

From: Fleming, Dan (TSY) <dfleming@lehman.com>
Sent: Saturday, August 9, 2008 9:45 PM (GMT)
To: Tonucci, Paolo <paolo.tonucci@lehman.com>; Jones, Craig L <cljones@lehman.com>; Azerad, Robert <RAzerad@lehman.com>
Subject: Re: LBI Update

Should update Ian but let's see how it goes on Monday before we escalate at JPM. Still possible to get to a good place, although recent conversations have been difficult.
Dan

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

From: Tonucci, Paolo
To: Jones, Craig L; Azerad, Robert
Cc: Fleming, Dan (TSY)
Sent: Sat Aug 09 02:26:50 2008
Subject: Re: LBI Update

Thanks. Need to escalate with Ian I think.

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

From: Jones, Craig L
To: Tonucci, Paolo; Azerad, Robert
Cc: Fleming, Dan (TSY)
Sent: Fri Aug 08 20:31:35 2008
Subject: LBI Update

LBI is down \$1.1bn today due to the purchase of \$400MM of securities for the OCC margin requirement and paydown of customer names of ~\$600MM. We expect to pick up between \$1-\$1.5bn in 15c3-3 on Tuesday from eliminating the \$500MM o/d, repaying customer names and posting Treasuries to the OCC.

Separately, today we sold \$5.9bn cash value of assets to LBHI from LCPI as part of the effort to improve the NFE situation with Chase. We will likely sell the remaining assets in LCPI's Chase LCD box to LBHI on Monday.

Fyi - at 6:00 this evening I received an urgent call from a group at Chase (Ed Corral, Jeff Aronson (legal), Ray Stancil (Clearance) and others) raising some concerns. They stated they want to ensure the assets have a continuing lien and not just an intraday lien. Initially they requested that I lock up the assets referencing for the benefit of Chase. I declined due to the late hour and my understanding that we are just trying to meet an intraday obligation. The conversation was being driven by Jeff so I suggested that we re-convene when they are able to provide the legal documentation and I can review with our Legal counsel. Jeff

advised he would get me the documentation by Monday morning.

Craig