

From: Naegele, Sarah
Sent: Mon, 22 Sep 2008 19:17:33 GMT
To: Azerad, Robert
CC: Wise, Monique; Dawes, Sara; Goldfarb, Deborah
Subject: FW: Please call robert azerad for details. Ian

Hi Robert,

We tried calling earlier and were told you were in meetings at 745. We understand you are incredibly busy and would be happy to discuss this when you're available, particularly:

- 1) What is typical protocol/procedure when transferring funds from Holdings to LBI/LBIE and vice versa? Is this routine? How can we prove this was routine?
- 2) How did the below mentioned transaction deviate from typical procedure, if at all?
- 3) Why/how would the repayment of these payables (as mentioned in your email) trigger a default event for LBI or LBIE?

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> From: Azerad, Robert
> Sent: Sunday, September 21, 2008 3:35 PM
> To: Wise, Monique
> Cc: Lowitt, Ian T; Tonucci, Paolo
> Subject: RE: Please call robert azerad for details. Ian
>
> Monique
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> You can call me at 914-761-1162 to discuss. This deserves a detailed
> explanation but the bottom line is:
> - Both LBI and LBIE were short cash as of Friday 9/12 night and were
> supported by Holdings' liquidity pool. Neither of these payables
> between Holdings and its broker dealers was repaid during the week of
> 9/15. Repayment of these payables would have triggered a default event
> for either LBI or LBIE. But the Federal Reserve and SEC made it very
> clear Sunday that they did not want LBI to default before it could
> unwind its triparty repo obligations (which it did through the sale of
> its inventory to Barclays)
> - Cash was at Holdings and was primarily used to collateralize
> clearing banks against their intraday exposure to Lehman Brothers.
> Because LBHI filed for bankruptcy Sunday night, the cash at Holdings
> was no longer available to provide further support to the broker
> dealers
> - Difference between LBI and LBIE is that the Federal Reserve extended
> the PDCF to a much wider range of asset classes Sunday night - thereby
> providing a backup source of funding to mitigate any loss of repo

> capacity, which was bound to happen once LBHI filed for bankruptcy.
> LBI did use the PDCF during the week of September 8. The FSA / Bank of
> England do not operate such a backup facility, leaving no option to
> LBIE but to file for administration.

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> Robert

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> PS (Paolo/Ian): Feel free to edit

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> From: Wise, Monique
> Sent: Sunday, September 21, 2008 2:31 PM
> To: Azerad, Robert
> Subject: FW: Please call robert azerad for details. Ian

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> Did you find anything more about the \$8 billion? We're getting more
> questions.

>
> -WSJ--

>
> Carrick Mollenkamp

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> - The \$8 billion-now it appears no one in London knew, including the
> CFO. This appears improper.

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> - Lehman Brothers Bankhaus. The assets it parked at the ECB appear to
> have dropped in value. It's possible the ECB will or has issued a
> collateral call to cover that--though it appears Bankhaus has no money
> to cover that. A subissue to Bankhaus are deposits that now will have
> to be covered by the German version of the FDIC.

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> - Clients' monies tied to LBIE or other units now appear gone.

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> From: Lowitt, Ian T
> Sent: Sunday, September 21, 2008 2:12 PM
> To: Wise, Monique
> Subject: Please call robert azerad for details. Ian

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