
From: Rudofker, Beth
Sent: Tuesday, May 27, 2008 11:19 AM
To: Vecchio, Laura M
Subject: LBCSE001645_FW: LEH chatter and david einhorn

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

From: Rudofker, Beth
Sent: Friday, May 23, 2008 3:54 PM
To: 'friedmani@sec.gov'; 'shulers@sec.gov'
Cc: Russo, Thomas A; Wolfe, Bari
Subject: FW: LEH chatter and david einhorn

Stephanie and Israel,

I hope you are well. I phoned you earlier to review and pass on some recent rumor activity and information that is concerning to us:

1. We received the note below from a client with 30 years experience in the industry regarding the "disruptive behavior" of David Einhorn. Hopefully you've seen our quote to the WSJ in response to Einhorn's misrepresentations:

"We will not continue to refute Mr. Einhorn's allegations and accusations. Mr. Einhorn cherry-picks certain specific items from our quarterly filing and takes them out of context and distorts them to relay a false impression of the firm's financial condition which suits him because of his short position in our stock. He also makes allegations that have no basis in fact with the same hope of achieving personal gain."

From: Adam Starr [mailto:astarr@gulfsidemgt.com]
Sent: Friday, May 23, 2008 8:52 AM
To: Callan, Erin
Subject: david einhorn

hello,

my name is adam starr and I am a prime brokerage client of lehman. from time to time my partnership, gulfside partners, lp, has owned lehman stock. I should also note that my daughter is an employee of neuberger berman.

over close to thirty years in the business I have never witnessed more disruptive behavior than that displayed over the past year by david einhorn, william ackman, and others. they have also had valuable support from "shills" in the both the press and the sell side research community. since the spitzer era "reforms" led to a wholesale exodus of experienced sell side analysts the remaining ones have been very easily manipulated by clients, particularly those at large and active hedge funds. in addition, times like these lead to an explosion of boutique firms that specialize in reports with a negative slant (credit sights, gimme credit, portales partners, et al). the same occurred in 2002, 1991, and other periods of market diusruption. I have always believed that if you have to "talk up your positions" there is

something the matter with them to begin with (my clients pay me a fee to take them, why share them with the rest of the world for free?).

I think you are right to stop responding to every allegation. these people deserve no more attention than honest and quiet investors. what is particularly disturbing is that the sec would be very quick to crack down on an investor with a large long position who made public pronouncements that were unrealistic, exaggerated, and refuted by company management. I am surprised that this has not happened to some of the high profile short sellers who use their public profiles to disrupt the markets for personal gain. given their conduct there must be courses of action that would impede or put a halt to this conduct. at times like this the integrity and stability of the markets almost depend it.

I support the more open policy that you and lehman have taken towards the investment community. it is a shame to see it abused by individuals of questionable integrity and motivation.

best,

Adam Starr

2. The rumor in the e-mail below is consistent with what our sales and trading desk heard from multiple clients yesterday. They understand that the rumor of a \$36bln structured loan write-down was being pushed by MS.

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

From: SCOTT COHEN, WACHOVIA CORPORATION <scohen34@bloomberg.net>

Sent: Thu May 22 07:38:07 2008

Subject: LEH chatter

hearing out of london that lehman taking a \$36b write down in the structured loan group...that would be massive!

3. On Wednesday, there was also rumor going around that counterparties do not want to trade with Lehman. The desk was told that the source is Bass Trading.

We appreciate your time in looking into these situations.

Regards,

Beth