

# Market Risk Control Committee Meeting – V1

January 14, 2008

## Agenda

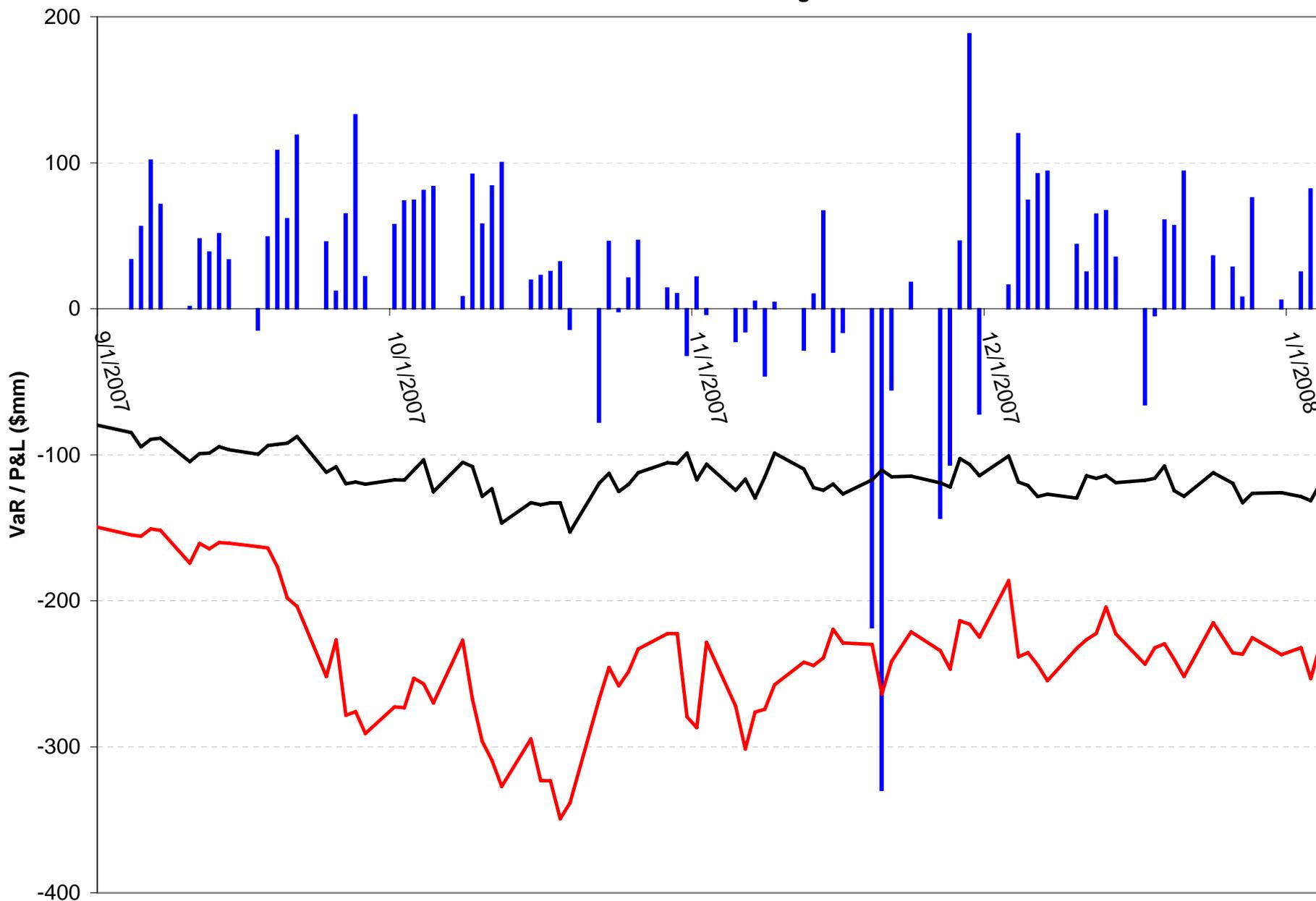
1. VaR backtesting exceptions for LBHI, LBI, and LOTC (Mark Weber & Paul Zakian)
2. Negative P&L days at the firm-wide level (Mark Weber & Paul Zakian) – no negative days since December 19.
3. Timing of RA/VaR delivery (Mark Weber)
4. VaR/RA restatements (Mark Weber)
5. VaR and RA limit excessions (Mark 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**

December 1, 2007 to January 04, 2008

Business	Number of breaks		95% VaR	PnL Dates of breaks	
	95% VaR	99% VaR		95% VaR	99% VaR
Firmwide					
FID - Municipals	1		12-18		
FID - IR Products					
Equity - Division Level	1		12-17		
Equity - Cash Products	1	1	12-17		12-17
Equity - Portfolio	4	1	12-05, 12-14, 12-17, 01-04		12-05
Equity - Systematic Trading	1	1	12-20		12-20
Equity - Equity Strategies	2	1	12-13, 12-17		12-17
Equity - Syndicate	1		12-04		
Equity - Volatility	1		12-03		
Equity - Convertibles	2	1	12-17, 12-18		12-17
PIP - GTS	1		12-17		

# LBHI VaR Backtesting



95% LBHI VaR Backtest Exceptions by Month

Division	Business	Feb 07	March 07	April 07	May 07	June 07	July 07	August 07	September 07	October 07	November 07	December 07	January 08	Grand Total
Firm	-	1			1		1	5			3			11
Fixed Income	-				1			5		1	4			11
	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	2			19
	Securitized Products			2	1			2	2	3	5			15
	Real Estate							1		1	4			6
	Municipals	1	2	1		1	1	8	1		5	1		21
Equities	-	1		2	1	2	2	5	1	1	4	1		15
	Cash Products	3				2	2	3	1	3	7	1		25
	Portfolio	1	1		1	1	2	6		1	8	3	1	25
	Volatility Flow	1	2				3	2			1			9
	Systematic Trading	1		1		1	1	5	1	2	5	1		18
	Event Driven	1					2	4	1		3			11
	Convertibles						3	2				2		7
	Volatility	1						3			1	1		6
	Equity Strategies	2		1			3	8	1	1	5	2		23
	Syndicate							4			3	1		8
Principal Investment Portfolio	-									1	3			4
	Global Principal Strategies						3							3
	Global Trading Strategies		1			1	3	4		1	5	1		16
	Global Opportunity Group										1			1
Grand Total		16	10	8	7	8	29	89	14	16	70	14	1	282

VaR Date	P&L Date	95% VaR	99% VaR	P&L	Business Level	Risk Exception Comments	Explain
30-Nov-07	3-Dec-07	8,298	13,063	(8,446)	Volatility	Verifone (PAY) was down 45% after it restated earnings. Desk was short a call spread (short gamma).	<b>Americas (-12.6mm):</b> N-LOTC/TUV (-9,151k): Short PAY gamma (-6,318k), long PAY delta (-1,003k), short RYL delta (-302k), short UPS vega (-625k), short KG vega (-162k), short STSA delta (-94k), Trading PAY (-626k) N-LSR: CVS theta (-2,183k), CVS shadow (+803k) N-COR: (-751k): Single stock vega N-USM: Single stock vega and theta (-924k)
3-Dec-07	4-Dec-07	1,716	2,542	(1,808)	Syndicate		<b>America(-754k):</b> Driven by ASR Various' P&L of -692k. Note ASR Various is a MTM account for accelerated stock repurchases. The P&L in this account will be allocated to ASR deals at month end.
4-Dec-07	5-Dec-07	1,801	2,656	(3,219)	Potfolio		<b>Americas (-2.7mm):</b> 00271731 down \$3.36mm driven by S&P E-MINI, price rose by \$23.6 on (3,100) positions with 50 unit value with \$297k difference from intraday trading.
7-Dec-07	10-Dec-07	469	1,003	(626)	Systematic Trading		<b>Americas (-626k):</b> Losses on DIA (-1mm) due to the mark increase by 1.065 from prior day. Offsetting gains across the board.
12-Dec-07	13-Dec-07	4,527	9,130	(8,223)	Equity Strategies		<b>Americas (-5.3mm):</b> 9311704218 down \$1.285mm driven by: CERAGON NETWORKS LTD (400)k, price dropped by \$0.40 on 1mm positions, PAN AMERICAN SILVER CORP \$357)k, price dropped by \$2.38 on 150k positions, SILVER WHEATON CORP \$(230)k, price dropped by \$1.15 on 200k positions, JAMBA INC \$(158)k, price dropped by \$0.28 on 400k positions with \$(10)k difference from intraday trading, KINROSS GOLD
14-Dec-07	17-Dec-07	5,084	8,751	(11,750)	Cash Products	Asian markets drop more than 2 S.D.	<b>Asia(-9.3mm):</b>
14-Dec-07	17-Dec-07	4,606	7,095	(10,177)	Convertibles	Americas -Market sold off, retail and technology single names within portfolio moved more than 2 std	<b>Americas(-5.6mm):</b> Origination: AMD -\$1.8mm Principal (-2.0mm): mainly RETAIL VENTURES INC 6.625% PIE (-\$0.7mm), LIBERTY MEDIA CORP SR EXCHANGE (-\$0.6mm) Facilitation (-\$1.2mm) across the board
14-Dec-07	17-Dec-07	1,854	3,399	(2,963)	Portfolio	Asian markets drop more than 2 S.D.	<b>Asia(-987k):</b>
14-Dec-07	17-Dec-07	4,625	10,119	(10,824)	Equity Strategies	Asia - Loss is due to credit event with Centro Property Group, which is not captured in VaR.	<b>Asia(-6.2mm):</b> Major loss on Centro Real Property CB \$(6.4MM). <b>Americas(3.8mm):</b> Account # 07100CS4 down \$1.313mm driven by: BRASIL TELECOM SA (435)k, price dropped by \$0.81 on 937k positions, CONSORCIO ARA SAB \$(374)k, price dropped by \$0.56 on 7,171k
17-Dec-07	18-Dec-07	4,855	7,854	(5,756)	Convertibles		<b>Asia(-6.2mm):</b> Major loss on Centro Real Property CB \$(6.4MM). <b>Americas(3.8mm):</b> Account # 07100CS4 down \$1.313mm driven by: BRASIL TELECOM SA (435)k, price dropped by \$0.81 on 937k positions,
19-Dec-07	20-Dec-07	231	677	(838)	Systematic Trading		<b>Americas (-838k):</b> Losses on LDK (-940k) due to the mark decrease by -20.24 from prior day.

VaR Date P&L Date 95% VaR 99% VaR P&L Business Level Risk Exception Comments

VaR Date	P&L Date	95% VaR	99% VaR	P&L	Business Level	Risk Exception Comments
17-Dec-07	18-Dec-07	9,343	15,229	(11,381)	Municipals	

Explain

**Americas (-11.3mm)** - Muni bonds recorded a basis loss of -8mm (-5.5mm from Muni bonds & -2.5mm from muni derivs). Muni yields flat from the 1y-2y, dec 2-4 bps from the 3y out; Swap yields dec 9-12 bps; Treasury yields dec 1-8 bps. MMD:Treas ratio inc 1.0% on average & MMD:Swaps ratio inc 1.3% on average. We are long muni bonds and short treasury futures and swaps, thus when the price of treasuries increases we lose money. The Treasury & Swap markets rallied at a greater rate than the muni market, thus we lost money. Within Muni Bonds, the primary driver for the basis loss was our Prop - Housing strategy.

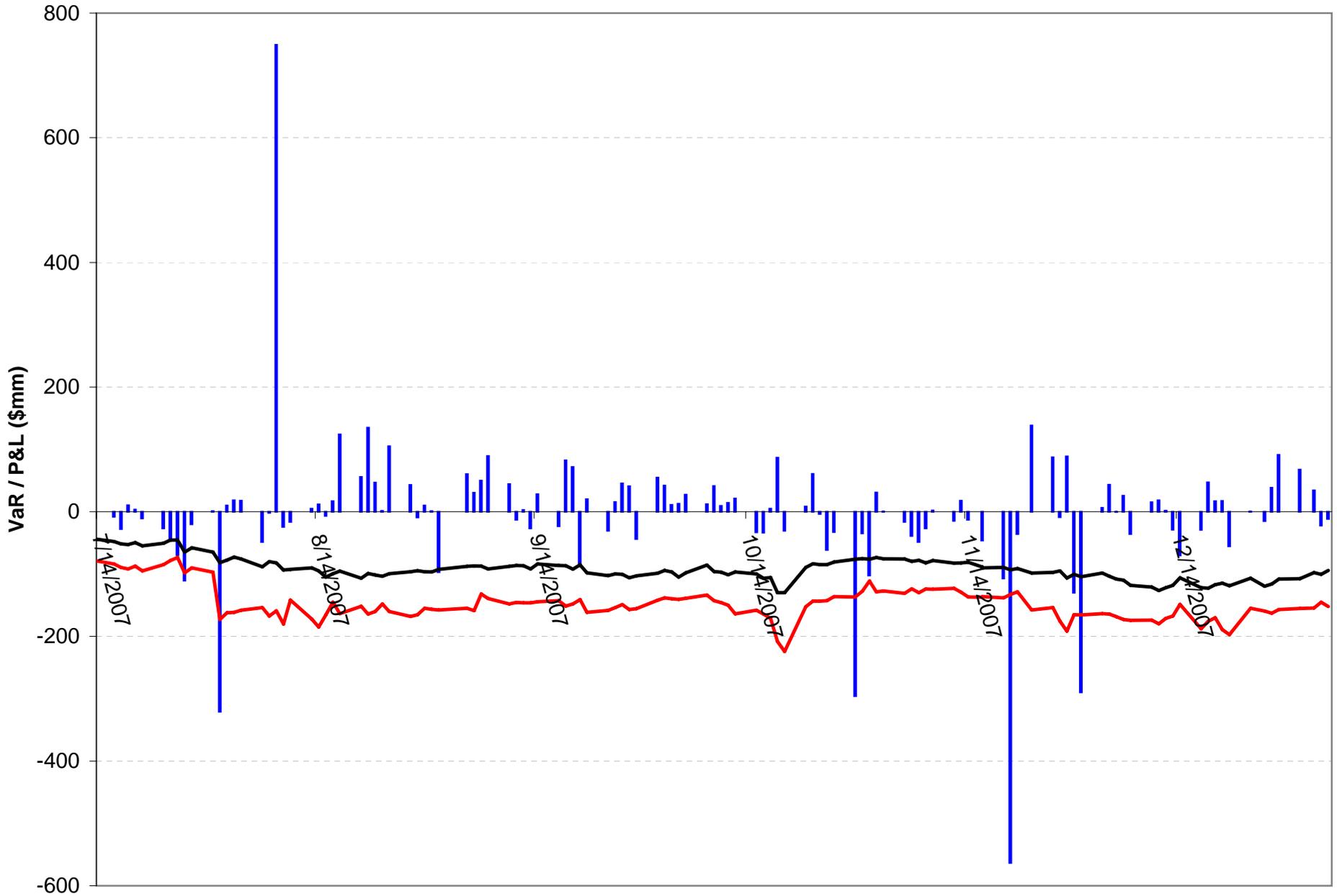
VaR Date	P&L Date	95% VaR	99% VaR	P&L	Business Level Risk Exception Comments	Explain
14-Dec-07	17-Dec-07	25,540	41,172	(28,736)	GTS GTS lost money on 12/17 on: - India \$15m - GMAC 3.9 - APCO Argentina \$3.1 - ABX-AAA 3 - Bank vs. Treasuries 2.7 - Horsehead 1.8 - Adlac 1.4 - BEAS/Oracle 1.2 - BUF 1	Americas(-17.6mm)

