

**LCPI** is a wholly-owned subsidiary of LBI and primarily engages in the origination and trading of secured and unsecured loans. As part of these activities, LCPI provides warehouse loans secured by mortgage loans and other assets. LCPI funds itself through repurchase agreements, bank credit facilities and borrowings from LBHI. LCPI operates in the UK in branch form.

The Company principally enters into mortgage and asset-backed securitizations, purchasing assets from Holdings or its affiliates prior to securitization. The Company utilizes special purpose entities principally for the securitization of commercial and residential mortgages, home equity loans, government and corporate bonds.

The Company obtains short-term financing on both secured and unsecured basis. The secured financing is obtained through the use of repurchase agreements, and unsecured financing is generally obtained through short-term debt.

At July 31st, 2008, the Company had the following intercompany balances with LBI.

- \$53.7 million of securities purchased under agreements to resell
- \$6.4 billion of securities sold under agreements to repurchase with LBI
- \$40 million receivable on securities related transactions with LBI.
- \$64.4 million unsecured financing with LBI