

Confidential

FID Operating Committee Offsite 2006

Introduction and Strategy Overview

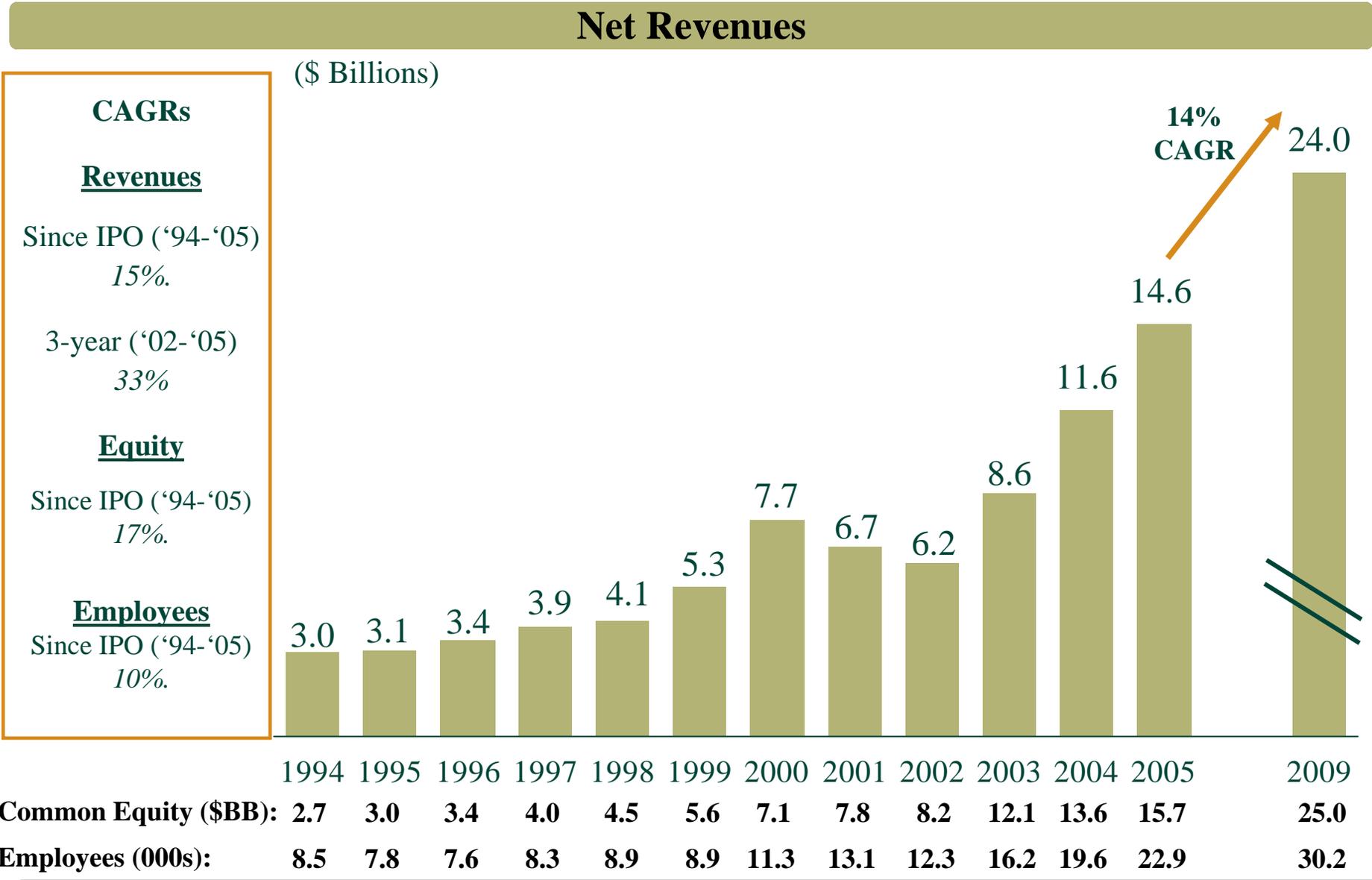
