



To: Karen May Sharf/JPMCHASE@JPMCHASE  
cc: Thomas H Mulligan/JPMCHASE@JPMCHASE1, David A. Weisbrod/JPMCHASE@JPMCHASE, Ed Corral/JPMCHASE@JPMCHASE, Gail Inaba/JPMCHASE@JPMCHASE, "Jeffrey Aronson" <JAronson@bear.com>, Jon Ciciola/JPMCHASE@JPMCHASE, Kathy Hagany/JPMCHASE@JPMCHASE, Mark G Doctoroff/JPMCHASE@JPMCHASE1, Peter J Wasserman/JPMCHASE@JPMCHASE, Piers Murray/JPMCHASE@JPMCHASE, Ray Stancil/JPMCHASE@JPMCHASE, Ricardo S. Chiavenato/JPMCHASE@JPMCHASE, Susan F Stevens/JPMCHASE@JPMCHASE1  
08/23/2008 09:55 AM  
Subject: Re: Lehman Holdco Intraday Pledged securities

Karen,

That is exactly correct. My group moves the position back into the LCE account at 6 a.m. CST every morning. Thanks,

Michael A. Mego  
Assistant Vice President  
Broker Dealer Services  
469-477-1953

-----Karen May Sharf/JPMCHASE wrote: -----

To: Thomas H Mulligan/JPMCHASE@JPMCHASE1  
From: Karen May Sharf/JPMCHASE  
Date: 08/23/2008 07:10AM  
cc: David A. Weisbrod/JPMCHASE@JPMCHASE, Ed Corral/JPMCHASE@JPMCHASE, Gail Inaba/JPMCHASE@JPMCHASE, "Jeffrey Aronson" <JAronson@bear.com>, Jon Ciciola/JPMCHASE@JPMCHASE, Kathy Hagany/JPMCHASE@JPMCHASE, Mark G Doctoroff/JPMCHASE@JPMCHASE1, Michael A Mego/JPMCHASE@JPMCHASE, Peter J Wasserman/JPMCHASE@JPMCHASE, Piers Murray/JPMCHASE@JPMCHASE, Ray Stancil/JPMCHASE@JPMCHASE, Ricardo S. Chiavenato/JPMCHASE@JPMCHASE, Susan F Stevens/JPMCHASE@JPMCHASE1  
Subject: Re: Lehman Holdco Intraday Pledged securities

Mike or Ray should confirm, but confirmation of this position will (and now is) part of the morning set up for this account.

\*\*\*new request from Lehman\*\*\* lehman wants a schedule of all the collateral boxes covered by the gtee and security agreement. And should be related cash accounts as well, not just securities?

Er

Karen May Sharf, CFA

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----- Original Message -----

**From:** Thomas H Mulligan  
**Sent:** 08/22/2008 06:39 PM AST  
**To:** Karen May Sharf  
**Cc:** David Weisbrod; Ed Corral; Gail Inaba; Jeffrey Aronson; Jon Ciciola; Kathy Hagany; Mark Doctoroff; Michael Mego; Peter Wasserman; Piers Murray; Ray Stancil; Ricardo Chiavenato; Susan Stevens  
**Subject:** RE: Lehman Holdco Intraday Pledged securities

Thanks - our e-mails crossed. How are we sure the intraday pledged securities gets to that location every morning.

**From:** Karen May Sharf  
**Sent:** Friday, August 22, 2008 6:30 PM  
**To:** Thomas H Mulligan  
**Cc:** David A. Weisbrod; Ed Corral; Gail Inaba; Jeffrey Aronson; Jon Ciciola; Kathy Hagany; Mark G Doctoroff; Michael A Mego; Peter J Wasserman; Piers Murray; Ray Stancil; Ricardo S. Chiavenato; Susan F Stevens  
**Subject:** Re: Lehman Holdco Intraday Pledged securities

Both Options will block the collateral. Option 1 will prevent the value of the margin floor from leaving, the client will always be able to substitute in securities. I've clarified option 2, it's an intraday shell - released at night, so should be acceptable to LEH and the shell value (whatever level it is set at) will be filled with eligible collateral and will only allow substitutions.

