

From: Tonucci, Paolo [paolo.tonucci@lehman.com]. Sent: 8/18/2008 7:56 AM.

To: Wieseneck, Larry [lwiesene@lehman.com]; Beeson, Lisa E [lisa.beeson@lehman.com]; Hughson, Paul A [phughson@lehman.com]; Whitman, Brad [bwhitman@lehman.com]; Surbaugh, Kelsey E [kelsey.surbaugh@lehman.com].

Cc: Thatcher, Kevin [kevin.thatcher@lehman.com]; Walsh, Mark [mawalsh@lehman.com].

Bcc: .

Subject:FW: Lehman CRE Transaction Questions/Issues.

We have received a number of questions back from Moody's on the proposed structure.

We will need to get something to them by end of week, I think. The questions are similar to those we got from S&P and Fitch, so think it makes sense for us to meet up to agree what work is to be done and who is best placed to do it.

I will try and set up a time later today.

Paolo

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> From: Frantz, Blaine [mailto:Blaine.Frantz@moodys.com]

> Sent: 15 August 2008 18:48

> To: Tonucci, Paolo

> Cc: Young, Robert; Nerby, Peter; Yavorsky, Alexander

> Subject: Lehman CRE Transaction Questions/Issues

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> Paolo,

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> Below are list of questions/issues/concerns regarding the planned

## CRE

- > transaction. Anyway, a key concern of the transaction is equity, and
- > Lehman's need to replace any equity deficit created by allocating
- > capital to the spinco, and how exactly you will raise the capital,
- > when and how much. Concerns were also raised about execution risk
- if
- > commercial real estate markets continue to erode in coming months as
- > you are trying to execute the spin. What would the repercussions be of
- > an aborted transaction? What is "plan B"?
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- > Thanks, Paolo.
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- > --Blaine
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- > CRE Spin-off: Open questions
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- > \* What assets/operations will be left behind?--detail
- > \* How will the debt be tranching; what tranches will Lehman hold?
- > \* Terms of debt facility:
- > -Covenants
- > -Dividend/distribution restrictions
- > -Excess cash flow sweep
- > -Other terms
- > \* What operations will spinco have?
- > \* What legal/regulatory/governance controls will exist to ensure
- > that spinco's operations are constrained by well-defined parameters?
- > \* What might you name spinco?
- > \* Potential for Lehman to support spinco: need better clarity
- > \* Capital structure walk: some concern that spin transfers too
- > much equity
- > \* Capital structure walk to pro-forma YE2008 balance sheet showing
- > effect on capital and RWA of earnings, spinco, and Blackrock
- > transaction
- > \* Risk of tripping deferral triggers?
- > \* How much new common equity will Lehman issue?
- > \* How much of cash forecast is assumed refi?

- > \* How much of debt on individual properties is assumed to refi?
- > \* How much of debt on individual properties is assumed not to refi
- >
- > (Lehman puts \$\$ in?)
- > \* We will need granular portfolio detail as per Moody's CRE team
- > \* Details on the Blackrock residential transaction
- > \* Details on any other material asset sales in the works
- > \* Details on revs and profits generated in residential and
- > CRE/CMBS businesses
- > \* Details on expectations for core profitability of "clean" Lehman
- >
- > \* Tax implications of this for LEH shareholders
- > \* Execution risk: what are your contingency plans if announce and
- > can't get it done?
- > \* Who are the strategic institutions interested in taking a stake
- > or all of Lehman?
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