

METWEST

To: MetWest Clients
From: Metropolitan West Asset Management
Date: September 15, 2008
Re: Lehman Bros. Chapter 11 Filing

Early this morning Lehman Bros. Holdings filed for Chapter 11 bankruptcy protection, after talks to sell the firm to Bank of America and Barclays PLC broke down over the weekend. Subsidiaries of Lehman Bros. Holdings, including the Lehman Bros. broker-dealer, investment manager Neuberger Berman and Lehman Bros. Bank were not included in the Chapter 11 filing.

With this event, Lehman Bros. is probably the largest financial institution ever to fail with over \$600 billion in total assets and \$160 billion of public debt outstanding, including an estimated \$3 to \$4 billion in commercial paper. As of Friday, the major rating agencies still maintained a single-A credit rating on Lehman Bros. The surprise filing, coming just a week after the U.S. Treasury placed housing government sponsored enterprises Fannie Mae and Freddie Mac into conservatorship, has roiled the financial markets.

The apparent decision of the Federal government not to intervene in a would-be rescue of Lehman Bros. marks a significant policy shift or at least a major clarification that not all financial institutions are too big to fail. This will have meaningful consequences on the future of the financial services marketplace, as many other entities face challenges similar to those that have ensnared Lehman Bros.

Like many investors and financial institutions, MetWest maintains modest exposure in client portfolios and mutual funds to Lehman Bros. We plan further and frequent communications with our clients on a timely basis to more fully explain the impact and the ramifications for portfolio strategy on a go-forward basis.

MetWest offers fixed income investment management services for institutions, financial advisors and individual mutual fund investors.

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Additional Information can be provided upon request.

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