

From: Umezaki, Kentaro <kumezaki@lehman.com>
Sent: Thursday, July 12, 2007 5:50 PM (GMT)
To: Eickbush, Gregory <gregory.eickbush@lehman.com>
Subject: Re: Q2 Balance Sheet Limit Charges/Gains

We will not change for q2. Definitely room for improvement going forward. I'm not popular on this one.

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

From: Eickbush, Gregory
To: Umezaki, Kentaro
Cc: Amin, Kaushik
Sent: Thu Jul 12 13:37:32 2007
Subject: RE: Q2 Balance Sheet Limit Charges/Gains

Ken,

I think your methodology has a serious flaw. Kaushik's world was only 154k above the target set, yet we have to pay \$2.5mm? You are completely encouraging anyone who runs a global business not to cooperate with each other. Under your plan, the US can be long 1 bln and EUR under by 1 bln with a net flat position, but we will still be paying, as a business, \$1.25mm.

The business operates globally, therefore, we should be allowed to net our balance sheet globally before charges. We need to have something that makes business sense.

Greg

From: Umezaki, Kentaro
Sent: Tuesday, July 10, 2007 9:04 AM
To: Amin, Kaushik; Sherr, David; Kirk, Alex (FID); Walsh, Mark; Hughson, Paul A; Killian, Gary M; Morton, Andrew J; Lee, Hyung S
Cc: Cosaitis, Mark; Eickbush, Gregory; Keating, Kieron; Mitrokostas, Paul; Archer, Mary Pat; Singh, James; Nagioff, Roger; Skolnick, Fred; Stabenow, Sigrid M; Reilly, Gerard
Subject: Q2 Balance Sheet Limit Charges/Gains

All:

We will flow the following numbers thru P+L this week by pod by region.

After discussing with Roger, we have decided to charge/credit 1/2 the amount (ie \$2.5MM/billion charge/\$1.25mm/billion gain). We will have a similar exercise for Q3 in August. Details to follow.

Thanks for all your teams' efforts. Feel free to contact me with any questions.

Ken

<< File: Final BS_May vs Targets (2) (2).xls >>