

REPO MANUAL

Contacts:
Kathy Ashe
Product Marketer/PIM
(212) 528-8129

This book is intended to be a reference guide for sales people engaging in Repurchase Agreements. It provides information on the repo product, ledgers, sales credit schedule, credit risk management and margin issues, booking systems and documentation.

The table of contents follows. Clicking on a section will link you directly to this point.

Updated 11/08/05

LBEX-LL 1175483

REPO MANUAL

Table of Contents

I. REPO CONTACTS

Repo Sales, Trading, Support, Clearance Phone Numbers

II. INTRODUCTION TO THE FINANCING MARKET

Basics, Terminology, Risks, Legal

III. ACCOUNT SUITABILITY

Suitability, Trade Maintenance, Exposure

IV. TRADE LEDGERS

V. SALES CREDIT SCHEDULE

VI. INFINITY QUICK REFERENCE GUIDE

Front-End Repo Trade Booking System

VII. MTS VERBS / COMMANDS

Verbs and Commands to Mainframe System

VIII. CREDIT RISK MANAGEMENT

Financing Haircuts, Credit Analyst Information, Credit Limits

IX. LBIE / LBI TICKETS AND SETTLEMENT INSTRUCTION FOR ITS

Trade and Reprice Tickets

X. DOMESTIC SETTLEMENT INSTRUCTION GUIDE

XI. CAMEO AND MARGIN EXPOSURE REPORTS

LBEX-LL 1175484

I. REPO CONTACTS

LBEX-LL 1175485

REPO CONTACTS

Repo Sales, Trading, Support, Clearance Phone Numbers

Last update: 11/08/2005

DOCUMENTATION - MRA & GMRA

Robert Guglielmo - Manager	212-526-7121
Meade Ali - PCS: FI Repo / Tri Party	212-526-7019
Cheryl Phipps	212-526-7022
Emily Dallaris	212-526-7023
Lisa-Lynn Boron - Sec. Loan / Equity Repo	212-526-7015
Theresa Russo - GMRAs (PCS & Institutional)	212-526-7021
Guillermo Izabal	212-526-5607

CORPORATE CREDIT APPROVAL

David Sackett - Latin American	305-789-8734
Hector Kreutz/Scott Quinn - Finl Inst & PCS	212-526-9760
Julia Nand/Ana Arsov/Amar Patel - Ins. Co/Municipals	212-526-8271
Jim Glen - Hedge Funds	212-526-8864
Frank Baldi - Hedge Funds	212-526-3702
Roger Tennent - Hedge Funds	212-526-4525
Robert Battoglia - Hedge Funds	212-526-2939
Daniel Goldhagen - Corporates	212-526-5046
Vaghn Campos- Invmt. Adv. & Mutual Fds.	212-526-4133
Mark Patrick - Sovereigns	212-526-5083
Martin Roberts - Special Purpose Vehicles & CDOs	212-526-7734

see also <http://my.lehman.com/CRM/>

LBI (MTS)

CFU SUPPORT

Jim Hraska - Manager	212-526-6782
Anthony Rivera	212-526-9950
Michael Thearle	212-526-9950
Michael Mazzola	212-526-9950
Andrew Carey	212-526-9950
Aracelis Lucero	212-526-9950
Brian Marchellos	212-526-9950
Pete Woroniecki	212-526-9950
Matt Linnane	212-526-9950

email: repo.trade.support

DATA ENTRY

Eleuterio Marcelino (Marcie)	212-526-3696
------------------------------	--------------

INFINITY SYSTEMS SUPPORT

Ruth Weinreich	212 320 6094
Alex Robayo	201-499-9167
Hot Line	201-499-9250

NEW ACCOUNTS

Cathy D'Elena (Supervisor)	201-499-6444
Group Contact Line (CAS_NY Institutional)	201-499-4747
Retail Group Contact Line (CAS_NY IMD)	201-499-3333
Debra Fairbairn/London Cust Acct Svcs	44-20710-24068
CASE (London email)	
Kirmveer Pandher/London Cust Acct Svcs	44-207-102-1887

LBIE (ITS)

TRADE SUPPORT

Pascal Sabattier	212-526-9950
Thomas Rogers Jr.	212-526-6875
Laura Purvis	212-526-6606

Coupons Payments for EMG

Paul Carter	44-20-710-22989
-------------	-----------------

email: slprq@lehman.com

REPO CONTACTS

CLEARANCE

Lenny Legotte - Head Supervisor MTG & GOVT
Hot Line 201-499-8396
201-499-6633

Mortgage Backed Securities (Fed Wire, PTC)

Anna Garner - Supervisor 201-499-8393

Governments, Agencies, Disco's (Fed Wire)

Mike Maher - Supervisor 201-499-8397
John Arancio - Bonds 201-499-8389
Roger Cabrera - Bills 201-499-8391
David Hughes - Notes & Redemptions 201-499-8395
Anthony Collura - Notes 201-499-8392
Stephen Piscioti - Agencies, Discount Notes, Strips 201-499-8398
Tom Wilson - Security Redemptions 201-499-8512
Terry Flores 201-499-8402

Clearance Corporates, A/B's, P/L CMO's, Money Mkts (MTS, DTC 636)

Maureen Duffy - Supervisor 201-499-8296
Tania Mattes - Co G (LBI) 201-499-8302
Vicent Martemucci 201 499 8319

Triparty - Allocations

Tom Rogers Sr. - Manager 201-499-8308
John Palchynsky (J.P.) - Supervisor 201-499-8306
Rob Rodriguez 201-499-8307
Albert Abad 201-499-8294
Brian Wing 201-499-8321

Cash Management - email Cash Management FI

Jay Chan - Manager 201-499-6472
Ray Abary 201-499-4991
Danny Fang 201-499-6838
Raymond McLennon - Funding 201-499-6875
Joseph Bellingeri 201-499-6975
David Tung 201-499-6912
Lee Gally 201-499-6655
Ray McLennon 201-499-6912
Angelo Gabriele 201-499-6626

Sales Support/Carry Group

Nancy Denig - Manager 212-526-9770
Carol Schirmacher - Supervisor 212-526-0669
Jason Friedman 212-526-0997
Binita Parmar 212-526-6796
Mike Chiara 212-526-6837
Vin Chauhan 212-526-0879

Principal & Interest (Coupon Clips)

Jorge Acevedo - Manager 201-499-8461
John Venner - Supervisor: Govt's, Agencies 201-499-8508
Calixto (Lito) Escobar - Physical 201-499-8473
Chad Lucas 201-499-8464
Oscar Caiazza 201-499-8467

Margin Department

Kristin Desario - Manager 212-526-7065
Carol Dort 212-526-1210
Rebecca Myers 212-526-3950
Elena Kondombo 212-526-5745
Joaquin Escamille 212-526-3466
Kayvan Parvin 212-526-4242
Michele Kahne 212-526-9862
Dala Vongsa 212-526-4244

CLEARANCE / ITS

EMG Securities (DTC 5229 & EUROCLEAR)

John McKissick 201-499-8304
Bill Liebscher 201-499-8178
Aida Mendez (physical cage) 201-499-8305
Nicole Wolleon 201-499-8431
Maureen Leiner 201-499-8281

CLEARANCE / ITS EUROCLEAR 92904

Yvonne Day/London ops 44-20-710-28461
Shelia McGoldrick 44-20-710-23042
Lisa Austin 44-20-710-24252
Rob Chapman - Manger 44-20-710-22031

FAIL CONTROL

Cesar Serpa 201-499-8192

Triparty - Cash Balances

Raymond McLennon 201-499-6875
Lee Gally 201-499-6655
Danny Fang 201-499-6838

Pairoffs - Same Day Payable/Receivables

Carol Keith - Supervisor 201-499-6834
Ray Abary 201-499-4991
David Tung 201-499-6912
Ray McLennon 201-499-6875
Sharon Blake 201-499-6434

Sales Development

Irena Panda 212 526 1332
Carla Mantilla 201-499-8253
Aliana Soto 201-499-8249
Jennifer Matulewich 212-526-0529
Julie Ann Catalano 212-526-3170

Redemptions

Tom Wilson 201-499-8512
David Hughes 201-499-8395
Helene Decamp 201-499-8472
Mike Kahn (TMS) 201-499-8483
Grace Furia 201-499-8476

TMS-MTS Bridge Balancing

Larry Zucconi 201-499-8188
Peter Seok 201-499-8189
Don Logan 201-499-8179

Output Management (Infopac)

Hotline (opt 6 then 4) 973-533-3000
John McShane 973-533-3400

II. INTRODUCTION TO THE FINANCING MARKET

LBEX-LL 1175488

INTRODUCTION TO THE FINANCING MARKET

TABLE OF CONTENTS

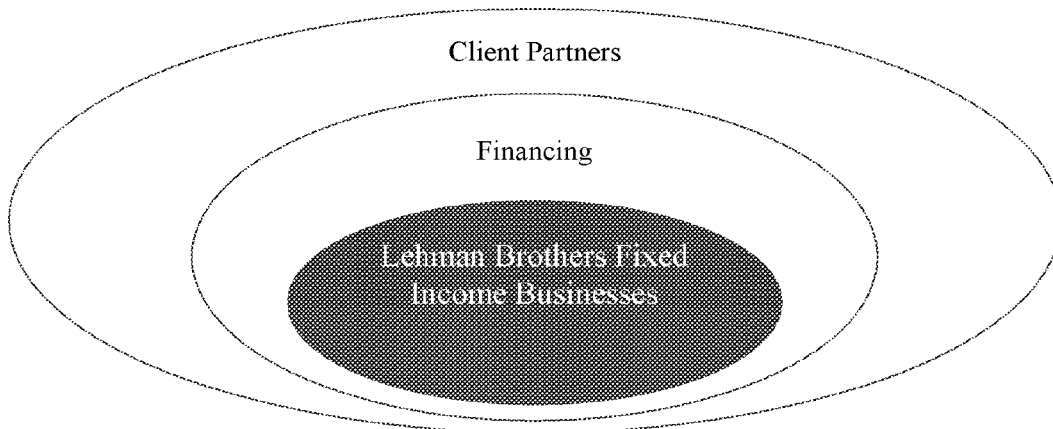
- I. LEHMAN BROTHERS AS MARKET LEADER**
- II. INTRODUCTION TO THE FINANCING MARKET**
- III. FINANCE MARKET PARTICIPANTS**
 - A. Investors
 - B. Dealers
 - C. Central Banks and Official Institutions
- IV. CHARACTERISTICS OF FINANCING**
 - A. Repo Interest Rate
 - B. Type of Collateral
 - C. Settlement of Transactions
 - D. Term of Transactions
 - E. Right of Substitution
 - F. Margin
 - G. Supply and Demand
- V. RISKS IN THE FINANCE MARKET**
 - A. Collateral Risk
 - B. Counterparty Risk
- VI. APPENDIX**
 - A. Legal and Credit Consideration
 - B. Checklist for Getting Started
 - C. Definitions

INTRODUCTION TO THE FINANCING MARKET

Basics, Terminology, Risks, Legal

I. LEHMAN BROTHERS AS MARKET LEADER

The Lehman Brothers Financing team is completely integrated into the rest of the firm to provide clients cost-effective funding solutions.



- ◆ Ranked top three for last two years in *Institutional Investor's* Repo/Reverse Repo ranking.
- ◆ Complete coverage: providing clients with secured financing across all asset classes along the curve.
- ◆ Named the *Euromoney* "Best Site for Securities Lending / Repo" in 2002 & 2003.
- ◆ Lehman Brothers is Market Leader in Repurchase Agreements:
 - One of the largest matched-books in industry.
 - Ability to finance esoteric collateral type.
 - Aggressive specials trading.

II. INTRODUCTION TO THE FINANCING MARKET

Repurchase Agreements, or repos, are the primary instruments used by U.S. broker-dealers to finance their inventory positions. Estimated size of the repo market is \$1.6 to \$3.8 trillion per day in the U.S. alone.¹

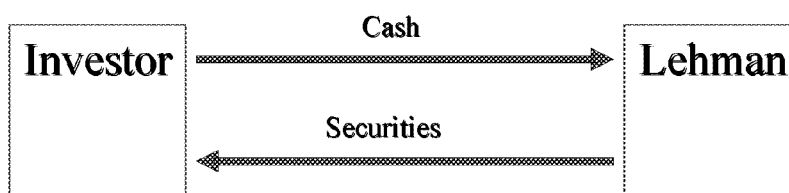
A repo is an agreement to enter into two simultaneous transactions whereby one counterparty sells securities to another counterparty, and then agrees to repurchase the securities at a later date.

¹ As of June 30, 2003, figure covers financing involving U.S. government, federal agency, and federal agency MBS securities. Source: Federal Reserve Bank of New York

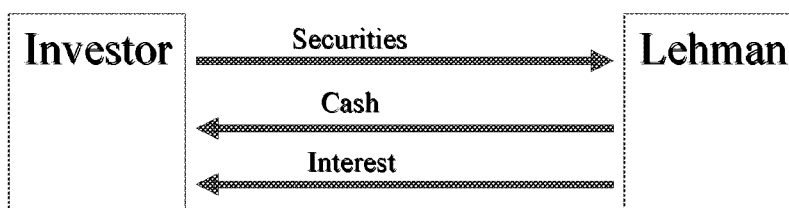
INTRODUCTION TO THE FINANCING MARKET

For example:

Step 1: Sale of securities by a dealer, e.g. Lehman Brothers, to an investor. In the first leg of this repo, Lehman Brothers would transfer securities to the investor, and the investor would wire cash to Lehman Brothers.



Step 2: Repurchase by Lehman Brothers of the securities from the investor on the maturity date of the Repo. In the second leg of the Repo, Lehman Brothers would repay the cash investment to the investor, and the investor would return the securities to Lehman Brothers. In addition, the investor would receive an interest rate from Lehman Brothers on its cash investment for the period of time that the Repo is outstanding. The interest rate would be negotiated and agreed to by Lehman Brothers and the investor before the cash and securities are transferred in Step 1.



Note: In the Repo market, securities exchanged for cash pursuant to a Repo are called “collateral” because the securities are in effect collateralizing the investor’s cash loan to the Repo counterparty, e.g., the dealer. We will follow this convention from here on.

The term repo is derived from the fact that this short term money market instrument is legally the sale of a security at one price and the simultaneous agreement by the seller to repurchase that security at greater price on a future date. The difference between the two prices is the interest earned on the original investment.

In practice a repo is essentially a loan of cash for a specified period of time against which interest is paid and collateral is pledged. The collateral is often the dealer’s inventory of securities either owned outright or “reverse” repos in matched books.

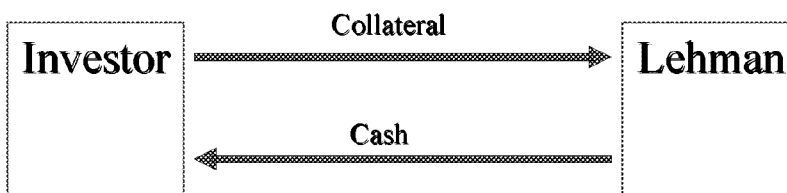
The Repo market works both ways. From time to time dealers need to borrow securities instead of cash. This also enables investors to finance their securities positions.

Similar to a Repo, a reverse repurchase agreement (“Reverse Repo”) is an agreement to enter into two simultaneous transactions whereby one counterparty sells collateral to another counterparty, and then agrees to repurchase the collateral at a later date. However, in a Reverse Repo, Lehman Brothers would *buy* collateral from the investor instead of *sell* collateral, and Lehman Brothers would provide cash to the investor instead of *collateral*. Finally, Lehman Brothers would receive interest from the investor instead of *pay* interest.

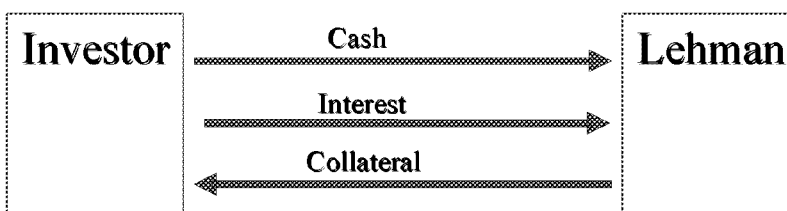
INTRODUCTION TO THE FINANCING MARKET

For example:

Step 1: Purchase of collateral by Lehman Brothers from the investor. In this leg of the Reverse, the investor would deliver collateral to Lehman Brothers, and Lehman Brothers would deliver cash to the investor.



Step 2: Repurchase by the investor of the collateral from Lehman Brothers on the maturity date of the Reverse. In this leg of the Reverse, Lehman Brothers would return the collateral to the investor, and the investor would repay the cash investment, plus interest to Lehman Brothers.



Note: One counterparty's Repo is another counterparty's Reverse; both are the same transaction viewed from different perspectives. However, it is common practice to refer to the transaction from the dealer's perspective. For example, if a dealer wishes to borrow money, it enters into a Repo with an investor (the investor would wire cash to the dealer and receive collateral). This transaction would typically be called a Repo by both counterparties.

