

From: Romain, Gary: Finance (LDN)
Sent: Mon, 22 Sep 2008 03:11:16 GMT
To: Grbic, Susan: Finance (NYK); Weidler, Chris: Finance (LDN); Gavenda, TJ: Finance (NYK); Hughey, Matthew: Finance (NYK)
CC: Walker, James: Finance (NYK); Montaudy, Beatrice: Finance (NYK); Scott, Teri: Finance (NYK)
Subject: RE: Latest spreadsheet

Here is the latest updated balance sheet. TJ and Chris can talk to the bookings and related issues.

From: Grbic, Susan: Finance (NYK)
Sent: Sunday, September 21, 2008 10:35 PM
To: Romain, Gary: Finance (LDN); Weidler, Chris: Finance (LDN); Gavenda, TJ: Finance (NYK); Hughey, Matthew: Finance (NYK)
Cc: Walker, James: Finance (NYK); Montaudy, Beatrice: Finance (NYK); Scott, Teri: Finance (NYK)
Subject: RE: Latest spreadsheet

While I realize this is preliminary, we need to focus on assets that should go an LLC under the terms of the Subscription Agreement we signed up on Friday night. Specifically, we need to ensure that the mortgages (and MBS) can and are booked to the LLC (in addition to the real estate we are already aware of). For the avoidance of doubt, attached is a final version of the Subscription Agreement describing the conceptual split between LLC and BCI.

As you may remember from our various discussions during the past week, the LLC is integral to our US tax analysis. Let's discuss tomorrow morning please. If there is an updated balance sheet tonight, please forward and we'll focus on that version. Thanks everyone.

Susan

From: Romain, Gary: Finance (LDN)
Sent: Sunday, September 21, 2008 5:41 PM
To: Scott, Teri: Finance (NYK); Grbic, Susan: Finance (NYK); Weidler, Chris: Finance (LDN)
Subject: RE: Latest spreadsheet

Susan,

Please find attached latest version of the acquisition balance sheet (not yet finalised) - consolidated (no split between LLC and BCI).

Regards,

Gary

From: Scott, Teri: Finance (NYK)
Sent: Sunday, September 21, 2008 5:35 PM
To: Grbic, Susan: Finance (NYK); Romain, Gary: Finance (LDN); Weidler, Chris: Finance (LDN)
Subject: RE: Latest spreadsheet

Susan,

RE the balance sheet you have shared - can I ask that you guys coordinated between Tax and Financial control to circulate one balance sheet that is agreed.

From: Grbic, Susan: Finance (NYK)
Sent: Sunday, September 21, 2008 5:00 PM
To: Scott, Teri: Finance (NYK)
Subject: Fw: Latest spreadsheet

Fyi - some prelim information.

From: Mackinnon, Iain: Group Tax (LDN)
To: Cunningham, Kim: Group Tax (LDN); King, Samantha J: M&A Tax (LDN)
Cc: Grbic, Susan: Finance (NYK)
Sent: Sun Sep 21 16:33:46 2008
Subject: RE: Latest spreadsheet
been told data centres should NOT have gone into BD! Was just on call to Reg people in Barcap. Also we should try to move the leases in BCI

Susan is looking into this.

Best Regards
Iain MacKinnon
00 44 (0) 207 773 2650
00 44 (0) 7850 913 040

From: Cunningham, Kim: Group Tax (LDN)
Sent: 21 September 2008 21:29
To: Mackinnon, Iain: Group Tax (LDN); King, Samantha J: M&A Tax (LDN)
Subject: Re: Latest spreadsheet

I believe, unless there has been an update that the data centres need to stay in broker dealer so not sure we can move any more property. We had investigated with Susan and Jim, whether the IT could go and be leased back but they weren't overly keen so we dropped. Bruce weinrib had suggested so may be worth revisiting.

From: Mackinnon, Iain: Group Tax (LDN)
To: King, Samantha J: M&A Tax (LDN)
Cc: Cunningham, Kim: Group Tax (LDN)
Sent: Sun Sep 21 21:24:23 2008
Subject: RE: Latest spreadsheet

I understand the negative goodwill could be as high as 4-5 million.

We will need to move more assets into LLC.

We could move a bit more of the property into LLC?

Also move the 1.3bn into BCI?

Any ideas?

Best Regards

Iain MacKinnon

00 44 (0) 207 773 2650

00 44 (0) 7850 913 040

From: King, Samantha J: M&A Tax (LDN)
Sent: 21 September 2008 21:00
To: Mackinnon, Iain: Group Tax (LDN)
Cc: Cunningham, Kim: Group Tax (LDN)
Subject: Latest spreadsheet

Iain - this is latest version of spreadsheet with \$1.3m comp provision in LLC. It is based on the figures in Susan and Beatrice's spreadsheet and assumes an integrated transaction for US tax purposes with the only lower than Class I/II assets being real estate and mortgage receivables. Plus it uses the asset and liability split from the executed subscription agreement.

Cheers

Sam

<< File: Long Island Balance sheets v3.xls >>

Long Island - Acquisition Summary [draft - subject to detailed verification and audit]

			New box	Repo
	\$bn	\$bn	\$bn	\$bn
Govt & Agency	29.53		0.35	29.18
Commercial paper	0.09		0.00	0.09
Mortgage-backed	3.15		0.25	2.90
Corp debt	3.19		0.50	2.69
Corp equity	8.84		0.73	8.11
Derivatives	0.08		0.08	0.00
Inventory - current book value		44.88	1.91	42.97
Valuation adjustment		-2.83		
Inventory - net		42.05		
15c3 asset		1.00		
Cash		7.00		
Previously excluded 50% MBS (net of any loss due to guaranteed DTCC obligations)		1.40		
Financial Assets		51.45		
Subsidiaries		0.00		
7th Avenue & Data Centres		1.29		
Fixtures, fittings, telecomms, etc		0.19		
Total Assets		52.92		
Repo liability	45.00			
Cure payment	2.25			
Retention payment	0.00			
Bonus accrual	2.00			
Total Liabilities		49.25		
Net assets		3.67		
Consideration:				
Assets	0.25			
Properties	1.29			
Total consideration		1.54		
Negative goodwill		2.13		

Notes:

- Intangible assets in respect of customer relationships/lists assumed immaterial
- Zero value ascribed to the subs until details obtained
- No value is currently ascribed to the potential retention payment of up to \$750m - due to the \$2.83bn buffer provided by the valuation adjustment above
- The value ascribed to the 50% MBS is subject to clarification
- Assumes full cure payments of 2.25bn are required as an accrual