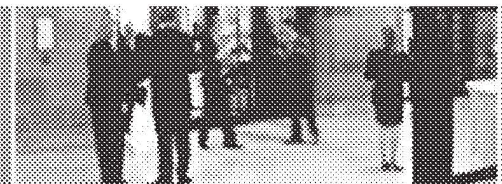
Primary Dealer Monitoring: Liquidity Stress Analysis

June 25, 2008 (Revised June 26, 2008)



Liquidity Stress Analysis: Assumptions

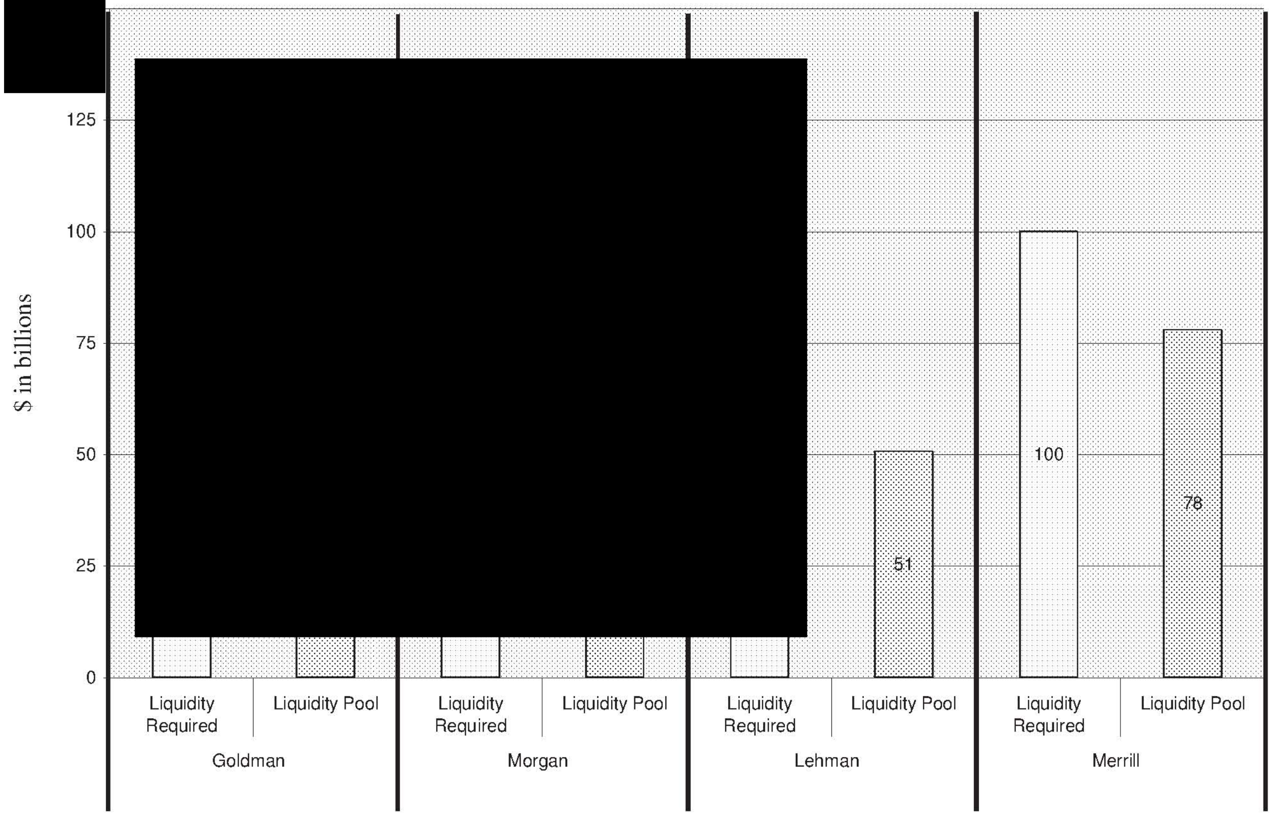
As of dates: 5/22/08 - 6/10/08	**Severity Assumption**
UNSECURED FUNDING - Percent not rolling	
Total Unsecured Funding	100%
SECURED FUNDING - Percent not rolling	
Fixed Income Finance	
OMO Eligible	0%
Liquid	20%
Less Liquid	50%
Illiquid	100%
Equity Finance	
Liquid	20%
Less Liquid	50%
ON-BOARDING AND 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

