

From: Mandelblatt, Gary [gary.mandelblatt@lehman.com]
Sent: Tuesday, January 15, 2008 10:33 PM (GMT)
To: Kirk, Alex (FID) [akirk@lehman.com]
Cc: Mitrokostas, Paul [pmitroko@lehman.com]
Subject: ALCO Summary & Recommendation

Dear Alex,

At the ALCO meeting it became clear that the liquidity position continues to deteriorate. The Cash Capital Surplus at 1/31 is estimated at \$2.1BB and the Maximum Cumulative Outflow is estimated at \$0BB. At the meeting, Ian told Treasury to go as aggressively as possible to the market to raise funds liquidity because he expects the market to get more difficult.

Ian also made the point several times that the business continues to increase its balance sheet usage but is not selling or syndicating at the same pace putting pressure on funding needs. He said that the business is not appropriately focusing on its balance sheet usage and that Treasury will set and enforce Balance Sheet limits within the next week.

(Note: I pointed out that the business is concerned with its balance sheet limits and that, as Eric Felder discussed last week, the lack of sales and syndication is a function of the tight credit markets, NOT because the business is not focusing on the issue.)

With that as the background, I recommend that we/FID should develop a more robust FID reporting/process around High Grade/High Yield/Real Estate funding requirements. Specifically, there are Treasury reports that we can use as a start and work with Merli/Felder/Orlan/Hughson to monitor where we are on upcoming fundings, estimates of sales/syndications and color on the markets. We can use this to better monitor our balance sheet usage and better communicate with Treasury and the ALCO. I believe that this will be important because you should have more control on Balance Sheet allocation as Balance Sheet/Liquidity becomes our key scarce resource. Once we get the process set, I would also like you to call in to an ALCO (as a P.R. effort) to dispel any notion that the business is not focusing on this topic.

Please let me know what you think.

Sincerely,

Gary