

# Market Risk Control Committee Meeting

November 12, 2007

## Agenda

1. VaR backtesting exceptions for LBHI, LBI, and LOTC (Mark Weber & Paul Zakian)
2. Negative P&L days at the firm-wide level (Mark Weber & Paul Zakian) – eight negative days since October 11.
3. Timing of RA/VaR delivery (Mark Weber)
4. VaR/RA restatements (Mark Weber)
5. VaR and RA limit excessions (Mark Weber)
6. Current requests for limit changes (Mark Weber)
7. Control Issues – new & outstanding, status of issues previously raised.
8. Any other business

# LBHI Backtest summary

October 1, 2007 to November 6, 2007

Business	Number of breaks		95% VaR	99% VaR
	95% VaR	99% VaR		
FID - Division Level	1		10-31	
FID - CDO	1		10-22	
FID - Securitized Products	3	1	10-29,10-30, 10-31	10-31
FID - Real Estate	1		10-31	
FID - Municipals	2		11-01, 11-06	
Equity - Division Level	1		10-22	
Equity - Cash Products	4	2	10-17, 10-19, 10-22, 11-01	10-17, 10-19
Equity - Portfolio	3	1	10-24, 11-05, 11-06	10-24
Equity - Systematic Trading	3		10-03, 10-11, 11-02	
Equity - Equity Strategies	1	1	10-22	10-22
Equity - Vol Flow	1		11-02	
Equity - Event Driven	1	1	11-05	11-05
Equity - Syndicate	1	1	11-05	11-05
PIP - Division Level	2		10-19, 11-01	
PIP - GTS	2	1	10-19, 11-01	11-01

95% LBHI VaR Backtest Exceptions by Month

Division	Business	Nov 06	Dec 06	Feb 07	March 07	April 07	May 07	June 07	July 07	August 07	September 07	October 07	Grand Total
-	-			1			1		1	5			8
Fixed Income	-						1			5		1	7
	IR Products	1		1			1						3
	Liquid Market Prop			1				1		3	2		7
	Foreign Exchange					1				3			4
	High Grade			1	2					5			8
	High Yield				1		1	1	1	2			6
	CDO				1				2	9	4	1	17
	Securitized Products					2	1			2	2	3	10
	Real Estate									1		1	2
	Municipals		1	1	2	1		1	1	8	1		16
	Structured Finance	3	2										5
Equities	-	1		1					2	5	1	1	11
	Cash Products	1		3		2	1	2	2	3	1	3	18
	Portfolio			1	1		1	1	2	6		1	13
	Volatility Flow			1	2				3	2			8
	Systematic Trading		1	1		1		1	1	5	1	2	13
	Event Driven	1		1					2	4	1		9
	Convertibles								3	2			5
	Volatility	1		1						3			5
	Equity Strategies	2		2		1			3	8	1	1	18
	Syndicate									4			4
Principal Investment Portfolio	-											1	1
	Global Principal Strategies								3				3
	Global Trading Strategies				1			1	3	4		1	10
Grand Total		10	4	16	10	8	7	8	29	89	14	16	211

VaR Date	P&L Date	95% VaR	99% VaR	P&L	Business Level	Risk Exception Comments	Explain
19-Oct-07	22-Oct-07	15,494	42,801	(29,223)	CDO		<p><b>CDO:</b> Europe - (\$25mm): (\$1,444) Relval NY: Adjustments to required recovery and bid-offer reserves, (\$8,196) Relval NY: Losses from widening of net long 5yr IG7/8/9 index positions</p> <p>CDO LIQUID TRANCHE EUR  (\$1,249) Bid Offer Reserve  (\$141) No significant items  CDO HOUSE EUR  (\$872) 50% JV transfer to CDO House US  (\$391) EU CLO Warehouse - daily remarks and fx</p>
26-Oct-07	29-Oct-07	20,248	59,219	(24,589)	Securitized Products		<p><b>Securitized Products:</b> Americas(-24.9mm) :  -1746k MTM in Short positions in Ambac, Commerce Bank, Itraxx, Mizuho, and XL Capital CDS  -21mm MTM in single name CDS/ABX, primarily from long 282mm position in ABX A 06-1 equivalent position, as ABX A 06-1 spreads widened 154bps to 1518bps.</p>
29-Oct-07	30-Oct-07	31,950	60,632	(33,459)	Securitized Products		<p><b>Securitized Products:</b> Americas (-30mm): ABS Derivatices (-\$20.4mm): -15.8mm MTM in CDS on Cdo from change in ACA counterparty credit risk reserve. -7.3mm Transfer of Radian Equity to Cbass warehouse. House Risk (-\$10.2mm) : -4.3mm MTM in short single name CDS and long ABS, mainly from long 350mm ABX A 07-1 as spreads widened 26 bps to 2058 bps.</p>
30-Oct-07	31-Oct-07	41,247	62,734	(134,567)	Securitized Products		<p><b>Securitized Products Americas:</b> NIM/Residual Markdowns - \$101mm, First Lien whole loan markdowns -\$100mm, Second Lien whole loan markdowns -\$126.1mm, Credit Derivatives P&amp;L +\$120mm</p>
30-Oct-07	31-Oct-07	6,058	18,041	(6,956)	Real Estate		<p><b>Real Estate:</b> Americas: \$1.4mm of the loss related to Aging charges. Also incurred a loss of \$1.6mm on CMBX trading. The remainder is MTM on our mezzanine positions due to spread widening.</p>
31-Oct-07	1-Nov-07	6,750	12,417	(8,212)	Municipals		<p><b>Municipals:</b> Americas: Muni bonds recorded a basis loss of -11.205mm (-11.078mm from Muni bonds &amp; -127k from muni derivs). Muni yields dec 1-5 bps, Swap yields dec 8-11 bps, Treasury yields dec 11-14 bps. MMD: Treas ratio inc 1.7% &amp; MMD:Swaps Ratio inc 0.8%. We are long muni bonds and short treasury futures and swaps, thus when the price of treasuries increases we lose money. Muni bonds recoded a +1.6mm loss on ABS CDS positions, as well as a +1.3mm gain on our Countrywide CDS position. The big rally in the Treasury market was the main driver of our losses.</p>
5-Nov-07	6-Nov-07	6,998	14,440	(9,268)	Municipals		<p><b>Municipals:</b> Americas: Muni bonds recorded a basis loss of -9.047mm (-8.938mm from Muni bonds &amp; -109k from muni derivs). Muni yields inc 1-8 bps, Swap yields inc 1-6 bps, Treasury yields inc 1-4 bps. MMD:Treas ratio inc 0.4% &amp; MMD:Swaps Ratio inc 0.2%. We are long muni bonds and short treasury futures and swaps, thus when the price of treasuries increases we lose money. The main story here is the muni market sold off at a higher rate compared to treasury and swaps markets, which is an infrequent occurrence. Typically, the muni market directionally lags the treasury market (ie. Treasury market sells off 3-6 bps whereas the muni market sells off 1-2 bps).</p>

