

**Subject: Confidential -- Final Strokes with Sponsor**

**Date:** 5/23/2004, 3:45 AM

**From:** [Spencer Young <SpencerCYoung@aol.com>](mailto:SpencerYoung@aol.com)

**To:** [jliddle@liddlerobinson.com](mailto:jliddle@liddlerobinson.com), [David Greenberger <dgreenberger@liddlerobinson.com>](mailto:dgreenberger@liddlerobinson.com), [David Marek <dmarek@liddlerobinson.com>](mailto:dmarek@liddlerobinson.com)

Jeff / Dave / David --

Please treat this information in an utmost confidential manner.

I have had extensive discussions with Allied Capital, which is the largest business development company in the US and one of the largest investors in subordinate CMBS, to join as a Managing Director heading up the originations (banking) and capital markets components of Project Atlas and assimilate this in a phased manner with the Investment side of Atlas that already exists at Allied -- in short, an ideal platform.

The next steps are to review the plans (below) in further detail at their headquarters in Washington DC next week, finalize my employment contract terms and meet with the CEO and COO, which they indicated would be "more ceremonial" than anything else. I worked with Al Sklover on the employment contract -- he was very helpful in that he cleared his calendar for me on short notice and worked with me on it over the weekend last week. The Atlas Principals are "battle-station-ready".

I ask that you keep this information in the strictest confidence since Allied Capital is a publicly traded company on the New York Stock Exchange (symbol "ALD").

All the best,

Spencer

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

**Subject: Implementation Plan for "Originations"**

**Date:** 5/20/2004, 7:49 AM

**From:** [Spencer Young <SpencerCYoung@aol.com>](mailto:SpencerYoung@aol.com)

**To:** [John Scheurer - ALLIED <scheurer@alliedcapital.com>](mailto:scheurer@alliedcapital.com), [Douglas Cooper <DCooper@AlliedCapital.com>](mailto:DCooper@AlliedCapital.com), [David Iannarone <DIannarone@AlliedCapital.com>](mailto:DIannarone@AlliedCapital.com)

John / Doug / Dave --

Pursuant to our discussions, attached is my proffered implementation plan for Real Estate Capital Markets Originations ("Originations") at Allied Capital, encompassing:

- Employment Terms
- Timeline; and
- An 18 Month Operating Budget

 [Allied Capital - Implementation Plan for Originations - Spencer Young.doc \(78KB\)](#)

Additionally, incorporated by reference are other relevant documents ("Exhibits"), which I believe you are conversant with from our dialogue and meetings over the past few months.

 [Exhibit A -- Project Atlas - Template Memo to SPONSORs - For CMSA.doc \(198KB\)](#)

 [Exhibit B -- Project Atlas Presentation to Allied Capital - April 1, 2004.pps \(1834KB\)](#)

 [Exhibit C - Allied Capital - Consolidated Business Plan Financials - Five Years - Full Implementation.xls \(329KB\)](#)

 [Exhibit D - Allied Capital - Preliminary Operating Budget - 18 months.xls \(44KB\)](#)

As discussed, this initiative ("Project Atlas" or the "Plan") presents Allied Capital with important strategic benefits:

1. A captive and closely managed franchise that will generate attractive investment product backed by high quality commercial real estate mortgages;
2. Underwriting similar to the IQ® ("Institutional Quality") brand of CMBS I developed while at Morgan Stanley, in collaboration with a number of institutional clients, representatives of whom will be playing instrumental roles (as "Principals") in the execution of this Plan;

3. Carefully excogitated origination guidelines, that will be customized to Allied Capital's investment preferences ("Guidelines);
4. An opportunity to "front-end" the approval and structuring of the underlying collateral loans backing the subordinate CMBS investments;
5. Aligned incentives – incentive compensation predicated on effective production, and exemplary long term credit performance;
6. Managing investment positions of credit exposures originated by seasoned life company portfolio lenders, thoroughly sensient with and deeply experienced in capital markets lending; and
7. The opportunity to establish a franchise that will procreate competitive advantages that other CMBS participants will be hard-pressed to replicate, and in so doing, spawn prodigious incremental shareholder value.

I very much appreciate your time and focus, and I look forward to working with you.

All the best,

**Spencer**

**Allied Capital  
Implementation Plan For “Originations”  
Proffered By Spencer C. Young**

Page 1 of 4

***Employment Terms***

<b>Provision</b>	<b>Description</b>
Title:	Managing Director
Function:	Head up originations in context of executing Business Plan in a mutually agreed upon, phased manner, initially pursuant to the Operating Budget on behalf of Allied Capital (“Sponsor”).
Base Salary:	\$250,000
Benefits:	Standard benefits package offered to Managing Directors
Start Date:	June 1, 2004
Sign-On Bonus:	\$250,000 due at completion of first week of employment, creditable against Contingent Bonus for Fiscal 2004 and/or Fiscal 2005, as applicable
Contingent Bonus:	<u>Fiscal 2004</u> : the greater of \$250,000, or the allocable portion of the Project Atlas Bonus Pool, less the Sign-On Bonus <u>Fiscal 2005 and thereafter</u> : pursuant to Business Plan, less any unearned Sign-On Bonus or Contingent Bonus
Reinvested Bonus:	Pursuant to the Business Plan, a portion of the Contingent Bonus shall be invested in the resultant CMBS and CDOs.
Authority:	Authority shall be vested to hire and manage staff pursuant to the Business Plan, and Operating Budget and reassign their functions, as market conditions may require, including authority to terminate Project Atlas Principals who fail to deliver agreed upon results, in coordination with the Personnel Department of Sponsor.
Organizational Domain:	The Business Plan shall be executed as a separate line business of the Real Estate Group headed by John Scheurer
Business Plan:	The business plan for this new initiative of Sponsor shall be “Project Atlas” as described in the Memorandum ( <i>Exhibit A</i> ), the Presentation ( <i>Exhibit B</i> ), and the Financials ( <i>Exhibit C</i> ). Business development will initially focus on the realization of higher relative arbitrage components of the business (e.g., Small Loans and smaller balance Conduit Loans), as well as other related real estate capital markets opportunities, on a case-by-case basis.
Operating Budget	The Operating Budget will encompass an 18 month plan ( <i>Exhibit D</i> ) to establish the business, identifying required resources, capital and resultant earnings.
Termination Without Cause . . . :	<u>. . . and Project Atlas is NOT Continued</u> : Return of Business Plan and all rights associated with it, and Break-Up Fee. <u>. . . and Project Atlas is Continued</u> : Same as above, plus rights to Contingent Bonuses for the five fiscal years following the fiscal year terminated.
Break Up Fee:	\$2 million, reduced by any unearned Sign-On, or Contingent Bonuses paid
Term:	The term shall be for two years and seven months, renewable annually, thereafter.

**Allied Capital  
Implementation Plan For “Originations”  
Proffered By Spencer C. Young**

*Timeline for Implementation and Key Milestones*

*2004*

<b>Time Period</b>	<b>Planned Milestones</b>
May 2004	– Finalize Employment Terms
June 2004	<ul style="list-style-type: none"> <li>– Review all aspects of Business Plan and Operating Budget with appropriate senior managers of Sponsor</li> <li>– Meet appropriate line managers of Sponsor and gain a particularized understanding of Sponsor’s businesses to identify a full universe of symbiotic opportunities to/with Project Atlas</li> <li>– Through collaboration and consensus, finalize the Business Plan &amp; Operating Budget (hereinafter, the “Plan”)</li> <li>– Hire Atlas Principals necessary to execute Plan</li> <li>– Hold discussions with targeted JV Partners and Vendors for warehouse lines, distribution, legal services, office space, technology (communication &amp; MIS), servicing, cash management, etc.</li> </ul>
July 2004	<ul style="list-style-type: none"> <li>– Establish office for core operations in New York City</li> <li>– Review, test (alpha and beta levels) and finalize with appropriate Sponsor managers all essential infrastructure for execution of the Plan, including: Underwriting and Pricing Model (the “Black Box”), transaction approval process, the relational database to track all deals (“Pipeline”), Underwriting Guidelines, loan documents, state licensing requirements and compliance thereof, etc.</li> <li>– Commence active marketing</li> <li>– Begin taking Small Loan “flow” applications</li> </ul>
August 2004	<ul style="list-style-type: none"> <li>– Establish fully functional Small Loan originations office</li> <li>– Subject to approval, Proprietary Segment 2 deals start getting circled</li> </ul>
September 2004	<ul style="list-style-type: none"> <li>– Establish fully functional “modified” Conduit Loan originations office</li> <li>– Subject to approval, establish fully functional Proprietary Segment 1 office and commence marketing</li> </ul>
October 2004	<ul style="list-style-type: none"> <li>– Hold discussions with JV Issuers and determine feasibility of December 2004 deal and arrange, as appropriate</li> <li>– Flow deal closings commence – work our “kinks”</li> <li>– Proprietary Segment 2 deals begin closing</li> </ul>
November 2004	<ul style="list-style-type: none"> <li>– Rating Agencies conduct originator review</li> <li>– Deal preparation picks up in earnest</li> <li>– Flow deal closings accelerate</li> </ul>
December 2004	<ul style="list-style-type: none"> <li>– Complete first securitization of Project Atlas originated collateral, if plausible, and market conditions are favorable</li> <li>– Engage third parties, as appropriate to handle peak work loads</li> </ul>

**Allied Capital  
Implementation Plan For “Originations”  
Proffered By Spencer C. Young**

Page 3 of 4

*2005*

Q1 2005	<ul style="list-style-type: none"> <li>– Assess plausibility and market opportunities inherent to the implementation of other segments of Project Atlas</li> <li>– Efforts focused on quarterly securitizations of Project Atlas originated collateral in increasing size</li> </ul>
Q2 2005	<ul style="list-style-type: none"> <li>– Complete quarterly securitization of Project Atlas collateral</li> </ul>
Q3 2005	<ul style="list-style-type: none"> <li>– Complete quarterly securitization of Project Atlas collateral</li> </ul>
Q4 2005	<ul style="list-style-type: none"> <li>– Complete quarterly securitization of Project Atlas collateral</li> <li>– Complete first CDO with CMBS derived from Project Atlas originated collateral</li> <li>– Assess propriety of full implementation of Project Atlas in 2006</li> </ul>

***Preliminary Operating Budget***

The preliminary Operating Budget (detailed in *Exhibit D*) covers 18 months (from 7/1/04 through 12/31/05), and is presented in a quarterly “calendarization” format. Business focus will target higher relative market arbitrage opportunities. Two alternative “phased” strategies are considered and summarized as follows:

Strategy A:

- **Small Loan Origination** (loans < \$3 million) office managed by one of the “Atlas Principals” will be established initially with seven professionals, growing to 13 over eighteen months, as volumes justify
- A **Conduit Loan Origination** office (managed by a second Atlas Principal) would follow with an initial staffing of five professionals. Their market focus would be modified to focus on loans \$3mm to \$10mm.
- Four other Atlas Principals would join me in the establishment of the NYC office, providing the requisite capital markets and credit support, and focused on selective “one-off” transactions.

Strategy B:

- This entails Strategy A, PLUS two separate initiatives that are part of the proprietary (i.e., secretive) features of Project Atlas, that enhance its overall competitiveness and are complementary to Strategy A.
- **Proprietary Segment #1** entails the opening of a separate office (operated by the eighth Principal) that would be fully operational by September 2004. Its staffing would begin with six professionals and increase to ten, as volumes justify

# Allied Capital Implementation Plan For “Originations” Proffered By Spencer C. Young

Page 4 of 4

- **Proprietary Segment #2** would be run out of the NYC office, and operated by certain Principals in that office, with the addition of one professional (a ninth Principal). Staff additions would be driven by bottom-line results.

Salient line items of the alternative “phased” implementation strategies are below:

Line Item	18 Months	
	Strategy A	Strategy B
Revenue (\$mm)	35.0	68.5
Net Operating Income (\$mm)	26.0	52.2
Pre-Tax Earnings (\$mm)	16.9	33.9
Average Capital Employed (\$mm)	16.2	29.6
Annualized Return on Capital	70%	76%
Staffing (Start – End)	17 - 25	24 – 40
CMBS Investment <sup>1</sup>	37.9	78.8

<sup>1</sup> Reflects only the Project Atlas component; actual CMBS investment derived will be 4 to 5 times this amount

The respective budgets for each strategy were derived conservatively -- the submitted business volume for each segment was revised down 25% and operating expenses were increased by the same percentage, thereby arriving at a conservative 35% reduction in budgeted Net Operating Income. The bonus pool will be 35% of Net Operating Income allocated by the Atlas Principals (pursuant to mutually agreed-upon parameters). Of this amount one-third will be invested in the resultant CMBS, and will vest over five years.

## *Exhibits*

The exhibits accompanying this term sheet are summarized below:

Exhibit	Description
<b>A</b>	<u>Project Atlas Business Plan Memorandum</u> – this document provides a business summary of Project Atlas and was originally sent to John Scheurer in advance of the January 2004 CMSA Meeting, and subsequently sent to Dave Iannarone and Doug Cooper.
<b>B</b>	<u>Project Atlas Business Plan Presentation</u> – this was the presentation given to Doug Cooper and Dave Iannarone in April 2004 at Allied’s NYC offices – it provides additional information and context to the philosophical framework of Project Atlas
<b>C</b>	<u>Project Atlas Financials (Five Years Assuming Full Implementation)</u> – this includes the integrated roll-up of all components of Project Atlas (excluding the Proprietary Segments, though), based on market pricing in Q4 of 2003. The numbers coincide with the Exhibit A memorandum, although the required capital has been updated in a manner more applicative to Allied Capital.
<b>D</b>	Preliminary Operating Budget – covers the phased roll-out under two alternative “phased” implementation strategies, as detailed above – reflects current market pricing.



# Project Atlas

Page 1 of 7

[ DATE ]

To: [ \_\_\_\_\_ ] – [ SPONSOR ]:

With this memo, I share the summary of a meticulously excogitated business plan (the “Plan”) that can establish an integrated CMBS franchise at [ SPONSOR ]. The U.S. operation would proffer competitive advantages that would be difficult to replicate by existing CMBS market participants. The initiative, coined “Project Atlas” engages a highly qualified team of seven senior managers with storied track records in commercial real estate and related capital markets, “athletically” diverse skill sets, and most importantly, the proven ability and dogged determination to create enduring and noteworthy incremental value.

In the context of this Plan, [ SPONSOR ] would realize immediately accretive earnings, and attractive returns on capital in the first year of operation. We would reach stabilized operations in the second year (i.e., all components of the business would be generating solid contributions to earnings) and by the third year, pre-tax earnings for [ SPONSOR ] would near \$100 million per annum. With the establishment of this franchise, incremental shareholder value would soon exceed \$1.0 billion, and in so doing, position [ SPONSOR ] to educe other fixed income opportunities across a global spectrum.

