

---

**From:** Brafman, Lester R  
**Sent:** Friday, July 27, 2007 7:38 AM  
**To:** Lehman, David A.  
**Subject:** FW: Collateral calls

---

**From:** Brafman, Lester R  
**Sent:** Friday, July 27, 2007 7:34 AM  
**To:** Sundaram, Ram; Mullen, Donald; Salame, Pablo; Roberts, William  
**Subject:** RE: Collateral calls

Sounds like the marks that are stale are marks that the desk does not have risk on and are provided to customers on a Monthly vs daily basis. If that is the case their should be no surprise that they are off that much at the end of the month. This is not the only product that provides month end marks vs daily marks, which given the moves this month may be a problem across many desks. I will look into it.

---

**From:** Sundaram, Ram  
**Sent:** Thursday, July 26, 2007 11:09 PM  
**To:** Mullen, Donald; Salame, Pablo; Brafman, Lester R; Roberts, William  
**Subject:** Collateral calls

As you are aware, PFI has been dedicating resources to ensure accuracy in the marks being utilized on all existing trades in the -ve basis book. After witnessing the market sell-off over the past several weeks, it became clear that the marks we are receiving from dealers and our own trading desk are not tracking the market, but instead are either model-based or stale. After spending the past two days chasing dealers and internal desks for fresh marks, the result has been the need to call a significant amount of collateral from various counterparties.

This is particularly concerning in that these stale marks were also being sent to clients by GS for their own valuation purposes (for example- west coast bonds were quoted at 99 yesterday by the GS trading desk and after we demanded a current bid, they were bid at 77.5 today). The extent of the collateral calls being generated overnight is embarrassing for the firm (\$1.9Bn from AIG-FP alone). We need to focus on developing a process for ensuring accuracy for all marks, especially those which are being sent to clients and those that are the basis for margining open transactions. Would be happy to share with you the methodology we used today to mark the ABS CDOs, which keys off of observable proxies like TABX and ABX and could be used as a better market-sensitive monitor to mark these bonds.

Thanks,

Ram