From: Sherr, David <dsherr@lehman.com>
Sent: Sunday, August 19, 2007 6:34 PM (GMT)
To: Feraca, John <joferaca@lehman.com>; Reilly, Gerard <greilly@lehman.com>
Subject: Re: Repo 105

Its my understanding the agency remics roll up to mortgages or at least count as "investment grade retained interests" . If that's the case we should try and substitute for the traditional agencies we have used. Let's discuss in the morning.

----- Original Message -----
From: Feraca, John
To: Sherr, David
Cc: Webb, Michael A; Umezaki, Kentaro; Reilly, Gerard; Coghlan, John F. (Prime Services)
Sent: Sun Aug 19 13:54:13 2007
Subject: FW: Repo 105

Dave
As you can see by the below, we are looking at the possibility of Repo 105 for AAA RMBS and CMBS positions. Given the current state of liquidity in the repo markets, particularly in Europe, we are unsure what appetite, if any, exists at this time. But one thing I wanted to clarify (and has been confirmed with Finance), we only want to focus on non-agency products for this exercise as both agency pass-thrus and agency CMOs roll up as government or agency products in the balance sheet, not mortgages. We can discuss on Monday.

JF

-----Original Message-----
From: Reilly, Gerard
Sent: Saturday, August 18, 2007 7:45 PM
To: Feraca, John
Subject: Re: Repo 105

Let's see how it goes. Many benefits to us getting these assets in the program.

----- Original Message -----
From: Feraca, John
To: Reilly, Gerard
Sent: Sat Aug 18 13:50:20 2007
Subject: Re: Repo 105

Its still worth a shot. I think we just have to manage expectations given the current markets. Don't think it makes a diffeerence whether it CMBS or RMBS at this point but they will have to be AAA. We'll see what kind of reaction we get on Monday.

----- Original Message -----
From: Reilly, Gerard
To: McGarvey, Michael; Feraca, John
Cc: Stabenow, Sigrid M; Umezaki, Kentaro
Sent: Sat Aug 18 12:30:54 2007
Subject: Re: Repo 105

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

----- 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>>

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 is 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