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Sent: 7/17/2008 7:35 AM.

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Subject: Fw: Green / Curren Thinking.

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

From: Brad Whitman <bradwhit@earthlink.net>

To: Whitman, Brad

Sent: Thu Jul 17 07:31:15 2008

Subject: Green / Curren Thinking

Below is an attempt to at least articulate where I think we are starting from first principles to what it means for the key transactions we may pursue. It incorporates thoughts from a discussion I had with Larry last night. We'll need to articulate something like this to the Board, so thought it would be good to get on paper for people to shoot at. Also, if the principles or thought process is flawed, we should re-think our views.

PROJECT GREEN

Current Thinking

- Explicit (or implied) objectives of senior execs
 - * Take down risk in as soon as practicable so survival is not an issue
 - * Loss / capital hole cannot be so large that Green existence is not in question
 - * Story must be compelling to investors and employees (i.e., clean and can grow)

- What does that mean regarding transactions?

- Residential mortgages
 - * Sell UK at reasonable discount
 - * Continue to work through US

- CRE and IMD
 - * Spin-off CRE
 - * Reduces balance sheet
 - * Minimizes risk of future writedowns
 - * Has decent ROE
 - * But leaves equity hole
 - * Sell CRE

- * Valuation and execution issues
- * Not smart corporate finance (i.e., not right time to sell)
- * But smaller equity hole

- * Spin-off CRE w/ plan to fill equity hole would be optimal

- * Fill with sale of equity
- * Fill with proceeds from sale of IMD, which means either
 - * Sell all of IMD for cash
 - * Sell large stake in IMD for cash
 - * Sell IMD for stake, but must be able to monetize shortly after receipt
 - * Need to think harder about split-off, b/c does help capital hole, but may theoretical create aggregate value to shareholders

- * Note that if CRE spin is not implemented, IMD does not need to be sold to fill capital hole

- * Also, if CRE just sold, then should think about range of value optimizing outcomes for IMD (e.g., carve-out, merge into a public asset management company, split-off)

- Strategic sale would also meet objectives, but limited current interest

- Buyout just seems to transfer ownership without solving underlying issues

- Public market purchases and tender offer both have feasibility issues