

From: Mauerstein, Michael [CMB-GBKG] [mm09211@imcnam.ssmb.com]
Sent: Tuesday, August 05, 2008 3:49 PM
To: Foskett, Christopher M [CMB-GBKG]; Fontana, Thomas [CMB-RISK]
Cc: Torres, Melissa J [CMB-RISK]; Obermaier, Thomas [CMB-GTS]
Subject: RE: Lehman

Redacted for Privilege

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

From: Foskett, Christopher M [CMB-GBKG]
Sent: Tuesday, August 05, 2008 3:22 PM
To: Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]
Cc: Torres, Melissa J [CMB-RISK]; Obermaier, Thomas [CMB-GTS]
Subject: Re: Lehman

Agree. Why aren't we satisfied with the deposit ?

Sent from my BlackBerry Wireless Handheld

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

From: Fontana, Thomas [CMB-RISK]
To: Mauerstein, Michael [CMB-GBKG]; Fontana, Thomas [CMB-RISK]; Foskett, Christopher M [CMB-GBKG]
Cc: Torres, Melissa J [CMB-RISK]; Obermaier, Thomas [CMB-GTS]
Sent: Tue Aug 05 13:12:57 2008
Subject: Re: Lehman

Thanks for the update. No surprise here. We need to determine just how hard WE want to push the client. At some cost (possible cost of reposing in securities for Lehman) we will simply be putting the relationship into liquidation.

Best regards,

Tom

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Risk Management

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

From: Mauerstein, Michael [CMB-GBKG]
To: Fontana, Thomas [CMB-RISK]; Foskett, Christopher M [CMB-GBKG]
Cc: Torres, Melissa J [CMB-RISK]; Obermaier, Thomas [CMB-GTS]
Sent: Tue Aug 05 09:36:29 2008
Subject: Lehman

Late yesterday I advised Emil that we will not consider taking CLOs unless we can value them and be confident that we can sell them if we need to at levels that cover our advance rate. I shared our desk's view that there are no active secondary market prices for the CLOs they showed us, and that we will not value the CLOs simply based on ratings.

I told Emil that we would need the portfolio details for each CLO, and have our desk agree to value the securities based on the portfolio data.

Emil said he will see if Lehman will release portfolio details, but seemed to doubt that they would.

If the CLOs don't work, Lehman will need to offer other securities. In our discussion last week, Dan Flemming told us that

they repo-out for cash all of the marketable securities in their liquidity pool; and that in order to pledge marketable securities to Citi, Lehman will have to reverse-in securities to deliver to us, and absorb the funding cost (what they would avoid doing if they pledge CLOs). Will follow up on this today.

On the pledge agreement, Lehman should be done today receiving comments from their outside counsel.

Chris and I are scheduled to meet with Paolo Tonucci on Thursday for lunch.