VaR Date	P&L Date	95% VaR	99% VaR	P&L	Business Level	Risk Exception Comments	Explain
2-Oct-07	3-Oct-07	634	921	(652)	Systematic Trading	Correction of bad P&L marks	<b>Systematic Trading:</b> Americas: Bad AMM marks across accounts. Pnl came back the following day.
10-Oct-07	11-Oct-07	686	1,306	(750)	Systematic Trading		<b>Systematic Trading:</b> Americas: AMM2: new trading across the underlyers with biggest losses on RIMM trading (-80k), GOOG trading (-115k), AKAM (-92k).
16-Oct-07	17-Oct-07	4,366	9,939	(11,979)	Cash Products		<b>Cash Products:</b> Asia (15.6mm loss): Main loss was from India Equities desk - main driver was RELIANCE ENERGY LTD dropped by 7.04% on long MV 31m.  The BSE 30-share Sensex ended down 336.04 points, or 1.76%, to 18,715.87. It opened with a downward gap of 1,013.96 points at 18,037.90. When the trading was halted at 09:57 IST, Sensex was down 1,743.96 points or 9.15% to 17,307.90.  The broader based S&P CNX Nifty ended down 108.75 points, or 1.92%, to 5,559.30. When the trading was halted at 09:57 IST, Nifty was down 524.15 points or 9.25% to 5,143.90.
18-Oct-07	19-Oct-07	4,646	8,955	(11,985)	Cash Products		<b>Cash Products:</b> Asia (6.5mm loss): Mainly from India Equities: The broader based S&P CNX Nifty lost 135.70 points or 2.54% at 5,215.30. The Nifty October 2007 futures settled at 5208, a discount of 7.30 points compared to spot closing. Europe (2.8mm) - Roche Holdings \$(0.9)m on \$48m long following 1.7% price fall, HSBC \$(0.4)m on \$20m long and 2.1% price drop, ISRA Vision \$(0.5)m on \$25m long and intra day trading with 1.2% price drop, DJ Euro Stoxx \$(0.3)m.
19-Oct-07	22-Oct-07	5,330	10,819	(6,846)	Cash Products		<b>Cash Products:</b> Asia (4.3mm loss): Tokyo, Nikkei 225 closed down 2.2% and broader topix lost 1.8%. SEA markets down - Australia -1.9%, Korea -3.4%, HK -3.2%. SEA desk lost mainly from Singapore and Indonesia underlyings.
19-Oct-07	22-Oct-07	5,120	7,229	(15,681)	Equity Strategies		<b>Equity Strategies:</b> Americas (11mm loss): Down \$(4.1)mm in a/c # 9311704218 primarily driven by \$(658)k from Ishares Trust Russell 2000 Index fund-price rose \$1.63 on (680,000) positions with \$471k difference from intraday trading, \$(595)k from Pulte Homes Inc.-price rose \$1.19 on (500,000) positions, and \$(447)k from Intevac Inc.-price rose \$1.49 on (300,000) positions; Down \$(1.5)mm in a/c # 9311546213 primarily driven by \$(520)k from Ishares Russell index put options-price fell \$0.9105 on 5,750 positions with 100 unit value, and \$(503)k from Scansource Inc.- price rose \$2.77 on (187,500) positions with 16k difference from intraday buys; Down \$(1.2)mm in a/c # 9311763917 primarily driven by \$(485)k from Weyerhaeuser Co-price fell \$1.94 on 250,000 positions, and \$(253)k from Ishares Trust Russell 2000 Index fund-price rose \$1.63 on (155,100) positions; Down \$(0.8)mm in a/c # 9311138417 primarily driven by \$(351)k from Standard & Poors Depository Re-price rose \$0.87 on (425,000) positions with 19k difference from intraday buys; Down \$(0.7)mm in a/c # 0730046N driven by \$(491)k from Absolute Software Co- price fell \$0.80 on 51
23-Oct-07	24-Oct-07	3,949	7,251	(7,497)	Portfolio		<b>Portfolio:</b> Americas(-8.3mm) : Down \$(6.7)mm in a/c # 9311739115 driven by \$(6.9)mm from NYSE Euronext intraday trading
31-Oct-07	1-Nov-07	5,310	9,551	(8,264)	Cash Products		<b>Cash:</b> Europe(-6mm): Kingfisher \$(1.2)m closing on 5.5m long with intra day trading and price drop of 3.55%, HSBC \$(0.8)m, Shire Plc \$(0.8)m, UBS \$(0.6)m, Roche holding \$(0.5)m
1-Nov-07	2-Nov-07	12,084	9,551	(16,327)	Vol. Flow		<b>Vol Flow:</b> Americas(-16mm): N-AMINDX: (+3,100K) Short SPX vega (+5.4mm), mtm vs theoretical SPX (-2.3mm) N-DSK2: (-8,700K) mtm vs theoretical (-5.3mm), SPX trading (-703k), Short SPX delta (-590k), Short RUT theta (-845k), RUT mtm vs theoretical (-1mm), NDX mtm vs theoretical (-255k) N-KDS (-4,919K) Long SPX vega (-917k), mtm vs theoretical: AIG (-460k), BAC (-1,260k), C (-1,475k), CSCO (-215k), FNM (-315k), GS (-322k) N-SMC: (-1,209K) Short XMSR vega (-324k), Short INTC delta (-270k), Short QCOM vega (-133k) N-EM5: (-1,066K) Consumer Sector ETFs versus underliers
1-Nov-07	2-Nov-07	696	1,445	(844)	Systematic Trading		<b>Systematic Trading:</b> Losses on SLB (-1.3mm) short pos of -459,357 due to the mark increase by 2.835; offsetting gains across the board.
2-Nov-07	5-Nov-07	2,687	4,083	(7,334)	Event Driven		<b>Event Driven:</b> Europe (-5mm): Sainsbury \$(3.3)m closing \$10m long and intraday trading with 20.7% price drop following the collapse of takeover proposal by Delta Two, Friends Provident \$(0.3)m
2-Nov-07	5-Nov-07	3,723	6,110	(6,154)	Syndicate		<b>Syndicate:</b> America (-5.8mm) Driven By UNDER ARMOUR INC's P&L of \$4,808k. Deal size 146.7mm, Position fully sold on 11-5.
2-Nov-07	5-Nov-07	1,868	3,171	(3,143)	Portfolio		<b>Portfolio:</b> Asia (-2.1mm) Taiwan index arbitrage: Index futures tracking error -1.3m
5-Nov-07	6-Nov-07	1,708	3,201	(2,210)	Portfolio		<b>Portfolio:</b> Americas (-1mm) Down \$(0.5)mm in a/c # 9311640313 primarily driven by \$(74)k from Accenture LTD CL A-price fell \$1.28 on 54,602 positions with \$(4)k difference from intraday sells, \$(70)k from Standard & Poors Depository RE- price rose \$2.02 on (75,068) positions with \$81k difference from intraday buys; Down \$(0.5)mm in a/c # 9311557715 primarily driven by \$(452)k from Tredegar Corporation-price fell \$2.45 on 191,195 positions with \$16k difference from intraday sells.

VaR Date	P&L Date	95% VaR	99% VaR	P&L	Business Level Risk Exception	Commr Explain
18-Oct-07	19-Oct-07	23,619	44,101	(30,097)	GTS	<p><b>GTS: Asia (-12mm):</b> BMainly from India Equities: The broader based S&amp;P CNX Nifty lost 135.70 points or 2.54% at 5,215.30. The Nifty October 2007 futures settled at 5208, a discount of 7.30 points compared to spot closing. Americas(-19mm): GMAC : -13.4mm, Banks vs Treasuries:-7.0mm, Apco Argentina: -5.2mm, Imperial Sugar: -3.8mm, ABX: +7.5mm.</p>
31-Oct-07	1-Nov-07	19,576	36,225	(48,296)	GTS	<p><b>GTS: America(-52mm):</b>  ***APCO ARGENTINA INC (CAYMEN 654,000 97.1800 104.7600 (4,957,320)  SEQUENOM INC NEW RESTRICTED 3,545,454 8.6400 9.7100 (3,793,636)  SEQUENOM INC NEW 2,750,000 8.6400 9.7100 (2,942,500)  WACHOVIA CORPORATION COM 1,300,000 43.5400 45.7300 (2,847,000)  ***TRANSOCEAN INC. (1,067,600) 121.4700 119.3700 (2,241,960)  IMPERIAL SUGAR CO COM 3,316,770 25.1500 25.7900 (2,122,733)  CIT GROUP INC NEW 1,000,000 33.2100 35.2400 (2,030,000)  BANK OF AMERICA CORP 600,000 45.7100 48.2800 (1,542,000)  ***INCYTE CORPORATION FORMERLY 2,850,000 8.1200 8.6600 (1,539,000)  US BANCORP DEL COM NEW 875,000 31.6900 33.1600 (1,286,250)  MINRAD INTERNATIONAL INC 4,172,200 4.1300 4.3900 (1,084,772)  SIRIUS SATELLITE RADIO INC 4,300,000 3.1200 3.3600 (1,032,000)  GENERAL MOTORS CORP COM 500,000 37.2500 39.1900 (970,000)</p>

# LBI Backtest summary

October 1, 2007 to November 6, 2007

Business	Number of breaks		95% VaR	99% VaR
	95% VaR	99% VaR		
Total Firm	2	1	10-29, 10-31	10-29
FID - Division Level	2	2	10-29, 10-31	10-29, 10-31
FID - CDO	2	1	10-17, 10-31	10-31
FID - High Grade	2		10-15, 10-19	
FID - High Yield	5	3	10-01, 10-18, 10-22, 10-26, 11-06	10-01, 10-22, 10-26
FID - IR Products	1		10-31	
FID - Municipals	3		10-25, 11-01, 11-02	
FID - Securitized Prod	1	1	10-29	10-29
Equity - Division Level	1		10-22	
Equity - Equity Strateg	1	1	10-22	10-22
Equity - Portfolio	5	2	10-17, 10-22, 10-24, 11-05, 11-06	10-17, 10-24
Equity - Syndicate	2	1	11-02, 11-05	11-05
Equity - Systematic Tr	3		10-03, 10-11, 11-02	
Equity - Volatility	13	11	10-02, 10-03, 10-08, 10-11, 10-15, 10-16, 10-18, 10-19, 10-24, 10-25, 11-01, 11-02, 11-05	10-02, 10-03, 10-08, 10-11, 10-16, 10-19, 10-24, 10-25, 11-01, 11-02, 11-05
Equity - Vol Flow	1		10-22	
PIP - Division	2	1	10-19, 11-01	11-01
PIP - GTS	2	1	10-19, 11-01	11-01

