

From: Fuld, Dick <lbexec1@lehman.com>
Sent: Tuesday, March 6, 2007 9:02 PM (GMT)
To: Gelband, Michael <mgelband@lehman.com>
Subject: Re: Stan View

Thanks for the update-lets talk tonite-i am out now.

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

From: Gelband, Michael
To: Fuld, Dick
Cc: Gelband, Michael
Sent: Tue Mar 06 15:30:03 2007
Subject: FW: Stan View

Dick, I sent you Louis' comments yesterday and Druckenmiller's is similar. Paul Tudor Jones and Kovner are close as well. Same theme with slight variations. This is not the 'B' team. I heard your view at the risk meeting that and odds are in your favor but risk/reward is not good here so I'm trying to get out of as much illiquid risk as possible. Willing to spend some dough to do it but buyers are on the sidelines for this stuff across the board. Everyone has sold the easiest and only things to sell which is the liquid stuff and so that stuff will be pretty volatile while the underlying won't follow. It follows it down but not back up so the spreads have become negatively convex. The trade to do is opposite from pack which is buy liquid and sell illiquid but that is hard to do. We are doing it synthetically where we can but not available in meaningful size. That is the strategy at the moment that all my managers are following. I need to have them be in a position to be able to operate and capitalize if we go through a period of stress. I want to keep you posted and will obviously change the strategy if you have a different view. Regards, Mike

From: Rizzieri, Jerry (NY)
Sent: Tuesday, March 06, 2007 2:38 PM
To: Amin, Kaushik; Gelband, Michael; Michaels, Jeff; Felder, Eric
Subject: Stan View

Stan believes market may have a few days respite before testing lows in equities. However believes that equities are significantly undervalued versus credit and may reach new highs over the coming months. Very concerned about the economy. Is afraid that Fed academics are missing the boat and will not see the turn in the economy - they are too focused on inflation. It is the major risk to his equity view. Believes we may have an economy decelerating (claims, trucking, cap spending) at a time when Fed is married to status quo funds rate. Like Gelband, believes that investors and dealers are long illiquid assets. Is concerned that longer term principal investing has become bigger part of market - even for those who grew up in liquid markets. Cites Wall Street firms (which used to be liquidity providers and are now competing with buy side) and hedge funds such as PTJ as examples. Believes that sub prime story is a bit played out. However did wonder if a New Century filing might be the catalyst for one more risk reduction trade. Does not believe Yen carry trade is a driver in market - does not know any large hedge fund that has it on. Last week was not a good one (lost \$400mm in equity sell off last week versus making about \$20mm in his credit shorts). Is currently long 2 yr notes, short hi yield and still a bit long equities. Is very interested in anything related to credit and foreign flows.