

**From:** Tonucci, Paolo [paolo.tonucci@lehman.com]  
**Sent:** Monday, August 20, 2007 10:32 PM (GMT)  
**To:** Umezaki, Kentaro [kumezaki@lehman.com]; Kirk, Alex (FID) [akirk@lehman.com]; O'Meara, Chris M (NY) [comeara@lehman.com]  
**Cc:** Lowitt, Ian T [ilowitt@lehman.com]; Reilly, Gerard [greilly@lehman.com]; Merli, James [jmerli@lehman.com]  
**Subject:** RE: ALCO on Monday

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Dresdner is on track to close this week. Mike Weaver is aware of all the open issues and is dealing with the lawyers.

Responded to Nomura with trade to print but they have not concluded yet. Accounting is resolved so just matter of agreeing price.

Met with large group around secured funding structure (organised by Chris Wait) and they are coming up with the full list of names to check. Erin Callen, SRM, pensions and insurance teams all included and had good suggestions. It is being collated for review by Chris's team.

Paolo

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

From: Umezaki, Kentaro  
Sent: 20 August 2007 12:21  
To: Tonucci, Paolo; Kirk, Alex (FID); O'Meara, Chris M (NY)  
Cc: Lowitt, Ian T; Reilly, Gerard; Merli, James  
Subject: Re: ALCO on Monday

Please let me know where we are at the end of today. Ken

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

From: Tonucci, Paolo  
To: Kirk, Alex (FID); O'Meara, Chris M (NY); Umezaki, Kentaro  
Cc: Lowitt, Ian T; Reilly, Gerard; Merli, James  
Sent: Mon Aug 20 09:46:08 2007  
Subject: RE: ALCO on Monday

We are able to get accrual accounting on this - will not be MTM, so no immediate P&L problem if spreads tighten.

Paolo

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From: Kirk, Alex (FID)  
Sent: 20 August 2007 09:34  
To: Tonucci, Paolo; O'Meara, Chris M (NY); Umezaki, Kentaro  
Cc: Lowitt, Ian T; Reilly, Gerard; Merli, James  
Subject: RE: ALCO on Monday

Jim and I are working on disclosure we are waiting to hear back from treasury on accounting before we proceed any further with Nomura

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From: Tonucci, Paolo  
Sent: Monday, August 20, 2007 9:28 AM  
To: O'Meara, Chris M (NY); Umezaki, Kentaro  
Cc: Kirk, Alex (FID); Lowitt, Ian T; Reilly, Gerard  
Subject: RE: ALCO on Monday

On the Nomura trade we had a long discussion with Jim on the best way to proceed. The issue is twofold:

- cost
- transparency / signal to the market

If we did this on the proposed terms we get \$500 mm for 2 years at reasonable levels. The issue is that the back end could cost us 50 bps running (assuming we return to 2001 spreads, and more if we get to tighter spreads), as well as the cost of the call on the swap.

The bond may need to be accounted for MTM, so could be looking at a \$50 mm hit. We can see if that is avoidable, but the economic cost is still 5 pts even if accounted for on an accrual basis.

The suggestion was see if we can bring down the back end coupon, and shorten the term of the back end.

Paolo

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From: Umezaki, Kentaro  
Sent: Friday, August 17, 2007 4:54 PM  
To: O'Meara, Chris M (NY); Tonucci, Paolo  
Cc: Kirk, Alex (FID); Lowitt, Ian T; Reilly, Gerard  
Subject: ALCO on Monday

I am out on Monday so I will miss the call. I will be back Tuesday.

If there are any FIDwide things you need me to focus on, feel free to email or call me. Alex will be in on Monday as well.

My cell is 646-541-6126.

Also, as an FYI: John Feraca is working on Repo 105 for our IG mortgage and real estate assets to reduce our Q3 balance sheet. We've agreed we'd regroup on Tuesday to see to what extent we can utilize that facility for Qend. He will test the waters a bit on Monday in London with one counterparty. Unclear if it will work or not yet.

Would be curious where you 2 ended up on the Nomura inquiry.

Have a good weekend.

Ken