Primary Dealer Monitoring: Liquidity Stress Analysis

June 25, 2008

FEDERAL RESERVE BANK of NEW YORK

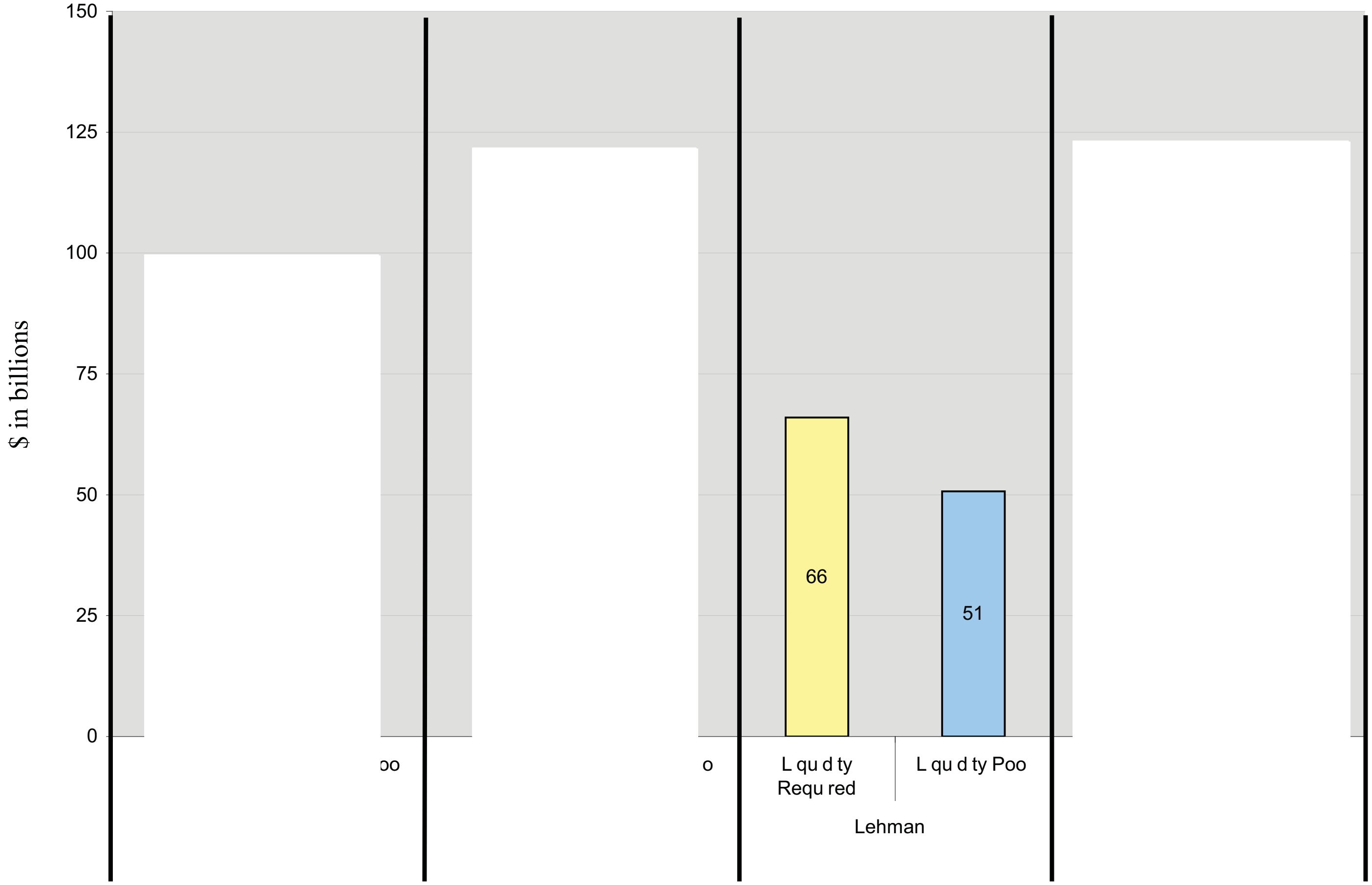
Strictly Confidential

Liquidity Stress Analysis: Assumptions

As of dates: 5/22/08 - 6/10/08	**Severity Assumption**
UNSECURED FUNDING - Percent not rolling	
Total Unsecured Funding	100%
SECURED FUNDING - Percent not rolling	
Fixed Income Finance	
OMO Eligible	0%
Liquid	20%
Less Liquid	50%
Illiquid	100%
Equity Finance	
Liquid	20%
Less Liquid	50%
ON-BOARDING AND OTHER COMMITMENTS	
Off-Balance Sheet Assets On-Boarded	Institution Specific
Loan Commitments/Other Contractual Uses	Institution Specific
Other Liabilities/Commitments	Institution Specific
OPERATING CASH FLOWS	
Prime Brokerage, Withdrawal of Free Credits	50%
Prime Brokerage, Customer Shorts with Liquidity Risk	11%
Prime Brokerage, Release of Lockup Cash Flows	90% - 100%
Collateral Payments	Institution Specific
Derivatives / Margin Mismatches: Payments / Receipts	100% / 90%
ADDITIONAL FUNDING	
Affiliated and Unaffiliated Bank Lines	Institution Specific

Summary of Results

			Lehman	
Liquidity Sources as % of Liquidity Required			78%	
Cushion / (Deficit) *$ in billions*			(15)	



Detailed Cash Flows

Exhibit produced 6/23/08					
$ in billions, 4 Week Horizon, As of 5/22/08 - 6/10/08				**Lehman**	
Liquidity Outflows					
1	Unsecured Funding: amount not rolling			14	
2	Secured Funding: amount not rolling			32	
3	On-Boarding and Other Commitments			8	
4	Operating Cash Flows: net outflows (sum of lines 4a - 4c)			13	
4a	*Prime Brokerage*			*2*	
4b	*Collateral Payments*			*9*	
4c	*Derivatives/Margin Payment Mismatches*			*2*	
