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YLLP/US
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To william.schlich@ey.com, Jennifer.Jackson@ey.com
cc
bcc
Subject LBDP

Bill and Jen,

Wanted to give you both an update on LBDP as I spoke to Greg Eickbush (LBDP President) late on Friday. As you know, S&P downgraded Ambac from AAA to AA last week and Moodys is expected to do the same this week coming. S&P gave LBDP a 30 day window to find another provider of qualified credit enhancement during which time LBDP can count 50% of the \$250,000,000 qualified credit enhancement bond amount down from 90% which was being used prior to the downgrade. Moody's will not allow any grace period after its downgrade this week. As such, Greg is arranging for a \$200,000,000 cash infusion from LB Treasury early next week. The capital calculations for S&P currently are fine even though only 50% of the \$250,000,000 is allowable qualified resources. In light of current markets etc, not sure another provider of qualified credit enhancement will be found although it is my understanding that one is not required as long as capital is infused into the entity.

Going forward, we will be updating our LBDP AAA weekly AUP letters to state that the provider of qualified credit enhancement was downgraded on June XX, 2008 by S&P.

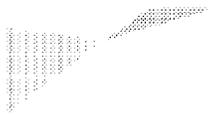
FYI - January will be issued on Monday and Ed has February and March. We are billing as we issue. I would expect to have April to him early this coming week.

I would b interested in any additional thoughts either of you had on any of this - please pass along. Nathalie is out for a few weeks so I am working with Jared and Frank to get this sorted out and issue letters as Ed has completed his review.

Kristie Wong is the new Matthew Lee. Not sure if either of you knows her but she is looking to meet me at some point next week. I am glad to continue as partner on the AAA as we work through getting caught up and working through the downgrade as long as we come up with a transition plan for the fall. I know you both have quite a bit going on. Speak to you soon.

Regards:

JP



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