From: McGee III, Hugh E [hmcgee@lehman.com]. Sent:8/29/2008 11:30 AM.
To: Bhattal, Jasjit [jbhattal@lehman.com]; Cho, Kunho [kunhocho@lehman.com].
Cc: McDade, Bart [bmcdade@lehman.com].
Bcc: .
Subject: FW: Revised Lookback Materials.

fyi-confidential

From: Gary S. Barancik [mailto:gbarancik@pwpartners.com]
Sent: Friday, August 29, 2008 11:24 AM
To: McGee III, Hugh E
Subject: RE: Revised Lookback Materials

Thanks, Skip...on call right now. Sounds like some kind of lookback-type mechanism will work though need to consider accounting/tax/bank regulatory issues in Korea need to be explored and could effect how the specific mechanism is structured. Shooting to get something to you by Sunday (but just a target right now, understand). Key issues we're debating/wrestling with include the lookback mechanism, ensuring senior notes really are worth par, making sure CleanCo has the appropriate mix of assets (i.e. limitations on RE and other Level II and III assets post SpinCo) and amount of book equity to support its business and maintain its rating, and determining the appropriate amount of initial equity purchase (e.g., buying more than we think we'll need in case future marks are larger than anticipated and using the excess to buy preferred...do you have a view on what cushion would be best?).

Gary Barancik

Partner

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-----Original Message-----
From: McGee III, Hugh E [mailto:hmcgee@lehman.com]
Sent: Friday, August 29, 2008 11:00 AM
To: Gary S. Barancik
Cc: Whitman, Brad
Subject: Revised Lookback Materials

Gary--

Attached please find a revised version of the "lookback" mechanism. This

new structure also includes "RE-related corporate debt and equity" where

the Khaki conservative case had another 0.6bn writedown. Assuming your

client would ask for that, I have already pre-cleared that we are okay to incorporate that into the structure (in an effort to move this

forward).

Please call with any questions.

Best regards,

Skip

<<Khaki Discussion Materials_080829.pdf>>

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