Michael Gelband

Global Head of Fixed Income

September 28, 2006

LEHMAN BROTHERS

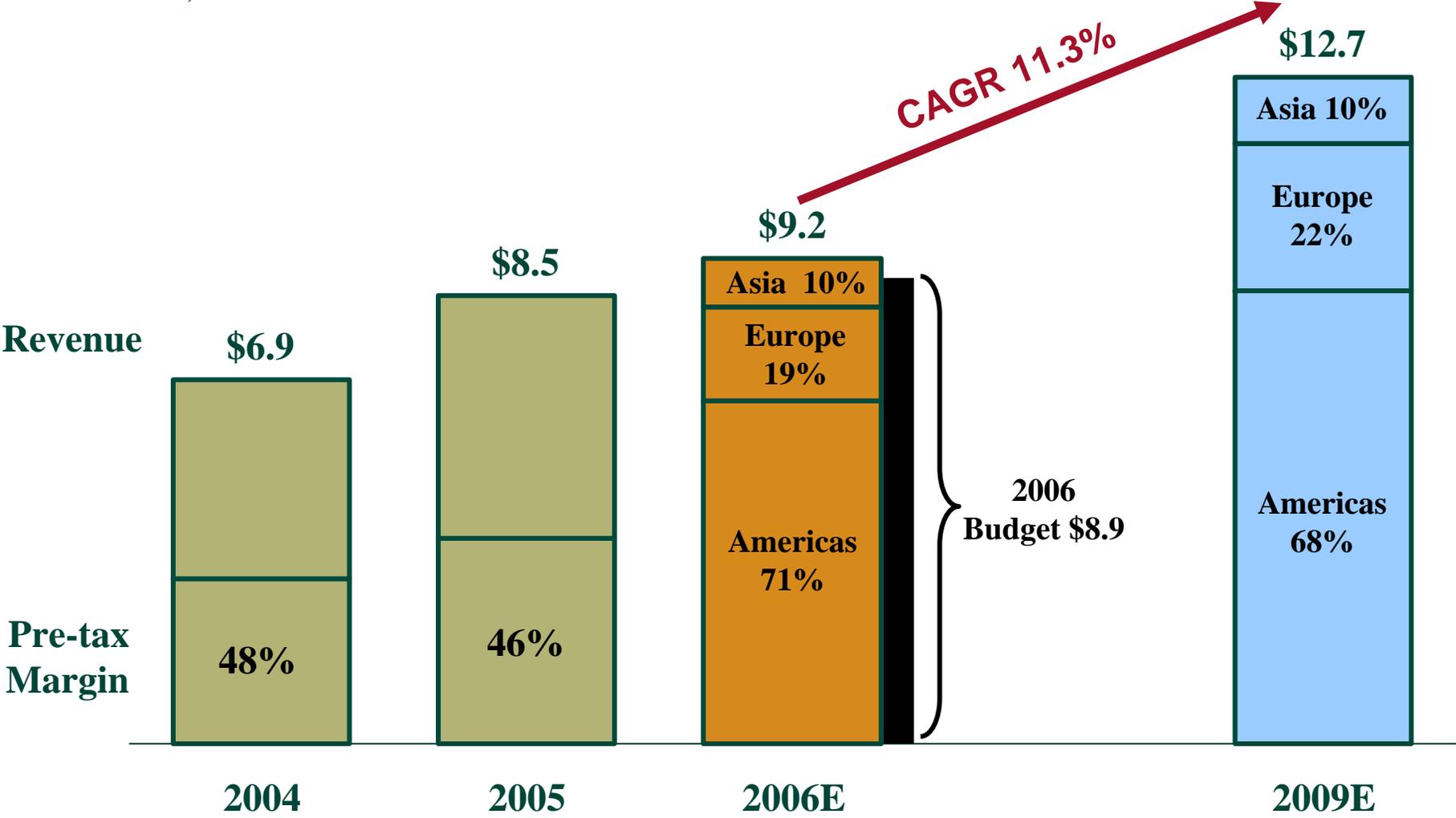