This memo provides an overview to the platform, market, team, implementation, economics, resources, and suggested next steps toward realization.

## **Platform**

The contemplated business platform is ideally suited for a global financial services firm determined to establish an immediate CMBS market presence in the United States, and with it, derive substantial earnings, return on capital and generate meaningful business growth that will source other opportunities in [ SPONSOR ]’s Fixed Income franchise.

Project Atlas entails the integration of three lucrative areas of commercial real estate, to wit: Banking, Capital Markets and Investments, such that we offer “one-stop shopping” and the ability to cross-sell other [ SPONSOR ] products and services in fixed income, asset management and investment banking:

- Banking encompasses the origination of commercial mortgages in three distinct market segments stratified by size (small loans, conduit, and large loans).
- Capital Markets entails the structuring, transaction management and distribution of primary issue CMBS, Real Estate CDOs, and related hedging activities and secondary trading to support our deals.



## Project Atlas

Page 2 of 7

- Investments relates to the operation of two separate funds – one mandated to invest in organically originated and structured real estate debt (from our Banking area) including mezzanine loans, B-notes, subordinate tranches of our primary issue deals, and selectively structured leveraged I/O bonds. The Equity Fund will make value-added investments in what are known as “fix and flip” situations.

These areas will be further stratified into six distinct business segments of Project Atlas, each managed by one of the aforesaid Principals, whose experience base coincides with the undertaking (i.e., no learning curve), as follows:

### Banking

1. Small Loans (< \$4 million)
2. Conduit (\$4 million to \$25 million)
3. Large Loans (> \$25 million)

### Capital Markets

4. Structuring & Trading
5. Deal Management

### Investments

6. High Yield Funds (Real Estate Debt & Equity)

Risk positions will be originated and managed by former life company lenders and highly experienced capital markets risk managers. The Principals of Project Atlas (“Principals”) will have first loss risk on all positions and their financial interests will be aligned with [ SPONSOR ]’ shareholders. Accordingly, Principals will be formulaically compensated after covering direct expenses. A large percentage of this compensation will then be reinvested in the two separate off-balance sheet investment funds, the “Debt Fund” and “Equity Fund” and retained in these funds for a meaningful period of time. This incentive structure will be sententious to investors in the associated primary issue CMBS and CDO transactions, as it will be viewed in the market place as a demonstrative vote of confidence in the underlying collateral and the comprehensive deal.

To operationally leverage the business, we will establish joint ventures with market-leading firms to assimilate complementary capabilities that may not be readily available at [ SPONSOR ]. This may apply to initially renting distribution from other broker dealers, establishing interim, master and special servicing arrangements and co-investing in real estate equity opportunities with operating partners indigenous to the markets where the properties are located. If the [ SPONSOR ] is interested in growing its fixed income sales force, the concomitant debt issued from Project Atlas will substantially support this effort.





## Project Atlas

Page 3 of 7

### Market

The U.S. commercial mortgage market now exceeds \$2 trillion, with \$200 billion + requiring refinancing each year. The annual U.S. market in CMBS issuance is approximately \$80 billion, globally it is slightly north of \$100 billion. While underlying credit and interest rate conditions can impact these numbers by +/- \$15 billion, the CMBS market continues to develop as securitization technologies competitively evolve vis-à-vis traditional lenders. Seven years ago, 17% of commercial mortgages were securitized, and today it stands at 25%, and the difference between portfolio mortgages and mortgages originated for securitization continues to blur. Accordingly, the securitization of commercial mortgages is still in its nascent stage.

There are approximately 50 market participants who originate commercial mortgages for securitization, but only a dozen are Market “Players”, with operations that consistently originate and securitize \$2 billion + in commercial mortgages annually. The business strategy subsumed in this Plan is not practiced by any of the Players, and there are compelling reasons why they would be unable to replicate. Accordingly, Project Atlas will provide an ability to readily excise market share.

In addition, the insurance company portfolio lending market for fixed rate mortgages continues to grow (the most recently reported quarter grew 33% from two years ago and 9% from last year). This sector now tracks at a robust \$40 billion + per year with outstandings approaching \$250 billion. Interestingly, the current Players have been unable to effectively grab any meaningful market share in this arena. Project Atlas would be able to do this, again because of the inherent competitive advantages and lending teams with existing relationships with borrowers accustomed to insurance company financing.

As the floating rate CMBS market has taken hold, driven in part by an expanding global investor base, the opportunity to extract market share from U.S. commercial banks in “mini-perm” loans on stabilized properties, or in “repositioning” situations has improved dramatically. Importantly, the associated capital markets arbitrage can now rival that of fixed rate product. This market is estimated to be \$600 billion in outstandings. Project Atlas will also be positioned to capture market share from this sector.

Perhaps the most intriguing aspect of Project Atlas is its inherent diversification of earnings that we expect to not only weather market dislocations, but be positioned to capitalize on the opportunities thus created, and even prosper in a rising rate environment.



## Project Atlas

Page 4 of 7

### Team

The operation will be established by a cohesive team of seasoned and multitalented professionals with whom I've worked previously, and who practice business ethics that are beyond reproach. They are all firmly committed to move in Q1 of 2004, and will be arriving from vaunted Insurance Companies, Broker-Dealers, and Finance Companies, with hand selected teams ready to execute their respective operating plans, which have been painstakingly suffused and amalgamated to form the consolidated Project Atlas Operating Plan.

Summarized below is the collective experience base of the seven "Principals" who will manage the critical components of Project Atlas. Collectively, we possess diverse skill sets that are poignant and multifarious:

- Years in Real Estate = 122 years (Average = 17 years)
- Loans Originated = \$18.4 Billion (6 have experience here)
- Funds Managed = \$8.3 Billion (3 have experience here)
- Securitization / Dispositions = \$53.3 billion (All have experience here)
- Appraisals Completed = \$6.4 billion (2 have experience here)

The team is diverse by personality, gender and ethnic background, and there exists a collaborative "chemistry" and anticipatory excitement toward actualizing our objectives. Importantly, we have a shared philosophy and commonality of purpose manifested in a creative entrepreneurial spirit that will surely create significant franchise value.

### Implementation

In building this business, we will:

- 1) Maintain a Cohesive Team -- Making sure we have the right people to execute consistently improving results;
- 2) Sustain Our Focus -- Putting into practice an unwavering faith in our success, by confronting issues immediately, and executing alternative contingency plans as the need arises;
- 3) Be The Best – Pursuing business in a manner where we can legitimately "be the best" from a competitive standpoint, and execute with the highest ethical aplomb. Our collaborative approach and incentives foster creativity and sound decision making from a rigorous risk / reward paradigm.
- 4) Establish a Culture of Discipline -- Each Principal has developed a cogent and thoughtful business plan for their respective business segment. We will execute with teams cultivated with instilled discipline, such that deliverables are carried out in a timely manner.



## Project Atlas

Page 5 of 7

- 5) Be Technology Savvy – Making effective use of technologies that will enhance productivity and foster communication, thereby driving efficient business growth
- 6) Be Cost-Conscious -- Being bottom-line focused, as supported by the proffered incentive structure
- 7) Sustain Results – the confluence of the six business segments will create natural diversification in our operating results that in turn will deliver consistent and dependable results.

### Economics

A summary of the key operating plan parameters for 2004 and 2005 are summarized below:

(\$ million)	2004	2005
Production		
- Loan Originations	990	2,555
- Investments	104	392
- Primary Issuance	700	2,600
- Secondary Trading	1,685	4,450

Operating Revenue	30	110
Direct Expenses	13	21
Operating Margin	17	89

Incentive Compensation	6	31
------------------------	---	----

Earnings from Operations	11	58
Investment Fund Earnings	2	25
Pre-Tax Earnings	13	83

***Note:** The production numbers above represent 50% of what the Principals have previously originated, and do not take into account the natural fillip to business volumes from the competitive advantages of a fully integrated operation. In addition, 33% of the incentive compensation (derived as 35% of Operating Margin) will be invested on a pre-tax basis in the Debt and Equity Funds on a 75% / 25% split, and remain invested for five years.*

Pre-tax net earnings in the third year of operation, would approach \$100 million with further growth thereafter. Based on an effective tax rate of 35%, and a normalized price-earnings multiple of 14.5x (for money center banks), the incremental shareholder value realized would exceed \$1.0 billion shortly thereafter.



## Project Atlas

### Resources

Staffing – To create this prodigious value, staffing by area would be as follows:

<b>Staffing</b>	<b>2004</b>	<b>2005</b>
Banking	29	35
Investments	7	15
Capital Markets	9	13
Management & Coverage	<u>2</u>	<u>2</u>
	47	65

A newly created, wholly-owned subsidiary of [ SPONSOR ] would house the staff, with dual employment at the Broker-Dealer / Section 20 for staff having investor client interaction.

Capital – the capital requirements to support Operations would encompass positioning whole loans, hedging and secondary trading activity. This would increase commensurate with business growth. For the High Yield Funds (“Investments”), the capital call would peak at the end of year 2 (i.e., 2005) and then wind down over the ensuing 3 years. Over five years, [ SPONSOR ] would have roughly \$200 million in net capital supporting both components of a franchise conservatively valued in excess of \$1.0 billion. At that point, [ SPONSOR ] could continue investing in the High Yield Funds, or in the alternative, an institutional capital raise could be instituted to partially or fully supplant [ SPONSOR ]’ interest. A summary of the average capital requirements follows:

<b>Average Capital Requirements</b>	<b>2004</b>	<b>2005</b>	<b>2004 - 2008</b>
Operations	17	71	82
Investments	<u>19</u>	<u>125</u>	<u>138</u>
	36	196	220

The projected return on capital would exceed 30%

Infrastructure – we will have five office locations and competitive technology that will be phased in over an 18 month time period, with the base operations located at the main New York City offices of [ SPONSOR ] located in Manhattan. The other locations will be in the Midwest and Western regions of the U.S.



## Project Atlas

Page 7 of 7

### Summary & Next Steps

The aegis of a well-capitalized financial institution such as [ SPONSOR ] is sought, whose strategic plans coincide with the establishment of the proposed seminal business framework of Project Atlas. With a presumed interest in furthering discussions, the following steps are proffered:

- Meet to review detailed Operating Plan
- Meet the other Principals (Would need to coordinate this with the utmost discretion)
- Gain approval to proceed
- Complete contract negotiations with Principals
- Begin executing Operating Plan in Q1 2004

Project Atlas is more than a business plan – it represents the elucidation of erudite business practices that have been judiciously integrated through the collective efforts of the seven aforesaid Principals over a six-month period. Our attention to detail and enduring puissance are steeped in a shared philosophical foundation that spans a daunting collection of axioms. Our mantra throughout its formulation (and which will be preserved through implementation) has been the phrase made famous by Winston Churchill during WW II: ***“We Shall Never Give Up and We Shall Not Fail”***.

Sincerely,

Spencer C. Young III

## Project Atlas - Consolidated Operating Plan (\$MM)

	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5 Year
<b>Operating Revenue</b>														
Arbitrage	0.0	0.3	4.4	8.8	13.5	6.2	11.8	13.7	18.6	50.3	62.5	80.0	84.9	291
Fees	0.0	0.2	2.3	6.2	8.7	3.8	7.3	7.4	12.4	31.0	39.2	51.3	57.4	188
Incentives	0.0	0.0	1.1	2.4	3.6	1.6	3.3	3.8	5.4	14.1	17.7	26.9	46.7	109
Carry	0.0	0.4	1.1	2.5	4.0	2.6	3.4	3.9	4.5	14.3	8.8	7.0	7.7	42
<b>Total</b>	<b>0.0</b>	<b>0.8</b>	<b>8.9</b>	<b>20.0</b>	<b>29.8</b>	<b>14.3</b>	<b>25.8</b>	<b>28.7</b>	<b>40.9</b>	<b>109.7</b>	<b>128.1</b>	<b>165.3</b>	<b>196.8</b>	<b>630</b>
<b>Overhead</b>														
Compensation	0.6	1.4	2.1	3.5	7.6	2.6	3.0	3.1	4.2	13.0	15.2	16.6	17.4	70
Other Overhead	0.7	1.4	1.6	2.0	5.7	1.6	1.8	2.2	2.5	8.1	9.5	10.6	11.1	45
<b>Total</b>	<b>1.3</b>	<b>2.8</b>	<b>3.7</b>	<b>5.5</b>	<b>13.3</b>	<b>4.2</b>	<b>4.8</b>	<b>5.3</b>	<b>6.7</b>	<b>21.1</b>	<b>24.7</b>	<b>27.2</b>	<b>28.5</b>	<b>115</b>
Staffing	10	34	40	47		51	60	62	65		77	83	85	
<b>Operating Margin</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>5.2</b>	<b>14.5</b>	<b>16.5</b>	<b>10.0</b>	<b>21.0</b>	<b>23.4</b>	<b>34.2</b>	<b>88.6</b>	<b>103.4</b>	<b>138.1</b>	<b>168.3</b>	<b>515</b>
Margin %	n/a	-229%	58%	73%	55%	70%	81%	81%	84%	81%	81%	84%	86%	82%
Incentive Compensation					5.8					31.0	36.2	48.3	58.9	180
Less: Reinvestment					(1.9)					(10.3)	(12.1)	(16.1)	(19.6)	(60)
Cash Compensation					3.9					20.7	24.1	32.2	39.3	120
As a % of Revenue					12.9%					18.8%	18.8%	19.5%	20.0%	19.1%
As a % of Op. Margin					23.3%					23.3%	23.3%	23.3%	23.3%	23.3%
As a % of Earnings					20.4%					18.1%	17.8%	17.0%	14.2%	16.3%
<b>Net Operating Income</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>5.2</b>	<b>14.5</b>	<b>10.7</b>	<b>10.0</b>	<b>21.0</b>	<b>23.4</b>	<b>34.2</b>	<b>57.6</b>	<b>67.2</b>	<b>89.7</b>	<b>109.4</b>	<b>335</b>
Net Investment Income	0.0	0.0	0.5	1.9	2.4	3.4	5.9	5.8	10.4	25.5	31.9	52.0	108.9	221
<b>Net Earnings</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>5.7</b>	<b>16.4</b>	<b>13.1</b>	<b>13.4</b>	<b>26.9</b>	<b>29.2</b>	<b>44.6</b>	<b>83.1</b>	<b>99.1</b>	<b>141.7</b>	<b>218.2</b>	<b>555</b>
Avg. Capital Employed					29					146	181	225	244	165
Return on Capital					45%					57%	55%	63%	89%	62%
Intrinsic Value					124					783	934	1,336	2,057	
<b>Gross Earnings</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>5.7</b>	<b>16.4</b>	<b>18.9</b>	<b>13.4</b>	<b>26.9</b>	<b>29.2</b>	<b>44.6</b>	<b>114.1</b>	<b>135.3</b>	<b>190.0</b>	<b>277.1</b>	<b>736</b>
Earnings (CDO Equity Writeoff)	(1.3)	(1.9)	5.7	16.4	13.1	13.4	19.8	29.2	30.3	61.7	74.1	106.0	175.3	430.2
Ret.on Cap. (CDO Equity Writeoff)					45%					42%	41%	47%	72%	49%

