

From: Kelly, Martin [martin.kelly@lehman.com]
Sent: Thursday, July 17, 2008 1:17 AM (GMT)
To: Goldfarb, David [dgoldfar@lehman.com]; Einbinder, Lee [leinbind@lehman.com]; O'Meara, Chris M (NY) [comeara@lehman.com]
Cc: Lowitt, Ian T [ilowitt@lehman.com]
Subject: Re: Pro forma impact of private transaction

Single largest issue here will be the form of financial statements required by the s e c - if we need to prepare and have audited a separate set of fonancials for the real estate business that will be a huge undertaking - particularly considering the RE HFS portfolio. We have discussed with e and y as well as sullivan and cromwell a meeting with the s e c. It may come down to whether the transaction is a spin of an operating business (financials required) versus a "securitization" of run off assets (detailed portfolio information may suffice). Need to carefully consider options here.

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

From: Goldfarb, David
To: Kelly, Martin; Einbinder, Lee; O'Meara, Chris M (NY)
Sent: Wed Jul 16 20:14:01 2008
Subject: Re: Pro forma impact of private transaction

You are the man, would be awesome for the Bros!!

----- 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 dets 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>>

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