Road to \$150...Again



FID Three Year Plan

FID Revenue and Pretax Margin

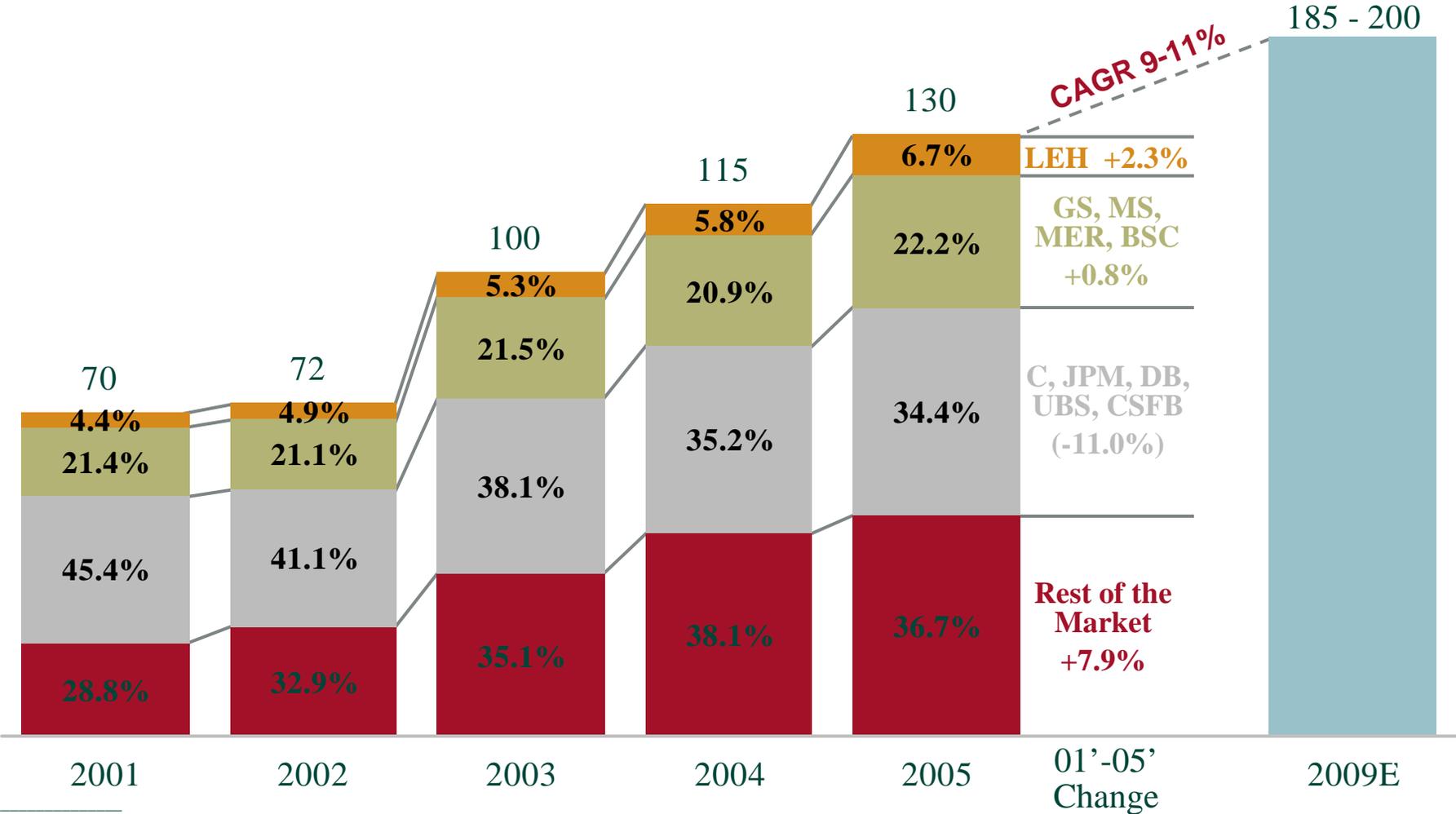
(\$ in billions)



