

From: Leach, Brian [CCC] [brian.leach@citi.com]
Sent: Thursday, June 12, 2008 12:41 PM
To: Pandit, Vikram [CCC]; kadenl@citigroup.com;
crittendeng@citigroup.com; Shohet, Zion M [CCC]
Subject: RE: Lehman

For further background. The potential size of these lines are never discussed with the counterparty. The peak lines that LEH has used in NY is about \$4B to \$5B. As long as the lines are closed at the end of each market day this risk does not accumulate.

The below was sent to me from credit people at Citi:
At 12:00 we were short \$750MM in our NY accounts.
We have turned down a number of trades with clients desiring to novate over to us.

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

From: Leach, Brian [CCC]
Sent: Thursday, June 12, 2008 11:47 AM
To: Pandit, Vikram [CCC]; 'kadenl@citigroup.com'; 'crittendeng@citigroup.com'; Shohet, Zion M [CCC]
Subject: RE: Lehman

To add some specifics. We have asked LEH for \$5B of collateral. Against this we have about \$23B of lines for clearing (\$20B) and settlement (\$3B). The critical question is should we reduce these lines. If we reduce them to \$5B we are fully collateralized. I think we should go to \$10B. I think the math on that exposure is that the first \$5B is collateralized the second \$5B is at risk as a general creditor. Assuming the balance sheet can be liquidated within 10% of the marks we would still lose \$500MM (I would be very surprised if the balance sheet could be liquidated within 10% - I think it would be worse unless the government steps in).

So this is a two part process. How much collateral and the size of the lines.

Brian

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

From: Pandit, Vikram [CCC]
Sent: Thursday, June 12, 2008 11:31 AM
To: 'kadenl@citigroup.com'; 'crittendeng@citigroup.com'; Shohet, Zion M [CCC]; Leach, Brian [CCC]
Subject: Fw: Lehman

Are you sure this is the right thing to do?

Sent from my BlackBerry Wireless Handheld

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

From: Shohet, Zion M [CCC]
To: Pandit, Vikram [CCC]; Crittenden, Gary [CCC]
Sent: Thu Jun 12 10:54:02 2008
Subject: FW: Lehman

FYI

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

From: Foskett, Christopher M [CMB-GBKG]
[mailto:christopher.m.foskett@citi.com]
Sent: Thursday, June 12, 2008 10:54 AM
To: Havens, John [CMB-CORP]; Biglari, Hamid [CMB-CORP]; Corbat, Michael L [CMB-GBKG]; Leach, Brian [CCC]; Forese, James A [CMB-GCM]; Galant, Paul S [CMB-GTS]; Sahai, Neeraj [CMB-GTS]; Shohet, Zion M [CCC]; Ryan, Patrick [CMB-RISK]
Cc: Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Obermaier, Thomas [CMB-GTS]; Frenzel, Gregory [CMB-RISK]

Subject: Lehman

I have been on the phone this morning with Ian Lowitt, new CFO of Lehman and Paolo Tonucci, global Treasurer. In order to keep our clearing capabilities at levels they require to efficiently operate, I have asked them to put up a cash deposit - as we did with Bear Sterns last summer - to offset any intraday or end of day shortages that may occur. While disappointed, they have directed their team to put it in place. We need to work out appropriate size given their volumes around the world.

Further, they expect Dick Fuld will reach out to Vikram and that someone else in senior management will reach out to John Havens...and address the changes that occurred at senior management levels today.

Clearly we are working to mitigate our operating risk vs Leh while preserving as much of this \$90mm Corp Bank relationship as possible.

Please call any of the Team should you have questions or concerns. We will keep you informed of any relevant points.

Regards

Sent from my BlackBerry Wireless Handheld