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Federal Reserve Bank Email from MarkVanDerWeide to Scott Alvarez Re Lehman

Mark Van Der Weide

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From: [Mark VanDerWeide](#)
To: [Scott Alvarez](#)
Subject: Lehman/23A
Date: 07/15/2008 12:52 PM

Scott:

We walked through Lehman's revised term sheet this morning on a 9am call. They have improved the capital commitment slightly (12% total RBC, 10% tier 1 RBC, and 9% tier 1 leverage), but have otherwise not improved the proposal. Lehman has given us a lot more info about asset quality, which people are combing through. Short story is that the assets are mostly junk quality corporate credits and unrated commercial real estate loans (many of which are mezzanine or construction loans). Not at all liquid and not the best credit quality. Lehman is doing yet another revised term sheet today and owes us a bit more info on assets. FDIC has been consulted and has sent strong negative vibes at the Chris Spoth to Deborah Bailey level. I too am not eager to grant this exemption from a pure deposit insurance fund perspective.

I missed the back half of the call in order to talk through with Kieran the Lehman good bank/bad bank proposal (which we should discuss later, along with the various other proposals that are floating around, multiplying like rabbits), but Schussler filled me in on what I missed. No further calls are scheduled at this point.

We probably ought to sit down and consider all the various Lehman "rescue" options at the same time, comparing all the legal and policy pros and cons.

Mark