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Sent: Wednesday, July 25, 2007 8:26 PM (GMT)
To: Orlan, Fred S <forlan@lehman.com>; Seery, James <jseery@lehman.com>
Subject: FW: Single transaction limit
Attach: STL back testing 2007.xls;STL factors 2007.xls

Jim, Fred

> We are thinking about revisiting STL and possibly adjusting risk
> factors to reflect systemic risk only and leave default risk out, the
> effective spread widening is actually very much in line with the
> assumption used in the exercise we did for Roger and Alex on 98 and
> 2002 stress analysis for commitments. The implied spread widening
> assumption would be 100bp to 800bp widening depending on the riskiness
> of the deal. Previously we have used a loss limit of 250mm to 350mm.
> We would like to propose a 400mm as the Firm's revenue has increased
> in the past couple of years. The limit is linked to firm's quarterly
> pre comp pre tax net revenue
> With this in mind, please let me know if you would like to discuss
> when you have a moment
>

> <<STL back testing 2007.xls>> <<STL factors 2007.xls>>

The first glance of the large deals in the past 12 months, using the new thinking, shows the following deals in yellow as "over the limit", which are essentially the usual suspects

New limit of 400mm and new risk factors implying 100-800 bp widening

Aug 2006 to July 2007 Deals > 900mm and the single transaction loss over limit

Company Name	Sum of Estimated STL	Sum of Leh Expected	Sum of
Leh Papers			
Intelsat	1,045		
4,750	7,125		
Weatherford	1,015		
5,625	18,600		
Houghton Mifflin Riverdeep Group		694	
2,623	2,623		
TXU Corp	684		
4,869	4,869		
First Data Corporation		601	
3,620	3,620		
Alcoa Inc.	600		
5,000	5,000		
Home Depot Supply		486	
3,317	3,317		
CDW Corporation		455	
2,410	2,410		
Dollar General		441	

2,800	2,800		
Harman International Industries			346
1,558	5,790		
US FoodService		326	
1,975	5,925		
CVS	300		2,500
2,500			
BCE	277		2,634
4,741			
BAWAG PSK		275	
1,637	1,637		
Tognum AG		258	
1,710	1,710		
ProSiebenSat.1 Media AG			250
1,581	9,464		
CBS Corporation		238	
1,400	1,400		
West Corp		232	
1,360	1,360		
IBM International Group BV			220
1,833	1,833		
Sequa Corp		216	
1,230	2,050		
Tesoro		215	
3,075	3,075		
Alliance Data		212	
1,322	1,322		
Applebee's International, Inc.			202
2,239	2,239		
Allison Transmission			195
1,125	4,500		
Dockwise		194	
1,165	1,165		
Univision Communications			193
1,175	1,175		
PHH Corporation			193
1,830	1,830		
Formula One Group			189
973	973		
United Rentals, Inc.			186
968	968		
Thermo Electron Corp.			180
1,500	1,500		

> Thanks
> Joe
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