

From: Ferguson, Bob: Risk Finance (NYK)
Sent: Wed, 10 Sep 2008 13:59:44 GMT
To: Keegan, Mike : Barclays Capital
CC: Madsen, Steve: Principal Credit (NYK); Labriola, Joseph: Principal Credit (NYK)
Subject: RE: Lehman earnings call 8:00AM

initial reaction was negative. Stock obviously gave up the 25% overnight gains. CDS widened to 600 right after the announcement. Since then CDS has come back to 520/550. The key problem is the amount of equity that it will take for the new REI spinoff. They really seemed to dodge the question on the call. Said that some of the equity will come from the sale of Neuberger stake and the rest will be from the residual equity at the "good" Lehman. No price disclosed on the sale and no plans to raise additional capital. Maybe they are getting such a great price for the Neuberger stake that they aren't worried.

They said the CRE portfolio is now marked at an average of 85%. They reduced CRE by 18% in the quarter taking a \$1.7 bil loss on that book. Current CRE is \$32.6 bil and they plan to transfer 25-30 into the REI including Archstone and SunCal. My question is how would they expect to transfer the CRE portfolio at its current mark to the Spinco if the market bids for that are significantly lower? Wouldn't they have to hold some provision in a non MTM book?

I think the one strong positive take away is in RMBS. Exposure was cut by 47% via sales and markdowns. Marked down RMBS assets an average of 20 additional points to an average price on all RMBS of 39%. They are pricing to returns of L+1000 with 45% defaults or L+0 with a stress of 79% defaults. They are still closing a sale of 4bil in UK RMBS (which IS included in the reduction) and may still sell some small amounts of remaining UK RMBS but feel that remaining RMBS exposure is marked conservatively enough that they won't be selling more. Any remaining pressure from LEH RMBS liquidations is gone. ABX is better bid but only up a point. Not seeing any huge buyers. Cash is probably a better buy at this point.

Bob

From: Keegan, Mike : Barclays Capital
Sent: Wednesday, September 10, 2008 9:39 AM
To: Ferguson, Bob: Risk Finance (NYK)
Subject: Re: Lehman earnings call 8:00AM

How is market reacting to leh's announcement.

From: Ferguson, Bob: Risk Finance (NYK)
To: Keegan, Mike : Barclays Capital; RFP; King, Stephen: Markets (NYK); Madsen, Steve: Principal Credit (NYK); Martin, David: Markets (NYK); Labriola, Joseph: Principal Credit (NYK); Kyritz, Edward: Portfolio Mgmt (NYK); Mazzei, Mike: CMBS (NYK)
Sent: Wed Sep 10 07:50:22 2008
Subject: Lehman earnings call 8:00AM

Conference Call

Event Title: Q3 2008 Earnings Call

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