

From: Goodman, Jeffrey <jeffrey.goodman@lehman.com>
Sent: Wednesday, March 19, 2008 5:33 PM (GMT)
To: Shotton, Paul <paul.shotton@lehman.com>; Gonzalez, Mynor <mynor.gonzalez@lehman.com>; Weber, Mark <mark.weber@lehman.com>
Cc: Li, Joe <joli@lehman.com>; Chung, Hanse <hanse.chung@lehman.com>; Garg, Sandeep <sandeep.garg@lehman.com>; Lu, Charlie <charlie.lu@lehman.com>; Hansman, George <ghansman@lehman.com>; Petrow, Donald E <donald.petrow@lehman.com>; Luken, Patricia <patricia.luken@lehman.com>
Subject: RE: Fixed Income Origination Revenue Estimate Trade Date 3/18/08

i think its fine, the illiquid number will be open to question when we don't see the expected p/l since embedded in there are the liquid hedges but lets move forward as described

From: Shotton, Paul
Sent: Wednesday, March 19, 2008 1:28 PM
To: Gonzalez, Mynor; Weber, Mark
Cc: Goodman, Jeffrey; Li, Joe; Chung, Hanse; Garg, Sandeep
Subject: FW: Fixed Income Origination Revenue Estimate Trade Date 3/18/08

Guys, we need to split out and report separately into two categories the PV10% numbers for a) liquid/Trading risks and b) illiquid risks (see below).

Let's have two lines corresponding to each of these on page one of the ERC Weekly Risk Update, then on page three we should spilt the existing single table into two separate tables, one for each of these categories.

I'd suggest that in the liquid/Trading risk table we'd have: HG Trading, HY Trading, EMG, Equities, Munis, GTS, GPS
in the Illiquid risk table we'd have: HG Loans, HY Loans, HY Syndication, Securitized Products (+the three regional sub-categories), Real Estate (+the three regional sub-categories)

Joe/Jeff/Sandeep, do you agree with this proposed split?

From: O'Meara, Chris M (NY)

Sent: Wednesday, March 19, 2008 12:22 PM
To: Li, Joe
Cc: Goodman, Jeffrey; Shotton, Paul
Subject: RE: Fixed Income Origination Revenue Estimate Trade Date
3/18/08

Good idea. Over longer term, we have to figure out how to get true good daily marks on the HY Loan positions....otherwise, they can't be considered part of our "trading book", and the business needs to know the capital implications of this. Thanks, Chris

From: Li, Joe
Sent: Wednesday, March 19, 2008 12:18 PM
To: O'Meara, Chris M (NY)
Cc: Goodman, Jeffrey; Shotton, Paul
Subject: FW: Fixed Income Origination Revenue Estimate Trade Date
3/18/08

Chris,

FYI. On the back of market rally yesterday, we lost money in loan hedges. However on the same day we also flashed/booked losses in HY loans due to "catch-up" in the marking process (less to do with the market/basis), as Paul pointed out below. This highlighted the "difficulty" of using actual daily P&L to justify the PV10% measure we put forth. A good idea in the reporting is to separate trading/liquid PV10% vs loans/origination book PV10%. Trading PV10% should have fairly good predictive power in daily P&L barring material intra day P&L.

We have done an analysis to compare 3/6's P&L vs PV10%. On the day the market sold off significantly particularly in IG index and financials, to the lesser extend in HY and EMG. The result is in the attached.

Conclusion - separate PV10% in two categories in ERC report
Trading/liquids
Loans/origination/illiquids

thx
Joe

From: Shotton, Paul
Sent: Wednesday, March 19, 2008 10:25 AM
To: Li, Joe
Cc: Goodman, Jeffrey
Subject: FW: Fixed Income Origination Revenue Estimate Trade Date
3/18/08

Joe - I'm assuming this is another example of cumulative marks on the loans playing catch-up, whilst in the meantime we take a huge hit on the

hedges....

From: Notification_Team [mailto:Notification_Team]

