

Cc: Berkenfeld, Steven [sberkenf@lehman.com]; Welikson, Jeffrey [jeffrey.welikson@lehman.com]
To: Tonucci, Paolo [paolo.tonucci@lehman.com]; jlungstrum@stblaw.com [jlungstrum@stblaw.com]
From: Yeung, Andrew [andrew.yeung@lehman.com]
Sent: Sat 8/23/2008 5:02:18 PM
Subject: RE: Lehman Comments to Security Agreement and Customer Agreement

Paolo,

We have reviewed the agreement with BofA and here is the status of key issues:

1) Collateral

We now have the ability to transfer collateral in and out of the deposit account at our option. BofA operations has told us that they need at least 3 days advance notice for any transfers. I have told them that we will post \$500 MM rather than \$1billion. If this is the final amount, we should commence logistics for the wire at the first available opportunity, to the extent that we have not done so already. This is in contrast to the initial draft in which \$1 billion of collateral to be posted was locked in indefinitely until all overdraft obligations had been repaid.

BofA has added a reimbursement obligation in the event that there are deficiencies of FX settlements in which the as-converted US dollar amount exceeds the available amount on deposit. This is unlikely to occur but BofA informed us that if they did not have this right that we would risk the loss of this FX service.

2) Scope of Pledge

The security agreement will only secure overdraft obligations. The initial draft of the security agreement could have been interpreted to secure any other debt obligation to BofA (eg. syndicated revolver).

3) Termination

We now have the ability to terminate on 10 days notice to BofA - we do not need their consent. We did not have this right in the initial draft.

4) LBHI Guarantee

For technical reasons relating to the perfection of secured claims, BofA has requested an LBHI guarantee of our subsidiaries' overdraft exposure. A clause has been added to the agreement in which BofA essentially nullifies the guarantee by agreeing that it will not seek payment from LBHI but will be limited to recourse to funds available in the Deposit Account.

We will be having another legal call tomorrow at 2 pm but it appears at this point that most of the substantial issues have been resolved. Feel free to contact me if you have any questions.

Best,

Andrew

Andrew M.W. Yeung
Lehman Brothers
1271 Avenue of the Americas
New York, NY 10020
Tel: (212) 526-4584
Fax: (646) 834-0721
email: andrew.yeung@lehman.com

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

From: Tonucci, Paolo
Sent: Saturday, August 23, 2008 8:37 AM
To: Yeung, Andrew; 'jungstrum@stblaw.com'
Cc: Berkenfeld, Steven; Welikson, Jeffrey
Subject: RE: Lehman Comments to Security Agreement and Customer Agreement

I am thinking \$500 mm

I don't feel strongly about the parental gtee. May be superfluous but don't think is a significant issue either.

Paolo

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

From: Yeung, Andrew
Sent: 22 August 2008 23:41
To: 'jungstrum@stblaw.com'
Cc: Tonucci, Paolo; Berkenfeld, Steven; Welikson, Jeffrey
Subject: Re: Lehman Comments to Security Agreement and Customer Agreement

Paolo,

Justin and I will discuss this revised draft with BofA tomorrow however there are two points which I would like to get your thoughts on:

- 1) What is the initial amount of collateral that we would like to deposit? BofA is suggesting \$1 billion. Remember that we have the ability to increase or decrease the amount on deposit at our option.
- 2) BofA is requesting that LBHI guarantee payment of the overdraft exposure of our subsidiaries. In light of the fact that we are posting collateral, it would seem that a parent guarantee would be a little excessive. I intend to reject this request but wanted to know if this is something that we would be willing to accept, if necessary.

Please let me know if you have any thoughts to the above.

Best,

Andrew

Andrew M.W. Yeung
Lehman Brothers
1301 Avenue of the Americas
New York, NY 10019
Tel: (212) 526-4584
Fax: (646) 834-0721
email: andrew.yeung@lehman.com

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

From: Lungstrum, Justin M <jlungstrum@stblaw.com>
To: Yeung, Andrew
Cc: Tonucci, Paolo; Berkenfeld, Steven; Welikson, Jeffrey
Sent: Fri Aug 22 22:24:29 2008
Subject: RE: Lehman Comments to Security Agreement and Customer Agreement

For ease of review, attached is a blackline showing the revised BOA draft marked against the mark-up Andrew circulated earlier.

