

**From:** Reilly, Gerard <greilly@lehman.com>  
**Sent:** Tuesday, July 22, 2008 11:48 AM (GMT)  
**To:** Kelly, Martin <martin.kelly@lehman.com>; Lowitt, Ian T <ilowitt@lehman.com>; Goldfarb, David <dgoldfar@lehman.com>  
**Cc:** O'Meara, Chris M (NY) <comeara@lehman.com>  
**Subject:** RE:

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On L3 issue for SR, selling mezz certainly helps as it supports validity of capital structure. If we can find other SR debt in market and gain some comfort on our spread then we could call it L2. Placing some Sr is best.

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

From: Kelly, Martin  
Sent: Tuesday, July 22, 2008 7:32 AM  
To: Lowitt, Ian T; Goldfarb, David  
Cc: O'Meara, Chris M (NY); Reilly, Gerard  
Subject: Re:

Yes this is certainly an issue and Gerry and I are working this through. Also, because this is a spin (cannot provide support to the vehicle) and because we need to meet real estate sale rules (no ongoing involvement in economics up or down) we need to prove market pricing on senior debt. Given asset class and limited transactions away from us and limited transparency around those transactions I feel we need to sell some senior debt in addition to mezz.

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

From: Lowitt, Ian T  
To: Goldfarb, David  
Cc: Kelly, Martin; O'Meara, Chris M (NY)  
Sent: Tue Jul 22 05:50:53 2008  
Subject: Re:

Think another issue is if we are all of the senior we may have to consider it a level 3 asset? Think we need to think of placing some of the senior. Ian

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

From: Goldfarb, David  
To: Kelly, Martin  
Cc: O'Meara, Chris M (NY); Lowitt, Ian T  
Sent: Mon Jul 21 22:51:48 2008  
Subject:

Spinco, just confirming, if we get outside party to purchase full Mezz piece, 5-6 billion-we can own all senior 20 bill and shareholders own equity and we still get to deconsolidate. Right?  
And pricing on senior could be consistent with seller financing type transactions being done in recent trades.

Please confirm with me in AM.  
Thanks a lot,  
Dave