

**To:** David Kelleher[dkelleher@fortress.com]  
**From:** David Scheible  
**Sent:** Tue 5/22/2007 2:01:59 PM  
**Importance:** Normal  
**Subject:** RE: mfs 250mm bridge & raptis  
**MAIL\_RECEIVED:** Tue 5/22/2007 2:01:59 PM

Sounds good – I will stop bugging you now.

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**From:** David Kelleher  
**Sent:** Tuesday, May 22, 2007 9:59 AM  
**To:** David Scheible  
**Subject:** RE: mfs 250mm bridge & raptis

jury still out on sal. mark doesn't need leverage on this thing - he is on the phone going through the balance sheet, leverage, earnings etc with the CFO as we speak. This is a Mark and I deal u/w and it is efficient that way.

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**From:** David Scheible  
**Sent:** Tue 22/05/2007 9:42 AM  
**To:** David Kelleher  
**Subject:** RE: mfs 250mm bridge & raptis

I just want to make sure that, incorporating all of the loan level underwriting haircuts that we have applied to the various businesses that we have reviewed, there is still substantial equity left, which I am sure that there is. How is Sally working out – when do you have to make a decision? Is Mark able to get any leverage?

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**From:** David Kelleher  
**Sent:** Tuesday, May 22, 2007 9:36 AM  
**To:** David Scheible  
**Subject:** RE: mfs 250mm bridge & raptis

who do you think...mark. Significant leverage is only really evident in Stella businesses - we have done a fair bit of work on the group over the past year and looked into debt levels specifically as part of this last week on this deal, and i am confident you will be satisfied with the equity, earnings and risk profile.

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**From:** David Scheible  
**Sent:** Tue 22/05/2007 9:32 AM  
**To:** David Kelleher  
**Subject:** RE: mfs 250mm bridge & raptis

Lets just make sure that the gift has some real equity value in its businesses and it is not an overlevered house of cards.....but you knew that already. Who is cranking on the MFS memo and underwrite?

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**From:** David Kelleher  
**Sent:** Tuesday, May 22, 2007 9:26 AM  
**To:** David Scheible  
**Subject:** RE: mfs 250mm bridge & raptis

i will spend some time on this, as i dont want that to be an inhibitor to fpf funding in anz - surely there must be a way to make it work through a participation agreement back at HQ? Nick and i will follow up anyway.

The deal circumstances are like a perfect storm for Fortress - really happy to have found as close as I'll ever get to a macklowe equivalent. I hesitate to say...the gift that keeps on giving...

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**From:** David Scheible  
**Sent:** Tue 22/05/2007 9:20 AM  
**To:** David Kelleher  
**Subject:** RE: mfs 250mm bridge & raptis

Thanks – will the 10% deduct on the earn, it is probably not going to work for FPF. May have the same problem with APG. Bummer – if you talk to Walker tomorrow, ask him if there is an EASY way to make it work for an affiliate. More than 10 min of thinking means it is too hard. Great that you got the deal signed up though.

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**From:** David Kelleher  
**Sent:** Tuesday, May 22, 2007 9:13 AM  
**To:** David Scheible  
**Subject:** RE: mfs 250mm bridge & raptis

forget them?? never had them to remember in the first place. fpf would have to pay w/h tax and i would guess the tax laws are smart enough to capture fees, similar to nz i think, but i can find out pronto in the

morning.

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**From:** David Scheible  
**Sent:** Tue 22/05/2007 9:09 AM  
**To:** David Kelleher  
**Subject:** RE: mfs 250mm bridge & raptis

Great news – if FPF is a direct lender, it has to pay the interest withholding tax – correct? Is it assessed on the interest and margin only or on the fees as well? How quickly you forget the answers to these questions...

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**From:** David Kelleher  
**Sent:** Tuesday, May 22, 2007 8:57 AM  
**To:** David Kelleher; Pete Briger; David Scheible; Dean Dakolias  
**Cc:** Gary Stead; Marc Furstein  
**Subject:** RE: mfs 250mm bridge & raptis

Guys,

Good news - MFS signed our term sheet tonight on the terms previously detailed. We are now putting together an investment memo that we will hope to have to you by Wednesday morning your time and commencing documentation. MFS are pushing for a June 1st close.

NAB are putting together their internal approvals to upsize our funding facility by up to A\$125-150MM (awaiting their internal feedback on exposure limits as this would take them to A\$400MM) and have advised they can meet the timeline for funding. We will have indicative approval by COB Thursday, but not full final approval until Tuesday next week.

I am awake for the next hour or so if you wish to discuss or we can discuss in more detail on our call tomorrow.

Thanks,  
Dave

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**From:** David Kelleher  
**Sent:** Mon 21/05/2007 10:27 AM  
**To:** Pete Briger; David Kelleher; David Scheible; Dean Dakolias  
**Cc:** Gary Stead  
**Subject:** Re: mfs 250mm bridge & raptis

Thanks for the quick response guys. We will push ahead with a term sheet first thing tomorrow and provide you an update on progress at the end of the day.

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Sent from my BlackBerry Wireless Handheld

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

From: Pete Briger  
To: David Kelleher; David Scheible; Dean Dakolias  
CC: Gary Stead  
Sent: Mon May 21 10:22:50 2007  
Subject: RE: mfs 250mm bridge & raptis

Fine with me.

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From: David Kelleher  
Sent: Monday, May 21, 2007 8:42 AM  
To: David Scheible; Dean Dakolias; Pete Briger  
Cc: Gary Stead  
Subject: RE: mfs 250mm bridge & raptis

Guys,

We indicatively agreed the pricing for the MFS bridge with their CFO today - A\$250MM fully drawn, 1% estab fee, 2.00% margin (30 day base rate currently 6.4% fyi), and exit fee 0.25% for up to 1 month and 0.50% for between 1-3 months (based on 3 month deal with 1 month makewhole).

