



**Ricardo S.
Chiavenato@JPMCHASE**

08/14/2008 02:15 PM

To: Thomas H Mulligan/JPMCHASE@JPMCHASE1, David A. Weisbrod/JPMCHASE@JPMCHASE, Donna Dellosso/JPMCHASE@JPMCHASE, Ed Corral/JPMCHASE@JPMCHASE, JAronson@bear.com, Mark G Doctoroff/JPMCHASE@JPMCHASE1, Piers Murray/JPMCHASE@JPMCHASE, Susan F Stevens/JPMCHASE@JPMCHASE1, Diane Eshleman/JPMCHASE@JPMCHASE, Mark D Trivedi/JPMCHASE@JPMCHASE, Henry R Yeagley/JPMCHASE@JPMCHASE
cc:
Subject: Re: Fw: LEH TPR Discussion - Agreed Next Steps

Donna asked me for an update so I am summarizing below what we agreed in our call.

DONE - The \$5 bi was already moved to LBI.

DONE - The CDOs are now flagged as a separate collateral type in the BDAS extract used for the risk-based margin (starting today). Henry and I are making changes in our model to separate CDOs. We expect to have this completed by tomorrow.

NEXT STEPS:

1 - We will send them Lehman all the guarantees we need for all entities since we know what we need. If they need time to sort out the other entities that we have not discussed before we will tell them that we want to get the LBH-LBI guarantee signed earlier since we already agreed upon that. I suggest setting Friday as a deadline for the LBH-LBI guarantee.

2 - We need to reprice all CDOs using Gifford Fong's prices and have LBI or LBH top up collateral to cover shortfall - both for tri-party investor collateral and the \$5bi extra collateral. However, we need to do this in a coordinated way for all dealers. This will require setting a vendor price agreement with Gifford Fong, as well as building and testing its feed. Ed will evaluate options and outline a plan and timetable and will investigate if we can manually process the \$5bi extra collateral in the time being.

3 - We will be ready to start sharing our risk-based margin calculation with all dealers, adjusted for the CDO change, next week. We will regroup to define how we will coordinate this. We have not yet communicated to all dealers our intention to use the risk-based margin so that needs to be coordinated as well.

4 - Mark will help ensure that the BDAS extract will be available daily for all dealers before 7 am so that the risk-based margin can be calculated before 8am. This will allow us to start using it to block the risk-based margin in BDAS at the morning unwind. However, we will only implement the risk-based margin based on the timetable agreed upon with each dealer, which needs to be discussed.

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T&SS Risk Management

Ricardo S. Chiavenato/JPMCHASE

08/13/2008 12:02 PM

To: Mark G Doctoroff/JPMCHASE
cc: David A. Weisbrod/JPMCHASE@JPMCHASE, JAronson@bear.com@JPMCHASE2, Susan F Stevens/JPMCHASE@JPMCHASE1, Ed

Corral/JPMCHASE@JPMCHASE, Piers
Murray/JPMCHASE@JPMCHASE, Donna
Delosso/JPMCHASE@JPMCHASE
Subject: Re: Fw: LEH TPR Discussion [Link](#)

Mark,

As we discussed, I will try to schedule a call asap with everyone copied so that we can agree on next steps for Lehman.

We are ready to implement the risk-based margin but it will not incorporate important enhancements underway. If we decide that this is the best approach, we still need to agree on how we will share the calculations with Lehman on a daily basis. I believe we had also told them that we would share the risk-based margin for a few days so that they could get a sense of how it varies over time and why.

Here are the logical next steps in my view:

- 1 - get LBH guarantee to LBI
- 2 - move \$5 bi to LBH (from LCPI)
- 3 - reprice all CDOs using Gifford Fong's prices and have LBI or LBH top up collateral to cover shortfall - both for tri-party investor margin and \$5bi extra collateral
- 4 - flag CDOs as a separate collateral type in BDAS so that we can apply appropriate risk factors for them when we calculate the risk-based margin
- 5 - share the risk-based margin calculation for 5 days with Lehman after CDOs are repriced and flagged
- 6 - finalize internal process to get BDAS extract daily before 7am so that we can calculate the risk-based margin (we are currently getting this extract mid-day) and Ed's team can lock up the risk-based margin in BDAS before the daily unwind
- 7 - agree on daily process to send Lehman the risk-based margin calculation (e-mail ?)

Thanks.

