

From: Kerstein, Daniel [daniel.kerstein@lehman.com].

Sent: 7/22/2008 8:02 AM.

To: Wieseneck, Larry [lwiesene@lehman.com].

Cc: .

Bcc: .

Subject: Re: Idea on financing.

Only way to make that feel real is to have a "ring-fenced" model. Would need to isolate assets and also some equity against. IPO won't work. Sponsor unlikely. Will keep thinking.

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

From: Wieseneck, Larry  
To: Kerstein, Daniel  
Sent: Tue Jul 22 07:59:16 2008  
Subject: Re: Idea on financing

Keep thinking

Also come up with the "hardest" targeted stock structure - as close to real separate companies as possible within letter stock construct.

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

From: Kerstein, Daniel  
To: Wieseneck, Larry  
Sent: Tue Jul 22 07:33:47 2008  
Subject: Idea on financing

Have been thinking this through and coming to conclusion we won't do spin because too much equity and financing won't work for the spinco. Why can't we skinny the equity and make financing the work (the two go hand in hand) by borrowing a page from subprime mortgages - we start them at a low teaser rate and ratchet it up every year. Cash flows much better in later years so should be ok for spinco and will also create major incentive for the spinco to refi. For us will allow us to say that blended rate on the debt is market and defend ourselves against criticism that we are supporting the entity.

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