Quality Control									
Earnings Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expense Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

## Production

Production Volumes														
<b>Banking</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Small Loans	0	9	78	113	200	131	140	158	166	595	684	753	828	3,060
Conduit Loans	0	25	90	300	415	165	275	330	440	1,210	1,404	1,600	1,800	6,429
Large Loans	0	0	75	300	375	100	150	200	300	750	1,125	1,688	1,857	5,795
<b>Total Originations</b>	<b>0</b>	<b>34</b>	<b>243</b>	<b>713</b>	<b>990</b>	<b>396</b>	<b>565</b>	<b>688</b>	<b>906</b>	<b>2,555</b>	<b>3,213</b>	<b>4,041</b>	<b>4,485</b>	<b>15,283</b>
<b>Capital Markets</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Primary Issues - CMBS	0	0	200	500	700	300	500	700	800	2,300	3,000	4,000	4,200	14,200
Primary Issues - CDO	0	0	0	0	0	0	100	0	200	300	350	500	600	1,750
<b>Total Issuance</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>500</b>	<b>700</b>	<b>300</b>	<b>600</b>	<b>700</b>	<b>1,000</b>	<b>2,600</b>	<b>3,350</b>	<b>4,500</b>	<b>4,800</b>	<b>15,950</b>
Secondary Trading	0	335	600	750	1,685	850	1,000	1,250	1,350	4,450	5,118	5,630	5,912	22,795
<b>Total Distribution</b>	<b>0</b>	<b>335</b>	<b>800</b>	<b>1,250</b>	<b>2,385</b>	<b>1,150</b>	<b>1,600</b>	<b>1,950</b>	<b>2,350</b>	<b>7,050</b>	<b>8,468</b>	<b>10,130</b>	<b>10,712</b>	<b>38,745</b>
REIT Debt (Secondary)	0	1	9	25	34	14	22	29	35	100	129	169	182	614
Other Secondary Trading	0	334	591	725	1,651	836	978	1,221	1,315	4,350	4,989	5,461	5,730	22,181
<b>Investments</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
B-Notes	0	1	6	21	27	9	14	18	25	66	87	115	128	423
Mezz.	0	0	2	6	8	4	6	7	8	24	28	32	35	127
CMBS	0	0	12	31	44	19	31	44	50	143	187	249	261	883
Production for CDO's	0	1	21	57	79	32	51	68	83	233	301	395	424	1,433
CDO Equity	0	0	0	0	0	0	11	0	22	33	39	55	66	193
Equities	0	0	10	15	25	20	25	35	46	126	145	159	167	623
<b>Total Investments</b>	<b>0</b>	<b>1</b>	<b>31</b>	<b>72</b>	<b>104</b>	<b>52</b>	<b>87</b>	<b>103</b>	<b>151</b>	<b>392</b>	<b>485</b>	<b>610</b>	<b>657</b>	<b>2,249</b>

Note: Purchases of secondary REIT debt and Other Secondary Trading are included in the secondary trading numbers above

Primary Issuance	2004	2005	2006	2007	2008
As a % of Originations	71%	102%	104%	111%	107%

Note: Greater than 100% due to CDOs

Originations Mix %	2004	2005	2006	2007	2008
Small Loans	20%	23%	21%	19%	18%
Conduit Loans	42%	47%	44%	40%	40%
Large Loans	38%	29%	35%	42%	41%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Fixed/Floating Mix%	Fix	Float
Small Loans	78%	22%
Conduit Loans	83%	17%
Large Loans	67%	33%

REIT Debt Secondary Buys	Mix	Calc'd	Used	Diff
% of Collateral in CDO	30%	30%	30%	0%

Organically Sourced Investments	Small	Conduit	Large

<b>B-Notes</b>					
% of Originated Loans	10%	25%	40%		
Maximum All-In LTV %	75%	75%	70%		
Targeted 1st Lien LTV %	65%	65%	60%		
% of Debt Stack	10%	10%	10%		
% of Loan Amount	1.00%	2.50%	4.00%		
<b>Mezzanine Loans</b>					
% of Originated Loans	10%	15%	5%		
Maximum All-In LTV %	85%	85%	80%		
Targeted 1st Lien LTV %	75%	75%	65%		
% of Debt Stack	10%	10%	15%		
% of Loan Amount	1.00%	1.50%	0.75%		
<b>CMBS (Non-Inv.Grade)</b>					
Fixed	6.500	85%			
Floating	15.000	15%			
Blended	7.775	100%			
<b>CMBS Investment %</b>					
Converted to %	7.78%				
Price Discount to Par	80%				
% of Deal Retained	6.22%				
<b>CDO Investment %</b>					
% of Deal Retained	11.0%				
	Calc'd	% Par	Net	Used	Diff
	23.0%	50%	11.5%	11.0%	-0.5%

## Pre- & Post-Exit Positions

Pre-Exit Positions	2004				2005				2006	2007	2008
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Small Loans	0	9	87	137	181	242	273	271	794	913	980
Conduit Loans	0	25	115	332	287	436	537	647	1,666	1,936	2,122
Large Loans	0	0	75	321	218	273	329	427	1,298	1,950	2,181
Whole Loans	0	34	277	790	686	951	1,139	1,345	3,758	4,799	5,283
REIT Debt (Secondary)	0	1	9	34	48	69	68	104	173	238	269
B-Notes	0	1	7	27	37	51	47	71	117	161	187
Mezz.	0	0	3	8	12	18	16	25	38	47	52
CMBS	0	0	12	44	62	93	97	146	248	347	389
Inventory for CDOs	0	2	31	113	159	231	228	346	577	792	898
CDO Equity	0	0	0	0	0	11	11	33	72	95	122
Equities	0	0	10	25	45	70	105	151	296	455	598
High Yield Fund (ex REIT)	0	1	32	104	156	243	276	427	771	1,104	1,348

Note: the pre-exit positions approximate the maximum position levels

Securitizations & Other Dispositions	2004					2005					2006	2007	2008	5Yr.
	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005				
Small Loans	0	0	63	87	150	79	127	168	161	535	634	761	779	2,859
Conduit Loans	0	0	83	210	293	125	229	330	385	1,070	1,330	1,614	1,687	5,994
Large Loans	0	0	54	203	257	95	143	202	254	695	1,036	1,625	1,734	5,347
Primary Issue CMBS	0	0	200	500	700	300	500	700	800	2,300	3,000	4,000	4,200	14,200
REIT Debt (Secondary)	0	0	0	0	0	0	30	0	60	90	105	150	180	525
B-Notes	0	0	0	0	0	0	22	0	41	63	71	102	125	361
Mezz.	0	0	0	0	0	0	8	0	14	22	23	29	35	110
CMBS	0	0	0	0	0	0	40	0	84	125	151	219	260	754
Primary Issue CDO	0	0	0	0	0	0	100	0	200	300	350	500	600	1,225
CDO Equity	0	0	0	0	0	0	0	0	0	0	32	39	50	121
Equities	0	0	0	0	0	0	0	0	0	0	0	25	151	176
Totals	0	0	200	500	700	300	600	700	1,000	2,600	3,350	4,500	4,800	15,425
Fund Asset Liquidations	0	0	0	0	0	0	70	0	140	210	277	414	621	997
Secondary Trading	0	335	600	750	1,685	850	1,000	1,250	1,350	4,450	5,118	5,630	5,912	22,795

Post-Exit Positions	2004				2005				2006	2007	2008	5Yr. Avg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Small Loans	0	9	24	50	102	115	105	110	160	152	201	171
Conduit Loans	0	25	32	122	161	207	207	262	336	322	435	364
Large Loans	0	0	21	118	123	129	127	173	262	324	447	345
Whole Loans	0	34	77	290	386	451	439	545	758	799	1,083	880
REIT Debt (Secondary)	0	1	9	34	48	39	68	44	68	88	89	82
B-Notes	0	1	7	27	37	29	47	30	46	59	62	56
Mezz.	0	0	3	8	12	10	16	10	15	17	17	17
CMBS	0	0	12	44	62	53	97	62	98	128	129	118
Inventory for CDOs	0	2	31	113	159	131	228	146	227	292	298	272
CDO Equity	0	0	0	0	0	11	11	33	40	56	72	56
Equities	0	0	10	25	45	70	105	151	296	430	447	391
High Yield Fund (ex REIT)	0	1	32	104	156	173	276	287	494	690	727	637
Other Secondary Trading	0	334	591	725	836	978	1,221	1,315	4,989	5,461	5,730	22,181

Average Positions	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5 Yr Avg
Small Loans	0	9	56	94	40	142	178	189	191	175	201	221	243	176
Conduit Loans	0	25	73	227	81	224	322	372	455	343	398	454	510	357



Large Loans	0	0	48	219	67	170	201	228	300	225	337	506	556	338
Whole Loans	0	34	177	540	188	536	701	789	945	743	936	1,181	1,310	872
REIT Debt (Secondary)	0	1	9	34	11	48	54	68	74	61	79	104	111	73
B-Notes	0	1	7	27	9	37	40	47	51	44	57	76	84	54
Mezz	0	0	3	8	3	12	14	16	18	15	17	20	22	15
CMBS	0	0	12	44	14	62	73	97	104	84	110	146	153	101
Inventory for CDOs	0	2	31	113	36	159	181	228	246	204	263	345	370	244
CDO Equity	0	0	0	0	0	0	11	11	33	14	16	23	28	16
Equities	0	0	10	25	9	45	70	105	151	93	107	117	123	90
High Yield Fund (ex REIT)	0	1	32	104	34	156	208	276	357	249	307	382	410	276
Secondary Trading	0	112	200	250	140	283	333	417	450	371	427	469	493	380

## Arbitrage & Trading Profits

Arbitrage & Trading Profits (Net of Execution Incentives)	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Small Loans	0.0	0.0	1.9	2.6	4.5	2.4	3.8	5.0	4.9	16.1	19.1	22.9	23.4	86.1
Conduit Loans	0.0	0.0	1.4	3.5	4.9	2.1	3.9	5.5	6.5	18.0	22.3	27.1	28.3	100.7
Large Loans	0.0	0.0	0.5	2.0	2.5	0.9	1.4	2.0	2.5	6.8	10.2	15.9	17.0	52.4
CMBS Issuance	0.0	0.0	3.8	8.1	11.9	5.4	9.1	12.6	13.8	40.9	51.6	65.9	68.8	239.2
REIT Debt (Secondary)	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	3.6	5.4	6.3	9.0	10.8	31.5
Secondary Trading	0.0	0.3	0.5	0.7	1.5	0.8	0.9	1.1	1.2	4.0	4.6	5.1	5.3	20.5
Secondary Trading	0.0	0.3	0.5	0.7	1.5	0.8	2.7	1.1	4.8	9.4	10.9	14.1	16.1	52.0
From Operations	0.0	0.3	4.4	8.8	13.5	6.2	11.8	13.7	18.6	50.3	62.5	80.0	84.9	291.2
B-Notes	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	1.2	1.9	2.1	3.0	3.7	10.6
Mezz	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.4	0.6	0.7	0.9	1.0	3.2
CMBS	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	2.5	3.7	4.4	6.4	7.6	22.2
CDO Issuance	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	4.1	6.2	7.2	10.3	12.3	36.0
CDO Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.8	1.1	2.5
Equity Trades	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.6	64.2	74.9
Other Fund Dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	11.5	65.3	77.4
From High Yield Fund	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	4.1	6.2	7.9	21.7	77.6	113.4
Total Arbitrage & Trading	0.0	0.3	4.4	8.8	13.5	6.2	13.8	13.7	22.7	56.5	70.4	101.8	162.5	404.6

Arbitrage (in pts)	Gross	Exp	Sell-side %		Net	Arb		
			Calc'd	Used		Diff		
Small Loans (CMBS)	5.40	1.10	1.29	3.01	5.40	5.40	0.00	
Conduit Loans (CMBS)	3.50	1.10	0.72	1.68	3.50	3.50	0.00	
Large Loans (CMBS)	2.50	1.10	0.42	0.98	2.50	2.50	0.00	
Secondary Trading	0.09	0.00	0.00	0.09				
REIT Debt (Secondary)	6.00	1.80	1.26	2.94	6.27	6.00	(0.27)	
B-Notes	6.00	1.80	1.26	2.94	6.27	6.00	(0.27)	
Mezz	6.00	1.80	1.26	2.94	6.27	6.00	(0.27)	
CMBS	6.00	1.80	1.26	2.94				
CDO Equity	3.00	0.00	0.90	2.10				
Equity Trades	15.00	1.80	0.66	12.54				
					Hold Period			
					3	yr.	42.53	

Deal Expenses (in bp)	CMBS		CDO		Average		
	800	1200	300	500	CMBS	CDO	Equity
Rating Agencies	10	10	15	15	10	15	
Legal	10	5	10	5	8	8	
Due Diligence	10	5	10	5	8	8	
NERD's	15	15	0	0	15	0	
Sales Credits	15	15	25	25	15	25	
Rented Shelf	15	15	25	25	15	25	
Internal U/W Fees	40	40	100	100	40	100	
Total	115	105	185	175	110	180	
Sell-Side Profit-Share %					30%	30%	5%

Execution Team Arbitrage Incentive Fees	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Deal Management														
CMBS	0.0	0.0	0.6	1.2	1.8	0.8	1.4	1.9	2.1	6.1	7.7	9.9	10.3	35.9
CDO	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.6	0.9	1.1	1.5	1.9	5.4
Other Fund Dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.6	1.9
Deal Mgmt Incentives	0.0	0.0	0.6	1.2	1.8	0.8	1.7	1.9	2.7	7.1	8.8	11.7	13.8	43.2
Trading														
CMBS	0.0	0.0	0.6	1.2	1.8	0.8	1.4	1.9	2.1	6.1	7.7	9.9	10.3	35.9
CDO	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.6	0.9	1.1	1.5	1.9	5.4
Other Fund Dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.6	1.9
Trading Incentives	0.0	0.0	0.6	1.2	1.8	0.8	1.7	1.9	2.7	7.1	8.8	11.7	13.8	43.2
Totals	0.0	0.0	1.1	2.4	3.6	1.6	3.3	3.8	5.4	14.1	17.7	23.4	27.6	172.8

Transaction Execution Incentives	Splits		
	Profit-Share	Deal Mgmt.	Trading
CMBS	30%	50%	50%