# LOTC

## Var Exception Analysis

<u>VaR Date</u>	<u>VaR</u>	<u>Clean P&amp;L</u>	<u>P&amp;L Date</u>	<u>Original Break</u>	<u>week day</u>	<u>Carry /Theta</u>	<u>Intraday</u>	<u>Clean P/L (all intraday/theta a/carry backed out)</u>	<u>ADJ Break</u>
31-Oct-07	-5.698	0							
30-Oct-07	-4.592	2.449	31-Oct-07						
29-Oct-07	-4.191	0.018	30-Oct-07						
26-Oct-07	-3.892	-0.099	29-Oct-07						
25-Oct-07	-3.177	1.095	26-Oct-07						
24-Oct-07	-3.502	-2.426	25-Oct-07						
23-Oct-07	-2.959	1.314	24-Oct-07						
22-Oct-07	-3.489	-0.013	23-Oct-07						
19-Oct-07	-2.967	-2.789	22-Oct-07						
18-Oct-07	-3.141	-3.062	19-Oct-07	0.079	Friday	(0.229)	-	(2.833)	0.308
17-Oct-07	-4.348	-0.626	18-Oct-07						
16-Oct-07	-3.582	-0.035	17-Oct-07						
15-Oct-07	-2.518	4.646	16-Oct-07						
12-Oct-07	-2.651	-1.07	15-Oct-07						
11-Oct-07	-3.427	-0.026	12-Oct-07						
10-Oct-07	-3.316	0.773	11-Oct-07						
9-Oct-07	-3.846	1.119	10-Oct-07						
8-Oct-07	-2.939	-0.757	9-Oct-07						
5-Oct-07	-3.15	-1.55	8-Oct-07						
4-Oct-07	-2.491	0.482	5-Oct-07						
3-Oct-07	-2.641	-1.472	4-Oct-07						
2-Oct-07	-2.516	-1.362	3-Oct-07						
1-Oct-07	-2.58	-2.054	2-Oct-07						
28-Sep-07	-2.908	-0.565	1-Oct-07						
27-Sep-07	-3.009	-1.459	28-Sep-07						
26-Sep-07	-3.156	3.248	27-Sep-07						
25-Sep-07	-2.852	0.344	26-Sep-07						
24-Sep-07	-2.758	0.635	25-Sep-07						
21-Sep-07	-2.815	0.183	24-Sep-07						
20-Sep-07	-4.174	0.234	21-Sep-07						
19-Sep-07	-3.735	0.155	20-Sep-07						
18-Sep-07	-2.99	0.335	19-Sep-07						
17-Sep-07	-2.735	1.116	18-Sep-07						
14-Sep-07	-3.001	4.025	17-Sep-07						
13-Sep-07	-2.986	1.029	14-Sep-07						
12-Sep-07	-2.886	-0.456	13-Sep-07						
11-Sep-07	-2.97	5.507	12-Sep-07						
10-Sep-07	-2.941	0.613	11-Sep-07						
7-Sep-07	-2.936	-1.392	10-Sep-07						
6-Sep-07	-1.948	-2.998	7-Sep-07	-1.05	Friday	-0.351	1.92	-4.567	-2.619
5-Sep-07	-2.413	0.817	6-Sep-07						
4-Sep-07	-2.119	-2.57	5-Sep-07	-0.451	Wednesday	-0.381	-0.198	-1.991	0.128
3-Sep-07	-3.498	0.245	4-Sep-07						
31-Aug-07	-3.476	-0.151							
30-Aug-07	-2.571	1.282	31-Aug-07						
29-Aug-07	-2.535	-0.232	30-Aug-07						
28-Aug-07	-2.471	4.047	29-Aug-07						
27-Aug-07	-1.534	-3.366	28-Aug-07	-1.832	Monday	-0.553	-0.886	-1.927	-0.393
24-Aug-07	-1.464	-1.007	27-Aug-07						
23-Aug-07	-1.75	-0.631	24-Aug-07						
22-Aug-07	-1.711	-0.534	23-Aug-07						
21-Aug-07	-2.321	3.279	22-Aug-07						
20-Aug-07	-2.305	6.049	21-Aug-07						
17-Aug-07	-1.795	1.265	20-Aug-07						
16-Aug-07	-1.587	4.935	17-Aug-07						
15-Aug-07	-1.905	-4.247	16-Aug-07	-2.342	Thurs	-0.445	-1.308	-2.494	-0.589
14-Aug-07	-1.641	-0.013	15-Aug-07						

<u>VaR Date</u>	<u>VaR</u>	<u>Clean P&amp;L</u>	<u>P&amp;L Date</u>	<u>Original Break</u>	<u>week day</u>	<u>Carry /Theta</u>	<u>Intraday</u>	<u>Clean P/L (all intraday/theta/carry backed out)</u>	<u>ADJ Break</u>
13-Aug-07	-1.656	-1.964	14-Aug-07	-0.308	Tues	-0.37	-1.468	-0.126	1.53
10-Aug-07	-1.82	1.685	13-Aug-07						
9-Aug-07	-2.674	2.257	10-Aug-07						
8-Aug-07	-2.936	-4.24	9-Aug-07	-1.304	Thurs	0.228	-0.77	-3.698	-0.762
7-Aug-07	-3.862	-0.965	8-Aug-07						
6-Aug-07	-2.928	0.865	7-Aug-07						
3-Aug-07	-1.891	1.031	6-Aug-07						
2-Aug-07	-1.816	-2.393	3-Aug-07	-0.577	Friday	-0.729	4.592	-6.256	-4.44
1-Aug-07	-1.824	3.526	2-Aug-07						
31-Jul-07	-1.8	-2.618	1-Aug-07	-0.818	Wed	-0.164	1.913	-4.367	-2.567
30-Jul-07	-2.37	6.1	31-Jul-07						
27-Jul-07	-2.369	1.304	30-Jul-07						
26-Jul-07	-2.425	-2.786	27-Jul-07	-0.361	Friday	-0.033	-0.463	-2.29	0.135
25-Jul-07	-2.118	-3.111	26-Jul-07	-0.993	Thurs	-0.121	0.255	-3.245	-1.127
24-Jul-07	-1.893	0.729	25-Jul-07						
23-Jul-07	-2.051	-4.115	24-Jul-07	-2.064	Tues	-0.05	-0.219	-3.846	-1.795
20-Jul-07	-2.363	-0.51	23-Jul-07						
19-Jul-07	-2.056	-1.817	20-Jul-07						
18-Jul-07	-2.24	-0.207	19-Jul-07						
17-Jul-07	-1.734	0.639	18-Jul-07						
16-Jul-07	-1.866	-0.51	17-Jul-07						
13-Jul-07	-1.918	-0.989	16-Jul-07						
12-Jul-07	-2.086	-0.437	13-Jul-07						
11-Jul-07	-1.959	2.345	12-Jul-07						
10-Jul-07	-2.307	0.688	11-Jul-07						
9-Jul-07	-1.986	-2.501	10-Jul-07	-0.515	Monday	-0.357	-0.842	-1.302	0.684
6-Jul-07	-3.436	-1.976	9-Jul-07						
5-Jul-07	-2.804	-0.446	6-Jul-07						
4-Jul-07	-3.097	-0.957	5-Jul-07						
2-Jul-07	-2.121	1.861	3-Jul-07						