5	**Liquidity Required (sum of lines 1-4)**			**66**	
Liquidity Sources					
6	**Liquidity Sources (sum of lines 6a - 6c)**			**51**	
6a	Broker Dealer Cash (available to fund B/D outflows only)			*4*	
6b	Parent Liquidity Pool (unrestricted)			*38*	
6c	Affiliated and Unaffiliated Bank Lines			*9*	
7	**Cushion / (Deficit)**			**(15)**	
8	**Liquidity Sources / Liquidity Required (line 6 / line 5)**			**78%**	
9	**Secured Funding Outflow / Liquidity Sources**				
9a	Secured Funding Outflow / Liquidity Sources (line 2 / line 6)			62%	
9b	Discussion Point: Reduction in Secured Funding Outflow required to achieve a 33% ratio in line 9a[1]			15	
9c	% Secured Funding > 30 days [2]			43%	

[1] Line 9b = line 2 - (line 6*.33)

[2] Lehman %

Secured Funding is >14 days.

Observations and Conclusions

		LEHMAN	
*		* Lehman's weak liquidity position is driven by its relatively large exposure to overnight CP, combined with significant overnight secured funding of less liquid assets. * Both one- and two-notch downgrades would result in significant collateral calls. * Lehman recognizes its vulnerabilities and is trying to reduce illiquid assets and extend maturities where possible. At 5/23/08, Lehman had 43% of its non-OMO eligible secured liabilities maturing beyond 14 days. * Lehman should improve its liquidity position by $15 billion. Its exposure to rollover risk in non-OMO eligible secured funding represents a large draw on its liquidity sources (62%) and should be reduced by further extensions in maturity on these liabilities, sales of the underlying assets or by increasing liquidity sources to mitigate the risk.	