

From: Goldfarb, David <dgoldfar@lehman.com>
Sent: Monday, July 21, 2008 1:16 AM (GMT)
To: Fuld, Dick <lbexec1@lehman.com>
Subject: Re: Pro forma impact of private transaction

What do you mean? The construct of Spinco does work. The challenge is getting the outside capital which is what the current effort being led by IBD is all about. There is a minimum of capital needed to de-consolidate which is approx \$6 billion and obviously we would like to raise much more to reduce our ongoing financing of Spinco.

DG

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

From: Fuld, Dick
To: Goldfarb, David
Sent: Sun Jul 20 21:02:06 2008
Subject: Fw: Pro forma impact of private transaction

What happened to all this good stuff?

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

From: Fuld, Dick
To: McDade, Bart
Sent: Sun Jul 20 20:33:50 2008
Subject: Re: Pro forma impact of private transaction

Dave

What happened with all this good stuff?
move quickly.

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

From: McDade, Bart
To: Fuld, Dick
Sent: Wed Jul 16 20:44:26 2008
Subject: Fw: Pro forma impact of private transaction

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

From: Goldfarb, David
To: McDade, Bart
Sent: Wed Jul 16 20:18:55 2008
Subject: Fw: Pro forma impact of private transaction

Looking constructive. Working this thru with Einbinder.
DG

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

From: Kelly, Martin
To: Goldfarb, David
Cc: O'Meara, Chris M (NY)

Sent: Wed Jul 16 20:10:26 2008
Subject: Re: Pro forma impact of private transaction

Definitely do-able. Devil in the details but conceptually this should work. No equity in spin co key for tax and accounting. This level of third party debt should be sufficient as long as we don't own all of mezz with third party senior on top.

----- Original Message -----
From: Goldfarb, David
To: Kelly, Martin
Cc: O'Meara, Chris M (NY)
Sent: Wed Jul 16 20:04:48 2008
Subject: Re: Pro forma impact of private transaction

THX, also for potential real estate spin. This would be huge- 36 billion of assets, 9 billion of equity (conservative version from O'Meara) we get 5.5 billion of 3rd party debt, and the remaining 22 billion of debt from LB. We have zero equity in spin-co, goes to shareholders. Let's make this work.
DG

----- Original Message -----
From: Kelly, Martin
To: Lowitt, Ian T; Goldfarb, David; O'Meara, Chris M (NY); Whitman, Brad; Einbinder, Lee; Lyons, Timothy G; Mosher, Christopher
Cc: Beldner, Brett
Sent: Wed Jul 16 19:36:36 2008
Subject: Pro forma impact of private transaction

Rough first cut of pro forma common and total capital assuming a private transaction attached. Several broad assumptions here including that convertible preferred will be taken out and perpetual preferred will not be (need clarity on change of control provisions here) - Brad/Lee - you and I will chat tomorrow around this. Also we need to determine the net cost to capital of the accelerated share delivery. Have assumed worst case no offset to a 1 time \$3.9b charge but there will recapture of at least some of this cost (through common capital) depending on how the accelerated delivery is settled.

<<Accounting Considerations - 07-16-08.ppt>>

Martin Kelly
Managing Director
Lehman Brothers Inc
Ph 212 526 3606