

CONFIDENTIAL
LEHMAN BROTHERS

INTERNAL USE ONLY MEMORANDUM

High Grade Committee, Commitment Committee and Equity Commitment Committee As of 5/14/07

<p>High Grade Commitment Committee Greg Smith, Chairman (5th) Tucker Hackett , Co-Chairman (5th) Frank Turner (5th) Adrian de Lagarde (5th) Patrick Marshall (London-6th) Rohit Nair (5th) Ahuva Schwager (5th) Dan Haykin (5th)</p>	<p>NY Commitment Committee Steven Berkenfeld, Chairman (20) Madelyn Antoncic (29) Kevin Genirs (20) Patrick McGarry (29) John Niebuhr (20) Bill Tudor John (London-Via Email)</p> <p>cc: (Full Book) Emily Davis (20) Gary Fox (20) Jeffrey Goodman (29) John Morris (20)</p> <p>Evette Saldana (20) Blanca Garrido (20) (Committee Coordinators-2 Copies)</p>	<p>Equity Committee Members (Memo via Email Only) Timothy Gould, Chairman (2nd Flr) Hard Copy Jay Coleman Richard Cunningham David Erickson Matt Johnson Philip Lynch Bart McDade Ajay Nagpal Michael Rinaldi Iriss Shimony (2nd Flr) (Hard Copy) Patrick Whalen Larry Wieseneck</p> <p>European Memos only John Wilson</p> <p>Asia/Japan Memos only David Douglas JoonKee Hong David Paine</p> <p>Convertible Memos only Richard Gatward Michael Sherman John Wickham</p>
<p>cc: (memo only via Outlook) Anthony Capozzoli Arnaud Checconi John Ferraro Peter Flink Victor Forte Jocelyn Girard Aisha Haque George Janes Rossy Loor-Denis William McLoughlin Janine Shugan</p>	<p>cc: (memo only via Outlook) Emma Bailey Jonathan Bayer Sean Ferrari Marisa Forte Joseph Gault Les Gorman Edward Grieb Lynne Johnston D. Casey Kobi Stephen Lessing Skip McGee Jami Miscik Christina Pae Ryan Polisi Joseph Polizzotto Beth Rudofker Runa Saeki Deborah Skolnik Ros Stephenson Naoko Taniguchi (Tokyo) Larry Wieseneck</p>	<p>cc: (memo only via Outlook) Rebecca Allard Daniela Fabiani Cara Lai Stuart Linde Deborah Skolnik Duncan Smith</p>

MEETING DATE: JUNE 1ST, 2007

TIME: 7:00 AM

SUBJECT: Request to participate as a Joint Bookrunner in Och-Ziff's IPO

FROM:

SRM

Tom Marino (5-8250)
Jared Rubin (5-0403)

Hedge Fund Coverage

Erin Callan (5-2062)
Martin Kelly (5-3606)
Michael Rees (5-5597)
Drew Laurino (5-9507)
Benjamin Paull (5-7786)
Donald Tansey (5-0531)

Global Finance

Larry Wieseneck (5-3211)
Joe Valenti (5-2555)

Equity Capital Markets

Dave Erickson (5-7523)
Geoffrey Feldkamp (5-1267)
Warren Fixmer (5-8323)
Andrea Fernandez (5-7801)

ECM Execution

Jay Coleman (5-7637)
Benjamin Marsh (5-2920)

Equity Syndicate

Joe Castle (5-9420)

Global Financial Solutions

Daniel Kerstein (5-0406)
Yoav Wiegenfeld (5-0026)
Dan Kashdin (5-3566)

Legal

Runa Saeki (5-5443)

LOCATION:

**ALLAN KAPLAN'S CONF. ROOM-20TH FLR-SOUTHEAST CORNER-745 SEVENTH AVENUE
ALSO VIA CONFERENCE CALL-IN # 866-779-0772 (US) OR 334-309-0261 (INT'L)
CONF. ROOM # (*5112211*) (YOU MUST ENTER THE *)**

Please call Benjamin Paull (5-7786) or Don Tansey (5-0531) for additional information.