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Mark G Doctoroff/JPMCHASE

08/13/2008 10:57 AM

To: Ricardo S. Chiavenato/JPMCHASE, Jeffrey
Aronson/JPMCHASE
cc: Susan F Stevens/JPMCHASE, David A.
Weisbrod/JPMCHASE
Subject: Fw: LEH TPR Discussion

Ricardo / Jeff,

Redacted

Redacted

From: Mark G Doctoroff
To: David A. Weisbrod; Piers Murray
Cc: Barry L Zubrow; Ricardo S. Chiavenato; 'henry.e.steuart@jpmorgan.com' ; Jeffrey Aronson; Thomas H Mulligan; Susan F Stevens
Sent: Sun Aug 03 12:23:50 2008
Subject: Re: LEH TPR Discussion

David / Piers, I will be happy to help, but want to point out one issue that will be important to consider before asking for the \$6.7bn that you mention. I believe Lehman's Treasurer and other seniors there believe that the liquidity and price risks are different or non-existent on certain types of repo, like the term repo that they do not think they have to unwind, as well as some open repo.

We had told them at the last meeting we would be happy if for the CMO portfolio they have out on term repo we do not unwind, if we all agree possible, as this would decrease the absolute dollar amount of collateral to a much smaller number for them.

We need a definitive decision on the following - which I think is what David describes in his note:

- (1). We will not address the term repo and open repo operationally right away, but work to that and hence need add'l \$1.7bn in collateral asap;
- (2) We will return the \$5bn we have from LBCC because we cannot get proper documentation in place;
- (3). The \$6.7bn is all we are asking for based on the previous metrics we went over with them

Just want to make sure we are clear on all this. I assume that now that we cannot have an entity change with the current collateral, it does not provide adequate comfort to us - if we still want to hold onto it would need to know why.

I am travelling in Asia all week but can call or join a call to discuss - typically free from 10:30pm to 1:00am my time which is 12-hours ahead of NY.

Thanks

From: David A. Weisbrod
To: Piers Murray
Cc: Barry L Zubrow; David A. Weisbrod; Ricardo S. Chiavenato; henry.e.steuart@jpmorgan.com ; Jeffrey Aronson; Mark G Doctoroff; Mark G Doctoroff; Jeffrey Aronson; Thomas H Mulligan
Sent: Sun Aug 03 10:12:51 2008

Subject: Re: LEH TPR Discussion

Piers

Based on the 7/29 numbers provided by Ricardo, our approach should be to get \$6.7bn of margin to achieve coverage for the liquidity risk and price risk. [Redacted]

[Redacted]

[Redacted]

Our target for next week (which I assume Mark will lead with support from us all) is to agree upon a schedule with LEH to obtain the incremental collateral (i.e. \$1.6bn based on 7/29 data). While resolving the term unwind issue is an important part of our agenda, I am fearful that waiting for the development of that capability could delay our achieving full colateralization.

Many thanks and have a great vacation.

David

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Barry L Zubrow/JPMCHASE@JPMCHASE, David A. Weisbrod/JPMCHASE@JPMCHASE

08/01/2008 06:56 PM

To

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LEH TPR Discussion

Subject

Barry / David - as a follow up to yesterday's call with Lehman, Jeff Aronson and I called Dan Fleming today to try to ferret out the issues that LEH is having. Clearly, LEH wants to avoid substituting other collateral for this block as it would have to come from the holdco liquidity pool directly and the way they report this number would change.

[Redacted]

[Redacted]

So we need to make a decision as to whether we suggest to Lehman that we accelerate the move to 100% or stay on the current course and look at the other alternatives we have.

[Redacted]

[Redacted]

[Redacted]

On the other hand as we will be at 80% as of next Monday we already have the investor margin covered and are wanting only for a portion of the liquidity risk and the full price risk. We can dedicate more effort to progress on these fronts.

Ricardo, Ed and I spoke about the other efforts we can make in the next few days:

- Ed's takeaway is to look at whether we can accelerate any components of the term unwind effort over the next few days so that we can give Lehman some extra headroom in their calculation of the margin required.
- Ricardo's takeaway is to examine the pricing haircut and figure out whether the margin of uncertainty within LEH's portfolio can be finetuned/reduced due to good price information from LEH .

My recommendation would be that we are not specific in asking for an acceleration but that as part of a conversation that Ed/Ricardo and Mark might have with Dan about the term unwind next week, bring up the point that acceleration makes the discussion of the \$5bn a moot point .

Redacted

Redacted

As a reminder, I will be out for the next two weeks, so Henry will be on top of the situation.

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