

From: Yu, Anna [anna.yu@lehman.com]
Sent: Monday, November 26, 2007 10:22:45 AM
Subject: Updated Proforma Nov 30 forecasted capital ratio

All,

Based on the latest updated projections, the Nov 30 Total CSE capital ratio is projected to be ~ 9.9% (vs previous Nov 20 forecast of 10.2%) .

The updates made in this project vs the previous Nov 20 projection include:

- * Updated forecasted Shareholders' equity based on updated expected earnings (decreased by \$69 mm)
- * Updated Nov capital charges for all missing October draft charges . Unfortunately, all risk charges increased in Oct vs Sept, particularly in:
 - * CCR - ratings downgrade for ACA Credit products alone increased charge for that exposure by \$170 mm (out of \$354 mm total increase in charge)
 - * Real estate - increased by \$126 mm (most of which was due to Archstone being funded in Oct - charge increased by \$87 mm)
 - * Private equity - increased by \$161 mm (mainly due to IMD Real estate funds B/S increasing - note: charges are currently still influx)

If the Ops Risk charge were not updated in the Nov forecast (\$400 mm), the projected ratio would be 10.1 %.

Currently, the draft Oct 31 total capital ratio is at 10.4% (due to Reg Y and Ops Risk charge not being updated for Oct).

Sensitivity-wise, changes in the capital or charges by \$500 mm would impact the Total ratio by ~20 basis points.

Details of the forecast are attached. Steve/Ari - if you would like to provide any additional insight into granularizing any of the forecasted charges, pls let me know. thanks,

Regards,
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