

## Timeline – Liquidation Consortium

### Thursday 9/11

- AM. Geithner informs Paulson, Bernanke that FRBNY has outlined plans for inviting a consortium of banks and investment banks to discuss jointly funded support for Lehman. Paulson is asked to participate in such a meeting on Friday by providing introductory remarks and designating a Treasury official to observe the proceedings. [Paulson may have to appear by telephone unless he is willing to cancel the President's Working Group meeting on Friday afternoon.]
- Early PM. Geithner contacts Lewis of B of A to inquire whether their bid for Lehman will be forthcoming, as promised, by the end of the day. Geithner informs Lewis that if B of A's bid is rejected, FR intends to provide the venue for a meeting either Thursday or Friday at which B of A will be joined by other banks and investment banks with the goal of joint funding by this consortium that would result in an orderly wind-down of Lehman without resorting to bankruptcy.
- Late PM. B of A expected to send details on its bid.
  - If rejected by Lehman, FRBNY urges Lehman to make every effort to bring in Barclays, other potential bidders for due diligence.
  - FRBNY informs Lehman of the expected consortium meeting on Friday, conveying the expectation that Lehman will send its CFO and others to FRBNY to address questions on Lehman's businesses and finances that might come from the consortium.
  - FRBNY asks Lehman formally to provide information on any contingency plans, including bankruptcy filings, that Lehman may be preparing.
  - Geithner commences contacts with Lehman board, asking it to designate a primary contact going forward.

### Friday 9/12

- AM. FRBNY staff prepares final list of institutions to be invited into the consortium and hones in on (1) minimum capital contributions expected from consortium and (2) level/type of liquidity to be offered, if necessary, by the Federal Reserve. FRBNY contacts foreign regulators to inquire how they can be reached over the weekend to discuss financial market developments. FRBNY plans weekend meetings of market advisory groups (for example, Foreign Exchange Committee) if prudent.
- AM. Consortium members are invited by telephone to attend the meeting.
- PM. The consortium convenes at FRBNY at or before close of business. Paulson

offers introductory remarks. We invite Lehman financial officials to wait in a nearby conference room to answer questions that the consortium may wish to ask. FR and Treasury attend the meeting as observers and bring Lehman financial officials into the meeting as requested. Meeting may last for hours, and the consortium members may dispatch a team to Lehman for onsite due diligence.

- FRBNY monitors CLS and Citi (which clears for Lehman on CLS) to ascertain whether there are possible problems with Lehman trades at opening of business on Monday in Asia.

### **Saturday 9/14**

- AM. Due diligence at Lehman by consortium continues. Consortium meets as necessary – either at FRBNY or (preferably?) elsewhere. FRBNY staff quietly monitors consortium progress, informs Board staff.
- PM. Consortium is asked to report to Geithner, Bernanke, and Paulson on whether they expect to be able to put together a sustainable plan to recapitalize Lehman by opening of Asian markets on Sunday.
  - If yes, plans commence to draft a statement from the consortium – and perhaps FRBNY and/or Treasury – to be released on Sunday, signaling the consortium’s commitment to the financial markets.
  - If no, FRBNY begins to reach out to regulators in DC and abroad to inform them of potential market disruptions at the opening of business on Monday and/or possible bankruptcy filing by Lehman.
  - If no, FRBNY commences plans to bring in additional staff to monitor markets and prepare/execute contingency plans.

### **Sunday 9/15**

- AM. Consortium reports any continuing progress to Geithner, Bernanke, Paulson. Deadline for a final written consortium plan is Noon. Lehman’s board meets if necessary.
- PM. Statements by Lehman, consortium (and, possibly, FRBNY and Treasury) are released regarding recapitalization of Lehman.
- Consortium makes plans to dispatch consortium representatives to Lehman offices to prepare for market openings in Asia and elsewhere.
- PM. FRBNY monitors market openings in Asia.