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cc:
Subject: Lehman

I just got off the phone with the Treasurer of Lehman. He advised the following:

They had a deal struck with Barclays but the FSA refused to give reg capital relief.

In any event, they will file the hold co but have an orderly liquidation of the US broker dealer. They will continue to unwind triparty and liquidate the matched book, while at the same time try to sell the broker dealer. The UK broker dealer will go into Administration. The Neuberger broker dealer will stay open and be sold along with Neuberger.

Since we agreed earlier that we would continue as the operating bank for the US broker dealer as long as it didn't file and was doing an orderly liquidation, I explained to Paolo our procedure for tomorrow.

We will unwind triparty and return cash to investors. Fed wireable securities will settle dvp as normal. DTC securities will settle via the Honest Broker program so that proceeds of assets pledged to JPM as TPR agent will come directly to us. Positions held at the end of the day will be financed at the Fed via PDCF at the new haircuts. Lehman confirmed they expect to have sufficient liquidity to meet those haircuts. If not, they will approach us as we discussed tonight and we will determine how best to address the shortfall.

We will need to ensure that we can operate cash and securities for the US broker dealer to facilitate the orderly unwind.

A group of us are meeting at 50/270 at 7 am tomorrow.

Dial in: 866 870-8212, pc - 59319557

Please let me know if you have questions.

Apologies if I have excluded anyone from the distribution list--please forward as necessary.

Thanks, JBR

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