

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO SC

Arthur Andersen & Co.

September 13, 1993

Goldman, Sachs, & Co.
85 Broad Street
New York, New York 10004

1345 Avenue of the Americas
New York NY 10105
Writer's Direct Dial

[212] 708-4930

Dear Sir or Madam:

We have been engaged to report on the appropriate application of United States generally accepted accounting principles (US GAAP) to the hypothetical transaction described below. This report is being issued to Goldman, Sachs, & Co. for assistance in evaluating accounting principles for the described hypothetical transaction. Our engagement has been conducted in accordance with standards established by the American Institute of Certified Public Accountants.

Transaction:

- 1) Corp forms a Special Purpose Corporation (SPC) created and incorporated under the laws of the Grand Cayman Islands or Turks and Caicos Islands. In the event that SPC is a resident of the Turks and Caicos Islands, it will be a 150 year limited duration company. SPC issues common stock all of which is owned by Corp.
- 2) SPC will sell perpetual preferred stock to unrelated parties, possibly in a public offering. The preferred stock will carry a vote only upon a default in dividends.
- 3) The Bylaws and Charter of SPC specify that its business is limited to selling stock to raise equity capital and loaning that capital to Corp or another related entity.
- 4) The preferred stock of SPC will pay a dividend fixed at issuance.
- 5) SPC will loan its equity proceeds to Corp under a bullet loan, which pays interest at a rate fixed at the time of issuance. Corp has the right to repay the loan on any interest date that the SPC has called the preferred stock.
- 6) As a matter of its organizational documents, Corp will be liable for SPC expenses in excess of SPC assets; preferred dividends are not considered expenses for this purpose.
- 7) SPC will dissolve upon bankruptcy of Corp unless the SPC preferred stock holders vote otherwise.
- 8) Corp may unilaterally pass a resolution to dissolve SPC at any time.

Accounting Discussion:

You have asked us to address the US GAAP accounting for SPC in the consolidated financial statements of Corp. The rules for consolidation of subsidiaries are set forth in Accounting Research Bulletin No. 51 (ARB 51), Opinion No. 18 of the Accounting Principles Board (APB 18) and Statement No. 94 of the Financial Accounting Standards Board (FASB 94). These rules specify that a company should generally consolidate the accounts of an investee when it has a controlling financial interest in the investee. The usual condition for a controlling financial interest is ownership of a majority voting interest. Accordingly, Corp will consolidate SPC.

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In our opinion, and in practice, the non affiliate shareholders of a subsidiary are treated as minority interests (i.e., not included in debt or consolidated stockholders' equity) in the US GAAP consolidated financial statements. Hence, we believe that the non affiliate investments in SPC would be reflected as minority interest in Corp's US GAAP consolidated financial statements. While some may argue that where a subsidiary's only role is to loan funds to others in the consolidated group and the non affiliated stockholders of the subsidiary can gain control of its Board in the event of default on the loan, the non affiliate stockholders of the subsidiary should be treated as creditors in the consolidated financial statements of the group, this is not practice.

The ultimate responsibility for the decision on the appropriate application of generally accepted accounting principles for an actual transaction rests with the preparers of financial statements, who should consult with their continuing accountants. Our judgment on the appropriate application of generally accepted accounting principles for the described hypothetical transaction is based solely on the facts provided to us as described above; should these facts and circumstances differ, our conclusion may change. We have not been asked to address and have not addressed any tax matters relating to this transaction.

Our opinion is as of the date of this letter and we do not assume an obligation to update this opinion for subsequent changes in relevant rules or practice.

Very truly yours,

Arthur Andersen & Co.

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