Year	Qtr	Month	P&L Date	FI Ex FX Including RiskArb FI	EQ Including RiskArb EQ	FX	Total Actual 10K/Q	P/L CSE P&L	CSE 95 VaR	CSE 99 VaR	CSE Band Break	Product	Product Total	Comments
2007	Q1 2007	2007-02	2/27/2007	32.5	(79.0)	(10.2)	(56.8)	(97.7)	72.4	114.0	Y	PROP TRADING	(23.1)	Loss on 10 year basis strategy (Americas). Loss on 5 year and 10 year calendar spreads (Americas). MTM on Parmalat debt positions and Danielei equity positions (Europe). Loss on US dollar swaptions positions (europe)
												FOREX	(10.3)	Loss on various currency positions, as well as MTM on Mexican Peso, Brazilian Real and US dollar rates (Americas)
												HIGH GRADE CREDIT	(8.3)	Loss across the auto sector (Americas). Loss on Venezuelan and Argentinean credit default swaps positions (Americas)
												CDO	(18.7)	losses on asset backed securities Correlation (Americas)
												LIQUID MARKETS	(17.9)	MTM on the strategic investment in NYSE (Americas). Loss on various index positions (Americas)
												EXCTN SERVICES	(10.5)	Loss on the QUANTS trading strategy (Americas)
												EQ VOLATILITY	(6.5)	Loss on short S&P volatility positions (Americas). Loss across Non-Japan markets (Asia)
												EQUITY STRATEGIES	(21.4)	Loss on the volatility trading strategy (Americas). Loss on the tactical, Invensys, fundamental and event driven trading strategies (Europe). Loss across Japan and Non-Japan markets (Asia)
												<b>Subtotal</b>	<b>(116.6)</b>	
2007	Q2 2007	2007-05	5/1/2007	0.5	(6.4)	1.9	(4.1)	(93.1)	75.2	132.5	Y	HIGH YIELD	(9.1)	Loss on Northwest Airlines debt positions, Delta Airlines debt and equity positions, Comair debt positions, and United Airlines equity positions (Americas). Loss on Index Arb single name positions (Americas)
												Securitized Products	(71.0)	Clean P/L losses related to Subprime second lien whole loan markdowns of -23.4mm, second lien residual/subordinate markdowns of -41.7mm, seasoned NIM markdowns of -7.6mm
												GTS	(7.5)	
												EQUITY STRATEGIES	(4.9)	Loss across the mid cap and healthcare sectors (Americas). Loss across the Japanese and non-Japanese markets (Asia)
												<b>Subtotal</b>	<b>(92.5)</b>	
2007	Q2 2007	2007-05	5/8/2007	(6.9)	(20.8)	4.4	(23.3)	(45.4)	85.6	145.9	N	GLOBAL RATES	0.4	MTM and trading on Japanese Yen volatility positions (Asia)
												HIGH YIELD	(8.3)	Loss on Northwest Airlines (Americas).
												EQUITY STRATEGIES	(7.5)	Loss across the non-Japanese and Japanese markets.
												<b>Subtotal</b>	<b>(15.4)</b>	
2007	Q3 2007	2007-07	7/25/2007	(43.0)	(9.0)	(0.2)	(52.3)	(49.0)	95.7	173.9	N	GTS	(26.8)	\$27mm loss on large concentrated long equity positions (\$17mm on top 11 positions). VaR does not capture event risk.
												CDO	(15.0)	\$17mm markdown on warehoused assets due to drop in Loan CDS index. Deal break risk not captured in VaR
												Equity Event Driven	(4.4)	\$4.4mm loss as SP500 gained 0.5% with concentrated short equity positions
												<b>Subtotal</b>	<b>(46.2)</b>	
2007	Q3 2007	2007-07	7/26/2007	(14.5)	(70.1)	(3.7)	(88.4)	(148.8)	82.0	163.8	Y	Equities	(87.0)	Equities lost \$87mm when the SP500 fell 2.3% on a America delta of \$379mm and Eurostocks 50 fell 2.5% on Europe delta of \$1.29bn.
												Muni	(18.0)	Muni lost \$18mm on basis widening (treasuries rallied while muni yields were relatively unchanged).
												GPS	(26.0)	GPS lost \$26mm when credit spreads widened on a concentrated portfolio (\$12.7mm loss on 10 top names).
												GTS	(28.0)	GTS lost \$28mm when equity markets declined on a concentrated portfolio.
												<b>Subtotal</b>	<b>(159.0)</b>	
2007	Q3 2007	2007-08	8/1/2007	(34.8)	(24.1)	(4.8)	(63.8)	(81.8)	66.2	116.7	Y	High Yield	(46.6)	Americas loss \$40mm on short CDX HY positions as basis tightened. Asia loss \$5mm as equity positions widened.
												GTS	(30.3)	\$7.2mm loss on CDX tightening, \$6.5mm in India positions, \$3.8mm on total hedge, and remainder on concentrated positions.
												High Grade	(13.3)	Short CDX positions as basis tightened.
												Equity Strategies	(10.4)	\$6mm loss in the Asia quant trading book.
												<b>Subtotal</b>	<b>(100.6)</b>	
2007	Q3 2007	2007-08	8/2/2007	(53.3)	26.4	0.8	(26.0)	(39.1)	51.0	95.8	N			
2007	Q3 2007	2007-08	8/6/2007	(79.4)	(34.3)	(1.9)	(115.6)	(127.9)	54.6	94.7	Y	GTS Americas	(54.0)	Short large lumpy shares when US equities rallied (Russell2K +2.3%, SPX +0.3%)
												Muni	(39.0)	Basis loss due to Muni yields being flat or increasing while treasury and swap yields declined 5-24bp
												LMP America	(35.0)	Loss on futures and swaps vs. short cash as cash outperformed in rally
												GTS Asia	(18.0)	Asia equities declined (Nikkei225 -2%, MSCI Asia index -2.5%). Need more details on positions. [Ram Challa]
												Equity Volatility Asia	(18.0)	\$13mm loss on short put option as market dropped 5%
												Equity Portfolio Europe	(15.0)	Long equity positions as market dropped (Eurostoxx 50 -3.2%, FTSE100 -4.1%)
												Equity Strategies Europe	(13.0)	Loss on event driven events (\$5mm on ABN Amro and other positions)
												<b>Subtotal</b>	<b>(192.0)</b>	

Year	Qtr	Month	P&L Date	FI Ex FX Including RiskArb FI	EQ Including RiskArb EQ	FX	Total Actual 10K/Q	P/L	CSE P&L	CSE 95 VaR	CSE 99 VaR	CSE Band Break	Product	Product Total	Comments
2007	Q3 2007	2007-08	8/7/2007	(131.5)	14.0	2.1	(115.3)	(121.2)	56.0	99.1	Y	High Grade	(48.6)	Desk was short CDX credit spreads as market rallied following central bank liquidity injections. (primarily Americas)	
													CDO	(52.9)	Europe lost \$42mm on short index positions as indices rallied and equity positions widened. Americas lost \$10.5mm on short index positions as indices rallied.
													GTS	(10.2)	Americas
													GPS	(9.9)	Structured credit trading book losses as spreads tightened on short CR01 position.
													Equity Strategies	(9.1)	Losses on multiple lumpy short positions as market rallied.
													HY Europe	(7.2)	
													<b>Subtotal</b>	<b>(137.9)</b>	
2007	Q3 2007	2007-08	8/8/2007	(98.9)	50.7	0.2	(48.0)	(63.6)	57.4	90.8	Y	High Grade	(60.7)	\$51.6mm Americas loss on short CDS index, GM, GMAC, and Countrywide positions as spreads tightened. \$8.7mm Europe loss as credit indices tightened.	
													High Yield	(16.5)	\$25.2mm Americas loss as short CDX credit index position saw spread tightening.
													CDO	(7.3)	Loss on indices, relative value books, and swaptions as spreads tightened.
													Equity Systematic Trading	(9.3)	
													<b>Subtotal</b>	<b>(93.8)</b>	
2007	Q3 2007	2007-08	8/13/2007	(37.6)	28.5	(0.8)	(10.0)	(2.2)	93.2	136.2	N	CDO	(10.2)		
													High Grade	(9.0)	
													Volatility Flow	(8.0)	
													Equity Portfolio Asia	(4.4)	
													Muni	(4.4)	
													Foreign Exchange	(3.3)	
													<b>Subtotal</b>	<b>(39.4)</b>	
2007	Q3 2007	2007-08	8/14/2007	2.8	(19.5)	7.1	(9.5)	(14.3)	97.8	162.1	N	Muni	(17.2)	Muni Bond Basis -20.8mm Muni yields flat on the short end inc 1-4 bps from the 10yr out, Swap yields dec 1-5 bps, Treasury yields dec 2-8 bps.	
													LMP America	(13.8)	
													Convertibles	(12.6)	
													Volatility Flow	(4.6)	
													Equity Portfolio	(2.3)	
													Equity Event Driven	(1.2)	
													<b>Subtotal</b>	<b>(51.7)</b>	
2007	Q3 2007	2007-08	8/15/2007	22.5	(29.6)	6.3	(0.8)	26.6	79.9	124.6	N	Convertibles	(20.6)		
													Muni	(9.6)	
													Equity Portfolio	(8.5)	
													Equity Volatility	(5.5)	
													Equity Strategies	(4.3)	
													Equity Event Driven	(1.6)	
													Equity Systematic Trading	(1.0)	
													<b>Subtotal</b>	<b>(51.1)</b>	
2007	Q3 2007	2007-08	8/16/2007	(23.5)	(91.7)	11.4	(103.9)	(121.2)	72.4	122.4	Y	Global Trading Strategies	(74.0)	Americas lost \$54mm on long lumpy equity positions as prices declined with increased volatility. Asia lost \$18mm as Nikkei declined 2% and other regional indices declined.	
													Muni	(38.7)	Loss on basis as Muni yields dec 1-2 bps on the short end, flat from the 3-7yr, inc 2-10 bps from the 10yr out, Swap yields dec 5-15 bps, Treasury yields dec 9-24 bps.
													LMP America	(34.6)	-13.8MM Losses on futures (PV01 2MM) and swaps (PV01 539K) vs. SHT Cash (PV01 - 2.7MM) as cash outperformed in rally; -5.8MM 5YR Basis losses, PV01: fut 676K, Cash - 840K; -7.5MM cash (PV01 -167K)/fut (PV01 -132K)/swaps (PV01 9k) delta losses in rally; - 3.6MM NOK Swaps (PV01 -359K); -4.9MM Swap spread widening losses.
													Equity Portfolio	(21.4)	Asia (5.7mm) and Europe (15.3mm) losses as markets declined (SX5P -3.2%, FTSE100 - 4.1%, Nikkei -2.0%, KOSPI -6.9%).
													Equity Strategy	(24.8)	Losses as markets declined (SX5P -3.2%, FTSE100 -4.1%, Nikkei -2.0%, KOSPI -6.9%).
													<b>Subtotal</b>	<b>(193.5)</b>	
2007	Q3 2007	2007-08	8/23/2007	(64.5)	39.0	(4.1)	(29.6)	(33.7)	88.4	182.4	N	Securitized Products	(48.6)	Non resi trading: -15mm on MTM losses of Greenpoint whole loans REMICs: -14.4mm on MTM losses on secondary derivatives due to spread widenings ABS Derivatives: -10.6mm on short MTM losses on single name CDS ABS-SECONDARY-EUROPE: - 5.1mm Markdown on Non-Conforming Bonds & -7.9 Markdown of Prop book/unsold residuals	
													CDO	(18.3)	(\$2,342) Relval LN: Index losses mainly from tightening of net long CDX 5Y IG8 together with losses from tightening of net short financial names (\$10,801) Relval NY: Losses due to continued tightening on financial name shorts with new business (\$3,585) IG Bespoke: Losses due to tightening on net short in CCR and RDN with new business trading
													High Grade	(31.1)	Investment grade spreads tightened on positive sentiments from Bank of America \$2bn equity investment in Countrywide. With spreads rallying and the desk being net short CR01, losses were principally incurred in Countrywide -14.7mm, CDO Bespoke hedges -4.1mm, financial sector - 1.2mm and LATAM -4.1mm (Turkey -1.1mm, Brazil -1.1mm, Argentina - 1mm).
													Muni	(9.1)	
													Foreign Exchange	(3.1)	
													<b>Subtotal</b>	<b>(110.2)</b>	