III. FINANCE MARKET PARTICIPANTS

Participants in the Repo market include: individual investors, banks, corporations, mutual funds, investment advisors, central banks and official institutions, insurance companies, pension funds, and, of course, securities dealers. Participants are grouped into three broad categories: investors, dealers, and Central Banks.

A. Investors

Repos

Repos combine the benefits of a secured, highly liquid and flexible investment with an opportunity to earn a competitive rate of return to create a unique and useful financial tool for investors.

- ◆ **Security** – Investors may participate in the Finance Market to invest money on a short-term, secured basis at competitive money market rates of return. Repos offer investors a *collateralized* alternative to *unsecured* investments such as bank deposits and money market instruments such as certificates of deposit and commercial paper. In other words, the cash investor is effectively lending money to a broker dealer rather than depositing funds in a bank. The difference is that the investor receives

INTRODUCTION TO THE FINANCING MARKET

collateral for the total principal amount invested and is thus fully secured in case of a default by the broker dealer. Investors are also provided an additional buffer of security by the dealer providing extra collateral known as margin (for more detailed discussion on margin please see Section IV).

- ◆ **Flexibility** – Many aspects of a Repo can be negotiated to reflect an investor's unique risk/return parameters, liquidity requirements and operational preferences. Repos can be structured to fit the exact maturity, size, currency, and collateral requirements of the investor. One of the most attractive features of repos is their flexible maturities, or term, including odd periods such as 21 days or 45 days. The term of the repo can be tailored to suit the needs of the investor whose choice may depend both on the timing of the client's cash requirements and on the investor's view of likely interest rate movements. The rate of return can be either set as a fixed rate or a floating rate. In short, a repo is an ideal cash management tool for investors because it enables them to manage their cash positions with a flexible, customized, investment product.

For details, please refer to the section "Risks in the Financing Market".

Reverse Repos

The Repo market offers investors the opportunity to maximize returns on securities in their portfolio by repoing out bonds to dealers for which a fee is paid or a positive spread earned when the funds it receives against the loaned securities is reinvested in a higher yielding repo.

B. Dealers

Repos

- ◆ **Financing** – Repos are the principal means by which dealers finance their inventory of U.S. Treasury, mortgage-backed, corporate, and money market securities; and high grade sovereign debt.
- ◆ **Matched Book** – The term Matched Book is used when a dealer seeks to create liquidity in the Repo market by borrowing and lending specific securities (entering into Reverses and Repos) for specific periods of time based on the dealer's view of interest rates. This is a profit-center vehicle which generates revenue off fluctuations in interest rates.

Reverses

There are several factors which influence the dealer's demand to borrow securities, including:

- ◆ **Cover Short Positions** – Dealers will often sell securities that they do not own. This creates a need to borrow the specific security in order to make the delivery and receive the cash proceeds on the sale.
- ◆ **Operational Fails** – Often a security is both purchased and sold by the dealer. If the purchased security fails to be delivered to the dealer, the dealer will often borrow this security in order to make delivery on the cash sale and receive the proceeds of the sale.

C. Central Banks and Official Institutions

Central banks and official institutions around the world actively use the Repo market to invest excess reserves, generate liquidity for currency intervention, facilitate the flow of securities in their local markets and generate incremental income.

INTRODUCTION TO THE FINANCING MARKET

For example, in the United States, the Federal Reserve Bank of New York (the “New York Fed”) uses Repos to add reserves to the U.S. banking system and Reverses to drain reserves. The New York Fed can conduct overnight and term repos. Generally, an overnight Repo is viewed by market participants as the tool used by the New York Fed to manage U.S. monetary policy. In addition, the New York Fed executes Repos on behalf of its customers, such as foreign central banks (“Customer Repos”). When the New York Fed executes Customer Repos, the amount is usually announced in advance.

IV. CHARACTERISTICS OF FINANCING

As noted earlier, many aspects of a Repo can be negotiated in order to reflect an investor’s unique risk-return parameters, liquidity needs and operational preferences. Variables include, but are not limited to: repo rate, collateral, settlement, term, substitution, margin, and supply and demand.

D. Repo Interest Rate

In a repo transaction the investor receives interest on the cash investment. The rate used to calculate the interest is a function of many factors including, but not limited to: the supply and demand for the securities used as collateral, the supply and demand for cash, the maturity of the Repo, and the method used to transfer the securities used as collateral from the dealer to the investor.

Please note, the interest bears *no* relation to the interest rate on the securities used as collateral.

CALCULATION OF REPO INTEREST:

$$(\text{Cash Investment}) * (\text{Repo Interest Rate}) * (\# \text{ Days Repo Outstanding})/360 = \text{Repo Interest}$$

Repos can be quoted on a fixed rate or floating rate basis. In a floating rate Repo an investor can choose an index as the basis (e.g. LIBOR, U.S. Federal Funds, U.S. Treasury Bills) and receive a specific spread above or below the index, allowing the Repo Interest Rate to reset as the index resets.

Typically, interest is paid at maturity in a Repo. However, for longer-term trades investors may prefer to receive interest at more frequent intervals.

Repurchase Agreement Example

Investor C reversing \$10 million in U.S. Treasury securities as collateral and receiving cash for a term of 30 days.

Term of Reverse Repo:	30 Days
Par Amount:	10 million
Reverse Repo Rate:	1.05%
Haircut:	5%
Collateral:	UST 5.25% 11/15/2028
Dirty Price:	102
Principal Loan:	\$9,714,285.72

INTRODUCTION TO THE FINANCING MARKET

To find the principal loan amount we use the below formula:

$$\begin{aligned}\text{Principal} &= \text{Par} * \text{Dirty Price} * 1/\text{HC} * 1/100 \\ \text{Principal} &= 10,000,000 * 102 * 1/1.05 * 1/100 \\ \text{Principal} &= \$9,714,285.72\end{aligned}$$

To find the repo interest we use the below calculation:

$$\begin{aligned}\text{Repo Interest} &= \text{Principal} * \text{Rate} * (\text{Days Trade is on})/360 \\ \text{Repo Interest} &= 9,714,285.72 * 1.05\% * (30/360) \\ \text{Repo Interest} &= \$8,500\end{aligned}$$

E. Type of Collateral

There is a wide range of collateral options available to the Repo investor, reflecting the growing liquidity and importance of Repo markets worldwide.

The Repo Interest Rate is directly related to the quality of the underlying collateral. That is, the more flexible the cash investor is regarding the type of collateral accepted, the higher the return is likely to be on the Repo.

F. Settlement of Transactions

Most U.S. Repos settle on the same day they are executed. This is known as cash settlement. Alternatively, Repos can be settled on any future date specified by the investor. Three common methods to transfer collateral are:

◆ Delivery

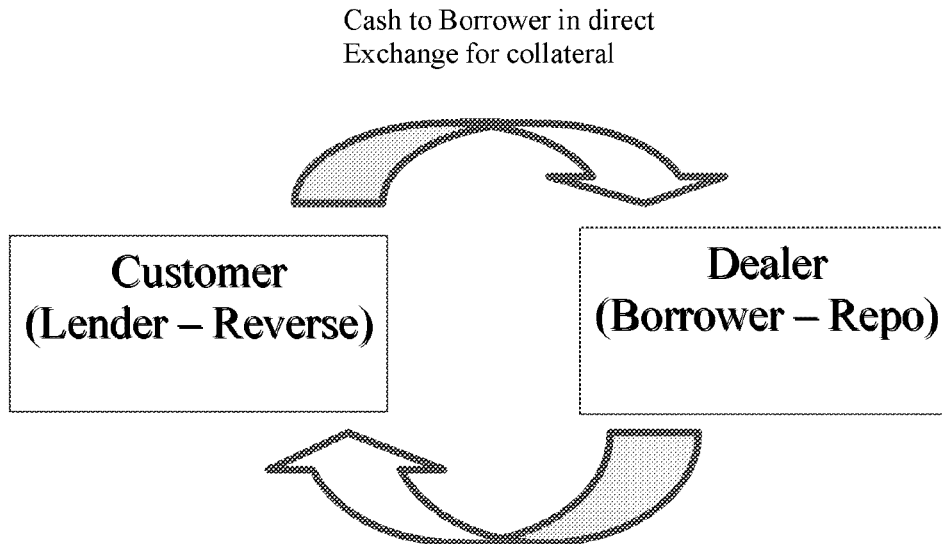
- In a Delivery Repo the collateral is delivered to the investor's bank. This requires the investor to instruct its bank to wire the cash to the dealer's bank and receive collateral from the dealer's bank, and hold the collateral pursuant to the terms of the Repo. In Delivery Repo, the investor will probably incur custody and delivery charges from its bank.

◆ Deliver Tri-Party

- Tri-Party is a form of Delivery Repo whereby both counterparties use the same bank, and, collateral and cash are transferred pursuant to a contractual arrangement between the counterparties and the bank.
- Under a Tri-Party Repo, a bank stands between the investor and the dealer and physically controls the collateral. The bank performs many administrative tasks such as: marking the collateral to market on a daily basis, ensuring that the collateral in the account is the type of collateral required by the investor, and supervising all substitutions. By eliminating the need to transfer securities between banks, the Tri-Party arrangements avoids the risk of a fail to deliver and provides a secure vehicle for the customer to take delivery of the collateral.
- Tri-Party Repos are particularly attractive for corporate treasurers lacking an extensive back office. In addition to the greater convenience offered by the Tri-Party arrangement, the dealer assumes all of the custody and administration costs related to the collateral after the securities have been received by the Tri-Party agent.

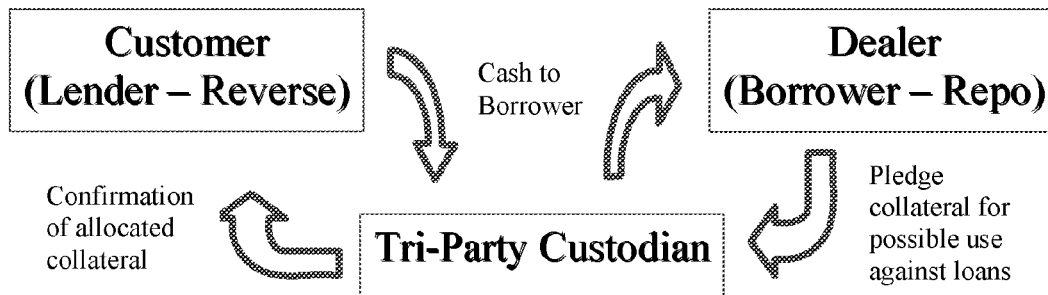
INTRODUCTION TO THE FINANCING MARKET

DVP REPO (Delivery vs. Payment)



- (1) Collateral (inclusive of necessary haircut) delivered to Lender in direct exchange for cash
- (2) Collateral delivered via appropriate delivery system:
 - a. Fed Wire – Treasuries, Agencies, Mortgages
 - b. DTC – Mortgages, Corporates

TRI-PARTY REPO



- (1) Allocates appropriate quality and value of collateral (inclusive of necessary haircut)
- (2) Segregates collateral on Lender's behalf

INTRODUCTION TO THE FINANCING MARKET

◆ Safekeep / Hold-in-Custody

- Safekeep Repos are generally easier for the investor to administer. In a Safekeep Repo the dealer places the collateral in its vault or in its own account at its bank in a segregated sub-account for the exclusive benefit of Repo customers.
- Also, since the cost of transferring the securities to an outside custodian are not incurred, Safekeep Repos generally yield a higher return than Delivery Repos.

G. Term of Transactions

In the U.S. market Repos can be executed on an “open” basis whereby the Repo is “rolled over” from one day to the next until either the investor or the dealer decides to terminate the transaction. Additionally, Repos can be executed for a specific term such as one or three months.

In general, Repos can be negotiated for any term up to one year in order to reflect the investor’s cash requirements and expectations of interest rate changes. Presently, the largest concentration of Repos mature within three months.

H. Rights of Substitution

Typically, dealers prefer to have the right to change (“substitute”) the collateral pledged to the investor while the repo is outstanding. This gives the dealer the flexibility to use the collateral for alternative uses.

I. Margin

Please refer to the section “Risks in the Financing Market” for a detailed discussion of margin.

J. Supply and Demand

There are several factors which influence the supply and demand in the finance market. These include:

- ◆ **Matched-book Transactions** – As the volume of repo business continues to increase, matched-book traders will continue to create liquidity in the repo market and seek to both borrow and lend securities.
- ◆ **Dealer Short Positions** – Dealers will often sell securities which they do not own. This creates a need to borrow the specific security in order to make the delivery, and receive the cash proceeds.
- ◆ **Operational Fails** – Often a security is purchased, and sold for the same value date. If the purchased security fails to be delivered to the dealer, the dealer will often borrow this security in order to deliver on his cash sale, and receive the proceeds.
- ◆ **Futures and Options** – The growth of the derivatives market has fueled an increased demand to borrow/lend securities for fixed periods of time. As these markets continue to expand, the repo and securities lending products will also expand to enable efficient pricing of these transactions.

INTRODUCTION TO THE FINANCING MARKET

V. RISKS IN THE FINANCE MARKET

When evaluating the feasibility of entering the Repo market, investors should be aware of the following potential risks:

K. Collateral Risk

Fluctuations in the market value of the collateral relative to the cash invested with the dealer may cause one Repo counterparty to experience credit exposure to the other Repo counterparty. For example, if the market value of the collateral held by the investor falls relative to the cash, the investor would incur unsecured exposure to the dealer in an amount equal to the difference between the current market value of the collateral held by the investor and the cash invested with the dealer.

Conversely, if the market value of the collateral held by the investor increases relative to the cash invested with the dealer, the investor would be over-collateralized in an amount equal to the difference between the current market value of the collateral held by the investor and the cash invested with the dealer.

Repo market participants address market risk in two ways:

◆ Margin

- Typically, the borrower of cash, i.e. the dealer, provides the investor of cash with margin. Margin is the excess collateral given to the investor to protect the investor against fluctuations in the market value of the collateral. Margin levels reflect a number of variables including: the creditworthiness of the borrower of cash, the liquidity of the collateral, the term and size of the transaction, and the method used to move the collateral from the dealer to the investor.
- Below is a chart illustrating the amount of margin that could be provided on various types of securities. Please note that this chart is included in this information package for illustrative purposes only and are determined by Lehman's Credit Risk Management team.

Collateral Type	Margin
U.S. Treasury and Agency Securities	100 – 105%
Money Market Instruments	102 – 105%
Investment Grade Corporate Securities	100 – 120%
Mortgage-Related Securities	100 – 105%

◆ Mark-to-Market

- Typically, Repo counterparties calculate the value of the collateral each day to make sure that the value of the collateral equals the cash investment, plus the margin, if any. For example, if the value of the securities used as collateral falls below an agreed-upon threshold, the investor usually has the right to request additional collateral from the dealer in order to ensure that the cash investment is appropriately collateralized. Conversely, if the value of the collateral rises above an agreed-upon threshold, the dealer usually has the right to request the investor to return some of the collateral in order to ensure that the cash investment is appropriately collateralized.

INTRODUCTION TO THE FINANCING MARKET

L. Counterparty Risk

As with other capital market investments, Repos may expose the investor to counterparty credit risk. However, unlike unsecured investments such as commercial paper and certificates of deposit, the collateral provided in a Repo gives the investor an extra layer of protection against counterparty risk.

Repo Market participants address counterparty risk as follows:

- ◆ Deal only with the highest quality counterparties for any repo transaction.
- ◆ Have a written agreement in place specifically detailing who the counterparty is and the terms under which you will operate.
- ◆ Mark-to-market your repo and collateral positions daily. This will ensure that you are fully collateralized at all times.

VI. APPENDIX

M. Legal and Credit Consideration

- ◆ Execute a standard, industry-wide agreement for Repurchase Agreements.
- ◆ A thorough credit review of your counterparty should be undertaken prior to entering into any repo/security lending transactions. Be comfortable with the credit of your counterparty since they are your first line of defense.
- ◆ Understand and get comfortable with the type of collateral you are receiving. Be certain that you can price it accurately, and that you understand the mechanics of settling securities in the particular country of the issue.
- ◆ Mark-to-market your positions daily. This enables you to request additional collateral if necessary, and remain fully-collateralized at all times.

Documentation

Two standard agreements have been developed to govern Repo market transactions. These documents are used by many Repo market participants including Lehman Brothers. Participants in the U.S. Repo market generally use the standard Repo agreement developed by the Bond Market Association (“BMA”). Additionally, participants in the global Repo markets generally use the standard Repo agreement developed jointly by the International Securities Market Association and the BMA.

The BMA Master Repurchase Agreement describes the explicit terms agreed by both the buyer and seller of the repo. Such terms include settlement, interest payment, margin maintenance, trade confirmations, collateral substitution and events of default. All participants in the repo market are advised to fully understand this legal contract.

