

From: Kirk, Alex (FID) [akirk@lehman.com]
Sent: Tuesday, May 15, 2007 8:33 PM (GMT)
To: 4955214@archwireless.net [8774955214@archwireless.com]
Subject: FW: Executive Committee memo - GE Plastics - Apollo financing

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> From: Berkenfeld, Steven
> Sent: Tuesday, May 15, 2007 4:33:26 PM
> To: LBEC Member; LBEC Assistants; O'Meara, Chris M (NY); Antoncic,
> Madelyn;
> Freidheim, Scott J; Lowitt, Ian T
> Cc: Kirk, Alex (FID); Orlan, Fred S; Konigsberg, Michael; Stephenson,
> Ros;
> Wieseneck, Larry
> Subject: RE: Executive Committee memo - GE Plastics - Apollo financing
> Auto forwarded by a Rule

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>
> An up-date - hearing from the deal team that, as expected, Apollo was
> not successful in its bid.

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> From: Berkenfeld, Steven
> Sent: Sunday, May 13, 2007 10:24 PM
> To: LBEC Member; LBEC Assistants; O'Meara, Chris M (NY); Antoncic,
> Madelyn; Freidheim, Scott J; Lowitt, Ian T
> Cc: Kirk, Alex (FID); Orlan, Fred S; Konigsberg, Michael;
> Stephenson, Ros; Wieseneck, Larry
> Subject: Executive Committee memo - GE Plastics - Apollo
> financing

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>
> Attached is a memorandum for the Executive Committee regarding a
> financing commitment to Apollo in connection with its bid to acquire
> GE Plastics. We are acting as co-M&A advisor to GE on the sale of the
> business and, along with Goldman Sachs and GECC, have been offering
> staple financing to the bidders. Apollo is the only remaining
> financial sponsor in the process and is competing with two strategic
> buyers in the final round.

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> LB, with the other staple providers, has been requested to provide a
> commitment for one-third of the required financing of \$9.215 billion
> (\$3.04 billion for LB). Following up on my cover note from last week
> on the Thomson Learning financing for KKR (by the way, KKR was not
> successful in its bid), if that transaction was a new high watermark
> for aggressive demands from financial sponsor clients, this financing
> is not far behind. In comparison to the staple terms, the financing
> requested from Apollo has higher leverage (.25x), a bigger revolver,
> covenant lite, tighter pricing and, most significantly, minimum equity
> of only 15%. And, as in Thomson Learning, even with flex pricing, we
> expect we would need to use a substantial portion of our fees to

> syndicate the debt. Estimates are that gross financing fees of \$28.6
> million (20% of economics) could be reduced to \$11 to \$20 million in
> net fees in the current market. Making that more palatable, we will
> be receiving a significant M&A fee (could be as high as \$20 million)
> from GE in connection with the sale, and therefore still expect to be
> able to earn significant fees on this transaction.

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> This is another financing that is challenging to get fully comfortable
> with and that should have better terms and pricing. However, in this
> situation, another important consideration is the need to stand behind
> our staple financing for the benefit of GE - it would be difficult to
> pass when total leverage is only .25x higher than our staple proposal,
> when both Goldman Sachs and GECC are committing alongside us, and with
> JP Morgan and Bank of America also offering financing to Apollo on
> these terms. Furthermore, we believe that the chances of Apollo being
> successful in its bid are less than one in three, and that to be
> successful Apollo would need to materially increase its equity
> contribution.

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> We can further discuss this transaction in tomorrow morning's weekly
> risk meeting. In addition, please also call either me, Mike or Fred
> if you have any questions. Thanks.

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> From: Johnson, Henry
> Sent: Friday, May 11, 2007 7:43 PM
> To: Berkenfeld, Steven; Konigsberg, Michael
> Cc: Sade, Alex
> Subject: GEP Apollo Exec Memo 5_11_07.doc

>

> Steven / Mike:

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> Attached please find a copy of the GE Plastics Executive Committee
> memo for the Apollo team. Please contact me if you need any changes
> or additional information.

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> Regards,
> Hank

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> << File: GEP Apollo Exec Memo 5_11_07.doc >>