CDO	30%	50%	50%
Other Fund Dispositions	5%	50%	50%

Securitizations & Other Exit Trades	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
	Small Loans	0	0	63	87	150	79	127	168	161	535	634	761	779
Conduit Loans	0	0	83	210	293	125	229	330	385	1,070	1,330	1,614	1,687	5,994
Large Loans	0	0	54	203	257	95	143	202	254	695	1,036	1,625	1,734	5,347
CMBS Issued	0	0	200	500	700	300	500	700	800	2,300	3,000	4,000	4,200	14,200
Secondary Trading	0	335	600	750	1,685	850	1,000	1,250	1,350	4,450	5,118	5,630	5,912	22,795
Operations Activity	0	335	800	1,250	2,385	1,150	1,500	1,950	2,150	6,750	8,118	9,630	10,112	36,995
REIT Debt (Secondary)	0	0	0	0	0	0	30	0	60	90	105	150	180	525
B-Notes	0	0	0	0	0	0	22	0	41	63	71	102	125	361
Mezz	0	0	0	0	0	0	8	0	14	22	23	29	35	110
CMBS	0	0	0	0	0	0	40	0	84	125	151	219	260	754
CDOs Issued	0	0	0	0	0	0	100	0	200	300	350	500	600	1,750
CDO Equity	0	0	0	0	0	0	0	0	0	0	32	39	50	121
Equity Trades	0	0	0	0	0	0	0	0	0	0	0	25	151	176
Fund Activity (Ex REIT debt)	0	0	0	0	0	0	70	0	140	210	277	414	621	1,522

Note: Purchases of secondary REIT debt and Other Secondary Trading are included in the secondary trading numbers above

## Fee Income

Fee Income	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
<b>Banking</b>														
Small Loans	0.0	0.0	0.4	0.6	1.1	0.7	0.8	0.9	0.9	3.2	3.7	4.1	4.5	16.5
Conduit Loans	0.0	0.1	0.4	1.3	1.7	0.7	1.2	1.4	1.8	5.1	5.9	6.7	7.6	27.0
Large Loans	0.0	0.0	0.4	1.5	1.9	0.5	0.8	1.0	1.5	3.8	5.6	8.4	9.3	29.0
Lending Fees	0.0	0.2	1.2	3.4	4.7	1.9	2.7	3.2	4.2	12.0	15.2	19.2	21.3	72.5
<b>Capital Markets</b>														
Deal Management	0.0	0.0	0.5	1.2	1.7	0.7	1.8	1.7	3.1	7.3	9.3	12.6	13.7	44.6
Trading	0.0	0.0	0.3	0.8	1.1	0.5	1.2	1.1	2.1	4.9	6.2	8.4	9.1	29.7
Total Trading & Issuance	0.0	0.0	0.8	2.0	2.8	1.2	3.0	2.8	5.2	12.2	15.5	21.0	22.8	74.3
<b>Investments</b>														
Origination Fees	0.0	0.0	0.3	0.7	1.0	0.5	0.9	1.0	1.5	3.9	4.8	6.1	6.6	22.5
Asset Mgmt. Fee	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.4	1.2	1.5	1.9	2.1	6.9
Disposition Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	1.1	1.6	2.1	3.1	4.7	11.4
Fund Management Fees	0.0	0.0	0.3	0.9	1.2	0.7	1.7	1.4	3.0	6.7	8.5	11.1	13.3	40.8
Totals	0.0	0.2	2.3	6.2	8.7	3.8	7.3	7.4	12.4	31.0	39.2	51.3	57.4	187.6

Origination Fees	bp
Small Loans	54
Conduit Loans	42
Large Loans	50

Includes ongoing servicing fees  
Includes processing & application fees

High Yield Fund	%
Origination Fees	1.00%
Asset Management Fees	0.50%
Disposition Fees	0.75%

Investment Fees	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
<b>Investments Made</b>														
B-Notes	0	1	6	21	27	9	14	18	25	66	87	115	128	423
Mezz.	0	0	2	6	8	4	6	7	8	24	28	32	35	127
CMBS	0	0	12	31	44	19	31	44	50	143	187	249	261	883
CDO Equity	0	0	0	0	0	0	11	0	22	33	39	55	66	193
Equities	0	0	10	15	25	20	25	35	46	126	145	159	167	623
Totals	0	1	31	72	104	52	87	103	151	392	485	610	657	2,249
Origination Fees	0.0	0.0	0.3	0.7	1.0	0.5	0.9	1.0	1.5	3.9	4.8	6.1	6.6	22.5
<b>Average Balance</b>														
B-Notes	0	1	7	27	9	37	40	47	51	44	57	76	84	270
Mezz.	0	0	3	8	3	12	14	16	18	15	17	20	22	77
CMBS	0	0	12	44	14	62	73	97	104	84	110	146	153	507
CDO Equity	0	0	0	0	0	0	11	11	33	14	16	23	28	80
Equities	0	0	10	25	9	45	70	105	151	93	107	117	123	449
Totals	0	1	32	104	34	156	208	276	357	249	307	382	410	1,382
Asset Management Fees	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.4	1.2	1.5	1.9	2.1	13.8
<b>Dispositions</b>														
B-Notes	0	0	0	0	0	0	22	0	41	16	71	102	125	314
Mezz.	0	0	0	0	0	0	8	0	14	5	23	29	35	93
CMBS	0	0	0	0	0	0	40	0	84	31	151	219	260	661
CDO Equity	0	0	0	0	0	0	0	0	0	0	32	39	50	121
Equities	0	0	0	0	0	0	0	0	0	0	0	25	151	176
Totals	0	0	0	0	0	0	70	0	140	53	277	414	621	1,365
Disposition Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	1.1	1.6	2.1	3.1	4.7	10.2

Distribution Fees	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
-------------------	----	----	----	----	------	----	----	----	----	------	------	------	------	------

Deal Management	0.0	0.0	0.5	1.2	1.7	0.7	1.2	1.7	1.9	5.5	7.2	9.6	10.1	34.1
Trading	0.0	0.0	0.3	0.8	1.1	0.5	0.8	1.1	1.3	3.7	4.8	6.4	6.7	22.7
Total CMBS Fees	0.0	0.0	0.8	2.0	2.8	1.2	2.0	2.8	3.2	9.2	12.0	16.0	16.8	56.8
Deal Management	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	1.2	1.8	2.1	3.0	3.6	10.5
Trading	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.8	1.2	1.4	2.0	2.4	7.0
Total CDO Fees	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	2.0	3.0	3.5	5.0	6.0	17.5
Totals	0.0	0.0	0.8	2.0	2.8	1.2	3.0	2.8	5.2	12.2	15.5	21.0	22.8	74.3
<b>Distribution Fees by Function</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Deal Management	0.0	0.0	0.5	1.2	1.7	0.7	1.8	1.7	3.1	7.3	9.3	12.6	13.7	44.6
Trading	0.0	0.0	0.3	0.8	1.1	0.5	1.2	1.1	2.1	4.9	6.2	8.4	9.1	29.7
<b>Profit Incentive Fees</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Deal Management	0.0	0.0	0.6	1.2	1.8	0.8	1.7	1.9	2.7	7.1	8.8	11.7	13.8	43.2
Trading	0.0	0.0	0.6	1.2	1.8	0.8	1.7	1.9	2.7	7.1	8.8	11.7	13.8	43.2
Total	0.0	0.0	1.1	2.4	3.6	1.6	3.3	3.8	5.4	14.1	17.7	23.4	27.6	86.4
<b>Total Fees by Function</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Deal Management	0.0	0.0	1.1	2.4	3.5	1.5	3.5	3.6	5.8	14.4	18.1	24.3	27.5	87.8
Trading	0.0	0.0	0.9	2.0	2.9	1.3	2.9	3.0	4.8	11.9	15.0	20.1	22.9	72.9
Total	0.0	0.0	1.9	4.4	6.4	2.8	6.3	6.6	10.6	26.3	33.2	44.4	50.4	160.7

<b>Deal Execution and Related Incentive Fees</b>	<b>Fees (bp)</b>	<b>Splits</b>	
CMBS	40	Deal Mgmt.	Trading
CDO	100	60%	40%

## Carry from Operations

<b>Carry from Operations</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Small Loans	0.0	0.0	0.3	0.5	0.8	0.8	0.9	1.0	1.0	3.7	4.3	1.2	1.3	11.3
Conduit Loans	0.0	0.1	0.3	0.8	1.2	0.8	1.2	1.4	1.7	5.1	1.5	1.7	1.9	11.4
Large Loans	0.0	0.0	0.2	0.7	0.9	0.5	0.6	0.7	1.0	2.9	1.1	1.6	1.8	8.2
Secondary Trading	0.0	0.2	0.4	0.5	1.1	0.5	0.6	0.7	0.8	2.6	2.0	2.5	2.8	11.0
Carry	0.0	0.4	1.1	2.5	4.0	2.6	3.4	3.9	4.5	14.3	8.8	7.0	7.7	41.9

<b>Average Trading Positions</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Small Loans	0	9	56	94	40	142	178	189	191	175	201	221	243	176
Conduit Loans	0	25	73	227	81	224	322	372	455	343	398	454	510	357
Large Loans	0	0	48	219	67	170	201	228	300	225	337	506	556	338
Whole Loans	0	34	177	540	188	536	701	789	945	743	936	1,181	1,310	872
Secondary Trading (ex REIT)	0	111	191	216	129	236	279	348	376	310	348	366	382	307

<b>Carry Spreads (bp)</b>	Calc-ulated	Adjust-ment	As Adj.	Swap Hedge	Used
Small Loans	257	(7)	250	(38)	213
Conduit Loans	186	(11)	175	(26)	149
Large Loans	150	0	150	(23)	128
Secondary Trading	158	(58)	100	(15)	85

## High Yield Fund - Balances

<b>Fund Income</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Interest Income	0.0	0.0	0.8	2.8	3.6	4.1	5.5	7.2	9.3	26.1	32.5	41.3	44.5	148.0
Net Investment Gains	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	4.1	6.2	7.9	21.7	77.6	113.4
Investment Income	0.0	0.0	0.8	2.8	3.6	4.1	7.6	7.2	13.4	32.3	40.3	63.1	122.1	261.4
Origination Fees	0.0	0.0	0.3	0.7	1.0	0.5	0.9	1.0	1.5	3.9	4.8	6.1	6.6	22.5
Asset Management Fees	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.4	1.2	1.5	1.9	2.1	6.9
Disposition Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	1.1	1.6	2.1	3.1	4.7	11.4
Management Fees	0.0	0.0	0.3	0.9	1.2	0.7	1.7	1.4	3.0	6.7	8.5	11.1	13.3	40.8
Net Fund Income	0.0	0.0	0.5	1.9	2.4	3.4	5.9	5.8	10.4	25.5	31.9	52.0	108.9	220.6

<b>Fund Positions</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Beginning Fund Balance	0	0	10	41	0	118	171	183	284	118	296	489	645	0
Capital Contributions	0	10	30	75	115	50	5	95	0	150	175	150	0	590
Investment Income	0	0	1	3	4	4	8	7	13	32	40	63	122	261
Total Adds	0	10	31	78	119	54	13	102	13	182	215	213	122	851
Fund Management Fees	0	0	0	1	1	1	1	1	2	4	5	6	7	22
Investor Distributions	0	0	0	0	0	0	0	0	0	0	18	50	71	139
Total Subtracts	0	0	0	1	1	1	1	1	2	4	22	56	78	161
Ending Fund Balance	0	10	41	118	118	171	183	284	296	296	489	645	690	690
Increase (Decrease) in Fund	0	10	31	77	118	54	12	101	12	178	193	157	45	
Average Balance	0	5	25	79	27	144	177	233	290	211	392	567	668	

High Yield Fund Cash	Q1	Q2	Q3	Q4	2004
Beginning Balance	0	0	9	9	0
Capital Contributions	0	10	30	75	115
Principals' Bonus Investments	0	0	0	2	2
Investment Income	0	0	1	3	4
Asset Dispositions	0	0	0	0	0
Arbitrage	0	0	0	0	0
<b>Total Adds</b>	<b>0</b>	<b>10</b>	<b>31</b>	<b>80</b>	<b>121</b>
Investments	0	1	31	72	104
Fund Management Fees	0	0	0	1	1
Investor Distributions	0	0	0	0	0
<b>Total Subtracts</b>	<b>0</b>	<b>1</b>	<b>31</b>	<b>73</b>	<b>105</b>
Ending Cash Balance	0	9	9	15	15
Average Cash Balance	0	4	9	12	6

Q1	Q2	Q3	Q4	2005
15	17	13	11	15
50	5	95	0	150
0	0	0	10	10
4	8	7	13	32
0	70	0	140	210
0	2	0	4	6
54	85	102	168	409
52	87	103	151	392
1	2	1	3	7
0	0	0	0	0
53	89	104	154	399
17	13	11	25	25
16	15	12	18	15

2006	2007	2008	5Yr.
25	26	20	0
175	150	0	590
12	16	20	60
40	63	122	261
277	414	621	1,522
8	22	78	113
512	665	840	2,547
485	610	657	2,249
8	11	13	41
18	50	71	139
511	671	742	2,428
26	20	119	119
26	23	69	

Fund Investments	Q1	Q2	Q3	Q4	2004
Primary Issue CMBS	0	0	200	500	700
Below Inv. Grade %	7.78%	7.78%	7.78%	7.78%	
Blended Price to Par	80%	80%	80%	80%	
Invested \$ in CMBS	0	0	12	31	44
Invested \$ in Equity	0	0	10	15	25
<b>Total Invested \$</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>46</b>	<b>69</b>

Q1	Q2	Q3	Q4	2005
300	500	700	800	2,300
7.78%	7.78%	7.78%	7.78%	
80%	80%	80%	80%	
19	31	44	50	143
20	25	35	46	126
39	56	79	96	269

2006	2007	2008	5Yr.
3,000	4,000	4,200	14,200
7.78%	7.78%	7.78%	7.78%
80%	80%	80%	80%
187	249	261	883
145	159	167	623
332	408	429	1,506

Investor Distribution %	Yr 3	Yr 4	Yr 5	Yr 6	Total
Investment Distribution %	15%	20%	30%	35%	100%
2004	18	24	35	41	118
2005	27	36	53	62	178
<b>Totals</b>	<b>44</b>	<b>59</b>	<b>89</b>	<b>104</b>	<b>296</b>

Distributions to Sponsor	2006	2007	2008	2009	2010
	18	24	35	41	0
	0	27	36	53	62
	18	50	71	95	62

296

Sponsor Investment	2006	2007	2008	2009	2010
End of Year	278	228	157	62	0

## High Yield Fund - Income

Interest Income	Q1	Q2	Q3	Q4	2004
Average Balance	0	1	7	27	9
B-Notes	0	0	3	8	3
Mezz	0	0	12	44	14
CMBS	0	0	0	0	0
CDO Equity	0	0	10	25	9
Equities	0	0	1	32	34
<b>Totals</b>	<b>0</b>	<b>1</b>	<b>32</b>	<b>104</b>	<b>34</b>
Interest Income	0.0	0.0	0.1	0.5	0.7
B-Notes	0.0	0.0	0.1	0.2	0.3
Mezz	0.0	0.0	0.4	1.6	2.0
CMBS	0.0	0.0	0.0	0.0	0.0
CDO Equity	0.0	0.0	0.2	0.4	0.6
Equities	0.0	0.0	0.8	2.8	3.6
<b>Fund Interest Income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.8</b>	<b>2.8</b>	<b>3.6</b>

