

From: Elagoz, Melda <melda.elagoz@lehman.com>
Sent: Monday, July 16, 2007 2:28 PM (GMT)
To: Goodman, Jeffrey <jeffrey.goodman@lehman.com>
Subject: RE: HY Commitments and June (?) month end
Attach: ole0.bmp

No, stress results from HY and HG Pipeline and Commitments were not included in the monthly SEC Scenario Analysis previously.

Most of them HY. (Below results are in \$mm)



From: Goodman, Jeffrey
Sent: Monday, July 16, 2007 10:17 AM
To: Elagoz, Melda
Subject: RE: HY Commitments and June (?) month end

So remind me, had we not been capturing any stress for HY Comm in prior months? And these stress are just HY, not HG?

From: Elagoz, Melda
Sent: Friday, July 13, 2007 2:05 PM
To: Shotton, Paul; Goodman, Jeffrey
Cc: Li, Joe; Lax, Stephen
Subject: RE: HY Commitments and June (?) month end

Looks like Steve is ahead of the curve and has generated results earlier than by the end of Monday (*below hopefully is the final version after a few iterations*).

As Joe and Steve have been pointing out these are very large losses. Please see the table below for Firm Wide results with and without the HY Commitments, and let me know if you'd like to proceed with Firm Wide Total including HY Commitments for the June month end.

Thanks and Regards,
Melda

<< OLE Object: Picture (Device Independent Bitmap) >>

From: Elagoz, Melda
Sent: Friday, July 13, 2007 10:00 AM
To: Shotton, Paul; Goodman, Jeffrey; Li, Joe
Subject: HY Commitments and June (?) month end

Trying to change results on Monday (and please bear in mind that there is no guarantee that it will be successful by then) for June month end reporting is quite late.

This is why we are all instructed to be done with factor updates/other changes before the month end.

We can report results with and without commitments, but need to give global explanatories for the 3-4 worst scenario results without the commitments.

Additional commentary for commitments can be added as a note.

Regards,
Melda

From: Li, Joe
Sent: Friday, July 13, 2007 9:52 AM
To: Shotton, Paul; Elagoz, Melda; Goodman, Jeffrey; Bridgwater, Matthew
Cc: Lax, Stephen
Subject: RE: Spread widening (most recent ones vs. updated mortgage shocks)

Paul,

We will use same shock as we have for trading positions, and this will be done on spreadsheet. Matthew, do you agree?

Obviously, the probability/syndication factors should not applied

Steve/Melda,

We should get this in on Monday. Steve will confirm population.

Thanks
Joe

From: Shotton, Paul
Sent: Friday, July 13, 2007 4:24 AM
To: Elagoz, Melda; Goodman, Jeffrey; Li, Joe; Bridgwater, Matthew
Subject: RE: Spread widening (most recent ones vs. updated mortgage shocks)

Good. When is ETA?

From: Elagoz, Melda
Sent: Thursday, July 12, 2007 10:35 AM
To: Shotton, Paul; Goodman, Jeffrey; Li, Joe; Bridgwater, Matthew
Subject: RE: Spread widening (most recent ones vs. updated mortgage shocks)

For the HY commitments we were going to use a more conservative approach than the VaR assumptions. (100% was a number that was being discussed)

<< Message: RE: new business line for HY (starting with May monthend) >>

Joe/Matthew

Could you please confirm on the i) commitments and ii) the current spread shocks being large enough to cover the recent moves or not?

Thanks and Regards,
Melda

From: Shotton, Paul
Sent: Thursday, July 12, 2007 10:27 AM
To: Elagoz, Melda; Goodman, Jeffrey; Li, Joe; Bridgwater, Matthew
Subject: RE: Spread widening (most recent ones vs. updated mortgage shocks)

Thanks Melda. My concern is more in the corporate (HY) credit sector. Also, what assumptions are we making with respect to our HY Commitments in scenario analysis? (Obviously, the weighting approach we use in determining our exposure to calculate VaR (favorable vs. unfavorable market conditions/etc.) will not be prudent for stress scenarios.)

Paul.

From: Elagoz, Melda
Sent: Thursday, July 12, 2007 8:57 AM
To: Goodman, Jeffrey; Shotton, Paul
Subject: RE: Spread widening (most recent ones vs. updated mortgage shocks)

Had a quick follow up conversation with Charlie:
he believes recent widening is less than what happened in Feb, and cash market moves are much less (due to more recent issuance).

He is looking at the data now. (Will keep you posted if the above is not true.)

Looks like we are most likely all right on the mortgage end due our recent factor updates.

From: Lu, Charlie
Sent: Thursday, July 12, 2007 8:49 AM
To: Elagoz, Melda
Cc: Goodman, Jeffrey; Shotton, Paul
Subject: RE: Spread widening (most recent ones vs. updated mortgage shocks)

Yes. We have modified the scenario of HY/LBO to incorporate what had happened in the mortgage markets from late December to middle February. Here is the e-mail we sent to the business to describe the change.

<< Message: Mortgage stress factors, revised >>

From: Elagoz, Melda
Sent: Thursday, July 12, 2007 8:44 AM
To: Lu, Charlie
Cc: Goodman, Jeffrey; Shotton, Paul
Subject: FW: Spread widening (most recent ones vs. updated mortgage shocks)

Charlie

Are the most recent widening already captured in the recently updated mortgage shocks?

Thank you,
Melda

From: Shotton, Paul
Sent: Thursday, July 12, 2007 5:25 AM
To: Elagoz, Melda; Li, Joe; Bridgwater, Matthew
Cc: Goodman, Jeffrey
Subject: Spread widening

Guys, given the violent spread widenings we have been seeing in the last few days, how are the shocks we are using in our stress scenarios comparing? Are we sufficiently aggressive?

Paul.