Market Environment: Revenue Growth Opportunity

Global Fixed Income Revenue Pool

(\$ in billions)

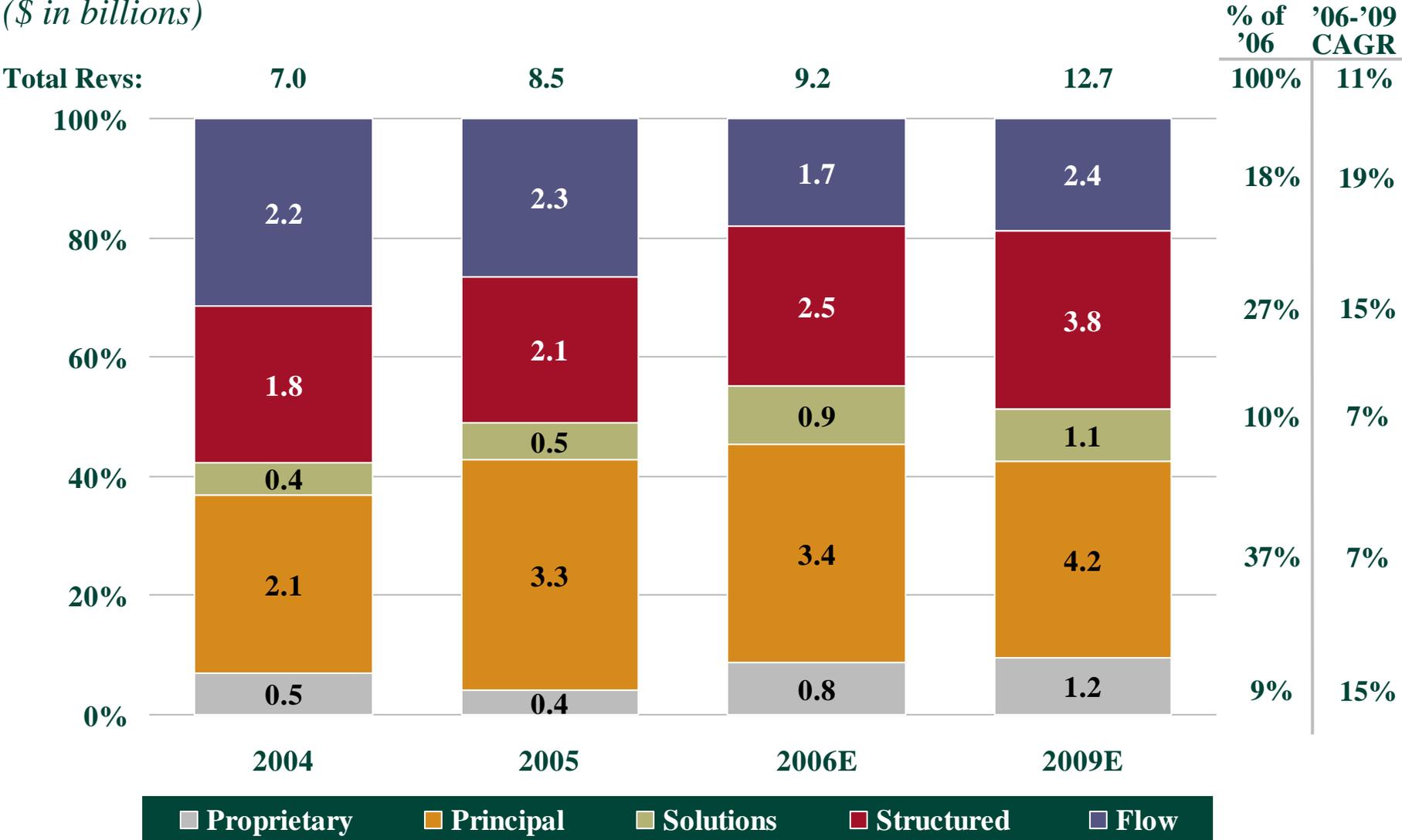


Source: 10Ks/Qs of top 10 dealers (LEH, GS, BSC, MS, MER, JPM, C, CSFB, DB, UBS).
 Notes: Global Fixed Income Revenue Pool includes Debt Underwriting.

