

From: Beldner, Brett <brett.beldner@lehman.com>
Sent: Friday, August 17, 2007 2:56 PM (GMT)
To: Stewart, Marie <marie.stewart@lehman.com>
Cc: Giblin, Simon <sgiblin@lehman.com>; Wiener, Todd <todd.wiener@lehman.com>
Subject: Re: Accounting policy question--Windy XI tracnehs and Repo 105

I agree

FYI - I am also convinced that E and Y will say it doesn't work. I view it similar to the analysis they had on forward starting derivatives in Qs. (The Resi desk had asked us if we had derivatives in Qs that did not start for a year and we intended to sell any interests that we retained prior to the derivative cash flowing, did this violate QSPE treatment). Their response was if we owned a BI whose fair value was influenced by the derivative, then we failed FAS 140.40 whether or not the derivative was currently cash flowing. I view this similarly which is we have an economic interest (forward at fixed price) which receives the benefit of the fv of the derivative.

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

From: Stewart, Marie
To: Beldner, Brett
Cc: Giblin, Simon; Wiener, Todd
Sent: Fri Aug 17 10:28:50 2007
Subject: FW: Accounting policy question--Windy XI tracnehs and Repo 105

FYI that Ed told me yesterday it was his idea that we use Repo 105 to achieve this outcome. I'm inclined to tell Ed that even though Repo 105 is off; what it really is is a sale with a forward to repurchase so I'm not warm and fuzzy about using it to get entire deals off b/sheet and he should discuss with E&Y. Where's your head on this?

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

From: Stewart, Marie
Sent: Friday, August 17, 2007 10:26 AM
To: Cosaitis, Mark
Cc: Grieb, Edward; Giblin, Simon; Wiener, Todd; Vasey, David; Fraser-Ker, Fenella; Williams, Gus; Sherwood, Paul; Gibb, Dominic
Subject: RE: Accounting policy question

I have a meeting with Ed at 11am and we will discuss this then. Stand by pls.

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

From: Cosaitis, Mark
Sent: Friday, August 17, 2007 8:43 AM
To: Stewart, Marie
Cc: Grieb, Edward; Giblin, Simon; Wiener, Todd; Vasey, David; Fraser-Ker, Fenella; Williams, Gus; Sherwood, Paul; Gibb, Dominic
Subject: RE: Accounting policy question
Importance: High

David and Fenella can give you updated details but attached is the end July situation for Windy XI

	Maturity	ISIN	GBP	USD	Class	Rating
W XI	24/04/2017	XS0311590169	217,000,011	441,291,101	A	AAA
W XI	25/04/2017	XS0311592298	6,999,999	14,235,582	B	AA

W XI	26/04/2017	XS0311592538	26,500,001	53,905,851	C	A
W XI	27/04/2017	XS0311592967	11,270,001	22,925,216	D	BBB
W XI	28/04/2017	XS0311590839	7,497,000	15,258,507	E	BB
			269,267,012	547,616,257		

The position has been reduced since the end of July. Total gross up associated with Windy X1 \$250 to \$300m David please confirm

We have a similar situation with Eurosail NL2007-1 bonds \$150m of investment bonds (\$143m are AAA rated). Again this data is at 31st July and Fenella can update you. Gross up is \$330m

However cutting to the chase assuming we can repo 105 ALL of these (following the 105 rules) can we eliminate the gross up in addition to netting down the bonds?

The business is keen to get an answer so we can decide on our strategy around these positions

Regards

Mark

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

From: Stewart, Marie
 Sent: Friday, August 17, 2007 12:05 PM
 To: Cosaitis, Mark; Grieb, Edward; Giblin, Simon; Wiener, Todd
 Subject: Re: Accounting policy question for an EFTJ personality type (If I recall)

I discussed the issue with Simon and Todd yesterday and also with Ed Grieb to make sure he would be OK with doing this.

Questions;

what amount is on b/sheet for each deal--what we hold and gross up amt?

Exactly what are ratings of tranches we hold?

You will need to repo 105 every single piece of the deal on b/sheet Is that the plan? yes except for residuals

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

From: Cosaitis, Mark
 To: Stewart, Marie
 Sent: Fri Aug 17 04:50:49 2007
 Subject: Accounting policy question for an EFTJ personality type (If I recall)

Marie hope all is well. I believe you have been speaking Simon Giblin about my query as to whether assets repoed out satisfying all the repo 105 criteria constitute a true sale of assets for FAS 140

We currently have some investment grade bonds sitting on our balance sheet post 2 securitisations Eurosail (Dutch mortgage backs) and Windemere X1 (RMBS).

We are selling these down but until they are fully sold we are having to gross up our balance sheet for the full issue under FAS 140.

The balance unsold is all eligible for repo 105 and some of these assets are already being included in our daily repo 105 structure.

Is repo 105 sufficient to deconsolidate assuming all remaining bonds are included?

Given our Q3 balance sheet constraints this is a particularly important opinion and would assist the business greatly

Thanks in advance

Rgds

Mark

PS: sorry for the short notice