Q1	Q2	Q3	Q4	2005
37	40	47	51	44
12	14	16	18	15
62	73	97	104	84
0	11	11	33	14
45	70	105	151	93
156	208	276	357	249
0.7	0.8	0.9	1.0	3.4
0.4	0.4	0.5	0.5	1.8
2.2	2.6	3.4	3.7	12.0
0.0	0.5	0.5	1.4	2.4
0.8	1.2	1.8	2.6	6.5
4.1	5.5	7.2	9.3	26.1

2006	2007	2008	5Yr.
57	76	84	270
17	20	22	77
110	146	153	507
16	23	28	80
107	117	123	449
307	382	410	1,382
4.5	5.9	6.6	21.1
2.1	2.3	2.6	9.1
15.6	20.9	21.9	72.4
2.8	4.0	4.8	14.0
7.5	8.2	8.6	31.4
32.5	41.3	44.5	148.0

Fund Yields	Cash on Cash	5 Year Investment		IRR	
	T Sprd	\$mm	Mix %	Yield	
B-Notes	7.84%	350	423	19%	7.84%
Mezz	11.8%	750	127	6%	11.84%
CMBS (Blended Yield)	14.3%	994	883	39%	14.28%
CDO Equity	17.5%	1316	193	9%	17.50%
Equities	7.0%	n/a	623	28%	20.00%
<b>Totals / Wtd, Avg.</b>	<b>11.2%</b>		<b>2,249</b>	<b>100%</b>	<b>14.79%</b>

10yrT 4.34%

## Operating Revenue

Operating Revenue	Q1	Q2	Q3	Q4	2004
Banking	0.0	0.1	2.6	3.7	6.4
Small Loans	0.0	0.2	2.0	5.6	7.9
Conduit Loans	0.0	0.0	1.1	4.2	5.2
Large Loans	0.0	0.3	5.7	13.5	19.6
<b>Totals</b>	<b>0.0</b>	<b>0.3</b>	<b>5.7</b>	<b>13.5</b>	<b>19.6</b>
Capital Markets	0.0	0.5	1.8	3.2	5.5
Trading	0.0	0.0	1.1	2.4	3.5
Deal Management	0.0	0.5	2.9	5.6	9.0
<b>Totals</b>	<b>0.0</b>	<b>0.5</b>	<b>2.9</b>	<b>5.6</b>	<b>9.0</b>
Investments	0.0	0.0	0.0	0.0	0.0

Q1	Q2	Q3	Q4	2005
3.8	5.5	6.9	6.8	23.0
3.6	6.2	8.3	10.0	28.2
2.0	2.8	3.7	4.9	13.4
9.5	14.5	18.9	21.7	64.6
2.6	6.2	4.9	10.4	24.0
1.5	3.5	3.6	5.8	14.4
4.1	9.6	8.4	16.2	38.4
0.0	0.0	0.0	0.0	0.0

2006	2007	2008	5Yr.
27.1	28.1	29.2	113.9
29.7	35.5	37.8	139.1
16.9	26.0	28.1	89.6
73.6	89.6	95.1	342.5
27.9	36.7	41.8	136.0
18.1	24.3	27.5	87.8
46.1	61.0	69.3	223.8
0.0	0.0	0.0	0.0

High Yield Fund	0.0	0.0	0.3	0.9	1.2	0.7	1.7	1.4	3.0	6.7	8.5	14.6	32.4	63.4
Totals	0.0	0.8	8.9	20.0	29.8	14.3	25.8	28.7	40.9	109.7	128.1	165.3	196.8	629.7
<b>Revenue Details</b>														
<b>Small Loans</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Origination Fees	0.0	0.0	0.4	0.6	1.1	0.7	0.8	0.9	0.9	3.2	3.7	4.1	4.5	16.5
Net Carry	0.0	0.0	0.3	0.5	0.8	0.8	0.9	1.0	1.0	3.7	4.3	1.2	1.3	11.3
Arbitrage	0.0	0.0	1.9	2.6	4.5	2.4	3.8	5.0	4.9	16.1	19.1	22.9	23.4	86.1
Totals	0.0	0.1	2.6	3.7	6.4	3.8	5.5	6.9	6.8	23.0	27.1	28.1	29.2	113.9
<b>Conduit Loans</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Origination Fees	0.0	0.1	0.4	1.3	1.7	0.7	1.2	1.4	1.8	5.1	5.9	6.7	7.6	27.0
Net Carry	0.0	0.1	0.3	0.8	1.2	0.8	1.2	1.4	1.7	5.1	1.5	1.7	1.9	11.4
Arbitrage	0.0	0.0	1.4	3.5	4.9	2.1	3.9	5.5	6.5	18.0	22.3	27.1	28.3	100.7
Totals	0.0	0.2	2.0	5.6	7.9	3.6	6.2	8.3	10.0	28.2	29.7	35.5	37.8	139.1
<b>Large Loans</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Origination Fees	0.0	0.0	0.4	1.5	1.9	0.5	0.8	1.0	1.5	3.8	5.6	8.4	9.3	29.0
Net Carry	0.0	0.0	0.2	0.7	0.9	0.5	0.6	0.7	1.0	2.9	1.1	1.6	1.8	8.2
Arbitrage	0.0	0.0	0.5	2.0	2.5	0.9	1.4	2.0	2.5	6.8	10.2	15.9	17.0	52.4
Totals	0.0	0.0	1.1	4.2	5.2	2.0	2.8	3.7	4.9	13.4	16.9	26.0	28.1	89.6
<b>High Yield Fund</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Acquisition Fees	0.0	0.0	0.3	0.7	1.0	0.5	0.9	1.0	1.5	3.9	4.8	6.1	6.6	22.5
Asset Management Fees	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.4	1.2	1.5	1.9	2.1	6.9
Disposition Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	1.1	1.6	2.1	3.1	4.7	11.4
Promotes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5	19.1	22.6
Totals	0.0	0.0	0.3	0.9	1.2	0.7	1.7	1.4	3.0	6.7	8.5	14.6	32.4	63.4
<b>Trading</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Sec. Trading Arbitrage	0.0	0.3	0.5	0.7	1.5	0.8	2.7	1.1	4.8	9.4	10.9	14.1	16.1	52.0
Net Carry (Secondary)	0.0	0.2	0.4	0.5	1.1	0.5	0.6	0.7	0.8	2.6	2.0	2.5	2.8	11.0
Underwriting Fees	0.0	0.0	0.3	0.8	1.1	0.5	1.2	1.1	2.1	4.9	6.2	8.4	9.1	29.7
Arbitrage Incentives	0.0	0.0	0.6	1.2	1.8	0.8	1.7	1.9	2.7	7.1	8.8	11.7	13.8	43.2
Totals	0.0	0.5	1.8	3.2	5.5	2.6	6.2	4.9	10.4	24.0	27.9	36.7	41.8	136.0
<b>Deal Management</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Underwriting Fees	0.0	0.0	0.5	1.2	1.7	0.7	1.8	1.7	3.1	7.3	9.3	12.6	13.7	44.6
Arbitrage Incentives	0.0	0.0	0.6	1.2	1.8	0.8	1.7	1.9	2.7	7.1	8.8	11.7	13.8	43.2
Totals	0.0	0.0	1.1	2.4	3.5	1.5	3.5	3.6	5.8	14.4	18.1	24.3	27.5	87.8

## Compensation & Staffing

<b>Compensation</b>														
<b>Banking</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Small Loans	0.0	0.1	0.3	0.4	0.8	0.3	0.3	0.3	0.3	1.0	1.2	1.3	1.4	5.7
Conduit Loans	0.1	0.4	0.7	0.9	2.1	1.1	1.2	1.3	1.4	5.0	5.8	6.4	6.7	26.0
Large Loans	0.1	0.2	0.2	0.3	0.7	0.3	0.3	0.3	0.3	1.0	1.2	1.3	1.4	5.6
Total Originations	0.2	0.7	1.2	1.6	3.6	1.6	1.7	1.8	1.9	7.0	8.2	9.0	9.5	37.4
<b>Capital Markets</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Secondary Trading	0.1	0.2	0.2	1.1	1.6	0.2	0.3	0.3	1.1	1.8	2.1	2.3	2.4	10.2
Primary Issuance	0.0	0.1	0.1	0.1	0.3	0.1	0.2	0.2	0.2	0.7	0.8	0.9	0.9	3.6
Total Trading	0.1	0.3	0.3	1.2	1.9	0.3	0.5	0.5	1.3	2.5	2.9	3.2	3.3	13.8
<b>Investments</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
High Yield Fund	0.2	0.3	0.5	0.6	1.6	0.6	0.7	0.8	0.9	3.0	3.6	3.8	4.0	16.0
<b>Business Devel. / Strategy</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Managing Principal	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.5	0.6	0.6	2.5
Totals	0.6	1.4	2.1	3.5	7.6	2.6	3.0	3.1	4.2	13.0	15.2	16.6	17.4	69.7

<b>Staffing</b>														
<b>Banking</b>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2006	2007	2008			
Small Loans	0	10	10	10	10	10	10	10	12	13	14			
Conduit Loans	1	7	8	13	14	19	19	19	22	24	25			
Large Loans	1	5	6	6	6	6	6	6	7	8	8			
Totals	2	22	24	29	30	35	35	35	41	45	47			
<b>Capital Markets</b>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2006	2007	2008			
Trading	3	4	5	6	6	7	7	7	8	9	9			
Deal Management	0	2	3	3	4	5	5	6	7	8	8			
Totals	3	6	8	9	10	12	12	13	15	17	17			
<b>Investments</b>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2006	2007	2008			
High Yield Fund	3	4	6	7	9	11	13	15	18	18	18			
<b>Business Devel. / Strategy</b>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2006	2007	2008			
Managing Principal	2	2	2	2	2	2	2	2	3	3	3			
Total Staffing	10	34	40	47	51	60	62	65	77	83	85			

## Other Operating Overhead

<b>Other Operating O/H</b>														
<b>Banking</b>	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Small Loans	0.0	0.3	0.3	0.3	0.9	0.3	0.3	0.3	0.3	1.2	1.4	1.5	1.6	6.7

Conduit Loans	0.1	0.4	0.6	1.0	2.1	0.6	0.8	1.2	1.5	4.1	4.7	5.2	5.5	21.6
Large Loans	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.5	0.6	0.6	2.5
Total Originations	0.2	0.8	1.0	1.4	3.4	1.0	1.2	1.6	1.9	5.7	6.6	7.3	7.7	30.8
Capital Markets	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
Secondary Trading	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.5	0.6	0.6	2.5
Primary Issuance	0.0	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.4	0.5	0.6	0.6	2.4
Total Trading	0.1	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.2	0.8	1.0	1.2	1.2	4.9
Investments	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.
High Yield Fund	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2	1.4	1.5	1.6	6.9
Business Devel. / Strategy	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2004	2006	2007	2008	5Yr.
Managing Principal	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.5	0.6	0.6	2.5
Totals	0.7	1.4	1.6	2.0	5.7	1.6	1.8	2.2	2.5	8.1	9.5	10.6	11.1	45.1

## Net Earnings

<b>Earnings From Operations (Including Carry)</b>															
Banking	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.	
Small Loans	0.0	(0.3)	2.0	3.0	4.7	3.3	5.0	6.4	6.2	20.8	24.5	25.3	26.2	101.5	
Conduit Loans	(0.2)	(0.6)	0.7	3.7	3.7	1.9	4.2	5.8	7.1	19.0	19.2	23.9	25.6	91.4	
Large Loans	(0.2)	(0.3)	0.7	3.8	4.1	1.6	2.4	3.4	4.6	12.0	15.2	24.1	26.1	81.4	
Total Originations	(0.4)	(1.2)	3.5	10.6	12.5	6.9	11.6	15.5	17.9	51.8	58.8	73.3	77.9	274.4	
Capital Markets	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.	
Secondary Trading	(0.2)	0.2	1.5	2.0	3.5	2.2	5.8	4.5	9.2	21.8	25.3	33.8	38.8	123.2	
Primary Issuance	0.0	(0.2)	0.8	2.2	2.9	1.3	3.2	3.3	5.5	13.3	16.8	22.8	26.0	81.8	
Total Trading	(0.2)	0.1	2.4	4.2	6.4	3.6	9.0	7.8	14.7	35.0	42.2	56.6	64.8	205.0	
Investments	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.	
High Yield Fund	(0.5)	(0.6)	(0.5)	(0.0)	(1.6)	(0.2)	0.7	0.3	1.8	2.5	3.5	9.3	26.8	40.5	
Business Devel. / Strategy	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.	
Managing Principal	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(1.0)	(1.2)	(1.2)	(5.0)	
Earnings from Operations	(1.3)	(1.9)	5.2	14.5	16.5	10.0	21.0	23.4	34.2	88.6	103.4	138.1	168.3	514.9	
High Yield Funds	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.	
Earnings From Investments	0.0	0.0	0.5	1.9	2.4	3.4	5.9	5.8	10.4	25.5	31.9	52.0	108.9	220.6	
Aggregate	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2005	2006	2007	2008	5Yr.	
Total Earnings	(1.3)	(1.9)	5.7	16.4	18.9	13.4	26.9	29.2	44.6	114.1	135.3	190.0	277.1	735.5	

## Sponsor Income, Value, Capital & Return on Capital

<b>Sponsor Income (pre-tax)</b>					
Operations	2004	2005	2006	2007	2008
Investments	10.7	57.6	67.2	89.7	109.4
Total	2.4	25.5	31.9	52.0	108.9
	13.1	83.1	99.1	141.7	218.2

Bonus Pool Split	35%
Split to Sponsor	65%
	100%

<b>Incremental Value</b>					
Operations	2004	2005	2006	2007	2008
Investments	101	543	634	846	1,031
Total	23	240	300	490	1,026
	124	783	934	1,336	2,057

Effective Tax Rate	35%
Normalized PE Ratio	14.5

<b>Max. Sponsor Capital</b>					
Operations	2004	2005	2006	2007	2008
Investments	69	125	107	133	166
Total	31	128	66	110	135
	101	253	173	243	300

<b>Avg. Sponsor Capital</b>						
Operations	2004	2005	2006	2007	2008	5 Yr.
Investments	19	71	89	110	121	82
Total	10	75	92	115	123	83
	29	146	181	225	244	165

<b>Sponsor Return on Capital</b>						
Operations	2004	2005	2006	2007	2008	5 Yr.
Investments	56%	81%	76%	82%	90%	77%
Total	23%	34%	35%	45%	89%	45%
	45%	57%	55%	63%	89%	62%