Justin

Justin M. Lungstrum
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(212) 455-2755 (t)
(212) 455-2502 (f)

CONFIDENTIALITY NOTE:

The information contained in this email message is legally privileged and confidential information intended only for the use of the individual or entity to whom it is addressed. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this message is strictly prohibited. If you have received this email in error, please immediately notify us by telephone, fax, or email and delete the message. Thank you.

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

From: McDermott, Christopher [mailto:Chris.McDermott@cwt.com]
Sent: Friday, August 22, 2008 10:14 PM
To: Yeung, Andrew; Sparks, Randy M -Legal
Cc: Tonucci, Paolo; Berkenfeld, Steven; Welikson, Jeffrey; Lungstrum, Justin M; Smith, Joshua; Ellenberg, Mark; Alexandra Woodcock
Subject: RE: Lehman Comments to Security Agreement and Customer Agreement

Andrew,

At the request of Randy Sparks of Bank of America, attached please find a clean and marked version of the Deposit Account Security Agreement.

CONFIDENTIAL

LBEX-SIPA 003282

This version reflects comments from Lehman's mark up accepted by the bank, as well as changes suggested by Walkers as a result of the deposit being held at the branch in the Caymans.

If you would like to discuss this draft and the revisions, we would suggest a call tomorrow at 11:00 am ET. We could use the following dial in number:

800 501 8979
Access code 3485184

Please let us know.

Best regards,

Chris

Christopher M. McDermott
Cadwalader, Wickersham & Taft LLP
227 West Trade Street
Charlotte, NC 28202
Tel: +1 704.348.5184
Tel: +1 212.504.6184
Fax: +1 704.348.5200
chris.mcdermott@cw.com
www.cadwalader.com

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

From: Yeung, Andrew [mailto:andrew.yeung@lehman.com]
Sent: Friday, August 22, 2008 5:25 PM
To: Sparks, Randy M -Legal; McDermott, Christopher
Cc: Tonucci, Paolo; Berkenfeld, Steven; Welikson, Jeffrey;
jlungstrum@stblaw.com
Subject: Lehman Comments to Security Agreement and Customer Agreement

Randy,

Attached please find our comments to the Security Agreement and Customer Agreement. We are available at your convenience to discuss our comments.

Best,

Andrew

<<BofA Security Agreement.DOC>> <<Document.pdf>>

Andrew M.W. Yeung
Lehman Brothers
1271 Avenue of the Americas
New York, NY 10020
Tel: (212) 526-4584
Fax: (646) 834-0721
email: andrew.yeung@lehman.com

This message is intended only for the personal and confidential use of the designated recipient(s) named above. If you are not the intended recipient of this message you are hereby notified that any review, dissemination, distribution or copying of this message is strictly prohibited. This communication is for information purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy any financial product, an official confirmation of any transaction, or as an official statement of Lehman Brothers. Email transmission cannot be guaranteed to be secure or error-free. Therefore, we do not represent that this information is complete or accurate and it should not be relied upon as such. All information is subject to change without notice.

IRS Circular 230 Disclosure:
Please be advised that any discussion of U.S. tax matters contained within this communication (including any attachments) is not intended or written to be used and cannot be used for the purpose of (i) avoiding U.S. tax related penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

"EMF <CWT.COM>" made the following annotations.

IRS Circular 230 Legend: Any advice contained herein was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. Unless otherwise specifically indicated above, you should assume that any statement in this email relating to any U.S. federal, state, or local tax matter was written in connection with the promotion or marketing by other parties of the transaction(s) or matter(s) addressed in this email. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

=====
NOTE: The information in this email is confidential and may be legally privileged. If you are not the intended recipient, you must not read, use or disseminate the information; please advise the sender immediately by reply email and delete this message and any attachments without retaining a copy. Although this email and any attachments are believed to be free of any virus or other defect that may affect any computer system into which it is received and opened, it is the responsibility of the recipient to ensure that it is virus free and no responsibility is accepted by Cadwalader, Wickersham & Taft LLP for any loss or damage arising in any way from its use.

=====

=====