Core # 116651.10

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I. Introduction

Och-Ziff Operating Group (“Och-Ziff” or “the Company”) is a premier global, multi-strategy, alternative asset management firm. The company is one of the largest hedge fund managers in the world with approximately \$26.8bn under management as of May 1, 2007. The company was founded in 1994 by Daniel S. Och, in partnership with Ziff Brothers Investments, with the goal of building a world class investment management business. Over the past 13 years, the Company has grown into a global firm with approximately 280 employees, including 18 partners and over 115 investment professionals, and offices in New York, London, Hong Kong, Tokyo and Bangalore. The company expects to open an office in Beijing later this year. The company’s diversified multi-strategy approach combines investment teams in the U.S., Europe and Asia, and strategies including merger arbitrage, convertible arbitrage, event-driven arbitrage, credit, distressed credit investments, real estate and private equity investments.

Strategy	AUM (billions)	Net Annualized Return
OZ Master Fund	\$17.3	12.60% ⁽¹⁾
OZ Europe Master Fund	4.9	13.12% ⁽²⁾
OZ Asia Master Fund	2.7	12.53% ⁽³⁾
Och-Ziff Capital Structure Arbitrage Fund	0.2	7.24% ⁽⁴⁾
OZ Global Special Investments Fund	0.2	NA

Note: As of 3/31/07

(1) Net annualized performance from January 1998 inception through March 31, 2007.

(2) Net annualized performance from April 2000 inception through March 31, 2007.

(3) Net annualized performance from February 2005 inception through March 31, 2007.

(4) Net annualized performance from October 2004 inception through March 31, 2007.

A. Overview of the Transaction

Lehman Brothers will serve as a joint bookrunner for Och-Ziff’s proposed Initial Public Offering (the “Offering” or the “Transaction”). The Offering will consist of all newly issued Class A shares as described in more detail below. The Company expects to file its initial S-1 (a draft of which is located in section A of the appendix of this memorandum on Friday, June 1, 2007 or early next week.

Along with Lehman Brothers, Goldman Sachs has been selected as a joint bookrunner (left) for the transaction. It is expected that Och-Ziff will appoint additional bookrunners and/or managers following the initial filing of the S-1.

In addition to serving as a Joint Bookrunner on its IPO, Och-Ziff is seeking a verbal commitment from Lehman Brothers to commit \$165mm as part of a \$500 million term loan to be provided by the syndicate group prior to filing an initial S-1 IPO document as early as Friday, June 1st. Goldman Sachs and Lehman Brothers will be the only bookrunners listed in the first filing and will initially underwrite 100% of the loan, collectively. As incremental underwriters are added to the deal, they will be required to take their pro rata share of the exposure.

The team will engage in the formal LPC process once terms are negotiated, but given the accelerated timeline, we will need to communicate our verbal commitment by the end of the week prior to the completion of negotiations and documentation.

Company Counsel is Skadden, Arps, Slate, Meagher & Flom LLP (“Skadden”). Underwriters’ counsel is Sullivan & Cromwell LLP (“S&C”). The company’s auditor is Ernst & Young. The Company is expected to trade on the NYSE under the ticker “OZM”.

B. Structure of the Transaction

Currently, the 18 partners of Och-Ziff and the Ziff Brothers directly hold 100% of Och-Ziff’s existing entities (collectively, the “Och-Ziff Operating Group”). Through the proposed transaction, the public will invest in a new holding company (Och-Ziff Capital Management or “OZM”) which will use the IPO proceeds to purchase a 10% economic interest in the Och-Ziff Operating Group from the partners.

The proceeds will be distributed to each of the existing 18 partners. Each of the partners (other than the Ziffs) has agreed to use the proceeds (net of taxes, fees and other expenses) to acquire limited partner interests in the Company’s Global Special Investment Fund.

