

From: O'Meara, Chris M (NY) <comeara@lehman.com>
Sent: Friday, April 6, 2007 12:58 PM (GMT)
To: Tonucci, Paolo <ptonucci@lehman.com>
Subject: RE: Project Colorado

Thx. I feel like we may not be as well protected on this stuff as we could be if we were being prudent. I know you guys think otherwise. Would like to walk thru this with Nahill and you when Nahill gets the info together. Happy Easter. Speak soon, C

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

From: Tonucci, Paolo
Sent: Wednesday, April 04, 2007 7:08 AM
To: O'Meara, Chris M (NY)
Subject: RE: Project Colorado

The information is still irregular. We are starting to track as part of liquidity reporting, and will make it a part of the Finance Committee material.

We are at around 30% cash capital for unfunded commitments excluding the contingent commitments. We have shorter term liquidity of around \$25 billion at Holdings if we had an unexpected amount of funding of these, but experience has seen the funding grow steadily around these.

Nahill is currently looking at the long history of loan funding to re-calculate the appropriate pre-funding requirements. I don't expect it to be much different from what we have in place, but will check where this is as would be good to go through with your directs.

Papolo

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

From: O'Meara, Chris M (NY)
Sent: 04 April 2007 12:02
To: Tonucci, Paolo
Subject: RE: Project Colorado

P - Assume you are in touch with the aggregate level of our HY commitments at this stage, and that we are well set-up liquidity-wise if we get into a credit crunch and have to fund many of them on our own. Do we still have a cash cushion of about 30% of unfunded commitments in place? If not, how much do we have and how should we be thinking of this as we go fwd. Can't get caught short on this, especially when we know we're living in a credit market bubble. C

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

From: Tonucci, Paolo
Sent: Wednesday, April 04, 2007 6:53 AM
To: Berkenfeld, Steven; Konigsberg, Michael; O'Meara, Chris M (NY);

Kirk, Alex
Subject: RE: Project Colorado

Steve,

Agree with your assessment of what we can do - 1 of 2 for letter or commitment. In the short term I can act as the gatekeeper of the HCG capacity. I will have the team send details of what has been used and what is available each day.

Laurie Piper is in the process of adding the Lehman Loan Funding (LLF) entity to the commitment letters, and my recommendation is that they sign all new commitments - they will then be allocated a small amount which can be upsized as appropriate to maximise usage.

Paolo

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

From: Berkenfeld, Steven

Sent: 04 April 2007 11:02

To: Konigsberg, Michael; O'Meara, Chris M (NY); Kirk, Alex; Tonucci, Paolo

Subject: Re: Project Colorado

I am completely out of the loop on this one - don't know anything about the transaction or the deal dynamics beyond what is in this e-mail chain. If it is just \$9 billion, then we can be one of two in an initial letter or even one of two for a commitment if we use Hudson Capital. When are they coming to Committee on it?

By the way, we do need a gatekeeper for Hudson Capital - someone to decide when we should use it. Otherwise we could wind up using it all up on the wrong commitment and lose its extra capacity for situations where it is more valueable. Any suggestions?

Sent from my Comstar Wireless Handheld (www.comstarinteractive.com)

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

From: Konigsberg, Michael

To: O'Meara, Chris M (NY); Kirk, Alex; Tonucci, Paolo; Berkenfeld, Steven

Sent: Wed Apr 04 00:58:11 2007

Subject: Re: Project Colorado

Financing is approx \$9B US so I would position that we could be 1 of 2 to get them at the table with knowledge that likely be 3 to 4 at signing with an ability to syndicate further before funding.

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

From: O'Meara, Chris M (NY)
To: Kirk, Alex; Tonucci, Paolo; Konigsberg, Michael; Berkenfeld, Steven
Sent: Tue Apr 03 22:29:01 2007
Subject: RE: Project Colorado

Can't tell from below whether we will be teamed with other banks beyond the 4 chosen. I don't feel good about 2-handed deal for \$10B of non-IG each, or a 4-handed deal at \$5B of non-IG each. Need to have great comfort from sponsors that there will be other banks brought in to reduce our commitment to below \$3.75B, and need to be virtually certain that this will happen (need color on how we feel comfortable about this). How do we ensure that we never get on the hook for more than \$3.75B? You guys agree? C

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

From: Kirk, Alex
Sent: Tuesday, April 03, 2007 9:21 PM
To: O'Meara, Chris M (NY); Tonucci, Paolo; Konigsberg, Michael
Cc: Prasad, Juhi
Subject: Fw: Project Colorado

So what do you guys think? Seems like we could post for more at this point

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

From: Prasad, Juhi
To: Kirk, Alex
Sent: Tue Apr 03 20:08:10 2007
Subject: Re: Project Colorado

Alex,
Is \$3.5bn the max u/w then?
Wesfarmers last night made a public announcement of their proposal to buy coles for A\$19.7bn. Not sure how management will react to the proposal, but a reasonable chance that this moves forward quickly.

