

From: Fuld, Dick [lbexec1@lehman.com].

Sent: 1/9/2008 7:00 PM.

To: Goldfarb, David [dgoldfar@lehman.com].

Cc: .

Bcc: .

Subject: Re: Kuwait Investment Authority.

Not if it were at a premium?

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

From: Goldfarb, David

To: Fuld, Dick

Sent: Wed Jan 09 18:22:46 2008

Subject: Re: Kuwait Investment Authority

Only issue would be that if they bought newly issued equity we would join the bad company of the many who "had" to raise equity. Perception issue.

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

From: Fuld, Dick

To: Goldfarb, David

Sent: Wed Jan 09 18:07:52 2008

Subject: Re: Kuwait Investment Authority

Dave

I was thinking they buy a special issue at a premium. It would send a terrific message

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

From: Goldfarb, David

To: Fuld, Dick; Gregory, Joe; Callan, Erin

Sent: Wed Jan 09 17:36:14 2008

Subject: Re: Kuwait Investment Authority

Tried to catch-up with you today. Let's discuss this tomorrow. If they are willing to buy @ market could be technically helpful. But we can't be viewed as needing equity (and we don't), and therefore can't be convertible or new common issuance.

Same as we discussed with them last time.

Have a good nite,

Dave

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

From: Fuld, Dick

To: Gregory, Joe; Callan, Erin; Goldfarb, David

Sent: Wed Jan 09 06:48:32 2008

Subject: Fw: Kuwait Investment Authority

Let's discuss

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

From: Faraj, Saleh
To: Fuld, Dick
Cc: Isaacs, Jeremy; Savoret, Benoit [London]
Sent: Wed Jan 09 04:36:20 2008
Subject: Kuwait Investment Authority

Dick, hope all is well with you and your family. Happy New Year!

I received 2 calls from the KIA (Saleh AlSagoubi) in the last 24 hours to say that we should approach the KIA again regarding the Lehman stake. He mentioned that the KIA got increasingly interested to do a deal following the Citi, UBS, MER, and MS transactions. Also, he mentioned that they have been approached by other financial institutions with similar proposals. He asked for a term sheet no later than Sunday for a deal size of \$2-5 billion.

Tomorrow is a holiday in Kuwait but Saleh made it clear that he was reachable over the next few days should we need to contact him. Saleh seems to be leading this efforts on the KIA side and Bader is fully supportive. Bader had an interview with the FT last week where indicated that the KIA was looking for opportunities in Financial services, a copy of the article is below.

Please let me know how we should follow up. Many thanks.

Regards,
Saleh

Kuwaiti fund eyes US subprime bargains

By Henny Sender in New York

Published: January 1 2008 22:03 | Last updated: January 1 2008 22:03

The Kuwait Investment Authority is following its peers in the Middle East in the hope of finding bargain investments in the US in the wake of the subprime mortgage crisis.

The \$213bn sovereign wealth fund, unique in the Middle East because its inflows are governed by law and subject to parliamentary oversight, rather than the wishes of the ruling family, is particularly interested in opportunities in financial services.

"Perhaps we are at the eye of the storm now and are close to the peak of the problem," Bader Al-Sa'ad, head of the KIA, told the Financial Times. "We don't see prices dropping much more."

Mr Al-Sa'ad said he intended to speed up decision-making at the KIA to take advantage of the opportunities thrown up by the crisis. "With Citi, the Abu Dhabi Investment Authority had good timing," he said, noting that it took ADIA less than three weeks to seal its late November deal to invest \$7.5bn in convertible securities in Citigroup. "I believe we need to move faster in some of our response time."

In recent months, the KIA has been scouring Asia for investments, especially in banks, to capitalise on torrid economic growth in the region. The KIA has already made huge profits on its \$700m stake in Industrial and Commercial Bank of China. But Asian banks are also expensive,

trading in many cases at up to six times book value. By contrast, banks in Europe and the US, which have been hard-hit by the turmoil in the mortgage market, are trading at about book value, he said.

Like executives at other sovereign wealth funds, Mr Al-Sa'ad expressed dismay that off-balance sheet issues could surface in the US so soon after the shock of Enron's implosion, following that company's massive use of off-balance sheet vehicles to disguise the extent of its debts.

Mr Al-Sa'ad said sovereign wealth funds were long-term investors and far more stable than hedge funds because they do not use a lot of leverage. He took care to highlight the differences among sovereign wealth funds, noting that while some are increasingly competing with private equity firms, others, such as the KIA, seek to partner with them.

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