

Subj: **Your Discussion with Dan Sparks**
 Date: 1/17/03 2:33:42 PM Eastern Standard Time
 From: SpencerCYoung
 To: bposey@greystoneusa.com

Billy --

Thanks very much for your timely and supportive comments to Dan Sparks. This is great feedback -- very encouraging. I'll keep you posted.

All the best,

Spencer

 Forwarded Message:

Subj: **RE: Discussions with Goldman Sachs**
 Date: 1/17/03 2:08:34 PM Eastern Standard Time
 From: bposey@greystoneusa.com
 To: SpencerCYoung@aol.com
 Sent from the Internet (Details)

Spencer,
I spoke to Dan yesterday and he appeared very positive about you joining the team. I confirmed that you were the guy with the real contacts and the driver on the IQ deals. I think he really likes the idea of having you as part of the team when you have the abilities and the desire to bury Morgan Stanley--their arch rival. Best of luck and let me know if I can do anything else.

bp

William H. Posey III
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-----Original Message-----

From: SpencerCYoung@aol.com [mailto:SpencerCYoung@aol.com]
Sent: Friday, January 17, 2003 1:43 PM
To: Billy Posey; Joe Mosley; Dan Lambert
Subject: Discussions with Goldman Sachs

I heard back from Dan Sparks, and I will be coming in to present my business plan to Goldman on Wednesday, Jan. 22. I think your suggestion and kind offer to speak with Dan Sparks and Jeff Fastov on my behalf prior to my giving this presentation was a good one, unless of course your answers to the opinion section of the talking points I sent you were: (1) C; (2) E; (3) E.

I will also be giving a third round presentation to another bulge bracket Wall St. firm later next week or early the following week. I presented the business plan to this firm in my second round yesterday, and they said they were "blown away by it". They are preparing a memo to the head of Fixed Income and the Group head of ABS and Mortgage Products recommending hiring me immediately. The last stage will be presenting the plan to these two folks.

With luck, prayers and a continued focus, I may be able to get closure on this within the next few weeks. Both platforms would provide me an outstanding opportunity to establish a strong incremental business and client franchise.

Thanks very much for your support.

Spencer

Subj: Thank you // Client Contact Info // Next Steps
Date: 1/23/03 12:09:00 AM Eastern Standard Time
From: SpencerCYoung
To: dan.sparks@gs.com

Dan -

Thanks for taking the time today and assembling the team on such short notice for my business plan presentation. Please extend my thanks to Mark Buono, Leo Huang, Jeff Kaufman, and Mark Weiss.

You requested a scaled-back client contact list of 5 to 10 names, which is reflected below: The first eight firms I have transacted business with and the last two had submitted portfolios to me for inclusion in an IQ deal or as a stand-alone transaction. Most of these clients plan to execute some combination of: (a) conduit lending; (b) IQ type multi-seller deal; (c) standalone "sell & hold" deal; and (d) CDO

1. Aegon - Bob Clark (319-369-2017) - runs Real Estate Capital Markets
2. Nationwide - David Verbance (614-249-6837) - Head of Securitization
3. State Farm - David Graves (309-766-9808) - Runs Real Estate Group
4. AXA Financial - Nicki Livanos (212-314-4106) - runs Real Estate Transactions
5. Mass Mutual - Dave Lauretti (413-226-1426) - runs Real Estate Group
6. Union Central Life - Steve Cole (513-632-1654) - runs Real Estate Group
7. Allmerica - John Nunley (508-855-2170) - runs Real Estate and Fixed Income
8. MONY - Tom McCahill (303-325-1050) - President of MONY Realty
9. Allstate - Peter Horos (847-402-7695) - heads up CMBS investments
10. Guardian Life - Tom Sorell (212-598-7597) - CIO

I have notified each of them that you may be calling them, but please note the following:

- David Graves will be traveling much of next week, but is available to talk this week
- Dave Lauretti is in this week and can be reached at his LA office next week (his office number there is 800-607-7343)
- Tom Sorell was recently promoted to CIO (from Head of Fixed Income) and his current workload makes him difficult to reach. He is good about returning calls though, and is expecting yours.
- The best time to reach Steve Cole is in the early am - he is usually at work by 6:30 am.
- John Nunley is typically in early, but usually gone by 4:30 pm

I look forward to the dinner you proposed and the opportunity to present the business plan to Jon Sobel and Bob Christie, muted and abridged along the lines you suggested.