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

From: Kirk, Alex
To: Prasad, Juhi
Sent: Tue Apr 03 19:26:48 2007
Subject: RE: Project Colorado

Great this was helpful

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

From: Prasad, Juhi
Sent: Tuesday, April 03, 2007 7:19 AM
To: Kirk, Alex; Konigsberg, Michael
Cc: Carol, Clayton
Subject: Re: Project Colorado

I'm on a flgt to sydney now, but Clay can answer any further ques around

this.

Many thx.

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

From: Prasad, Juhi
To: Kirk, Alex; Konigsberg, Michael
Sent: Tue Apr 03 19:17:01 2007
Subject: Re: Project Colorado

This is potential A\$20bn public to pvt of Coles, australia's 2nd largest retailer. Mgt had recently announced intention to sell via public auction. So far, only 2 bidders - a kkr led 5 sponsor consortium and a Macquarie, Permira and wesfarmers (aussie conglomerate) led consortium. We are pitching for a lead spot in financing the end consortium. Given deal dynamics, could probably be only one round of bids. Certain funds commitment will be reqd to accompany the financing post dd (prob 3-4 weeks time). Consortium going to pick 3-4 leads from 8-10 banks pitching. Unlikely anyone will be reqd to u/w the full amt, but macquarie/sponsors asking the ques of each bank.

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

From: Kirk, Alex
To: Prasad, Juhi; Konigsberg, Michael
Sent: Tue Apr 03 19:07:30 2007
Subject: RE: Project Colorado

Is this a first round bid or final bid? More specifics around deal dynamics state of process etc. would be helpful to assess the size issue

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

From: Prasad, Juhi
Sent: Tuesday, April 03, 2007 6:58 AM
To: Konigsberg, Michael; Kirk, Alex
Subject: Fw: Project Colorado

Mike, alex,
wanted to check this with you - are we limited to underwriting no more than U\$3.5bn for any deal? This is coming up in the context of the aussie retail lbo where macquarie is asking all banks if they can fully u/w the U\$9bn financing.

Many thanks,
Juhi

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

From: Prasad, Juhi
To: Toal, Peter J; Skrobe, John; Moravec, Michael
Cc: Carol, Clayton; Cortes, Jose III Valencia
Sent: Tue Apr 03 18:40:53 2007
Subject: Fw: Project Colorado

Many thanks for your time and input last week on the australian retail A\$11.5bn LBO financing.

We have a meeting and conf call scheduled with Macquarie (financial advisor) to walk them through our debt proposal (attached). Would appreciate if one of you can dial in to speak to US distribution. The meeting/call is at 1130 am wed Apr 4 sydney time (ie 930 pm NY time tuesday, Apr 3.). We will circulate a dial in no shortly.

Many thanks,
Juhi

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

From: 'Dario Mofardin'
To: Sean Miller
Cc: 'Bjorn Zikarsky'
Cc: Sarabjit Bhutani
Cc: Prasad, Juhi
Cc: David Bennett
Cc: Gordon Slater
Cc: Daniel Bruce
Sent: Mar 30, 2007 3:57 PM
Subject: Project Colorado

Sean,

As discussed, please find attached the Lehman Brothers response to the Project Colorado financing as described in the Debt Information Pack provided by Macquarie Bank. We are committed to providing the full resources of Lehman Brothers on this opportunity to ensure the lowest cost of capital outcome for the Consortium. We have outlined an alternative debt package which provides the Consortium with maximum debt quantum, lowest cost and maximum flexibility. We are able to fully underwrite all aspects of the debt package as one of three or four lead arrangers. We have outlined our syndication strategy and key strengths including the rationale for our approach.

Thank you for the opportunity to present our credentials and capabilities and we look forward to working with you on this transaction. Should you have any questions, please do not hesitate to call me.

Regards

Dario

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