Year	Qtr	Month	P&L Date	FI Ex FX Including RiskArb FI	EQ Including RiskArb EQ	FX	Total Actual 10K/Q	P/L	CSE	P&L	CSE 95 VaR	CSE 99 VaR	CSE Band Break	Product	Product Total	Comments
2007	Q3 2007	2007-08	8/24/2007	(25.6)	30.9	(6.7)	(1.4)	(16.4)	92.4	182.4	N		IR Products	(11.0)	Muni bond basis loss of \$10.6mm as treasuries rallied xxbp. [Muni bonds recorded a basis loss of -10.6mm (-5.3mm from Muni bonds & -5.3 from muni derivs). Muni yields dec 1-2 bps from short end to the 5y, inc 1-3 bps from 12yr out, Swap yields inc 8-2 bps from the short end to the 5yr, dec 1-6 bps from the 7yr out, Treasury yields inc 14-2 bps from the short end to the 12yr, dec 1-3 bps from the 15yr out. MMD: Treas ratio dec -0.9% MMD:Swaps Ratio inc 0.1%. We are long muni bonds and short treasury futures and swaps, thus when the price of treasuries increases we lose money. - 900k Custom rate locks. Losses offset by the following gains: +467k in Muni Bonds interest/carry & +400k Vega. ]	
													Muni	(10.0)		
													Equity Volatility	(8.7)		
													Foreign Exchange	(3.6)		
													LMP America	(2.5)		
													High Yield	(1.4)		
													<b>Subtotal</b>	<b>(37.1)</b>		
2007	Q3 2007	2007-08	8/30/2007				0.0	(5.5)	86.0	144.5	N		Securitized Products	(15.7)	Asia: Vega risk across the board. T-EXT, T-NKS JPN Index books lost on NIKKEI.	
													Volatility	(12.0)		
													Foreign Exchange	(7.9)		
													Equity Syndicate	(5.0)		
													High Yield	(4.8)		
													IR Products	(2.0)		
													Equity Cash Products	(1.5)		
													<b>Subtotal</b>	<b>(48.8)</b>		
2007	Q3 2007	2007-08	8/31/2007				0.0	(52.4)	86.0	148.8	N		Securitized Products	(162.4)	America: Loss of 85.5mm in Non Prime and 110mm loss in Prime. Europe: -34.8mm CBMS-EUROPE markdown & -3.4mm loss on Windermere XI bonds from spreads widening +\$23,000 Meridien revaluation of Properties	
													Real Estate	(17.8)		
													<b>Subtotal</b>	<b>(162.4)</b>		
2007	Q4 2007	2007-09	9/17/2007				0.0	(14.4)	99.6	162.9	N		High Grade	(9.8)	Europe: KGF Put \$(0.9)m on 5.0m short pos, HMV \$(0.9)m on 8.0m long pos, Morrison Supermarkets \$(0.8)m on 3.0m long pos, VOD LN Call \$(0.4)m on 12k long pos, Michelin on \$(0.4)m on 0.1m long pos.	
													High Yield	(8.7)		
													Cash Products	(8.6)		
													Equity Volatility Flow	(5.4)		
													Equity Portfolio	(4.1)		
													Foreign Exchange	(2.9)		
													Equity Strategies	(2.7)		
													Equity Syndicate	(1.6)		
													Equity Event Driven	(1.4)		
													<b>Subtotal</b>	<b>(45.2)</b>		
2007	Q4 2007	2007-10	10/19/2007				0.0	(13.9)	152.8	338.4	N		GTS	(30.1)	Asia: Mainly from India Equities: The broader based S&P CNX Nifty lost 135.70 points or 2.54% at 5,215.30. The Nifty October 2007 futures settled at 5208, a discount of 7.30 points compared to spot closing. Americas: GMAC (-13.4mm), Bank vs. Treasuries (-7.0mm)	
													Cash Products	(12.0)		
													Securitized Products	(10.2)	Europe: Roche Holdings \$(0.9)m on \$48m long following 1.7% price fall. HSBC \$(0.4)m on \$20m long and 2.1% price drop ISRA Vision \$(0.5)m on \$25m long and intra day trading with 1.2% price drop DJ Euro Stoxx \$(0.3)m. Asia: Mainly from India Equities: The broader based S&P CNX Nifty lost 135.70 points or 2.54% at 5,215.30. The Nifty October 2007 futures settled at 5208, a discount of 7.30 points compared to spot closing.	
													Convertibles	(4.3)		
													Equity Event Driven	(2.0)		
													Equity Syndicate	(1.9)		
													<b>Subtotal</b>	<b>(60.5)</b>		

