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**Sent:** Thursday, July 31, 2008 5:21 PM (GMT)  
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**Subject:** Balance Sheet Analysis and Targets  
**Attach:** BS\_WORKSHEET\_Q3\_FINAL.xls

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Kaushik

Attached is a spreadsheet Tejal helped me put together with my suggested allocations for the global balance sheet/repo 105 for this quarter.

A few observations:

-> I have allocated 70% (14 out of 20b) of the Q3 Repo 105 to London for this quarter. However, 105 is going to zero in Q4, which means we either need more balance sheet from FID or we need to make significant reductions in Europe, which has not happened until now. There is no way we can make Q4 balance sheet without Repo 105 unless our inflation inventory is cut by 60-75% from current levels.

-> Asia did a great job getting to bear bones level last quarter. They can not be cut any further

-> In the US, outside of Agencies and JH we have little flexibility from the end of Q2 numbers (see "Top Users" breakdown on Page 1)

-> Agencies we continue to reduce daily, and are getting close to pre-2006 levels (see history tab). Long term target should be 13-14b gross and 6-7b net.

Let me know if you agree with the regional breakdown targets. If so, let's distribute them to Kieran and Thomas and have them allocate down to the trader line.

- Jeff

<<BS\_WORKSHEET\_Q3\_FINAL.xls>>