LBI Backtest summary

December 1, 2007 to January 4, 2008

Business	Number of breaks		95% VaR	PnL Dates of breaks 99% VaR
	95% VaR	99% VaR		
Firmwide				
FID - CDO	2	2	12-18, 01-03	12-18, 01-03
FID - IR Products	3	1	12-06, 12-07	12-07
FID - High Grade	2		12-11	
FID - Foreign Exchange	1	1	12-12	12-12
Equity - Division Level	2		12-11, 12-14	12-11, 12-14
Equity - Cash Products	3	1	12-11, 01-02, 01-04	01-04
Equity - Portfolio	3	2	12-05, 12-06, 12-19	12-05, 12-06
Equity - Systematic Trading	2	1	12-10, 12-20	12/20
Equity - Equity Strategies	3	1	12-10, 12-13, 12-17	12-13
Equity - Event Driven	1		12-12	
Equity - Convertibles	4		12-17, 01-02, 01-03, 01-04	
			12-03, 12-04, 12-07, 12-11, 12-14, 12-17, 12-24, 12-26, 12-27, 12-28, 12-31, 01-02, 01-03, 01-04	12-03, 12-04, 12-07, 12-11, 12-14, 12-17, 12-24, 12-26, 12-27, 12-28, 12-31, 01-02, 01-03, 01-04
Equity - Volatility	14	14		
Equity - Volatility Flow	2	1	12-11, 12-14	12-11
PIP - Division Level	1		12-11	
PIP - GTS	2		12-11, 12-17	

# LBI VaR Backtesting



01/14/2008

9

Market Risk Control Committee

Report Criteria

Aggregation Level All Divisions / All Regions  
 VaR Type 1-Day 95%  
 Time Duration 01-Dec-07 to 08-Jan-08

LE	Division	Business Name	Region	PnL Date	PnL Value	VaR Date	VaR Value	Risk Exception Comments	Finance Explanatory Comments
LBI	Equities	Volatility	Global	3-Dec-07	(802)	30-Nov-07	145		
LBI	Equities	Volatility	Americas	3-Dec-07	(802)	30-Nov-07	145	Verifone (PAY) was down 45% after it restated earnings. Desk was short a call spread (short gamma).	Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Equities	Volatility	Global	4-Dec-07	(1,478)	3-Dec-07	139		
LBI	Equities	Volatility	Americas	4-Dec-07	(1,478)	3-Dec-07	139		Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Equities	Portfolio	Global	5-Dec-07	(2,749)	4-Dec-07	803		
LBI	Equities	Portfolio	Americas	5-Dec-07	(2,749)	4-Dec-07	789	single names vs. index hedge basis diverging movement caused loss	00271731 down \$3.36mm driven by S&P E-MINI, price rose by \$23.6 on (3,100) positions with 50 unit value with \$297k difference from intraday trading.
LBI	Equities	Portfolio	Global	6-Dec-07	(2,414)	5-Dec-07	1,428		
LBI	Equities	Portfolio	Americas	6-Dec-07	(2,414)	5-Dec-07	1,351	single names vs. index hedge basis diverging movement caused loss	00271731 down \$0.956mm driven by S&P E-MINI \$(956)k, price rose by \$20.6 on (1372) positions 50 unit value with \$457k difference from intraday trading, 9311557715 down \$0.917mm driven by: METHODE ELECTRONICS INC \$(345)k, price rose by \$3.18 on (105)k positions with \$(10)k difference from intraday trading, by POTLATCH CORPORATION \$(197)k, price rose by \$1.89 on (107)k positions with \$5k difference from trading, WHITING PETROLEUM CORPORATION \$(167)k, price rose by \$1.07 on (99)k positions with \$1k difference from intraday trading, and 00211743 down \$0.571mm driven by S&P E-MINI \$(355)k, price rose by \$20.6 on (359) positions 50 unit value with \$14k difference from intraday trading.
LBI	Fixed Income	IR Products	Global	6-Dec-07	(42,031)	5-Dec-07	40,454		
LBI	Fixed Income	IR Products	Americas	6-Dec-07	(42,121)	5-Dec-07	36,971		P&L primarily from losses on long Tennessee Valley Authority and FHBL positions booked in LBI account GMK2 whose daily revenue was \$(32.9mm). This was offset by gains on swap hedge p&l of +\$33.1mm booked in LBSF accounts BMDMS00632 and 07400917.
LBI	Equities	Volatility	Global	7-Dec-07	(406)	6-Dec-07	139		
LBI	Equities	Volatility	Americas	7-Dec-07	(406)	6-Dec-07	139		Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Fixed Income	IR Products	Global	7-Dec-07	(84,348)	6-Dec-07	41,896		
LBI	Fixed Income	IR Products	Americas	7-Dec-07	(84,201)	6-Dec-07	38,158		P&L primarily from losses on long Tennessee Valley Authority and FHBL positions booked in LBI account GMK2 whose daily revenue was \$(61.4mm). This was offset by gains on swap hedge p&l of +\$62.8mm booked in LBSF accounts BMDMS00632 and 07400917.
LBI	Equities	Equity Strategies	Global	10-Dec-07	(4,910)	7-Dec-07	3,831		
LBI	Equities	Equity Strategies	Americas	10-Dec-07	(4,910)	7-Dec-07	3,831		9311704614 down \$1.658mm driven by: CELGENE CORP \$(818)k, price dropped by \$8.18 on 100 positions, MONEYGAM INTERNATIONAL INC \$(689)k, price rose by \$1.06 on (689)k positions, BANKRATE INC \$(651)k, price rose by \$8.14 on (80)k positions, 9311704713 down \$1.704mm driven by: MARTIN MARIETTA MATERIALS INC \$(446)k, price rose by \$5.45 on (82)k positions, WELLS FARGO & CO \$(272)k, price rose by \$0.93 on (290.4)k positions with \$(2)k difference from trading, ISHARES TRUST RUSSELL \$(240)k, price rose \$1.12 on (220)k positions, CARMAX INC \$(235)k, price rose by \$0.94 on (250)k positions and 9311755517 down \$1.079mm driven by: CALL S&P 500 INDX JAN 1425CBOE \$(487)k, price rose by \$8.4 on (580) positions with 100 unit value, PUT MORGAN STANL JAN 070 \$(312)k, price dropped by \$2.7 on 1,159 positions with 100 unit value, PUT MORGAN STANL JUL 050 \$(270)k, price dropped by \$1.2 on 2,300 positions with 100 unit value.
LBI	Equities	Systematic Trading	Global	10-Dec-07	(626)	7-Dec-07	469		
LBI	Equities	Systematic Trading	Americas	10-Dec-07	(626)	7-Dec-07	469	Basis loss caused by divergence move of single names vs.DIA hedge	Losses on DIA (-1mm) due to the mark increase by 1.065 from prior day. Offsetting gains across the board.
LBI	Equities	Cash Products	Global	11-Dec-07	(3,918)	10-Dec-07	3,801		
LBI	Equities	Cash Products	Americas	11-Dec-07	(3,924)	10-Dec-07	3,791		
LBI	Equities	Volatility	Global	11-Dec-07	(3,074)	10-Dec-07	146		
LBI	Equities	Volatility	Americas	11-Dec-07	(3,074)	10-Dec-07	146	SP500 down 2.5% and Financials down 5% on Dec 11. We were short vega/gamma in Financials. Additionally, we had about \$1mm Theta loss, which is not captured in VaR.	Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Equities	Volatility Flow	Global	11-Dec-07	(38,375)	10-Dec-07	17,534		
LBI	Equities	Volatility Flow	Americas	11-Dec-07	(38,375)	10-Dec-07	17,534		Losses mainly attributed to Short SPX vega (-5,800k) and short SPX gamma (-11,300k) as the S&P index was down 2.53% while the VIX up 13.74%. Other losses Offset by gains in other legal entities.
LBI	Principal Investment Portfolio	Global Trading Strategies	Global	11-Dec-07	(27,303)	10-Dec-07	19,701		
LBI	Principal Investment Portfolio	Global Trading Strategies	Americas	11-Dec-07	(36,225)	10-Dec-07	19,957		Name Position Price Change from Prior Day PL CIT GROUP 1,258,631 (3,37) (4,241,586) IMPERIAL SUGAR 3,316,770 (1,27) (4,212,298) WACHOVIA 1,300,000 (2,51) (3,263,000) SEQUENOM INC 2,750,000 (0.71) (1,952,500) APCO ARGENTINA 2,616,000 (0.59) (1,517,280) BANK OF AMERICA 700,000 (1.99) (1,393,000) COMMERCE BANCORP 1,625,000 (0.84) (1,365,000) COMERICA INC 400,000 (3.08) (1,232,000) OFFICE DEPOT INC 1,500,000 (0.80) (1,200,000) ADELPHIA REC TRUST 40,000,000 (0.03) (1,200,000) BB&T CORP 400,000 (2.99) (1,196,000) BOYD GAMING CORP 750,000 (1.36) (1,020,000)
LBI	Fixed Income	High Grade	Global	11-Dec-07	(6,391)	10-Dec-07	5,138		
LBI	Fixed Income	High Grade	Americas	11-Dec-07	(6,394)	10-Dec-07	5,138		
LBI	Equities	Event Driven	Global	12-Dec-07	(1,681)	11-Dec-07	1,676		

LE	Division	Business Name	Region	PnL Date	PnL Value	VaR Date	VaR Value	Risk Exception Comments	Finance Explanatory Comments
LBI	Equities	Event Driven	Americas	12-Dec-07	(1,681)	11-Dec-07	1,676		9311150816 down \$1.189mm driven by: XM SATELLITE RADIO HLDGS INC (537k), price dropped by \$1.45 on 370k positions, SLM CORPORATION \$(353k), price dropped by \$3.45 on 61k positions with \$31k difference from intraday trading, ALLIANCE DATA SYSTEM CORP \$(341k), price dropped by \$2.26 on 150k positions with \$(58k) difference from intraday trading, CLEAR CHANNEL COMMUNICATIONS INC \$(231k), price dropped \$0.45 on 451k positions with \$(62k) from intraday trading, and 9311805916 down \$995k driven by: XM SATELLITE RADIO HLDGS INC (348k), price dropped by \$1.45 on 240k positions, ALLIANCE DATA SYSTEM CORP \$(192k), price dropped by \$2.26 on 85k positions, ISHARES (MSCI BRAZIL FREE INDEX \$(144k), price rose \$3.00 on (46k) positions.
LBI	Fixed Income	Foreign Exchange	Global	12-Dec-07	(5,641)	11-Dec-07	3,414		
LBI	Equities	Equity Strategies	Global	13-Dec-07	(5,418)	12-Dec-07	2,973		
LBI	Equities	Equity Strategies	Americas	13-Dec-07	(5,418)	12-Dec-07	2,973		9311704218 down \$1.285mm driven by: CERAGON NETWORKS LTD (400k), price dropped by \$0.40 on 1mm positions, PAN AMERICAN SILVER CORP \$357k, price dropped by \$2.38 on 150k positions, SILVER WHEATON CORP \$(230k), price dropped by \$1.15 on 200k positions, JAMBA INC \$(158k), price dropped by \$0.28 on 400k positions with \$(10k) difference from intraday trading, KINROSS GOLD CORP \$(157k), price dropped by \$0.63 on 250k positions, CALL SILVER WHEAT DEC 015 \$(150k), price dropped by \$0.75 on 2k positions with 100 unit value, FEDERAL AGRICULTURAL MORTGAGE CORP-CL \$(150k), price dropped by \$0.75 on 200k positions and 9311704614 down \$2.173mm driven by: MONEYSRAM INTERNATIONAL INC (1,896k), price rose by \$2.37 on (800k) positions, FLUOR CORP NEW \$(160k), price dropped by \$3.21 on 50k positions, ENERGY CONVERSION DEVICES INC \$(122k), price fell by \$0.61 on 200k positions.
LBI	Equities	Volatility	Global	14-Dec-07	(2,261)	13-Dec-07	150		
LBI	Equities	Volatility	Americas	14-Dec-07	(2,261)	13-Dec-07	150		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility Flow	Global	14-Dec-07	(19,899)	13-Dec-07	13,138		
LBI	Equities	Volatility Flow	Americas	14-Dec-07	(19,899)	13-Dec-07	13,138		Losses mostly attributed to S&P, while some offsets were made in the Russell. Total S&P losses in LBI were roughly -25,167k in long delta and short vega as the S&P was down 1.5% and the VIX up 5.37%. There were gains in RUT of about 7,176k due mostly from short delta and long vega gains as RUT was down 1.97%. These gains and losses were offset with gains and losses from other legal entities.
LBI	Equities	Convertibles	Global	17-Dec-07	(6,424)	14-Dec-07	5,144		Origination: AMD -\$2.5mm
LBI	Equities	Convertibles	Americas	17-Dec-07	(6,424)	14-Dec-07	5,144	Market sold off, retail and technology single names within portfolio moved more than 2 std	Principal (-\$2.0mm); mainly RETAIL VENTURES INC 6.625% PIE (-\$0.7mm) & LIBERTY MEDIA CORP SR EXCHANGE (-\$0.6mm)
LBI	Equities	Equity Strategies	Global	17-Dec-07	(3,315)	14-Dec-07	3,269		Facilitation (-\$1.3mm) across the board
LBI	Equities	Equity Strategies	Americas	17-Dec-07	(3,315)	14-Dec-07	3,269		Account # 07100CS4 down \$1.313mm driven by: BRASIL TELECOM SA (435k), price dropped by \$0.81 on 937k positions, CONSORCIO ARA SAB \$(374k), price dropped by \$0.56 on 7,17k positions, EMPRESAS ICA SAB DE \$(270k), price dropped by \$3.09 on 750k positions, BRASIL TELECOM \$(159k), price dropped by \$2.20 on 133k positions, account # 9311704614 down \$1.07mm driven by: ENERGY CONVERSION DEVICES INC CORP \$(528k), price dropped by \$2.11 on 250k positions, FLUOR CORP \$(420k), price dropped by \$8.39 on 50k positions, CHICAGO BRIDGE & IRON CO \$(69k), price dropped by \$2.46 on 150k positions, EMCORE CORP \$(230k), price dropped by \$1.15 on 230k positions, WESTERN UNION CO \$(207k), price dropped by \$0.69 on 300k positions and account # 9311763917 down \$1.15mm driven by: BRUSH ENGINEERED MATERIALS INC \$(470k), price dropped by \$2.33 on 202k positions, FLUOR CORP NEW \$(160k), price dropped by \$3.21 on 50k positions, AEROENVIRONMENT INC \$(316k), price dropped by \$1.15 on 275k positions, EDDIE BAUER HLDGS INC \$(212k) price dropped by \$0.47 on 451k positions and XM SATELLITE RADIO HLDGS INC \$(185k) price dropped by :
LBI	Equities	Volatility	Global	17-Dec-07	(3,242)	14-Dec-07	161		
LBI	Equities	Volatility	Americas	17-Dec-07	(3,242)	14-Dec-07	161		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Principal Investment Portfolio	Global Trading Strategies	Global	17-Dec-07	(20,689)	14-Dec-07	19,115		
LBI	Principal Investment Portfolio	Global Trading Strategies	Asia	17-Dec-07	(3,239)	14-Dec-07	1,420		
LBI	Fixed Income	CDO	Global	18-Dec-07	(3,130)	17-Dec-07	1,706		
LBI	Fixed Income	CDO	Americas	18-Dec-07	(3,130)	17-Dec-07	1,706		Includes (2.8mm) from remarks of CDO ABS residuals offset by gains in cross-entity hedges - pnl for 3 days
LBI	Equities	Portfolio	Global	19-Dec-07	(2,990)	18-Dec-07	2,834		
LBI	Equities	Portfolio	Americas	19-Dec-07	(2,990)	18-Dec-07	2,849	Basis loss caused by divergence move arising from short real estate, financial, and energy sectors while long consumer and consumer products sector	9311739412 down \$2.983mm driven by: SLM CORPORATION (1.59)mm from intraday trading, MORGAN STANLEY \$(974k), price increased by \$2.01 on (427k) positions with \$(114k) loss from intraday trading, DELL INC \$(618k), price increased by \$0.34 on (1,390k) positions with \$(145) loss from intraday trading, CONCO-PHILIPS \$(471k), price rose by \$0.65 on (655k) positions with \$(44k) loss from intraday trading, MCDONALDS CORP \$(467k), price dropped by \$0.98 on 516k positions with \$39k difference from intraday trading, OCCIDENTAL PETE CORP \$(394k) from intraday trading, WALGREEN CO \$(322k) from intraday trading, MERCK & CO INC \$(294k), price dropped by \$0.40 on 713k positions with \$(9k) loss from intraday trading, AMR CORP-DEL \$(265k), price dropped by \$0.24 on 1,155k positions with 13k difference from intraday trading, CONAGRA FOODS INC \$(190k) from intraday trading.
LBI	Equities	Systematic Trading	Global	20-Dec-07	(838)	19-Dec-07	231		
LBI	Equities	Systematic Trading	Americas	20-Dec-07	(838)	19-Dec-07	231		Losses on LDK (-940k) due to the mark decrease by -20.24 from prior day.
LBI	Fixed Income	IR Products	Global	21-Dec-07	(52,033)	20-Dec-07	37,913		
LBI	Fixed Income	IR Products	Americas	21-Dec-07	(52,275)	20-Dec-07	34,702		Govt Agencies p&l driving LBI p&l \$(50M) in account GMC in LBI with long agency positions offset by swap hedge p&l of +\$50M in accounts 07400917 & BMDMS00632 in LBSF.
LBI	Equities	Volatility	Global	24-Dec-07	(347)	21-Dec-07	164		
LBI	Equities	Volatility	Americas	24-Dec-07	(347)	21-Dec-07	164		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	26-Dec-07	(432)	24-Dec-07	163		

