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Subject: On-Site Primary Dealer Update: June 16
Date: 06/16/2008 05:09 PM
Attachments: [IB Financing Liquidity Master New.pdf](#)

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ON-SITE TEAMS REPORT

Summary: Lehman's earnings release today was largely in-line with last week's pre-release. No adverse information on liquidity, novations, terminations or ability to fund either secured or unsecured balances has been reported.

Lehman Earnings Release:

Highlights:

- Earnings: Net loss of \$2.8 billion, compared to \$0.5 billion in the 1Q08 and \$1.3 billion in 2Q07
- Revenue: Net revenue of negative (\$0.7) billion, compared to \$3.5 billion in the 1Q08 and \$5.5 billion in 2Q07
- Economic hedges: Provided no benefit (previously found to be 70% effective)
- Asset Markdowns: Marked down approximately \$4 billion of illiquid assets, of which 50% was residential mortgage-related, and 25% of commercial mortgage-related.

Measures taken in 2Q08 to strengthen Liquidity and Capital:

- Increased the liquidity pool from \$34 billion to \$45 billion
- Reduced gross and net assets by \$147 billion and \$70 billion, respectively
- Improved gross and net leverage ratios from 31.7x to 24.3x and 15.4x to 12.0x, respectively
- Reduced exposures to residential mortgages, commercial mortgages and real estate investments by 20% in each asset class
- Issued \$4 billion in convertible preferred stock in April and \$5.5 billion of public long-term debt in the quarter

Counterparty Credit Issues for Secured and Unsecured Financing

Goldman: Fidelity has indicated having no interest in renewing a \$1 billion prom note that is maturing today. Goldman did, however, add a new \$500mm 7-day low-grade equity repo.

Parent Company Liquidity Pool



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