

From: Weiss, Jeffrey L [jweiss@lehman.com].

Sent: 7/17/2008 3:06 PM.

To: McDade, Bart [bmcdade@lehman.com]; McGee III, Hugh E [hmcgee@lehman.com].

Cc: .

Bcc: .

Subject: Fw:.

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

From: Villalon, Antonio

To: Weiss, Jeffrey L

Sent: Thu Jul 17 14:59:37 2008

Subject: Re:

Tried calling you, so left vm.

I explained that these were unusual times and that against a challenging environment the Firm was reacting accordingly on a variety of fronts (de-leveraging, new capital, management changes, liquidity facilities in place, etc). Explained (which he knew very well), that the stock had come under sever attack by HFs and others and that there was a real decoupling between the fundamentals of the Firm and the current market value.

I told him the above had prompted the Firm to explore a variety of strategic options and that one of them involved talking to selective groups very close to Firm about a potential transaction. I explained that on the paper the Firm could explore different structures. I said very few people had the b/s, understanding of the business and global reach to pursue a deal with the Firm (specially if you include the relationship angle).

We reviewd in detail the b/s (resi, commercial, Lbo exposure, etc), revenue run rate, business/geographic mix, management structure, shareholder base, etc. I discussed all the very significant areas of synergies on IB, AM, access to new markets, funding, etc. As mentioned, he is a details kind of person.

He agreed that from a financial point of view, this is probably very compelling. However, he has the following issues / reservations:

- A) In spite of a close and long history with the Firm, he does not feel a very European Firm can really manage a leading Wall Street House.
- B) He is deeply concerned about the US environment and feels that such a significant exposure would make the rating agencies, shareholders and his Board very nervous (specially since he gets a lot of pressure to sell Bank West).
- C) He believes the Lehman culture would suffer under a more rigid structure as is the case at Bnpp.
- D) Doing such a deal would take him out of the game vis-a-vis SG, his preferred deal
- E) Previous precedents (banking and industrial) of European - US combinations have not worked well.

In any event, he understood the merits and the uniqueness of the opportunity. He asked for 24 hours to give me a final answer. We both stressed the confidentiality of the topic and the meeting. He really asked to keep things very quiet as any noise would not be beneficial to anyone.

In summary, a friendly meeting, but unlikely to materialize into something concrete.

AV

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

From: Weiss, Jeffrey L

To: Villalon, Antonio

Sent: Thu Jul 17 19:36:02 2008

Subject:

Well?