Thank you.

Spencer

Subj: **Thank you & an Update**
Date: 2/4/03 3:30:09 PM Eastern Standard Time
From: SpencerCYoung
To: VERBAND@Nationwide.com

David --

Thanks for the post. I believe that was Dan Sparks (the equivalent of Gail McDonnell's boss) who called you -- he was jammed with offsite planning meetings most of last week and is in Europe during the early part of this week. He said he plans to circle back with you by early next week.

As you know, the three firms I have had extensive discussions with are Goldman Sachs, JPMorgan Chase, and Lehman. Each are interested in establishing a high quality repeat issuer platform for CMBS, and forging strong ties with insurance companies on the real estate capital markets front. I have provided each a business plan, which was received with great interest.

I am furthest along with Goldman and JPM. Lehman appears to have a steeper headcount mountain to climb, given recent layoffs, but that could change. All have said that they have headcount for "strategic hires". I am to give business plan presentations to the heads of Banking and Fixed Income at both Goldman and JPMorgan and attend dinners with some of the staff. This should be finalized by the end of this month, and I very well could end up in a much better position with an enhanced mandate and business platform.

I have heard from people that Warren Friend has been taking credit for the development and success of the IQ brand. I hope he keeps it up -- it really damages him from an integrity perspective. My indignation from his actions will be manifested in a highly focused effort to set the record straight. When I was at JPMorgan (prior to joining Morgan Stanley), I competed directly against Warren, and never lost to him in a bake-off. I plan to keep this streak alive.

All the best,

Spencer

In a message dated 2/4/03 1:56:47 PM Eastern Standard Time, VERBAND@Nationwide.com writes:

Spencer,
I called a guy back from Goldman but he never returned my call. That was last week.
David

Subj: **Thank you**
Date: 1/3/03 1:44:03 PM Eastern Standard Time
From: SpencerCYoung
To: daniel.sparks@gs.com, leo.huang@gs.com, marc.flamino@gs.com
CC: jeffrey.fastov@gs.com

Dan / Leo / Marc --

Thanks very much for taking the time to meet with me before the holidays, which I hope were both joyous and relaxing.

I have prepared a business plan presentation that outlines how my diverse skill sets and deep relationships with insurance companies would immediately complement Goldman Sachs' CMBS franchise and real estate principal activities. It would be my pleasure to share this with you, as well as with others you deem appropriate.

I would also be happy to discuss my thoughts on other areas where I would bring in strong incremental revenues and create added value with a highly focused set of business development initiatives, consistent with my track record.

Thank you.

Spencer

Subj: **RE: Thank you**
Date: 1/8/03 8:50:01 AM Eastern Standard Time
From: dan.sparks@gs.com
To:
SpencerCYoung@aol.com

Sent from the Internet ([Details](#))

I would like to see your thoughts. I would also like to speak with you about your thoughts on role, comp, etc.

Call me when you get a chance.