Year	Qtr	Month	P&L Date	FI Ex FX Including RiskArb FI	EQ Including RiskArb EQ	FX	Total Actual 10K/Q	CSE P/L	CSE 95 VaR	CSE 99 VaR	CSE Band Break	Product	Product Total	Comments
2007	Q4 2007	2007-10	10/22/2007				0.0	(77.6)	119.4	267.0	N	CDO	(29.2)	Europe: (\$1,444) Relval NY: Adjustments to required recovery and bid-offer reserves (\$8,196) Relval NY: Losses from widening of net long 5yr IG7/8/9 index positions CDO LIQUID TRANCHE EUR (\$1,249) Bid Offer Reserve (\$141) No significant items
												Equity Strategies	(15.7)	America: Down \$(4.1)mm in a/c # 9311704218 primarily driven by \$(658)k from Ishares Trust Russell 2000 Index fund-price rose \$1.63 on (680,000) positions with \$471k difference from intraday trading, \$(595)k from Pulte Homes Inc.-price rose \$1.19 on (500,000) positions, and \$(447)k from Intevac Inc.-price rose \$1.49 on (300,000) positions; Down \$(1.5)mm in a/c # 9311546213 primarily driven by \$(520)k from Ishares Russell index put options-price fell \$0.9105 on 5,750 positions with 100 unit value, and \$(503)k from Scansource Inc.- price rose \$2.77 on (187,500) positions with 16k difference from intraday buys; Down \$(1.2)mm in a/c # 9311763917 primarily driven by \$(485)k from Weyerhaeuser Co-price fell \$1.94 on 250,000 positions, and \$(253)k from Ishares Trust Russell 2000 Index fund-price rose \$1.63 on (155,100) positions; Asia: mainly vega loss on Japan Varswap and Delta loss on NJA CB.
												High Yield	(14.1)	
												Equity Cash Products	(6.8)	
												Global Trading Strategies	(6.3)	
												Volatility Flow	(4.9)	
												<b>Subtotal</b>	<b>(77.1)</b>	
2007	Q4 2007	2007-10	10/24/2007				0.0	(1.8)	125.2	258.2	N	Equity Portfolio	(7.5)	Down \$(6.7)mm in a/c # 9311739115 driven by \$(6.9)mm from NYSE Euronext intraday trading
												GTS	(5.0)	
												Muni	(3.9)	
												LMP America	(5.2)	
												High Yield	(3.4)	
												Securitized Products	(3.2)	
												<b>Subtotal</b>	<b>(28.3)</b>	
2007	Q4 2007	2007-10	10/30/2007				0.0	(12.9)	105.9	222.4	N	Securitized Products	(33.5)	ABS Derivatives (-20.4mm) - (-15.8mm) MTM in CDS on Cdo from change in ACA counterparty credit risk reserve. House Risk (-10.2mm) : (-4.3mm) MTM in short single name CDS and long ABS, mainly from long 350mm ABX A 07-1 as spreads widened 26 bps to 2058 bps.
												<b>Subtotal</b>	<b>(33.5)</b>	
2007	Q4 2007	2007-10	10/31/2007				0.0	(31.8)	98.7	279.4	N	Securitized Products	(134.6)	Americas: Nonprime Americas -197.6mm , Credit derivatives October P&L +120mm , NIM/Residual Markdowns -101mm First Lien whole loans markdowns -100mm ,Second Lien whole loans markdowns -126.1mm. : First Liend: BNC 2007-10 markdown (22,488), HSBC MORTGAGE 2007-1 markdown (-11,813) . Second Lien: MTG MAKER FEB 07 markdown (-16,299), MTG MAKER MAR 07markdown (-15,872)
												<b>Subtotal</b>	<b>(134.6)</b>	
2007	Q4 2007	2007-11	11/2/2007				0.0	(3.7)	106.4	228.3	N	Volatility Flow	(16.3)	Americas: Nonprime Americas -197.6mm , Credit derivatives October P&L +120mm , NIM/Residual Markdowns -101mm First Lien whole loans markdowns -100mm ,Second Lien whole loans markdowns -126.1mm. : First Liend: BNC 2007-10 markdown (22,488), HSBC MORTGAGE 2007-1 markdown (-11,813) . Second Lien: MTG MAKER FEB 07 markdown (-16,299), MTG MAKER MAR 07markdown (-15,872)
												GTS	(15.8)	
												<b>Subtotal</b>	<b>(32.2)</b>	
2007	Q4 2007	2007-11	11/5/2007				0.0	(22.3)	124.3	272.1	N	Securitized Products	(13.1)	Americas: ABS Derivatives -10mm -16.6mm MTM in single name CDS/ABX, primarily from short 869mm position in ABX BBB-06-2 equivalent position, as ABX BBB-06-2 spreads tightened 19bps to 2966bps.
												CDO	(8.6)	EVENT TRADING : Sainsbury \$(3.3)m closing \$10m long and intraday trading with 20.7% price drop following the collapse of takeover proposal by Delta Two, Friends Provident \$(0.3)m. -Down \$(1.3)mm in a/c # 071002X3 primarily driven by \$(1.1)mm from J Sainsbury PLC Ord-price fell £1.15 on 450,000 positions; Down \$(0.6)mm in a/c # 9311153010 primarily driven by \$(559)k from SLM Corporation-price fell \$1.62 on 353,405 positions with \$13k difference from intraday sells.
												Event Driven	(7.3)	
												<b>Subtotal</b>	<b>(29.0)</b>	
2007	Q4 2007	2007-11	11/6/2007				0.0	(15.6)	116.7	301.6	N	Municipals	(9.3)	Americas: Muni bonds recorded a basis loss of -9.047mm (-8.938mm from Muni bonds & -109k from muni derivs). Muni yields inc 1-8 bps, Swap yields inc 1-6 bps, Treasury yields inc 1-4 bps. The muni market sold off at a higher rate compared to treasury and swaps markets.
												High Grade	(8.7)	
												<b>Subtotal</b>	<b>(17.9)</b>	

## Signoff Statistics on Daily Risk Appetite

### Period

07/02/07 - 11/08/07

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Avg of Time2	Data					
BUSINESS_NAME	Median Signoff Time	% Signoff Time exceeds 2pm	% Signoff Time exceeds 4pm	% Signoff Time exceeds 6pm	Time Gap	
CDO	1:16 PM	27%	2%	0%	4:53	
Commodities Trading	1:35 PM	46%	4%	0%	4:33	
Equities	11:26 AM	7%	1%	0%	6:42	
FID Corp	9:16 AM	4%	0%	0%	8:32	
Firm Financing	9:33 AM	2%	0%	0%	8:05	
Foreign Exchange	11:54 AM	7%	0%	0%	6:02	
Global Principal Strategies	1:28 PM	32%	1%	0%	4:47	
High Grade	1:28 PM	35%	12%	0%	4:34	
High Yield	1:20 PM	32%	8%	2%	4:53	
IR Products	11:57 AM	3%	1%	0%	6:14	
Municipals	12:33 PM	7%	1%	1%	5:32	
Real Estate	12:07 PM	17%	8%	4%	5:37	
Securitized Products	12:07 PM	17%	8%	4%	5:35	
<b>Firm</b>	<b>6:17 PM</b>	<b>97%</b>	<b>96%</b>	<b>59%</b>		