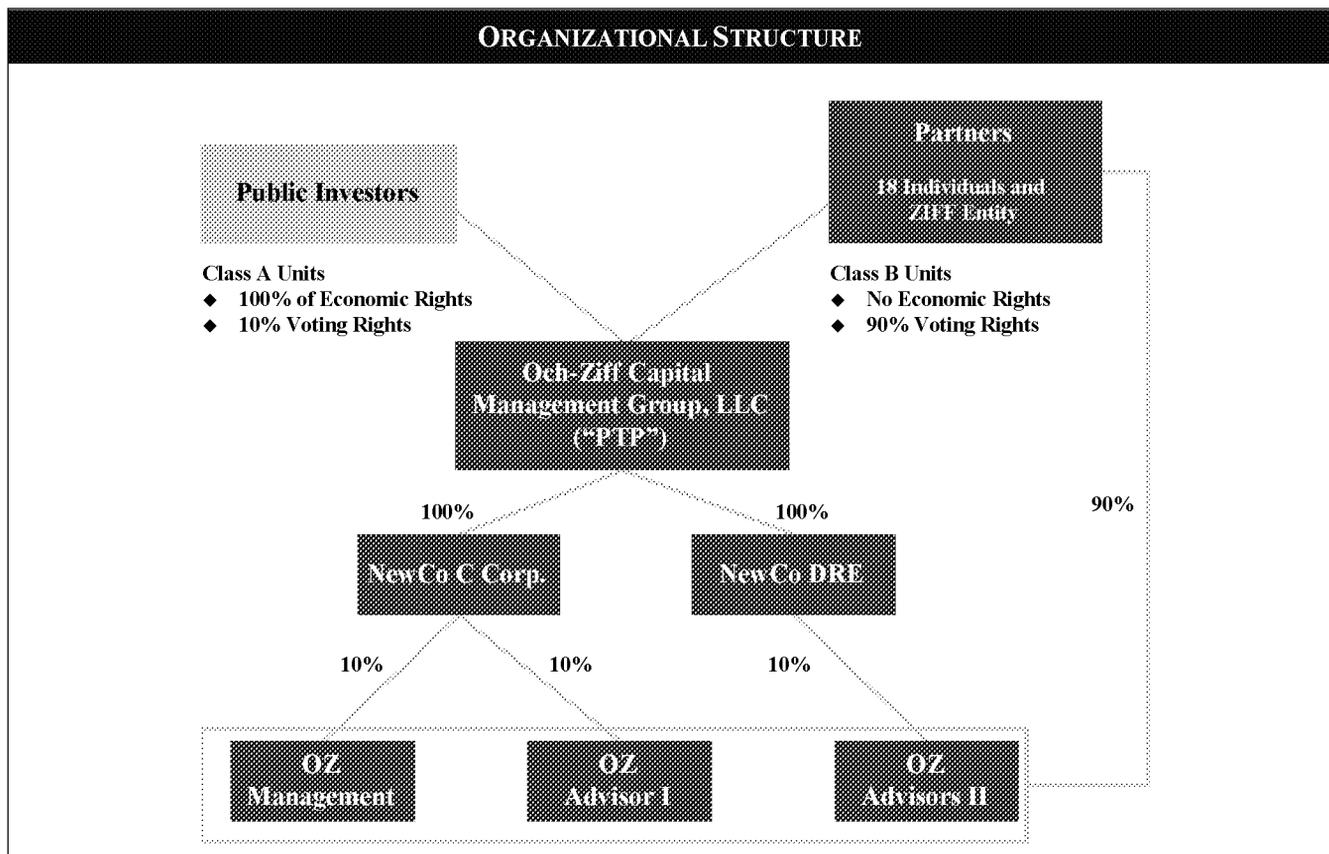
The Och-Ziff Operating Group intends to distribute 75% of its annual distributable earnings; 10% of which will pass through to the public shareholders through OZM. The partners will receive 90% of the distributed cash flows through their direct ownership of the Och-Ziff Operating Group. It is anticipated that restricted stock units will be issued at the IPO which will grant non-partner employees rights to distributions via OZM.

OZM will have two types of shareholders:

Class A shares, which will initially represent 100% of the economic interests and 10% of the voting rights of OZM, will be held by the public investors. In addition, certain Och-Ziff employees will receive additional restricted Class A shares at the time of the Offering and at various other times pursuant to an Equity Incentive Plan; Class A shares issued to employees will have a 5-year vesting period.

Class B shares, which will represent 90% voting rights of OZM, will have no economic interest and be issued to the partners. Partners will retain their economic interests through ownership of Operating Group Units which retains tax-efficiency.

Additionally, subject to transfer restrictions, forfeiture and minimum ownership requirements (see “Lock-ups”), partners of Och-Ziff have the right to convert their Class B shares together with their holdings of the partnership units in the Och-Ziff Operating Group into Class A shares of OZM over time.



C. Governance

Voting Rights: Initially, the Partners will hold 90% of the voting interests in OZM through their ownership of the Class B shares. This will correspond with their 90% ownership of the economic interests in the organization reflected by direct ownership of Och-Ziff Operating Group. Over time, this voting interest of the partners may be reduced if the partners convert their Class B shares and partnership units in the Och-Ziff Operating Group into Class A shares.

