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From: Sparks, Daniel L
Sent: Thursday, February 22, 2007 6:57 AM
To: Birnbaum, Josh; Swenson, Michael; Lehman, David A.
Subject: FW: Block size tranche protection offers for Paulson or others

Thursday.

We need to buy back \$1 billion single names and \$2 billion of the stuff below - today. I know that sounds huge, but you can do it - spend bid/offer, pay through the market, whatever to get it done. It is a great time to do it - bad news on HPA, originators pulling out, recent upticks in unemployment, originator p

I will not want us to trade property derivatives until we get much closer to home as it will be a significant distract our goal.

This is a time to just do it, show respect for risk, and show the ability to listen and execute firm directives.

You called the trade right, now monetize a lot of it.

You guys are doing very well.

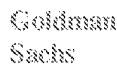
From: Egol, Jonathan
Sent: Wednesday, February 21, 2007 11:23 AM
To: Sparks, Daniel L
Cc: Swenson, Michael; Birnbaum, Josh; Lehman, David A.; ficc-mtgcrr-desk; Salem, Deeb
Subject: Block size tranche protection offers for Paulson or others

Summary of ABX-related tranches we could offer protection on if we want to close down shorts:

- \$2.4bn notional 40-100 super senior tranche off of ABX "Quadrant" trade (25% each of 06-1/06-2 BBB & BBB-), could potentially offer NC4 (we did \$1.8bn NC3 with MS Prop and \$600mm NC4 with Peloton)
- \$200mm notional 20-30 tranche off of 06-1 BBB- (open risk vs BSAM, NC3)
- \$325mm notional 30-100 super senior tranche off of 06-1 BBB- (open risk vs ACA w/ CIBC intermediat
- \$500mm notional 40-100 super senior tranche off of 06-1/06-2 BBB- (open risk vs Harvard, non-callable

We are currently managing ABX deltas against all of these tranches.

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 Structured Products Trading

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