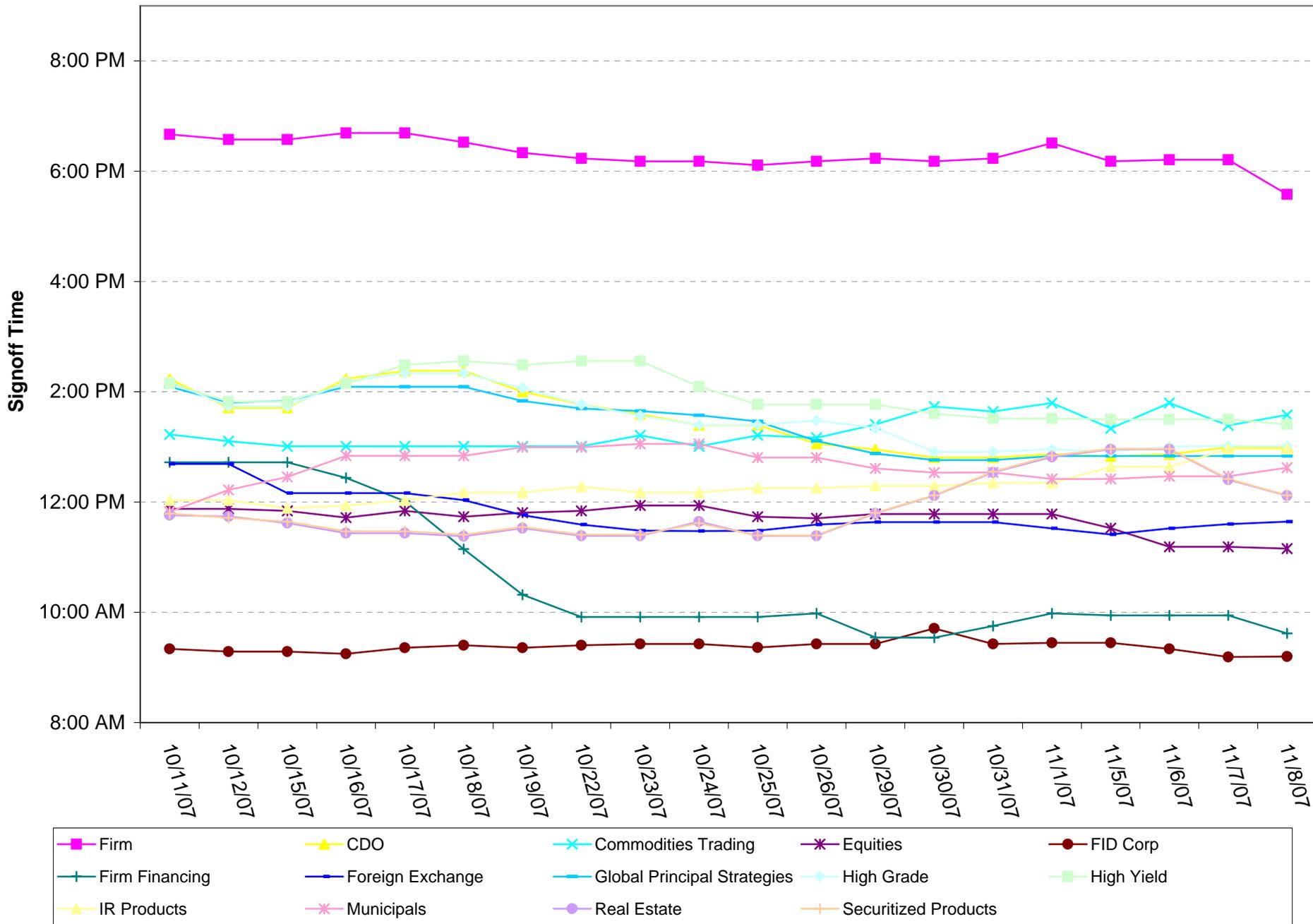
### Period

10/01/07 - 11/08/07

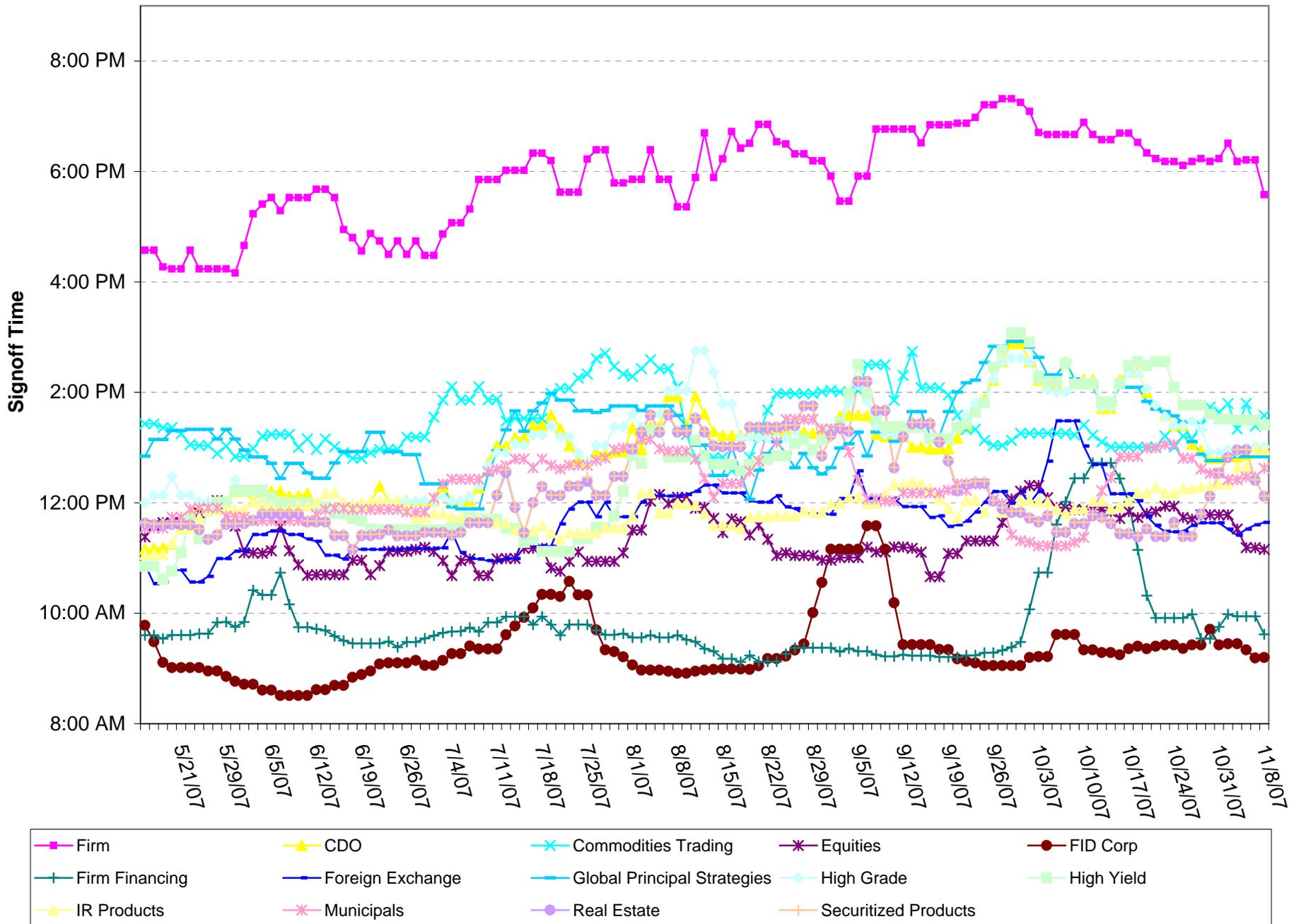
28

Avg of Time2	Data					
BUSINESS_NAME	Median Signoff Time	% Signoff Time exceeds 2pm	% Signoff Time exceeds 4pm	% Signoff Time exceeds 6pm	Time Gap	
CDO	1:16 PM	21%	0%	0%	4:36	
Commodities Trading	1:17 PM	25%	0%	0%	4:59	
Equities	11:46 AM	4%	0%	0%	6:26	
FID Corp	9:21 AM	4%	0%	0%	8:35	
Firm Financing	10:15 AM	7%	0%	0%	7:31	
Foreign Exchange	11:40 AM	11%	0%	0%	5:35	
Global Principal Strategies	1:33 PM	18%	0%	0%	4:38	
High Grade	1:23 PM	29%	7%	0%	4:32	
High Yield	1:40 PM	36%	0%	0%	4:05	
IR Products	12:17 PM	7%	4%	0%	5:54	
Municipals	12:36 PM	4%	0%	0%	5:35	
Real Estate	11:44 AM	7%	4%	0%	6:16	
Securitized Products	11:42 AM	7%	4%	0%	6:15	
<b>Firm</b>	<b>6:10 PM</b>	<b>100%</b>	<b>100%</b>	<b>57%</b>		

### Rolling Median Signoff Times



### Rolling Median Signoff Times



## ***VaR / Risk Appetite Restatements***

### **Prior Day Rollforwards**

10-16-07 **High Grade** – due to market data problems for HG loans

10-19-07 **Asia IR Derivatives**

10-22-07 **GPS and High Yield**

10-23-07 **Commodities** excluded non-linear component due to production problems

10-24-07 **Americas IR**

10-25-07 **CDO**

10-29-07 **Equity Division** using prior day due to problems with Convertibles

11-01-07 **High Yield & High Grade**

11-06-07 **High Grade**

11-07-07 **CDO**

### **Restatement of Real Estate Risk Appetite and Event Risk for June 1 – August 10**

**(currently pending).** The Archstone and Dermody transactions were not captured in RA starting in June as they should have been. Subsequently, offline inclusions were done to include the RA numbers in presentations that Madelyn made to the board and rating agencies. This RA correction would add approximately \$544mm, \$390mm, and \$310mm at the Real Estate, FID, and Firm levels respectively for this date range.

**VaR Limit Excess(10/10/2007-11/6/2007)**

Division	Business	Region	Date Started	Date Ended	Number of Days	Usage\$	Limit	Usage%
EQUITIES	Cash Products	Asia	10/10/2007	10/29/2007	5	4	4	103
	Convertibles	America	10/10/2007	11/6/2007	12	7	6	110
	LM/Execution Services	America	10/10/2007	10/18/2007	7	32	17	188
		Asia	10/10/2007	10/11/2007	2	6	5	115
	Quants	Europe	10/30/07	10/30/07	1	4	4	100
	Volatility	Asia	10/12/07	10/22/07	3	8	7.5	104
	Volatility Flow	America	10/10/07	10/19/2007	8	15	13.5	109
	Total Equity	America	10/10/07	10/18/2007	7	34	21	162
Global		10/10/07	10/18/2007	7	37	35	106	
FIXED INCOME	IR Products	Global	11/02/07	11/05/07	2	38	36	107
	Foreign Exchange	Europe	10/12/07	11/05/07	13	10	9	114
		Global	10/25/07	10/25/07	1	16	15	108
	Commodities Trading	Europe	11/01/07	11/06/07	4	14	13	109
		Asia	10/23/07	10/29/07	3	14	13	106
		Global	10/29/07	11/06/07	7	14	13	109
	High Grade	America	10/12/07	10/16/07	3	23	20	113
		Global	10/10/07	10/25/07	6	23	22	104
	High Yield	America	10/10/07	11/06/07	20	43	14	307
		Europe	10/18/07	11/06/07	13	16	13	121
		Global	10/10/07	11/06/07	20	59	27	218
	CDO	America	10/10/07	10/12/07	2	5	5	103
		Europe	10/10/07	11/06/07	20	20	8	250
		Global	10/10/07	11/06/07	20	21	11	191
	Credit Markets Total	America	10/10/07	11/06/07	20	48	23	207
		Europe	10/10/07	11/06/07	20	34	14	242
		Global	10/10/07	11/06/07	20	80	42	191
	Real Estate	America	10/10/07	11/06/07	20	10	6	164
		Global	10/10/07	11/06/07	20	9	7	130
	Securitized Products	America	10/29/07	11/06/07	7	39	22	177
Europe		10/11/07	11/06/07	19	7	4	164	
Global		10/11/07	11/06/07	9	40	22	180	
Total Fixed Income	America	10/10/07	11/06/07	17	64	52	124	
	Europe	10/10/07	11/06/07	13	46	31	149	
	Global	10/10/07	11/06/07	20	96	75	128	
INVESTMENT MANAGEMENT	Investment Mgmt. Division	Global	10/10/07	11/06/07	20	16	12	129
PRINCIPAL INVESTING PORTFOLIO	Global Principal Strategies	America	10/10/07	11/06/07	20	14	11	124
		Global	11/06/07	11/06/07	1	15	15	102
TOTAL FIRM	Total Firm	Asia	10/10/07	10/11/07	12	25	23	107
		Europe	10/19/07	11/06/07	2	54	39	139
		Global	10/10/07	10/18/07	7	164	135	122