Dan Och, through a proxy to be granted to him by the other 17 Partners, will control the vote of the Class B shares and, therefore, the outcome of any matter submitted to a vote of the security holders.

Pursuant to a Shareholders' Agreement, for as long as the Partners of Och-Ziff and their permitted transferees hold at least 40% of the total voting power of OZM's Class A and B shares, they (and as a result of the proxy agreement, Dan Och) will have approval rights over several types of transactions, including:

- Incurrence of debt exceeding 10% of the then long-term debt of the company;
- Issuance of equity or equity-related outstanding shares equal to at least 10% of the total combined voting power of outstanding Class A and B shares;
- Equity or debt commitment or investment greater than \$250 million;
- Entry into a new line of business that requires a principal investment in excess of \$100 million;
- Any distribution to the partners by any Och-Ziff Operating Group Entity;

- The adoption of a shareholder rights plan;
- Any appointment of a chief executive officer or co-chief executive officer; or
- The termination of the employment of a partner without cause.

Board: The Board will initially consist of 11 members, including five Partners of Och-Ziff. Six of the eleven members will be independent under NYSE standards. For as long as the Partners own 50% or more of the voting power of OZM's securities, the Board will consist of at least six members who are designated by the Partners. If the partners hold between 10% and 50% of the voting power of OZM, they shall control between 2 and 5 seats on the Board, based on the amount of their collective ownership of OZM.

Lock-Ups / Vesting Periods / Employment Agreements / Transfer Restrictions:

- Pursuant to the Shareholders' Agreement, Partners are restricted from transferring shares. These limitations are in effect for a period of 5 years and stipulate a maximum percentage of partners' interest which can be divested during a certain period. These limits will decrease 20% per year over the 5 years.
 - While employed at Och-Ziff, partners must continue to hold 25% of vested units. In addition, partners cannot make any sales of Class A shares for the first 120 days after the Prospectus date.
 - All shares sold by Partners are subject to approval by Dan Och.
- Pursuant to a Partners' Agreement, voluntary termination of employment by a Partner prior to the fifth anniversary of the offering will cause a partial forfeiture of their ownership of Class B shares and corresponding Och-Ziff Operating Group units. This forfeiture amount will decrease by 20% each year over 5 years.
- Further, in the event the Partner Performance Committee (initially comprised only of Mr. Och and two other Partners) determines that a Partner employed by Och-Ziff is not performing his duties consistent with expectations, one-third of such Non-Performing Partner's Forfeitable Interests shall be forfeited.
- Non-Competition: If a Partner terminates his employment voluntarily or is terminated with cause, the Partner may not compete against Och-Ziff or select Och-Ziff employees or investors for 2 years post-termination.

Registration Rights:

- The company has granted registration rights to the partners that allow them at any time after one year following the consummation of this offering to request the resale of Class A shares representing at least 2.5% of the total combined voting power of all outstanding Class A and B shares.

SOX 404 Compliance:

- The company anticipates that it will be SOX 404 compliant by the end of 2008. The company has hired professionals with experience at the SEC and corporate law firms at which they advised on

compliance related issues. The company is hiring additional IT and tax personnel to assist in the compliance effort.

D. Lehman Brothers' Relationship

Lehman Brothers has a strong firm-wide relationship with Och-Ziff. Lehman Brothers' senior relationship management effort for Och-Ziff is led by Tom Marino. At the executive level, Dick Fuld, Roger Nagioff and Jeremy Isaacs have strong relationships with Och-Ziff's partners and maintain an active dialogue. The Och-Ziff relationship was featured in Lehman Brothers' 2006 annual report (Prime Services section).

From Investment Banking, Och-Ziff is covered by Erin Callan, who is supported by Michael Rees, Andrew Laurino, Ben Paull and Donald Tansey. Global Finance coverage is led by Larry Wieseneck, Geoff Feldkamp, and Joe Valenti. Research will be provided by Roger Freeman.

Och-Ziff contributed \$33 million in revenue firm-wide in 2006 (run-rate to contribute \$35 million in 2007), the majority of which was capital markets-related. This represented a 63% year-on-year increase. The increase was significant across equities and fixed income. This will be Lehman Brothers' first capital markets and investment banking transaction for Och-Ziff.

