

PROJECT GREEN
Talking Points for Potential Investors
(8/6/08; 1:00 pm)

Background

- Highly confidential conversation must be stressed
- Green is considering spinning off to its shareholders its CRE business (\$35B of assets)
- Expects pro forma Green (RemainderCo) will trade at least with peers
 - Green willing today to sell investor right to acquire meaningful stake (e.g., \$5B for up to 20%) in Green post-spin
- However, investor would also need to purchase meaningful portion (i.e., \$3-\$4B) of SpinCo's most junior non-equity security (mezzanine) to facilitate spin-off execution
 - Coupon and returns on the mezzanine will be below market to ensure the viability of SpinCo

Green Equity

- Investor enters into pre-paid forward contract to purchase Green common stock
- Payment on forward contract today
- Settlement occurs when Green consummates the CRE spin-off (or otherwise disposes of economic exposure to CRE below predetermined threshold)
- Upon settlement, Green will deliver shares to Investor based on agreed upon multiple to book value per share at the time of settlement

SpinCo Mezzanine Financing

- \$3B to \$4B of mezzanine security size
- Debt + mezzanine LTV of ~75% on all assets
- \$10B equity cushion (or ~25%) for mezzanine
- Target mezzanine returns of 10-12%
- Green providing seller financing for senior debt [at below market rate]

Potential Investors

- Maroon
- Private Equity (Carlyle)
- Hedge funds?