

**From:** Smith, Greg L <Greg.Smith@lehman.com>  
**Sent:** Thursday, October 25, 2007 9:53 AM (GMT)  
**To:** Berkenfeld, Steven <sberkenf@lehman.com>  
**Subject:** Re: CC update: Och-Ziff \$750 mm term loan facility

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Steve-

I got word of this around 6:30 and was floored by the proposed change whereby we (and GS) would now hold 100% of the below market loan risk, yet only receive 54% of the economics on the IPO.

We had approved this loan (not with enthusiasm mind you) on the basis that Citi, JPM, DB, MS, ML -- the co-mgrs on the IPO -- would be taking their proportionate share of the loan risk in exchange for the collective 46% of the IPO economics they are to receive.

Now, at the 11th hour they're apparently not going to take any loan risk (which was supposed to bring us down from the \$250 level to \$150) and will just collect a check from the IPO...unbelievable (and ridiculous in my view).

This loan has been a bad story from the outset. Not sure what type of "relationship" we have with Och-Ziff, but based on how this loan has gone, I certainly wonder about it...

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

From: Berkenfeld, Steven  
To: Reilly, Brian; Paull, Benjamin M; Niebuhr, John J; Davis, Emily; Smith, Greg L; Wieseneck, Larry; Erickson, David  
Cc: Callan, Erin; Rees, Michael; O'Connor, Claire; Laurino, Andrew; Nair, Rohit; Saldana, Evette; Fox, Gary J  
Sent: Wed Oct 24 21:55:30 2007  
Subject: RE: CC update: Och-Ziff \$750 mm term loan facility

Depends on the answers.....

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

From: Reilly, Brian  
Sent: Wednesday, October 24, 2007 9:27 PM  
To: Berkenfeld, Steven; Paull, Benjamin M; Niebuhr, John J; Davis, Emily; Smith, Greg L; Wieseneck, Larry; Erickson, David  
Cc: Callan, Erin; Rees, Michael; O'Connor, Claire; Laurino, Andrew; Nair, Rohit; Saldana, Evette; Fox, Gary J  
Subject: Re: CC update: Och-Ziff \$750 mm term loan facility

Steve

We will answer all of these questions, but should we have a meeting or call tomorrow to discuss?

Brian

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

From: Berkenfeld, Steven  
To: Paull, Benjamin M; Niebuhr, John J; Davis, Emily; Smith, Greg L; Wieseneck, Larry; Erickson, David  
Cc: Callan, Erin; Reilly, Brian; Rees, Michael; O'Connor, Claire; Laurino, Andrew; Nair, Rohit; Saldana, Evette; Fox, Gary J  
Sent: Wed Oct 24 21:22:20 2007  
Subject: RE: CC update: Och-Ziff \$750 mm term loan facility

What is the mark on the \$250 million loan commitment? Probably higher now that we know we can't syndicate it. When does the loan mature? Why isn't it on "market" terms now? Why are we waiting to 2008 to bring the loan terms to "market"? Why is this just a verbal agreement? Does it need to be disclosed in the IPO prospectus? Why is OZ allowing the other bookrunners to say no? Are our net economics now lower than the other bookrunners?

From: Paull, Benjamin M  
Sent: Wednesday, October 24, 2007 9:14 PM  
To: Berkenfeld, Steven; Niebuhr, John J; Davis, Emily; Smith, Greg L; Wieseneck, Larry; Erickson, David  
Cc: Callan, Erin; Reilly, Brian; Rees, Michael; O'Connor, Claire; Laurino, Andrew; Nair, Rohit; Saldana, Evette  
Subject: CC update: Och-Ziff \$750 mm term loan facility

This email is intended to update the committee on Och-Ziff's \$750 mm term loan facility

#### Overview

As part of the Och-Ziff IPO, Lehman Brothers agreed to participate in OZ's \$750 mm senior loan facility at the \$250 mm commitment level. It was the Company's expectation that other bookrunners added to the IPO would be allocated a pro-rata portion of the loan, which would ultimately reduce our commitment to \$150 mm. Due to recent market events, the syndication process for the loan did not materialize. Although this outcome is not ideal, Och-Ziff has given Lehman Brothers and Goldman Sachs a verbal agreement to refinance the loan in early 2008 at a "market" rate. This is intended to help LEH and GS syndicate the loan to a larger group. Below are several other key changes to the loan that will be agreed to in the revised credit agreement:

#### Key changes to the Loan

- \* Maturity: Reduced from 6 to 5 years
- \* Amortization: Loan will amortize 1% annually beginning in 2008
- \* Och-Ziff will use its best efforts to have the loan rated in early 2008
- \* Definition of Restricted Junior Payments has been clarified to be consistent with the S-1

As a reminder, the economics on the IPO are the following:

- \* 5% underwriting fee with a 50 bps incentive fee
- \* Lehman Brothers' economics are 18.5% on the IPO
- \* Och-Ziff has also verbally agreed to only allocate the incentive fee to Goldman Sachs and Lehman Brothers

Lehman Economics (at midpoint of range & allocation of 1/3 of incentive fee)

- \* \$12.36 mm excluding greenshoe
- \* \$14.21 mm with 15% greenshoe

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