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09/10/2008 01:21 PM cc: Piers Murray/JPMCHASE@JPMCHASE, Mark G Doctoroff/JPMCHASE@JPMCHASE1
Subject: Update on LEH

After speaking with LEH's Treasurer, we have confirmed that they will maintain collateral of \$4bln to cover intra-day exposure. They have signed all of the documents we sent yesterday.

Paolo believes we presently have excess collateral in their UK and US boxes that in addition to the cash and money market funds likely exceed our \$4bln request. We are in the process of verifying the amounts we in our possession. They've asked us to substitute securities for some of the cash and we are working with Matt Zames to value those securities.

Paolo also confirmed that there has been some change in their Tri- Party haircuts and increases in novations, but had no other changes to report with regards to client and/or counterparty dealings. He is expecting the rating agencies to take action (more than one notch) if a strategic solution is not announced over the next few days.

We'll provide a status update before close of business.

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