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\*\*\* Thomas H Mulligan/JPMCHASE

**Thomas H Mulligan/JPMCHASE**

08/22/2008 06:15 PM

[IMAGE] [IMAGE]

Karen May Sharf/JPMCHASE, Mark G  
ToDoctoroff/JPMCHASE

[IMAGE] [IMAGE]

David A. Weisbrod/JPMCHASE, Ed  
ccCorral/JPMCHASE, Gail Inaba/JPMCHASE,  
Jeffrey Aronson/JPMCHASE, Jon  
Ciciola/JPMCHASE, Peter J  
Wasserman/JPMCHASE, Piers

Murray/JPMCHASE, Ray Stancil/JPMCHASE,  
Ricardo S. Chiavenato/JPMCHASE, Susan F  
Stevens/JPMCHASE, Kathy Hagany/JPMCHASE,  
Michael A Mego/JPMCHASE  
[IMAGE][IMAGE]  
Lehman Holdco Intraday Pledged securities  
Subject

[IMAGE] [IMAGE]  
Good summary - the mechanism we settle on has to ensure the holdco intraday pledged securities don't leave the bank when they're released from the no lien shell at the start of the day. How do we block them from exiting?

I don't think LEH would agree to Karen's #2 option. They want the holdco intra-day pledged securities in the no lien shell each night. I think we need to go with option #1.

Tom

PS I think we need to stop referring to the "\$5 billion position". This amount will change with the advent of dynamic margining. Can we come up with a term to use? My suggestion is "intra-day pledged securities"

**From:** Karen May Sharf

**Sent:** Friday, August 22, 2008 5:14 PM

**To:** Mark G Doctoroff

**Cc:** David A. Weisbrod; Ed Corral; Gail Inaba; Jeffrey Aronson; Jon Ciciola; Peter J Wasserman; Piers Murray; Ray Stancil; Ricardo S. Chiavenato; Susan F Stevens; Thomas H Mulligan; Kathy Hagany; Michael A Mego

**Subject:** Re: Lehman Call - added final point

Just a few things that came out of our round up call on Jeff's questions.

- Lehman has created a Lehman Holdings Inc collateral box (LCE) and has contributed approx \$4.7bn in securities into the box. They intend to move the balance of approx \$1.8 bn in securities from LCD into LCE. Not sure why this is being held up.
- Currently, LCE and LCD are in the main Lehman Bros Inc funds control (or netting) group, DG92.
  - DG92 has a manual hold placed on it in the am for the 100% triparty margin hold and \$5bn for the addition margin hold supported by the collateral in LCE.
  - this does not prevent LEH from delivering out assets held in LCE if there is sufficient NFE in the DG92 netting group.
  - At night, LEH segs LCE and other excess assets into a Lehman shell.
- To address Jeff and Peter's concerns, Clearance can

1. Move LCE into a holding company only netting group and place a \$5bn daily block on the box; DG92 would continue to have 100% of investor margin blocked on the account.

2. Establish a LEH shell beneficially held for JPM and seg LCE assets into that shell on a 24 hr basis; remove the \$5bn block on DG92; 100% triparty investor margin block remains in place.

- At night, after the triparty shells are filled and any obligations to JPM are extinguished or collateralized and documented in the form of a repo loan, excess securities and the assets in LCE, are swept into a Lehman owned collateral box.

For those who were on the call, let me know if I've missed anything. Regards, Karen

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▼ Mark G Doctoroff/JPMCHASE

**Mark G Doctoroff/JPMCHASE**

08/21/2008 11:36 PM

To Jeffrey Aronson/JPMCHASE  
cc Peter J Wasserman/JPMCHASE, Thomas H  
Mulligan/JPMCHASE, Susan F Stevens/JPMCHASE,  
Piers Murray/JPMCHASE, Ed Corral/JPMCHASE, Jon  
Ciciola/JPMCHASE, Ray Stancil/JPMCHASE, Karen  
May Sharf/JPMCHASE, Gail Inaba/JPMCHASE, David  
A. Weisbrod/JPMCHASE, Ricardo S.  
Chiavenato/JPMCHASE

Subject Re: Lehman Call

[IMAGE] [IMAGE]

Jeff, thank you very much for the update, I am glad the call went well. I think our clearance colleagues need to respond regarding the securities movement questions you pose. Let's touch base tomorrow on progress. Best,  
Mark

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**From** : Aronson, Jeffrey - Communication of Counsel (Exchange)  
**To** : Mark G Doctoroff  
**Cc** : Peter J Wasserman; Thomas H Mulligan; Susan F Stevens; Piers Murray; Ed Corral; Jon Ciciola; Ray Stancil; Karen May Sharf; Gail Inaba; David A. Weisbrod; Ricardo S. Chiavenato  
**Sent** : Thu Aug 21 20:06:04 2008  
**Subject** : Lehman Call

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[attachment "image003.png" removed by Michael A Mego/JPMCHASE]

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