Dan 212 902-2914

Goldman Sachs

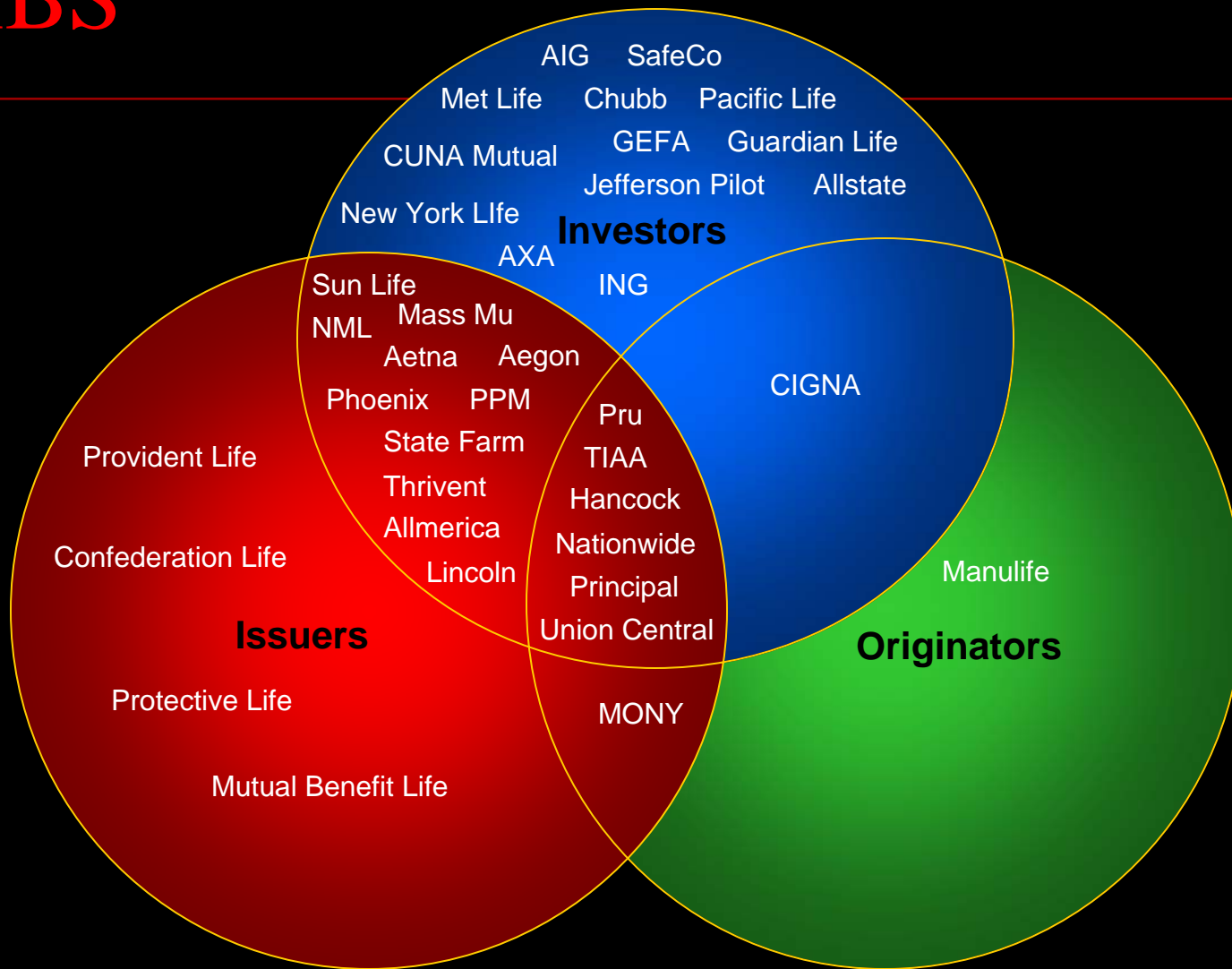
Marketing Real Estate Capital
Markets to the Insurance Industry

