

From: Lukas, Katherine [CMB-GTS] [kl29179@imcnam.ssm.com]
Sent: Wednesday, August 27, 2008 2:55 PM
To: Chatterji, Ranjit [CMB-GTS]; Saunders, Marcia C [CMB-GTS];
Blackburn, Robert [CMB-GTSB]
Cc: Porcaro, Ken [CMB-GTS]
Subject: FW: Lehman \$2 Billion Deposit

Ranjit, Marcia,

I believe Robb is sending out a note and that we will look to meet later to discuss in greater detail. In the meantime here is some background on the \$2bn deposit from Lehman

Current State:

1) \$2BN Cash Deposit from Lehman Brothers Holdings Inc placed with Eddie's Risk Treasury Desk. Eddie is paying Fed-1/8. This is an overnight investment that gets rolled on a daily basis. One of the caveats from Risk was that Citi Risk would have control and final approval prior to releasing funds should Lehman look to pull the funds back. A process is in place for Tom Fontana to be notified for approval by the desk prior to a withdrawal being made.

2) Lehman Brothers is looking to replace the Cash Deposit held with Citi with a portfolio of securities to be held in a USD Collateral a/c.

Citibank has received a proposed portfolio from Lehman for our review.

We have had Tampa review that we can accept and price the securities.

This information has been passed to the NACC and Risk groups(8/27).

They will run the portfolio through their Risk analytics models to determine portfolio concentration, risk factors and haircuts.

Once completed we will respond to Lehman on what is acceptable collateral and what isn't and determine next steps from there. Earliest anticipated response on this is late in the week of 9/1. In the meantime the cash deposit remains with the desk.

Prior Action:

Much work had been done in June and early July to try and see if there was an alternative that could be offered by GTS so that the deposit could be held within the group where the intraday risk was. Robb Blackburn worked with Jerry Olivo and we offered Emil Cornejo at Lehman the alternative of a blended rate (overnight and longer time deposit) that would allow them to improve their return. Lehman did not wish to move the funds, and wanted to keep the structure as is.

Next Steps:

1) \$2bn Deposit - We are happy to approach Lehman about an alternative if the rates are favorable and the move is easy. As they are currently looking to move from a cash deposit to securities as collateral I can not confirm how long we will hold this deposit

2) After deposit has been replaced with securities portfolio - Am happy to approach Lehman with investment alternatives for this cash however as they will most likely use this free cash to support other activity or investment strategies I am not sure what the appetite will be. However, if our offering is compelling we may get traction for a piece.

Please confirm when you are free to discuss in detail.

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

From: Blackburn, Robert [CMB-GTSB]
Sent: Wednesday, August 27, 2008 1:17 PM
To: Lukas, Katherine [CMB-GTS]
Subject: FW: Lehman \$2 Billion Deposit

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

From: Olivo, Jerry [CMB-GTS]
Sent: Thursday, June 26, 2008 8:27 AM
To: Olivo, Jerry [CMB-GTS]; Blackburn, Robert [CMB-GTSB]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

BTW, I expect that Eddie is currently booking these in Nassau (but I don't know that as a fact).

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

From: Olivo, Jerry [CMB-GTS]
Sent: Thursday, June 26, 2008 8:27 AM
To: Blackburn, Robert [CMB-GTSB]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Yes, that should not be a problem though they would then have to call our Dublin Desk and be aware of working on a corresponding time schedule.

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

From: Blackburn, Robert [CMB-GTSB]
Sent: Thursday, June 26, 2008 8:25 AM
To: Olivo, Jerry [CMB-GTS]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Could we use a London time deposit if funds need to be counted as part of Lehman's Net Capital?

Robb

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

From: Olivo, Jerry [CMB-GTS]
Sent: Thursday, June 26, 2008 8:24 AM
To: Blackburn, Robert [CMB-GTSB]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Yes, that's correct - Nassau T/D.

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

From: Blackburn, Robert [CMB-GTSB]
Sent: Thursday, June 26, 2008 8:24 AM
To: Olivo, Jerry [CMB-GTS]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Jerry,

One questions. When you assume it is OK to book funds offshore, would these still be on Citibank's balance sheet? Does offshore simply mean something like a Nassau Time Deposit?

