

From: Goodman, Jeffrey [jeffrey.goodman@lehman.com]
Sent: Thursday, September 18, 2008 10:48 PM (GMT)
To: O'Meara, Chris M (NY) [comeara@lehman.com]; Reilly, Gerard [greilly@lehman.com]; Bernard, Clement [clement.bernard@lehman.com]; Kimmel, Scott [scott.kimmel@lehman.com]
Subject: Mortgage Assets pricing question

fyi

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

From: Spero, Charles
Sent: Thursday, September 18, 2008 6:28 PM
To: Gelband, Michael; Felder, Eric; Haseruck, Dirk
Cc: Guarino, James; Goodman, Jeffrey; Keating, Kieron; Malhotra, Rajat; Belitz, Gary L; Sapia, Joseph
Subject: RE: Mortgage Assets question

I think they categorized mortgage as all abs, cdo, private label, etc. They view the bulk/liquidity discount as roughly 1.5bln on that half of the total book

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

From: Gelband, Michael
Sent: Thursday, September 18, 2008 6:21 PM
To: Felder, Eric; Haseruck, Dirk
Cc: Spero, Charles; Guarino, James; Goodman, Jeffrey; Keating, Kieron; Malhotra, Rajat; Belitz, Gary L; Sapia, Joseph
Subject: RE: Mortgage Assets question

I thought they were buying only 50% of the mortgages and hence the difference.

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

From: Haseruck, Dirk
To: Felder, Eric
Cc: Spero, Charles; Guarino, James; Goodman, Jeffrey; Keating, Kieron; Malhotra, Rajat; Belitz, Gary L; Sapia, Joseph
Sent: Thu Sep 18 18:14:51 2008
Subject: Mortgage Assets question

Eric,

I'm being told that the purchase price for the mortgage inventory selected by Barclays is about \$1.6B. The current MV for that population is about \$3.3B. I'm told the difference is attributable to a liquidity discount of about 10 points across the inventory. Do those numbers sound correct, in particular the 1.6B purchase price?

The 10 points would imply about a 50% discount on the subs, so that makes sense, but for the senior bonds, 10 points seems too little to bridge the gap between current MV and purchase price.

Is that price final, and is it 1.6B? If so, do we have the option to reduce the basket of positions or does it imply marking the senior bonds down more than 10 points? Will these material write-downs not raise issues in bankruptcy court?

Hope I'm not asking questions already answered. Thanks in advance for

clarification.