Agenda

- The Opportunity
- Business Development
- Pro-forma Impact
- Strategic Fit

The Opportunity

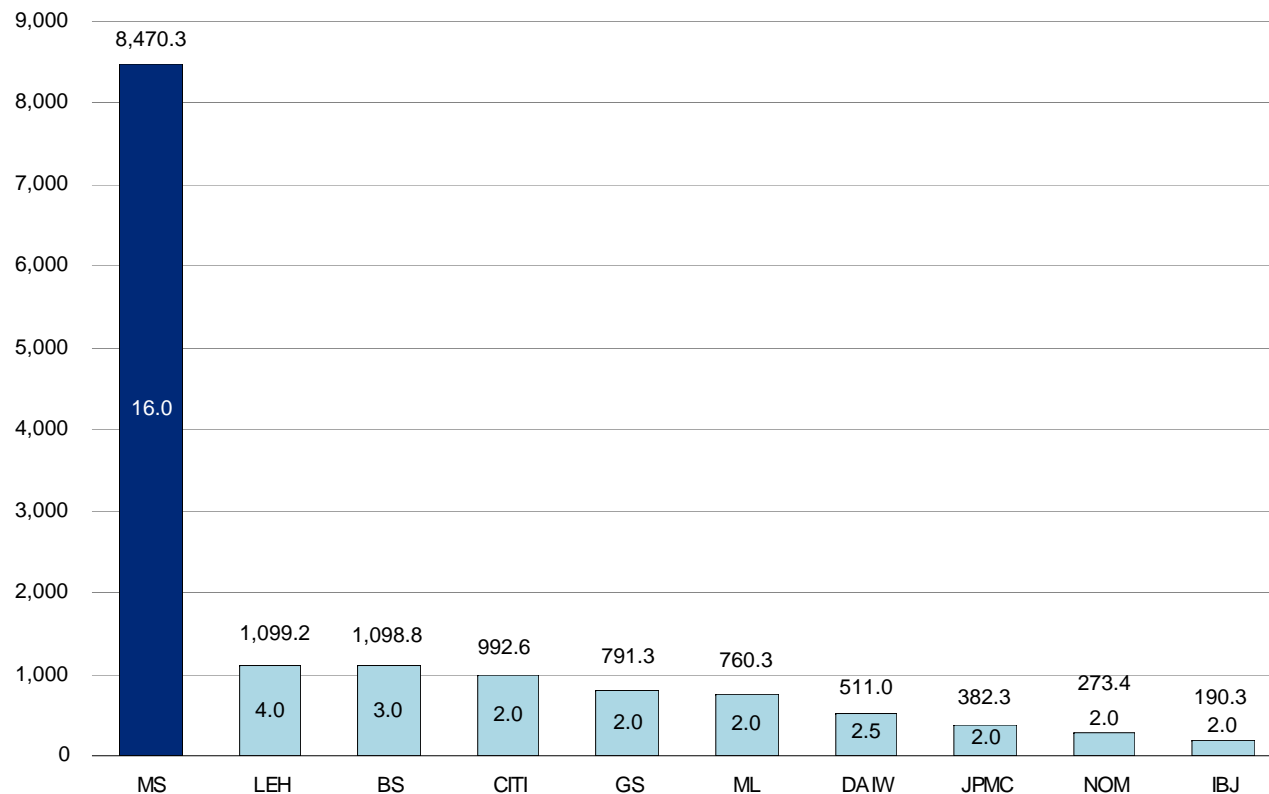
Insurance Company Involvement in CMBS



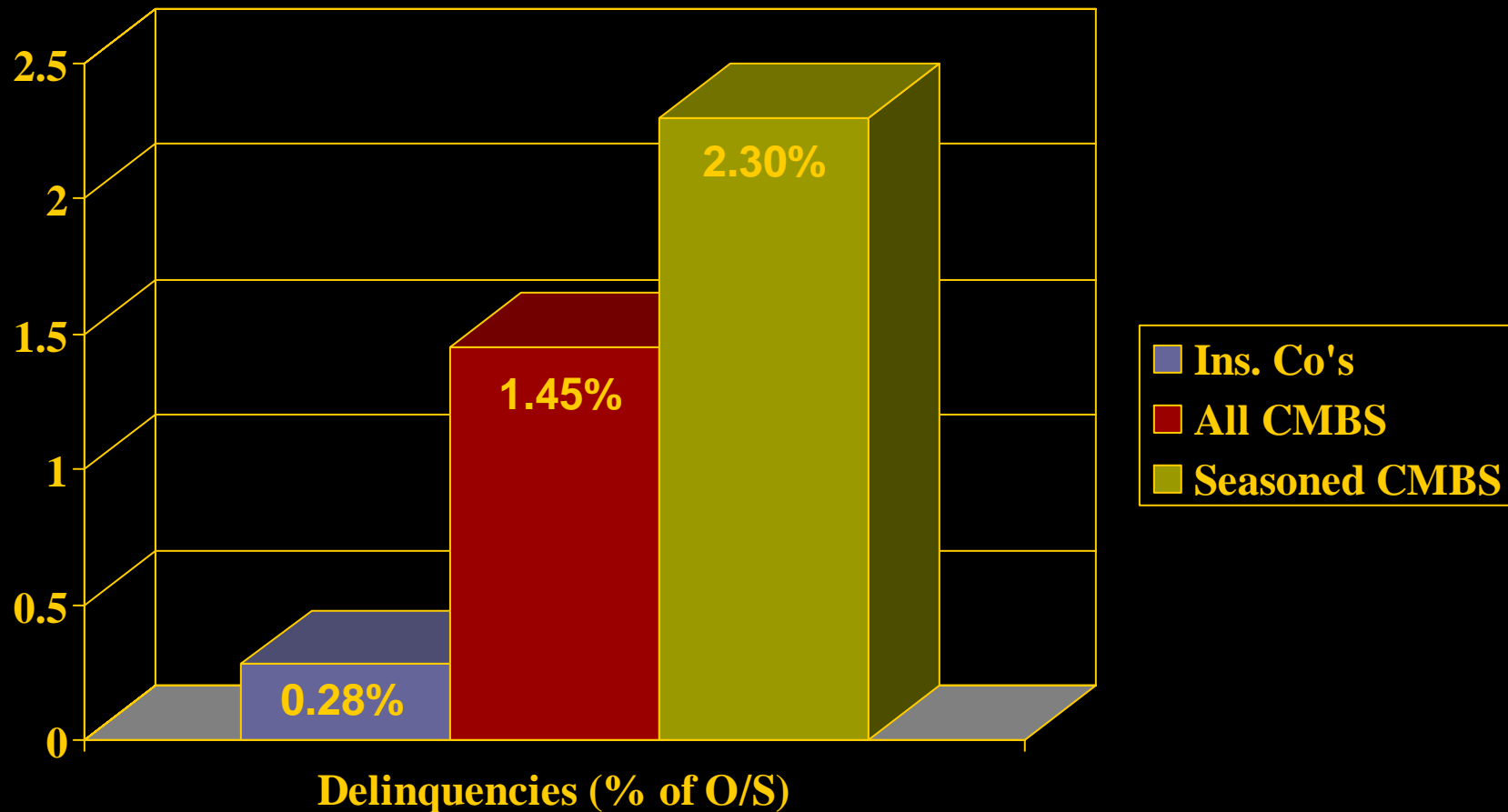
Underwritten Insurance Company CMBS League Table

Morgan Stanley has heretofore had a dominant market share with insurance companies.

Underwritten Deals
Number of Deals



Insurance Company mortgages outperform other originators of CMBS



Insurance Companies continue to access CMBS markets . . .

- Portfolio management tool
- Attractive off balance sheet financing
- RBC pickup
- Boost portfolio yields
- Improve ROE / ROA
- Portfolio liquidity
- Create incremental shareholder value

... for a variety of reasons

- Economies of scale
- Brand benefit
- Enhanced arbitrage gain
- Origination momentum
- Client retention
- Investment Opportunities
- Velocity

Insurance Companies committed to issuing CMBS in 2003 . . .

- Nationwide (\$500mm)
- State Farm (\$400mm)
- TIAA (\$300mm)
- Allmerica (\$200mm)
- MONY (\$200mm)
- Aegon (\$300mm)
- UCL (\$300mm)
- Principal (\$1,200mm)
- Hancock (\$800mm)
- These insurance companies and the amounts reflected would be eligible for inclusion in CMBS transactions
- All amounts are annual contributions, except for Allmerica (\$4.2B)

... and other financial institutions would be likely participants

- Allstate
- Allianz
- CUNA Mutual
- Union BanCal
- ABN-AMRO
- NCB
- Lincoln National
- Guardian Life
- Wells Fargo
- This list represents firms who intend to participate in the issuance of low leverage, high quality CMBS on an ongoing basis
- This group represents another \$3-\$4B in annual primary CMBS issuance

. . . And certain insurance companies would be candidates for “sell & holds”

- Aegon
- Nationwide
- Principal
- TIAA
- MONY
- State Farm
- AIG / SunAmerica
- Mass Mutual
- Jackson / PPM
- This group has expressed an interest in executing a portfolio securitization and retaining subordinate securities
- Transaction sizes range from \$500mm to \$1.5B

Business Development

What do insurance companies look for in selecting a Wall Street Partner?