Agreements can be obtained through the appropriate documentation team at Lehman Brothers.

N. Checklist for Getting Started

Prior to investing in the repo market it is important to determine the parameters you will work within.

INTRODUCTION TO THE FINANCING MARKET

For the Lender of Securities:

- ◆ Decide which currencies you wish to lend.
- ◆ Decide what percentage of the portfolio you will lend.
- ◆ Determine the eligible collateral you will accept.
- ◆ Determine the criteria for selecting counterparties. Consider the creditworthiness of the counterparty, level of service, level of experience, settlement capabilities and revenue expectations.
- ◆ Address any tax, legal, and regulatory issues, including capital adequacy guidelines for collateral.
- ◆ Execute the appropriate Repo Agreement.
- ◆ Set up the operational procedures for delivery/receipt of securities and collateral.
- ◆ Set up the appropriate reporting system to monitor outstanding positions and their market values.

For the Investor of Cash:

- ◆ Decide upon the currencies and the amount to be invested.
- ◆ Determine eligible collateral, and level of margin (over-collateralization) required.
- ◆ Determine the term of the investment (overnight, one-week, one-month, etc.).
- ◆ Determine criteria for selecting counterparties, as described above.
- ◆ Address any legal, tax or regulatory issues.
- ◆ Execute appropriate repo or securities lending agreement.
- ◆ Set up operational procedures as described above.

O. Definitions

- ◆ **Collateral** – may consist of cash (in any currency) for repurchase agreements; other securities (U.S. Treasuries, Agencies, Mortgage-backs, Sovereign Debt, etc.) or Letters of Credit for securities lending transactions.
- ◆ **General Collateral** – (“GC”) the universe of securities eligible for repurchase agreements. If a security is not trading as a “special issue” it is considered “general collateral.”
- ◆ **Matched Book** – a major profit center at primary dealers is where a trader reverses in and repos out collateral to the same or different dates. When the maturities of the reverse repos and repos are the same, he or she is said to be running a matched book. But, in reality, most “matched” books are actually “mismatched” in that a trader will reverse in collateral to dates which are different than those maturities on the corresponding repos. A trader does this to profit from future shifts in interest rates that might occur between the unmatched maturities on the reverse repos and repos.

INTRODUCTION TO THE FINANCING MARKET

- ◆ **Rebate Interest** – in a securities lending transaction the borrower of the securities receives “interest” for the term of the borrow. This rebate interest compensates the borrower of the securities for the loan of the cash collateral.
- ◆ **Repurchase Agreements** – (“repo”) a sale of securities vs. cash with a simultaneous agreement to repurchase the same securities at a future date. The buyer of the securities receives interest on the cash investment.
- ◆ **Reverse Repurchase Agreements** – (“reverse repo”) a purchase of securities vs. cash with a simultaneous agreement to resell the securities at a future date. The purchaser of the securities receives interest on the cash investment.
- ◆ **Sale/Buy-Back** – a sale of securities and a simultaneous agreement to repurchase the same securities at a future date at an agreed upon price. The future price is calculated to reflect the implied repo (financing) rate for the term of the trade.
- ◆ **Securities Lending/Borrowing** – a loan/borrow of securities collateralized by either cash, other securities, or Letters of Credit.
- ◆ **Special Issue** – (“specific issue”) any security which is asked for by coupon and maturity. A specific issue is needed in order to cover a short or to facilitate a delivery on a sale transaction. Lending specific issues enables the owner of the bonds to generate cash at below-market rates of interest.

INTRODUCTION TO THE FINANCING MARKET

DISCLAIMER

- ◆ This presentation is a product of sales and trading and is not a product of research. This material has been prepared and/or issued by Lehman Brothers Inc., member SIPC, and/or one of its affiliates (“Lehman Brothers”) and has been approved by Lehman Brothers International (Europe), regulated by the Financial Services Authority, in connection with its distribution in the European Economic Area. This material is distributed in Japan by Lehman Brothers Japan Inc., and in Hong Kong by Lehman Brothers Asia.
- ◆ This presentation is furnished on a confidential basis only for the use of the intended recipient and only for discussion purposes. Distribution of this information to any person other than the person to whom this information was originally delivered and such person’s advisors is unauthorized and any reproduction of these materials, in whole or in part, or the divulgence of any of its contents, without the prior consent of Lehman Brothers is prohibited.
- ◆ This information has been prepared solely for informational purposes and is not an offer to buy or sell or solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy, and is not intended to be complete. These materials may not be relied upon by you in evaluating the merits of investing in any securities or instruments described herein or as to the actual return on an investment in such securities or instruments. No representation or warranty can be given with respect to the accuracy or completeness of the information, or that any future offer of securities or financial instruments will conform to the terms hereof or be made.
- ◆ This information is not intended to provide and should not be relied upon for accounting, legal or tax advice or investment recommendations. Transactions of the sort described herein may contain complex characteristics and risks. Transactions incorporating derivatives may create additional risks and exposures. You must make an independent review of the economic benefits and risks of a proposed transaction in making your investment decision and should consult your own counsel, accountant, and other advisors as to the legal, tax, business, regulatory, financial, accounting and related aspects of a transaction in relation to your particular circumstances. The products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. The value and the income produced by products may fluctuate, so that you may get back less than was invested. Value and income may also be adversely affected by exchange rates, interest rates or other factors. Past performance is not necessarily indicative of future results. When an investment is denominated in a foreign currency, fluctuations in exchange rates may have an adverse effect on the value, price of, or income derived from, the investment. If a product is income producing, part of the capital invested may be used to pay that income. Lehman Brothers enters into transactions on an arms-length basis and does not act as an adviser or fiduciary except where a law, rule or written agreement expressly provides otherwise.
- ◆ **These materials are subject to change, completion, or amendment from time to time without notice, and Lehman Brothers is under no obligation to keep you advised of such changes. Lehman Brothers disclaims any and all liability relating to this information, including without limitation, any express or implied representations or warranties for, statements contained in, and omissions from, this information.**
- ◆ Lehman Brothers and/or its affiliated companies may make a market or deal as principal in any securities mentioned in this document or in options, futures, or other derivatives based on any such securities. In addition, Lehman Brothers, its shareholders, directors, officers and/or employees, may from time to time have long or short positions in such securities or in options, futures, or other derivative instruments based on such securities. One or more directors, officers, and/or employees of Lehman Brothers may be a director of the issuer of any securities mentioned in this document. Lehman Brothers may have managed or co-managed a public offering of securities for any issuer mentioned in this document within the last three years, or may, from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this document. Unless otherwise permitted by law, you must contact a Lehman Brothers entity in your home jurisdiction if you want to use our services in effecting a transaction in any security mentioned in this document. This document and its contents are proprietary to Lehman Brothers. Any reference to Lehman Brothers will include Lehman Brothers Inc. and any of its affiliates. © 2004 Lehman Brothers. All rights reserved.

III. ACCOUNT SUITABILITY

LBEX-LL 1175503

ACCOUNT SUITABILITY

Suitability, Trade Maintenance, Exposure

- ◆ Broker and Account Suitability
 - Do you and your client understand the risks associated with leverage? A person can lose not only the initial money (haircut amount) required to purchase an asset but is responsible up to the total amount of the asset being financed.
 - The client must understand that leverage multiplies the amount of risk and therefore increases possible loss.
 - Account must understand that Lehman must protect itself and therefore if margin calls are not met timely Lehman will have to liquidate all the financed positions. If a deficit exists in the client's account after liquidation, the client will be expected to supply the additional funds immediately (margin will be covered in the trade flow section in more detail).

Repo vs. Margin Account

There are two different financing products. Preferred Margin Lending is exclusively for fixed income securities. This account operates as the normal margin accounts but requires a 500,000 minimum balance for the Preferred Rate. The rate floats off the daily average 1 month Libor + a spread and is billed on a monthly cycle. You can commingle UST, Agencies, Municipals and Corporate Bonds and the account will have one rate but different haircuts. It is simple and usually caters to smaller pieces and is done in the TMS system. Accounts must be opened in a specific range in each branch to qualify.

Repo is better suited for the sophisticated client with a minimum net worth of 10mm. The minimum size pieces are 1-5mm depending on the security. Each customer must be approved by Credit and a legal document signed. Rates are based on specific securities. Repo is very manual intensive and a ticket has to be booked for each money or bond movement. Trades are booked in MTS or ITS depending on the type of security. It is best to discuss with the product marketers to determine which product is better suited for your customer.

Repo

- ◆ MRA – Long Document.
- ◆ Manually intensive; a ticket must be passed for money movements and loan adjustments.
- ◆ No formal account statements
Customer receives confirmation when trade begins and ends.
- ◆ Rates are determined by product-specific repo market.
- ◆ Minimum transactions usually 5mm in notional.

Margin Account

- ◆ Client Agreement – Simple.
- ◆ Not manually intensive; margin account rate is set, the a/c is valued, and the broker requests funds via an online function.
- ◆ Formal client account statements are available listing all activity and month-end balances.
- ◆ Margin rates determined on an overall account and not on a specific security basis.
- ◆ Minimum amount of \$500,000 debit balance required.

TRADE LEDGERS

IV. TRADE LEDGERS

LBEX-LL 1175505

TRADE LEDGERS

<u>ISSUE</u>	<u>RR (BUY)</u>	<u>RE (SELL)</u>	<u>BORR. VS. CASH</u>	<u>DOLLAR ROLL</u>	<u>TRADER</u>
FIRM FUNDING					
Treas (TRI)		20R			Larry Servidio/Andrew Helming
Treas (TRI)		226			Larry Servidio/Andrew Helming
Mortgages (TRI/Del)		B06			George Van Schaick/Mike Webb/Anish Vasisth
PL CMO (TRI/Del)		B06			George Van Schaick/Mike Webb/Anish Vasisth
PLCMO (HIC)		2PL			George Van Schaick/Mike Webb/Anish Vasisth
Agency/Strips		20S			Kevin Croutier
Corp		21H			Phil Mooney/Tom Conti/Megan Orsen/Geoff Allen
Whole Loan HIC - 1RWL		27X			Andrew Helming/Rob Rieb
Commercial Paper		21T			Andrew Helming/Larry Servidio
MATCHBOOK					
UST GC Open or O/N	123	223	468		Larry Servidio/Andrew Helming
On the Run Spec. Open or O/N	174	274	4PO	1DL	Steve Licini
On the Run Spec. Term	174	274	4PO	1DL	Dave Lohuis
Bills, Coupons < 1yr	45C	25C	490	1DE	Jon Wiegand
Off the Run Spec. O/N or Term	40D	20D	4ZI	1DY	Mike Ellsworth/Steve Brown
GC Term and TIPS	D6L	B6L	PGL		Mike Ellsworth/Steve Brown
Pass Thrus, Agy CMO, PL CMO, ABS	422	222	DXZ		George Van Schaick/Mike Webb/Anish Vasisth
Any MBS/ABS trade with Floating rate	45Q	25Q			George Van Schaick/Mike Webb/Anish Vasisth
Agency	4SK	2SK	4V0	1CD	Kevin Croutier
Agency Specials	4WK	2WK	4U0	1CD	Kevin Croutier
Strips	442	242			Kevin Croutier
Corps	47A	27A	4KK	2KK	Phil Mooney/Tom Conti/Megan Orsen/Geoff Allen
CDO	4EI	2EI			Phil Mooney/Tom Conti/Megan Orsen/Geoff Allen
House Shorts	12S		477		
Fail			4WZ		

**V. SALES CREDIT
SCHEDULE**

LBEX-LL 1175507

GLOBAL FINANCING										
	Overnight/ Open		Less than 2 weeks		2 weeks - 30 days		31 - 60 days		>60 days	
	RR	RE	RR	RE	RR	RE	RR	RE	RR	RE
ALL GOVERNMENTS	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR	\$ 100/MM/YR
GOVERNMENT SPECIALS	\$ 500/MM/YR	\$ 200/MM/YR	\$ 500/MM/YR	\$ 200/MM/YR	\$ 500/MM/YR	\$ 200/MM/YR	\$ 500/MM/YR	\$ 200/MM/YR	\$ 500/MM/YR	\$ 200/MM/YR
AGENCY SPECIALS	\$ 500/MM/YR	\$ 200/MM/YR	\$ 300/MM/YR	\$ 200/MM/YR	\$ 500/MM/YR	\$ 200/MM/YR	\$ 500/MM/YR	\$ 200/MM/YR	\$ 500/MM/YR	\$ 200/MM/YR
AGENCY GC	\$ 300/MM/YR	\$ 100/MM/YR	\$ 300/MM/YR	\$ 100/MM/YR	\$ 300/MM/YR	\$ 100/MM/YR	\$ 300/MM/YR	\$ 100/MM/YR	\$ 300/MM/YR	\$ 100/MM/YR
CORPS & ABS										
A or better	\$ 500/MM/YR	\$ 200/MM/YR	\$ 700/MM/YR	\$ 300/MM/YR	\$ 800/MM/YR	\$ 400/MM/YR	\$ 1,200/MM/YR	\$ 700/MM/YR	TBA	TBA
A- to BBB-	\$ 800/MM/YR	\$ 400/MM/YR	\$ 900/MM/YR	\$ 500/MM/YR	\$ 1,200/MM/YR	\$ 600/MM/YR	\$ 1,500/MM/YR	\$ 1,000/MM/YR	TBA	TBA
< Inv Grade	\$ 1,250/MM/YR	\$ 1,250/MM/YR	\$ 1,500/MM/YR	\$ 1,500/MM/YR	\$ 1,500/MM/YR	\$ 1,500/MM/YR	\$ 2,500/MM/YR	\$ 2,500/MM/YR	\$ 3,000/MM/YR	\$ 3,000/MM/YR
	RR & RE		RR & RE		RR & RE		RR & RE		RR & RE	
MORTGAGES										
Agency Pass Throughs	\$ 200/MM/YR		\$ 200/MM/YR		\$ 350/MM/YR		\$ 450/MM/YR		\$ 600/MM/YR	
Agency CMO*	\$ 400/MM/YR		\$ 400/MM/YR		\$ 500/MM/YR		\$ 750/MM/YR		\$ 1,000/MM/YR	
Private Label CMOs*										
AAA/AA	\$ 700/MM/YR		\$ 700/MM/YR		\$ 750/MM/YR		\$ 1,000/MM/YR		\$ 1,200/MM/YR	
A/BBB	\$ 1,000/MM/YR		\$ 1,000/MM/YR		\$ 1,200/MM/YR		\$ 1,500/MM/YR		\$ 2,000/MM/YR	
<BBB-	\$ 1,250/MM/YR		\$ 1,250/MM/YR		\$ 1,500/MM/YR		\$ 2,500/MM/YR		\$ 3,000/MM/YR	
*New CMO Buyers - 2x sales credits (Min. of 3 months)										
ESOTERICS										
Whole Loans	\$ 750/MM/YR		\$ 750/MM/YR		\$ 750/MM/YR		\$ 1,500/MM/YR		\$ 2,500/MM/YR	
Bank Loans	\$ 750/MM/YR		\$ 750/MM/YR		\$ 750/MM/YR		\$ 1,500/MM/YR		\$ 2,500/MM/YR	
BRADY'S	\$ 500/MM/YR		\$ 500/MM/YR		TBA		TBA		TBA	
MONEY MARKETS										
A1/P1	\$ 200/MM/YR		\$ 200/MM/YR		TBA		TBA		TBA	
A2/P2	\$ 500/MM/YR		\$ 500/MM/YR		TBA		TBA		TBA	
A3/P3 and Unrated	\$ 750/MM/YR		\$ 750/MM/YR		TBA		TBA		TBA	
PROGRAMS	\$ 400/MM/YR		\$ 600/MM/YR		TBA		TBA		TBA	

SALES CREDIT SCHEDULE

<u>T-Mod</u>	<u>Product</u>
MKP	AAA/AA Private Label CMO's
MCA	A/B/B Private Label CMO's
MCB	<B/B- Private Label CMO's
FC2	B/BB -to A- Corporates
FC3	<1Y Grade Corporates
MK2	A2/P2 Money Markets
MK3	A3/P3 and Unlimited Money Markets
SR	Specials
AOS	Agency Special

LBEX-LL 1175509

VI. INFINITY QUICK REFERENCE GUIDE

LBEX-LL 1175510

INFINITY QUICK REFERENCE GUIDE

Front-End Repo Trade Booking System

EMAIL: INFINITY SUPPORT

PHONE: (201) 499-9250

Infinity Features

Trade Entry

- ◆ Trade Modification
- ◆ Trade Cancellation

Position Browse (Traders Only)

- ◆ Adjustments
- ◆ Substitution
- ◆ Closeouts
- ◆ Hold(All)/Release (All)
- ◆ Price/Modify

Trade Browse

- ◆ Pricing
- ◆ Confirmation (Fax, Price, Subs etc.)
- ◆ Filtering
- ◆ Substitution
- ◆ Rollover
- ◆ Closeouts
- ◆ Breakup

Profiles

Customer Account Maintenance

- ◆ Auto Fax
- ◆ Allocation Parameters

Broker Maintenance

- ◆ Ledger Maintenance
- ◆ Sales Team Maintenance

Product Maintenance

- ◆ New Product Maintenance
- ◆ Bulk Mark
- ◆ Security Labeling

Collateral Manager

- ◆ Position Closeout (Traders Only)
- ◆ Collateral Closeout (Salespeople)
- ◆ Release
- ◆ Undo
- ◆ Approve
- ◆ Instruction Override
- ◆ Exposure Summary
- ◆ All Trades Screen

INFINITY QUICK REFERENCE GUIDE

The following pages contain some important tips/rules for using *Infinity*:

General

- ◆ 'Broadcasting' must appear at the top of the *Infinity* application at all times. If RUN BROWSE appears in red at any time click on it. If 'Broadcasting' does not re-appear immediately call the *Infinity* hot line at 212-526-2988.
- ◆ When first accessing *Infinity* as a multi-user (those that enter/process, both Government, Mortgage and Canadian trades) Government appears with an arrow to the right of Broadcasting. If you click on the arrow you may choose Mortgage or Canadian.

