

From: Fuld, Dick [lbexec1@lehman.com].

Sent: 8/25/2008 7:25 PM.

To: McGee III, Hugh E [hmcgee@lehman.com].

Cc:

Bcc:

Subject: Re: Talking Points.

Skip
Good layout-thanks

----- Original Message -----

From: McGee III, Hugh E

To: Fuld, Dick

Sent: Mon Aug 25 19:06:58 2008

Subject: Fw: Talking Points

----- Original Message -----

From: Sullivan, Tim [IBD]

To: McGee III, Hugh E

Sent: Mon Aug 25 19:05:00 2008

Subject: Talking Points

Green Situation Overview

- Market now expects a significant loss in Q3
- 1 Loss will be due largely to residential mortgage reductions
- 2 Our revenue run rate was okay but did slow in August
- 3 At the end of the quarter, we will have reduced Resi exposure by ~50% to ~\$12B
- Importantly, will be down ~50% in the U.S.
- Planning to announce that we're spinning off substantially all of our Commercial Real Estate assets to shareholders
- Have had substantive discussions with SEC and ratings agencies – both on board
- 1 SpinCo will have ~\$8B of equity and be financed by seller financing of ~\$25B
- "CleanCo" (i.e. Core Green) will be cleanest of the peer group
- ~\$10B of Resis by Q4
- 1 < \$5B of CRE assets
- 2 ~\$20B of Level 3 assets
- To fill the equity hole from SpinCo, will need to raise \$3-4B of equity
- May raise this via partial sale of IMD but that is not the preferred route
- Running a process for all of IMD; initial indications for the whole thing range from \$8-11B
- 1 Total market cap of Green today is ~\$9.5B – makes no sense

What's Different From July?

- Clear path to CleanCo
- 1 Material reduction in downside risk
- 2 Stock price much lower
- 3 Does it make sense for us to get together to discuss before we go in other directions?
- Capital raise?
- 1 Strategic combination?

· Strategically, we continue to think combining Blue and Green's platforms would create a formidable competitor

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