- Help facilitating organizational “buy-in”
- Origination / Underwriting Support
- Hedging Strategy
- Staffing Needs
- Warehouse Financing
- Accommodative Servicing
- Strong Capital Markets Distribution
- Dependability & Trust

Building a High Quality Brand

Comparison of Key Credit Parameters

	2001 – IQ	2001-TOP3	2001-TOP2
Loan to Value	59.3%	60.8%	60.3%
Balloon Loan to Value	42.6%	49.6%	50.6%
DSCR	1.50X	1.65X	1.60X
DSCR @ 9.0%	1.64X	1.62X	1.57X
Remaining Amortization	21.2 years	27.3 years	26.8 years
Seasoning	3.3 years	4 months	8 months
Multifamily %	8.5%	10.1%	10.8%
Retail %	35.3%	27.2%	21.8%
Industrial %	16.6%	18.4%	24.4%
Office %	33.9%	31.5%	29.3%
Other %	5.6%	12.8%	13.7%
AAA Subordination	14.000%	15.000%	15.000%
AA Subordination	10.875%	12.000%	12.375%
A Subordination	8.250%	9.250%	9.375%
BBB Subordination	5.500%	6.250%	6.000%

What strategies will Insurance Companies contemplate?

- Multi-party Securitization
- Stand-alone Securitization
- True Sale Transactions
- Maximized Gains
- Yield Preservation
- Asset Management & Fee Growth
- Capital Markets Lending
- Expansion of managed risk for yield
- Static & Managed CDOs

Other opportunities can be pursued with Insurance Companies . . .

- Institutional Quality Subordinate Fund (BB, B, NR, Lev. IO's)
- Agribusiness transactions in collaboration with Farmer Mac
- Real Estate related CDOs (managed and static)
- Market-leverage capital markets lending
- Joint ventures with Insurance company opportunity funds in Mezzanine lending or A-B note structured transactions
- Insurance policy securitizations

... As well as other financial institutions

- Mining principal transactions from pension funds and middle market banks
- Bank portfolio securitizations
- Portfolio securitizations with non-standard call provisions
- Joint Marketing of portfolio dispositions with loan sale advisor

Pro-forma Impact

Client Conversions and Deal Count

- Five of the following 7 clients to move in year 1 (Aegon, Allmerica, AXA, Nationwide, MONY, State Farm, UCL)
- Project 2 of following 6 clients to move in year 2 (Principal, Hancock, TIAA, Wells, NCB, Pru.)
- New CMBS issuer conversions= 3 per year
- Transaction count to start conservatively in year 1 and grow 50%

Clients & Deals

Year	1	2	3	Total
New CMBS Clients	7	5	3	15
Deals				
Multi-Seller CMBS	2	2	3	7
Stand Alone CMBS	1	1	1	3
Warehouse Lines	1	1	1	3
Real Estate CDOs	0	1	2	3
New Product Deals	0	1	2	3
Total Deals Closed	4	6	9	19

Recent Key Client Conversions

- Aegon
- Nationwide
- State Farm
- Union Central Life
- AXA Financial
- MONY
- Allmerica

Average Transaction Sizes

- Multi-Seller deals will grow from a \$700mm critical mass, reflecting repeat issuers and the additive impact of new client conversions
- Stand alone deals will comprise of \$500mm to \$900mm, although dialog with many is in the \$1.0B+ range

Average Deal		1	2	3
(\$mm)	Year			
Multi-Seller CMBS		700	800	900
Stand Alone CMBS		500	700	900
Warehouse Lines		150	150	200
Real Estate CDOs		0	300	300
New Product Deals		0	500	500

League Table Impact

- “Institutional quality” loans originated on a principal basis to supplement the Multi-Seller deals, totaling \$200mm per deal.

