

From: Pellerani, Carlo [carlo.pellerani@lehman.com]. Sent: 8/27/2008 3:04 PM.
To: Lowitt, Ian T [ilowitt@lehman.com].
Cc:
Bcc:
Subject: Re: HSBC.

Yes, Julie has given me times, I will confirm with him in the am.

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

From: Lowitt, Ian T
To: Pellerani, Carlo
Sent: Wed Aug 27 19:19:39 2008
Subject: Re: HSBC

Can you let Douglas office know I will call tomorrow. Ian

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

From: Pellerani, Carlo
To: Lowitt, Ian T
Sent: Wed Aug 27 14:18:48 2008
Subject: Re: HSBC

Julie has put a call in to go through tom morning. Thx

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

From: Lowitt, Ian T
To: Pellerani, Carlo
Sent: Wed Aug 27 19:15:37 2008
Subject: Re: HSBC

Let me know. Sounds like they are reacting as if we are ignoring them and their request. Should think through what we can do to lower our need for intraday and how we can work with them on that. Ian

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

From: Pellerani, Carlo
To: Lowitt, Ian T
Sent: Wed Aug 27 14:04:37 2008
Subject: RE: HSBC

Don't know. Paolo spoke to Tory two days ago who said he would and have been trying to get in touch with him today to find out...

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

From: Lowitt, Ian T
Sent: 27 August 2008 19:02
To: Pellerani, Carlo
Subject: Re: HSBC

Did tort call douglas? Ian

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

From: Pellerani, Carlo
To: Lowitt, Ian T

LBEX-AM 008936

Cc: Tonucci, Paolo
 Sent: Wed Aug 27 13:55:31 2008
 Subject: RE: HSBC

In summary HSBC is worried about overall exposure to us, especially intraday to support our settlement activity (in particular in Crest). About 10 days ago they came to see us and expressed very constructively they wanted our help to mitigate and reduce this exposure in a measured way. In the past few days this has turned into unilateral reduction of lines and a much more aggressive tone, culminating today into a \$1bn cash deposit demand by Friday.

It would be great if you could speak to Doug and then we can decide if Jeremy should follow-up.

Thanks

Carlo

The more detailed set of events is:

- 10 days ago Nick Taylor (global head Securities Sector) came to see Paolo. He mentioned that HSBC was concerned with overall exposure to Lehman and would like our help in reducing it. He expressed that they wanted to do this in a measured and constructive way, especially ensuring there was no external repercussion.

- Last Thursday Nick came to see me. We discussed how to do this and agreed that we would review each of the exposures, work together to decide which ones were not needed and conclude which ones were important and potentially work to collateralise them. I specifically asked to be careful because we wanted to make sure we understood fully consequences of what each line was supporting.

- On Friday Guy Bridge (in Nick's team) sent a list of accounts and asked us to come back by Wednesday (today) with our research.

- On Friday our Ops team advised us that HSBC had already brought to 0 unsecured lines at Crest. Speaking later to HSBC I expressed surprise and disappointment as this was not what we had agreed and they said these were not needed. In the past few days we had to ask increases in these lines as we have had operational issues without them.

- Today Guy Bridge said verbally and in writing that they required us to post \$1bn in deposit with them by Friday. The implication was that they were really worried about us surviving the long weekend and that without this deposit they could not support our settlement activity.

- I expressed to Nick disappointment about the turn of events and he apologised about the tone and said they were not intended and sounded more constructive. See attached exchange of mails on this.

<<RE: Collateral to Support Clearing/Settlement Business>>

- As FYI Nick had asked me a couple of months ago if Lehman could participate in their Household Finance committed revolver. I told Nick 20 days ago that we had decided to take the extraordinary step of participating in this with \$25m commitment to cement the relationship. He said this was extremely appreciated at the most senior levels of the organisation. He said last Friday that on the back of the recent events they will be looking at letting us drop out of this commitment.

From: Lowitt, Ian T
 Sent: 27 August 2008 16:21
 To: Pellerani, Carlo
 Subject: RE: HSBC

Not yet. Has Tory spoken to him. Lets have a briefing call and then I will follow up with Douglas. Ian

From: Pellerani, Carlo
 Sent: Wednesday, August 27, 2008 11:14 AM
 To: Lowitt, Ian T; Tonucci, Paolo
 Subject: RE: HSBC

Ian, did you ever speak to Flint? Thx

LBEX-AM 008937

From: Pellerani, Carlo
Sent: 22 August 2008 15:02
To: Lowitt, Ian T; Tonucci, Paolo
Cc: Isaacs, Jeremy
Subject: HSBC

Spoke to Jeremy, he thinks you Ian should call Doug Flint first and after that if needed he can call either CEO or Chairman. Also suggested we are clear on what we want from them. I suggest:

- Explanation of what is it that they are trying to achieve (mitigate temporarily, efficiency, or exit of relationship)
- Work with us to identify impact of any line they want to cut before cutting them
- Clearly differentiate between unsecured lines and settlement lines
- Overall give us more time

Carlo

LBEX-AM 008938