

**From:** Bernard, Clement <clement.bernard@lehman.com>  
**Sent:** Monday, February 4, 2008 12:48 PM (GMT)  
**To:** Morton, Andrew J <amorton@lehman.com>  
**Cc:** McGarvey, Michael <mmcgarve@lehman.com>  
**Subject:** RE: Net leverage ratio

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There is a clear correlation between what we have in level 3 and what we have in non liquid asset. However, it is not always identical.

For instance we have not put our AAA subprime bonds in level 3 while I am sure we would consider these bonds as not very liquid and sticky.

Level 3 is a good place to start. We will put something together on level 3 trend. You will see that these numbers have increased a lot in 2007 due some assets becoming less observable

Clement

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> From: Morton, Andrew J  
> Sent: Saturday, February 02, 2008 3:14 PM  
> To: Bernard, Clement  
> Cc: Tonucci, Paolo  
> Subject: RE: Net leverage ratio  
>  
> OK thanks  
>  
> On that last point, I take it that it is the percentage of level 3  
> assets that is the focus.  
> If so could someone send me a graph of the history of the amount of  
> those assets in  
> fid, percentage of fid's overall bal sheet as percentage, etc  
>  
> Thanks  
>  
> \_\_\_\_\_  
> From: Bernard, Clement  
> Sent: Friday, February 01, 2008 11:00 PM  
> To: Morton, Andrew J  
> Cc: Tonucci, Paolo  
> Subject: Net leverage ratio  
>  
> You asked a question the other day on net leverage ratio as you  
> thought that the firm was moving away from that. I have talked to  
> Paolo. You are right the firm is trying to move away from net  
> leverage. However they cannot do that until the quality of assets  
> improve ie we reduce our exposure to sticky assets like Mortgages and  
> Real Estate.  
>  
> Clement  
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