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Sent: Friday, May 2, 2008 10:06 PM (GMT)
To: Zera, Rachel [rachel.zera@lehman.com]
Subject: Weekly Highlights

- CLO Settlements - Assisted in the settlement of 2 CLO's that were brought back on balance sheet (Sigma and Spruce).

- Brazil - Several meetings on Brazilian vendors and funding

- OCC - Received agreement from ADP to expedite the transfer of LBSF from the OCC customer calculation to Firm. This should result in an improvement of ~\$600MM improvement in LBI liquidity (and corresponding increase in cash capital requirements).

- Agreed the remaining steps to conclude the review of pledging equities to the OCC.

Chase - Met with Chase to review several issues. Chase has agreed to reduce various triparty, clearance and DOD fees for ~\$3MM per year save.

- Chase has provided a new schedule of collateral haircuts and eligibility that is off market. In addition, Chase has advised several asset classes that they are not willing to accept which is a fundamental change to their clearance and settlement roll of being the lender of last resort.

- Chase has also indicated that they would like to work with us to implement an intraday collateral margin debit to our NFE. Chase agreed to provide a real time credit screen to monitor their NFE and analysis on the potential impact to our NFE.

- Separately had a meeting with Chase on Comet (equity triparty system) and remained stalled by the same intraday credit issues that were in the last meeting. Chase mentioned that they are reviewing potential solutions.

- Agreed to pledge over to Chase excess non-investment grade and non-rated priced collateral to assist with NFE.

Reporting - Infinity - agreed the reporting requirements with Technology and CMPS to detail DOD time outstanding of DVP transactions

- TMS/GFS - provided requirements for an indicative report detailing security and cash value of all the ranges in the TMS chart of accounts.

Margin

- Portfolio Margin - Agreed with Prime Services to adjust LBSF's portfolio margin calculation. The change will result in an ~\$250MM-\$300MM reduction in margin LBSF will need to post to LBI.

- DVP Report - Identified a technology error in a new MTS report that resulted in a ~\$500MM reduction in cash usage of an LBSF/LBI intercompany trade.

Month End Citibank Issues - Citibank, Dublin failed to process 2 payments totaling 660mm EUR on 4/30. To cover the long balance, we swapped out the EUR and flattened our nostro. The payments were due to LBHI UK who was able to cover their short balance through a Money Market investment. Additionally, Citibank debited our AUD nostro in error for AUD 343mm, which caused an o/d of AUD 333mm. Citibank provided a letter to Lehman Brothers for regulatory purposes (to avoid a 15C3-3 lock-up as a result of the o/d)

RISC Migration - This weekend, RISC is migrating a change to include 9 digit reference numbers. CCM will have tested the change during the week with no issues and will test once the change is migrated during the weekend.

Manual Payment Internal Audit - The Control Team is working with the Audit Team this week to provide manual wire samples so that the signatures could be verified by the Internal Audit Team. Next week, they will be testing on our payment systems.

FPS Incoming Test - The Control Team tested a change in FPS (Chase) to accommodate more details on incoming wires for Compliance reasons. There were no issues with our testing and go-live is scheduled for next weekend.

ADP Incoming Commodity Wire Test - As a result of the ADP issue of 4/14, we tested changes to ensure that these incoming wires get posted. There were no issues and go-live is scheduled for next weekend.

ADP Blocked Account Range Test - We tested a change to fix a bug that would not allow postings to a specific account that was outside of a larger range of blocked accounts for other branches. There were no issues and go-live is scheduled for next weekend.

GCCM - Advised that GCCM is now moving toward integrating FPS rather than ADP. This will be a larger effort and will now involve including the F&F team.

- Met on the integration of TLM and provided requirements for CCM team. On a related issue continue to test TLM for C@Banks.