RA Limit Excess(10/10/2007-11/7/2007)

Division	Business	Region	Date Started	Date Ended	Number of Days	Usage\$	Limit	Usage%
EQUITIES	LM/Execution Services	America	10/10/2007	10/18/2007	7	554	325	170
	Volatility Flow	America	10/10/2007	10/18/2007	7	507	250	203
	Equities Total	America	10/10/2007	10/18/2007	7	718	475	151
		Global	10/10/2007	10/18/2007	7	925	800	116
FIXED INCOME	Foreign Exchange	Europe	10/11/2007	11/5/2007	17	205	155	132
	Commodities Trading	America	10/31/2007	11/5/2007	4	235	230	102
		Europe	11/1/2007	11/6/2007	4	127	125	102
		Asia	10/23/2007	10/29/2007	3	60	55	110
		Global	10/23/2007	11/6/2007	10	330	270	122
	Liquid Markets Total	America	11/2/2007	11/5/2007	2	515	490	105
		Europe	11/2/2007	11/5/2007	2	441	440	100
	High Grade Loans, Pipeline & Commitments	America	10/10/2007	11/6/2007	20	203	145	140
		Europe	10/10/2007	11/6/2007	20	87	70	124
		Global	10/11/2007	11/6/2007	19	240	200	120
	High Yield Loans, Pipeline & Commitments	America	10/10/2007	11/6/2007	20	1,117	180	620
		Asia	10/10/2007	11/6/2007	20	30	20	151
		Global	10/10/2007	11/6/2007	20	1,240	420	295
	High Yield Total	America	10/10/2007	11/6/2007	20	1,115	435	256
		Global	10/10/2007	11/6/2007	20	1,351	850	159
	CDO	America	11/2/2007	11/2/2007	1	181	175	104
		Europe	10/10/2007	11/6/2007	20	325	200	162
		Global	10/11/2007	11/6/2007	11	316	295	107
	Credit Markets Total	America	10/10/2007	11/6/2007	20	1,182	710	167
		Global	10/10/2007	11/6/2007	20	1,650	1265	130
	Real Estate	America	10/10/2007	11/7/2007	21	816	570	143
		Europe	10/10/2007	11/7/2007	21	546	200	273
		Global	10/10/2007	11/7/2007	21	1,133	720	157
Securitized Products	America	10/11/2007	11/7/2007	21	763	460	166	
	Europe	10/11/2007	11/7/2007	11	103	75	138	
	Global	10/11/2007	11/7/2007	21	810	465	174	
Fixed Income Total	America	10/10/2007	11/6/2007	20	1,768	1500	118	
	Europe	10/10/2007	11/6/2007	19	1,257	950	132	
	Global	10/10/2007	11/6/2007	19	2,565	2500	103	
CAPITAL MARKETS PRIME SERVICES	Capital Markets Prime Services Total	America	10/26/2007	11/6/2007	6	83	75	110
		Asia	10/10/2007	10/10/2007	1	20	20	100
	Firm Financing	America	11/2/2007	11/2/2007	1	81	75	108
INVESTMENT MANAGEMENT	TOTAL	America	10/10/2007	11/7/2007	21	978	725	135
		Europe	10/10/2007	11/7/2007	21	236	160	147
		Global	10/10/2007	11/7/2007	21	1,188	800	149
PRINCIPAL INVESTING PORTFOLIO	Global Trading Strategies	America	10/10/2007	10/22/2007	3	472	465	101
		Asia	10/10/2007	11/6/2007	20	195	120	162
TOTAL FIRM	TOTAL	Europe	10/10/2007	11/6/2007	16	1,475	1200	123
		Global	10/10/2007	11/6/2007	20	3,677	3500	105

### ***Current Requests for Limit Changes***

**LOTC Limit Increase** – Request from Risk Management to increase LOTC VaR from \$3mm to \$6mm. Approved by Sandeep Garg on November 8, 2007.

**Europe Portfolio** – Old limit was \$5mm and business was split into Europe Portfolio and Europe Quants. New limits were assigned as \$2mm and \$4mm respectively without any changes to the higher level limits effective October 29.

**High Grade** – Request to increase VaR limit for HG business from \$22mm to \$32mm to be more reflective of overall Risk Appetite limit of \$675mm. Request deferred due to breaches in the overall firm VaR limit and concerns about raising the firm's VaR exposure.

## ***Control and Process Issues***

### **New Issues**

**VaR Feeds from the following businesses:**

**Securitized Products – IHOP / Wendy’s**

**Real Estate – REIT LOC’s**

Received P&L vectors from George Hansman which were generated using offline process and would be rolled forward until replaced with a new vector. Paul Shotton, in a series of emails, had indicated a preference that assets which could not feed risk systems in a controlled manner be classified as banking book until they can feed the market risk systems in a controlled manner. These requests raise the following questions:

1. **Controls around the generation of the P&L vectors** – is the process documented, regular (i.e. daily or weekly), and auditable?
2. **Is there a documented plan in place to get positions feeds into LehmanRisk** so that normal controls and reconciliation processes can be used.
3. **Is the methodology documented and consistent** with other similar products? The HY/HG loan businesses use a marginal VaR and RA for the Pipelines & Commitments businesses which is updated weekly and which is 100% correlated for the business and 25% correlated with the firm and division.
4. Both **Audit and Regulators** have been scrutinizing VaR and doing spot checks to ensure completeness and accuracy. These checks include taking P&L vectors for all businesses and reproducing the VaR numbers. Prior audits have raised concerns about the level of controls in the VaR calculation process.
5. What are the capital tradeoffs of using banking book for these positions?

### **Followup on Last Months’s Meeting:**

**A separate meeting has been scheduled to discuss the following critical needs in the Risk Reporting Process**

- **10K/Q calculation spreadsheet elimination**
- **Multiple Databases and Hierarchies used for Risk Appetite Reporting**
  - Currently two different databases are required: FirmRisk which is the LehmanRisk DB and ROE which is the Reporting and Analysis Group DB. These two DB’s have independent hierarchy managers which must be kept synchronized with each other.
  - Many process feed into the ROE and then must feed into the FirmRisk DB.
  - UAT for changes to the hierarchy can not be done for the parts relating to the ROE DB. Make hierarchy changes extremely complicated and risky.
  - Long term – need to migrate applicable data to FirmRisk DB. Also need to migrate feeds which come into ROE to the FirmRisk DB.
- **Spreadsheet Feeds to Lehman Risk via the ROE database**
  - Commodities
  - Real Estate Event Risk
  - IMD P&L vectors for Private Equity and WAM Corp
  - Insurance Products
  - IMD Monthly Update for Event Risk and Discounts

- GTS – caused problems for firm risk numbers in August when a spreadsheet malfunctioned and misaligned P&L days with the P&L outcomes.
- **CSE Reporting for LBHI** – VaR and ISR require a spreadsheet calculation which needs to be eliminated.

**Areas from prior meetings which need following up on:**

**Investment Management CDS and CDO Positions**

- Investment Management has CDS, index, and CDO positions which should be feeding market risk but which are not. Positions are related to the funds business.
- CDS positions are not marked-to-market daily and IM currently has not price data available to do so.
- Index positions are on CDX, LCDX, ABX, and puts on the Russell 2000.
- Also have CDO positions.
- Have had conversations with Eric Whitman – need to determine where products are booked, what MTM process is in place, what reference data to use, and who will be responsible for product control functions.