Changing from Government to Mortgage or Canadian changes the Trade Browse view allowing a multi-user to see all their Government, Mortgage and Canadian trades on different screens.

- ◆ Columns on *Trade Browse*, *Position Browse* or *Collateral Manager* may be sorted by left clicking at the top of the column. Left clicking again reverses the same column. Right clicking on another column makes that the second sort. Left clicking on another column changes that sort to the first etc.

Trade Entry

- ◆ Fields with an arrow can be entered by typing a value (alpha or numeric). *Infinity* will look for the closest match to each character entered. When the desired value has been found press Enter or use the arrow again where the list displayed will begin at the match found.
- ◆ Entering a Group name results in the pulldown selection of Customers displayed to include only those customers in that Group. Group is assigned at the Customer Profile level. Additionally, entering a Group results in all fields on the contract/collateral maintenance screen other than Amount and Customer to remain on the Trade Entry screen making entry faster. *NOTE*: This includes all override Sales Information.
- ◆ Selecting the three dots beside the Rate brings you to the Rate Reset Detail for Reset Contracts or Call Schedule information screen for SRRs.
- ◆ Clicking on the up arrow beside 'Remaining' at the bottom of the Collateral Maintenance screen will automatically update the Contract Amount.
- ◆ The up and down arrow on the keyboard moves the Start Date/End Date up and down.
- ◆ 'O' in the End Date field sets it to Open.
- ◆ Contract margin applies to Repo only implying that margin on the contract can apply to all collateral. Reverse margin however, is applicable on the collateral level only and defaults from the tier set up for the customer shown in the profile (PF) on *Infinity*.
- ◆ 'Enter' at any field on either the contract or collateral maintenance screen will bring the cursor to Approve if the shell has not been allocated or Released. If it has been allocated, 'Enter' again will either Approve or Release the trade.

LBEX-LL 1175512

INFINITY QUICK REFERENCE GUIDE

- ◆ Cusip, Pool or Security Description may be entered in the Description field on the collateral maintenance portion of the Trade Entry screen.
- ◆ All In Price defaults when entering collateral.
- ◆ Updates to a Products Price and/or Bulk Mark are not Broadcasted (when done via Product Maintenance) to Trade Entry.
- ◆ The Page Up/Down keys will take you from one tab to the next i.e. Collateral Maintenance to Delivery Instructions to Calculations etc. and vice versa.
- ◆ MBSFIN for Mortgages is the dummy security that may be used on forward starting contracts only. When a forward Mortgage trade is entered MBSFIN is automatically dropped into the collateral maintenance screen upon selecting Approve or Release.

This is not the case for Governments rather one of the many dummy government securities (speak with Trade Support for the specific cusips) must be manually typed into the Description on the Collateral Maintenance screen.

NOTE: On Settlement Date a cancellation of any MBS or the government dummy securities is sent to MTS and the shell is reinstated on *Infinity* to be collateralized that day. If the MBSFIN or Govt dummy trades have already been cancelled on MTS *Infinity* will get naked for the cancellations sent to MTS.

Profiles

- ◆ Customer
 - The Auto Fax flag on the Customer Profile drives the faxing facility. If a MBS Repo or a GOVT Repo or Reverse Repo is done through a Broker then the trade is faxed to the Broker not the Customer. The fax number must be set up for the Broker account in the Profile function (PF).
- ◆ Broker
- ◆ Ledger
- ◆ Sales Team

Position Browse (*Traders Only*)

- ◆ Substitution
 - Right click on a Position.
 - Choose Substitution.
 - Left click on collateral to be substituted or right click and choose Substitution.
- ◆ Undo Substitution.
 - Right click on a Position.

INFINITY QUICK REFERENCE GUIDE

- Choose Activities.
- Right click on the substitution to be undone.
- Select Substitution/Modify Substitution.
- Right click on original piece of collateral and select Undo Substitution.
- ◆ Adjust to Offset (for last adjustment only).
 - To offset an adjustment made incorrectly.
 - ◆ Right click on Position.
 - ◆ Select Activities.
 - ◆ Right click on the Adjustment.
 - ◆ Select Adjust to Offset.
 - ◆ An offset to the original adjustment will appear. Select Save Changes.

Trade Browse

- ◆ Right click displays functions available for a Contract or piece of Collateral.
 - Modify
 - Rollover
 - Rollover Reprice (allows for entry of one price for all collateral in the new contract).
 - Release (for approved contracts only).
 - Confirmation
 - Print
 - Fax
 - Substitution/Modify Substitution.
 - Closeout/Modify Closeout (function may be performed from Trade Browse or Collateral Manager – See section VI.)
- ◆ To perform functions on more than one contract/collateral such as releasing, confirming, printing and faxing:
 - Select first contract by clicking on it from Trade Browse.
 - Select CNTRL and click on every other contract/collateral for which the same function is desired.

INFINITY QUICK REFERENCE GUIDE

- ◆ Trade Browse displays all of the today's trades for the users default ledgers/salesteams. These ledgers/salesteams will be highlighted in blue on the Trade Browse Filter.
 - In the Trade Browse filter:
 - ◆ To see trades for other ledgers (applies to Traders/Support/Systems):
 - Enter the ledger in the ADD box on the Trade Browse Filter screen and tab.
 - ◆ To deselect a ledger so as not to see trades in that ledger:
 - Select CNTRL and click on the ledger at the same time.
 - ◆ To see trades for other Salesteams (applies to Sales and all other departments):
 - Systems must update these in the database after approval from the Trading force.
 - ◆ To view Prior Days trades enter one or more fields in the trade browse filter and select Prior Day's from the Activity selection at the bottom of the screen.

NOTE: Do not select Prior Day's trades when in Trade Browse Filter without selecting at least one or more criteria. The system will take a long time because of the size of the search.
 - ◆ To see Substitutions/Closeouts done today select Substitutions/Closeouts and Today's Trades from the Trade Browse Filter.
- ◆ Substitution/Closeout
 - Go to Trade Browse Filter.
 - Enter Settlement Id or Contract Id (format of yyyy/dd/mm-contractId); click on Prior Day (bottom of the screen).
 - Select Apply.
 - Right click on the collateral to be substituted.
 - Select Sub/Modify Sub.
 - Left click on Position Browse or enter Cusip.
 - Select Approve or Release.
- ◆ Undo Substitution.
 - From Trade Browse right click on the Fully Subbed piece.
 - Select Sub/Modify Sub.
 - Right click ice on top piece which is the Fully Subbed piece.

INFINITY QUICK REFERENCE GUIDE

- Select Undo Sub.
- Select Approve or Release.

Collateral Manager

◆ Closeouts

- *Infinity* performs automatic closeouts each day by reviewing certain firm ledgers for collateral that if closed out, would make the firm flat. Traders have the ability to undo closeouts per position if they do not want the collateral to be returned. This action will broadcast to the salespersons closeout screen and upon selecting refresh, all undone closeouts will no longer appear on the screen. Before the refresh however, an undone closeout will be highlighted grey.
- Upon the Traders say so, the Salespeople may release all approved closeouts. *NOTE:* Released closeouts will be highlighted blue.
- To access Collateral Manager Closeout screen:
 - ◆ Select CM from the top of the *Infinity* application.
 - ◆ From the collateral closeout screen right click on a collateral to:
 - Release
 - Undo
 - Approve (undone closeouts where the screen has not been refreshed may be approved).
 - Override Instructions (upon release these will be sent to MTS).
- A popup per sales team(s) will appear starting at 8:45 AM when there are approved closeouts for that team (s). When all closeouts have either been undone or released the popup will no longer appear.
- A 'Customer Contact' box pops up when releasing a closeout where the user is prompted to enter a contact name. If this is not required uncheck the flag next to Customer Contact at the top left-hand part of the Collateral Closeout screen. Interest may be overridden to another interest amount or to zero for a collateral. All override interest is sent to MTS.

◆ Exposure Summary

- *Infinity* provides a summary (by Sales Team) of Exposure per account. The following columns appear on the summary screen.
- *SOD Exposure* (Start of Day Exposure) – Total Exposure for all active trades as of the completion of the Start of Day. This number includes the exposure on trades that are auto closed out. This number should never change.
- *Current Exposure* (originally Exposure after Returns) – should update during the day with each type of activity that may affect the exposure reflected in the Start of Day for that customer. Activity includes substitution, cancellation and modification. New trades due to sub or trade

INFINITY QUICK REFERENCE GUIDE

entry should not calculate exposure and therefore will not cause a change to this column. Exposure changes due to reprice activity should not be reflected in this column.

- ◆ If a trade is substituted the Current Exposure should be increased/decreased (based on whether buy or sell trade).
 - ◆ If a trade is cancelled where the trade had exposure included in the Start of Day Exposure the Current Exposure column should be increased/decreased (based on whether buy or sell trade).
 - ◆ Modification of a field that affects the calculation of exposure where there was exposure in the Start of Day number should increase/decrease the Current Exposure column.
- *End of Day Exposure* – Current Exposure plus or minus Reprice Payable/Receivable.
- ◆ Reprice Detail
 - Double clicking on a summary line will drill down to the trades that make up the summary number. To reprice a trade simply enter the new price and release. If interest only is to be paid simply type P in the Int field. Override interest may also be entered in conjunction with a reprice or to be paid on the contract.

All Trades Screen

- ◆ The All Trades Screen provides all trades on a per customer basis so that a manual closeout can be initiated.
- ◆ By clicking on the trade and then selecting either Approve or Release Closeout, a trade can be manually closed.
- ◆ To override interest or instructions or to undo an Approved closeout the user must double click on the line in the All Trades screen.
- ◆ To Undo an Approved Closeout the user must double click on the line and then right click on the closed out trade. Select Undo Closeout and then Approve.

NOTE: Release closeouts may not be undone. Additionally, trades that are manually closed out will appear on the Closeout screen mentioned above after the closeout is approved or released.

Exposure Summary

- ◆ The Exposure Summary screen provides a summary (by Sales Team) of Exposure per account. The following columns appear on the summary screen.
- ◆ *SOD Exposure (Start of Day Exposure)* – Total Exposure for all active trades as of the completion of the Start of Day. This number includes the exposure on trades that are auto closed out. This number should never change.
- ◆ *Pre-Reprice Exposure* (originally Exposure after Returns) – Should update during the day with each type of activity that may affect the exposure reflected in the Start of Day for that customer. Activity includes substitution, cancellation and modification. New trades due to sub or trade entry should not

INFINITY QUICK REFERENCE GUIDE

calculate exposure and therefore will not cause a change to this column. Exposure changes due to reprice activity should not be reflected in this column.

- If a trade is substituted the Current Exposure should be increased/decreased (based on whether buy or sell trade).
- If a trade is cancelled where the trade had exposure included in the Start of Day Exposure the Current Exposure column should be increased/decreased (based on whether buy or sell trade).
- Modification of a field that affects the calculation of exposure where there was exposure in the Start of Day number should increase/decrease the Current Exposure column.
- ◆ *End of Day Exposure* – Current Exposure plus or minus Reprice Payable/Receivable.
- ◆ Reprice Detail.
 - Double clicking on a summary line will drill down to the trades that make up the summary number. To reprice a trade enter the new price and release. If interest only is to be paid type P in the Int field. Override interest may also be entered in conjunction with a reprice or to be paid on the contract.

Rate Board

- ◆ The Rate Board allows for daily rate updates to variable rate trades. The information is displayed by Customer and groups all trades by Cusip and Ledger. A rate applied to a line in Rate Board is applied to all trades that make up this line. These trades may be seen by drilling down on the line. If the prior day rate for one trade making up a line is different than another the Old Rate field will display.
- ◆ Multiple cusips can be grouped together for ease of many rate updates by creating a Category in the Customer Profile where trades from specific ledgers or collateral types can be included. Once a Category is created all trades falling into this category will be grouped in one line in the rate board. The Cusip Id, Label, Type and Coupon will show * since the line may be comprised of multiple issues. The Category generated for this customer will appear. Specific trades may be moved out of a category where their rate for a particular day (s) is different. This may be done by right clicking on the trade in Rate Board and selecting Move Category. The Category name may be left blank to move a trade out of a Category.

VII. MTS VERBS / COMMANDS

LBEX-LL 1175519

MTS VERBS / COMMANDS

Verbs and Commands to Mainframe System

LPCICS	Initial entry into MTS system at application prompt.
LONT	Logon to MTS: need userid and password.
LBC	Browse repo contracts: need either a ledger or cust #.
LBT	Browse trade: need wither cusip, cust #, or security id (this is for both outright trades as well as repo's).
LVT	To view details of repo trade: need trade id or cntr id.
LVTR	Also to view details of repo trade (use '/' to view previous contract.
LVTI	To view delivery instructions on a trade: need tranni.
LVPO	To view net receivable / payable for trade (s) that were paired off by clearance or cash mgmt: need one of the trade id's (either buy or sell side).
LBFN	To browse to see if a cash wire was sent in or if a payable or receivable was created: need amt range.
LVTD	To view details of a trade: need tranni.
LVCT	To view clearance status of a trade: need tranni. If cage clears a trade for different net money, amount will show here.
LVTH	To view history of a specific trade: need tranni.
LVSA	To see salespersons name: need sales id code.
LVCM	To see all details of account setup: need cust #.
LBCM	To get an account number: need exact name of a/c.
LVCC	Once in a contract/trade, to 'summarize' each on and offside trade details to one line per security: need trade id first (via LVT), then 'LVCC /'.
LBCI	To see all default delivery / cash wire instructions for an account: need cust #.
LVRR	To view rate history for a variable rate contract: need contract id.
LVFN	To see where a pairoff payable / receivable is set to be sent to / come from: need pairoff number (starts w/ 'p').
LVSM	To see if a security is already set up on MTS: need cusip.
LVTO	To see name of an MTS user: need operator id (5 digits).
LVFH	To see historical 'funds transfer's' on a contract level (i.e. all repricing's, pairoff's, and interest cleanups): need contract or trade id.
LBSA	To find a salesperson's id: need last or first name.

VIII. CREDIT RISK MANAGEMENT

LBEX-LL 117521

CREDIT RISK MANAGEMENT

Financing Haircuts, Credit Analyst Information, Credit Limits

<http://my.lehman.com/CRM/>

Lehman Brothers has a website which provides haircut grids, credit analyst coverage, and credit limit information for financing trades. This site is accessible to any Lehman employee with an active Lehman Live UserID.

The information contained on these reports is of a highly sensitive nature and should be treated confidentially.

CREDIT RISK MANAGEMENT



Use the Menu on the left to find your Credit Limits and Term approved, haircut grids, and credit analyst coverage.


