

**From:** Reilly, Gerard <greilly@lehman.com>  
**Sent:** Saturday, August 18, 2007 4:31 PM (GMT)  
**To:** McGarvey, Michael <mmcgarve@lehman.com>; Feraca, John <joferaca@lehman.com>  
**Cc:** Stabenow, Sigrid M <sstaben@lehman.com>; Umezaki, Kentaro <komezaki@lehman.com>  
**Subject:** Re: Repo 105

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John,

Thought this was worth a shot but  
If this is going to send the wrong message we can drop it. Would commercials be easier or are they all in the same boat?

Gerry

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----- Original Message -----  
From: McGarvey, Michael  
To: Reilly, Gerard  
Cc: Stabenow, Sigrid M  
Sent: Fri Aug 17 19:06:16 2007  
Subject: FW: Repo 105

Gerry,

There was call this morning John Feraca on getting Mortgages out on 105. London is going to show some examples of fixed AAA non-agency mortgages to Mizhou (who we have a good relationship with) to see if they would be open to taking them. Based on Mizhou's reaction we are going to meet again Monday to determine who much we can do. John did express a few concern's (which he communicated to Ken this afternoon):

-John feels client appetite for even AAA mortgages will be very limited or even non-existent. He was also very concerned about sending the wrong signal to the market

-Our current repo 105/108 counterparties have been reluctant to even commit to term liquidity on treasuries and agencies shifting to overnights. Getting clients to accept new types of collateral like private label securities will be extremely difficult as there has been serious pushback from clients on lesser collateral like corporates

Last quarter end the firm had 31.2bn in 105/108 benefit (FID- 23.1bn/Equities- 8.1bn). Based on our daily run rate and the 80/120 rule we are looking at roughly the same level for this quarter end (our daily average has slipping 5bn from last week due to liquidity issues). John asked if the firm has target for 105/108 as it would be much easier to work towards?

Thanks,  
Mike

<<REPO 105-108 TREND.xls>>

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From: McGarvey, Michael  
Sent: Friday, August 17, 2007 3:36 PM  
To: Umezaki, Kentaro  
Cc: Stabenow, Sigrid M  
Subject: Repo 105

Ken,

Sigrid asked me to provide some color our Repo 105 program. Please let me know if you have any questions.

- \* For May month end FID sent out 23.1bn and Equities sent out 8.1bn for a total firm benefit of 31.2bn
- \* The guide line for month end usage of repo 105 is that it should not exceed 120% of your daily average (it must be a regular way a business is funded to be acceptable from an accounting perspective). So far in August we have been averaging 25bn total firm/17.6 for Fid in daily 105 balance. In speaking to John Feraca client appetite has been very limited for these trades in the past few weeks so our average has been slipping

August trend 80%/120% Guideline

<<REPO 105-108 TREND.xls>> <<RE: Repo 105 / 108 Q3>>

- \* Gilts, European government bonds, high grade corporates, treasuries and US Agency Debentures make up the vast majority of the collateral used. Basically it has to be highly rated and liquid

- \* We have put mortgage pass thru's out on 105 in the past but that would not lower the GAAP mortgage balance sheet because anything issued by a GSE is classified on the financials as a government.

Thanks,  
Mike