

From: Mauerstein, Michael [CMB-GBKG] [mm09211@imcnam.ssmb.com]
Sent: Wednesday, July 16, 2008 4:31 PM
To: Foskett, Christopher M [CMB-GBKG]
Subject: RE: Lehman Pledge agreement

I can give you a more little color by phone 816-3431 (I came in from vacation).

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

From: Foskett, Christopher M [CMB-GBKG]
Sent: Wednesday, July 16, 2008 4:30 PM
To: Frenzel, Gregory [CMB-RISK]; Obermaier, Thomas [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]
Subject: Re: Lehman Pledge agreement

Not with the finance team. Legal perhaps.

Sent from my BlackBerry Wireless Handheld

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

From: Frenzel, Gregory [CMB-RISK]
To: Foskett, Christopher M [CMB-GBKG]; Obermaier, Thomas [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]
Sent: Wed Jul 16 16:25:26 2008
Subject: RE: Lehman Pledge agreement

I believe Tommy O is talking to them rather frequently as well.

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

From: Foskett, Christopher M [CMB-GBKG]
Sent: Wednesday, July 16, 2008 4:24 PM
To: Evans, Richard CS [CMB-RISK]; Kirchen, Karen [CMB-GCO]; Frenzel, Gregory [CMB-RISK]; Obermaier, Thomas [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Moran, Kyle A [CMB-GCO]
Cc: Dorans, John [CMB-RISK]; Murphy, Anthony [CMB-RISK]; Schwartz, Thomas [GWM-RISK]; Ryan, Patrick [CMB-RISK]; Leach, Brian [CCC]
Subject: Re: Lehman Pledge agreement

For the sake of clarity - the only people who have had direct dialogue with the company on this topic are Tom Fontana, Michael Mauerstein with the Treasure and myself with the CFO.

We will continue to be the point of contact.

Regards
Chris

Sent from my BlackBerry Wireless Handheld

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

From: Evans, Richard CS [CMB-RISK]
To: Kirchen, Karen [CMB-GCO]; Frenzel, Gregory [CMB-RISK]; Obermaier, Thomas [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Moran, Kyle A [CMB-GCO]; Foskett, Christopher M [CMB-GBKG]
Cc: Dorans, John [CMB-RISK]; Murphy, Anthony [CMB-RISK]; Schwartz, Thomas [GWM-RISK]; Ryan, Patrick [CMB-RISK]; Leach, Brian [CCC]
Sent: Wed Jul 16 14:57:37 2008
Subject: RE: Lehman Pledge agreement

Let's curtail the e-mails

I am calling Tony on these matters and will liaise with Tom But one final word. If they don't agree when we need them to, then they will know that we can simply cut the lines! Galante and GTS are very clear about that.

R

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

From: Kirchen, Karen [CMB-GCO]
Sent: 16 July 2008 19:55
To: Evans, Richard CS [CMB-RISK]; Frenzel, Gregory [CMB-RISK]; Obermaier, Thomas [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Moran, Kyle A [CMB-GCO]; Foskett, Christopher M [CMB-GBKG]
Cc: Dorans, John [CMB-RISK]; Murphy, Anthony [CMB-RISK]; Schwartz, Thomas [GWM-RISK]; Ryan, Patrick [CMB-RISK]; Leach, Brian [CCC]
Subject: RE: Lehman Pledge agreement

Redacted for Privilege

Regards, Karen

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

From: Evans, Richard CS [CMB-RISK]
Sent: Wednesday, July 16, 2008 2:14 PM
To: Frenzel, Gregory [CMB-RISK]; Obermaier, Thomas [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Moran, Kyle A [CMB-GCO]; Foskett, Christopher M [CMB-GBKG]
Cc: Dorans, John [CMB-RISK]; Murphy, Anthony [CMB-RISK]; Schwartz, Thomas [GWM-RISK]; Ryan, Patrick [CMB-RISK]; Leach, Brian [CCC]; Kirchen, Karen [CMB-GCO]
Subject: RE: Lehman Pledge agreement

My two pence on this....

We have talked (internally at least - not sure who has said what to Lehman themselves yet) about them having in place a document that is agreed in principle but not yet executed (as that becomes a regulatory disclosure for them) that would secure intra-day exposure if we need it to. The amount is not mentioned. They happen to have 2bn on deposit now. But if we needed to execute, we could and probably should ask for more, either cash and/or securities.

So don't get hung up on the amount now. That should be left open, and Lehman should acknowledge that too. What we need is their agreement to agree the documentation now so that it can be signed at a moment's notice, and not require another 24-48 hours of legal review at a later stage when we don't have that time.

Richard

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

From: Frenzel, Gregory [CMB-RISK]
Sent: 16 July 2008 17:34
To: Obermaier, Thomas [CMB-GTS]; Fontana, Thomas [CMB-RISK]; Mauerstein, Michael [CMB-GBKG]; Moran, Kyle A [CMB-GCO]; Foskett, Christopher M [CMB-GBKG]
Cc: Dorans, John [CMB-RISK]; Murphy, Anthony [CMB-RISK]; Schwartz, Thomas [GWM-RISK]; Ryan, Patrick [CMB-RISK]; Evans, Richard CS [CMB-RISK]; Leach, Brian [CCC]; Kirchen, Karen [CMB-GCO]
Subject: Lehman Pledge agreement

I understand that there has been some back and forth with Lehman on whether they would be willing to pledge at least \$2B of their deposit to cover our cash management lines, but that up until now they have indicated they will not sign a pledge.

If Lehman agrees to pledge \$2B and we've already indicated that is satisfactory, then the matter is probably settled. However, if Lehman continues to reject signing a pledge, it is IRM's view that we should take a more aggressive approach. The analysis that was done indicates that \$2B just covers the average daylight overdraft and that exposure peaked at \$10B.

Obviously if Lehman gets into difficulty, the exposure at that time will be closer to the max than to the average. Lehman is reported to have some \$50B in liquidity, so there shouldn't be a need to have large daylight overdrafts with us. We should either insist on a larger pledge amount and set the intraday lines to that level, or we should reduce the intraday lines to zero and let Lehman use its liquidity to prefund payments.

Let's set a time to discuss.