## Bonuses

<b>Bonus Pool Contribution</b>					
Banking	2004	2005	2006	2007	2008
Small Loans	4.7	20.8	24.5	25.3	26.2
Conduit Loans	3.7	19.0	19.2	23.9	25.6
Large Loans	4.1	12.0	15.2	24.1	26.1
	12.5	51.8	58.8	73.3	77.9
Capital Markets	2004	2005	2006	2007	2008
Secondary Trading	3.5	21.8	25.3	33.8	38.8

Primary Issuance	2.9	13.3	16.8	22.8	26.0
	6.4	35.0	42.2	56.6	64.8
<b>Investments</b>	2004	2005	2006	2007	2008
High Yield Fund	(1.6)	2.5	3.5	9.3	26.8
<b>Business Devel. / Strategy</b>	2004	2005	2006	2007	2008
CEO / Founder	(0.8)	(0.8)	(1.0)	(1.2)	(1.2)
Net Operating Earnings	16.5	88.6	103.4	138.1	168.3
Bonuses Earned	5.8	31.0	36.2	48.3	58.9

Line & Group Bonuses	Line Bonus				
<b>Lending</b>	2004	2005	2006	2007	2008
Small Loans	0.7	3.1	3.7	3.8	3.9
Conduit Loans	0.6	2.9	2.9	3.6	3.8
Large Loans	0.6	1.8	2.3	3.6	3.9
Total Originations	1.9	7.8	8.8	11.0	11.7
<b>Capital Markets</b>	2004	2005	2006	2007	2008
Secondary Trading	0.5	3.3	3.8	5.1	5.8
Primary Issuance	0.4	2.0	2.5	3.4	3.9
Total Trading	1.0	5.3	6.3	8.5	9.7
<b>Investments</b>	2004	2005	2006	2007	2008
High Yield Fund	(0.2)	0.4	0.5	1.4	4.0
<b>Business Devel. / Strategy</b>	2004	2005	2006	2007	2008
Managing Principal	0.4	2.2	2.6	3.5	4.2
Totals	3.0	15.6	18.3	24.3	29.6

Group Bonus					
2004	2005	2006	2007	2008	
0.3	1.8	2.2	2.9	3.5	
0.3	1.8	2.2	2.9	3.5	
0.3	1.8	2.2	2.9	3.5	
1.0	5.5	6.5	8.6	10.5	
2004	2005	2006	2007	2008	
0.3	1.8	2.2	2.9	3.5	
0.3	1.8	2.2	2.9	3.5	
0.7	3.7	4.3	5.8	7.0	
2004	2005	2006	2007	2008	
0.5	2.9	3.4	4.6	5.6	
2004	2005	2006	2007	2008	
0.6	3.2	3.8	5.0	6.1	
2.8	15.4	18.0	24.0	29.3	

Line %	Group %
15.0%	12.00%
15.0%	12.00%

Line %	Group %
15.0%	12.00%

Line %	Group %
15.0%	19.00%

Line %	Group %
2.50%	21.00%
15.0%	100.0%

Bonus Pools	Total Bonus				
<b>Banking</b>	2004	2005	2006	2007	2008
Small Loans	1.0	5.0	5.8	6.7	7.4
Conduit Loans	0.9	4.7	5.0	6.5	7.4
Large Loans	0.9	3.7	4.4	6.5	7.4
Total	2.9	13.3	15.3	19.6	22.2
<b>Capital Markets</b>	2004	2005	2006	2007	2008
Trading	0.9	5.1	6.0	7.9	9.3
Deal Management	0.8	3.8	4.7	6.3	7.4
Total	1.6	8.9	10.6	14.2	16.7
<b>Investments</b>	2004	2005	2006	2007	2008
High Yield Fund	0.3	3.3	3.9	6.0	9.6
<b>Business Devel. / Strategy</b>	2004	2005	2006	2007	2008
Managing Principal	1.0	5.4	6.4	8.5	10.4
Totals	5.8	31.0	36.2	48.3	58.9

Cash Bonus					
2004	2005	2006	2007	2008	
0.7	3.3	3.9	4.5	5.0	
0.6	3.1	3.4	4.3	4.9	
0.6	2.4	3.0	4.3	4.9	
1.9	8.9	10.2	13.1	14.8	
2004	2005	2006	2007	2008	
0.6	3.4	4.0	5.3	6.2	
0.5	2.6	3.1	4.2	4.9	
1.1	6.0	7.1	9.5	11.2	
2004	2005	2006	2007	2008	
0.2	2.2	2.6	4.0	6.4	
2004	2005	2006	2007	2008	
0.7	3.6	4.2	5.7	6.9	
3.9	20.7	24.1	32.2	39.3	

Assuming No High Yield Fund Losses

Reinvested Bonuses					
<b>Banking</b>	2004	2005	2006	2007	2008
Small Loans	0.3	1.7	1.9	2.2	2.5
Conduit Loans	0.3	1.6	1.7	2.2	2.5
Large Loans	0.3	1.2	1.5	2.2	2.5
Total	1.0	4.4	5.1	6.5	7.4
<b>Capital Markets</b>	2004	2005	2006	2007	2008
Trading	0.3	1.7	2.0	2.6	3.1
Deal Management	0.3	1.3	1.6	2.1	2.5
Total	0.5	3.0	3.5	4.7	5.6
<b>Investments</b>	2004	2005	2006	2007	2008
High Yield Fund	0.1	1.1	1.3	2.0	3.2
<b>Business Devel. / Strategy</b>	2004	2005	2006	2007	2008
Managing Principal	0.3	1.8	2.1	2.8	3.5
Total Reinvested Bonuses	1.9	10.3	12.1	16.1	19.6
Reinvestment %	33%				

Total	Yield	Over 5 Years	5 Yr. Cash Bonus	Total Paid
8.7	14.8%	17.2	17.3	34.5
8.1	14.8%	16.2	16.3	32.5
7.6	14.8%	15.2	15.3	30.5

2006 Levels		Avg. Bonus / Sr. Staff	Avg. Princ. 5Year Comp
Staff	Sr. Staff		
12	3	1.2	3.5
22	3	1.1	3.3
7	3	1.0	3.1

9.7	14.8%	19.4	19.5	38.9
7.7	14.8%	15.3	15.3	30.6

8	4	1.0	3.9
7	3	1.0	3.1

7.7	14.8%	15.3	15.4	30.7
10.5	14.8%	21.0	21.1	42.1

18	3	1.0	3.1
3	1	1.0	7.4

77	20
Principals	7
	27

Expected Yield on Principal's Investment	IRR Yield	Mix %
B-Notes	7.8%	19%
Mezz	11.8%	6%
CMBS (Blended Yield)	14.3%	39%
CDO Equity	17.5%	9%
Equities	20.0%	28%
Blended Yield	14.8%	100%

Assumed % of Comp Pool to Principal 50%

Bonus Pool Contribution	Annual Allocation				
<b>Banking</b>	2004	2005	2006	2007	2008
Small Loans	1.7	7.3	8.6	8.9	9.2
Conduit Loans	1.3	6.7	6.7	8.4	9.0
Large Loans	1.4	4.2	5.3	8.4	9.1
Total	4.4	18.1	20.6	25.7	27.3
<b>Capital Markets</b>	2004	2005	2006	2007	2008
Trading	1.2	7.6	8.9	11.8	13.6
Deal Management	1.0	4.6	5.9	8.0	9.1
Total	2.2	12.3	14.8	19.8	22.7
<b>Investments</b>	2004	2005	2006	2007	2008

Total Bonus as % of Contribution					
2004	2005	2006	2007	2008	
63%	68%	68%	75%	81%	
69%	71%	75%	77%	82%	
66%	87%	83%	77%	81%	
66%	73%	74%	76%	82%	
2004	2005	2006	2007	2008	
70%	67%	67%	67%	69%	
76%	83%	79%	79%	81%	
73%	73%	72%	72%	74%	
2004	2005	2006	2007	2008	

High Yield Fund	(0.6)	0.9	1.2	3.3	9.4	-52%	371%	325%	183%	102%
Business Devel. / Strategy	Q1	Q2	Q3	Q4	2004					
Managing Principal	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)					
Aggregate Bonus Pool	5.8	31.0	36.2	48.3	58.9					

## 18 Month Operating Budget

(\$Millions, except where noted)	2004		2005			
Budget for Strategy A	Q3	Q4	Q1	Q2	Q3	Q4
# of Originated Loans	0	35	46	67	87	110
Originated Loans	0	130	136	202	262	340
Securitized Loans	0	90	150	200	250	320
Ending Position	0	40	26	28	40	60
Average Position	0	65	108	127	159	210
Average Capital Employed	5.0	11.5	15.8	17.7	20.9	26.0
CMBS Investments	0.0	4.5	7.5	10.0	12.5	16.0

18 Months		
Totals	Adjustment	Net
345	(86)	259
1,070	(268)	803
1,010	(253)	758
0	0	0
112	0	112
16.2	0.0	16.2
50.5	(12.6)	37.9
Return on Capital		70%

Revenue	0.0	3.7	7.0	9.5	11.8	14.7
Comp-Related Expenses	0.4	0.6	0.8	0.8	0.8	0.8
Other Operating Expenses	0.4	0.2	0.4	0.4	0.4	0.4
Net Operating Income	(0.8)	2.9	5.8	8.3	10.6	13.5

46.6	(11.7)	35.0
4.2	2.1	6.3
2.2	0.6	2.8
40.2	(14.3)	26.0

Line Staffing	12	15	19	19	20	20
Atlas Principals	5	5	5	5	5	5
Total Staffing	17	20	24	24	25	25

Accrued Bonuses	9.1
Pre-Tax Income	16.9
Reinvested Bonuses	3.0

Included in the Budget for Strategy A and for Strategy B	2004		2005			
Small Loan Segment	Q3	Q4	Q1	Q2	Q3	Q4
# of Originated Loans	0	20	35	50	65	80
Originated Loans	0	40	70	100	130	160
Securitized Loans	0	20	70	100	120	140
Ending Position	0	20	20	20	30	50

18 Month		
Totals	Adjustment	Net
250	(63)	188
500	(125)	375
450	(113)	338

Revenue	0.0	1.2	4.2	6.0	7.2	8.4
Comp-Related Expenses	0.2	0.3	0.4	0.4	0.4	0.4
Other Operating Expenses	0.2	0.1	0.2	0.2	0.2	0.2
Net Operating Income	(0.4)	0.8	3.6	5.4	6.6	7.8

27.0	(6.8)	20.3
2.1	0.5	2.6
1.1	0.3	1.4
23.8	(7.6)	16.3

Staffing	7	9	12	12	13	13
----------	---	---	----	----	----	----

Average Staff Level	11.0
Earnings Per Person	1.5

Included in the Budget for Strategy A and for Strategy B	2004	2005
--	------	------

18 Month
----------

	\$mm
Avg Loan	2.0

Vig	5.0%
Net Carry	1.0%
All In	6.0%



Modified Conduit Segment	Q3	Q4	Q1	Q2	Q3	Q4
# of Originated Loans		15	11	17	22	30
Originated Loans	0	90	66	102	132	180
Securitized Loans	0	70	80	100	130	180
Ending Position	0	20	6	8	10	10

Totals	Adjustment	Net
95	(24)	71
570	(143)	428
560	(140)	420

	\$mm
Avg Loan	6.0

Revenue	0.0	2.5	2.8	3.5	4.6	6.3
Comp-Related Expenses	0.2	0.3	0.4	0.4	0.4	0.4
Other Operating Expenses	0.2	0.1	0.2	0.2	0.2	0.2
Net Operating Income	(0.4)	2.1	2.2	2.9	4.0	5.7
Staffing	5	6	7	7	7	7

19.6	(4.9)	14.7
2.1	0.5	2.6
1.1	0.3	1.4
16.4	(5.7)	10.7

Vig	2.5%
Net Carry	1.0%
All In	3.5%

Average Staff Level	6.5
Earnings Per Person	1.6

Included in the Budget for Strategy B Only	2004		2005			
	Q3	Q4	Q1	Q2	Q3	Q4
Proprietary Segment 1						
Revenue	0.0	1.3	4.6	6.6	7.9	9.2
Comp-Related Expenses	0.2	0.3	0.4	0.4	0.4	0.4
Other Operating Expenses	0.3	0.2	0.3	0.3	0.3	0.3
Net Operating Income	(0.5)	0.8	3.9	5.9	7.2	8.5

18 Month		
Totals	Adjustment	Net
29.7	(7.4)	22.3
2.1	0.5	2.6
1.7	0.4	2.1
25.9	(8.4)	17.5

Staffing	6	8	10	10	10	10
Securitization	0	24	84	120	144	168
Average Position	0	48	31	34	48	72

Average Staff Level	9.0	
Earnings Per Person	1.9	
540	(135)	405

Included in the Budget for Strategy B Only	2004		2005			
	Q3	Q4	Q1	Q2	Q3	Q4
Proprietary Segment 2						
Revenue	0.0	1.0	2.0	3.0	4.0	5.0
Comp-Related Expenses	0.2	0.3	0.3	0.3	0.3	0.3
Other Operating Expenses	0.1	0.2	0.2	0.2	0.2	0.2
Net Operating Income	(0.3)	0.5	1.5	2.5	3.5	4.5

18 Month		
Totals	Adjustment	Net
15.0	(3.8)	11.3
1.7	0.4	2.1
1.1	0.3	1.4
12.2	(4.5)	7.8

Staffing	1	4	5	5	5	5
Securitization / Disposition	0	25	50	75	100	300
Average Position	0	50	75	100	150	200

Average Staff Level	4.2	
Earnings Per Person	1.9	
550	(138)	413

(\$Millions, except where noted)	2004	2005
----------------------------------	------	------

18 Months
-----------

<b>Budget for Strategy B</b>	Q3	Q4	Q1	Q2	Q3	Q4
Securitized Loans	0	139	284	395	494	788
Average Position	0	163	214	261	357	482
Average Capital Employed	5.0	21.3	26.4	31.1	40.7	53.2
CMBS Investments	0.0	7.0	14.2	19.8	24.7	39.4

Totals	Adjustment	Net
2,100	(525)	1,575
246	0	246
29.6	0.0	29.6
105.0	(26.3)	78.8
Return on Capital		76%

Revenue	0.0	6.0	13.6	19.1	23.7	28.9
Comp-Related Expenses	0.8	1.2	1.5	1.5	1.5	1.5
Other Operating Expenses	0.8	0.6	0.9	0.9	0.9	0.9
Net Operating Income	(1.6)	4.2	11.2	16.7	21.3	26.5

91.3	(22.8)	68.5
8.0	2.0	10.0
5.0	1.3	6.3
78.3	(26.1)	52.2

2004
6.0

Staffing Subtotal	19	27	34	34	35	35
Atlas Principals	5	5	5	5	5	5
Total Staffing	24	32	39	39	40	40

