

Project Green – Transaction Structure Proposal 2

Indigo Proposal	Green Comments
<ul style="list-style-type: none"> ◆ Indigo agrees today to invest \$[3.25] billion in Green [mandatory] preferred convertible shares after the spin-off of its commercial real estate business <ul style="list-style-type: none"> – Investment price would be based on a multiple of Green book value per share post spin-off of [....] – All changes to Green book value per share prior to spin-off (i.e. gains / losses and write-downs) would be fully reflected in book value per share at the time of Indigo’s investment 	<ul style="list-style-type: none"> ◆ Investment up to \$3.5 billion ◆ Dividend treatment of preferred? ◆ Forward contract: not funded until post spin? % in escrow? ◆ Rothschild said Indigo would want to invest at market price post spin – unsure of proper book multiple day 1 for cleanco ◆ We prefer multiple concept (1.25x was mentioned)
<ul style="list-style-type: none"> ◆ Indigo’s investment would be conditional upon <ul style="list-style-type: none"> – The successful spin-off of the commercial real estate business – Further capital (in addition to that raised from Indigo) being raised by Green between now and the time of Indigo’s investment of at least \$[3.25] billion – [Certain material changes in Green’s financial circumstances not having occurred, e.g. downgrade of one notch or more] – [Completion of the sale of the residential mortgage assets to Blackrock for c\$6bn] – The proposal assumes that all shareholder conditions have been met 	<ul style="list-style-type: none"> ◆ Conditions are between now and spin co (time of investment) ◆ Size of additional capital raise is negotiable – we should state case that \$[4.75]bn is enough – stress test future writedowns ◆ Cannot have MACs ◆ Blackrock will be completed very shortly – not an issue
<ul style="list-style-type: none"> ◆ Green would also agree to protect Indigo separately for up to \$[2] billion of write-downs / losses on its balance sheet for [6-12] months following the spin-off <ul style="list-style-type: none"> – For any write-downs post spin-off (up to limit noted above), Green would make Indigo whole by delivering incremental shares to Indigo 	<ul style="list-style-type: none"> ◆ Indigo removed concept of pre-spin write-downs “eating into” insurance ◆ Too broad: we should propose specific asset classes and size of insurance in each, materiality threshold ◆ Discuss accounting implications and share authorization

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<ul style="list-style-type: none"> ◆ Subject to Indigo not having elected to exercise its right to convert into IMD common stock, Indigo's preferred shares to be convertible into Green common equity no later than [two] years following the spin-off of CREP, or earlier at Indigo's election <ul style="list-style-type: none"> – The conversion price either to be fixed from the outset or based on an appropriate formula, e.g. a [.....] discount to the three months prior average trading price 	<ul style="list-style-type: none"> ◆ Security would remain convertible preferred until [two] years after investment/spin-off ◆ Discuss rating agency/accounting implications internally ◆ Conversion price should be set based on prior page
<ul style="list-style-type: none"> ◆ For [two years] following Indigo's investment [Indigo to have the right to convert] or [Indigo's investment to automatically convert] in the event that a limited number of specific events take place (see below), into either <ul style="list-style-type: none"> – [A] Common equity of the Investment Management Division, subject to Indigo having an immediate call option to increase its shareholding in the Investment Management Division to at least 50+1% of the common equity]; or – B) Ownership of an asset of similar quality to the Investment Management Division, as agreed by Indigo and Green prior to investment] 	<ul style="list-style-type: none"> ◆ Rothschild mentioned 12-24 months on phone ◆ Discuss capital treatment and accounting implications internally
<ul style="list-style-type: none"> ◆ The events triggering the [right to convert] or [automatic conversion into] Investment Management common equity or another asset to include, but not be limited to <ul style="list-style-type: none"> – Winding up, liquidation or dissolution of Green – Write-downs in excess of [\$..bn] – Ratings downgrade of one notch or more – Liquidity related protection – An offer for the company – Material sale of operations – [Other key scenarios] 	<ul style="list-style-type: none"> ◆ Ratings downgrades are negotiable – Indigo really thinking about where we start losing business

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