

From: Azerad, Robert [RAzerad@lehman.com]

Sent 6/26/2008 8:08 PM.

To: Tonucci, Paolo [paolo.tonucci@lehman.com]

Cc:

Bcc:

Subject: Re: \$188 billion tri-party repo book

It is essentially a zero sum game. We have about 35 bn of Treasuries and Agencies in the liquidity. Question is whether these securities are our own (inventory) or borrowed (reverse repos). We assume that they were our own first (which means that we boxed the whole inventory and have to borrow the rest). We could have made the other choice.

Robert

Robert Azerad

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Sent from my Blackberry

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

From: Tonucci, Paolo

To: Azerad, Robert

Sent: Thu Jun 26 19:56:30 2008

Subject: Re: \$188 billion tri-party repo book

Robert,

no urgency but would be good if you could talk me through the way you are thinking of the liquidity pool in this analysis. The rest makes sense.

Paolo

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

From: Azerad, Robert

To: Luglio, Thomas

Cc: Dauhajre, Munir; Tonucci, Paolo; Veksler, Irina

Sent: Thu Jun 26 15:54:34 2008

Subject: \$188 billion tri-party repo book

Tom

Here is one way of thinking about the tri-party repo book. Let me know if it works for you.

Firm's Inventory excluding derivatives: \$221 billion as of 5/31 (this is not public yet; it will be disclosed in our 10-Q; rest of the breakout is not public with the exception of non-recourse financing)

* \$118 billion funded with cash capital (haircuts+boxed positions (loans, private equity, etc.))

* \$28 billion included in Firm's liquidity pool of \$45 billion (balance is cash and reverse repos of Treasuries and Agencies)

* \$8 billion of non-recourse financing (for Real Estate Held For Sale)

* \$67 billion of tri-party repo

Tri-party repo book of \$188 billion

* \$83 billion of Government and Agency

* \$12 billion in Firm's liquidity pool

* \$71 billion of matched book/client financing

* \$105 billion of non-traditional repos

* \$67 billion funding Firm's inventory - see above

* \$38 billion funding client collateral

Robert