Robb

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

From: Olivo, Jerry [CMB-GTS]
Sent: Thursday, June 26, 2008 8:14 AM
To: Olivo, Jerry [CMB-GTS]; Blackburn, Robert [CMB-GTSB]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Robb,

If Lehman wants to construct a ladder of time deposits at various maturities we can help them accomplish through the NY GTS Desk. As far as pricing goes we will be reasonable, but not aggressive. Funds at or under one month's maturity will be valued in line with current practices (I believe that's FF-1/8) - tenors from o/n to 1 month are not incrementally valuable. Funds with maturity greater than 1 month can be priced at libid. This all assumes that deposits can be booked offshore, which I don't believe is an issue, otherwise deduct 7 bps from these rates.

In order to properly control these comfort deposits they must all either go through the GTS Desk or via the current flow. We will not split them between the two desks. Before making coming to any agreement with the client pls come to an

understanding of expected deposits with tenor greater than 1 month and come back to us with those expectations. I don't want to put into place a whole process for a relatively small amount of term funds. I would expect at least \$500 mm out beyond 1 month.

Thanks,

Jerry

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

From: Olivo, Jerry [CMB-GTS]
Sent: Wednesday, June 25, 2008 1:35 PM
To: Blackburn, Robert [CMB-GTSB]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Robb,

You should not meet with Marc Weinberg.

Ed's description does not describe the full picture, but none of that is really the issue. GTS drives the booking of T/D's of various maturities all of the time. The real question is what should we be paying for essentially captive funds?

I'll look into this and come back to you later or tomorrow.

Regards,

Jerry

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

From: Blackburn, Robert [CMB-GTSB]
Sent: Wednesday, June 25, 2008 1:18 PM
To: Olivo, Jerry [CMB-GTS]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Jerry,

Michael and I spoke with Ed Hewett on Monday. Ed's comment was that Marc Weinberg of Corporate would not allow GTS to account for a 30 day Time Deposit as 30 day money. Why would this be, if Lehman has agreed to lockup the funds for 30 or more days?

We told Ed we would investigate this.

Ed's other comment was that since we would account for the money as overnight, why should Citi pay the client a higher rate. We acknowledged that point, but didn't understand why Corporate wouldn't recognize a time deposit as 30 day money.

Can you address Ed's comment, or should we meet with Marc Weinberg?

Note that we have not approached Lehman yet. We want to address all internal issues first.

Regards,
Robb

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

From: Olivo, Jerry [CMB-GTS]
Sent: Friday, June 20, 2008 2:02 PM
To: Blackburn, Robert [CMB-GTSB]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: RE: Lehman \$2 Billion Deposit

Robb,

A few quick questions?

- What's Eddie currently paying them? All overnight?
- Any idea of likely t/d tenor(s)?
- Are there any specific agreements around this \$2 bn or is this a "comfort" deposit?

The GTS Desk is not a risk management system for the bank. They can administer the request but can not be the failsafe control point - coverage or an operating area will have to own that responsibility.

Regards,
Jerry

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

From: Blackburn, Robert [CMB-GTSB]
Sent: Friday, June 20, 2008 10:46 AM
To: Olivo, Jerry [CMB-GTS]
Cc: Berkowitz, Michael N [CMB-GTS]
Subject: Lehman \$2 Billion Deposit

Jerry,

Recently, Citi requested Lehman Brothers to leave \$2 billion on deposit with the firm. Lehman has complied and placed \$2 billion with Risk Treasury (Eddie Hewett's area). However, Lehman has complained about the rate they are now earning on those funds.

I spoken with Michael about this and we plan to offer Lehman the option of placing their deposit, or part of it, in Time Deposits with GTS.

This would give them an improvement in the interest earned on their deposit.

However, before we approach the client with this option, we want to make sure you are OK with this. Other requirements defined by Risk Management that we must meet are:

Funds must stay with Citibank (no off balance sheet money market funds)

- thus the use of Time Deposits.

Risk Management must be contacted before any withdrawal is made - the GTS Treasury Desk can support this.

I understand you are uptown this morning. Please provide your approval via email, or let's discuss when you return to the office later today.

Regards,
Robb