[redacted]ed Information

Summary [redacted]

[redacted]

	Goldman	Morgan	Lehman	Merrill
Liquidity Sources as % of Liquidity Required	101%	110%	78%	78%
Cushion / (Deficit) *$ in billions*	1	11	(15)	(22)



[redacted]

Detailed [redacted]

[redacted]					
[redacted]		[redacted]	**Morgan**	**Lehman**	**Merrill**
[redacted]					
1	Unsecured Funding: amount not rolling	20	12	14	19
2	Secured Funding: amount not rolling	26	42	35	47
3	On-Boarding and Other Commitments	13	12	8	15
4	Operating Cash Flows: net outflows (sum of lines 4a - 4c)	33	43	13	20
4a	*Prime Brokerage*	*17*	*26*	*2*	*4*
4b	*Collateral Payments*	*13*	*10*	*9*	*10*
4c	*Derivatives/Margin Payment Mismatches*	*3*	*8*	*2*	*5*
5	**Liquidity Required (sum of lines 1-4)**	**92**	**109**	**69**	**100**
Liquidity Sources					
6	**Liquidity Sources (sum of lines 6a - 6c)**	**93**	**120**	**51**	**78**
6a	Broker Dealer Cash (available to fund B/D outflows only)	-	*33*	*4*	*2*
6b	Parent Liquidity Pool (unrestricted)	*93*	*87*	*38*	*66*
6c	Affiliated and Unaffiliated Bank Lines	-	-	*9*	*10*
7	**Cushion / (Deficit)**	**1**	**11**	**(18)**	**(22)**
8	**Liquidity Sources / Liquidity Required (line 6 / line 5)**	**101%**	**110%**	**74%**	**78%**
9	**Secured Funding Outflow / Liquidity Sources**				
9a	Secured Funding Outflow / Liquidity Sources (line 2 / line 6)	28%	35%	68%	60%
9b	Discussion Point: Reduction in Secured Funding Outflow required to achieve a 33% ratio in line 9a[1]	n/a	3	18	21
9c	% Secured Funding > 30 days [2]	69%	19%	43%	10%

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

[2] Excludes OMO eligible securities for all firms; does not include matched book for Morgan because maturity structure has not yet been provided. Lehman % Secured Funding is >14 days.

[redacted]

Observations and Conclusions

GOLDMAN	MORGAN	LEHMAN	MERRILL
* Sound liquidity position. * Parent and broker / dealer liquidity pools are comprised of high quality assets. * Liability structure is significantly term funded: at 5/23/08, 69% of its non-OMO [redacted] 30 [redacted] gre[redacted] * E[redacted] Go[redacted] co[redacted] ack[redacted] this[redacted] * M[redacted] lon[redacted] to i[redacted] req[redacted] * W[redacted] Go[redacted] tim[redacted]	* While Morgan shows a liquidity cushion, the preponderance of overnight secured funding creates uncertainty around its potential outflows. Morgan compensates for its higher risk with a very large liquidity pool. * Morgan projects significant outflows in [redacted]	* 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. [redacted]bilities [redacted]ssets and [redacted]. At [redacted] non- [redacted] maturing [redacted]uidity [redacted]sure to [redacted]le [redacted]e draw [redacted]d should [redacted]s in [redacted]s of the [redacted]g [redacted]risk.	* Merrill's weak liquidity position is driven by significant amounts of illiquid fixed income assets as well as a large matched book that finances customer transactions. * Similar to Morgan, Merrill's equity financing structure appears to be more complex and more risky than Goldman's. * Merrill's liquidity pool is low, a fact that Treasury Management does not acknowledge. Treasury Management includes relatively illiquid sources of liquidity in its internal calculations and projects significant reductions in assets and customer financing to arrive at a positive outcome in its own eyes. * Merrill needs to embrace conservatism in its liquidity analysis and acknowledge that it needs to improve its liquidity position. Merrill should improve its liquidity position by $20 billion. Its overnight exposure to rollover risk in non-OMO eligible secured funding represents a large draw on its liquidity sources (60%) 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.