

From: Fuld, Dick <lbexec1@lehman.com>
Sent: Tuesday, September 4, 2007 2:04 AM (GMT)
To: Goldfarb, David <dgoldfar@lehman.com>
Subject: Re: CITIC

Got it + so do u

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

From: Goldfarb, David
To: Fuld, Dick
Sent: Mon Sep 03 21:36:48 2007
Subject: Re: CITIC

Absolutely, will and skill always win, and that be us!!!!

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

From: Fuld, Dick
To: Goldfarb, David
Sent: Mon Sep 03 21:26:45 2007
Subject: Re: CITIC

I agree we need some help-but the BRos always wins!!

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

From: Goldfarb, David
To: Fuld, Dick
Sent: Mon Sep 03 21:25:05 2007
Subject: Re: CITIC

I love it, better said then I could have!!! I think Mizuho is the best option for strategic partner. Any potential investor that would consider BS in the same breath as LB should go fungoo themselves!!!

Quarter looks like we talked about few weeks ago- in and around 4,250. Not terrible, not great-but it is what it is.

Ready to rock and roll for rest of year, hopefully Fed will be accomodating and helpful.

DG

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

From: Fuld, Dick
To: Goldfarb, David
Sent: Mon Sep 03 20:45:07 2007
Subject: Re: CITIC

What happened-u didn't like my sumdum spelling??

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

From: Goldfarb, David

To: Fuld, Dick
Sent: Sun Sep 02 17:32:07 2007
Subject: Re: CITIC

Agreed 1000 percent. How do you spell stupidity in Chinese!!!

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

From: Fuld, Dick
To: Goldfarb, David
Sent: Sun Sep 02 17:26:40 2007
Subject: Re: CITIC

Dave

Sounds to me like another non starter. If its just about price + not who is the right partner//then tell them NFI.

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

From: Goldfarb, David
To: Yang, Zhizhong
Cc: Bhattal, Jasjit; Fuld, Dick
Sent: Sun Sep 02 08:42:07 2007
Subject: Re: CITIC

I don't think we can issue convertible now, especially after Countrywide. This will signal a major stress sign (which obviously isn't true and will feed into rumors, etc) and put us in a category of those who needed infusion to help them out of this market mess. Good that they decided to kill request for return investment.

Our salespoint is that we are just a better, more diversified and balanced investment then BS. And we need to develop JV construct for non-Japan Asia, if we think that makes sense (probably excluding India as well). Also we need to explain why direct equity is the only way to partnership with us (assuming you all agree with me) and why convertible doesn't accomplish our objectives of modifying current shareholder base.

Dave

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

From: Yang, Zhizhong
To: Goldfarb, David; Cho, Kunho; Bhattal, Jasjit
Cc: Schiffman, Glenn; Heindl, Walter; Kim, David J
Sent: Sun Sep 02 07:29:14 2007
Subject: CITIC

While in NYC, I believe CITIC Group Vice Chairman/CEO Mr. Chang met with three investment banks: Lehman (Dave), Citigroup (Rubin, and two other senior executives) and Bear Stearns (Chairman/CEO James Cayne).

CITIC Group continues to pursue the idea of investing in an international investment bank. My understanding of the latest developments is that they are willing to give up the idea of having that bank invest in CITIC at the same time. They prefer to invest in a convertible preferred security rather than straight equity to protect their downside, and they want to form a JV with the investee bank to jointly develop businesses in Asia.

CITIC's view is Lehman Brothers is much more established in Asia than BS, and therefore Lehman may not be willing to co-develop businesses in Asia with them. On the other hand, they feel BS may want to do that. They also feel BS is cheaper than LB as measured by price to book.

It is too early to say whether they will eventually make an investment in any bank. I will keep the team posted. If we want to aggressively pursue CITIC, we need to give more thoughts on how we can jointly develop businesses with them in Asia.

Zhizhong