Fixed Income Revenue Segmentation

Global Business Mix by Segment

(\$ in billions)



1. 2006 Revenues are annualized as of May.

Operating Across Silos Creates Value

Leveraged Buy-Out of the Hertz Corporation



\$1.6 billion
ABL Revolving Credit Facility

\$2.25 billion
Term Loan and Synthetic LC Facility

\$1.8 billion
Senior Notes

€225 million
Senior Notes

\$600 million
Senior Sub Notes

\$5.8 billion
Rental Car Asset-Backed Notes

- ◆ Lehman Brothers provided an innovative financing package to the Financial Sponsors:
 - Complex capital structure that was very marketable to the high yield investor base.
 - Combination of Corporate and Fleet financing provided a low blended rate with maximum debt capacity.
 - Flexible covenant package that was tailored to the unique requirements of the issuer.

Operating Across Silos Creates Value

Acquisition of Dunkin' Brands



\$1.6 billion
Committed Financing

\$150 million
Revolving Credit Facility

\$850 million
Term Loan B Facility

\$185 million
Funded Senior Bridge Facility

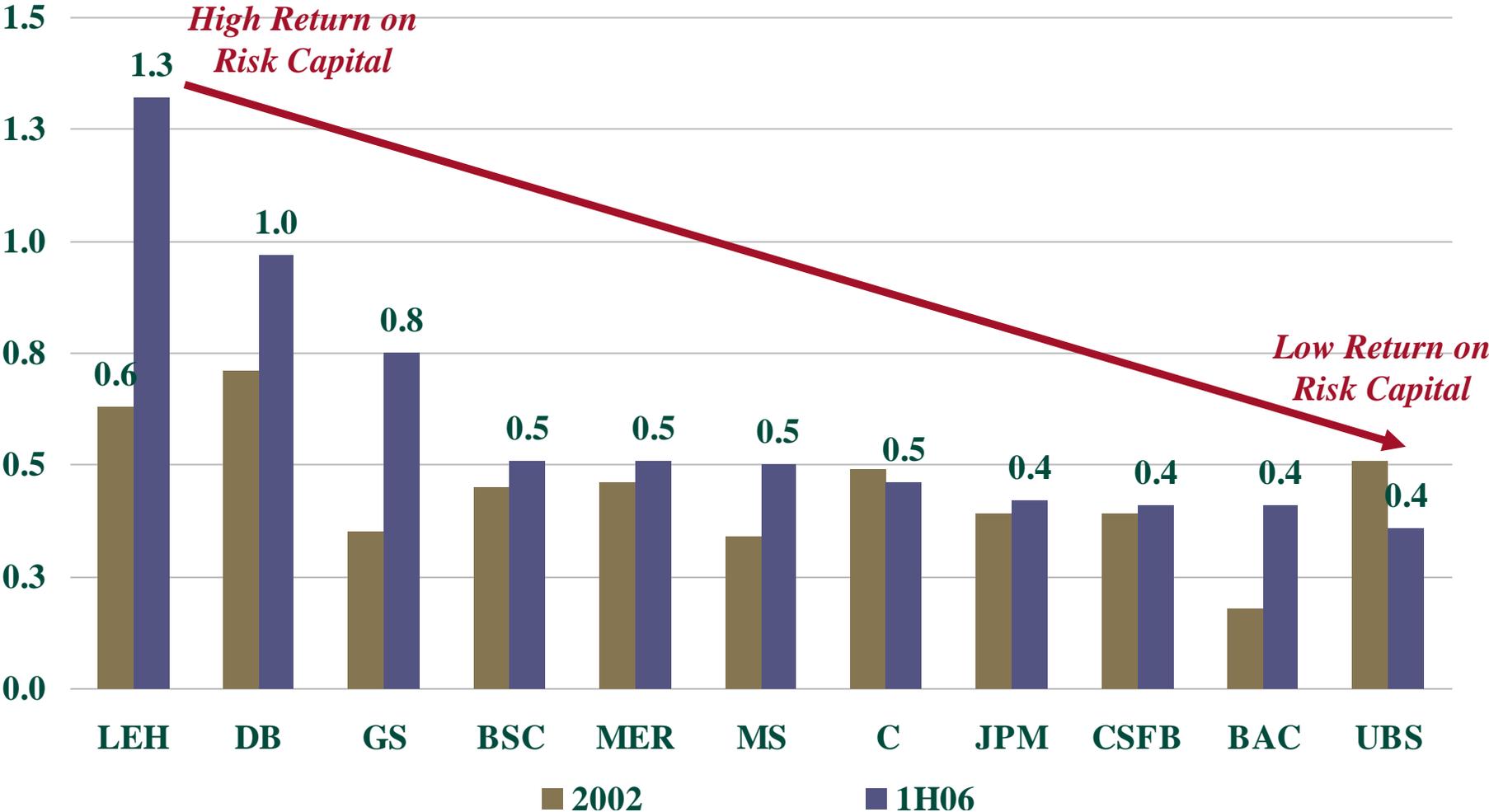
\$465 million
Senior Subordinated Bridge Facility

