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Sent: Monday, May 7, 2007 7:40 PM (GMT)
To: Antoncic, Madelyn <mantonci@lehman.com>
Subject: Large RE deal

I spoke to O'Meara today about walsh's proposed deal and he has significant concerns regarding overall size of RE book and how much of the firm's equity is tied up in such bridge equity deals. Sounds like Dave is ok with the deal and Chris did not tell walsh to stop but has paolo looking into how we think about how "equitize" this deal + other bridge equity deals (ie how should we allocate firm's capital). He seemed pretty concerned that Walsh was pushing way beyond our capacity and that these deals may not be as liquid as we hope. He also mentioned that the Rating Agencies have a concern about our RE exposure and are looking for us to explain how we get comfortable that we have sufficient equity base to support these deals.

Current Risk Equity for RE biz is about \$2.2bn currently and does not include this deal, \$600mm Coeur Defense (paris office building) nor another \$208mm of bridge equity at BLC tomorrow. I think Chris would like to speak to you or get your thoughts this week, I told him you were abroad but did not get specific on exactly when you were back.

In the meantime, I'll followup with Paolo to see what his thoughts are, he is in london today but hope to hook up with him tomorrow.

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