

From: Burke, Terry <tpburke@lehman.com>
Sent: Tuesday, March 4, 2008 10:38 AM (GMT)
To: Jawad, Anthony C <ajawad@lehman.com>
Cc: Su, Jeffrey <jeffrey.su@lehman.com>; Leonardelli, Andrea <andrea.leonardelli@lehman.com>; Burke, William T <wburke@lehman.com>; Burke, Terry <tpburke@lehman.com>; Stucchio, Anthony <astucchi@lehman.com>; Cheung, Irene <irene.cheung@lehman.com>; Wu, Richard <rwu@lehman.com>; Lerner, Damon <dalerner@lehman.com>; Fleming, Dan (TSY) <dfleming@lehman.com>; Jones, Craig L <cljones@lehman.com>; Jackson, Marcus <majackso@lehman.com>; Bowen, Gareth <gbowen@lehman.com>; Rajani, Mehul <mehul.rajani@lehman.com>; Tidey, Andrew <andrew.tidey@lehman.com>; Sidebottom, Mark <mark.sidebottom@lehman.com>
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

Anthony,

Please confirm that the correcting trades will be booked today with effective date Feb 29th. Can you send the Trade IDs so that we can make topside adjustments for the quarter end accounts?

Mehul,

Please liaise with LBI NY to ensure that the adjustment is correctly booked on both sides.

Rgds,

Terry

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

From: Jawad, Anthony C
Sent: Tuesday, March 04, 2008 8:57 AM
To: Burke, Terry
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

correct

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

From: Burke, Terry
Sent: Tuesday, March 04, 2008 8:52 AM
To: Jawad, Anthony C
Cc: Bowen, Gareth
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

As per our discussion, what should have happened Friday for the Bunds in Jon Hoffman's ledger was;

Reverse in 950
Repo out 1160

Are we in agreement?

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

From: Jawad, Anthony C

Sent: Monday, March 03, 2008 7:18 PM
To: Burke, Terry
Subject: Re: Ledger Transfers for LBI/LBIE for td 2/29

What has changed is that LBIE has done repo 105 for the whole 1.16bn but jon only has 210mm left unfunded. We needed to do the 105 for the whole amount because the firm has no net balance sheet. Now as the 105 was done out of LBIE and for some reason the mechanism doesn't work with Jon's ledger we need to think laterally. Jon has to pay the cost of the 105 because it is his net. If we sell him 950mm he will be long 1.16bn (his 210 plus 950). If we then reverse 1.16bn he will be flat. This is the only way to do it because of the way his ledgers work. Thanks

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

From: Burke, Terry
To: Jawad, Anthony C
Cc: Bowen, Gareth
Sent: Mon Mar 03 18:52:52 2008
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

I'm not sure that this will help us as we will still have a big interco balance with LBI. At COB Thursday everything was OK with the 1.16bn repoed out via LBIE. What has changed? LBIE are still repoing the stuff out but as Repo 105. The transactions booked in Inc on Friday effectively reversed the original funding arrangements but didn't replace them with anything. In order to straighten this out we would need a repo of 1.16bn in LBI with LBIE.

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

From: Jawad, Anthony C
Sent: Monday, March 03, 2008 5:57 PM
To: Burke, Terry
Subject: Re: Ledger Transfers for LBI/LBIE for td 2/29

The only other thing I can suggest is that we do the following repo 950mm to jon and reverse 1160mm from him. However whenever I do 105 for ledgers based in ny we never have to do a ledger transfer for the 105 part, the true sale is recognised and the long cash account debited. If so you would need to speak to fidfinancing@lehman.com and ask them to amend todays RE to 950mm and todays RR to 1160mm and change rate on RR to 4.02. Thanks

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

From: Burke, Terry
To: Jawad, Anthony C
Cc: Bowen, Gareth; Nazimowitz, Lawrence D; Su, Jeffrey; Leonardelli, Andrea; Burke, William T; Burke, Terry; Stucchio, Anthony; Cheung, Irene; Wu, Richard; Lerner, Damon; Fleming, Dan (TSY); Jones, Craig L
Sent: Mon Mar 03 17:33:19 2008
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

Anthony,

What seems to have happened is that the original financing transactions on account 073049D7 since December have been negated by the trades booked on Friday, leaving a large interco balance between LBI and LBIE. I'm having difficulty understanding the rest of the scenario. Do you have trade references for all the relevant trades?