LE	Division	Business Name	Region	PnL Date	PnL Value	VaR Date	VaR Value	Risk Exception Comments	Finance Explanatory Comments
LBI	Equities	Volatility	Americas	26-Dec-07	(432)	24-Dec-07	163		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	27-Dec-07	(1,213)	26-Dec-07	136		
LBI	Equities	Volatility	Americas	27-Dec-07	(1,213)	26-Dec-07	136		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	28-Dec-07	(997)	27-Dec-07	172		
LBI	Equities	Volatility	Americas	28-Dec-07	(997)	27-Dec-07	172		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	31-Dec-07	(863)	28-Dec-07	139		
LBI	Equities	Volatility	Americas	31-Dec-07	(863)	28-Dec-07	139		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Fixed Income	High Grade	Global	31-Dec-07	(5,723)	28-Dec-07	4,274		
LBI	Fixed Income	High Grade	Americas	31-Dec-07	(5,723)	28-Dec-07	4,274		
LBI	Fixed Income	High Grade	Europe	31-Dec-07	(1)	28-Dec-07	0		
LBI	Equities	Cash Products	Global	2-Jan-08	(5,239)	31-Dec-07	4,372		
LBI	Equities	Cash Products	Americas	2-Jan-08	(5,239)	31-Dec-07	4,322		9311620018 down \$357k driven by: SPIRIT AEROSYSTEMS HOLDINGS INC \$(522)k, price dropped by \$1.24 on 405k shares with \$17k loss from intraday trading, 9311621412 down \$279k driven by: BEAR STEARNS COMPANIES INC \$(488)k, price dropped by \$2.65 on 152k positions with \$38k loss from intraday trading, SLM CORPORATION \$(188)k, price dropped by \$0.78 on 250k positions with \$6k difference from intraday trading, 9311737218 down \$159k lead by BOSTON SCIENTIFIC CORP \$(219)k, price dropped by \$0.22 on 1.1mm positions with \$23k profit from intraday trading, 9311754213 down \$774k driven by: MARVELL TECHNOLOGY GROUP LTD \$(396)k, price dropped by \$0.65 on 575k positions with \$22 loss from intraday trading, EMC CORP-MASS \$(277)k, price dropped by \$0.51 on (550)k positions, with \$4k difference from intraday trading, ADC TELECOMMUNICATIONS INC \$(169)k, price dropped by \$0.42 on (400)k positions, LSI CORPORATION \$(163)k, price dropped by \$0.43 on 500k positions with \$51k profit from intraday trading, 9311798616 down \$612k driven by: COMCAST CORP \$(616)k, price dropped by \$0.56 on 1.1m
LBI	Equities	Convertibles	Global	2-Jan-08	(4,847)	31-Dec-07	4,103		
LBI	Equities	Convertibles	Americas	2-Jan-08	(4,847)	31-Dec-07	4,103	Airline sector sell off, name includes UALJA, NWA and DAL, all stocks moved over 2 std on new high of crude oil prices	Losses mainly driven by the Distressed and Leveraged Equities JV on NWA (-1.2M), DAL (-0.43M), and UALJA (-0.73M)
LBI	Equities	Volatility	Global	2-Jan-08	(1,194)	31-Dec-07	156		
LBI	Equities	Volatility	Americas	2-Jan-08	(1,194)	31-Dec-07	156		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Convertibles	Global	3-Jan-08	(4,458)	2-Jan-08	3,874		
LBI	Equities	Convertibles	Americas	3-Jan-08	(4,458)	2-Jan-08	3,874		Losses on mainly from AMD bonds as stock loss 4.9% (-2.2M in LBI, offset in LBSF by CDS's)
LBI	Equities	Volatility	Global	3-Jan-08	(498)	2-Jan-08	145		
LBI	Equities	Volatility	Americas	3-Jan-08	(498)	2-Jan-08	145		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Fixed Income	CDO	Global	3-Jan-08	(4,284)	2-Jan-08	2,326		
LBI	Fixed Income	CDO	Americas	3-Jan-08	(4,284)	2-Jan-08	2,326		CDO ABS (4.284mm) MTM losses on mark down of residu; Corona Borealis Class C - offset in LBSF by gains in liquid ABX and monoline single name hedges
LBI	Equities	Cash Products	Global	4-Jan-08	(9,818)	3-Jan-08	4,457		
LBI	Equities	Cash Products	Americas	4-Jan-08	(9,767)	3-Jan-08	4,399	MRVL loss \$2.5mm, NYX loss \$3.5mm and BSC loss \$1mm on downward movement over 2 std	9311604319 down \$1.624mm driven by: MARVELL TECHNOLOGY GROUP LTD \$(2.198)mm, price dropped \$0.98 on 2.259mm positions with \$15k gains on intraday trading, 9311754213 down \$1.1mm driven by: MARVELL TECHNOLOGY GROUP LTD \$(880)k, price dropped by \$0.98 on 1mm positions, INTEL CORP \$(525)k on intraday trading, EMC CORP-MASS \$(402)k, price dropped by \$0.84 on 450k positions, ADC TELECOMMUNICATIONS INC \$(202)k, price dropped \$0.67 on 300k positions, 9311621412 down \$861k driven by: BEAR STEARNS COMPANIES INC \$(1.049)mm, price dropped \$4.96 on 188,500 positions with \$(114)k loss from intraday trading, and 9311715511 down \$3.464mm due to unrealized MTM losses on 1.069mm positions of NYSE EURONEXT.
LBI	Equities	Cash Products	Asia	4-Jan-08	(51)	3-Jan-08	30		
LBI	Equities	Convertibles	Global	4-Jan-08	(5,786)	3-Jan-08	3,881		
LBI	Equities	Convertibles	Americas	4-Jan-08	(5,786)	3-Jan-08	3,881		Loss primarily on AMD positions (-3.1M) as the stock dropped -7.96%.
LBI	Equities	Volatility	Global	4-Jan-08	(3,495)	3-Jan-08	144		
LBI	Equities	Volatility	Americas	4-Jan-08	(3,495)	3-Jan-08	144		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.

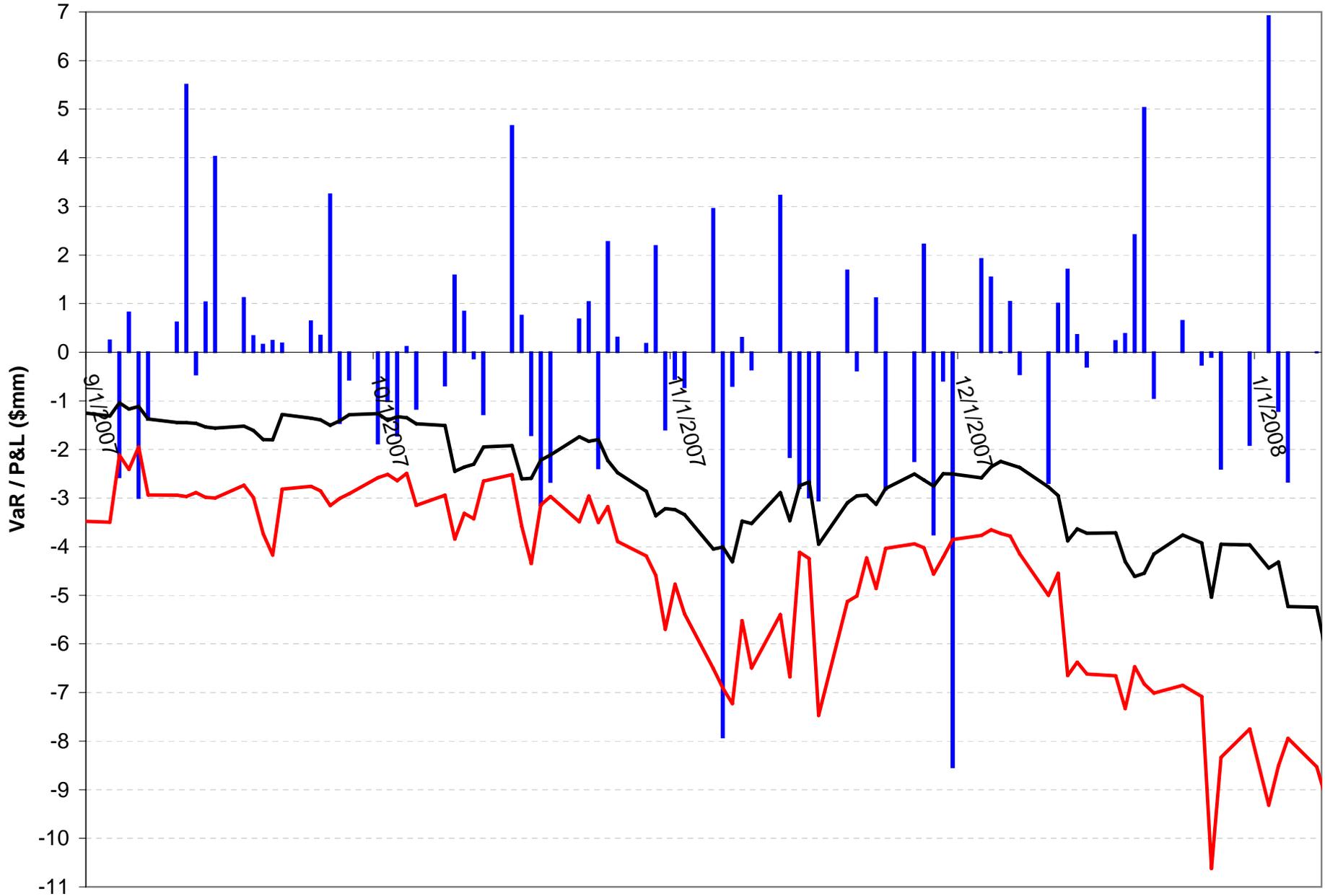
## Report Criteria

Aggregation Level All Divisions / All Regions  
 VaR Type 1-Day 99%  
 Time Duration 01-Dec-07 to 08-Jan-08