CREDIT RISK MANAGEMENT

F.I. Financing : All Activity

Report Type: All Activity (02 Feb 2005)

Search By

Client Name Credit Analyst Legal Entity Product Group

Enter Partial or full name or Search expression (Client name only)  [CLI Help Guide](#)

IF A NOTIONAL LIMIT IS IN **bold italic**, THEN A TEMPORARY LIMIT IS IN EFFECT.
FOR THESE CASES, PLEASE CALL FOR APPROVAL OF ANY ADDITIONAL TRADES

Page 1 of 41 Next >>

Client Name	Legal Entity	Product Group	Product Subgr	Limit Excess	Available	Maturity Limit
17TH STREET FUND	LBI	RE/RR	RREPO		24,599,000	M03
314 COMMONWEALTH INC	LBI	RE/RR	REPO	NO LINE	0	0
ABBEY NATIONAL SECURITIES INC	LBI	RE/RR	REPO		982,789,938	M12
ABITBOHL, JORGE MARCOS	LBI	RE/RR	REPO	NO LINE	0	0
ABN AMRO BANK NV	LBIE	N/A	DOLROL		457,731,925	M01
	LBI	RE/RR	REPO		985,000,000	M12
	LBIE	RE/RR	EMGRR		475,646,171	M12
	LBIE	RE/RR	REPO		4,407,496,827	M12
ABSA BANK LIMITED	LBIE	N/A	DOLROL		100,000,000	M01
ACE TEMPEST REINSURANCE LTD	LBI	RE/RR	REPO	NO LINE	0	0
ACM MANAGED DOLLAR INCOME FUND	LBIE	RE/RR	EMGRR		18,511,380	W01
ADN CONVEK	LBIE	RE/RR	REPO	NO LINE	0	0
ADN CREDIT ARBITRAGES	LBIE	RE/RR	REPO	NO LINE	0	0
ADN HIGH YIELD FUND	LBIE	RE/RR	REPO	NO LINE	0	0
ADOLM CORP SA	LBI	RE/RR	REPO	NO LINE	0	0
ADVANTAGE NATIONAL BANK	LBI	RE/RR	RREPO	NO LINE	0	0
AFRICAN DEVELOPMENT BANK	LBI	RE/RR	REPO		91,500,000	M03
AGENCE FRANCE TRESOR	LBIE	RE/RR	REPO		2,000,000,000	M12
AHEAD HOLDINGS LLC	LBI	RE/RR	RREPO	NO LINE	0	0
AG - FUND A	LBI	RE/RR	REPO	NO LINE	0	0
AG INTERNATIONAL BNP	LBIE	RE/RR	EMGRE		60,000,000	M12

Done

Click on Client Limit Utilization for sub menu then click on F.I. Financing to start search on client for their size limits, availability and maturity limits.

CREDIT RISK MANAGEMENT

The screenshot shows the 'Credit Risk Management' web application. The top header includes the 'LEHMAN BROTHERS' logo and the title 'Credit Risk Management'. On the left is a vertical navigation menu with sections for 'Current Exposure' and 'RISK'. The main content area is titled 'Haircut Grids' and contains a list of client categories: 'Financial Institutions, Investment Advisors, Insurance, Government Corporate', 'Hedge Funds', 'EMG Institutions', 'Private Client Services(PCS)', 'Securities Lenders', and 'EMG Country Lists'. Below this list is a 'General Overview' section with a text box stating: 'These are standard haircuts, by asset class, for all counterparties according to the counterparty's industry. Please click on one of the four hyperlinks above that pertains to your counterparty's specific industry to view the standard haircuts. Any questions call **Laura Vecchio** at (212) 526-2423 or **Joseph Mc Veigh** at (212) 526-8968.'

Click on haircut grids then click on client category. Haircut grid will appear on excel spreadsheet. These are INTERNAL ONLY and not to be sent to any client under any circumstances.

CREDIT RISK MANAGEMENT

Fixed Income Financing			Fin. Inst., B/D, Insurance, Agencies/Govt. Entities/Inv. Advisors, Corporates															
UNDERLYING ASSETS HAIRCUT MATRIX			Risk Factor	Reverse Repo Haircuts														
				Global Financial Intermediary			Tier 1			Tier 2			Tier 3			Tier 4		
				Open	I Month	Term	Open	I Month	Term	Open	I Month	Term	Open	I Month	Term	Open	I Month	Term
Corporate Bonds	A Rated - 5Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	A Rated - 10Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	A Rated - 30Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB+ Rated - 5Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB+ Rated - 10Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB+ Rated - 30Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB Rated - 5Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB Rated - 10Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB Rated - 30Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB- Rated - 5Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB- Rated - 10Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BBB- Rated - 30Y	6.40%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%
	BB Rated - 5Y	8.30%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%	25.00%	25.00%	30.00%	30.00%	30.00%
	BB Rated - 10Y	8.30%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%	25.00%	25.00%	30.00%	30.00%	30.00%
	BB Rated - 30Y	8.30%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%	25.00%	25.00%	30.00%	30.00%	30.00%
B Rated	8.30%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	25.00%	25.00%	25.00%	25.00%	25.00%	30.00%	30.00%	30.00%	
CCC Rated	12.76%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	50.00%	50.00%	50.00%	N/A	N/A	N/A	N/A	N/A	
CC Rated	12.76%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	50.00%	50.00%	50.00%	N/A	N/A	N/A	N/A	N/A	
C Rated	12.76%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	50.00%	50.00%	50.00%	N/A	N/A	N/A	N/A	N/A	
Defaulted & Non-Rated	24.30%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	N/A	N/A	N/A	N/A	N/A	
GCF Securities	GCF Securities	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Unknown Product Type	Other	N/A	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Lehman Brothers International (Europe) (LBIE)																		
Government Bonds	0-2 years, underlying asset maturity	0.42%	0.00%	0.00%	0.00%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	
	2-7 years, underlying asset maturity	0.92%	0.00%	0.00%	0.00%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	
	7-10 years, underlying asset maturity	2.22%	0.00%	0.00%	0.00%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.50%	1.50%	1.50%	2.00%	2.00%	2.00%	
Government Agencies'	> 10 years, underlying asset maturity	2.84%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.50%	1.50%	1.50%	2.00%	2.00%	2.00%	2.75%	2.75%	2.75%	
	0-2 years, underlying asset maturity	0.98%	0.00%	0.00%	0.00%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.75%	1.75%	1.75%	
	2-7 years, underlying asset maturity	1.27%	0.00%	0.00%	0.00%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.50%	1.50%	1.50%	2.25%	2.25%	2.25%	

Haircuts are based on a combination of the creditworthiness of the client and the characteristics of the bond. The tier of the client is determined by the Credit Analyst at the time client is approved to do repo.

CREDIT RISK MANAGEMENT

LEHMAN BROTHERS

Credit Risk Management

- Current Exposure
- Documentation
- Legal Documents
- Credit Analyst Coverage
- Credit Policy
- Reports - Non-Credit Use
- Documents
- General Managers
- Reports
- Tables
- Documents

Steve Simone - Group Manager					
Industry	Primary Analyst	Telephone	Backup	Telephone	
Financial Institutions & PCS	Hector Kreutz	212-526-9780	Scott Quinn Robert Baraglia	212-526-4226 212-526-2939	
Insurance and Municipals	Julia Nand	212-526-8271	Joe Arzoo Amar Patel	212-526-4148 212-526-3334	
Hedge Funds	Jim Chen Frank Field Robert Tennant	212-526-9884 212-526-3702 212-526-4625	Robert Baraglia Erica Surtin Joshy Jacob	212-526-2938 212-526-4039 212-526-4838	
Corporates	Daniel Goldhagen	212-526-9046	Kevin Chuchester Michael Pistilli	212-526-7487 212-526-1203	
Investment Advisors & Mutual Funds	Yashraj Capasa	212-526-4133	Chandra Bekas Gary Ross	212-526-8782 212-526-3439	
Special Purpose Vehicles & CDOs	Martin Roberts	212-526-7734	Julia Nand	212-526-8271	
Sovereigns	Mark Patrick	212-526-5083	Seema Tsakov	212-526-5561	
Latin America	David Sackell	305-789-8734	Mark Patrick	212-526-5083	

Robert Lutey - Group Manager		
MPE	Analysts	Telephone
Quantitative Analyst	Robert Lutey	212-526-4136
Quantitative Analyst	Eric Spray	212-526-3309
Quantitative Analyst	Shahram Masian	212-526-7741

Eric Spray - Group Manager - Risk Reporting		
CREDIT RISK REPORTING	Name	Telephone
Forex Settlement & Reporting	Richard Gamm	212-526-9984
Credit Reporting	Mam Hymen	212-526-2671
Credit Reporting	Debra Stone	212-526-4137
Credit Reporting	Darman Awers	212-526-5935
Credit Reporting	Robert Brega	212-526-9169
Credit Reporting	Amanda DiCarlo	212-526-0247
Credit Reporting	Carlos Mercado	212-526-0250
Credit Reporting	Michael Sulikowski	212-526-3229
Credit Reporting	Eugene Urshaw	212-526-0483
Credit Reporting	Sherry O'Donnor	212-526-5601
Credit Reporting	Fisery Ada Khun	212-526-2794

To find the appropriate Credit Analyst for repo approval, tier assignments and haircut inquiries refer to sub menu under Documents and click on Credit Analyst Coverage.

CREDIT RISK MANAGEMENT

To find haircut on EMG bonds go to sub menu under Client Limit Utilization and click on F.I. Financing.
The following appears:

F.I. Financing : All Activity

Report Type:

All Activity (02 Feb 2005)

Search By

Client Name
 Credit Analyst
 Legal Entity
 p

-Spreadsheets-
 -Spreadsheets-
 Agent Default Limits & Availability
 CLU Operating Instructions
Search Worksheet

CLU Help Guide

Enter Partial or full name or Search expression (Client name only)

IF A NOTIONAL LIMIT IS IN ***bold italic***, THEN A TEMPORARY LIMIT IS IN EFFECT.
FOR THESE CASES, PLEASE CALL FOR APPROVAL OF ANY ADDITIONAL TRADES.

Page 1 of 41 Next >>

Client Name	Legal Entity	Product Group	Product SubGrp	Limit Excess	Available	Maturity Limit
17TH STREET FUND	LBI	RE/RR	RREPO		24,598,000	M03
314 COMMONWEALTH INC	LBI	RE/RR	REPO	NO LINE	0	0
ABBEY NATIONAL SECURITIES INC	LBI	RE/RR	REPO		982,789,938	M12
ABTEBOUL, JORGE MARCOS	LBI	RE/RR	REPO	NO LINE	0	0
ABN AMRO BANK NV	LBIE	N/A	DOLROL		457,731,925	M01
	LBI	RE/RR	REPO		985,000,000	M12
	LBIE	RE/RR	EMGRR		475,646,171	M12
	LBIE	RE/RR	REPO		4,407,496,827	M12
ABSA BANK LIMITED	LBIE	RE/RR	RREPO		1,317,845,689	M12
	LBIE	N/A	DOLROL		100,000,000	M01
ACE TEMPEST REINSURANCE LTD	LBI	RE/RR	REPO	NO LINE	0	0
ACM MANAGED DOLLAR INCOME FUND	LBIE	RE/RR	EMGRR		18,511,380	W01
ADI CONVEX	LBIE	RE/RR	REPO	NO LINE	0	0
ADI CREDIT ARBITRAGES	LBIE	RE/RR	REPO	NO LINE	0	0
ADI HIGH YIELD FUND	LBIE	RE/RR	REPO	NO LINE	0	0
ADQUM CORP SA	LBI	RE/RR	REPO	NO LINE	0	0
ADVANTAGE NATIONAL BANK	LBI	RE/RR	RREPO	NO LINE	0	0
AFRICAN DEVELOPMENT BANK	LBI	RE/RR	REPO		91,500,000	M03
AGENCE FRANCE TRESOR	LBIE	RE/RR	REPO		2,000,000,000	M12
AHEAD HOLDINGS LLC	LBI	RE/RR	RREPO	NO LINE	0	0

CREDIT RISK MANAGEMENT

Drop arrow down where it displays Spreadsheets to Haircut worksheets. Green box below appears in excel. Search for counterparty, choose Lehman entity, find type of asset to be financed, choose EMG asset and Country. Answer appears in gray box below.

**Lehman Brothers Fixed Income Financing
HAIRCUT WORKSHEET**

Counterparty Name (choose one)

Counterparty Industry

Credit Analyst

Lehman Entity for Trade (choose one)

Type of Asset to be Financed (choose one)

If EMG Asset, Choose Country

**STANDARD REVERSE
REPO HAIRCUT:**

Haircut Worksheet /

**IX. LBIE / LBI
TICKETS AND
SETTLEMENT
INSTRUCTION
FOR ITS**

LBEX-LL 1175530

LBIE / LBI TICKETS AND SETTLEMENT INSTRUCTION FOR ITS

Trade and Reprice Tickets

(available in Excel format)

Please call the desk for excel file which are ticket templates.

Please make note if the ticket is for an LBI or an LBIE account by highlighting all trades for LBI accounts as below:

LBI ACCOUNT NAME	
LBI ITS ACCOUNT NUMBER	
LBI ITS IR NUMBER	

As opposed to the below for an LBIE trade:

LBIE ACCOUNT NAME	
LBIE ITS ACCOUNT NUMBER	
LBIE ITS IR NUMBER	

LBIE / LBI TICKETS AND SETTLEMENT INSTRUCTION FOR ITS TICKET TEMPLATES

New Ticket	
TODAY'S DATE	01/20/2005
LBI ACCOUNT NAME	Banco XYZ
LBI ITS ACCOUNT NUMBER	011-005555
LBI ITS IR NUMBER	12212
FINANCING TYPE (RE or RR)	RR
SECURITY DESCRIPTION	CCL, 9.75 4/09
SECURITY ISIN NUMBER	US195325AT29
NOMINAL AMOUNT(+ for RR - for RE)	5,000,000
TRADE DATE	1/3/05
START DATE	01/05/2005
END DATE	01/25/2005
FINANCING RATE	2.000%
HAIRCUT	35%
NET LOAN ON	\$ 3,330,000.00
START PRICE	\$ 66.60
DELIVERY INSTRUCTIONS	
SALES CREDITS APPLY TO TERM TRADES ONLY	
STANDARD SALES CREDIT	92.5
MARK UP (eg. .05 = 5bp)	0.25
MARK UP CALCULATION	\$ 462.50
TOTAL SALES CREDIT UPON TERMINATION	\$ 555.00

Close Ticket	
TODAY'S DATE	01/20/2005
LBI ACCOUNT NAME	
LBI ITS ACCOUNT NUMBER	
LBI ITS IR NUMBER	
TRADE REFERENCE NUMBER	
FINANCING TYPE (RE or RR)	
SECURITY DESCRIPTION	
SECURITY ISIN NUMBER	
NOMINAL AMOUNT(+ for RR - for RE)	-
START DATE	
CLOSE DATE	
FINANCING RATE	
HAIRCUT	
NET LOAN ON (+ for RR - for RE)	\$ -
START PRICE	#DIV/0!
ACCRUED INTEREST	\$ -
TOTAL PRINCIPAL AND INTEREST	\$ -
DELIVERY INSTRUCTIONS	
STANDARD SALES CREDIT	\$ -
MARK UP (eg. .05 = 5bp)	
MARK UP CALCULATION	\$ -
TOTAL SALES CREDIT UPON TERMINATION	\$ -

TODAY'S DATE	
EXISTING TRADE	
REPRICE TICKET 01/13/2005	
LBI ACCOUNT NAME	
LBI ITS ACCOUNT NUMBER	
LBI ITS IR NUMBER	
TRADE REFERENCE NUMBER	
FINANCING TYPE (RE or RR)	
SECURITY DESCRIPTION	
SECURITY ISIN NUMBER	
NOMINAL AMOUNT(+ for RR - for RE)	
START DATE	
REPRICE DATE	
FINANCING RATE	
HAIRCUT	
NET LOAN ON (+ for RR - for RE)	
START PRICE	#DIV/0!
ACCRUED INTEREST	\$ -
TOTAL PRINCIPAL AND INTEREST	\$ -
DELIVERY INSTRUCTIONS	P/O VS REPO RE-PRICE
STANDARD SALES CREDIT	\$ -
MARK UP (eg. .05 = 5bp)	0.125
MARK UP CALCULATION	\$ -
TOTAL SALES CREDIT UPON TERMINATION	\$ -

RE-PRICED TRADE	
LBI ACCOUNT NAME	0.00
LBI ITS ACCOUNT NUMBER	0
LBI ITS IR NUMBER	
FINANCING TYPE (RE or RR)	
SECURITY DESCRIPTION	0
SECURITY ISIN NUMBER	
NOMINAL AMOUNT(+ for RR - for RE)	
REPRICE DATE	01/00/1900
END DATE	
FINANCING RATE	
HAIRCUT	
NET LOAN AMOUNT (+ for RR - for RE)	
NEW PRICE	#DIV/0!
DELIVERY INSTRUCTIONS	P/O VS REPO RE-PRICE

TOTAL PRINCIPAL AND INTEREST ON EXISTING TRADE	\$ -
NEW LOAN AMOUNT	\$ -
CASH PAIR OFF PROCEEDS	\$ -
PAIR OFF \$ AMOUNT	\$ -
LEHMAN OWES CLIENT IF POSITIVE	
CLIENT OWES LEHMAN IF NEGATIVE	

LBIE / LBI TICKETS AND SETTLEMENT INSTRUCTION FOR ITS

Delivery Instructions for EMG Collateral

LBI Euroclear number:	22780 used when delivering bonds to and from TMS acct to ITS/LBIE
LBIE Euroclear number:	92904
Cash Wire Instructions:	Citibank, N.A. ABA 021000089 A/C 40610137 A/C LBIE

Settlement Terms

EMG Cash trades	T + 3
EMG Repo trades	T + 2 (also known as spot) T + 1 (also known as tom & should be ok'd by desk) T (same day or daylight must be ok'd by desk)
EMG reprices for margin	T + 1
EMG rerates	T + 2

Both sides must instruct and match at least 24 hours in advance.