Lehman Brothers acts as a prime broker ("PB") to Och-Ziff (global PB mandate in January 2005, PB mandate for new Vol Fund in August 2006). Och-Ziff is currently one of Lehman Brothers' largest fixed income and equities counterparties, and Lehman Brothers represents one of Och-Ziff's top capital markets counterparties.

E. Summary Terms of the Offering

SUMMARY TERMS OF THE OFFERING	
Underwriting Group:	Lehman Brothers Goldman, Sachs & Co.
Type of Security:	Class A
Exchange Listing:	NYSE
Proposed Ticker:	“OZM”
Proposed Offering Size:	[\$1.5 - \$2.0 billion]
Anticipated Filing Range:	[\$] - [\$]
Over-Allotment Option:	15% of base transaction
Use of Proceeds:	Paid to Och-Ziff Operating Group in exchange for OZM’s 10% interest in Och-Ziff Operating Group. The offering proceeds received by Och-Ziff Operating Group will be distributed on a pro rata basis to each of the existing 18 Partners. Each of the Partners (other than the Ziffs) has agreed to use the proceeds (net of taxes, fees and other expenses) to acquire limited partner interests directly in the Company’s Global Special Investments Fund. This is a new fund focused on private equity investing. These limited partner interests will be subject to restrictions regarding withdrawal or transfer until the fifth anniversary of the IPO.
Lock-Ups: (to be finalized)	Partners: Declining restrictions on partners’ ability to transfer Class B shares for five years post-offering; voluntary termination of employment or termination for cause in the first five years post-offering will cause a partial forfeiture of their ownership of Class B shares and corresponding partnership units (see “Lock-ups” in Section I). Partner Performance Committee has the right to force forfeiture of 1/3 of “non-performing partner’s” forfeitable interests. Finally, all share sales must be approved by the “Shareholders Committee”. Employees: Restricted Class A shares; five-year vesting schedule from time of grant Non-Employee Directors: Restricted Class A shares; three-year vesting schedule
Dividend Policy:	Intend to payout 75% of Distributable Earnings in the form of quarterly dividends
Gross Spread:	TBD
Underwriter Economics:	TBD
Expected Filing Date:	June 1, 2007
Expected Pricing:	Expected August 2007; subject to market conditions and SEC status
Company’s Counsel:	Skadden, Arps, Slate, Meagher & Flom LLP
Underwriters’ Counsel:	Sullivan & Cromwell LLP
Accountants:	Ernst & Young

F. Summary Terms of the Loan

Borrower:	Och-Ziff Capital Management, L.L.C.
Size:	\$500mm, with \$200mm incremental amount
Use of Proceeds:	Dividends to Och-Ziff partners for subsequent reinvestment in Och-Ziff funds
Initial Commitment:	\$165mm (1/3 of facility based on 20% LEH / 40% GS fee split)
Final Commitment:	\$100mm (20% of facility based on 20% LEH economics)
Ratings:	Unrated (implied Baa3 / BBB-)
Maturity:	6 years, funded
Rate:	L+75 bps
Upfront Fee:	75 bps
Indicative MTM:	97-98% (implies a \$2mm - \$3mm mark at a \$100mm commitment)

Note: The indicative MTM is based upon preliminary conversations with Ray Kahn and is subject to change once diligence is complete and terms are negotiated. Lehman Brothers has asked for loan titles of Joint Lead Arranger, Joint Bookrunner and Syndication Agent, but has not yet been guaranteed any title.

G. Timing

SUMMARY TIMETABLE	
[June 1, 2007]	Provide verbal commitment to term loan
[June 1, 2007]	File S-1
Late-June 2007	Receive S-1 comments from SEC
Mid-July 2007	File response to SEC comments with range, if market conditions permit
Late-July 2007	Provide formal commitment to term loan
Early August 2007	Fund and close term loan
August 1, 2007	Obtain SEC approval. Print and circulate preliminary prospectus
August 2, 2007	Management Presentation
August 2 –15, 2007	Roadshow
August 15, 2007	Pricing
August 21, 2007	Closing (T+3)

H. Use of Proceeds

The net proceeds from the Offering, after deducting offering expenses and the underwriting discount, will be contributed down from OZM, through its subsidiaries, into the Och-Ziff Operating Group, in exchange for OZM's 10% interest in the Och-Ziff Operating Group.