LE	Division	Business Name	Region	PnL Date	PnL Value	VaR Date	VaR Value	Risk Exception Comments	Finance Explanatory Comments
LBI	Equities	Volatility	Global	3-Dec-07	(802)	30-Nov-07	265		
LBI	Equities	Volatility	Americas	3-Dec-07	(802)	30-Nov-07	265	Verifone (PAY) was down 45% after it restated earnings. Desk was short a call spread (short gamma).	Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Equities	Volatility	Global	4-Dec-07	(1,478)	3-Dec-07	252		
LBI	Equities	Volatility	Americas	4-Dec-07	(1,478)	3-Dec-07	252		Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Equities	Portfolio	Global	5-Dec-07	(2,749)	4-Dec-07	1,231		
LBI	Equities	Portfolio	Americas	5-Dec-07	(2,749)	4-Dec-07	1,204	single names vs. index hedge basis diverging movement caused loss	00271731 down \$3.36mm driven by S&P E-MINI, price rose by \$23.6 on (3,100) positions with 50 unit value with \$297k difference from intraday trading.
LBI	Equities	Portfolio	Global	6-Dec-07	(2,414)	5-Dec-07	2,393		
LBI	Equities	Portfolio	Americas	6-Dec-07	(2,414)	5-Dec-07	2,386	single names vs. index hedge basis diverging movement caused loss	00271731 down \$0.956mm driven by S&P E-MINI \$(956)k, price rose by \$20.6 on (1372) positions 50 unit value with \$457k difference from intraday trading, \$31155715 down \$0.917mm driven by: METHODE ELECTRONICS INC \$(345)k, price rose by \$3.18 on (105)k positions with \$(10)k difference from intraday trading, by POTLATCH CORPORATION \$(197)k, price rose by \$1.89 on (107)k positions with \$5k difference from trading, WHITING PETROLEUM CORPORATION \$(167)k, price rose by \$1.07 on (99)k positions with \$1k difference from intraday trading, and 00211743 down \$0.571mm driven by S&P E-MINI \$(355)k, price rose by \$20.6 on (359) positions 50 unit value with \$14k difference from intraday trading.
LBI	Equities	Volatility	Global	7-Dec-07	(406)	6-Dec-07	249		
LBI	Equities	Volatility	Americas	7-Dec-07	(406)	6-Dec-07	249		Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Fixed Income	IR Products	Global	7-Dec-07	(84,348)	6-Dec-07	76,639		
LBI	Fixed Income	IR Products	Americas	7-Dec-07	(84,201)	6-Dec-07	68,598		P&L primarily from losses on long Tennessee Valley Authority and FHLB positions booked in LBI account GMK2 whose daily revenue was \$(61.4mm). This was offset by gains on swap hedge p&I of +\$62.8mm booked in LBSF accounts BMDMS00632 and 07400917.
LBI	Equities	Volatility	Global	11-Dec-07	(3,074)	10-Dec-07	258		
LBI	Equities	Volatility	Americas	11-Dec-07	(3,074)	10-Dec-07	258	SP500 down 2.5% and Financials down 5% on Dec 11. We were short vega/gamma in Financials.	Losses due to buybacks. Losses are offset by OTCs and stock/option hedges in different legal entity
LBI	Equities	Volatility Flow	Global	11-Dec-07	(38,375)	10-Dec-07	33,420	Additionally, we had about \$1mm Theta loss, which is not captured in VaR.	
LBI	Equities	Volatility Flow	Americas	11-Dec-07	(38,375)	10-Dec-07	33,420		Losses mainly attributed to Short SPX vega (-5,800k) and short SPX gamma (-11,300k) as the S&P Index was down 2.53% while the VIX up 13.74%. Other losses Offset by gains in other legal entities.
LBI	Fixed Income	Foreign Exchange	Global	12-Dec-07	(5,641)	11-Dec-07	4,920		
LBI	Equities	Equity Strategies	Global	13-Dec-07	(5,418)	12-Dec-07	4,477		
LBI	Equities	Equity Strategies	Americas	13-Dec-07	(5,418)	12-Dec-07	4,477		9311704218 down \$1.285mm driven by: CERAGON NETWORKS LTD (400)k, price dropped by \$0.40 on 1mm positions, PAN AMERICAN SILVER CORP \$(357)k, price dropped by \$2.38 on 150k positions, SILVER WHEATON CORP \$(230)k, price dropped by \$1.15 on 200k positions, JAMBA INC \$(158)k, price dropped by \$0.28 on 400k positions with \$(10)k difference from intraday trading, KINROSS GOLD CORP \$(157)k, price dropped by \$0.63 on 250k positions, CALL SILVER WHEAT DEC 015 \$(150)k, price dropped by \$0.75 on 2k positions with 100 unit value, FEDERAL AGRICULTURAL MORTGAGE CORP-CL \$(150)k, price dropped by \$0.75 on 200k positions and 9311704614 down \$2.172mm driven by: MONEYGRAM INTERNATIONAL INC (1,896)k, price rose by \$2.37 on (800)k positions, FLUOR CORP NEW \$(160)k, price dropped by \$3.21 on 50k positions, ENERGY CONVERSION DEVICES INC \$(122)k, price fell by \$0.61 on 200k positions.
LBI	Equities	Volatility	Global	14-Dec-07	(2,261)	13-Dec-07	247		
LBI	Equities	Volatility	Americas	14-Dec-07	(2,261)	13-Dec-07	247		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	17-Dec-07	(3,242)	14-Dec-07	277		
LBI	Equities	Volatility	Americas	17-Dec-07	(3,242)	14-Dec-07	277		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Fixed Income	CDO	Global	18-Dec-07	(3,130)	17-Dec-07	2,665		
LBI	Fixed Income	CDO	Americas	18-Dec-07	(3,130)	17-Dec-07	2,665		Includes (2.8mm) from remarks of CDO ABS residuals offset by gains in cross-entity hedges - pnl for 3 days
LBI	Equities	Systematic Trading	Global	20-Dec-07	(838)	19-Dec-07	677		
LBI	Equities	Systematic Trading	Americas	20-Dec-07	(838)	19-Dec-07	677		Losses on LDK (-940k) due to the mark decrease by -20.24 from prior day.
LBI	Equities	Volatility	Global	24-Dec-07	(347)	21-Dec-07	273		
LBI	Equities	Volatility	Americas	24-Dec-07	(347)	21-Dec-07	273		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	26-Dec-07	(432)	24-Dec-07	277		
LBI	Equities	Volatility	Americas	26-Dec-07	(432)	24-Dec-07	277		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	27-Dec-07	(1,213)	26-Dec-07	244		
LBI	Equities	Volatility	Americas	27-Dec-07	(1,213)	26-Dec-07	244		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	28-Dec-07	(997)	27-Dec-07	280		
LBI	Equities	Volatility	Americas	28-Dec-07	(997)	27-Dec-07	280		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Equities	Volatility	Global	31-Dec-07	(863)	28-Dec-07	236		
LBI	Equities	Volatility	Americas	31-Dec-07	(863)	28-Dec-07	236		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Fixed Income	High Grade	Europe	31-Dec-07	(1)	28-Dec-07	0		
LBI	Equities	Volatility	Global	2-Jan-08	(1,194)	31-Dec-07	257		
LBI	Equities	Volatility	Americas	2-Jan-08	(1,194)	31-Dec-07	257		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Fixed Income	High Grade	Europe	2-Jan-08	0	31-Dec-07	0		
LBI	Equities	Volatility	Global	3-Jan-08	(498)	2-Jan-08	229		

LE	Division	Business Name	Region	PnL Date	PnL Value	VaR Date	VaR Value	Risk Exception Comments	Finance Explanatory Comments
LBI	Equities	Volatility	Americas	3-Jan-08	(498)	2-Jan-08	229		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.
LBI	Fixed Income	CDO	Global	3-Jan-08	(4,284)	2-Jan-08	3,664		
LBI	Fixed Income	CDO	Americas	3-Jan-08	(4,284)	2-Jan-08	3,664		CDO ABS (4.284mm) MTM losses on mark down of residue Corona Borealis Class C - offset in LBSF by gains in liquid ABX and monoline single name hedges
LBI	Equities	Cash Products	Global	4-Jan-08	(9,818)	3-Jan-08	6,511		
LBI	Equities	Cash Products	Americas	4-Jan-08	(9,767)	3-Jan-08	6,488	MRVL loss \$2.5mm, NYX loss \$3.5mm and BSC loss \$1mm on downward movement over 2 std	9311604319 down \$1.624mm driven by: MARVELL TECHNOLOGY GROUP LTD \$(2.198)mm, price dropped \$0.98 on 2.259mm positions with \$15k gains on intraday trading, 9311754213 down \$1.1mm driven by: MARVELL TECHNOLOGY GROUP LTD \$(980)k, price dropped by \$0.98 on 1mm positions, INTEL CORP \$(525)k on intraday trading, EMC CORP-MASS \$(402)k, price dropped by \$0.84 on 450k positions, ADC TELECOMMUNICATIONS INC \$(202)k, price dropped \$0.67 on 300k positions, 9311621412 down \$861k driven by: BEAR STEARNS COMPANIES INC \$(1.049)mm, price dropped \$4.96 on 188,500 positions with \$(114)k loss from intraday trading, and 9311715511 down \$3.464mm due to unrealized MTM losses on 1.069mm positions of NYSE EURONEXT.
LBI	Equities	Cash Products	Asia	4-Jan-08	(51)	3-Jan-08	47		
LBI	Equities	Volatility	Global	4-Jan-08	(3,495)	3-Jan-08	228		
LBI	Equities	Volatility	Americas	4-Jan-08	(3,495)	3-Jan-08	228		Losses due to buybacks and warrants. They are in a different legal entity than their underlyers, which offset them.

# LOTC VaR Backtesting



LOT C P&L / VaR Data

VaR Date	99 VaR	95 VaR	Clean P&L	P&L Date	99 Break	95 Break
8-Jan-08	9.204	6.202	0		N	N
7-Jan-08	8.529	5.245	-0.005	8-Jan-08	N	N
4-Jan-08	7.944	5.233	-2.664	7-Jan-08	N	N
3-Jan-08	8.51	4.318	-1.212	4-Jan-08	N	N
2-Jan-08	9.317	4.443	6.916	3-Jan-08	N	N
31-Dec-07	7.751	3.966	-1.909	2-Jan-08	N	N
28-Dec-07	8.333	3.953	-2.4	31-Dec-07	N	N
27-Dec-07	10.623	5.042	-0.098	28-Dec-07	N	N
26-Dec-07	7.083	3.923	-0.256	27-Dec-07	N	N
24-Dec-07	6.853	3.762	0.646	26-Dec-07	N	N
21-Dec-07	7.015	4.152	-0.943	24-Dec-07	N	N
20-Dec-07	6.827	4.549	5.027	21-Dec-07	N	N
19-Dec-07	6.472	4.614	2.41	20-Dec-07	N	N
18-Dec-07	7.335	4.308	0.378	19-Dec-07	N	N
17-Dec-07	6.657	3.716	0.233	18-Dec-07	N	N
14-Dec-07	6.621	3.726	-0.296	17-Dec-07	N	N
13-Dec-07	6.377	3.637	0.356	14-Dec-07	N	N
12-Dec-07	6.652	3.88	1.702	13-Dec-07	N	N
11-Dec-07	4.548	2.948	1.002	12-Dec-07	N	N
10-Dec-07	5.003	2.774	-2.691	11-Dec-07	N	N
7-Dec-07	4.146	2.373	-0.452	10-Dec-07	N	N
6-Dec-07	3.78	2.309	1.037	7-Dec-07	N	N
5-Dec-07	3.729	2.245	-0.008	6-Dec-07	N	N
4-Dec-07	3.652	2.359	1.539	5-Dec-07	N	N
3-Dec-07	3.771	2.586	1.919	4-Dec-07	N	N
30-Nov-07	3.853	2.507	-8.538	3-Dec-07	Y	Y
29-Nov-07	4.219	2.5	-0.589	30-Nov-07	N	N
28-Nov-07	4.564	2.753	-3.752	29-Nov-07	N	Y
27-Nov-07	4.024	2.63	2.216	28-Nov-07	N	N
26-Nov-07	3.942	2.505	-2.242	27-Nov-07	N	N
23-Nov-07	4.038	2.802	-2.832	26-Nov-07	N	Y
22-Nov-07	4.861	3.127	1.111	23-Nov-07	N	N
21-Nov-07	4.233	2.942	0	22-Nov-07	N	N
20-Nov-07	5.015	2.955	-0.376	21-Nov-07	N	N
19-Nov-07	5.13	3.099	1.681	20-Nov-07	N	N
16-Nov-07	7.469	3.953	-3.054	19-Nov-07	N	N
15-Nov-07	4.245	2.67	-2.988	16-Nov-07	N	Y
14-Nov-07	4.114	2.745	-2.8	15-Nov-07	N	Y
13-Nov-07	6.678	3.466	-2.159	14-Nov-07	N	N
12-Nov-07	5.398	2.887	3.223	13-Nov-07	N	N
9-Nov-07	6.495	3.523	-0.355	12-Nov-07	N	N
8-Nov-07	5.523	3.474	0.3	9-Nov-07	N	N
7-Nov-07	7.231	4.311	-0.695	8-Nov-07	N	N
6-Nov-07	6.912	4.008	-7.924	7-Nov-07	Y	Y
5-Nov-07	6.512	4.05	2.949	6-Nov-07	N	N
2-Nov-07	5.382	3.34	-0.72	5-Nov-07	N	N
1-Nov-07	4.775	3.241	-0.551	2-Nov-07	N	N
31-Oct-07	5.698	3.219	-1.592	1-Nov-07	N	N
30-Oct-07	4.592	3.362	2.183	31-Oct-07	N	N
29-Oct-07	4.191	2.862	0.176	30-Oct-07	N	N
26-Oct-07	3.892	2.48	0.305	29-Oct-07	N	N
25-Oct-07	3.177	2.227	2.268	26-Oct-07	N	N
24-Oct-07	3.502	1.798	-2.388	25-Oct-07	N	Y
23-Oct-07	2.959	1.834	1.032	24-Oct-07	N	N

