

From: Goodman, Jeffrey [jeffrey.goodman@lehman.com].

Sent:6/6/2008 5:46 PM.

To: O'Meara, Chris M (NY) [comeara@lehman.com]; DiMassimo, Vincent [vincent.dimassimo@lehman.com].

Cc: .

Bcc: .

Subject: AMBAC.

Sounds like downgrade is coming next week, has an implication for LBDP as they use AMBAC surety as capital and will have to replace it.

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> From: Eickbush, Gregory

> Sent: Friday, June 06, 2008 2:22 PM

> To: Axelrod, Ari

> Cc: Wong, Kristie; Montella, Michael; Basulto, Vincent; Amin,

> Kaushik

> Subject: FW: LBDP S&P Capital as of 6/3/08

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> Ari,

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> With the downgrade of Ambac by S&P and the imminent downgrade by

> Moody's we are forced to seek replacement capital for the surety bond

> issued by Ambac. Fortunately, S&P have given us a 30 day grace period

> during which we can use 50% of the face value of the bond as capital.

> However, I just got off the phone with Mood's and they will not

> provide any grace period. Therefore, when Moody's downgrades Ambac we

> will be required to required to completely remove the surety bond from

> the capital calculation. Based on my conversation with Moody's they

> implied that this downgrade will happen next week (although they

> officially said that it is another department that does the ratings

> and that they can't officially comment).

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> Based on the above, I am seeking to quickly replace the surety bond.

> The attached spreadsheet below provides several scenarios of capital

> injection. The scenarios presented show that the total amount of

> additional capital required is \$200mm (pls refer to email below).

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> The capital injection needs to happen prior to Moody's downgrade, thus

> there is an urgency to get this completed in order not to risk a

> ratings impact to LBDP and the undesirable consequences that would

> place on all of the transactions currently booked in the entity.

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> Please let me know what other info you require. Otherwise, I would

> like to try and complete this as early as possible next week.

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> Thank you,

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> Greg

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> From: Montella, Michael
> Sent: Thursday, June 05, 2008 6:53 PM
> To: Eickbush, Gregory
> Cc: Wong, Kristie; Martinelli, John E
> Subject: RE: LBDP S&P Capital as of 6/3/08
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> Greg,
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> John and I worked up both the S&P and Moody's capital calculations for
> LBDP as of June 3 replacing the existing surety bond with a range of
> equity capital infusions in the attached spreadsheet. Please note the
> different capital % amounts for Moody's and S&P in each of the tabs
> based on the different infusion amounts. Also, we went back a full
> year to identify our largest capital requirement shown in the column
> furthest to the right in each worksheet. The largest requirement was
> almost a year ago (June 12, 2007) for both Moody's and S&P. Based
> upon our largest requirement over the past year, infusing capital of
> \$200 million should leave LBDP with some cushion and sufficiently
> below our capital requirement for both rating agencies. Please let me
> know if you need any additional information or have any questions.
>
> Thanks,
> Mike
> <<capreq 06 03 08 Capital infusion levels.xls>>