

From: Fontana, Thomas [CMB-RISK] [tf09146@imcnam.ssmb.com]
Sent: Monday, August 04, 2008 3:10 PM
To: Mauerstein, Michael [CMB-GBKG]; Foskett, Christopher M [CMB-GBKG];
Torres, Melissa J [CMB-RISK]
Subject: Re: LBCCA - Citi facility: extension request

Essentially we want to assess a conservative hair cut against a "real" MTM. The issue here is that we can't establish a price. Do we say, 50% of 50%, or advance 25% against these assets. We really have no basis for any initial price.

Best regards,

Tom

Global Financial Institutions
Risk Management

Office: (212) 816-4986
Cell: (908) 577-2039
Home: (908) 665-0694

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

From: Mauerstein, Michael [CMB-GBKG]
To: Fontana, Thomas [CMB-RISK]; Foskett, Christopher M [CMB-GBKG]; Torres, Melissa J [CMB-RISK]
Sent: Mon Aug 04 14:44:45 2008
Subject: RE: LBCCA - Citi facility: extension request

I spoke with Jay Huang, a Director on our secondary CLO trading desk. He said that the referenced CLOs don't trade; they are held (as we know) by Lehman. He said that if we had to sell them in the current market, there are maybe five investors that would likely show a price; however we would basically have to do a road show. He suggested that we might recover 50% LTV, maybe more, depending on the assets and investor appetite at such time. I asked about the pricing feeds that Anthony identified. Jay said that whatever prices were displayed probably came from one dealer (Lehman), and that dealers typically submit prices so that they can value the CLOs for inventory reporting purposes.

So the question is whether (for relationship reasons) we take some CLOs at an advance rate that is a significant discount to par, as part of a portfolio comprised primarily of GNMA's and other liquid securities. This might satisfy Lehman.

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

From: Fontana, Thomas [CMB-RISK]
Sent: Monday, August 04, 2008 2:14 PM
To: Mauerstein, Michael [CMB-GBKG]
Subject: Re: LBCCA - Citi facility: extension request

I am always there to support your clients....they were mine not all that long ago.

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

From: Mauerstein, Michael [CMB-GBKG]
To: Fontana, Thomas [CMB-RISK]
Sent: Mon Aug 04 13:46:20 2008
Subject: RE: LBCCA - Citi facility: extension request

V-A-C-A-T-I-O-N

I hope that you're this available when we need to discuss Lehman !!

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

From: Fontana, Thomas [CMB-RISK]
Sent: Monday, August 04, 2008 1:46 PM
To: Anemone, Andrew A [CMB-RISK]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Ong, Kathy EI [CMB-GTS]; Torres, Melissa J [CMB-RISK]
Cc: Egan, Paul [CMB-GTS]; Foskett, Christopher M [CMB-GBKG]

Subject: Re: LBCCA - Citi facility: extension request

Pricing on this facility will need to increase ten fold.

Best regards,

Tom

Global Financial Institutions
Risk Management

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Cell: (908) 577-2039
Home: (908) 665-0694

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

From: Anemone, Andrew A [CMB-RISK]
To: Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Ong, Kathy EI [CMB-GTS]; Torres, Melissa J [CMB-RISK]
Cc: Egan, Paul [CMB-GTS]; Foskett, Christopher M [CMB-GBKG]
Sent: Mon Aug 04 11:50:35 2008
Subject: RE: LBCCA - Citi facility: extension request

Lehman's CDS spread had been between 310bps and 380bps over the past two week. I was 310bps on Friday August 1.

Andrew

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

From: Fontana, Thomas [CMB-RISK]
Sent: Monday, August 04, 2008 11:29 AM
To: Mauerstein, Michael [CMB-GBKG]; Ong, Kathy EI [CMB-GTS]; Anemone, Andrew A [CMB-RISK]; Torres, Melissa J [CMB-RISK]
Cc: Egan, Paul [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Foskett, Christopher M [CMB-GBKG]
Subject: Re: LBCCA - Citi facility: extension request

We will NOT extend at current pricing if we have that option. We should review CDS pricing and move our facility much closer to the CDS levels.

Best regards,

Tom

Global Financial Institutions
Risk Management

Office: (212) 816-4986
Cell: (908) 577-2039
Home: (908) 665-0694

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

From: Mauerstein, Michael [CMB-GBKG]
To: Ong, Kathy EI [CMB-GTS]; Anemone, Andrew A [CMB-RISK]; Torres, Melissa J [CMB-RISK]
Cc: Egan, Paul [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Foskett, Christopher M [CMB-GBKG]
Sent: Mon Aug 04 08:53:13 2008
Subject: Re: LBCCA - Citi facility: extension request

We will need to review both the extension and the pricing. Repricing does not need to be referenced in the loan agreement. We have the right to renew at our option, and our option will likely include repricing.

Thank you.

Michael Mauerstein
Managing Director
Financial Institutions - Broker Dealers
388 Greenwich - 24 Floor
212 816-3431

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

From: Ong, Kathy EI [CMB-GTS]
To: Mauerstein, Michael [CMB-GBKG]; Anemone, Andrew A [CMB-RISK]; Torres, Melissa J [CMB-RISK]
Cc: Egan, Paul [CMB-GTS]
Sent: Mon Aug 04 05:34:24 2008
Subject: FW: LBCCA - Citi facility: extension request

Michael, Andrew, Melissa

As you know the two -year HKD revolver we have for Lehman expires on 28 August 2009. This revolver has a built-in extension clause as follows:

"The Borrower may, by delivering an Extension Request to the Lender not more than 10 nor less than 3 Hong Kong Business Days before an anniversary date of the date of this Agreement, request for an extension of the Maturity Date to a date falling 24 months from the date of such anniversary date. The Lender shall have the sole discretion to accept or refuse such request. If the Lender accepts such request by countersigning the Extension Request, the Maturity Date shall be extended to the "Extended Maturity Date" as specified in the Extension Request."

Lehman have informed us they intend to submit such an extension request prior to the anniversary date (i.e. 28 Aug 2008), to extend the loan maturity to 28 Aug 2010.

Redacted for Privilege

Secondly, I forwarded an article today showing that Lehman Brothers violated a securities law in China. I do not know which entity this was, but I will double check with Lehman to confirm this entity was NOT the Borrower LBCCA. If it is indeed the Borrower, under the Agreement - each Obligor makes Repeating Representations before each Subsequent Drawdown or Extension Request, one of which is Clause 20(x) "Compliance with Laws" sub-clause.

Please would you consider the request and let me know what our position will be.

Thanks and regards
Kathy
Tel: +852-2868-8023

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

From: Phang, Aireen [mailto:aireen.phang@lehman.com]
Sent: Friday, August 01, 2008 4:22 PM
To: Ong, Kathy EI [CMB-GTS]
Subject: LBCCA - Citi facility: extension request

Hi Kathy,

Just a heads-up that we will be delivering the attached extension request in a couple weeks as per Schedule 4 of the Agreement. This is per our funding framework to ensure that our facilities have more than a year remaining prior to expiry, we discussed this last year.

<<Citi-LBCCA Extension Request 2008.doc>> May I send the signed version to you directly?

Thanks
Aireen

> Aireen Phang

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