- ◆ \$1.7 billion of Committed Financing to support the Consortium's bid of Bain Capital, The Carlyle Group and Thomas H. Lee Partners
- ◆ The asset backed financing will provide the sponsors with significant interest savings and flexibility
- ◆ Lehman Brothers is the Lead Underwriter and Sole Structuring Advisor with regard to the asset backed security to refinance the funded acquisition financing

Disciplined Risk Management?

Fixed Income Daily Trading Revenues / Fixed Income Daily VaR

Revenue/VaR



Key Themes

- ◆ Invest in new businesses
- ◆ Grow existing businesses with new products and services
- ◆ Increase our capacity to source/originate principal opportunities
- ◆ Develop our intellectual capital
- ◆ Operate across silos in ‘virtual businesses’
- ◆ Deploy our capital more aggressively but thoughtfully

Opportunities for Growth

The Firm has identified several strategic opportunities for future growth.

2006 Lehman Strategy Offsite

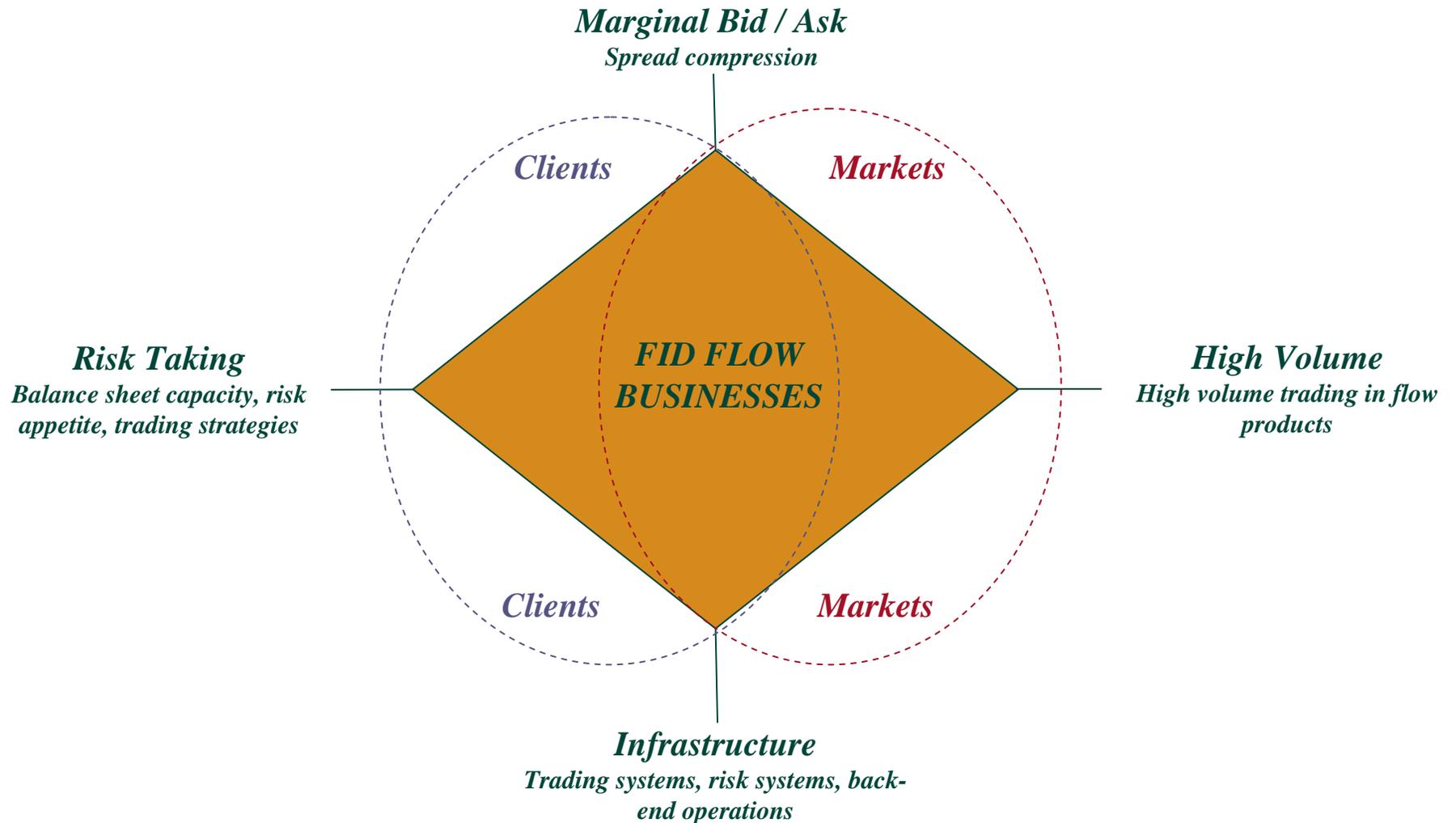
- ◆ Derivatives Origination Strategy
- ◆ Maximizing Research Value
- ◆ Scaling Asia
- ◆ Hedge Fund Strategy
- ◆ Financial Sponsors Strategy
- ◆ Gulf Coast/Petro Dollar Opportunity
- ◆ Russia and Emerging Europe

2006 Sun Valley Offsite

- ◆ Insurance Opportunity
- ◆ Infrastructure Opportunity
- ◆ Emerging Markets Business
- ◆ Global MCD Expansion
- ◆ Regional Expansion (India, China, Australia, Canada)
- ◆ Increased Risk Deployment

