

From: Sullivan, Tim [IBD] [tisulliv@lehman.com]
Sent: Wednesday, September 3, 2008 6:46 PM (GMT)
To: McGee III, Hugh E [hmcgee@lehman.com]
Subject: Fw: Times (London): Tokyo Mitsubishi 'interested in buying'
Lehman Brothers

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

From: Jones, Catherine P (NY)
To: Sullivan, Tim [IBD]
Sent: Wed Sep 03 14:00:51 2008
Subject: FW: Times (London): Tokyo Mitsubishi 'interested in buying' Lehman Brothers

Wanted to make sure you saw this.

Catherine P. Jones
Vice President
Media Relations
Lehman Brothers

From: Lane, Mark
Sent: Wednesday, September 03, 2008 1:20 PM
To: Corporate Communications - Global; Freidheim, Scott J; Butler, Shaun K; Kendall, Susan; 'John Pateson'; 'Ruth Pachman'; 'Dawn Dover'; 'Kimberly Kriger'
Subject: Times (London): Tokyo Mitsubishi 'interested in buying' Lehman Brothers

Tokyo Mitsubishi 'interested in buying' Lehman Brothers
By Leo Lewis, The Times (London), September 3, 2008

Japan's biggest megabank, Tokyo Mitsubishi UFJ is poised to enter the bidding for a substantial stake in Lehman Brothers, and may even seek control of the ailing Wall Street titan, according to banking industry sources in Tokyo.

Senior sources close to the Japanese group say that the possible acquisition is being treated as a "once in a lifetime" opportunity but that the notoriously conservative bank will proceed with extreme caution.

Tokyo Mitsubishi, which has ample sources of funding for a multi-billion dollar acquisition, is expected to keep its powder dry until after Lehman announces its third quarter results next week — an event that traders around the world believe could see yet another bout of "kitchen sinking" and another potential dip in Lehman's share price.

Traders believe that, in addition to its ongoing woes, Lehman's results could result in the bank being probed by analysts and investors over activities related to R3 Capital Partners, a hedge fund. The fund, which was established this spring by a former senior executive at Lehman and which has the bank as a "passive, minority investor", has become the focus of rising market concern that it may provide yet more bad news for Lehman.

Lehman has consistently said that all its transactions with R3, as an investor and a seller of assets, are at

arm's length. The bank is understood to have sold perhaps as much as \$4.5 billion (£2.5 billion) of assets to R3 since May. Traders in Tokyo and Hong Kong said that the next few weeks would show whether R3 represents an Achilles heel for Lehman in the way that hedge funds related to Bear Stearns contributed to that firm's downfall.

The head of one Hong Kong-based dealing room told The Times that the results announcement was expected to be the turning point for Lehman. From the point of view of Tokyo Mitsubishi — or any other potential bidders — the period immediately after the results could present the same opportunity that is currently on the table but at a much cheaper price.

If Lehman surprises the market with more bad news or fails to convince that it has a decent capital injection on its way, its shares will fall again and that is when the big Japanese bid will come in, said a source at a large Tokyo brokerage.

The possible emergence of a Japanese-backed capital injection into Lehman comes as the troubled US firm remains locked in negotiations with the state-backed Korea Development Bank over the sale of a possible 25 per cent stake.

Chosun Ilbo, South Korea's largest daily, today reported that HSBC, a trio of US hedge funds and an unnamed Chinese bank may also be eyeing big stakes in Lehman. But a spokesman for HSBC told The Times: "We're not interested in acquiring an investment bank. We're focused on growing in emerging markets, not developing markets." HSBC is not thought to be interested in acquiring any parts of Lehman.