

William  
Schlich/NewYork/AUDIT/EY  
LLP/US  
08/29/2008 05:45 AM

To Janet E.  
Truncate/NewYork/AUDIT/EYLLP/US@EY-NAmerica,  
Margaret Finan/NewYork/AUDIT/EYLLP/US@EY-NAmerica,  
Joe Link/NewYork/AUDIT/EYLLP/US@EY-NAmerica, Jerry  
N. Gruner/NewYork/AUDIT/EYLLP/US@EY-NAmerica,  
Hillary D. Hansen/NewYork/AUDIT/EYLLP/US, Robert W.  
Lehman/NewYork/RealEstate/EYLLP/US@EY-NAmerica  
cc David Holman/NY/INS/NIS/EYLLP/US@EY-NAmerica,  
Kenneth T.  
Marceron/National/AUDIT/EYLLP/US@EY-NAmerica, David  
Kane/NATL/AABS/EYLLP/US@EY-NAmerica  
bcc

Subject Fw: Spinco Call- file under be careful what you wish for

Please see the attached. It appears that the SEC and Lehman Brothers have come to an agreement on the details of the spin out of certain commercial real estate positions. The deal seems to include no historical financial statements, no fair value accounting going forward, and a waiver as required for rule 3-14. But the give back was forecasted information in the Form 10 and updated in future 10k filings, with no attestation report related to it. This is the good news, the bad news is now we have to audit this beast!

We need to ramp up quickly next week Jerry and Hillary please get the team set up and lets get them over to Lehman asap. Lets plan on having a meeting on tues to go through audit approach and start to detail out where we think we will have issues.

Everyone should have a good restful weekend because we are going to be under tremendous pressure to get this audit done as soon as possible.

Ken Marceron if you pick this up please disregard all previous messages, thanks for all your help and hopefully we didnt cause to much stress to your vacation.

Bill



**Ernst & Young** ®

Ernst & Young LLP

William J. Schlich | Partner- Americas Banking & Capital Markets Leader | Financial Services



Thank you for considering the environmental impact of printing emails.

----- Forwarded by William Schlich/NewYork/AUDIT/EYLLP/US on 08/29/2008 06:36 AM -----



"Kelly, Martin"  
<martin.kelly@lehman.com>

08/28/2008 06:34 PM

To "Kelly, Martin" <martin.kelly@lehman.com>,  
<BostelmanJ@sullcrom.com>, "Wieseneck, Larry"  
<lwiesene@lehman.com>, "Russo, Thomas A"  
<trusso1@lehman.com>, "Walsh, Mark"  
<mawalsh@lehman.com>, "Goldfarb, David"

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<dgoldfar@lehman.com>  
cc <william.schlich@ey.com>, "Lowitt, Ian T"  
<ilowitt@lehman.com>  
Subject RE: Spinco Call

I spoke with Wayne Carnall to accept their offer. Specific agreement for the record is as follows:

Initial 3 yr PFI prepared on a GAAP basis with no audit attestation  
Annually updated PFI through the initial 3 yrs with fixed end date and no audit attestation  
Non-fair value accounting basis as outlined in our letter of August 21  
Waiver on Rule 3-14 with no separate F/S required for significant properties subject to exposures being consistent with those outlined in our letter of August 21  
No historical F/S  
Initial opening audited BS at fair value  
Other portfolio stratification information as outlined in the term sheet

I think it makes sense for S&C and LEH to have a call with Wayne next week to discuss submission requirements/timing around formal waivers and/or no action letters. I will coordinate that next week.

I will communicate this agreement to the broader team later tonight.

Regards - Martin

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> \_\_\_\_\_  
> From: Kelly, Martin  
> Sent: Thursday, August 28, 2008 4:16 PM  
> To: Kelly, Martin; 'BostelmanJ@sullcrom.com'; Wieseneck, Larry;  
> Russo, Thomas A; Walsh, Mark; Goldfarb, David  
> Subject: RE: Spinco Call

> Message in to Wayne will let you know when we connect

>  
> \_\_\_\_\_  
> From: Naughton, Caroline On Behalf Of Kelly, Martin  
> Sent: Thursday, August 28, 2008 1:35 PM  
> To: Kelly, Martin; 'BostelmanJ@sullcrom.com'; Wieseneck, Larry;  
> Russo, Thomas A; Walsh, Mark  
> Subject: Spinco Call  
> When: Thursday, August 28, 2008 3:00 PM-4:00 PM (GMT-05:00)

Eastern

> Time (US & Canada).

> Where: Dial In Details Below

> Dial In Details:

> 1 866 831 2217

> \*3743693\*

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