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Sent: 7/6/2008 7:06 PM.

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Bcc: .

Subject: Re: Korea next steps.

Jeff, Larry and Mark,

The koreans have been fully educated on the open market share purchase mechanics, and we can run this down with the real estate and debt guys, but it will be important to get the firm to sign off as part of the overall package.

How do you recommend that we get senior exec buy-in at the start of the week on what is being proposed and will be taken to the various players in korea?

Jon, can you forward the final three pages we shared with the koreans on real estate and credit?

Brad

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

From: Mollenhauer, Jon  
To: Lyons, Timothy G; Mosher, Christopher; Blake, Matthew  
Cc: Whitman, Brad; Heindl, Walter  
Sent: Sun Jul 06 05:18:06 2008  
Subject: Korea next steps

Tim, Chris and Matt -

We were able to present the three detailed JV pages to a subset of the Korea Inc team on Friday afternoon (final version attached). Over about 90 minutes we went over the three pages line-by-line as well as covering some additional questions on the equity purchase structures. They definitely appreciated the additional detail, so thanks for working with the businesses to fill it in for us.

We committed to some followups that we'd need your short-term help on again. It appears that they're resistant to taking the matter to more senior management without these, so we need to turn them around in another day or two. For each of these 3 opportunities we need to flesh out:

- Potential products: There are some details here now, but they remain concerned about basics like 'will this all be sub-prime'. I suspect it's almost too vague a question for our business guys to consider, but we need to include a list of ~10 very specific products that might go into the structure, est. % Level 2 / 3, etc. The ideal case would be a sample / recommended portfolio - they won't offer opinions, only responses, and seem unwilling to proceed without a starting point from us.
- Ownership and financing: The three structures showed different levels of ownership for KI (60%, 50% and unspecified). KI asked about this, again from the standpoint that we were trying to give them more equity risk on the dangerous assets. They also asked about actual capitalization levels (we said ~10%), board composition (said they should have veto rights if not control) and financing (e.g. the RE JV now says LB will source financing - we said we'd like them to step up to \$10B+).

They also asked for detail pages on the IBD / PE JV ideas, which we'll do in Asia. I'm available to talk Monday morning if that's helpful.

Regards,

Jon

<<Credit - RE details (02Jul08).ppt>>

Detailed notes on the Friday-afternoon call:

- \* 'Potential product list' for each JV (LB NY)
- \* 3 upgraded detail pages were well-received, but very crisp explanations are needed for senior management
- \* E.g. "The Real Estate JV will buy the following products from LB:"
- \* Need not be exhaustive (impossible), but would be helpful if NY owners added another level of specificity and detail
- \* Ownership levels and equity capitalization for each JV entity (LB NY)
- \* KI questioned why one was 60/40, one was 50/50 and the other was not specified
- \* Felt that this indicated different levels of comfort with the underlying assets
- \* I.e. LB wanted to shed more of the equity risk on the RE portfolio, indicating lower comfort
- \* LB indicated that this should indicate higher LB comfort with assets, and commitment to partnership, as returns will be higher for partner under higher ownership
- \* KI also asked if LB was open to higher or lower levels of ownership (LB indicated yes)
- \* 'Detail pages' for IBD and PE JVs (LB Asia)
- \* KI recognizes that RE & Credit are of high interest to LB
- \* However KI is more interested in IB-style global JVs
- \* Clarified that KI still envisions only Korea-related global business, e.g. US listing or financing of Korean companies
- \* Additional equity purchase points
- \* KI asked if LB would 'pay part of market premium' if another broker executed block purchase (i.e. broker would only guarantee price above market, so would LB reimburse KI for part of gap). LB indicated unlikely.
- \* KI asked again if share purchase was a pre-requisite to other JVs. LB indicated that if KI had appetite for a large B/S commitment, LB might

reconsider decoupling.

\* Credit JV points:

\* KI questioned again whether these were existing or new assets (general question they have repeated several times)

\* LB indicated assets would generally be existing until an initial portfolio could be managed down

\* KI asked again whether these assets were being 'dumped' and why, if not, they could not be sold at a profit in the market

\* LB indicated that assets are still attractive but under-valued, and LB needs to reduce B/S. Thus LB is offering opportunity to partner to benefit from specific asset upside as well as building future business based on LB's strong sourcing network.

\* Acquisition Finance JV points:

\* KI again questioned whether commitments were existing or new (LB indicated both, after initial period of existing commitments)

\* KI indicated that short DD periods could be difficult, and that on-site diligence would probably be required even for overseas opportunities