

From: Aronow, David G
Sent: Thu, 18 Sep 2008 04:53:59 GMT
Haley, John: Operations (NYK); Hraska, James W;
kevin.caffrey@bnymellon.com; Petrie, David: Markets (NYK); Beckenhaupt,
Jim: Operations (NYK); charles.austin@bnymellon.com;
thomas.conigliaro@bnymellon.com; andrew.ramdeen@bnymellon.com;
john.vinci@bnymellon.com; RAY.STANCIL@jpmorgan.com;
To: ED.CORRAL@jpmorgan.com; Jon.Ciciola@jpmorgan.com; Rodefeld, John:
Operations (NYK); Blackwell, Alastair; McBryan, John N; Coghlan, John W.
(EQ); Lowitt, Ian T; Tonucci, Paolo; Feraca, John; Servidio, Lawrence P;
Hadingham, Peter; Policky, Cindy S; Palchynsky, John N; Gallagher, Bill;
Fondacaro, Jack; Fleming, Dan (TSY); Miller, Marjorie A; Legotte, Lenny;
Maher, Michael R; Dearlove, Mark: Markets (LDN); LaRocca, Gerard:
Barclays Capital (NYK); Sharland, Mark W [NY]
Subject: Barclays Collateral Move

Overview

Below outlined are the key tasks necessary to move the collateral currently being used to support the three Fed programs (TSLF, OMO, and PDCF) from Lehman to Barclays on Thursday, 9/18. Representatives from Barclays, Lehman, BNYM and JP Chase met this evening to discuss the logistics of this transfer and agree upon the necessary steps to enact it.

Files to be provided in advance of collateral movements

The end of day collateral files for each of the above mentioned programs are being provided on Wednesday night, 9/17, to both Barclays and BNYM. These files will contain a breakout of the depository where each of the pieces of collateral is held (i.e. DTC 074, DTC 636 and the Lehman primary dealer box held at JP Chase). These files will facilitate the static data set up in the Barclays and BNYM infrastructure as well as be the source of the transfer instructions for the collateral movements described below.

The collateral files will to be cross referenced versus the list of excluded cusips that was provided by Barclays to remove positions not intended to be transferred.

Logistics of collateral movements

1. Pre-funding needs to occur to the JP Chase triparty platform to enable the release of collateral from the Fed programs into the Lehman controlled locations.

2. Collateral will then be released into each of the aforementioned Lehman depositories.
3. For the DTC movements, we have arranged with DTC to enable a prioritization of customer deliveries using the "Honest Broker" function.
4. The remaining DTC collateral will then be pledged to the BNMY 855 DTC account for credit to Barclays
5. Proceeds that Lehman receives from the delivery to clients of released DTC collateral from the above mentioned programs will be settled between Lehman and Barclays.
6. For the Fed movements, the repo desk at Lehman will upload the aforementioned list of Fed collateral and book free repos to Barclays. Barclays will book the opposite sides of these trades (Note that account delivery instructions need to be verified prior to repo bookings.)
7. For the Fed eligible deliveries, fails will be monitored throughout the day to insure settlement.

Funding considerations

1. Shell trades will be booked for the full dollar amount of the repo transaction and will represent the specified prefunded amounts necessary to release the collateral.
2. The shell trades will be adjusted for any proceeds that Lehman pays to Barclays as the result of any deliveries to clients.

Projected Timing

The above process initiating with file analysis through final settlement is anticipated to be completed by 1 pm on Thursday, 9/18, assuming funding occurs by 10 am.

Reconciliation

Reconciliation of all of these movements at Barclays and at Lehman will be conducted through the normal control processes at both firms.

This message is intended only for the personal and confidential use of the designated recipient(s) named above. If you are not the intended recipient of this message you are hereby notified that any review, dissemination, distribution or copying of this message is strictly prohibited. This communication is for information purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy any financial product, an official confirmation of any transaction, or as an official statement of Lehman Brothers. Email transmission cannot be guaranteed to be secure or error-free. Therefore, we do not represent that this information is complete or accurate and it should not be relied upon as such. All information is subject to change without notice.

IRS Circular 230 Disclosure:

Please be advised that any discussion of U.S. tax matters contained within this communication (including any attachments) is not intended or written to be used and cannot be used for the purpose of (i) avoiding

U.S. tax related penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.