From: Jawad, Anthony C
Sent: Monday, March 03, 2008 5:01 PM
To: Bowen, Gareth; Nazimowitz, Lawrence D
Cc: Su, Jeffrey; Leonardelli, Andrea; Burke, William T; Burke, Terry; Stucchio, Anthony; Cheung, Irene; Wu, Richard; Lerner, Damon; Fleming, Dan (TSY); Jones, Craig L
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

Just to clarify for all parties what happened

- 1) Jerry Rizzieri in NY told me to 105 the position on the 28th
- 2) Jon had 1.16bn of the DBR 7/12 of which he had funded 950mm for term with both myself and Deutsche Bank
- 3) The effect of REPO 105ing the position leaves him with a short position of 950mm
- 4) I spoke to Andrea Leonardelli on Friday and she still wanted me to do a ledger transfer for the 210mm. This means I had to do reverse of 210mm and then a repo to Jon of 1160MM, the 950mm plus the 210mm which he didn't have anymore
- 5) This position does not roll off until the 7th March
- 6) I tried to call Lawrence to discuss this, but he wasn't there, if you need to contact me my blackberry number is 07824 461058

Thanks

From: Bowen, Gareth
Sent: Monday, March 03, 2008 4:52 PM
To: Nazimowitz, Lawrence D; Jawad, Anthony C
Cc: Su, Jeffrey; Leonardelli, Andrea; Burke, William T; Burke, Terry; Stucchio, Anthony; Cheung, Irene; Wu, Richard; Lerner, Damon; Fleming, Dan (TSY); Jones, Craig L
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

This is going to have a very significant impact on LBIE's capital adequacy ratio if the booking in the system are real - we need chapter and verse on what happened and why so we can confirm whether the balance sheet represents what it should.

Terry - can you work through with the various parties to get to the bottom of this.

Regards

Gareth

From: Nazimowitz, Lawrence D
Sent: Monday, March 03, 2008 4:45 PM
To: Jawad, Anthony C
Cc: Su, Jeffrey; Leonardelli, Andrea; Burke, William T; Burke, Terry; Stucchio, Anthony; Bowen, Gareth; Cheung, Irene; Wu, Richard; Lerner, Damon; Fleming, Dan (TSY); Jones, Craig L
Subject: FW: Ledger Transfers for LBI/LBIE for td 2/29
Importance: High

Anthony,

Just wanted to clarify the Repo 105 over quarter end as it has a large impact on LBI's intercompany with LBIE:

* Just to verify, the Repo 105 was booked as a Repo from LBIE to LBI, effectively cancelling the \$950mm matched book to book financing (Ledger 0730049D) between LBI and LBIE on the DBR 7/12 trade. This leaves the entire 1,160 long inventory trade with no intercompany financing.

* Has the Repo 105 trade been cancelled after quarter end (i.e. T/D 3/3) and the \$950mm of matched book to book financing put back on between LBI and LBIE.

* Is the 950mm real world (street) financing on the 7/12 inventory long still on for quarter end ? Andrea mentioned part of the street financing was with Deutsche Bank and part you financed, terming 3/10.

* Just to understand the Repo 105, which group gave the "orders from above" just so I can explain further to our Finance Mgmt (Tony Stucchio).

If you have a few minutes, it would be very helpful to have a quick call so we are collectively on the same page.

Thanks,
Larry

From: Jawad, Anthony C
Sent: Friday, February 29, 2008 11:00 AM
To: Leonardelli, Andrea
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

Yes, but the firm has a function called repo 105 whereby you can repo a position for a week and it is regarded as a true sale to get rid of net balance sheet. I was made to sell all Jon's DBR 7/12. Thus he is short 950mm because he has already lent me 950mm. This was orders from above and so the 950mm he has already lent me becomes a short for a week

From: Leonardelli, Andrea
Sent: Friday, February 29, 2008 3:58 PM
To: Jawad, Anthony C
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

Sorry, I am a bit confused. When you say made to repo 105 the whole positions what do you mean?

Are you saying there is a new trade?

Right now I see on 7/12:

Long 1,160 (Cash ledger 73-0049C)
Repo 950 (Repo ledger 730049D)

Long 210

Thank you very much.

From: Jawad, Anthony C
Sent: Friday, February 29, 2008 10:44 AM
To: Leonardelli, Andrea
Subject: RE: Ledger Transfers for LBI/LBIE for td 2/29

I will do them but I believe the positions are wrong. Jon is long 210mm 7/12 + 950mm that he has lent me for term. We were made to repo 105 the whole position which means that he is now short 950mm of the 7/12.

From: Leonardelli, Andrea
Sent: Friday, February 29, 2008 3:17 PM
To: Jawad, Anthony C
Cc: Wu, Richard; Konheim, Seth L; Blum, Brian; Su, Jeffrey; Logan, Donahue
Subject: Ledger Transfers for LBI/LBIE for td 2/29

Jock,

Can you kindly book the below Ledger Transfer for trade date 2/29?

Jon is Long 210 DBR 5% jul12s (needs to repo)
Jon is short 420mm DBR 4 jul16s (needs to reverse repo)

John financing ledger = 730049D

Thank you very much for your help and time, Andrea