

**From:** Fleming, Dan (TSY) [dfleming@lehman.com]  
**Sent:** Friday, August 1, 2008 7:19 PM (GMT)  
**To:** Birney, Janet [jbirney@lehman.com]  
**Subject:** RE: JPMC

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Take a look and update as you see fit.

Intra-day Margining (US):

(1) JPM provides Leh with secured intraday credit to facilitate the triparty repo business. JPM recently introduced a haircut to the securities collateralizing our secured intraday credit. The haircuts are equal to the investor haircuts on Leh's overnight triparty repo's. The total \$ amount of the haircut is approx. \$5.2 billion based on a triparty repo book of \$194 billion. 80% of the total \$ charge has been implemented with the remainder due to be implemented within the next two weeks.

(2) JPM is seeking to introduce an additional haircut to the securities collateralizing our secured intraday credit, described as a one-day liquidation and price risk margin adjustment. Based on current triparty repo positions, the \$ amount of the haircut is estimated at \$6.2 billion. In lieu of implementing the additional haircut systemically, JPM has reduced our intraday credit position by \$5 billion, requiring us to pledge additional collateral for a like amount.

(3) On Thursday July 31st JPM reduced Leh's unsecured credit availability by \$200mm. The \$200mm was allocated to securities clearance and was included in our intraday credit position.

To mitigate the effects of 1 & 2 we have pledged additional collateral to JPM in the form of CDO's (Leh structures). The amount pledged ranges in value based on financing and structuring activities and is currently valued at \$9 billion as of Aug 1st. In addition, Leh and JPM are actively pursuing solutions to minimize the amount of intraday exposure attributable to the triparty repo business.

Intra-day Margining (LDN):

JPM provides Lehman with unsecured intraday credit to facilitate triparty repo in Europe. JPM is seeking to secure this intraday line and conversations are underway to determine how this will be accomplished.

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> From: Birney, Janet  
> Sent: Thursday, July 31, 2008 6:24 PM  
> To: Fleming, Dan (TSY)  
> Subject: JPMC  
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> Need to add the piece about the collateral.  
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> Paolo-  
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> The purpose of this mail is to consolidate the various actions JPMC

- > has taken regarding our custody and clearing relationship due to the
- > current market environment:
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- > Intra-day Margining: JPMC is looking to hold back 2% of the margin on
- > triparty collateral as a counter debit against NFE. They are doing
- > this in 20% increments and we are currently at 40%.
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- > Box Loans: JPMC has provided a collateral schedule that they will
- > accept for end of day box loans which excludes various asset classes
- > and has haircuts inconsistent with our schedules. JPMC has rejected
- > all aspect's of Lehman's counter proposal. The box loan rate for
- > acceptable collateral has increased to FF+37.5. If Lehman runs out of
- > acceptable collateral JPMC will accept the securities in our box but
- > the rate will be determined by a Credit Officer on a case by case
- > basis.
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- > Interest Income: Due to the FDIC placing additional assessments on
- > banks of 5 basis points JPMC will be reducing the interest rated on
- > the following accounts: Neuberger 15c3-3, LBI Trust account. This will
- > also impact the Earnings Credit we receive on long balances that
- > offset our fees. Please note that although this charge is a pass on
- > they are the first and at this point only bank to impose this.
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- > Interest Expense: To discourage clients from using their balance for
- > funding purposes JPMC has increased there overdraft rate from T-Bill =
- > 3/8 to FF+200 effective August 1st. Please note we have pushed back on
- > this as we do not use O/D as a form of funding which we can prove
- > based on prior history in addition to the fact that this is not in
- > line with our 60 day written notice policy. JPMC to revert.
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