From:	Birney, Janet [jbirney@lehman.com].	Sent:8/5/2008 4:48 PM.
To:	Tonucci, Paolo [paolo.tonucci@lehman.com].	
Cc:	Fleming, Dan (TSY) [dfleming@lehman.com]; Boyle, Julie [julie.boyle@lehman.com].	
Bcc:	.	
Subject:	JPM- Actions.	

As you are aware, JPM, has reacted to the current market conditions by making changes to the way they support our custody and clearing relationship. While we understand that you are familiar with some of the changes thought it best to have them in one place.

Intra-day Margining (US):

(1) JPM provides Leh with secured intraday credit to facilitate the triparty repo business. JPM recently introduced a haircut to the securities collateralizing our secured intraday credit. The haircuts are equal to the investor haircuts on Leh's overnight triparty repo's. The total $ amount of the haircut is approx. $5.2 billion based on a triparty repo book of $194 billion. 80% of the total $ charge has been implemented with the remainder due to be implemented within the next two weeks.

(2) JPM is seeking to introduce an additional haircut to the securities collateralizing our secured intraday credit, described as a one-day liquidation and price risk margin adjustment. Based on current triparty repo positions, the $ amount of the haircut is estimated at $6.2 billion. In lieu of implementing the additional haircut systemically, JPM has reduced our intraday credit position by $5 billion, requiring us to pledge additional collateral for a like amount.

(3) On Thursday July 31st JPM reduced Leh's unsecured credit availability by $200mm. The $200mm was allocated to securities clearance and was included in our intraday credit position.

Lehman Action:
To mitigate the effects of 1 & 2 we have pledged additional collateral to JPM in the form of CDO's (Leh structures). The amount pledged ranges in value based on financing and structuring activities and is currently valued at $9 billion as of Aug 1st. In addition, Leh and JPM are actively pursuing solutions to minimize the amount of intraday exposure attributable to the triparty repo business.

Intra-day Margining (LDN):

JPM provides Lehman with unsecured intraday credit to facilitate triparty repo in Europe. JPM is seeking to secure this intraday line and conversations are underway to determine how this will be accomplished.

Box Loans:

JPM has provided a collateral schedule that they will accept for end of day box loans which excludes various asset classes and has haircuts inconsistent with our schedules. JPM has rejected all aspect's of Lehman's counter proposal. The box loan rate for acceptable collateral has increased to FF +37.5. If Lehman runs out of acceptable collateral JPM will accept the securities in our box but the rate will be determined by a Credit Officer on a case by case basis. Start Date: August 11th.

Interest Income:

Due to the FDIC placing additional assessments on banks of 5 basis points JPM will be reducing the interest rates (to FF-5) on the following accounts: Neuberger 15c3-3, LBI Trust account. This will also impact the Earnings Credit we receive on long balances that offset our fees. Start Date: September 1st. Please note that although this charge is a pass on they are the first and at this point only bank to impose this.

Lehman Action:
Will look to move the +1 billion of 15c3-3 money to another bank.

Interest Expense:

To discourage clients from using their balance for funding purposes JPM has increased there overdraft rate from T-Bill = 3/8 to FF +200 effective August 1st. Please note we have pushed back on this as we do not use O/D as a form of funding which we can prove based on prior history in addition to the fact that this is not in line with our 60 day written notice policy.

Lehman Action:
Review netting agreement and account structure to minimize impact.

Cross Affiliate Agreement:

Right of offset agreement for LBSF, LBCC, and LBCS obligations.

It is also worth mentioning, that each of these items has come through at different times and communicated through various people.

Regards,

Janet Birney
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