**X. DOMESTIC
SETTLEMENT
INSTRUCTION
GUIDE**

LBEX-LL 1175534

DOMESTIC SETTLEMENT INSTRUCTION GUIDE

Fixed Income Lehman Brothers

Settlement Instructions <i>Delivery vs. Payment</i>				
Product	Wireable	Physical	Payment Instructions	Settlement Contact
Treasuries & Federal Agencies	ABA 021000021 JPMChase / Lehman	N/A	Chase NYC ABA 021000021 A/C Lehman Brothers Inc A/C 066-206-677 Attn: Lehman	Mike Maher 201-499-8397
Money Markets: CP, CD, BA & Deposit Notes	Lehman Commercial Paper Inc. DTC # 636	Chase Manhattan Bank 4 New York Plaza Ground Floor A/C Lehman Brothers NY, NY 10004	Chase Manhattan Bank ABA #021000021 Attn: Outsourcing Dept #538 Sub Account 323-2-92666	Maureen Duffy(DTC) 201-499-8296 Peter Borzi (physical) 201-499-8348
Medium Term Notes: Auction Rate Securities (i.e., MMPs, SAVAs)	Lehman Brothers Inc. DTC # 636	Chase Manhattan Bank 4 New York Plaza Ground Floor A/C Lehman Brothers NY, NY 10004	Chase Manhattan Bank ABA #021000021 Attn: Outsourcing Dept #538 Sub Account 323-2-92666	Maureen Duffy 201-499-8348 Peter Borzi (physical) 201-499-8348
Corporate Bonds	Euroclear # 90014 DTC # 074	DTCC NY WINDOW 55 Water Street 2 nd Sub Level A/C Lehman Brothers NY, NY 10004	Chase NYC ABA 021000021 A/C Lehman Brothers Inc A/C 066-27-969 Sub A/C 731-7084312	Bill Gallagher (DTC) 201-499-8371 Peter Borzi (physical) 201-499-8348
Municipal Bonds	Lehman Brothers Inc. DTC # 074	DTCC WINDOW 55 Water Street 2 nd Sub Level A/C Lehman Brothers NY, NY 10004	Chase NYC ABA 021000021 A/C Lehman Brothers Inc A/C 066-27-969 Sub A/C 731-7084312	Bill Gallagher (DTC) 201-499-8371 Peter Borzi (physical) 201-499-8348
Preferred Stock	Lehman Brothers Inc. DTC # 074	DTCC NY WINDOW 55 Water Street 2 nd Sub Level A/C Lehman Brothers NY, NY 10004	Chase NYC ABA 021000021 A/C Lehman Brothers Inc A/C 066-27-969 Sub A/C 731-7084312	Bill Gallagher (DTC) 201-499-8371 Peter Borzi (physical) 201-499-8348
Mortgages: GNMA: Pass-Through and REMIC	ABA 021000021 JPMChase/LMBS	N/A	Chase NYC ABA 021000021 A/C Lehman Brothers Inc A/C 066-206-677 Attn: Lehman	Anna Garner 201-499-8393
FHLMC/FNMA/CMOs: Pass-Through and REMIC	ABA 021000021 JPMChase /LMBS or DTC # 636	N/A	Chase NYC ABA 021000021 A/C Lehman Brothers Inc A/C 066-206-677 Attn: Lehman	Anna Garner (Fed) 201-499-8393 Maureen Duffy (DTC) 201-499-8396
Private Label CMOs & Asset-Backed Securities	DTC # 636	Chase Manhattan Bank 4 New York Plaza Ground Floor NY, NY 10004	Chase Manhattan Bank ABA #021000021 Attn: Outsourcing Dept #538 Sub Account 323-2-92666	Maureen Duffy(DTC) 201-499-8396 Peter Borzi (physical) 201-499-8348

XI. CAMEO AND MARGIN EXPOSURE REPORTS

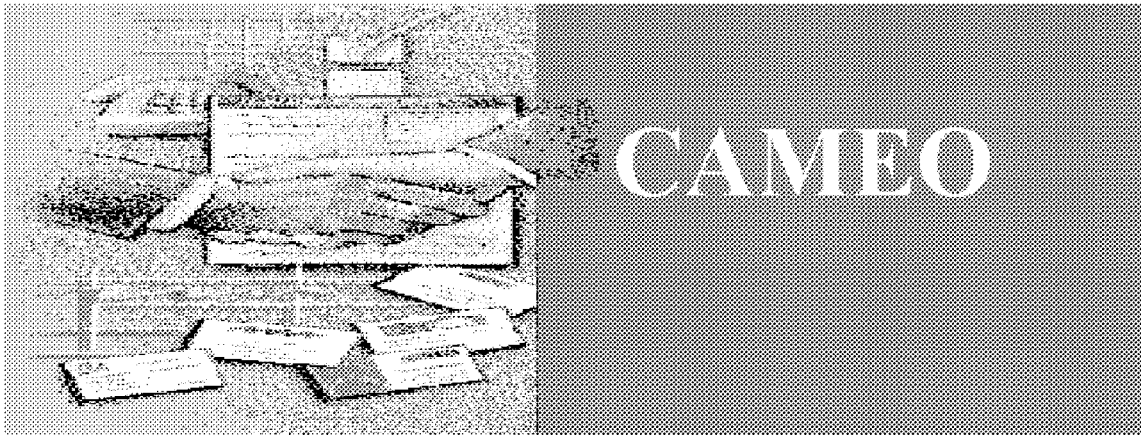
Resolving Margin Calls

- ◆ Determining Cause of Exposure
- ◆ Resolving Margin Calls
- ◆ Repo trades are marked to market daily.
- ◆ Margin calls are expected to be met daily.
- ◆ The margin department contacts sales when there is an account which has exposure in excess of trigger amount.
- ◆ After sales receives margin notice they should run a trade exposure report in CAMEO to determine if the call is good.
- ◆ Sales should make sure the haircuts and mark to market prices are accurate. These are two variables which could cause a bad call.
- ◆ Some margin calls will be made direct from the margin department and other will be made from sales. Margin will decide which customers are directly contacted by their department.
- ◆ If sales is responsible for handling the margin call they must communicate with Margin and tell them how the call will be resolved (free collateral, reprice, cash collateral, etc.).
- ◆ The customer should be contacted by sales no later than 10:00AM and margin call should be met by 3PM the same day in MTS or can be same or next day for ITS or what is referenced in the GMRA (Global Master Agreement).
- ◆ The calls which are not met per the repurchase doc will be reported to Credit, the Trading Desk and Management. These actions could result in closing the trade or liquidation.
- ◆ Cameo can be requested by going to Lehman Live and typing TAC in Keyword box. Click on Make a Request.
- ◆ Find the application listed alphabetically, click and following instructions and submit.

For Cameo training contact:

Kristin Desario

212 526 7065



**** CAMEO View-Only User Manual ****

Lee Wigden (Updated 1/14/04)

Background Info:

CAMEO stands for Collateral And Margin Exposure Optimization, and is the official margin system of Lehman Brothers. It is used globally by Margin, Corporate Credit, Trading, Sales, and other Operations departments. Margin users have access to numerous margin-related tools within CAMEO, such as pricing, margin engines, contacts, margin calls, & statements. View only users, which include all other areas other than Margin, can view screens & run reports but can not affect any of the data or events within the system. Enhancements to CAMEO are constantly in progress, with new releases scheduled periodically. Summaries of new releases are provided by our CAMEO Technology group. This manual will help view-only users navigate through CAMEO. For more detailed explanations regarding specific reports or functions or new user access, please feel free to contact one of the margin managers or supervisors below.

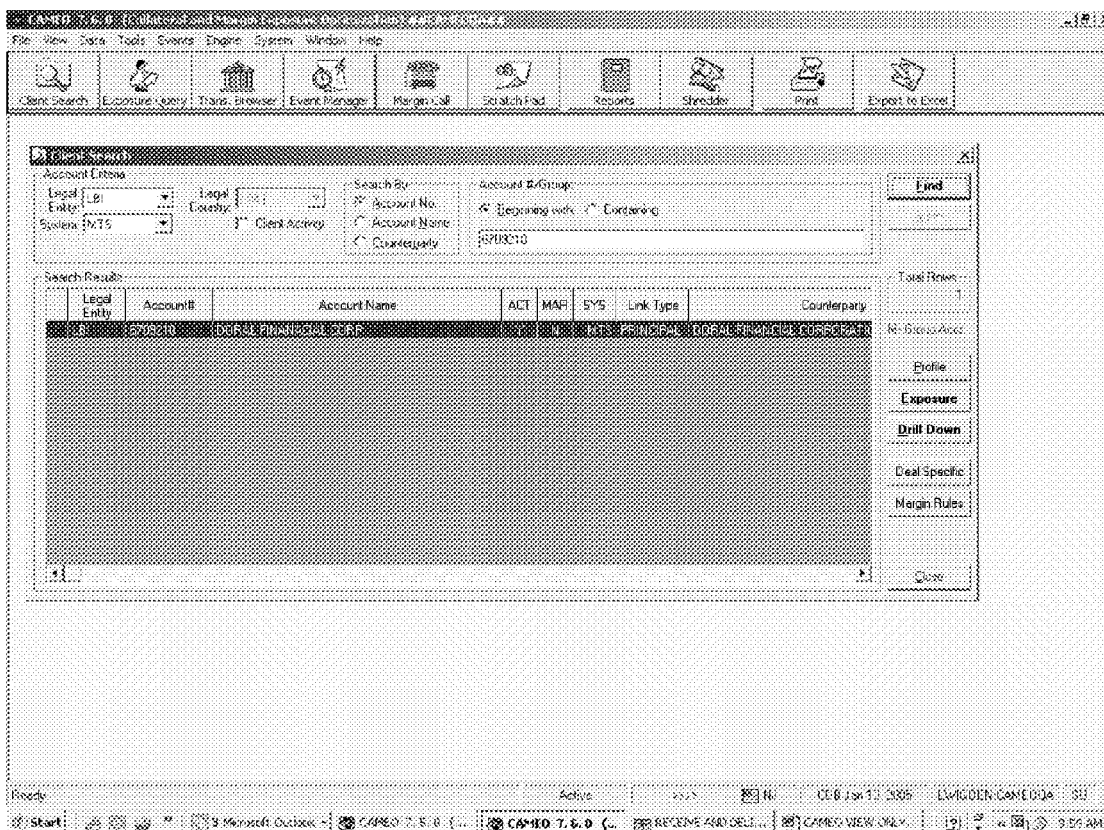
NY/ NJ CAMEO Contacts:

- ◆ Counterparty Margin: Jeanette Keryc
 - Fixed Income Margin: Kristin Desario
 - Derivative Margin: Tara Baquero
- ◆ Retail PCS Margin: Chris Andersen / Angelo Corallo
- ◆ Futures Margin: Caesar Trelles
 - CAMEO Tech: Email "CAMEO Technology"

Other useful tips:

- ◆ **Logging on:** Your user ID is your NT ID.

- ◆ **Exporting to Excel:** Any area in CAMEO that contains a grid can be exported to MS Excel by selecting the grid and then clicking the Export to excel button on the top of the CAMEO screen.
 - ◆ **Column Sorting:** To sort any grid in CAMEO click on the column header for an alpha-numeric sort.
- I. **Client Search:** Enables user to search for an account via source system account number, account name, or legal counterparty name. (See screen print below)



- ◆ Client Search can be accessed by clicking on Client Search button on top of CAMEO screen.
 - ◆ Enter in account number, name, or counterparty name in space provided. Legal Entity and System criteria are optional, but will limit the amount of records retrieved. (For source system, MTS is for FI-Financing, Options, & Forwards, ITS is for FI-Financing, and DEM is for derivative accounts.)
 - ◆ Click on Find. Account should appear in grid.
 - ◆ Highlight desired account and click on drill down to see account summary and trade level details. (See section II below)
- II. **Client Drill Down:** Enables user to view counterparty trade level detail and exposures in specific margin centers (product types). Screen layouts differ for the various margin centers

and include info relevant to the specific product type. e.g. FI-Financing, Derivatives, Futures, Retail PCS, Options, etc. (See screen shots A, B, & C below)

(a) FI-Financing Drill Down Summary Tab:

(b) Options Summary Tab:

Client Search Exposure Query Trade Browser Event Manager Margin Call Scratch Pad Reports Screenshot Print Export to Excel

Grouped Accounts (1)

LE	Account#	G	Account Name	USD P&E
111	0712711	N	Deriv Indus Intl corp	0

Adjustments Adjustment: 0

Date Status: Opening
Jan 14, 2005

End/Retired: Close, Contact, Deal Specific, Margin Rules, Exposure

Summary Detail Trans / Positions Daily Activity Balances Free Collateral Margin Calls Falls

Post Margin Exposure: 0 Liquidation Value: 1 Margin Valuation: 0

Options

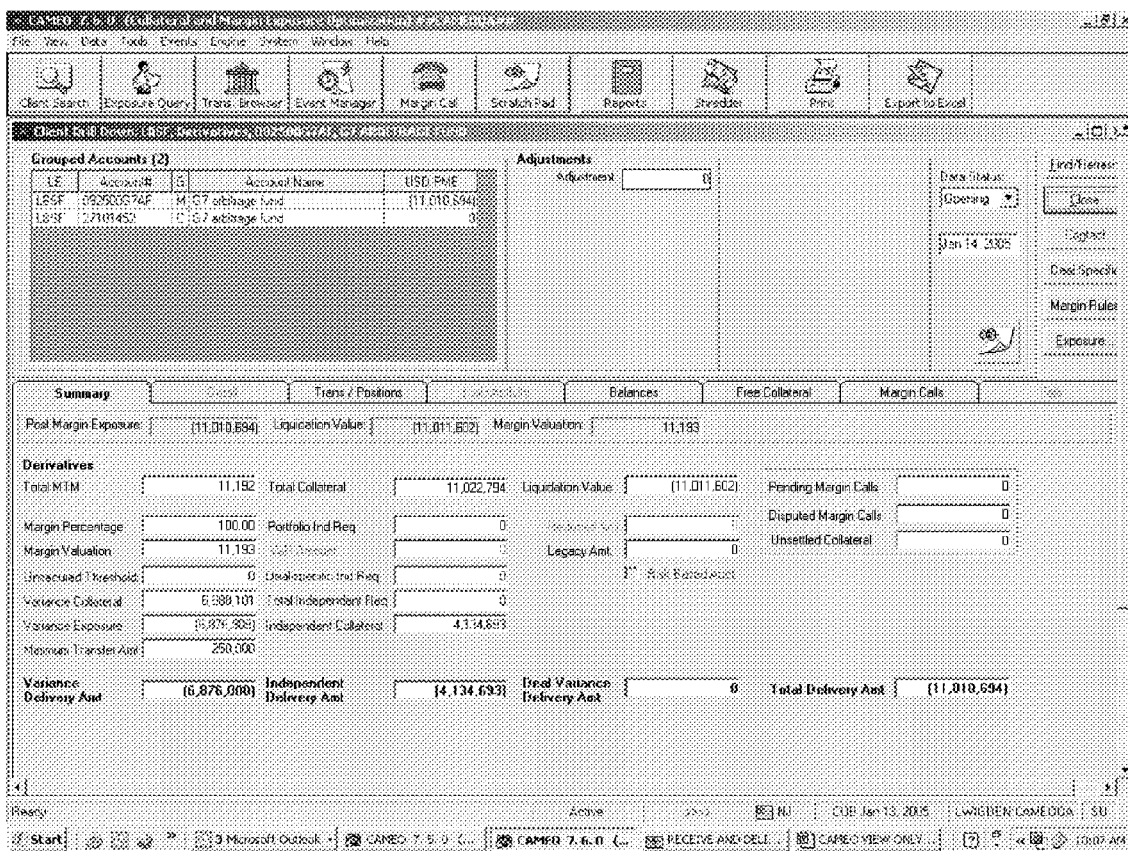
Option Trade Summary	Margin Rules	Margin
ITM: 0	PME Method: Replacement Value	MBSCC Trades: N
Balances: 1	% of: Mkt Val: National	Covered Flag: N
# of Trades: 3	Trigger Amount: 1,000,000	Pending Margin Calls: 0
Trades Maturing: 0	Uncol. Threshold: 0	Pending Mt. Amount: 0
Eq Value of Trades Maturing: 0		IMS Hedge Account: --
Total Replacement Value: 0		
Collateral Margin Value: 0		
Collateral Market Value: 0		
Deal Specific Indep Req: 0	Acct Indep Req: 0	Total Indep Req: 0

Calculation on Extension (yes/no) Accepted options only

Ready Active COR Jan 13, 2005 LHMIGDEN.CAMEGGA SU

Start Microsoft Outlook CAMEO 7.5.0 CAMEO 7.5.0 RECEIVE AND DELT CARNO VIEW ONLY 10:04 AM