LOTC P&L / VaR Data

VaR Date	99 VaR	95 VaR	Clean P&L	P&L Date	99 Break	95 Break
22-Oct-07	3.489	1.741	0.677	23-Oct-07	N	N
19-Oct-07	2.967	2.114	-2.671	22-Oct-07	N	Y
18-Oct-07	3.141	2.22	-3.155	19-Oct-07	Y	Y
17-Oct-07	4.348	2.594	-1.708	18-Oct-07	N	N
16-Oct-07	3.582	2.606	0.751	17-Oct-07	N	N
15-Oct-07	2.518	1.922	4.653	16-Oct-07	N	N
12-Oct-07	2.651	1.95	-1.276	15-Oct-07	N	N
11-Oct-07	3.427	2.305	-0.131	12-Oct-07	N	N
10-Oct-07	3.316	2.364	0.839	11-Oct-07	N	N
9-Oct-07	3.846	2.451	1.579	10-Oct-07	N	N
8-Oct-07	2.939	1.51	-0.687	9-Oct-07	N	N
5-Oct-07	3.15	1.471	-1.164	8-Oct-07	N	N
4-Oct-07	2.491	1.346	0.11	5-Oct-07	N	N
3-Oct-07	2.641	1.324	-1.716	4-Oct-07	N	Y
2-Oct-07	2.516	1.402	-1.007	3-Oct-07	N	N
1-Oct-07	2.58	1.265	-1.878	2-Oct-07	N	Y
28-Sep-07	2.908	1.285	-0.565	1-Oct-07	N	N
27-Sep-07	3.009	1.409	-1.459	28-Sep-07	N	Y
26-Sep-07	3.156	1.505	3.248	27-Sep-07	N	N
25-Sep-07	2.852	1.394	0.344	26-Sep-07	N	N
24-Sep-07	2.758	1.358	0.635	25-Sep-07	N	N
21-Sep-07	2.815	1.28	0.183	24-Sep-07	N	N
20-Sep-07	4.174	1.8	0.234	21-Sep-07	N	N
19-Sep-07	3.735	1.799	0.155	20-Sep-07	N	N
18-Sep-07	2.99	1.609	0.335	19-Sep-07	N	N
17-Sep-07	2.735	1.523	1.116	18-Sep-07	N	N
14-Sep-07	3.001	1.56	4.025	17-Sep-07	N	N
13-Sep-07	2.986	1.541	1.029	14-Sep-07	N	N
12-Sep-07	2.886	1.465	-0.456	13-Sep-07	N	N
11-Sep-07	2.97	1.451	5.507	12-Sep-07	N	N
10-Sep-07	2.941	1.444	0.613	11-Sep-07	N	N
7-Sep-07	2.936	1.375	-1.392	10-Sep-07	N	Y
6-Sep-07	1.948	1.118	-2.998	7-Sep-07	Y	Y
5-Sep-07	2.413	1.171	0.817	6-Sep-07	N	N
4-Sep-07	2.119	1.04	-2.57	5-Sep-07	Y	Y
3-Sep-07	3.498	1.313	0.245	4-Sep-07	N	N
31-Aug-07	3.476	1.24	-0.151	4-Sep-07	N	N
30-Aug-07	2.571	1.172	1.282	31-Aug-07	N	N
29-Aug-07	2.535	1.143	-0.232	30-Aug-07	N	N
28-Aug-07	2.471	1.185	4.047	29-Aug-07	N	N
27-Aug-07	1.534	0.818	-3.366	28-Aug-07	Y	Y
24-Aug-07	1.464	0.793	-1.007	27-Aug-07	N	Y
23-Aug-07	1.75	0.825	-0.631	24-Aug-07	N	N
22-Aug-07	1.711	0.848	-0.534	23-Aug-07	N	N
21-Aug-07	2.321	0.934	3.279	22-Aug-07	N	N
20-Aug-07	2.305	0.956	6.049	21-Aug-07	N	N
17-Aug-07	1.795	1.09	1.265	20-Aug-07	N	N
16-Aug-07	1.587	0.924	4.935	17-Aug-07	N	N
15-Aug-07	1.905	0.943	-4.247	16-Aug-07	Y	Y
14-Aug-07	1.641	0.78	-0.013	15-Aug-07	N	N
13-Aug-07	1.656	0.78	-1.964	14-Aug-07	Y	Y
10-Aug-07	1.82	1.009	1.685	13-Aug-07	N	N
9-Aug-07	2.674	1.528	2.257	10-Aug-07	N	N
8-Aug-07	2.936	1.717	-4.24	9-Aug-07	Y	Y

LOT C P&L / VaR Data

VaR Date	99 VaR	95 VaR	Clean P&L	P&L Date	99 Break	95 Break
7-Aug-07	3.862	1.748	-0.965	8-Aug-07	N	N
6-Aug-07	2.928	1.531	0.865	7-Aug-07	N	N
3-Aug-07	1.891	1	1.031	6-Aug-07	N	N
2-Aug-07	1.816	1.264	-2.393	3-Aug-07	Y	Y
1-Aug-07	1.824	1.021	3.526	2-Aug-07	N	N
31-Jul-07	1.8	1.159	-2.618	1-Aug-07	Y	Y
30-Jul-07	2.37	1.727	6.1	31-Jul-07	N	N
27-Jul-07	2.369	1.328	1.304	30-Jul-07	N	N
26-Jul-07	2.425	1.515	-2.786	27-Jul-07	Y	Y
25-Jul-07	2.118	1.331	-3.111	26-Jul-07	Y	Y
24-Jul-07	1.893	1.143	0.729	25-Jul-07	N	N
23-Jul-07	2.051	1.27	-4.115	24-Jul-07	Y	Y
20-Jul-07	2.363	1.353	-0.51	23-Jul-07	N	N
19-Jul-07	2.056	1.304	-1.817	20-Jul-07	N	Y
18-Jul-07	2.24	1.23	-0.207	19-Jul-07	N	N
17-Jul-07	1.734	1.115	0.639	18-Jul-07	N	N
16-Jul-07	1.866	1.242	-0.51	17-Jul-07	N	N
13-Jul-07	1.918	1.108	-0.989	16-Jul-07	N	N
12-Jul-07	2.086	1.275	-0.437	13-Jul-07	N	N
11-Jul-07	1.959	1.216	2.345	12-Jul-07	N	N
10-Jul-07	2.307	1.361	0.688	11-Jul-07	N	N
9-Jul-07	1.986	1.255	-2.501	10-Jul-07	Y	Y
6-Jul-07	3.436	1.585	-1.976	9-Jul-07	N	Y
5-Jul-07	2.804	1.508	-0.446	6-Jul-07	N	N
4-Jul-07	3.097	1.507	-0.957	5-Jul-07	N	N
2-Jul-07	2.121	1.227	1.861	3-Jul-07	N	N
29-Jun-07	2.827	1.711	1.729	2-Jul-07	N	N
28-Jun-07	2.845	1.722	-2.209	29-Jun-07	N	Y
27-Jun-07	2.987	1.894	-0.565	28-Jun-07	N	N
26-Jun-07	4.539	2.613	3.01	27-Jun-07	N	N
25-Jun-07	4.067	2.454	-0.722	26-Jun-07	N	N
22-Jun-07	4.115	2.909	-1.826	25-Jun-07	N	N
21-Jun-07	4.097	2.896	-2.523	22-Jun-07	N	N
20-Jun-07	4.126	2.917	3.7	21-Jun-07	N	N
19-Jun-07	3.09	2.184	-0.742	20-Jun-07	N	N
18-Jun-07	2.926	1.937	0.902	19-Jun-07	N	N
15-Jun-07	2.809	1.899	0.619	18-Jun-07	N	N
14-Jun-07	3.223	2.145	1.328	15-Jun-07	N	N
13-Jun-07	3.094	2.068	0.26	14-Jun-07	N	N
12-Jun-07	3.269	2.142	-0.318	13-Jun-07	N	N
11-Jun-07	3.066	2.011	-0.823	12-Jun-07	N	N
8-Jun-07	3.155	2.099	-0.47	11-Jun-07	N	N
7-Jun-07	2.865	2.026	0.545	8-Jun-07	N	N
6-Jun-07	2.913	1.875	0.329	7-Jun-07	N	N
5-Jun-07	2.535	1.794	0.2	6-Jun-07	N	N
4-Jun-07	1.983	1.397	-1.324	5-Jun-07	N	N
1-Jun-07	1.961	1.382	-1.043	4-Jun-07	N	N
31-May-07	1.962	1.384	0.06	1-Jun-07	N	N
30-May-07	1.966	1.387	0.788	31-May-07	N	N
29-May-07	1.955	1.38	-0.551	30-May-07	N	N
28-May-07	1.958	1.381	-2.096	29-May-07	Y	Y
25-May-07	1.142	0.802	0		N	N
24-May-07	1.96	1.382	-0.353	28-May-07	N	N
23-May-07	1.947	1.375	-0.767	24-May-07	N	N

LOTCH P&L / VaR Data

VaR Date	99 VaR	95 VaR	Clean P&L	P&L Date	99 Break	95 Break
22-May-07	1.953	1.38	-0.402	23-May-07	N	N
21-May-07	1.963	1.387	0.254	22-May-07	N	N
18-May-07	2.74	1.974	-0.924	21-May-07	N	N
17-May-07	2.467	1.629	-0.365	18-May-07	N	N
16-May-07	2.522	1.688	-0.439	17-May-07	N	N
15-May-07	2.501	1.684	-1.221	16-May-07	N	N
14-May-07	2.492	1.693	-0.159	15-May-07	N	N
11-May-07	2.798	1.745	0.207	14-May-07	N	N
10-May-07	2.672	1.726	1.469	11-May-07	N	N
9-May-07	2.81	1.746	-2.175	10-May-07	N	Y
8-May-07	2.82	1.748	-0.186	9-May-07	N	N
7-May-07	2.79	1.734	-1.958	8-May-07	N	Y
4-May-07	2.784	1.718	-0.147	7-May-07	N	N
3-May-07	2.848	1.728	-1.076	4-May-07	N	N
2-May-07	2.8	1.733	-0.159	3-May-07	N	N
1-May-07	2.846	1.782	0.196	2-May-07	N	N

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	Q4 2007	2007-09	9/17/2007	2.8	(24.1)	(2.0)	(23.4)	(14.4)	99.6	162.9	N	High Grade	(9.8)	MTM and trading losses on Countrywide, CIT Group and GMAC debt positions (Americas).
												High Yield	(8.7)	MTM and trading losses on single name index arbitrage debt positions (Americas) and MTM and trading across the food sector and BTAS credit default swaps positions (Europe).
												Cash Products	(8.6)	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.
												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	10.8	(33.9)	(1.3)	(24.4)	(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)	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.
												Securitized Products	(10.2)	MTM and trading losses in short single name CDS and ABX debt positions, as well as origination losses on the BNC platform (Americas).
												Convertibles	(4.3)	
												Equity Event Driven	(2.0)	
												Equity Syndicate	(1.9)	
												<b>Subtotal</b>	<b>(60.5)</b>	
2007	Q4 2007	2007-10	10/22/2007	(48.5)	(22.0)	0.1	(70.4)	(77.6)	119.4	267.0	N	ODO	(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 Intervac 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)	MTM and trading losses on various Distressed debt positions (Americas) and MTM and trading on Korea Express Co. Ltd equity positions, DLF debt positions, mobile 8 warrants positions and PT Barito Pac Timber equity positions (Asia).
												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	(11.9)	8.0	(2.2)	(6.1)	(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)	MTM losses on the prop basis trading strategy (Americas).
												LMP America	(5.2)	
												High Yield	(3.4)	MTM and trading on Korea Express Co Ltd equity positions, Mobile 8 warrants positions, Sarda Energy & Minershr Inr 10 equity positions, and India interest rate swaps positions (Asia).
												Securitized Products	(3.2)	MTM and trading on Hybrid Subordinate positions, short Euro futures positions, short single name CDS and long ABX positions, Fixed Rate Subordinate positions, and various 30 year FNMA PT hedge positions, as well as BNC Affiliate Origination losses (Americas).
												<b>Subtotal</b>	<b>(28.3)</b>	

01/14/2008

20

Market Risk Control Committee

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 VaR	CSE 95 VaR	CSE 99 VaR	CSE Band Break	Product	Product Total	Comments
2007	Q4 2007	2007-10	10/30/2007	10.6	35.5	(2.6)	43.6	(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	94.2	109.3	0.7	204.2	(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	9.4	(1.3)	(4.8)	3.2	(3.7)	106.4	228.3	N	Volatility Flow	(16.3)	Loss is driven by the divergence of variance swap vs VIX futures positions in Index Trading (Vanilla Products) 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	
													GTS	(15.8)	
													<b>Subtotal</b>	<b>(32.2)</b>	
2007	Q4 2007	2007-11	11/5/2007	(22.5)	5.2	(1.2)	(18.6)	(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)	MTM losses on various liquid tranche debt positions (Americas) and MTM losses on CDX and iTraxx debt positions (Europe) and MTM losses on CDO Bespoke correlation debt positions as spreads tightened (Asia).
													Event Driven	(7.3)	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.
													<b>Subtotal</b>	<b>(29.0)</b>	
2007	Q4 2007	2007-11	11/6/2007	(36.9)	19.8	4.0	(13.1)	(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)	MTM losses on MBIA Inc., Countrywide and Ambac Inc. debt positions, as well as MTM and trading on short Argentinean debt positions and various other credit derivative index positions (Americas).
													<b>Subtotal</b>	<b>(17.9)</b>	
2007	Q4 2007	2007-11	11/8/2007	(58.3)	22.0	0.9	(35.5)	(45.9)	115.2	274.2	N	High Yield	(20.9)	Asia: (-13.4mm) - Pnl includes -3.4mm as HY share on remark of Navabharat CB. HY has this in JV with HY and gross Pnl was -6.8mm. The Cb is marked on Discounted parity as per PCBV policy.	
													Equity Strategies	(19.5)	Americas (-8.5mm) : MTM losses, example - Down \$(4.3)mm in a/c # 9311704218 driven by \$(629)k from Amerco-price rose \$8.08 on (80,000) positions with 19k difference from intraday buys, and \$(396)k from Sun Communities Inc.- price fell \$0.91 on 435,100 positions; Asia (\$-8.2mm) - Delta loss on HK \$(1.4MM), Taiwan \$(1.5MM), NJA CB \$(4MM), Vega loss on Nikkei \$(1.3MM).
													<b>Subtotal</b>	<b>(40.4)</b>	
2007	Q4 2007	2007-11	11/9/2007	(70.8)	(35.3)	8.5	(97.6)	(18.6)	98.9	257.5	N	Securitized Products	(44.9)	Americas: (-46mm) - ABS Derivatives -\$45.9mm -\$24.3mm MTM losses in CDS on CDO -\$21.2mm MTM losses in Bond Index Total Return Swaps, primarily from long 800mm position in HEL AAA index TRS, as spreads widened 85bps.	
													Cash Products	(22.4)	Americas: (-22.4mm) - Down \$(11.1)mm in 93117755 due to IBM - large position of 2.5mm and price fell by \$5.46 and a gain of \$550K from intraday trading; Down \$(1.5)mm in 93117155 due to NYX - large position of 1.1mm and price fell by \$1.71.
													Vol Flow	30.4	Americas: (30.4mm) - N-WOW: Long SPX vega (+25.7m), Short SPX delta (+2.1m), Short RUT vega (+825k)
													<b>Subtotal</b>	<b>(36.9)</b>	