Accrued Bonuses	18.3
Pre-Tax Income	33.9
Reinvested Bonuses	6.1

2004
2.6
2004
0.9
1.7
0.3

# Project Atlas



Business  
Plan  
Presentation

*Allied Capital*

April 1, 2004



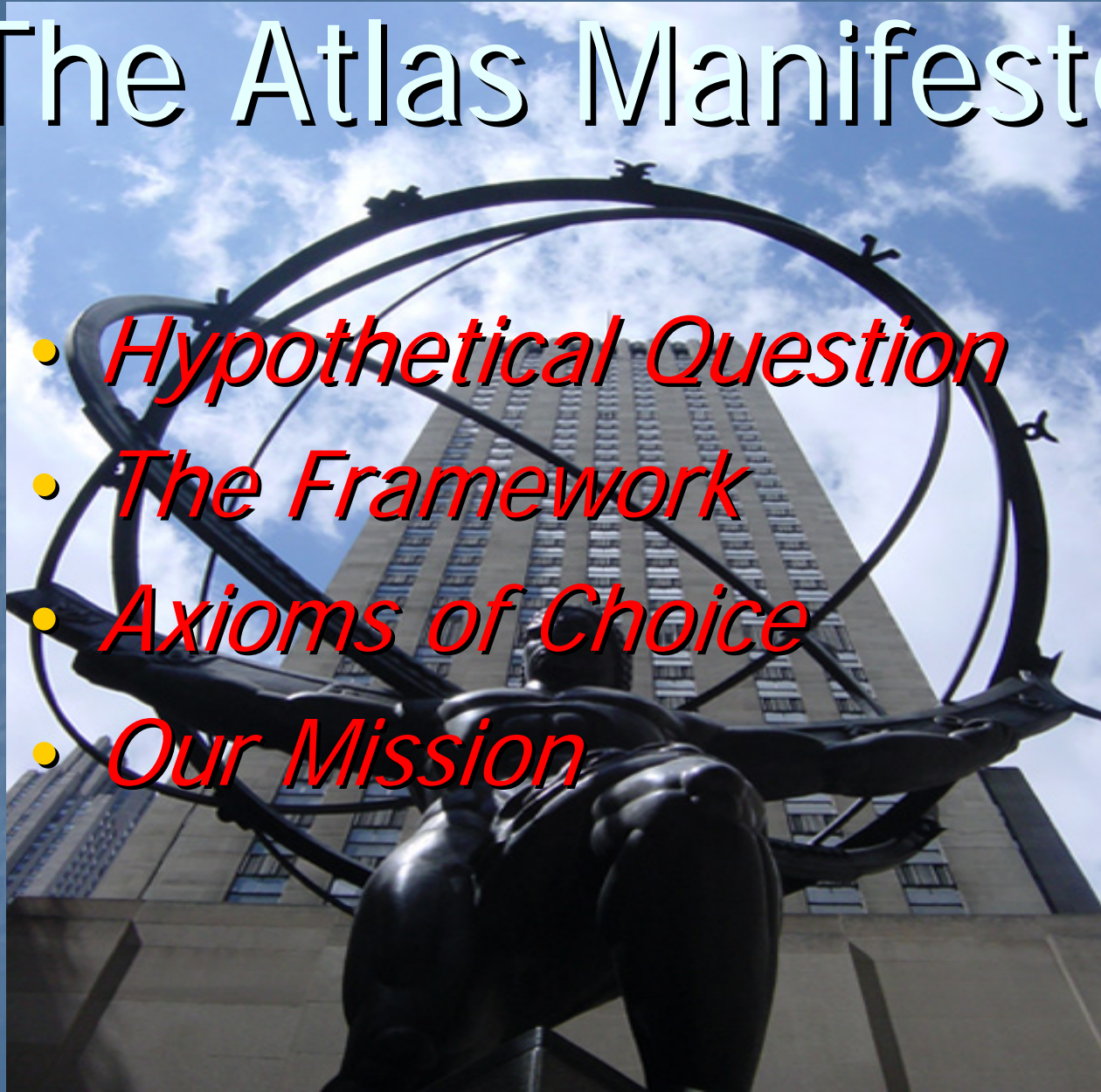
# Agenda

- *The Atlas Manifesto*
- *Business Platform*
- *CMBS Market*
- *The Team*
- *Plan Execution*
- *Symbolism*
- *Summary*
- *Next Steps*



# The Atlas Manifesto

- *Hypothetical Question*
- *The Framework*
- *Axioms of Choice*
- *Our Mission*





*Hypothetical  
Question*





# What if Atlas Had a *Choice* and He Made a *Decision* . . .

- The Titan of Greek mythology, who possessed *immense strength*
- Zeus ordered him to hold the world on his shoulders *for eternity*
- But *what if Atlas Shrugged*, and refused to make this sacrifice?
- What would be the *implication?*



. . . That Manifested Denunciation  
of a *Disempowering* Precept?

*What's wrong with this statement?*

" *From* Each According to His *Ability*, . . .  
*To* Each According to His *Need* "

*Answer:* Its Application *Destroys*  
*Self-Actualization*





This is the *premise* of Ayn Rand's epic novel, *Atlas Shrugged* . . .

- A novel about the implications of a *strike* . . .
- . . . By the world's *thinkers and creators*
- . . . Who *withheld their minds and achievements* from the rest of the world
- . . . To *protest the oppression of their creativity and intellect*
- . . . In a society experiencing rampant collectivism



## . . . Which Celebrates *Concepts* Included in Project Atlas

- Knowledge Through *Reason*
- Creative *Rational* Thinking
- Laissez-Faire *Capitalism*
- *Entrepreneurial* Achievement
- Collaborative *Teamwork*
- *Progress & Prosperity*
- . . . In Short, *Self-Actualization*





*The  
Framework*



# The *Framework* embodied within Project Atlas . . .

- *Reason* is the means by which a person gains knowledge . . .
- *Knowledge* is the basis for intellect . . .
- *Intellect* is necessary to achieve prosperity . . .
- *Prosperity* creates economic freedom . . .





## . . . Is Employing *Rational Thinking* to Create Value

- *Economic Freedom* liberates the mind for rational and independent thinking . . .
- *Rational Independent Minds* are responsible for all human progress realized through *Self-Actualization*, and . . .
- . . . Ergo, the *Creation of Value*, to wit *Wealth*



*Axioms  
of Choice*





## This *Framework* Drove our Selection of *Axioms* . . .

- The ensuing axioms were chosen for *assimilation into the day-to-day business practices* across all segments of Project Atlas
- They cover an expansive range of business areas gleaned *from successful business icons*
- And are conceptually *broad for pervasive application* in our business dealings



## . . . From a Vast *Bibliography*

- Atlas Shrugged – Ayn Rand
- Buffett, the Making of an American Capitalist – Roger Lowenstein
- Business at the Speed of Thought – Bill Gates
- Getting to Yes – Roger Fisher & William Ury
- Good to Great – Jim Collins
- Pathways to Success – Dale Carnegie
- The Art of War – Sun Tzu
- The Five Patterns of Extraordinary Careers – James Citrin & Richard Smith
- The Handbook of Fixed Income Securities – Frank Fabozzi (Editor)
- The One Minute Manager – Ken Blanchard & Spencer Johnson
- The Pyramid Principle – Barbara Minto
- The Seven Habits of Highly Effective People – Steven Covey
- Unlimited Power – Anthony Robbins
- We Shall Not Fail – Celia Sandys and Jonathan Littman
- Who Moved My Cheese – Spencer Johnson





# Axioms of Choice – *Competitive Advantage / Technology*

- Warren Buffett – “Build the only bridge across the river where people must cross and charge a toll”  
*(Continually Seek to Gain Competitive Advantage)*
- Bill Gates – “Business will change more in the next 10 years and has occurred in the last 50, and will continue to accelerate. Knowledge workers will use continually enhanced digital tools to make sure the best thinking will be applied” *(Employ Technology That Fosters Accurate Thinking – This is Critically Important in a Fast-Paced Environment)*



# Axioms of Choice - *Negotiation / Staffing / Environment*

- Roger Fisher – “Negotiating leverage is based on the development of the sound BATNA (Best Alternative To a Negotiated Agreement)” (*Plan in Advance and Employ Sound Negotiation Strategies*)
- Jim Collins – “The most important aspect in building a business is getting the right people on the bus” (*Be Especially Diligent in the Staff Selection Process*)
- Dale Carnegie – “Build people up – be hearty in your approbation and lavish in your praise – see things from the other person’s point of view and be open to their ideas” (*Create A Fruitful Environment*)





# Axioms of Choice – *Competition / Leadership / Market Knowledge*

- Sun Tzu – “If you know your enemy and know yourself, you need not fear the result of a hundred battles” (*Know Your Competition And Anticipate*)
- James Citrin – “Practice benevolent leadership focused on the success of others – this will lead to your own success” (*Make Your Staff Succeed, And So Shall You*)
- Frank Fabozzi – “Know the fixed income markets cold so that you can develop innovative risk measures and valuation techniques to spot arbitrage opportunities—select performance bogeys and monitor regularly” (*Know What Affects Your Markets Look For Trends*)



# Axioms of Choice – *Goals / Issues / Ideas*

- Ken Blanchard – “Look at your goals – look at your performance – see if your behavior matches your goals” (*Cognize Your Goals and Stay on Track!*)
- Ayn Rand – “You cannot understand what you cannot put in writing” (*Succinctly Articulate Issues – Specify Alternatives With Pros And Cons – Proffer Your Recommendation, Along With Your Rationale*)
- Barbara Minto – “Ideas are evaluated from the top-down, but are developed from the bottom-up” (*Lucid Thinking Has A Pyramid Structure To It*)





## Axioms of Choice – *Priorities / Energy / Change*

- Stephen Covey – “Be proactive in your pursuits, focusing on what’s most important and begin with the end in mind” (*Prioritize Everything You Do And Be Tenacious in The Pursuit of Your Goals*)
- Anthony Robbins – “For the passion to achieve something meaningful, you need a big enough ‘Why?’” (*Define Your Motivations & Tap Boundless Energy*)
- Spencer Johnson – “Change happens, so anticipate change, monitor change, adapt to change quickly, CHANGE!, enjoy the change, and be ready to change again and again” (*Thrive In A Dynamic Environment*)



## Axioms of Choice – *Persistence!*

- Calvin Coolidge – *“Nothing In The World Can Take The Place Of Persistence – The Slogan ‘Press On’ Has Solved And Always Will Solve The Problems Of The Human Race”*
- Winston Churchill – to his troops during one of the low points of World War II, after incessant German Luftwaffe bombings on London:  
*“ We Shall Never Give In And . . .  
. . . We Shall Not Fail !”*





*Our  
Mission*



Our *Mission* is to create a *unique* business platform . . .

## *Mission Statement*

To create a fully *integrated* real estate finance and capital markets operation with distinct *competitive advantages* at a financial services firm, whose plans call for establishing a significant *CMBS* market presence.

This will be accomplished with a cohesive team of seasoned and "*athletic*" professionals who proffer impressive track records, and *aligned interests* in an entrepreneurial format





. . . Based on a sound  
*philosophical foundation* . . .

- The philosophical foundation will . . .
  - *Ground all decision making*
  - Establish a productive culture
  - Stimulate *creative thinking*
  - Instill collaboration
  - Enable *Self-Actualization*
- Ergo, Create *Prodigious Long Term Value*



## . . . And Sound Guidance From Its Vaunted *Advisory Triad*

- *Charles Trunz* – Former President of J.P. Morgan Securities
- *Michael Hanna* – Former Group Head of various Fixed Income Franchises at DLJ and Smith Barney (Derivatives, Mortgage Backs, Municipals)
- *Howard Keenan* – Founder of Yorktown Partners & its Related “Energy Partners” Funds



# Business Platform





# Project Atlas Experienced a *Precocious Genesis* . . .

- First pursued in *1995 at J.P. Morgan* . . .
- . . .and later revisited in *1999 at Morgan Stanley*
- Both institutions had all the component parts . . .
- . . . but responses were consistent: "*Great Idea, But Not Feasible Here*"
- *Insurmountable Issues*: Conflicts of Interest / Turf Battles / Buy-Sell Culture Clashes / Investment Fund Covenants / Fiduciary Violations / Organizational Inertia / Disagreements over Allocation of Resources and P&L
- Realization: "*A Competitive Advantage*" if founded as a fully integrated operation with aligned interests





## . . . And Its Evolution Accelerated In 2003 for a *2004 Launch*

- **June** – Crafted Philosophy & Strategy
- **July** – Recruited Team & Prioritized Selections
- **August** – Finalized “Depth Chart” & Developed Timeline for Implementation
- **September** – Principals Formulated Line Operating Plans
- **October** – Hosted “Meet & Greet” – Finalized Team & Modified Line Operating Plans
- **November** – Hosted “Roll-Up” – Completed Consolidated Plan & Began Marketing to Targeted Sponsors



# The Business Platform Has *Three* *Operating Segments* . . .

## ■ *Banking*

- Small Loans (\$0.5 million – \$4 million)
- Conduit (\$4 million – \$25 million)
- Large Loans (\$25 million +)

## ■ *Capital Markets*

- Hedging
- Primary Issuance (CMBS, CDO's)
- Secondary Trading

## ■ *Investments*

- High-Yield Debt (*Organic*)
- "Fix and Flip" Equity





. . . In a *Skilled, Flat Organization*  
with the Right *Incentives* . . .

- *Each Segment Managed by a Principal*, with Oversight By Managing Principal
- *Carefully Managed Risk Positions*
  - Originated by *Life Company Lenders*
  - Hedged, Structured and Distributed by Highly Experienced Capital Markets Personnel
  - Subordinate Risk *Backed by Principals*
- *Performance-Based Compensation*
  - Principals Accountable for Separate *Line P&L*
  - Bonus Pool = 35% of Net Earnings (Line & Group components foster *collaboration*)



... Especially With Regard To  
*Backing Our Deals* , Thereby ...

- *One Third Of Bonus Is Invested* (Tax Free) In The Atlas High Yield Funds (75% Debt / 25% Equity)
- Invested Bonus *Must Remain For Five Years* (Vests 20% Each Year)
- Demonstrative And *Unparalleled Support For Each Deal*
- Incentive To Execute *Sound* And Well Structured *Transactions*
- Promotes Long Term *Franchise Value*





. . . Translating into *Advantages*  
*as an Originator/Issuer* . . .

- Operating *Efficiencies*
- Focused *Bottom-line Management*
- Elimination of Capricious “Kick Out” Risk
- Pricing And Structuring Flexibility (i.e.,  
*Capacity to Win Any Deal Desired*)
- One-stop Shopping For Clients
- Freedom from Conflict Of Interest Concerns
- Positioned for “*Flight to Quality*”



. . . As well as *Advantages for Investors* in the Atlas Funds.

- *Captive Source* of High Quality Product
- "*IQ®-type*" Underwriting by Life Co. Lenders
- Customized Investment Parameters
- Real-time Approval Authority
- *Efficient* Investment Evaluation
- Accommodative Stipulations
- *Favorable "Risk : Reward " tradeoff*



# CMBS Market





# The U.S. Market for CMBS has *Grown* Considerably . . .

- The U.S. Commercial Mortgages Market *exceeds \$2 Trillion* in Aggregate Balances Outstanding
- Commercial Mortgages Outstanding
  - Banks & Thrifts = \$1.0 Trillion      Securitized Trusts = \$500 Billion
  - Insurance Co's = \$250 Billion      Agencies & Other = \$300 Billion +
- Primary Issue CMBS Market = *\$80 Billion per annum (U.S.)*
- There are roughly 50 CMBS Market Participants
- Of this, 12 are Well-Established (>\$2 Billion/Yr.), and would be Direct Competition(they include: BS/BofA/Citi/CSFB/DB/RBSGrch/GS/JPMC/LB/ML/MS/Wach)
- Interestingly, *no one has a fully integrated operation*





. . . But some believe it is still  
in its *nascent* stage

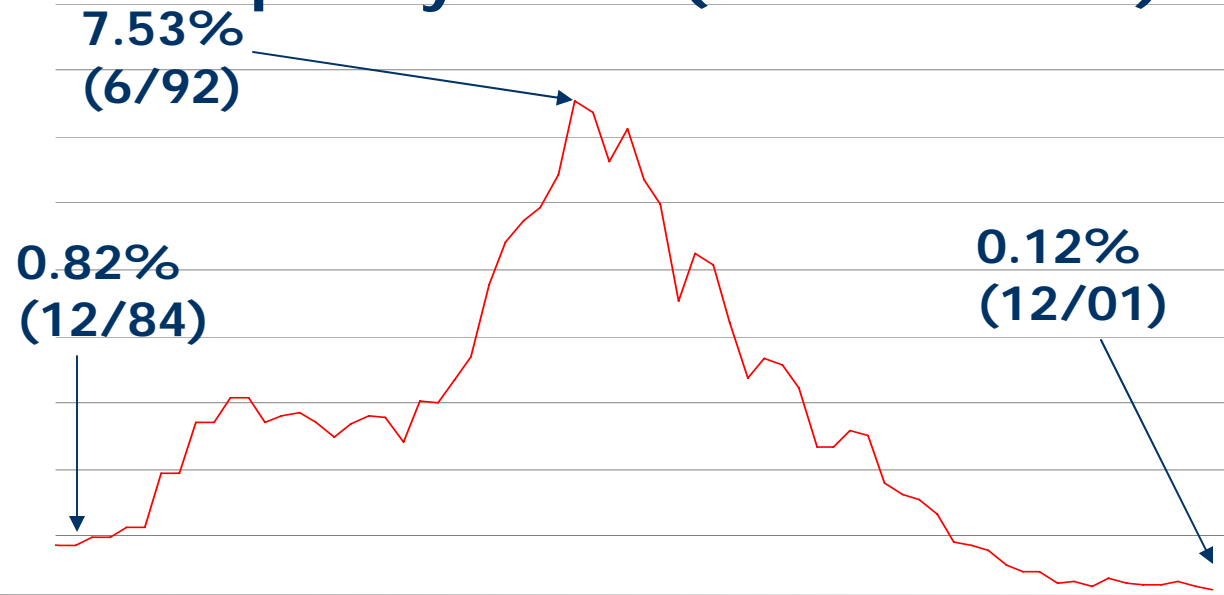
- Annual Commercial Mortgage Refinancings= *\$200 Billion* + per year, and will grow over the next few years
- *Only 25%* of Commercial Mortgages have been securitized – Up from 17% in 1996
- In addition to benefiting from general growth in capital market lending, Project Atlas would be positioned to grab market share from *Insurance Companies* (long term fixed rate loans), *Banks* (short-term mini-perm floating rate loans) and fare extremely well in head-to-head competition with *Capital Markets Lenders* (Fixed & Floating)



# *Life Company Lending* is Decidedly *Conservative* . . .

Life Company  
Delinquency  
rates are  
typically 1/10<sup>th</sup>  
to 1/20<sup>th</sup> of  
capital markets  
lenders, and  
comparatively  
better than  
most other  
portfolio  
lenders as a  
group

## Delinquency Rates (1984 to 2001)







## . . . And Can Yield Some Substantial *Benefits*

- *Superior Capital Structures* from the rating agencies (Typically 8% - 13% AAA subordination)
- *Tighter Bond Pricing* (Investment Grade Bonds can trade 2-3 bp tighter than a typical competitor's new issue)
- *More Flexibility* can be offered to borrowers with regard to cash reserves, SPVs and call provisions
- This adds up to a dramatic *Competitive Advantage*

# The Team







# The 7 Principals Possess An Impressive *Experience Base* . . .

- Years in Real Estate = 122 (Avg.=17)
- Loans Originated = \$18.4 B (6 with experience)
- Securitizations / Dispositions = \$53.3 B (All)
- Funds Managed = \$8.3 B (3 with experience)
- Appraisals = \$6.4 B (2 with experience)

*Note:* *This does not take into account the Phase II Principals of Project Atlas*



## . . . Realized At Market Leading *Financial Institutions*

- The Principals have cultivated diverse skill sets in real estate and capital markets and have arranged for certain key personnel to join their respective teams. Some of the *representative firms* are shown below.
  - Aegon
  - AXA (MONY)
  - CIBC
  - GMAC
  - J.P. Morgan
  - Morgan Stanley
  - Nationwide
  - Nomura
  - Principal
  - TIAA





# The Principals' *Skill Sets* Are Well-Suited For Their Roles . . .

- Banking – *All 3 Principals* Have Experience Running Commercial Mortgage Lending Operations at Leading *Life Insurance Companies*
- Capital Markets – *Both Principals* Have Extensive Experience (*\$34 Billion+*) Running Desk & Deals (CMBS & CDOs) at *#1 CMBS Ranked* Wall Street Firms
- Investments – *This Principal Founded* And Manages Diverse Real Estate Investment Funds At A Major *Life Insurance Company*.





## . . . And Spencer Young Has Logged *Ten Pioneering Years* In CMBS Leadership Roles

- Launched the *J.P. Morgan* Principal Transaction CMBS business, including role as Architect & Chief Operating Officer of the J.P. Morgan Commercial Mortgage Conduit
- Ran the *Morgan Stanley* Commercial Mortgage Conduit, boosting annual production five-fold to \$2.5 billion in two years
- Created the *CreditSource*® *Commercial* Program, an important cross-selling product, which sourced principal transactions through Morgan Stanley's Retail Brokers
- Created and service-marked Morgan Stanley's *IQ*® "*Institutional Quality*" brand of CMBS having an intrinsic shareholder value > \$250 million


# Plan Execution







# Careful Thinking has Gone Into Project Atlas . . .



### Project Atlas

Wed. 10/8/03 @ 2:00 – 5:00 PM  
Cornell Club (212-986-0300)  
6 East 44<sup>th</sup> Street (between Fifth & Madison Avenues)  
New York, NY 10017

---

**The “Meet & Greet”**

**Format:** An informal meeting of all eight prospective Principals of Project Atlas in a relaxed setting at a discrete, yet convenient location in Midtown Manhattan

**Agenda**

- 2:00 p.m. Introductions (informal)
- 3:00 p.m. Philosophy
- 3:15 p.m. Consolidated Business Plan
- 4:00 p.m. Sponsorship
- 4:15 p.m. Next Steps & Timetable
- 4:30 p.m. Q & A (wrap up by 5:00 p.m.)

---


**Other Information**

**Venue:** Cascadilla Room on the 5<sup>th</sup> Floor

**Suggested Dress:** Business Attire (first impressions are lasting impressions)

**Refreshments:** Will be served

**Request:** Please be prompt – plan to arrive between 2:00 p.m. and 2:15 p.m.



### Project Atlas

Friday, 11/7/03 @ 10:00 AM – 4:00 PM  
Cornell Club (212-986-0300)  
6 East 44<sup>th</sup> Street (between Fifth & Madison Avenues)  
New York, NY 10017

---

**The “Roll-Up”**

**Format:** A review and discussion of each of the Operating Plans comprising Project Atlas, as presented by the respective Principals heading up each platform. This will be followed by an open forum to address the critical path actions necessary for the timely execution of the consolidated plan.

**Agenda**

- 10:00 am Arrivals
- 10:15 am Discussions with Targeted Sponsors
- 10:30 am Consolidated Business Plan Overview
- 11:00 am Conduit Program
- 11:30 am Large Loan Program
- 12:00 pm Small Loan Program
- 12:30 am Trading Desk
- 1:00 pm Transaction Management
- 1:30 pm High Yield Fund
- 2:30 pm Open Forum for Discussion of Issues
- 3:30 pm Next Steps & Timetable
- 4:00 pm Wrap Up

**Note:** A series of short breaks will be introduced throughout the day

---

**Other Information**

**Venue:** Fall Creek Room on the 5<sup>th</sup> Floor

**Suggested Dress:** Business Casual

**Refreshments:** Light breakfast fare (at the outset)  
Buffet style working lunch (starting at noon)  
Coffee, Tea & Soft drinks (available throughout the day)

- *Key Meetings* were discretely held at the Cornell Club in New York (See Above Example Agenda)
- *Constant Communication* and *Plan Development*



. . . And the Team is *Poised to Execute* on its Plans . . .

- Systems Development of Rigorous *Pricing Models*
- Development of Sound *Underwriting Guidelines*
- Integration of *Credit Rating Framework*
- Establishment of *Offices*
- Bringing on Board The Respective *Principals* Over a 3 month period
- Working out Infrastructure, Communications and Systems *Integration*
- *Initiate Strategic Joint Venture Discussions*
- Completing *Other Key Hires (Atlas Phase II)*





. . . In order to "*Hit the Ground Running*" in Originations . . .

- *\$1.0 billion (Year 1)*
  - Small Loans = \$200 million
  - Conduit loans = \$415 million
  - Large loans = \$375 million
- *\$2.55 billion (Year 2 - Stabilized)*
  - Small Loans = \$595 million
  - Conduit loans = \$1,210 million
  - Large loans = \$750 million



## . . . And Establish Positions for the Ensuing *Capital Markets Activities* . . .

- CMBS = two joint deals -- \$700 million (*Year 1*); then a deal/quarter in *Year 2* (\$2.3 billion – *perhaps ranking in the top 10 for US CMBS*)
- CDO = two joint deals in *Year 2* (\$300 million)
- Secondary Trading = \$2.4 billion (*Year 1*) moving to \$5.4 billion in *Year 2* (\$450 million per month)
- Firmly Establish high quality brand of CMBS (similar to “*IQ®*” by *Year 3*)





## ... To Source *Investments* for The Atlas High Yield & Equity Funds ...

- Year 1 Investments = \$104 million
  - Debt Fund = \$79 million (*100% organic*)
  - Equity Fund = \$25 million (3<sup>rd</sup> Party)
- Year 2 Investments = \$392 million
  - Debt Fund = \$233 million (*100% organic*)
  - Equity Fund = \$126 million (*20% organic*)



. . . So That We May Exceed The  
Respective Funds' *Objectives*.

### *High Yield Debt Fund*

- Targeted IRR = 12 – 16%
- Investment Period = 1 Yr.
- Eligible Assets: *Subord. CMBS / B-Notes / Mezz. / Lev. IOs (Organically Derived)*
- Geographic = U.S. Only

### *Equity Fund*

- Targeted IRR = 15 – 18%
- Investment Period = 3 Yrs
- Eligible Assets: *Fee Simple Real Estate Investments with value added opptnys. / CDO Equity (Organically Derived)*
- Geographic = North America but < 20% non US





# For Every Position, We Will be Focused on *Exit Strategies* . . .

- *Securitization - Primary exit* for all debt
  - CMBS
  - CDO's
- Secondary CMBS & Whole Loan Trading
- *Syndications*
- "Cleanup" Calls
- *Aggressive repositioning* of properties
- Ongoing Property Sales at Stabilization



... This in Turn Will Drive Revenue, Earnings, *Return on Capital* . . .

- Operating *Revenue*:
  - \$30 million (Year 1)
  - *\$110 million (Year 2)*
- *Earnings* (Including Investments):
  - \$19 million (Year 1)
  - *\$114 million (Year 2)*
- *Net to Sponsor*:
  - \$13 million (Year 1)
  - \$83 million (Year 2)
  - Evolving to *\$200 million + per annum by Year 5*
- Return on Capital: *30% +*





## . . . And Require the Commitment of Critical *Resources*

- Average Capital Requirements: *(\$220 million average over Five Years)*
  - Operations: \$19 million (Year 1); \$71 million (Year 2)
  - Total: \$36 million (Year 1); \$196 million (Year 2)

*(Note: This can be managed down)*
- Staffing
  - Year 1: **47**
  - Year 2: **65**
- Office space
  - Eventually 7 locations
  - **Fully covering US Markets**
- Technology
  - Voice, data and analytics
  - Always connected



*Symbolism*





# The Rationale behind the "Atlas" Eponym . . .

## Symbol

- Immense and enduring strength
- The globe
- Atlas' pose
- Atlas holding the globe above his head

## Represents

- Market strength via competitive advantages
- Real estate
- Victorious success
- Supporting the continued development of real estate capital markets





# . . . Is Decidedly *Multi-Faceted* . . .

## Symbol

- Atlas had three offspring (daughters known as the Hesperides)
- Some Greek Mythology lore indicate Atlas actually had 7 daughters (Hesperides)
- The Hesperides were entrusted the care and cultivation of the Tree of Wisdom

## Represents

- The Three Segments of Banking, Capital Markets & Investments
- The Seven Principals Managing the Operations of Project Atlas
- The Principals entrusted with capital for growth manifested through rational thinking





# . . . And Lucid With Uncanny *Applicability*

## Symbol

- The Tree of Wisdom was further protected by a Dragon named Ladon
- The Tree grew golden apples which conferred immortality

## Represents

- The Sponsor of Project Atlas will fulfill a proactive role in management
- Earnings growth and the creation of prodigious enduring value

# Summary







# Project Atlas Is *More Than A Business Plan* . . .

- It is a *fully integrated* operation that will create competitive advantages difficult to replicate
- Principals Have "*Skin In The Game*" On All Deals
- Financial Interests Of Sponsor And Principals Are Aligned – *Entrepreneurial* Incentive Structure
- *Credit Risk* And Investment Exposures Will Be Managed By Experienced *Life Company Lenders* And Fund Managers
- Decentralized, Yet Highly *Collaborative* Decision Making Process
- Principals Possess A Vast And Highly Relevant *Experience Base*, and Business Ethics Beyond Reproach
- The Principals have a *Track Record* In Establishing Franchises And Products Of *Lasting Value*





. . . It is the integration of erudite business practices *to create lasting franchise value*

- . . . And importantly, the business will be *established for continued growth*



*Thank You  
For Your Time*

*May We Discuss  
Suitable Next Steps?*

**Spencer**

**Young**