

From: Lowitt, Ian T [ilowitt@lehman.com].

Sent: 8/13/2008 8:43 PM.

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

Cc:

Bcc:

Subject: Re: How did your presentation to the board go?.

Great. If we can get the preferred done without negative accounting consequences it makes a big difference. Think all the agencies see spinco positively. Issues are the obvious ones - does spinco have enough cushion to really shield the firm from loss; how will spinco be run, what are incentives on management and how do you ensure debt protected if spinco focused on managing for equity value.

Is remainco correctly capitalized

How will clean co make money going forward given its less diversified than was case historically (no mortgages or commercials)

Would say there is skepticism about how good the cash flows look and view is our real estate outlook too rosy - don't think operators will find alternative sources of financing as easily as implied in our model. Will have to work hard to convince agencies and other potential funders. Must make sure this is not goldfarb over exuberance at work here.

Ian

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

From: McGee III, Hugh E

To: Lowitt, Ian T

Sent: Wed Aug 13 20:17:29 2008

Subject: RE: How did your presentation to the board go?

Went well.

I didn't provide any written materials-just posted them

I will send you the pages I had prepared in case I needed to give them materials

On the preferred, I flagged the concept as something we were looking at

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

From: Lowitt, Ian T

Sent: Wednesday, August 13, 2008 8:09 PM

To: McGee III, Hugh E

Subject: How did your presentation to the board go?

Could you please send me a copy of what you presented Re converting the convert to common - if we can get the 4 bn of common for 160 mm shares that's a no brainer. Much easier to raise preferred and will have the shares we don't use in conversion + 20 or so to get a preferred done. Martin thought there might be an accounting issue with the inducement - asked him to follow up with michael directly.

Best with meeting tomorrow. Have prepped bart on some fair value accounting issues if it comes up Ian