01/14/2008

21

Market Risk Control Committee

Year	Qtr	Month	P&L Date	FI Ex FX Including RiskArb FI	EQ Including RiskArb EQ	FX	Total Actual 10K/Q P/L	CSE 95 P&L VaR	CSE 99 VaR	CSE Band Break	Product	Product Total	Comments	
2007	Q4 2007	2007-11	11/12/2007	NA - Problem with financial systems on this day			0.0	(28.1)	109.7	242.0	N	High Yield	(10.5)	Asia: (-6mm) - Europe: (-4.5mm)
												Global Trading Strategies	(10.0)	Americas - (-7.2mm)
												Cash Products	(9.5)	Asia: (-6.5mm)
												Equity Strategies	(8.7)	Americas - (6.5mm) : Down \$(4.4)mm in a/c # 9311704218 primarily driven by \$(415)k from Enernoc Inc.- price fell \$2.74 on 152,140 positions, \$(411)k from Kinross Gold Corp.-price fell \$1.37 on 300,000 positions, and \$(349)k from Silver Wheaton- price fell \$1.38 on 252,900 positions; Down \$(1.3)mm in a/c # 0730046N driven by \$(985)k from Absolute Software Co.-price fell \$2.07 on 450,000 positions with 6k difference from intraday trading.
												<b>Subtotal</b>	<b>(38.7)</b>	
2007	Q4 2007	2007-11	11/15/2007	(27.6)	0.0	6.0	(21.6)	(29.5)	120.0	219.4	N	Global Trading Strategies	(28.6)	Americas - (-35mm) : Loss is driven by MTM losses, - TRANSOCEAN INC. (1,125,400) (4.00) 4,518,499 , ISHARES TRUST RUSSELL 2000 IND (2,000,000) (1.29) 2,593,345 , ALLTEL CORP 4,000,000 0.34 1,323,708 , APCO ARGENTINA 654,000 1.57 1,017,564 , AQUILA INC NEW 7,000,000 (0.11) (751,542).
												High Yield	(25.1)	-21mm from Home Depot Supply markdown
												Vol Flow	24.5	N-AMINDX: Long NDX vega (+1,892k), Short NDX theta (+1,862k), Short RUT delta (+7,586k), N-DSK2: Long SPX vega (+4mm), SPX trading (+970k) N-WOW: Long SPX theta (+1.6mm), Short SPX delta (+1.5mm).
												<b>Subtotal</b>	<b>(29.2)</b>	
2007	Q4 2007	2007-11	11/16/2007	22.8	(4.1)	1.4	20.1	(16.1)	126.8	228.9	N	Volatility	(13.6)	Americas - (-4.1mm) :N-EXD: Single stock vega (-429k), N-SPX (-1,334k): Short SPX vega (-766k), Long OEX vega (-98k), Short RLG delta (-127k) N-LSR: STT gamma and vega (-2,006k). Asia (-4.6mm)
												Vol Flow	(12.5)	Americas - (-12.5mm) N-WOW: Short RUT vega (-1,950k), Long SPX vega (-2,860k) losses offset in other legal entities. N-DSK2: Mtm vs theoretical: SPX (-6.5mm), RUT (-1mm), NDX (-1.5mm)
												<b>Subtotal</b>	<b>(26.0)</b>	
2007	Q4 2007	2007-11	11/19/2007	(108.0)	10.8	(0.5)	(97.7)	(218.3)	117.1	229.9	Y	Securitized Products	(160.6)	Americas (-88.5): NonPrime -\$88.5mm -Markdowns on first lien whole loans (-\$32mm), NIIms/residuals (-\$41mm), and first lien subs (-\$19mm). Non Residential Trading -\$81.5mm -LBSBC 07-3 Securitization P&L -\$32.6mm -SBF and third party whole loan markdowns -\$34mm -Campus Door MTM losses -\$15mm
												<b>Subtotal</b>	<b>(160.6)</b>	
2007	Q4 2007	2007-11	11/20/2007	0.0	(8.4)	(2.2)	(10.7)	(329.6)	110.5	263.8	Y	Securitized Products	(264.2)	Americas (-265mm) Prime -\$209mm - Markdown on Fixed Rate Sub bonds (-172mm), Hybrid Sub bonds (-202mm), MTA Sub bonds (-98mm), MTM on Hybrid bonds and WL (24.5mm), various hedges (244.8mm).
												<b>Subtotal</b>	<b>(264.2)</b>	
2007	Q4 2007	2007-11	11/26/2007	(116.7)	(19.3)	(0.1)	(136.1)	(143.3)	119.2	234.2	Y	Securitized Products	(53.2)	Americas (-41.8mm):-37.7mm MTM in CDS on CDO -4.7mm 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 137bps to 2309bps.  America(-35mm) Long Options and Short Options desk lost \$(14.7M) primarily on short gamma positions; Exotic Options lost \$(5.5M), Agencies \$(4.3M) with losses on long agencies vs short TSY notes and swaps.
												IR Products	(40.6)	
												<b>Subtotal</b>	<b>(93.8)</b>	
2007	Q4 2007	2007-11	11/27/2007	(31.7)	(8.8)	(2.8)	(43.2)	(106.9)	122.1	246.7	N	CDO	(28.7)	Europe - (20.4mm loss) :\$10.8mm loss - IG Bespoke: Adjustment to required bid offer and recovery rate reserves. \$2.8mm loss - MTM delta on Bespoke Correlation positions for COB 23,26, 27th (3 day due to calibration issues in model).
												Securitized Products	(20.4)	America(-20.7mm): Non Residential Trading -10mm, MTM losses on SBF pipeline (whole loans). ABS Derivatives -8.1mm, -14.3mm MTM in CDS on CDO.
												High Yield	(15.7)	America(-10.4mm):
												<b>Subtotal</b>	<b>(64.8)</b>	
2007	Q4 2007	2007-11	11/30/2007	8.3	19.4	(2.8)	24.8	(71.9)	114.3	224.8	N	Securitized Products	(91.8)	-102mm total related to Monthly valuation; only +8mm related to daily MTM: Nonprime -\$21mm -Credit derivative losses offset by MTM gains on whole loans Prime -\$59.6mm -\$73.2mm MTM losses on New Issue Positions ABS New Issue -\$10.3mm -\$7.9mm MTM on Sonic and Domino's VFNs
												<b>Subtotal</b>	<b>(91.8)</b>	

01/14/2008

22

Market Risk Control Committee

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
2008	Q1 2008	2007-12	12/17/2007				0.0	(65.7)	117.5	243.4	N		Cash Products	(11.8)	Asia(-9.3mm): Asian markets drop more than 2 S.D.
													Convertibles	(10.2)	Americas(-5.5mm) : Market sold off, retail and technology single names within portfolio moved more than 2 std. Origination: AMD -\$1.8mm Principal (-2.0mm): mainly RETAIL VENTURES INC 6.625% PIE (-\$0.7mm), LIBERTY MEDIA CORP SR EXCHANGE (-\$0.6mm) Facilitation (-\$1.2mm) across the board Asia (-4.7mm): Loss is due to credit event with Centro Property Group, which is not captured in VaR.
													Equity Strategies	(10.8)	Asia(-6.2): Loss is due to credit event with Centro Property Group, which is not captured in V
													Global Trading Strategies	(28.7)	Americas(-17.6mm)
													<b>Subtotal</b>	<b>(61.4)</b>	
2008	Q1 2008	2007-12	12/18/2007				0.0	(4.6)	116.1	232.2	N		Municipals	(11.4)	Americas(-11.4mm): Muni bonds recorded a basis loss of -8mm (-5.5mm from Muni bonds & -2.5mm from muni derivs). Muni yields flat from the 1y-2y, dec 2-4 bps from the 3y out; Swap yields dec 9-12 bps; Treasury yields dec 1-8 bps. MMD:Treas ratio inc 1.0% on average & MMD:Swaps ratio inc 1.3% on average. We are long muni bonds and short treasury futures and swaps, thus when the price of treasuries increases we lose money. The Treasury & Swap markets rallied at a greater rate than the muni market, thus we lost money.
													<b>Subtotal</b>	<b>(11.4)</b>	

01/14/2008

23

Market Risk Control Committee

**Signoff Statistics on Daily Risk Appetite**

**Period** 09/03/07 - 01/08/08 **Number of Days** 87

BUSINESS_NAME	Median Signoff Time	% Signoff Time exceeds 2pm	% Signoff Time exceeds 4pm	% Signoff Time exceeds 6pm	Median Time Gap
CDO	1:20 PM	30%	3%	0%	4:19
Commodities Trading	1:08 PM	30%	2%	0%	4:25
Equities	11:29 AM	3%	1%	0%	6:07
FID Corp	9:21 AM	5%	0%	0%	8:09
Firm Financing	10:02 AM	3%	1%	1%	7:28
Foreign Exchange	11:34 AM	7%	0%	0%	5:57
Global Principal Strategies	1:18 PM	26%	1%	0%	4:18
High Grade	1:28 PM	34%	10%	0%	4:18
High Yield	1:31 PM	36%	9%	2%	4:07
IR Products	12:17 PM	6%	1%	0%	5:14
Municipals	12:46 PM	9%	0%	0%	4:58
Real Estate	12:03 PM	15%	2%	1%	5:25
Securitized Products	12:04 PM	15%	2%	1%	5:24
Last Signoff	2:32 PM	84%	20%	5%	2:57
<b>Firm</b>	<b>5:43 PM</b>	<b>97%</b>	<b>90%</b>	<b>43%</b>	

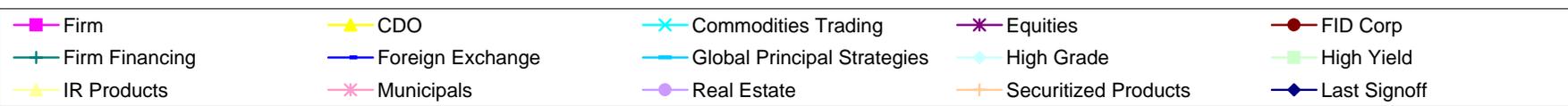
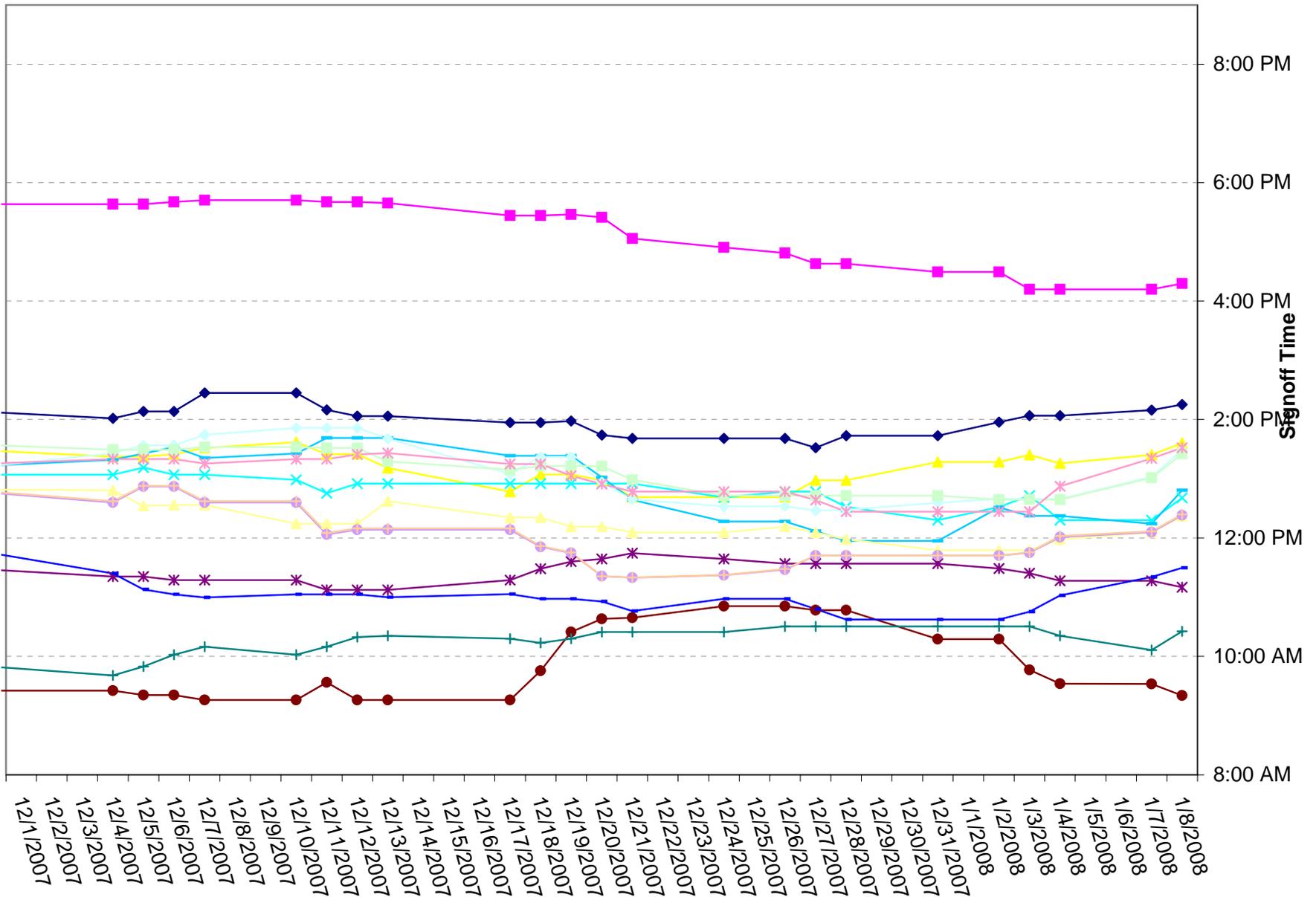
Average Time Gap between final sign off and delivery 2:15

**Period** 12/01/07 - 01/08/08 **Number of Days** 23

BUSINESS_NAME	Median Signoff Time	% Signoff Time exceeds 2pm	% Signoff Time exceeds 4pm	% Signoff Time exceeds 6pm	Median Time Gap
CDO	1:22 PM	26%	9%	0%	3:38
Commodities Trading	12:51 PM	9%	0%	0%	4:17
Equities	11:23 AM	0%	0%	0%	5:36
FID Corp	9:32 AM	0%	0%	0%	6:57
Firm Financing	10:15 AM	0%	0%	0%	6:48
Foreign Exchange	11:00 AM	0%	0%	0%	5:29
Global Principal Strategies	1:00 PM	13%	0%	0%	3:54
High Grade	1:26 PM	26%	4%	0%	3:38
High Yield	1:16 PM	17%	9%	0%	3:46
IR Products	12:13 PM	4%	0%	0%	4:45
Municipals	1:11 PM	9%	0%	0%	3:51
Real Estate	11:55 AM	4%	0%	0%	4:27
Securitized Products	11:56 AM	4%	0%	0%	4:26
Last Signoff	2:04 PM	61%	13%	0%	2:24
<b>Firm</b>	<b>4:57 PM</b>	<b>100%</b>	<b>83%</b>	<b>9%</b>	

