

From: Lax, Stephen <slax@lehman.com>
Sent: Thursday, April 26, 2007 7:23 PM (GMT)
To: Kirk, Alex (FID) <akirk@lehman.com>; Mitrokostas, Paul <pmitroko@lehman.com>; Orlan, Fred S <forlan@lehman.com>
Cc: Li, Joe <joli@lehman.com>; Shotton, Paul <paul.shotton@lehman.com>; Chung, Hanse <hanse.chung@lehman.com>; Shala, Luan <luan.shala@lehman.com>; Perben, Moira <moira.perben@lehman.com>; Bhatia, Nidhi <nidhi.bhatia@lehman.com>
Subject: HY PRO-FORMA GLOBAL RISK APP: APPROX \$850M AFTER BEING UPDATED FOR PIPELINE....\$100M OVER LIMIT

Alex

After updating for the latest HY marginal pipeline (likely tomorrow), the HY pro-forma global Risk App is expected to exceed \$850m - a record - vs. \$755m limit.

	Current	Expected
Global RA	\$720m (+\$40m today)	\$850m (or more)
Trading usage)	\$471m	\$471m (92%
EM	\$64m	\$64m
Orig + Pipe	\$334m	\$484m (or more)

Some observations / notables on this new risk driver:

1) Orig + Pipe of \$484m (expected) will exceed current trading of \$471m - which this trend has occurred only a few times FY '07; this \$484m estimated figure matches the Avg Global RA YTD '07, while Avg Global RA FY '06 was \$370m

2) Almost \$40b of LEH signed commitments exists (\$16b in just the past week or so, see below) of which the LEH expected is \$25b - and it is this figure that is used in the marginal risk process (adjusted for probability)

3) Almost \$25b of LEH expected commitments for potential deals is also probability weighted and incorporated in the risk

4) This is the most robust HYCC pipeline ever at approx 70 deals

5) Equity contributions are now the new paradigm and the current total - including bridge equity and investor - is almost \$3b (for current and expected deals); future calculations for marginal

process will incorporate the HY share of these commitments

\$1b WFT, \$500m each TXU, FDC, HAR, \$300m

BAWAG

6) YTD LF gross P/L (source IBD) is \$365m. This compares to:

\$261m YTD budget
\$178m YTD actual '06
\$930m YTD actual '07 annualized
\$665m FY '07 budget
\$567m FY '06 actual
\$448m FY '05 actual

7) \$4.2b market value of inventory commitments (net of hedges)
are on the books, w/ \$2.6b funded (Alpha, Prosibien, Sisal, etc)

Thanks

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Appendix:

\$16.4b of Commitment letters Signed / distributed since April 16
(Material transactions only):

\$5,920m US FoodService
\$5,290m Harmon Int (announced today)
\$2,530m Asurion
\$900m AST Holdings
\$750m Jarden
\$454m LS Power
\$367m Six Flags
\$169m Iasis