(\$mm)	Year	1	2	3	Total
Multi-Seller CMBS		1,400	1,600	2,700	5,700
Stand Alone CMBS		500	700	900	2,100
Real Estate CDOs		0	300	600	900
New Product Deals		0	500	1,000	1,500
League Table Impact		1,900	3,100	5,200	10,200

- Of the Principal Transactions contributed 33-50% will be sourced incrementally

Principal Transactions		400	400	600	1,400
Warehouse Lines		150	150	200	500

Pro-forma Revenue

Revenue rates	(\$mm)	Year	1	2	3	Total
Multi-Seller = 35 bp	Principal Trans.		12.0	12.0	18.0	42.0
Stand Alone = 25 bp	Multi-Seller CMBS		4.9	5.6	9.5	20.0
CDOs = 1.0%	New Product Deals		0.0	3.1	6.3	9.4
New Prod. = 5/8ths	Real Estate CDOs		0.0	3.0	6.0	9.0
Warehouse = 75 bp	Stand Alone CMBS		1.3	1.8	2.3	5.3
Prin. Trans = 3.0%	Warehouse Lines		0.3	0.6	0.9	1.8
	Advisory Fees		0.0	0.5	1.0	1.5
	Totals		18.4	26.5	43.9	88.9

Risk-Adjusted Revenue and Related Shareholder Value

- The risk adjustment factor to pro-forma revenue = 25%

- Goldman Sachs current P/E ratio is utilized for purposes of determining the related incremental shareholder value created

Revenue & Value					
(\$mm)	Year	1	2	3	Total
Pro-forma Revenue		18.4	26.5	43.9	88.9
Risk-Adjusted Rev.		14.0	20.0	33.0	67.0
P/E Ratio		19	19	19	
Marginal Tax Rate		35%	35%	35%	
Shareholder Value		170	250	400	

Resource Requirements

- Yours Truly
- Team working on each deal would include a VP / Associate / Analyst (12 weeks per deal)
- Coverage VP
- Analytical support from desk
- Team support during final “bake offs”

Person Equivalents

Year	1	2	3
Execution Team	2.8	4.2	6.2
Coverage Support	1.0	1.0	1.0
Analytical Support	0.5	0.5	0.5
Totals	4.3	5.7	7.7

Skill Sets

What Are My Relevant Skill Sets?

- Client Focused
- Commercial Orientation
- Demonstrable Leadership

Client Focused

- Able to convert large financial institutions into first time CMBS issuers
- Consistently viewed by clients as “trusted advisor” and “first call” with regard to real estate capital markets initiatives
- Created a highly focused marketing initiative with insurance companies contributing to 85% market share
- Possess strong track record for client following

Commercial Orientation

- In 18 months, built the JP Morgan Commercial Mortgage Conduit from scratch to #3 in league table conduit production (\$1.2B)
- Over three years, built Morgan Stanley's conduit production five-fold to \$2.5mm per annum
- In 18 months, developed the IQ brand of CMBS, which generates \$2.5B to \$3.0B annually in league table and \$30mm+ in revenue
- Executed the largest agribusiness disposition ever

Demonstrable Leadership

- Headed up new business and new product development leading client coverage and deal teams for Morgan Stanley
- Established expertise in managing multi-seller transactions
- Ran two major Wall Street commercial mortgage conduits (JPMorgan & Morgan Stanley)
- Established use of Dean Witter broker network to source principal commercial real estate debt transactions
- Chaired the JPMorgan New Product Committee to get approval to take commercial real estate principal risk

Self-Imposed Standards

- Meaningfully generate client revenues on a consistently profitable basis
- Accept accountability for client relationship
- Command respect as “trusted advisor” to clients
- Engage firm resources at appropriate times to “deliver the firm” with a focused team approach
- Gain in-depth knowledge of client’s goals, challenges and strategy to develop solutions
- Regularly create new client relationships and new business opportunities

Strategic Fit

Spencer Young would be a natural strategic fit . . .

- Goldman Sachs possesses strong call in real estate investment banking with many financial institutions
- In particular – REITs (GGP, Trizech Hahn), Banks (Bank One, WaMu) and Finance Companies (GMAC, GECC)
- However, there has been a void with Insurance Companies, which now can be readily filled . . .
- . . . with a “rainmaker” possessing a strong track record for building businesses in real estate capital markets

... Particularly in the context of other important factors

- Insurance Companies want another dependable Wall Street partner
- Clients were displeased with Morgan Stanley's action and have pledged their support assuming affiliation at certain firms
- An Institutional Quality brand of CMBS supported by Insurance Companies will be a strong addition to the Goldman Sachs franchise
- Once established, there are other business development initiatives to be pursued

Thank you for your time . . .

