

From: Boyle, Julie [julie.boyle@lehman.com]. Sent: 8/22/2008 11:56 AM.
 To: Birney, Janet [jbirney@lehman.com].
 Cc: .
 Bcc: .
 Subject: RE: HSBC.

Still looking....

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 > _____
 > From: Birney, Janet
 > Sent: Friday, August 22, 2008 11:49 AM
 > To: Boyle, Julie
 > Subject: RE: HSBC
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 > The L/C is a big issue- do we have anyone else that we can tap?
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 > From: Boyle, Julie
 > Sent: Friday, August 22, 2008 11:37 AM
 > To: Birney, Janet
 > Subject: FW: HSBC
 > Importance: High
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 > From: Pellerani, Carlo
 > Sent: Friday, August 22, 2008 6:59 AM
 > To: Tonucci, Paolo; Boyle, Julie
 > Subject: HSBC
 > Importance: High
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 > Spoke at length yesterday and today with HSBC. They are bringing to zero all lines they see as unutilised and work on reducing exposure for the settlement lines. I made the case that a better outcome would be to work together in a measured way to avoid unintended consequences and maybe with some central arrangement. In conclusion this is where we got to:
 > - They agreed that for all emerging markets they would not take any action now (I made the case that in those there is much less of an ability to find alternatives and in some cases is illegal to fail on a settlement)
 > - They agreed to leave unchanged all capital markets trading limits
 > - They have brought to zero a number of lines. I was unsuccessful in convincing them to be measured on these. In all cases they said that the implication would be that there would be no "automatic" coverage but that we would rather discuss each on a case by case basis. They say that they have looked and think that this should have no impact because it is stuff we have not used for a year or so:
 > + Uncommitted lines in Europe. Total of ~\$150m mainly to LBHI UK
 > + Crest unsecured lines: Have left secured on but taken off the £520m unsecured ones (they did this a couple of days ago and our Ops team found out today!)
 > + LBHI \$300m L/C line. They will not renew L/Cs as they come due in September. (we use this for OCC)
 > - They will come back with a request for a deposit they would need to maintain everything else untouched. We agreed to then discuss what type of security LEH could get and what type of collateral we could go down to.
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 > I will speak to Stirling and Dan in a couple of hours about this to make sure no unintended consequences and can manage the impact. I will say that this is HSBC cleaning up their exposures to the wider community.
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 > Carlo

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