Average Time Gap between final sign off and delivery 2:31

### Rolling 10-day Median Signoff Times

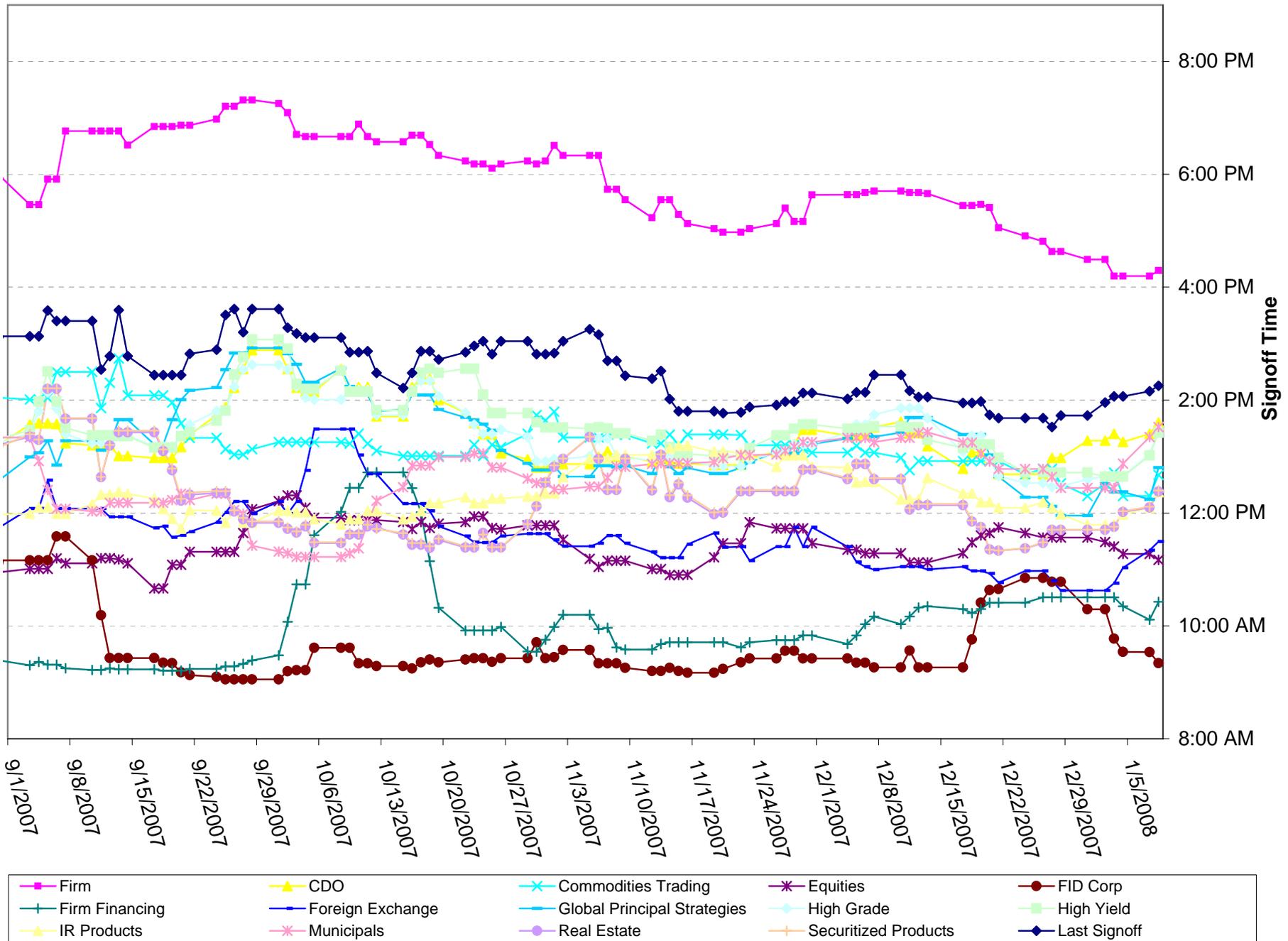


01/14/2008

25

Market Risk Control Committee

### Rolling 10-day Median Signoff Times



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

### **Prior Day Rollforwards**

12-17-2007 All GCP Businesses

01-04-2008, 01-07-2008, 01-08-2008 High Grade businesses due to feed change discussed below.

Division	Business	Region	First Date	Last Date	RA	RA Limit	Amount	Overage	Number	Days	Comments
FIXED INCOME	Foreign Exchange	America	12/19/2007	12/20/07	100.2	100		0.2	2		[NULL]
		Europe	12/10/2007	12/24/07	176.5	155		21.5	11		Due to relatively large positions both in long TRY IR PV01, of \$80k/bp, and in long TRY FX spot, of \$219mm. Limit under review, as part of the annual review across firm.
			12/27/2007	01/08/08	169.3	155		14.3	8		Due to relatively large positions both in long TRY IR PV01, of \$84k/bp, and in long TRY FX spot, of \$91mm. Limit under review, as part of the annual review across firm.
	Commodities Trading	America	12/31/2007	01/04/08	234.7	230		4.7	4		[NULL]
		Asia	12/12/2007	12/13/07	56.7	55		1.7	2		[NULL]
			12/5/2007	12/10/07	76.2	55		21.2	4		The excess is due to the 1/3 of the global crude deriv book risk allocation which added a significant amount of the risk for Asia. Limit is under review for increase.
			12/18/2007	12/27/07	59.1	55		4.1	7		The excess is due to the 1/3 of the global crude deriv book risk allocation which added a significant amount of the risk for Asia. Limit is under review for increase.
			12/31/2007	12/31/07	60.3	55		5.3	1		The excess is due to the 1/3 of the global crude deriv book risk allocation which added a significant amount of the risk for Asia. Limit is under review for increase.
		Global	12/4/2007	12/05/07	270.7	270		0.7	2		[NULL]
			12/10/2007	12/10/07	279.2	270		9.2	1		[NULL]
			12/14/2007	12/27/07	270.4	270		0.4	9		[NULL]
			12/31/2007	01/08/08	299.1	270		29.1	6		[NULL]
		Liquid Markets Total	America	1/2/2008	01/02/08	514.0	490		24.0	1	
	1/8/2008			01/08/08	540.7	490		50.7	1		[NULL]
	High Yield Trading High Yield Loans, Pipeline & Commitments	Asia	12/28/2007	12/28/07	175.1	175		0.1	1		Pending new increased limit framework - Overage mainly due to carving out pipeline component / origination from previously being included in trading / global. Mainly LVS Singapore FRL.
		America	12/3/2007	01/08/08	1137.5	180		957.5	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
		Asia	12/3/2007	01/08/08	35.5	20		15.5	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
		Global	12/3/2007	01/08/08	1256.8	420		836.8	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
	High Yield Total	America	12/3/2007	01/08/08	1108.5	435		673.5	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
		Asia	12/28/2007	12/28/07	192.5	180		12.5	1		Pending new increased limit framework - Reason primarily the same as High Yield comment. LVS FRN included in pipeline.
		Global	12/3/2007	01/08/08	1402.2	850		552.2	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
	High Grade Loans, Pipeline & Commitments	America	12/3/2007	01/08/08	250.8	145		105.8	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HG's global business vs. regional / business unit line items (Trading, Origination). Also, as HG, HY, CDO all fall within GCP - which
		Europe	12/3/2007	01/08/08	88.4	70		18.4	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HG's global business vs. regional / business unit line items (Trading, Origination). Also, as HG, HY, CDO all fall within GCP - which
		Global	12/3/2007	01/08/08	275.3	200		75.3	25		Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HG's global business vs. regional / business unit line items (Trading, Origination). Also, as HG, HY, CDO all fall within GCP - which
	CDO	America	1/4/2008	01/04/08	177.6	175		2.6	1		Due to increased volatility in HEL indices, raising market risk for ABS CDO warehouse
			12/18/2007	01/02/08	196.2	175		21.2	10		Due to increased volatility in HEL indices, raising market risk for ABS CDO warehouse
			1/8/2008	01/08/08	178.8	175		3.8	1		Due to increased volatility in HEL indices, raising market risk for ABS CDO warehouse
		Europe	12/3/2007	01/08/08	248.0	200		48.0	25		We are currently working to get numerical index01 and correlation to the CDO VaR/RA which will cover more accurately the desk risk. Accordingly senior management is discussing an increase in the limits.
		Global	12/3/2007	12/07/07	363.9	295		68.9	5		Due to CDO Europe overage; limit increase under discussion and use of full remap issuer01s expected shortly will reduced risk
	Credit Markets Total	America	12/3/2007	01/08/08	1269.6	710		559.6	25		Largely due to HY Loans P&C overage from commitments including: Energy Futures Holdings (~2B), Houghton Mifflin (~1.5B), Home Depot Supply (~1.5B), VH Holdings (~\$1B), First Data (~\$1B) Temporary regional limit overage granted due to the continued increas

01/14/2008

28

Market Risk Control Committee

Division	Business	Region	First Date	Last Date	RA	Overage			Comments	
						RA Limit	Amount	Number Days		
FIXED INCOME	Credit Markets Total	Global	12/3/2007	12/11/07	1288.2	1265	23.2	7	Largely due to HY Loans P&C Americas overage: esp new commitments: Houghton Mifflin (~2B), Allison Transmission (~1B), Home Depot Supply (~2B) Actions: Roger Nagioff and Alex Kirk notified; business decision to leave existing limits in place, managing ov	
			12/13/2007	01/08/08	1437.0	1265	172.0	17	Largely due to HY Loans P&C overage from commitments including: Energy Futures Holdings (~2B), Houghton Mifflin (~1.5B), Home Depot Supply (~1.5B), VH Holdings (~\$1B), First Data (~\$1B) Temporary regional limit overage granted due to the continued increas	
	Fixed Income Total	America	12/3/2007	01/08/08	2116.5	1500	616.5	25	[NULL]	
			Europe	12/3/2007	01/08/08	1009.2	950	59.2	25	This breach was initially caused on the COB 13-Aug-07, and occurred a result of Jun-07 Event Risk numbers being published for the Real Estate business, where increased equity/bridge equity, including the Coeur Defense, Vintners Place, Devonshire House, Lo
		Global		12/3/2007	12/07/07	2670.1	2500	170.1	5	FID excess due to elevated market volatilities and closed syndication market. Temporary approval of excess granted, pending market stabilisation.
				1/4/2008	01/04/08	2535.0	2500	35.0	1	[NULL]
				1/8/2008	01/08/08	2591.9	2500	91.9	1	[NULL]
		Real Estate	America	12/17/2007	01/02/08	2548.1	2500	48.1	11	[NULL]
	12/3/2007			01/08/08	734.6	570	164.6	25	[NULL]	
	Europe		12/3/2007	01/08/08	610.8	200	410.8	25	RA excess is driven by increased event risk, from higher bridge equity positions and temporary illiquidity in the market. The business and risk have reviewed position levels and agreed to operate temporarily over limits. Limits will be reviewed periodic	
			Global	12/3/2007	01/08/08	1123.3	720	403.3	25	[NULL]
	Securitized Products		America	12/3/2007	01/08/08	781.3	460	321.3	25	RA overage is due to recent spread volatility in the market. Temporary overage is allowed while 2008 limits are reviewed.
		Asia		1/8/2008	01/08/08	169.0	65	104.0	1	Limit excess is due to methodology change in calculating event risk for SF positions. Limit is under review for increased.
			Europe	12/7/2007	12/11/07	79.9	75	4.9	3	RA overage is the result of increased mortgage market volatility and temporary illiquidity. The business and risk have reviewed position levels and agreed to operate temporarily over limits. Limits will be reviewed periodically in light of market condit
	Municipals	America	1/8/2008	01/08/08	207.7	200	7.7	1	[NULL]	
		Global	1/8/2008	01/08/08	207.7	200	7.7	1	[NULL]	
	EQUITIES	Cash	Asia	12/5/2007	12/06/07	100.9	100	0.9	2	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed and risk to be reduced.
Portfolio		Asia	12/7/2007	12/07/07	69.3	50	19.3	1	VaR usage is over due to high risk usage. Business has been informed and risk to be reduced.	
Volatility Flow		America	12/3/2007	12/17/07	251.9	250	1.9	11	Risk taking has increased in this business. An upward revision of the Americas Volatility Flow VaR/RA limit is being discussed by the Division Head and Market Risk Management. A decision is expected within the next six weeks.	
			12/20/2007	12/20/07	494.6	250	244.6	1	[NULL]	
LM/Execution Services		America	12/3/2007	12/14/07	341.2	325	16.2	10	see volatility flow comment	
			12/20/2007	12/20/07	568.4	325	243.4	1	[NULL]	
Convertibles		Asia	12/3/2007	12/04/07	76.5	75	1.5	2	Data quality/calculation processes are under investigation.	
			12/26/2007	12/26/07	76.5	75	1.5	1	Due to incorrect event risk calculation. Under investigation.	
			12/17/2007	12/18/07	76.0	75	1.0	2	Due to incorrect event risk calculation. Under investigation.	
Equities Total		America	12/3/2007	12/17/07	490.3	475	15.3	11	[NULL]	
			12/20/2007	12/20/07	743.6	475	268.6	1	[NULL]	
		Asia	12/7/2007	12/07/07	383.6	375	8.6	1	Risk appetite breach is due to incorrect event risk calculation. Under investigation.	
			Global	12/10/2007	12/11/07	820.6	800	20.6	2	See VaR exception comments
	12/13/2007	12/13/07		802.0	800	2.0	1	See VaR exception comments		
	12/20/2007	12/20/07		862.0	800	62.0	1	[NULL]		
12/26/2007	12/26/07	803.6	800	3.6	1	[NULL]				
CAPITAL MARKETS PRIME SERVICES	Firm Financing	America	12/11/2007	12/11/07	76.6	75	1.6	1	Firm Financing Americas VaR increased by \$700k as MB Mortgage desk increased net long financing risk by \$91k/bp in ledger G422/G222, to net \$383k/bp. (Increased reverse repo, reduced repo)	
			12/13/2007	12/13/07	78.5	75	3.5	1	Firm Financing Americas VaR continued to be large as MB Mortgage desk continued long net \$361/bp in ledger G422/G222. (Increased reverse repo, reduced repo)	
			1/4/2008	01/08/08	76.9	75	1.9	3	Americas VaR continued to be high because MB special desk continued to be long PV01 \$150k/bp whereas MB special desk increased marginal VaR by \$140k due to repo transactions.	
			1/2/2008	01/02/08	86.5	75	11.5	1	Americas VaR increased by \$750k because MB special desk increased short \$265k/bp outright of 2yr On-the-Run UST (csp: 912828HL7) with short notional of \$1.4bn. (In ledger GAVG, G155, and GM99). Beside, the desk also increased long \$144k/bp outright of 6m	
			12/26/2007	12/26/07	803.6	800	3.6	1	[NULL]	

Division	Business	Region	First Date	Last Date	RA	Overage		Number	Comments
						RA Limit	Amount		
CAPITAL MARKETS PRIME SERVICES	Capital Markets Prime Services Total	America	12/10/2007	12/20/07	75.3	75	0.3	9	Americas VaR is large because the MB Mortgage desk continue to be long IR risk (relatively large), with net PV01 of long \$421k/bp.
			12/24/2007	12/24/07	77.6	75	2.6	1	Americas VaR is large because the bothj MB Mortgage desk and Special desk continue to be long IR risk (relatively large), with net PV01 of long \$509k/bp.
			12/28/2007	01/08/08	91.9	75	16.9	7	Americas VaR continued to be high because MB special desk continued to be long PV01 \$150k/bp whereas MB special desk increased marginal VaR by \$140k due to repo transactions.
		Europe	12/3/2007	12/10/07	25.9	25	0.9	6	Increased USD and GBP pv01 in Firm Financing.
			12/12/2007	12/12/07	25.6	25	0.6	1	Increased USD and GBP pv01 in Firm Financing.