. . . I would welcome the opportunity to join
Goldman Sachs real estate capital markets . . .

. . . As a complementary high impact addition to
the team

Sincerely,

Spencer C. Young III

	Year			Total
	1	2	3	
Number:				
New CMBS Clients	7	5	3	15
Multi-Seller CMBS Deals	2	2	3	7
Stand Alone CMBS Deals	1	1	1	3
Real Estate CDO Deals	0	1	2	3
New Product Deals	0	1	1	2
Total Deal Executions	<u>3</u>	<u>5</u>	<u>7</u>	<u>15</u>
Execution Requirements	0.7	1.2	1.6	
Coverage VP	1.0	1.0	1.0	
Analytical Desk Support	0.5	0.5	0.5	
	<u>2.2</u>	<u>2.7</u>	<u>3.1</u>	
Avg Multi-Seller Deal Size (\$mm)	700	800	900	
Avg Stand Alone CMBS	500	700	900	
Avg. Real Estate CDO		300	300	
Warehouse Line Deals	1	1	1	3
Avg size of line	150	150	200	500

League Table				
Multi-Seller CMBS Deals	1,400	1,600	2,700	5,700
Stand Alone CMBS	500	700	900	2,100
Real Estate CDO	0	300	600	900
Warehouse Line	150	300	500	
Incremental Princ Transaction	150	250	350	750
Non-Incremental Principal Loans	250	150	250	
New Product Deal	0	500	1,000	
Proforma League Table	2,300	2,700	4,200	9,200

Revenue Rates			
Multi-Seller CMBS Deals (bp)	35	35	35
Stand Alone CMBS (bp)	25	25	25
Real Estate CDO (bp)	100	100	100
Warehouse Line (bp)	75	75	75
Incremental Princ Transaction (bp)	300	300	300
New Product Deal (bp)	62.5	62.5	62.5

Revenue:			
Advisory Assignment (\$mm)	0.0	0.5	1.0
Multi-Seller CMBS Deals (bp)	4.9	5.6	9.5
Stand Alone CMBS (bp)	1.3	1.8	2.3
Real Estate CDO (bp)	0.0	3.0	6.0
Warehouse Line	0.6	1.1	1.9
Incremental Princ Transaction	4.5	7.5	10.5
New Product Deal	0.0	3.1	6.3
	<u>11.2</u>	<u>22.6</u>	<u>37.3</u>

Validate in context of size of market and what you can grab from MS.

Conclusions	10	20	35	65
	1.5	3.0	5.25	
Revenue Annuity	10	20	35	
GS P/E	19	19	19	
GS Marg Tax Rate	0.35	0.35	0.35	
	123.5	247	432.25	
Equates to shareholder value of	125	250	425	

Other Benefits -- Increased Velocity / Capital Structure benefit / Feeds for other banking business (e.g., JVs in investing in Mezz, B Notes / B Pieces) -- JVs in other real estate opportunities

3 New Issuer converts a year - rest are moved from MS UCL

Aegon Princ
Nationwide Hancock
Allmerica TIAA
MONY 2 OF 3
AXA

State Farm

5 OF 7 3 3
2.0 3.0 3.0

Team working on each deal would include a VP / Assoc / Analyst with my client oversight 12 weeks per deal

Will bring over 80% of the MS clients over two years

Career Plan

Initial Goals

- \$1mm severance from MS and retroactive promotion to MD
- MD at GS heading up insurance company coverage with a minimum \$1mm comp in first year and a \$1mm parachute
- Establish IQ brand at GS
- Set up insurance company CMBS hedge fund
- Establish Canadian / European conduits
- 5 good years at GS, then (1) CIO at an insurance company; (2) CFO at a REIT; or (3) Principal in a Real Estate Hedge Fund
- Purchase a commercial real estate property each year

The Strong Whys:

- Comfort and Security for my family – including EMY and HTL
- Fear of losing what I have strived for all my life
- Support my sons in getting an outstanding education, and giving them every benefit to grow up to be men with strong character who will each create meaningful and enriched lives