

From: Foskett, Christopher M [CMB-GBKG] [cf09147@imcnam.ssmb.com]
Sent: Tuesday, July 22, 2008 5:25 PM
To: Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Kirchen, Karen [CMB-GCO]; Obermaier, Thomas [CMB-GTS]; Moran, Kyle A [CMB-GCO]
Cc: Torres, Melissa J [CMB-RISK]; Isaac, Tom [CMB-GBKG]; Mandaro, William [CMB-GBKG]
Subject: Re: Lehman Pledge Agreement and Collateral

Thanks for the followup and feedback.

Regards

Sent from my BlackBerry Wireless Handheld

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

From: Fontana, Thomas [CMB-RISK]
To: Mauerstein, Michael [CMB-GBKG]; Kirchen, Karen [CMB-GCO]; Foskett, Christopher M [CMB-GBKG]; Obermaier, Thomas [CMB-GTS]; Moran, Kyle A [CMB-GCO]
Cc: Torres, Melissa J [CMB-RISK]; Isaac, Tom [CMB-GBKG]; Mandaro, William [CMB-GBKG]
Sent: Tue Jul 22 16:48:52 2008
Subject: Lehman Pledge Agreement and Collateral

Michael and I spoke to Paulo Tonucci (Global Treasurer) regarding our requirement that Lehman execute a collateral agreement to support their global cash and securities clearing with Citi. Generally Paulo was agreeable to post securities as collateral in lieu of the cash deposit. Having indicated that we have moved away from exclusively requiring Treasuries, Paulo offered to share with us a pool of diversified investment grade securities Lehman would be willing to post.

He has asked that we provide the pledge agreement to Dan Fleming ASAP (we believe their legal team already has it) and that Dan will come back to us later this week, early next week with the pool of securities for us to review.

I think this is a reasonable approach, obviously we will need to review the actual collateral pool and than we will want to put together some collateral parameters and haircuts which will need to be built into the actual pledge agreement. We advised Paulo we wanted to have eligible collateral of \$2B, but that there could be some flexibility on the amount should their usage be managed differently and their lines reduced.

I thought this was a very constructive discussion and Paulo came across as quite willing to work with us.

Best regards,

Tom

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