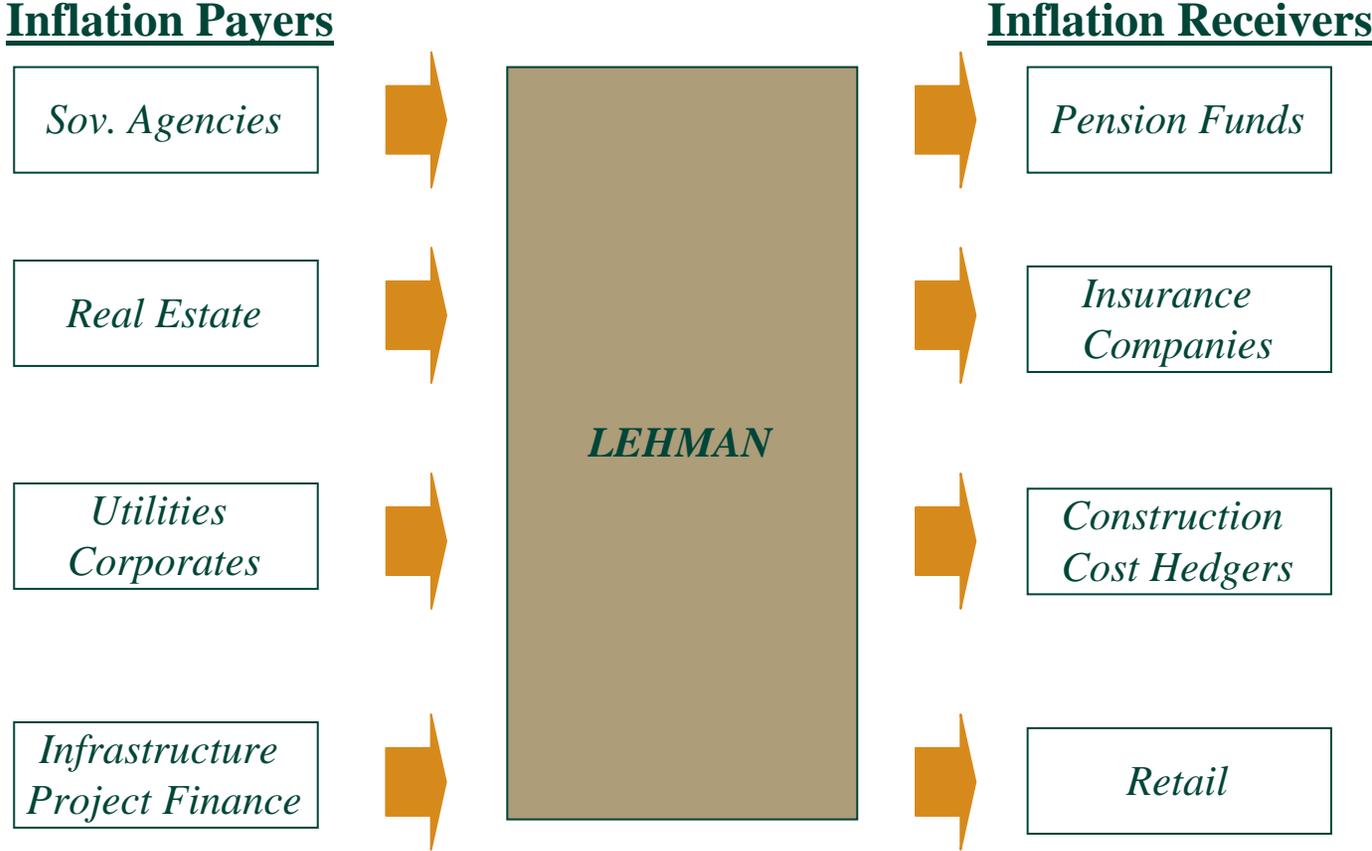
Flow Business

All flow businesses have a well defined set of dynamics that need to be balanced



Exotics: Inflation Case Study

Lehman was one of the first to take advantage of the inflation opportunity and now maintains a good position in a fast growing highly competitive market

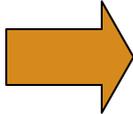


Principal Sourcing Strategy

Sourcing Principal risk will be key to continuing the strong growth of our Fixed Income Franchise

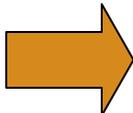
Market Trends

Abundance of Capital



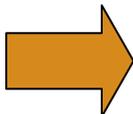
◆ Increase demand for risk; clients also are competitors in certain segments

Vertical Integration



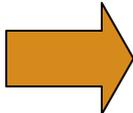
◆ Captive product increasingly important; marginalization of agent business

Securitization Evolution



◆ Sourcing required to feed securitization pipeline

Leading with Principal Risk Taking



◆ Competitors leading with Principal; sourcing increasingly competitive

Infrastructure: Modeling, Analytics & IT

Ensuring that FID's Modeling, Analytics and IT capabilities are used as 'offensive weapons' as well as support and control.



- ◆ Building industry leading models for valuation, risk management and new product development.
- ◆ Improving time to market for new models and products.
- ◆ Supporting all businesses globally by developing and implementing leading edge IT systems for valuation, booking and risk management analytics.