Division	Business	Region	First Date	Last Date	VaR	VaR Limit	Overage Amount	Number Days	Comments
FIXED INCOME	IR Products	America	1/8/2008	01/08/08	28.0	26	2.0	1	[NULL]
		Global	1/2/2008	01/02/08	36.9	36	0.9	1	[NULL]
			1/8/2008	01/08/08	37.0	36	1.0	1	[NULL]
	Foreign Exchange	America	12/19/2007	12/19/07	5.2	5	0.2	1	[NULL]
		Europe	12/12/2007	12/17/07	9.1	9	0.1	4	Due to relatively large positions both in long TRY IR PV01, of \$77k/bp, and in long TRY FX spot, of \$209mm. Limit under review, as part of the annual review across firm.
			12/31/2007	12/31/07	9.2	9	0.2	1	Due to relatively large positions both in long TRY IR PV01, of \$84k/bp, and in long TRY FX spot, of \$97mm. Limit under review, as part of the annual review across firm.
	Commodities Trading	Asia	12/5/2007	12/10/07	4.4	3	1.4	4	The excess is due to the 1/3 of the global crude deriv book risk allocation which added a significant amount of the risk for Asia. Limit is under review for increase.
			12/12/2007	12/13/07	3.2	3	0.2	2	[NULL]
			12/18/2007	12/27/07	3.3	3	0.3	7	The excess is due to the 1/3 of the global crude deriv book risk allocation which added a significant amount of the risk for Asia. Limit is under review for increase.
		Global	12/31/2007	12/31/07	3.5	3	0.5	1	[NULL]
			12/14/2007	12/24/07	15.2	13	2.2	7	[NULL]
			1/2/2008	01/04/08	13.9	13	0.9	3	[NULL]
	Liquid Markets Total	America	1/8/2008	01/08/08	30.2	28	2.2	1	[NULL]
	High Grade	America	12/3/2007	12/03/07	20.0	20	0.0	1	False overage due to MW decision to roll over prior day. True HG risk is materially lower on \$140mm lower net equity delta (HG Trading VaR down \$3mm ie. market risk mistated by \$48mm)
			12/20/2007	12/20/07	20.5	20	0.5	1	[NULL]
			12/18/2007	12/18/07	21.3	20	1.3	1	[NULL]
		Europe	12/6/2007	12/17/07	6.4	6	0.4	8	This is mainly driven by traders moving from HY to Credit Trading Europe desk. Accordingly the risk limits are under revision by senior management.
		Global	12/3/2007	12/03/07	24.1	22	2.1	1	Largely from HG Loans, Pipeline & Commitments overage - Global Santa Fe (\$1.7bn), TransOcean (\$0.7bn). Alex Kirk / Roger Nagioff notified, business has decided to manage according within increased overall FID limits
	CDO	America	12/26/2007	01/08/08	5.7	5	0.7	9	[NULL]
		Europe	12/3/2007	01/08/08	14.3	8	6.3	25	We are currently working to get numerical index01 and correlation to the CDO Var which will cover more accurately the desk risk. Accordingly senior management is discussing an increase in the limits.
		Global	12/3/2007	01/08/08	14.2	11	3.2	25	[NULL]
	High Yield	America	12/3/2007	01/08/08	50.0	14	36.0	25	Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
		Asia	12/13/2007	01/08/08	7.9	7	0.9	17	Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
		Europe	12/3/2007	01/08/08	14.2	13	1.2	25	Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
		Global	12/3/2007	01/08/08	69.7	27	42.7	25	Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
	Credit Markets Total	America	12/3/2007	01/08/08	56.3	23	33.3	25	[NULL]
		Asia	12/28/2007	12/28/07	12.4	10	2.4	1	Based on previous conversations with Alex Kirk, he stated that he is generally more concerned about the limit / excess on HY's global business vs. regional / business unit line items (Trading, Origination). Also, as HY, HG, CDO all fall within GCP - which
		Europe	12/3/2007	01/08/08	18.3	14	4.3	25	Mainly due to CDO. Currently senior management is discussing a possible increase in the risk limits.
		Global	12/3/2007	01/08/08	66.1	42	24.1	25	[NULL]
	Real Estate	America	12/3/2007	01/08/08	11.9	6	5.9	25	The VaR excess is due primarily to the increase in spread volatility in the market. The business and risk have reviewed position levels. Limits will be reviewed periodically in light of market conditions.
Asia		1/8/2008	01/08/08	2.1	2	0.1	1	VaR is slightly over its limit. Limit is under review for increased.	
Global		12/3/2007	01/08/08	13.4	7	6.4	25	The VaR excess is due primarily to the increase in spread volatility in the market. The business and risk have reviewed position levels. Limits will be reviewed periodically in light of market conditions.	
Securitized Products	America	12/3/2007	01/08/08	49.5	22	27.5	25	VaR overage is due to recent spread volatility in the market. Temporary overage allowed while 2008 limits are reviewed.	

Division	Business	Region	First Date	Last Date	VaR	VaR Limit	Overage Amount	Number Days	Comments
FIXED INCOME	Securitized Products	Europe	12/4/2007	12/19/07	5.4	4	1.4	12	VaR overage is the result of increased mortgage market volatility and temporary illiquidity. The business and risk have reviewed position levels and agreed to operate temporarily over limits. Limits will be reviewed periodically in light of market condi
			1/3/2008	01/08/08	8.2	4	4.2	4	VaR overage is the result of increased mortgage market volatility and temporary illiquidity. The business and risk have reviewed position levels and agreed to operate temporarily over limits. Limits will be reviewed periodically in light of market condi
		Global	12/3/2007	01/08/08	48.8	22	26.8	25	VaR overage is due to recent spread volatility in the market. Temporary overage allowed while 2008 limits are reviewed.
	Total Fixed Income	America	12/3/2007	01/08/08	96.5	52	44.5	25	[NULL]
			Europe	12/3/2007	12/17/07	32.3	31	1.3	11
		Europe	12/19/2007	12/20/07	32.8	31	1.8	2	CDO VaR had a significant increase as per CoB 5-Oct-2007, driven by an improvement on the time series mapping. Revised limit will soon be implemented. On the FX side, VaR is overlimit due to relatively large positions both in long TRY IR PV01, of \$78k/bp.
		Europe	1/3/2008	01/07/08	31.3	31	0.3	3	CDO VaR had a significant increase as per CoB 5-Oct-2007, driven by an improvement on the time series mapping. Revised limit will soon be implemented.
		Global	12/3/2007	01/08/08	103.5	75	28.5	25	[NULL]
	Municipals	America	12/28/2007	01/08/08	11.8	10	1.8	7	[NULL]
		Global	12/28/2007	01/08/08	11.8	10	1.8	7	[NULL]
EQUITIES	Cash Products	Asia	12/4/2007	12/06/07	5.1	4	1.1	3	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed and risk to be reduced.
			12/10/2007	12/17/07	4.2	4	0.2	6	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed.
			12/19/2007	01/04/08	4.9	4	0.9	11	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed. Limit review is currently being discussed.
	Portfolio	Asia	12/7/2007	12/07/07	4.1	2	2.1	1	VaR usage is over due to high risk usage. Business has been informed and risk to be reduced.
	Quants	Europe	12/28/2007	01/08/08	4.1	4	0.1	7	VaR excess due to increased size and price of MEO Australia position. Sam Ruiz has approved a temporary increase in limit, taking into account that Execution Services is well under its limit.
	Volatility Flow	America	12/3/2007	12/17/07	13.8	13.5	0.3	11	Risk taking has increased in this business. An upward revision of the Americas Volatility Flow VaR limit is being discussed by the Division Head and Market Risk Management. A decision is expected within the next six weeks.
			12/20/2007	12/20/07	25.7	13.5	12.2	1	[NULL]
	LM/Execution Services	America	12/3/2007	12/14/07	18.8	17	1.8	10	see comment for Americas Volatility Flow
			12/20/2007	12/20/07	28.9	17	11.9	1	[NULL]
		Asia	12/5/2007	12/07/07	5.3	5	0.3	3	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed.
			12/11/2007	12/12/07	5.5	5	0.5	2	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed.
			12/24/2007	12/31/07	5.0	5	0.0	5	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed. Limit review is currently being discussed.
	1/4/2008	01/04/08	5.6	5	0.6	1	VaR usage is over due to high net risk usage across various cash trading desk. Business has been informed. Limit review is currently being discussed.		
	Volatility	Asia	12/26/2007	01/02/08	9.1	7.5	1.6	5	VaR incorrect due to Tokyo holiday and system issues.
	Total Equity	America	12/3/2007	12/05/07	26.2	21	5.2	3	see americas Liquid markets comment
12/10/2007			12/11/07	23.7	21	2.7	2	see regional comments	
12/13/2007			12/14/07	21.2	21	0.2	2	see regional comments	
12/20/2007			12/20/07	31.5	21	10.5	1	[NULL]	
INVESTMENT MANAGEMENT	Investment Mgmt. Division	Global	12/3/2007	01/08/08	20.8	12	8.8	25	Global IMD VaR level has increased due to seed capital and principal investments, and also due to increased warehousing of investments within the Private Equity business. The current overage due to business growth is acceptable.
PRINCIPAL INVESTING PORTFOLIO	Global Principal Strategies	America	12/7/2007	12/07/07	11.6	11	0.6	1	VaR limit increase approved. Waiting for implementation.
			12/14/2007	12/18/07	11.0	11	0.0	3	[NULL]
		1/2/2008	01/08/08	11.4	11	0.4	5	[NULL]	
		Global	12/10/2007	12/11/07	15.6	15	0.6	2	VaR limit increase approved. Waiting for implementation.

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

**Increase in Firmwide Limits** – Firmwide limits for VaR were increased from \$135mm to \$150mm and RA was increased from \$3.5bn to 4.0bn on January 7, 2008 with the increase backdated to December 3, 2007. This change was approved by Chris O'Meara and Paul Shotton. No changes were made to any divisional limits.

Currently outstanding items:

**GPS is requesting a limit increase** – currently have a usage of xx and limit of xx.

Request on hold pending allocation of new limits to PIP.

**Limits are needed for PIP** – limit needs to reflect the risk which will be moving from IMD and also the new divisions within PIP.

**Limits need adjustment for IMD** – change will need to reflect portfolio changes as positions are moved from IMD to PIP.

**Real Estate, and HY Loans, Pipelines, & Commitments businesses** – have been over limits for many months with no clear plan for either increasing limits or reducing their exposure. Need to have a plan to resolve this situation.

## **Control and Process Issues**

### **New Issues**

#### **Need for clear separation of positions between IMD and PIP.**

Current allocation of assets is unclear which makes it difficult to allocate P&L, risk, and limits, and creates management risk. Had meeting on January 8, 2008 with Paul Shotton, Ram Challa, Chris VanBuren, Eric Whitman, & Mark Weber. Followup items are:

- A list of assets is going to be prepared. Risk Management will then make a preliminary assessment of who owns each position. PIP and IMD will then be asked to review this list and make appropriate changes and sign off.
- After PIP and IMD sign off on the division of assets, the assets will be divided into the respective risk buckets for purposes of risk calculations and limits. The assets would be booked in the respective risk systems for the PIP and IMD businesses.

**Rollout of new feed for HG Loans without proper testing** – CATS feed replace Laura feed for HG loans which resulted in new analytics.

- **Follow up** – how to ensure that Risk IT and Risk coverage are consulted prior to upstream risk changes. Failure of ICE and CATS teams to properly include risk in testing plans.

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

#### **Credit risk numbers for Risk Appetite are not being updated a timely basis.**

These numbers come from the Credit Reporting Group. Currently we are using a August month-end number in the RA calculations. Last week a recalculated number for September month-end was received.

#### **Current Status:**

- Mark Weber had follow-up telephone call with Janice Hart who indicated that they do not have the people resources to keep up with the calculation process. She mentioned that the process was very manual.
- Need to escalate to ensure that appropriate resources are obtained to get this issue resolved. We have been chronically using out of date credit exposures for the RA calculation.

#### **VaR Feeds from the following businesses:**

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

**Real Estate – REIT LOC's**

**Followup** – a VaR P&L vector is going to be generated and updated on a weekly/monthly basis with a manual process and then rolled forward on days when there is no update. This process is currently being installed into production.

#### **Current status:**

- IHOP deal has been securitized and is now flowing into the risk systems.
- Wendy's deal has a 20% probability of going through and is now likely to die.

- REIT LOCS – George Hansman is still working to get this into production. There have been meetings with risk coverage and risk IT to cover this issue.

**A meeting was held in November with Risk IT regarding the following items with the following outcomes:**

- **Will be completed during 1Q08**
  - **10K/Q calculation spreadsheet elimination** – current estimate is for completion of development in January and staging in first half of February with production to follow
  - **CSE Reporting for LBHI** – VaR and ISR require a spreadsheet calculation which needs to be eliminated. Need to formulate the business requirements in more detail so that this project can be scheduled.

**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.
- CDO's are evidently booked ( details coming)
- \$5.7bn out of \$12bn investments not booked – done on a piecemeal basis
- 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.

**Follow ups**

- Paul Shotton was going to escalate with Beth Rudofker after December MRCC meeting.
- Chris VanBuren and Dan Globerson were going to if these positions could be booked in systems which are used by the trading businesses under some cooperative agreement.
- No one is specifically working thru this list with completion timeline, although resourcing discussions about the problem are ongoing
- This issue may need to be to be escalated to Chris O'Meara for further escalation.

## ***Any Other Business***

Status of getting Market Risk Control Committee into the firm's governance committee framework.

- Status of charter
- Appropriate membership for Europe and Asia – need to avoid conflict with firm-wide risk committee.

Algorithm to set ratings on positions which do not have a set rating. [Paul Zakian]

Are there any follow ups based on Risk Management retreat of last week?

**IMD Not booked summary - Nov 2007**

Sum of Lehman Funded Amt	
Sub Product Type	Total
Real Estate	1,694,294,836
IMD non PE	1,127,367,128
Master Limited Partnership (MLP)	746,129,694
Co-Investments	498,746,587
Private Equity Merchant Banking	293,503,311
Crossroads - various	257,874,418
Global Mezzanine	249,391,548
European Mezzanine	199,412,613
LB PEPL	138,013,464
Pre-Tax Plan	120,314,429
Direct Fund of Funds	99,046,188
Private Equity Fund of Funds	96,622,987
Investments in Partnerships and JVs	87,596,790
IBD Balance Sheet	60,368,375
Global Infrastructure	53,165,316
Partnership Account	31,258,497
Secondary Opportunities	28,741,151
DPEF	27,694,465
Loan Opportunity Fund	18,227,571
Crossroads XVII	7,841,464
Private Equity	3,165,289
Venture Capital	87,817
Crossroads XVIII	-
New Jersey Fund	(4,770,361)
Real Assets Fund	(6,922,621)
FRR	(13,253,011)
Emerging Manager Fund	(21,425,127)
1999A Direct	(191,191,203)
<b>Grand Total</b>	<b>5,601,301,613</b>