Sent: Wednesday, March 19, 2008 10:19 AM

To: Wilson, Graham R; Wait, Christian; Wong, Nancy; Silvers, Steven T; Sherr, David; D'Amato, Francine; Weiss, Jeffrey L; Roggero, Marco; Fox, Gary J; Scicutella, Leonard; Sweely, Gordon G; Toal, Peter J; Corcoran, Thomas P; Orlan, Fred S; Forte, Victor; Casella, Michael; Correnti, John; Stabenow, Sigrid M; Redmond, Robert D; Calistri, Peter E; Kahn, Raymond; Parikh, Satu; Quinn, Patrick G; Zedlovich, Paul; Rosolinsky, Michelle; Belitz, Gary L; Mitrokostas, Paul; Shao, Cathy; O'Connell, Edward; Rinnovatore, Diane; Ng, Michelle; D'Ercole, Justin; Matulewich, Jennifer; Lu, Andy; Wieseneck, Larry; Addington, Erik R; Foley, Matthew L; Rothman, Dan; Cho, Juphil; McGarvey, Michael; Seery, James; Gaba, Nisha; Hart, Leland; Lewis, Joseph C; Chow, Kelly; Li, Joe; Albanese, Diane; Tham, John (NY); Philbin, Megan; Vallecillo, Jormen; Gravin, Matthew; Salbo, Jody; Lebedeva, Lyubov; O'Hara, Tom; Sane, Shashank; Evans, Stephen; Hughes, William J; Garner, Qwasi; Wilder, Melissa; Vijayaraghavan, Manikandan; Vasilevskiy, Roman; Hu, Isabelle; Smith, Greg L; Zolad, Bryan C; Elagoz, Melda; Shotton, Paul; Mistry, Jiten; Pinellis, Aik; Harrison, Claire (FID); Pisani, Lindsay; Malkani, Kunal; Schwartz, Andrew; Triano, Frank; Chin, Kar Y; Dunn, Matthew F; Ulyanenko, Andrey; Milner, Alex; Sanchez, Rafael; Monginho, Carlos; Zhang, Wenfeng; Tang, Matthew; Wu, ChiaJean; Kochar, Sharad; Brooks, Todd; Khan, Shahina; Choi, James (IBD); Jacob, Rolly; Slegar, Monica; Potasiewicz, Brian; Cleary, Daniel; Chalfen, Jonathan; Elgort, Michael; Banasiak, Jay; O'Neill, Rory [London]; Barth, Keith; Ellis, Tony; Sharma, Abhinav (NY FID Credit); Shala, Luan; Ferraro, Daniel; Oramas-Scala, Lesley; Rosen, Aaron; Saputra, Jasmin; Hyatt, Jeremy; Sandhu, Manpreet; Oh, Jim; Gray, Charlie; Farkas, Michael; Mani, Gaurav; Gogwana, Vuvu; O'Connor, Edward J; Zgaljardic, Maryann; McDermott, Maegan; Zeng, Michelle; Swaminathan, Ramesh; Daly, Brian; Bortz, Elyssa B; Del Mistro, Peter; Locker, Nicholas (CORP); Ladejobi, Abiola; Horan, Kevin; Saito, Kenichi; Siu, Jason; Behrje, Garth; Nguyen, Michelle (FID); Kothari, Priya; Paget, Marc J; Flynn, Patrick (Global Finance); Chapman, Ben; Chand, Nina; Arafiena, Anita; Hirshler, Gilon; Bocchicchio, Catherine A

Subject: Fixed Income Origination Revenue Estimate Trade Date 3/18/08

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Fixed Income Origination Revenue 3_18 has been created and is awaiting your Review.

<[http://uvl-vip/sites/MYD_24508/MyDocuments/SRTS_SR29FEB2008-30MARCH2008/105212_Fixed Income Origination Revenue 3_18.xls](http://uvl-vip/sites/MYD_24508/MyDocuments/SRTS_SR29FEB2008-30MARCH2008/105212_Fixed%20Income%20Origination%20Revenue%203_18.xls)> CLICK HERE to review this report.

Report Name: Fixed Income Origination Revenue 3_18

Reporter: Bocchicchio, Catherine

Assigned To: Christopher R Conetta; Jim W Merli;

Fixed Income Origination Revenue (T/D 3/18) - Significant Transactions:

	(000s)	(000s)	
Product	Company Name	FID NBM	Transaction Description
High Grade Bond	Equitable Resource Inc.		\$500mm 10yr 6.5% Leh:
Jt-Books	450	225	
High Grade Bank Loans	The Carlyle Group		Loan MTM
			377

189

	High Yield Preferred - Asia			
	DLF Universal	MTM	467	467
	High Yield Other			
72	Norton Gold Fields	AUD \$40mm Private CB Placement		
	72			
	High Yield Bank Loans			
3,100	Press Ganey (Vestar Capital)	\$220mm C/F - Fees		
	1,550			
	DLF Asset	Loan MTM	(524)	(262)
	High Grade FRLs			
(20,059)	HG FRLs	Portfolio Loan/Hedge MTM		
	(5,015)			
(5,912)	HG FRLs	Portfolio Europe Loan/Hedge MTM		
	(1,478)			
	CIT Group	Loan/Hedge MTM	2,024	506
	Countrywide	Loan/Hedge MTM	5,349	1,337
	Ford Motor	Loan/Hedge MTM	1,210	302
	GMAC	Loan/Hedge MTM	839	210
	High Yield FRLs			
(1,278)	HY FRLs	Portfolio Loan/Hedge MTM		(5,113)
	Six Flags	Trading	(275)	(69)
	Other - LBO			
(31,240)	Macro Hedge	HY LBO Macro Hedge (Estimate)		
	(15,620)			
376	LBO Loan Portfolio	Loan MTM	752	
(1,994)	HD Supply	MTM & Carry	(3,989)	
(3,250)	Berry Plastic	Loan MTM	(6,500)	
(20,484)	CDW Corp	Loan MTM	(40,969)	
(7,342)	First Data Corp	Loan MTM	(14,684)	
(2,100)	Sequa Corp	Loan MTM	(4,200)	
	Total Fixed Income Origination		(118,824)	
(53,658)				

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