

From: Moran, Kyle A [CMB-GCO] [km05310@imcnam.ssmb.com]
Sent: Tuesday, July 22, 2008 12:48 AM
To: Obermaier, Thomas [CMB-GTS]; Sahai, Neeraj [CMB-GTS]; Waite, Lee [CMB-GTS]
Cc: Mauerstein, Michael [CMB-GBKG]; Foskett, Christopher M [CMB-GBKG]; Fontana, Thomas [CMB-RISK]; Kirchen, Karen [CMB-GCO]
Subject: Fw: Lehman Brothers

Redacted for Privilege

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

From: Foskett, Christopher M [CMB-GBKG]
To: Mauerstein, Michael [CMB-GBKG]; Fontana, Thomas [CMB-RISK]; Moran, Kyle A [CMB-GCO]
Sent: Mon Jul 21 17:40:02 2008
Subject: Re: Lehman Brothers

We need -

- (1). ICG Risk's thoughts and
- (2). GTS product input

Thx
Regards

Sent from my BlackBerry Wireless Handheld

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

From: Mauerstein, Michael [CMB-GBKG]
To: Foskett, Christopher M [CMB-GBKG]; Fontana, Thomas [CMB-RISK]; Moran, Kyle A [CMB-GCO]
Sent: Mon Jul 21 18:34:42 2008
Subject: Lehman Brothers

I spoke with Paolo Tonucci. I described generally how we moved away from asking for the cash deposit to asking for securities, for reasons including (a) Lehman's preference to move away from cash both for risk and cost reasons, and (b) our interest in having an executed pledge on Treasuries. Paolo wants further clarification:

- that collateral will be only for outstanding clearing exposure, and that the pledge will be effective only when they have outstanding clearing exposure;
- securities pledged will be remote from a Citi insolvency (their issue with the cash deposit);
- the amount of collateral will reflect the lower level of daylight overdraft that they are now using;
- discuss with the Fed.

He said that with clarification, Lehman will move quickly to put a collateral arrangement in place. Paolo also commented that if Lehman doesn't feel protected, they will move their clearing business away from Citi. We need to clarify and speak with Paolo ASAP.