



Corporate and Investment Banking  
3 Simmonds Street,  
JOHANNESBURG  
South Africa

Dear Joe,

**RE: Custody Settlement Arrangements**

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As you and I discussed earlier today, we at the Standard Bank were unsettled by the situation on Thursday, August 7 when we faced a possible overnight overdraft of a substantial amount (some ZAR2,1 billion) in a Lehman Group ZAR account (Account 7114315 in the name of Lehman Brothers International (Europe)) in our books. We had, earlier that day, settled certain bonds trades in satisfaction of our obligation as settlement agent and custodian.

In the circumstances we have been forced to evaluate our credit and legal stance with respect to this position. The evaluation has precipitated the following decisions:

1. The legal documentation for custody currently in place between Standard Bank and the Lehman entities needs to be standardised across all the entities and supplemented to cover specific settlement funding and credit advancement matters.
2. It appears that the only pragmatic solution to address all the potential credit issue that we face at present is that bond and equity settlements will need to be pre-funded in the future.

We therefore wish to engage in a dialogue with Lehman Brothers aimed at addressing these requirements with a view to arriving at a solution in the very short term that caters for the needs of both of our organisations. You may well have other suggestions that could assist the situation.

Please contact the undersigned to arrange for a discussion regarding the contents of this letter.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Hugh Lilienfeld', enclosed in a hand-drawn circle.

Hugh Lilienfeld  
**Relationship Executive**  
**Financial Institutions Group**

August 18, 2008

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