© Derivatives Summary tab:



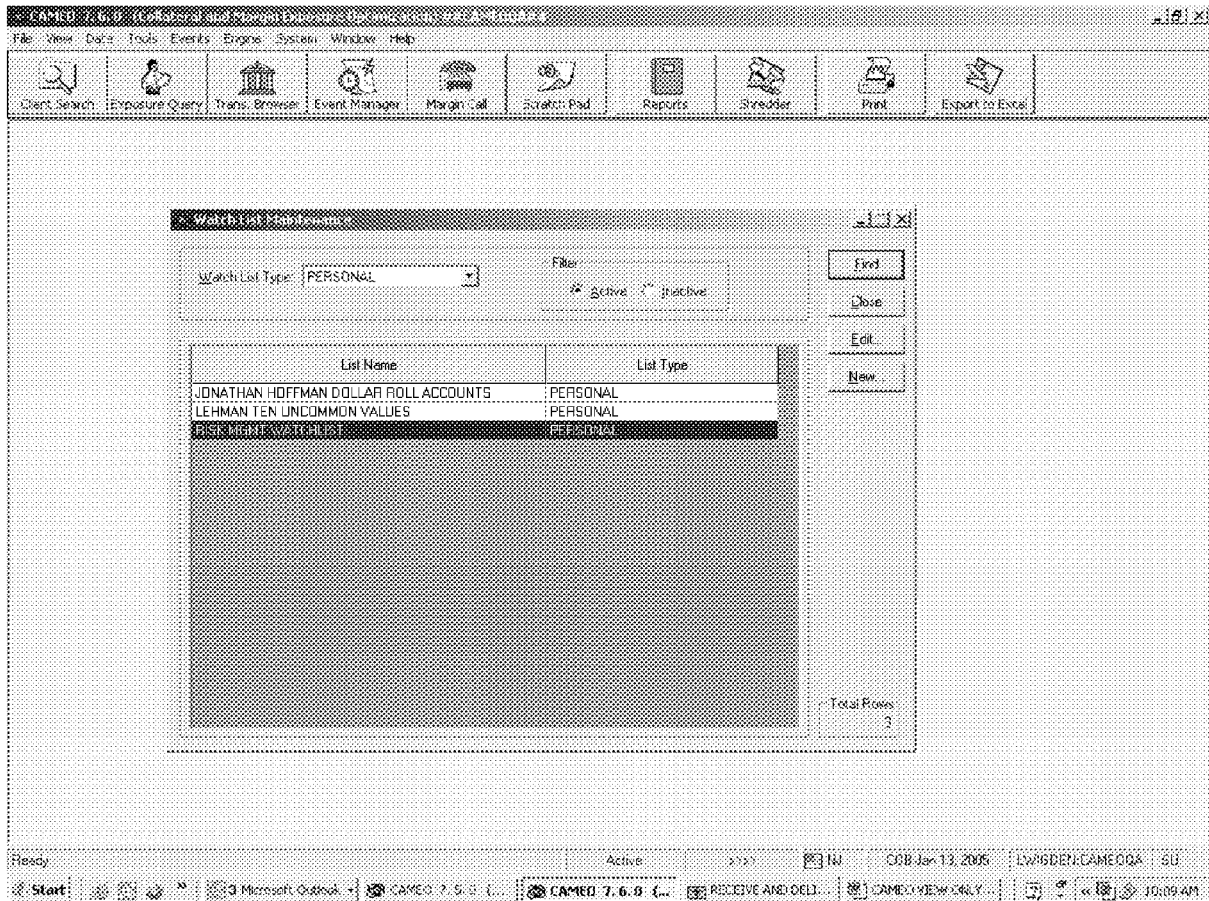
- ◆ Access **Client Drill Down** screen by clicking on **Drill Down** button from either Client Search or Client Exposure screens.
- ◆ Client Drill Down consists of several different tabs. Access to the tab you are interested in can be achieved by clicking on the tab header. The **Summary** tab offers account level exposure information. The **Transactions / Positions** tab contains trade level detail along with corresponding exposures on the trades. **Balances** shows any outstanding balances associated with account (if applicable). **Free Collateral** identifies any free collateral in the account used to offset margin exposure. The **Margin Call** tab will show any calls issued to the client/ sales.

IV. Counterparty Watchlists:

Enables user to identify to establish a “hot list” of his/ her own accounts. This is a useful tool because it helps the user focus just on accounts he/ she is interested in. There are many different reports and functions in CAMEO that can be run by Watchlist, including Exposure Query, Transaction Browser, and the FI-Financing Trade Exposure Report. The instructions included below demonstrate how a view-only user can set up their own personal watchlist.

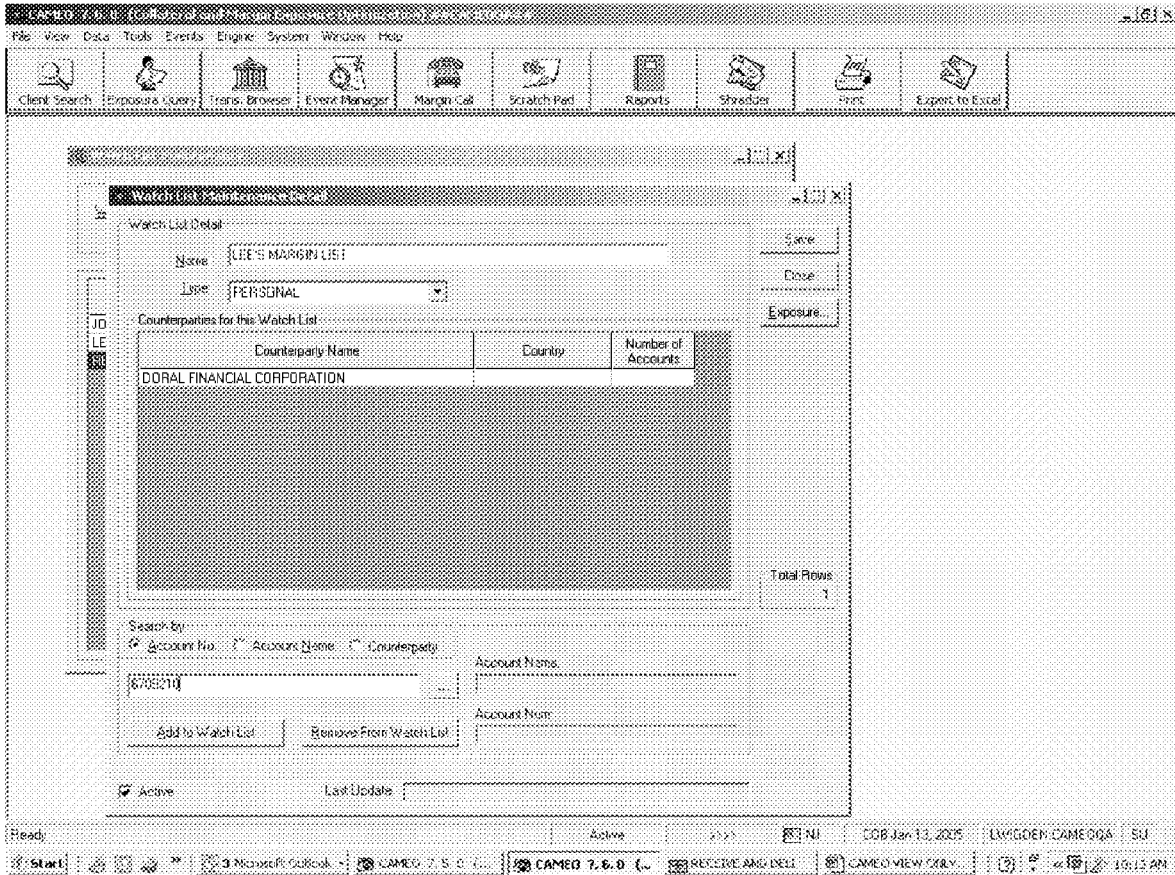
- 1) Go to **TOOLS** → **WATCHLIST**
- 2) When the Watchlist Maintenance box appears, select a Watchlist List Type of “Personal”.
- 3) **FIND**; this will bring up any existing personal watchlists you have. (See diagram#1)

Diagram#1:



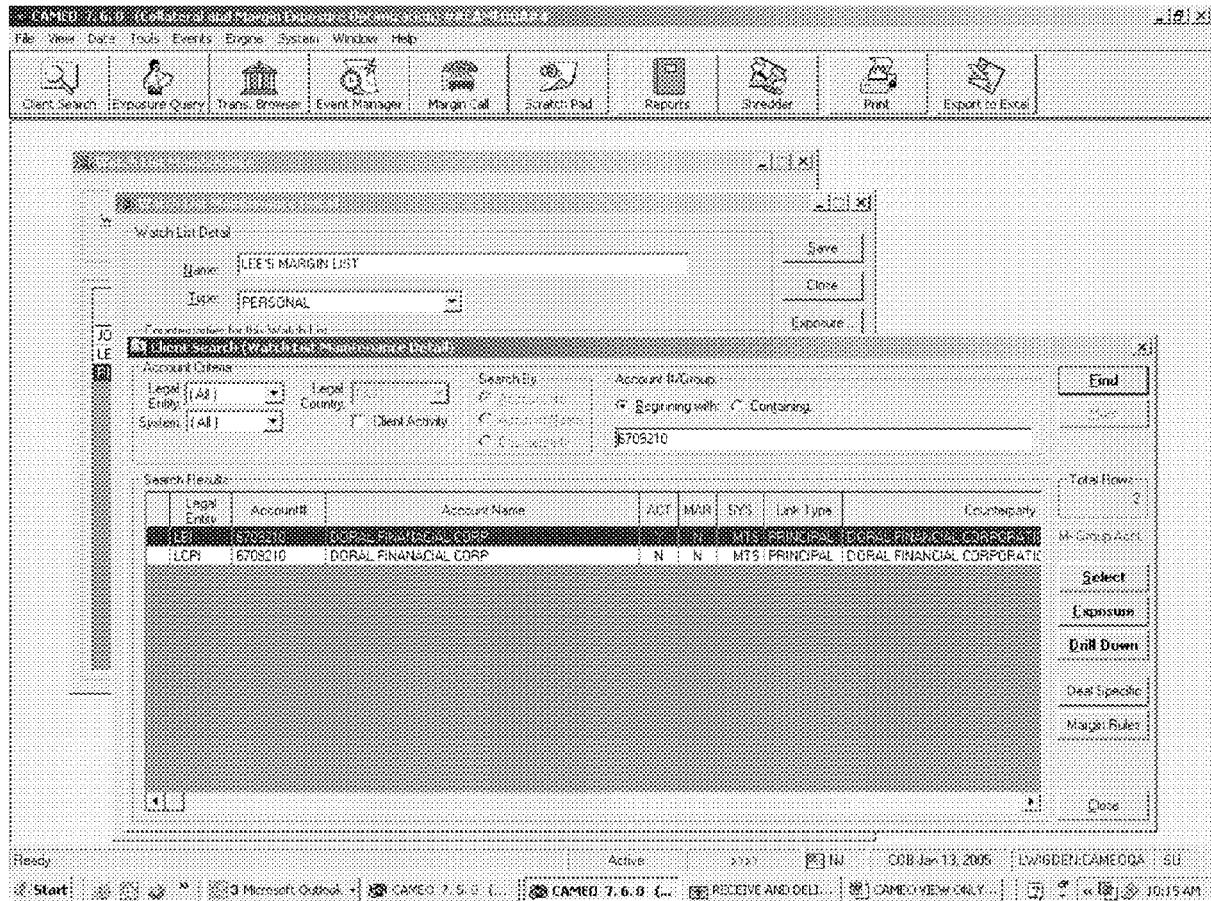
- 4) To create a new one, click on the **NEW** button. The Watchlist Maintenance Detail box should then appear. (see diagram #2 below)
- 5) In **NAME**, type a name that is relevant to your watchlist. For **TYPE** select "Personal"
- 6) On bottom of Watchlist Maintenance Detail screen where it says "Select a counterparty", enter an account number, account name, or legal counterparty name.
- 7) Click on the "**search**" button to the right. (This is the button with 3 dots). Entering in an account number is recommended when adding accounts to you watchlist. If you choose to enter in an account name or counterparty name, you do not have to enter in the entire name. CAMEO will search for the exact name from the Global Accounts database. (e.g. If you want to select Nomura Securities Intl Inc, you can enter in "Nomura Sec" and hit the find button)

Diagram#2:



- 8) CAMEO will bring you to a **Client Search** screen, where you should highlight the exact client that you want to add to your watchlist. Once you see the account that you want to add to your list, highlight the row and hit the **SELECT** button on the right side as seen in Diagram #3 below.

Diagram#3:



- 9) After selecting the exact counterparty/ account name, click on **ADD TO WATCHLIST** button, and the c/p name should appear in the grid. (as pictured in diagram# 2).
- 10) Continue this process until all of your desired counterparties are added to your list. Remember to hit **SAVE** when you are done. You can always go back into your list to edit it. Your watchlist is now ready and can be used throughout CAMEO (where applicable).

➤ Tip on how to use your Watchlist:

Click on **Exposure Query** button on top of CAMEO screen. Select your personal Watchlist from the drop down menu. Margin Center and Legal Entity criteria are optional, but can help you focus only on certain product types and counterparties. This screen is similar to Client Exposure screen in that it highlights margin exposure, liquidation value, pending margin calls, balances, etc. By highlighting a particular row and clicking drill-down you will be brought to drill down on the selected account.

LEHMAN BROTHERS TRANSACTION BROWSER

File View Data Tools Events Engine System Windows Help

Client Search Exposure Query Trans. Browser Event Manager Margin Call Scratch Pad Reports Streamer Print Export to Excel

Transaction Query/Filter

Watch List Responsibility
 Type: Personal / Global Location Responsibility
 Name: LEEY MARGIN LIST

Display Type
 Counterparty Name
 Account Name
 Include Equity Derivatives Only

Liquidation Value: 0

Legal Entity
 LBLH, LBI, LBL, LBLK, LBLR, LBL, LBLUX, LBLM, LBNL

Margin Center
 Bond, Borrow, Colateral, Cross-Netting, Derivatives, Equity Pledge, Futures, GIC, GLS, Institutional PCS

Name	Legal Entity	Margin Center	FME State?	Account	Post Margin Exp.	Liquidation Value	Pending Calls	Balances	Credit Rating
DORAL FINANCIAL CORPORATION	LBI	FI-Financing	G	6709210	(6,389,785)	(12,681,121)	0	0	BBB

NOTE: Positive value denotes a Lehman Brothers Receivable / Negative value denotes Lehman Brothers Payable. G: Group account, <: Cross-Netted Account.

Ready Active 1/13/2005 10:28 AM

IV. Transaction Browser:

This is a powerful tool that enables user to query trades using a wide variety of selection criteria, including legal entity, source system, trade ID, watchlist, security ID, account, trading ledger, etc. Currently Trans Browser is functional with the Derivative, FI-Financing, Options, and Forwards margin centers.

(In the example below, the query was performed using margin center = FI-Financing, Legal Entity = LBI, & ledger = 422)

The screenshot displays the CAMEO software interface. At the top, there is a menu bar with options: File, View, Data, Tools, Events, Engine, System, Window, Help. Below the menu bar is a toolbar with icons for Client Search, Exposure Query, Trade Browser, Event Manager, Margin Call, Scratch Pad, Reports, Shredder, Print, and Export to Excel.

The main window is titled "Financial Call Browser". It contains several search filters and a table of financial instruments.

