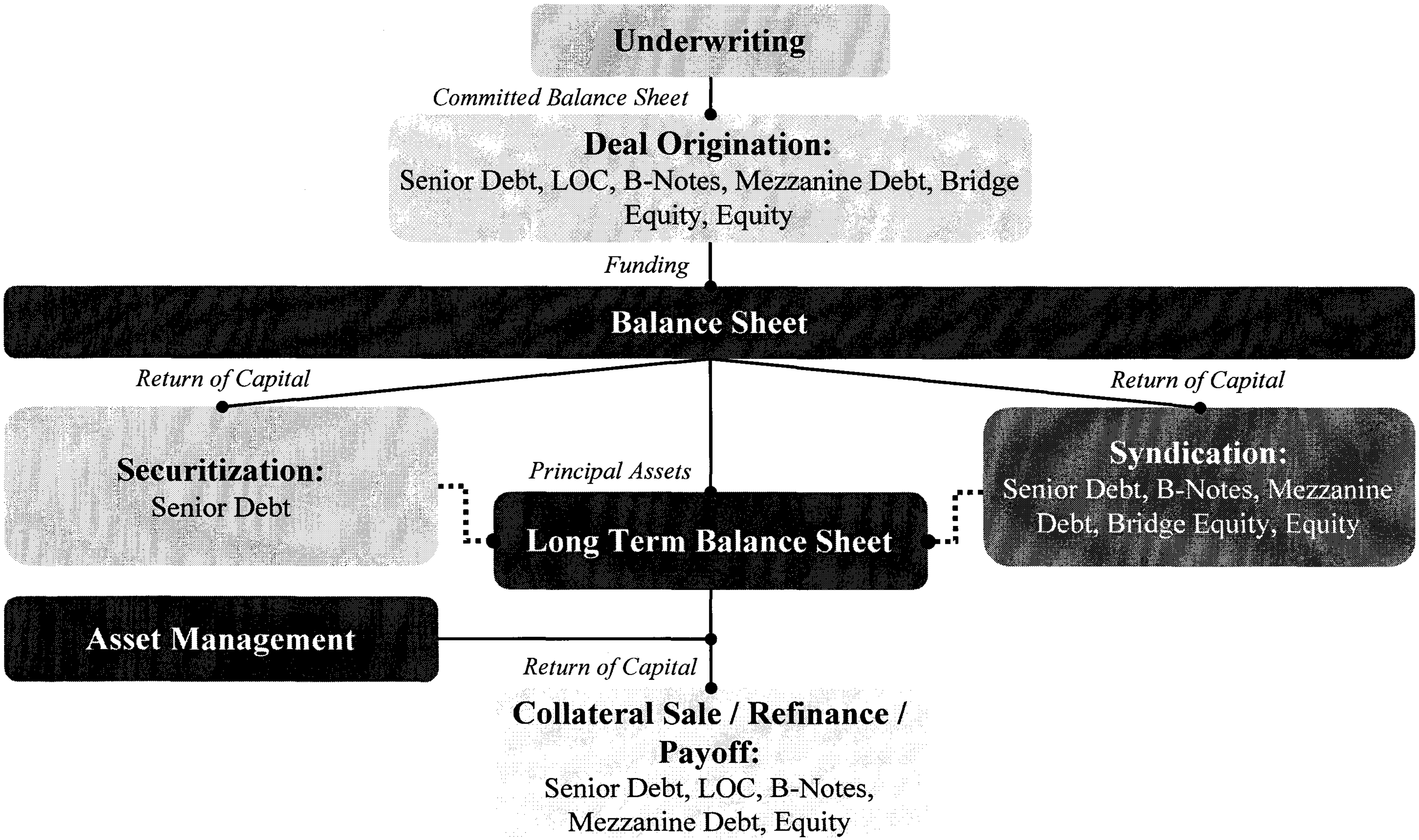


Carillon North Tower

Portland: Block 30, 34 & 38

Balance Sheet Turnover

Assets that remain on balance sheet will be actively asset managed through exit



Core Functions

GREG Asset Management monitors long term real estate investments (debt & equity) and their related exposure in order to minimize risks and maximize returns for the firm

- **Portfolio Management and Forecasting**
  - Monthly review of retained investments on GREG's balance sheet
    - Identify and monitor asset / portfolio level risks
    - Forecast P&L events (payoffs, syndications, marks, etc.)
  - Verify all SPE’s / JV's are properly formed and maintained
  - Ensure appropriate insurance coverage is in place for real estate balance sheet assets
- **Cash Flow Reporting**
  - Monitor new originations, remittance activity and payoffs
  - Report P&L and balance sheet activity to Originators and GREG Management
- **Work Outs**
  - Work with originators and clients to resolve deal issues (cost overruns, construction delays, foreclosures, defaults, restructures, etc.)
  - Facilitate and execute Lehman's exit strategy on poorly performing investments

