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Subject: Balance Sheet forecast for FID

The net Balance Sheet forecast for FID for November 30 has increased to $232.6 Bio from a previous forecast of $227 Bio. This is $12.6 Bio above the limit of $220 Bio. The limit of $220 Bio equates to a leverage ratio of 16 which is the current firm target. I believe that Equities will be 3 Bio below their target which means that if we stay at 232.6 we will be at a leverage of 16.5. Based on my conversation with Paolo we need to go down to $225 Bio in order for the ratio to be back to target.

The current overage is split between US $5.7 Bio of which Securitized Product is $ 5.3 Bio, Europe is $4.5 Bio and Asia $2.4 Bio.

We are looking at what we could save on FAS 140 consolidation in Securitized Products in the US as the projected gross up is forecasted at $ 7.5. To do that we need to sell some of our Residuals position. We will let you know how much we can save.

In addition we need to start reducing some of our positions in Liquid Markets on Gvt. In Europe we have 13.6 Bio of gvt cash bonds of which 6.6 Bio are in the derivative book. We also have $6.8 of JGB's in Asia. In the US we believe that most of our Agency position will be out through 105 transactions and most our Treasuries will be taken down so not much to gain there.Let me know what is the best way to start this process.

Andy/Alex any views on what assets we could sell in the Credit world in Europe and in the US.