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**From:** Lehman, David A.  
**Sent:** Wednesday, December 20, 2006 1:37 PM  
**To:** Gasvoda, Kevin; Bash-Polley, Stacy; Swenson, Michael; Birnbaum, Josh; Ostrem, Peter L; Rosenblum, David J.  
**Cc:** Sparks, Daniel L; Schwartz, Harvey; Pinkos, Steve; Radtke, Lorin; Martin, Nicole; Cornacchia, Thomas  
**Subject:** RE: Mezz Risk

We have selectively been showing tranche pricing out on the ABX1 BBB- + ABX2 BBB- (50%/50%) portfolio.

Below is where we are bidding protection in tranching format:

- 40-100% Tranche -- 30bps running
- 25-40% Tranche -- 80bps running
- 20-25% Tranche -- 110bps running
- 15-20% Tranche -- 250bps running
- 10-15% Tranche -- 500bps running, 600bps upfront (~650 running)
- 5-10% Tranche -- 500bps running, 1750bps upfront (~950 running)
- 0-5% Tranche -- 500bps running, 5000bps upfront (~2050 running)

- Non-Callable
- Sequential pay-down
- Credit events: Writedown and FTP prin (i.e. realized losses)

We will continue to coordinate with the CDO group on the above pricing as well as the below accounts so our tranche efforts do not impede the marketing of Hudson Mezz II.

Hudson Mezz below....

Hudson Mezzanine Funding, 2006-2, Ltd. -- Price Guidance (144a/RegS)  
Lead Manager & Sole Bookrunner: Goldman, Sachs & Co.  
Liquidation Agent: Goldman, Sachs & Co.  
\$400mm Static Mezzanine Structured Product CDO

Class	Size (\$mm)	%Deal	Mdy/S&P	WAL(y)	Init OC	Px Guidance
S	[7.9]	N/A	Aaa/AAA	2.9	N/A	Not Offered
A-1	240.0	60.0%	Aaa/AAA	4.1	166.7%	Call Desk
A-2	46.0	11.5%	Aaa/AAA	4.5	139.9%	1mL+60a
B	56.0	14.0%	Aa2/AA+	4.9	117.0%	1mL+75a
C	20.0	5.0%	A2/A+	5.1	110.5%	1mL+250a
D	18.0	4.5%	Baa1/BBB+	4.8	105.3%	1mL+low 500s
E	4.0	1.0%	Baa3/BBB-	5.4	104.2%	1mL+800a
Inc. Notes	16.0	4.0%	NR	N/A	N/A	N/A

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**From:** Gasvoda, Kevin  
**Sent:** Wednesday, December 20, 2006 10:08 AM  
**To:** Bash-Polley, Stacy; Swenson, Michael; Lehman, David A.; Birnbaum, Josh; Ostrem, Peter L; Rosenblum, David J.  
**Cc:** Sparks, Daniel L; Schwartz, Harvey; Pinkos, Steve; Radtke, Lorin; Martin, Nicole; Cornacchia, Thomas  
**Subject:** RE: Mezz Risk

Makes sense to me

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**From:** Bash-Polley, Stacy  
**Sent:** Wednesday, December 20, 2006 9:01 AM  
**To:** Swenson, Michael; Lehman, David A.; Birnbaum, Josh; Ostrem, Peter L; Rosenblum, David J.; Gasvoda, Kevin  
**Cc:** Sparks, Daniel L; Schwartz, Harvey; Pinkos, Steve; Radtke, Lorin; Martin, Nicole; Cornacchia, Thomas  
**Subject:** Mezz Risk

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<b>Permanent Subcommittee on Investigations</b> <b>EXHIBIT #151</b>
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We have been thinking collectively as a group about how to help move some of the risk. While we have made great progress moving the tail risks-ssr and equity -we think it is critical to focus on the mezz risk that has been built up over the past few months. Both through sequential abacus ssr/equ trades and the hudson deals (current and prior). We also recognize the pipeline coming in 07 and want to make sure we have a game plan before the focus shifts to moving the new issues.

While many slsple have talked to their clients abt mezz risk it is not clear that they have current pricing in hand-to make the newer case on break evens etc.. There is a lot of price points in the market ( [redacted] tranche indications, Hudson, other dealers' sequential ABX tranches).. So we need to make sure we arm slspeople with our pricing-and have them focus on the more difficult positions-- clearly given where pricing has moved-we should be able to tell a different story. Given some of the feedback we have received so far-it seems that cdo's maybe the best target for moving some of this risk but clearly in limited size (and timing right now not ideal). We would like to appeal to clients that can possibly do larger size at a level that would be attractive when you take into consideration the size of risk we could move. Clearly the ideal trade is to buy protection on ABX...and the obvious targets at these levels are those who are currently short and could take some risk off. (ie [redacted])

Here are a few clients in the US we think make sense to target- We would like to arm the salespple with the pricing matrix--a few breakevens- and make sure they come back with specific feedback.-at a miniumum we will learn a bit more abt appetite and best case--print some trades. We are sure some of these conversations have happened-but we should make sure the right price was presented in the disussion - feel free to comment. If it is ok we want to start making the targeted calls

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**Redacted By The  
Permanent Subcommittee  
on Investigations**

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