Fully drawn at close with closing required in first week of June - given our internal funding timing, target Monday 4th June. Depending on timing of repayment, spreadsheet attached shows nominal dollars between circa A\$5MM and A\$9MM and corresponding IRR's between 27% and 15%.

From my discussions with the CFO, the length of makewhole was the biggest issue, and my best guess would be the facility repays in 6 weeks providing circa \$6.5MM in nominals and circa 23-24% IRR. In terms of our takeout from the debt facility in process, the update is that 3 banks are looking at providing the A\$450MM syndicate facility and he advised 1 was approved and 2 were in credit, but they were not going to meet the timeline required for closing. Given the outcome on one deal with these guys last year where BOS stepped up and they didn't use our money (but paid us the \$750k break fee), I have made him aware that our deal would carry a \$2.5MM break fee once a term sheet was signed.

I also spoke briefly with NAB today and they were receptive to upsizing our funding facility to incorporate an additional A\$125MM for a transitional 3 month period for this deal (no details disclosed). In terms of timing / approvals etc they seemed to think it was achievable, but I have not discussed it any more detail with them as yet. Levered at 1 to 1 with NAB debt, depending on timing of repayment, spreadsheet attached shows nominal dollars between circa A\$4MM and A\$6.7MM and corresponding IRR's between 48% and 23%. I do not know if NAB is one of the 3 banks in the potential takeout syndicate.

Please let us know when you are available to discuss - hoping to give MFS a response in the morning if possible. I am awake for the next hour or so and may be up through the night if there a convenient time during your day today.

Thanks

Dave

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From: David Kelleher  
Sent: Sun 20/05/2007 4:08 PM  
To: David Scheible; Dean Dakolias; David Kelleher  
Subject: Re: mfs 250mm bridge & raptis

Ok thanks - I will conference you in.

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Sent from my BlackBerry Wireless Handheld

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

From: David Scheible  
To: Dean Dakolias; David Kelleher; David Scheible  
Sent: Sun May 20 10:11:04 2007  
Subject: Re: mfs 250mm bridge & raptis

Fine with me. Dial in number or dave do you just want to dial us in from your office?

David W. Scheible  
Fortress Partners Fund  
1345 Avenue of the Americas, 29th Floor  
New York, NY 10105  
(212) 798-6084

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

From: Dean Dakolias  
To: David Kelleher; David Scheible  
Sent: Sun May 20 08:58:48 2007  
Subject: RE: mfs 250mm bridge & raptis

how about 8:30 tonight for call on both

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From: David Kelleher  
Sent: Sun 5/20/2007 4:00 AM  
To: Dean Dakolias; David Scheible  
Subject: mfs 250mm bridge & raptis

Guys,

As an update to our brief discussions on this, we received info requested Friday night from MFS to consider this bridge and I have had a chat to MFS CFO over the weekend.

Main reason for MFS requesting the deal is because they put out an IM for a \$450mm corporate debt facility circa a month ago and as usual the banks have taken longer to get organised, still in the process of indicative offers / approvals etc (due to be approved and ready to draw by mid July apparently) and they need money for circa \$200mm of pending acquisitions, at the same time that the UBS / Macquarie bank sale process for Stella has taken longer than expected (sale proceeds currently expected in July) and they have basically been caught short for June settlements - we have all the details of the acquisitions etc and it all ties back to our running knowledge of the group's activities, so I am not concerned about the viability of our sponsor due to this short term request.

From the info we have reviewed in the past few days, I believe the \$450mm debt facility, similar to the debt raised as part of our pending takeout from MFS diversified position, represents a highly certain take out, regardless of sale proceeds from Stella and other assets, and hence if we can earn enough on the deal, I think this is very compelling at circa 1-1.5x trailing EBITDA and less than 1x forward EBITDA.

Brief summary of deal:

- 1) maximum 3 month position for \$250mm
- 2) secured first fixed and floating over the MFS limited listed parent company
- 3) financial metrics FY 30 June 07 EBITDA \$190-260mm trailing EBITDA (this number is a range at the moment as we need to do work on the annualised EBITDA impact of part year acquisitions like Stella). FY 30 June 08 EBITDA \$400mm based on further acquisitions pipeline
- 4) circa \$430mm of existing unsecured capital notes subordinated to proposed Fortress bridge in preference to the current equity capital of circa \$3B. debt raising will take us out and repay majority of notes, alongside asset sale proceeds.

I have not priced this to them as yet - will do Monday - but thought given the timelines and the size of the deal it would be good to get your input early.

Here's my first prize deal...3 months with 2 month makewhole, 1% upfront (and that's the break fee if they don't use it), 1% exit and 2.5% margin on drawn funds - provides us circa 21% IRR if funds drawn for 2 months then repaid. nominals circa \$9mm

What would I accept as worst case for the use of the Fortress balance sheet and the time to get it done quickly? 3 months with 1 month makewhole, 0.5% upfront (same break fee), 0.5% exit and 2.0% margin on drawn funds - provides us circa 15% IRR if repaid in 2 months. nominals circa \$6mm.

Being geared to circa 1x EBITDA, with 3.5 B notes and equity subordinate, really not sure how low this should be priced given short term, but my conclusion range is based on wanting to earn meaningful nominal dollars for Aust P&L for the effort and not having to lever the paper given capacity issues with Nab line in tight timeframe (and also considering Marc's request re funding other deals over next month).

Would appreciate your thoughts? queries?

Also Dean, on RPTIS, would you be available for a call, perhaps in combination with this MFS deal, on Sunday night your time? If so, let me know what time works best and best number to call you on.

Thanks  
Dave