Search Filters:

- Account Criteria: Legal Entity: [LBI], Margin Center: [FI-Financing], Search By: [Account No], Search Filter: [Beginning with], Account Name and Number: [], End: [], Close: []
- System: [LAF], Watch List: [LAF], [Account Name], [Counterparty]
- Data Status: [Opening], [Include Group Assets]
- On: [], On Date: [], Show Columns: [Ledges]
- Trade CCY: [All], Pool ID: [], Ledger: [41H, 421, 42L, 42M, 442, 44T]
- Reporting CCY: [USD], Orig Face: [], Security ID: [], Total Rows: 1,633

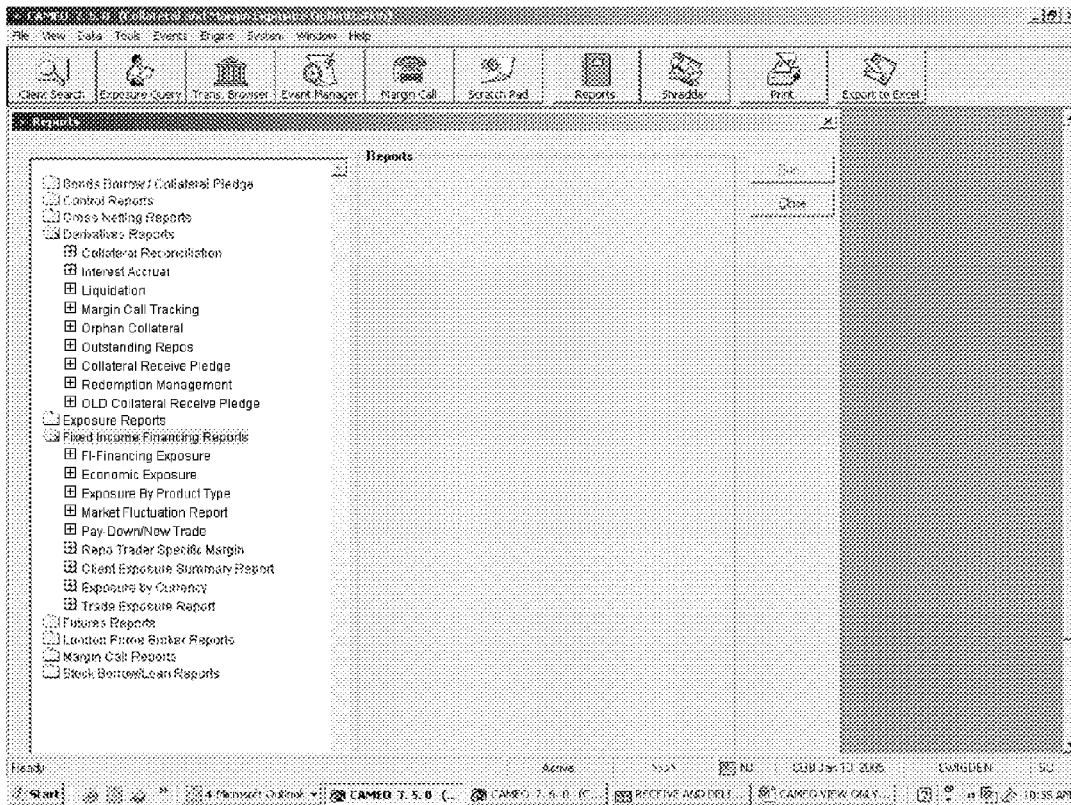
Table of Financial Instruments:

Source System ID	Legal Entity Code	Account Name	Deal Type	ISIN/CUSIP	Sec Description	Coupon	Maturity Date	Original	Current Face	P
0100110	LBI	V SUAREZ INVESTMENT CORP	RR	3133M1JA8	FEDERAL HOME	6.6250	Aug 27, 2007	1,000,000.00	1,000,000.00	
0103710	LBI	TMS BRIDGE F/A CATHAY BANK	RR	31371KV84	FNMA 15 YEAR	5.0000	Nov 01, 2017	9,300,057.00	4,796,694.30	
0114150	LBI	MIDLAND ADVISORS NO AMER LIFE F	RR	31393WHD4	FHR 2643 PG	5.0000	Jul 15, 2033	10,000,000.00	10,000,000.00	
0114150	LBI	MIDLAND ADVISORS NO AMER LIFE F	RR	31392E6F2	FNR 2002 67 PE	5.5000	Nov 25, 2032	31,800,000.00	31,800,000.00	
0114150	LBI	MIDLAND ADVISORS NO AMER LIFE F	RR	31394KF41	FHR 2693 MD	5.5000	Oct 15, 2033	29,213,000.00	29,213,000.00	
0115520	LBI	DAIN RAUSCHER INC	RR	3128MMAS2	GOLD PC 15 YE	5.0000	Oct 01, 2019	50,000,000.00	48,722,572.50	
0115520	LBI	DAIN RAUSCHER INC	RR	3140CC54	FNMA 5F 30 YE	5.5890	Jan 01, 2035	27,267,585.00	27,267,585.00	
0115520	LBI	DAIN RAUSCHER INC	RR	3140CC66	FNMA 5F 30 YE	5.5890	Dec 01, 2034	25,056,589.00	25,056,589.00	
0115520	LBI	DAIN RAUSCHER INC	RR	31406PCN7	FNMA 5F 30 YE	5.5890	Jan 01, 2035	4,463,956.00	4,463,956.00	
0115520	LBI	DAIN RAUSCHER INC	RR	3140CC21	FNMA 5F 30 YE	5.5890	Dec 01, 2034	5,895,241.00	5,895,241.00	
0115520	LBI	DAIN RAUSCHER INC	RR	3140CC589	FNMA 5F 30 YE	5.6000	Jan 01, 2035	2,568,415.00	2,568,415.00	
0128700	LBI	NEW YORK COMMUNITY BANK	RR	31233FUD	FHR 2626 A	4.6000	Jun 15, 2033	4,800,000.00	2,064,118.91	(1)
0128700	LBI	NEW YORK COMMUNITY BANK	RR	3128HQT6	GOLD PC 15 YE	4.6000	Jul 01, 2018	50,000,000.00	40,944,142.00	(48)
0128700	LBI	NEW YORK COMMUNITY BANK	RR	31233ONS1	FHR 2614 NA	3.7500	Apr 15, 2033	10,000,000.00	8,019,462.70	(7)
0128700	LBI	NEW YORK COMMUNITY BANK	RR	312964wPQ	GOLD PC 15 YE	4.5000	Feb 01, 2019	24,000,000.00	20,366,454.24	(20)
0128700	LBI	NEW YORK COMMUNITY BANK	RR	312964wPQ	GOLD PC 15 YE	4.5000	Feb 01, 2019	13,000,000.00	11,366,300.00	(11)

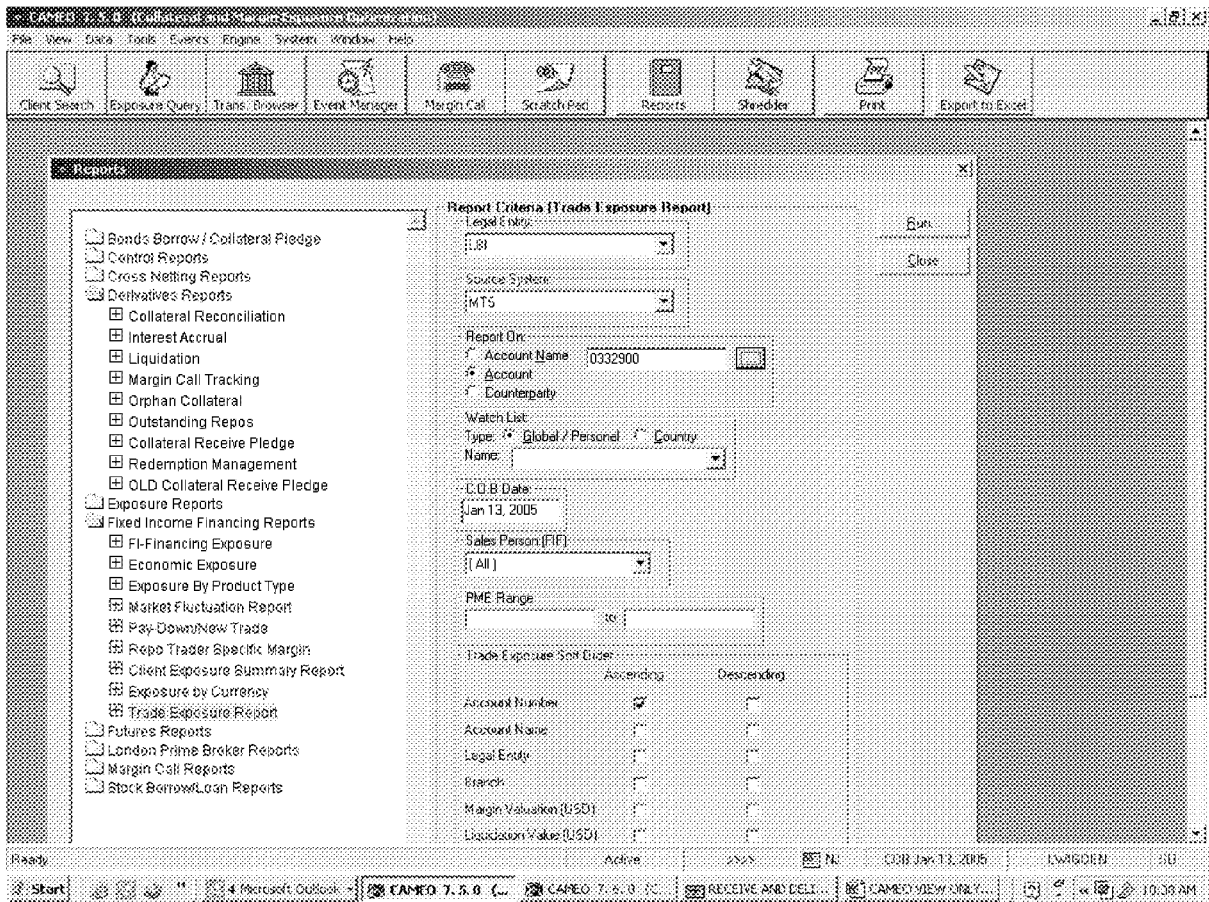
At the bottom of the window, there is a status bar showing "Ready" and "Active" with various system icons and a clock showing 10:32 AM.

V. Reports & Shredders:

There are many reports and shredders within CAMEO, most of which are geared towards margin related tasks, and others designed for pricing, trading, or other operational functions. A report is displayed on a user friendly printable format; a shredder is raw data that can be exported to excel for further manipulation. Reports and Shredders are broken down into different sub-categories by product type. Click on Reports or Shredders buttons on top of CAMEO screen to view selection of either reports or shredders. (See screen print below for Reports menu)



- ◆ One report frequently used by Sales & Branch Ops Support for Repo is the FI- Financing Trade Exposure Report, which shows repo exposure for margined trades within an account. This report contains all trade attributes associated with the FI-Financing business.
 - Please note that this report is intended for internal use only. If your client or sales team would like to receive a daily, weekly, or monthly MTM statement for repo or other businesses, automated delivery from CAMEO can be arranged by the Margin Dept.
- ◆ To run the report, click on Reports button on the top of the CAMEO screen.
 - Double click on the Fixed Income Financing Report folder;
 - Single click on Trade Exposure Report.
 - Fill in the appropriate selection criteria to the right: source system, legal entity, account number. (See screen shot “a” below)
 - Click on “search button” (button with 3 dots) to the right of account and select desired account.
 - Click Run. Report will take a few seconds to run. (See screen shot “b” below)
- ◆ FIF Trade Exposure Report selection criteria:



Sample Trade Exposure Report:

Account No	Sec Name	Coupon	Maturity Dt	ISIN/CUSIP	Princ
Trade Date	Deal ID	Iss CCY	Sett. CCY	Principal	C
On Date	Deal Type	Iss AMT Pk (0000)	BSS Trd Book Pk	Market Value	C
Off Date	Broker ID	Iss AMT Pk (00 00)	Sett. AMT Pk (00 00)	Pk Source	
Trd Days Left		Iss Trade Pk	Sett. Trade Pk	Pk Date	

Client: 0332900	G MERRILL LYNCH GOV'T SEC INC GOVT DEALER	LBI
Sales ID: DD	Sales Person: - CENTRAL FUNDING DESK	Sales

0332900	TINT 11-15-2009	0.000	15-Nov-2009	912833GF1	
	131KJ80	USD		-1,680,000	
03-Jan-2005	RE	84.0004		1,680,009	
OPEN				ESM/CATS	
		84.0000		13-Jan-2005	
0332900	FEDERAL HOME LOA	6.750	15-Mar-2031	3134A4AA2	
	181K3-000	USD		-1,235,000	
11-Jan-2005	RE	123.9449		1,239,449	
OPEN				ESM/CATS	
		123.5000		13-Jan-2005	

◆ Paydown Report:

Illustrates how margin exposure on an MTS repo account is affected by monthly mortgage paydowns by showing the change in factor, face amount, and exposure on a trade and summary level.

To run report:

- Click on Reports button.
- Double click on FI-Financing folder and highlight "Paydown Report"
- Enter in run criteria in right hand side of screen. Then click run.

READING THE EXPOSURE REPORT

- ◆ To read the report use the headings at the top and read from top to bottom to identify specifics of trade. The post margin exposure is figured in the second column from right.
- ◆ Look at the example on the next 2 pages
- ◆ $\text{Gross Mkt Exp} = \text{Market value} + \text{cpn interest} + (\text{financing int} + \text{principal})$
- ◆ $* 17,389 = (-395,425 + -74) + (11,077 + 401,911)$
- ◆ * all the numbers are opposite on this report so the Gross Mkt Exp is neg 17,389
- ◆ $\text{Margin/Hrct Amt} = \text{principal} * \text{h/c}$
- ◆ $-11,863 = -395,425 * .03$
- ◆ $\text{Margin Val} = \text{Gross Mkt Exp} + \text{Margin/Hrct Amt}$
- ◆ $5,526 = 17,389 + (-11,863)$
- ◆ PME = all the Margin Val added together compared to trigger
- ◆ $21,248 = 5,526 + 966 + 14,756$
- ◆ Although the Total Mrgn Val is a negative 21,248 there is no call since it is below the minimum (trigger) amount where margin is called

RUN DATE: 2/4/05 4:56:57PM
 REPORT ID: 2/4/05 4:56:57PM

LEHMAN BROTHERS
 ***** CAMEO *****
 Margin Exposure Report

Account No	Sec Name	Coupon	Maturity Dt	ISIN/CUSIP	Pool No	Sec Code	B&B Moody's Rating	Arm
Trade Date	Deal ID	Iss COY	Settl COY	Principal	Original Face	Financing Rate	MARON / HROCT	Gross
Or Date	Deal Type	Iss Mkt Px (class)	BAS Trd Book Px	Market Value	Current Face	Financing Interest	C / T	Mar
Or Date	Order ID	Iss Mkt Px (all in)	Settl Mkt Px (all in)	Px Source	Factor	Corpor Interest	Ex Rate (TOD)	Max
Trd Days Left		Iss Trade Px	Settl Trade Px	Px Date		Pending Opt Flag	Ex Rate (MTM)	(in C
=====								
Client:	6806300	BONY ONLINE25 (AS CUSTODIAN)		LEI				
		Sales ID: 249	Sales Person: - SALES DESK 7-8129		Sales office: LGSCNY			
=====								
6806300	US TREASURY BOND	8.125	15-Aug-2019	912810215			AAWAAA	21E
	2110290	USD		-395,423	290,000	2.2300	103.000	
01-Feb-2003	RE	138.3333		+01,811	290,000	-74	I	
07-Feb-2003				ESMCA18		11,077		
1		134.3333		03-Feb-2003				

6806300	US TREASURY BOND	8.125	15-Aug-2019	912810215			AAWAAA	21E
	2221120	USD		-137,274	100,000	2.2300	103.000	
02-Feb-2003	RE	138.3333		138,333	100,000	-17	I	
07-Feb-2003				ESMCA18		3,820		
1		137.2734		03-Feb-2003				

6806300	US TREASURY BOND	8.750	15-Aug-2020	912810209			AAWAAA	21E
	2500A10	USD		-8,023,443	5,483,000	2.2300	103.000	
05-Feb-2003	RE	144.9103		8,058,029	5,483,000	-2,481	I	
07-Feb-2003				ESMCA18		221,423		
1		144.3199		03-Feb-2003				

		RE						
				TOTAL ORIGINAL	TOTAL PRINCIPAL	TOTAL FINANCE INT		
				TOTAL CURRENT FACE	TOTAL MARKET VAL	TOTAL CORP INTEREST		
				5,875,000	-8,598,344	-2,573		
				5,875,000	8,598,396	240,519		
=====								

LBEX-LL 1175552



RUN DATE: 2/4/05 5:30:35PM
 REPRT ID: 2/4/05 5:30:35PM

LEHMAN BROTHERS
 *****CAMEQ*****
 Margin Exposure Report

Account No	Sec Name	Coupon	Maturity Dt	ISIN/CUSIP	Pool No	Sec Code	BSRMoodys's Rating	Arm
Trade Date	Deal ID	Iss CCY	Sett CCY	Principal	Original Face	Floating Rate	MARGIN / HRCY	Gross
Orig Date	Deal Type	Iss MktPx (clean)	Bid Trd Book Px	Market Value	Current Face	Floating Interest	C / T	Mark
Orig Date	Broker ID	Iss MktPx (all in)	Sett MktPx (all in)	Px Source	Factor	Coupon Interest	Fx Rate (TJD)	Mark
Trd Days Left		Iss TrdPx	Sett TrdPx	Px Date		Pending Cpr Flag	Fx Rate (MTM)	(in C

Text Object

Client: 6806300 BONY ONLINE25 (AS CUSTODIAN) LEI
 Sales ID: 249 Sales Person: - SALES DESK 7-8129 Sales office: LGSCNY

TOTAL US VAL (USD)
 TOTAL HAIROUT VALUE (USD)
 TOTAL MRM VALUATION (USD)
 TRIGGER AMOUNT (USD)
 TOTAL PUR (USD)

***BONY ONLINE25 (AS CUSTODIAN) - GRAND TOTAL:

