

From: Fuld, Dick [lbexec1@lehman.com]
Sent: Saturday, March 1, 2008 4:22 AM (GMT)
To: O'Meara, Chris M (NY) [comeara@lehman.com]
Subject: Re: Update

Chris
Thanks for the updates. I like that.
Today I heard was a real sh_t show. Never a dull moment.
Just means more ground for us to recapture--at "some" point. Hope its in my lifetime.
Travel safe.
Dick

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

From: O'Meara, Chris M (NY)
To: Fuld, Dick; Gregory, Joe; Callan, Erin; Lowitt, Ian T
Sent: Fri Feb 29 22:06:37 2008
Subject: Update

Peloton - None of the collateral we have was sold today, but we did put Peloton in default formally, and we put a bid list out to Investors requesting bids on Monday before noon. Other firms were marketing some collateral, and we understand that Fortress bought a big chunk of their synthetic longs. We still have a collateral cushion, but the market continues to be very soft.

Thornburg - We received our final payment from them today on a maturing repo, and we have no further exposure to them.

Other mortgage hedge funds will likely come under pressure next week, as Peloton collateral is sold into mkt, and dealers likely continue to widen haircuts.

Muni Market - Spread widening all week. We have had significant MTM losses on all long muni products, both short and long term, including outrights, VRDB, TOB, and traditional auction rate instruments, and we've also lost on the hedges (USTreas), which have rallied in a flight to quality.

Sigma Finance - This is an SIV that is being downgraded by Moody's. We have 100mm of their senior debt on balance sheet, and we are managing for clients about 300mm in various liquidity funds. It will no doubt be priced down by mkt if there is significant selling. We may need to make a decision about supporting our liquidity funds by buying this paper out, but not clear yet whether we will need to do this.

I will be in Asia next week. C

Sent from my BlackBerry Wireless Handheld