Business Risks and Actions Steps

GREG Asset Management continues to address the changing risk landscape in both the residential and commercial real estate markets

Business Risks	Actions Steps
◆ Fall out of sub-prime residential mortgage credit crunch – Slowing absorption rates – Downward pressure on prices significantly lowers demand for land from developers ➢ **LB**: Monitor sales velocity of condo and land deals and determine optimal exit strategy ➢ **LB**: Strict underwriting of new deals and experienced sponsor/borrower to minimize downside ◆ Decline in underwriting standards – More banks competing for similar business – Trending markets result in lowering of standards ➢ **LB**: Maintain integrity and standards while attempting to maximize profitability ◆ High concentrations of risk in trending markets and property types (e.g. Condos, land development etc.) ➢ **LB**: Monitor concentration risks of the portfolio ◆ Changes in accounting rules has created a need to syndicate equity to max LB ownership of 49%	◆ Active management of 3rd party (Trimont) asset manager performance and reporting requirements – Identify deals, property types, sponsors and/or markets to focus asset manager efforts (work-outs, monitoring, etc.) – Develop and deliver efficient reporting to LB at the deal and portfolio level (projected deal P&L, IRR returns, annual valuations, expected payoffs, etc.) ◆ Build out of internal GREG technology and infrastructure (Whole Loan Tracking / Core Pipeline) to strengthen risk reporting and deal management – Detailed tracking of deal performance metrics throughout life of position (track actual vs. underwriting) – Efficient portfolio level reporting – Direct data feeds of 3rd party servicer information ◆ Monthly Trimont Credit Committee, coupled with internal review of positions to ensure appropriate mark-to-market ◆ Review deal pipeline to ensure current underwriting guidelines (property types, markets, etc.) are the focus of deal managers

Servicer Overview

Servicer Overview: Trimont Real Estate Advisors

Trimont currently services approximately 855 GREG debt and equity positions

- TriMont was originally founded in 1988 as Hatfield Philips, Inc. The name was changed in February 2003 to TriMont Real Estate Advisors, Inc.
- They currently employ over 270 employees in offices located in Atlanta, Irvine, London & New York
- Current portfolio statistics include:
  - Assets Under Management: $27+ Bn
  - Number of Assets Under Management: ~1,300
  - Value of Assets Under Management: $77+ Bn
- Cores Services: Primary Asset Management, Special Asset Management, Fund Asset Management, REO Asset Management, Underwriting and Due Diligence, Consulting and Market Research, Portfolio Risk Analysis, Reporting and Asset Management Database, Defeasance, Asset Servicing, Treasury Services
- Representative clients include AIG, Anglo Irish Bank, Bank of Scotland, Barclays Capital, Fannie Mae, H2 Capital, HSBC, Lehman Brothers, Merrill Lynch, Prudential, and Wachovia.
- Rated Primary and Special Servicer by:

	Fitch	S&P
– Primary Servicer:	CPS2	Above Average/Stable
– Special Servicer:	CSS2	Above Average/Stable
– Construction Servicer:	N/A	Above Average/Stable

Deal Summaries

PTG Deal Summary: Stellar Apartment Portfolio

Recapitalization of an apartment portfolio in Virginia and Maryland

Financial Summary

Start Date:	May-06
Property Type:	Multi-family
Location:	VA / MD
Sponsor:	Stellar Adivsors
Deal Type:	Transitional

Capital Structure ($MM):	
LB Senior Loan	190.0
LBREM Senior Mezz	19.6
LB Junior Mezz 1	8.6
LB Junior Mezz 2	7.8
LB Equity	3.2
Stellar Equity	5.9
Total Deal Commitments	**235.0**

Deal Summary

- ***Business Plan:*** Refinance of the Stellar Apartment Portfolio, a 1,430 unit four-asset portfolio of apartment units containing over 1.45MM SF. The proceeds from the refinance was used to pay off the existing senior and mezzanine loans, to pay closing costs, to reserve future working capital, and to pay down all preferred return and the majority of the equity balance on each asset. The assets that are included in the portfolio are Belmont, Chatsworth, Haverhill and Ashton Woods, with three of the four assets located in Northern Virginia and the fourth located in Maryland outside of Baltimore.
- ***LB Participation:*** LB provided the original senior loans, mezzanine loans (for all assets except Ashton Woods) and equity on the acquisition of all four properties with the Sponsor: Ashton Woods closed in February 2004, Chatsworth Park closed in July 2004, Belmont closed in August 2004, and Haverhill closed in December 2004. The May 2006 refinance involved various teams within GREG and consisted of the following: LB's Conduit Group provided a senior 1st mortgage loan of $190MM, LBREMP provided a senior mezzanine loan of $19MM (L+1000bps), LB provided two junior mezzanine loans (Junior 1 Mezzanine Loan of $8.6MM and Junior 2 Mezzanine Loan of $7.8MM at L+1200bps), and LB also reinvested a total of $3.2MM of equity in the deal for nearly a 50% stake in future equity returns of the portfolio.
- ***Sponsor:*** Stellar Advisors was formed in 1997 to serve as a real estate investment advisor specializing in the acquisition, repositioning, and asset management of multifamily housing. The Sponsor has been successful in purchasing properties at a value based on its current income stream, providing sufficient capital infusion to bring amenities up to market expectations, instituting a professional management team, and providing experienced asset management oversight.
- ***Current Status:*** Stellar has recently marketed the portfolio for sale and sold Belmont in June of 2007 for $50.5MM. Chatsworth is currently under contract for $129.5MM. The two remaining properties may also be sold in 2007 depending on market conditions.

CMBS Deal Summary: Trump Hollywood

Debt financing of a ground up condominium project in Hollywood, FL

Financial Summary	
Start Date:	April-07
Property Type:	Condo Ground Up
Location:	Hollywood, FL
Sponsor:	The Related Group
Deal Type:	Development

Capital Structure ($MM):	
LB A-Note (Syndicated)	211.6
LB B-Note	15.0
LBREM Mezz Loan	23.0
Buyer Deposits	20.5
Imputed Land Equity	35.3
Related Group Equity	10.0
Total Deal Commitments	**315.3**

Deal Summary

- ***Business Plan:*** Construction of a 200 unit condominium tower totaling 622,544 SF located on an ocean front parcel in Hollywood, FL. Amenities will include an elevated pool, two spas, a reflecting pool overlooking the Atlantic Ocean, a 3,000 SF fitness center, club room, billiards and game room, air conditioned storage spaces and beachside cabanas.
- ***LB Participation:*** In April 2007, LB originated a $226.6MM floating rate First Mortgage Loan, and LBREMP originated a $23MM Mezzanine Loan to The Related Group of Florida. The First Mortgage Loan will be split into a $211.6MM A-Note and a $15.0MM B-Note. The First Mortgage Loan was syndicated to six banks with LB retaining the B-Note at a coupon of Libor plus 21.1%.
- ***Sponsor:*** The Related Group of Florida has built and managed more than 55,000 residential units throughout Florida. Related's current development portfolio includes projects valued in excess of $1.4 Bn with reported sales of more than $1.07 Bn for 2006 and over $2.5 Bn in the last four years. As of December 31, 2005 Related reported total assets of $4.3 Bn, with cash and marketable securities of $349.1MM, net worth of $456.5MM and net income of $202.7MM.
- ***Current Status:*** To date, 115 of the 200 condominium units (58%) are under contract for sale at an average price per square foot of $678. 10% of the initial deposits have been collected on these units and the aggregate contract price for these units is $222MM. Construction began in April 2007 and is expected to take approximately 2 years. Thus, the expected date of completion is May 2009.

CMBS Deal Summary: Fontainebleau

Debt financing of retail development project in Las Vegas, Nevada

Financial Summary

Start Date:	June-07
Property Type:	Retail
Location:	Las Vegas, NV
Sponsor:	Fontainebleau
Deal Type:	Development

Capital Structure ($MM):	
LB Senior Loan	315.0
LB Mezzanine Loan	85.0
Sponsor Imputed equity	47.6
Total Deal Commitments	**447.6**

Deal Summary

- ***Business Plan:*** Development of the high end retail component of the Fontainebleau Las Vegas, a to be constructed signature casino hotel resort containing 3,889 hotel rooms, 100M SF casino, 280M SF of convention space and a 56M SF spa. The retail component will contain approximately 162M SF of retail space and 125M SF of restaurants and nightclubs.
- ***LB Participation:*** LB originated a total of $400MM (L+428bps) in construction financing that was divided into a $315MM senior loan and an $85MM mezzanine loan to Fontainebleau. The initial funding of the senior loan was $125MM and the mezzanine loan was fully funded at closing. LB intends to syndicate the entire senior loan at a spread of L+200bps while retaining the mezzanine loan at a spread of L+1278bps, which would currently yield a coupon of 18.1%.
- ***Sponsor:*** Founded by Jeff Soffer and Glenn Schaeffer in 2005, Fontainebleau Resorts LLC benefits from an experienced management team with a proven track record. Soffer is a Principal of Turnberry Associates which has developed more than $7 Bn in commercial and residential property since 1967. Glenn Schaeffer, former President and CFO of the Mandalay Resort Group, and his management team, have developed several major casino properties including Mandalay Bay, The Hotel, Monte Carlo, Excalibur and Luxor.
- ***Current Status:*** Construction of the Fontainebleau Las Vegas has started and is expected to be completed in the 4th Quarter of 2009. The project's stabilized NOI (beginning October 2010) for the retail portion of the development is estimated at $30.1MM. LB is currently marketing the senior loan for syndication with an expected sale date in the 3Q07.