Each of Och-Ziff's existing Partners (other than the Ziff's, who represent approximately a 10% pre-IPO ownership stake) have agreed to use the proceeds (net of taxes, fees and other expenses) to acquire limited partner interests directly in the Company's Global Special Investments Fund. These limited partner interests will be subject to restrictions regarding withdrawal or transfer until the fifth anniversary of the IPO.

I. Recent Events / Transactions

March 2007 – Och-Ziff was part of an investment group including Fortress and Morgan Stanley, investing in ProStrakan's \$50 million debt facility. ProStrakan is a European specialty pharmaceutical company.

February 2007 – Och-Ziff acquired a 25% stake in Nitesh Estates of Bangalore for \$51 million.

January 2007 – Och-Ziff was a co-investor alongside Equifin to provide a \$125 million capital commitment to Residential Credit. Och-Ziff's position was for a minority stake.

December 2006 – UK based Caffee Nero Group agreed to a £225 million management buyout. Mezzanine and PIK financing was provided by an investor group including Och-Ziff.

December 2006 – Singapore-based reinsurance newcomer, ACR Capital Holdings issues a \$620 million inaugural private placement. Och-Ziff was part of a syndicate providing \$220 million of the total placement amount.

September 2006 – Och-Ziff was part of an investment group including Macquarie Bank to purchase most of GATX Corp.'s aircraft leasing business for approximately \$1.5 bn.

J. Issues Before the Committee – Merits and Considerations

Summary Merits and Considerations	
Merits	Considerations
<ul style="list-style-type: none">• Premier alternative asset management firm• Diversified, global investment platform• Global professional investment team• Research-driven investment process• Shared ownership culture – 18 equity Partners• Risk management expertise• Deep existing investor base• Superior risk-adjusted returns	<ul style="list-style-type: none">• Key-man risk• Sustaining future growth can be difficult• Retaining talent• Employee misconduct• Requirements of being a public company• Investments in companies based outside the U.S.

Merits

Premier Alternative Asset Management Firm - Och-Ziff is one of the leading independent hedge funds in the world, ranking as the 5th largest independent hedge fund globally in May 2007 and has become a widely respected brand name in the industry. Its leading reputation has conferred a competitive advantage by allowing it to attract and retain highly talented investment professionals and to attract investor capital. Och-Ziff believes that the strength and breadth of its franchise, supported by its people, investment approach and track record of success, provide a distinct advantage when raising capital, attracting and retaining talent, evaluating opportunities, making investments, building value and realizing returns.

Diversified, Global Investment Platform - During its 13-year history, the company has grown by undertaking new complementary fund strategies across different geographies, offering diversification to investors. To facilitate its investing activities in multiple regions, Och-Ziff has expanded from its headquarters in New York to offices in London (1998), Tokyo (2006), Hong Kong (2001) and Bangalore (2005). This growth was purposefully executed with the goal of enhancing its access to global opportunities to generate attractive returns. Och-Ziff has built a broad array of complementary investment strategies and continually benefits from substantial synergies, including the ability to leverage the extensive intellectual capital that resides throughout the firm. Its investment professionals across all of its strategies engage in cross-group cooperation and collaboration with respect to proposed investments.

Global, Professional Investment Team – Och-Ziff has a team of 115 investment professionals, as of March 31, 2007, led by Daniel S. Och, David Windreich, Michael Cohen, Harold Kelly, and Zoltan Varga. Its professional investment team, working from its offices in New York, London, Hong Kong, Tokyo and Bangalore, allows Och-Ziff an advantageous position as it seeks to identify new trading strategies and investment opportunities around the world. Its local presence and strong personal relationships with market participants and investors enables it to act quickly, transcending geographic boundaries to identify and capture a diverse range of opportunities for its investors. Also, the company has long-term relationships with financial leaders and businesses that are critical to success in the alternative asset management industry.

Research-Driven Investment Process – Och-Ziff's investment philosophy has led to its creation of a research-driven, bottoms-up investment process that is based on extensive qualitative and quantitative analysis. Its technical expertise and practical experience in markets enables it to effectively monitor and manage risk and understand how it can and does produce profits.

Shared Ownership Culture – 18 Equity Partners Its culture emphasizes the success of the firm as a whole and, while recognizing the individual contributions that its talented investment professionals make, prizes collaboration and teamwork across strategies. Individuals are compensated based largely on total firm profitability, with no individual payouts tied to the performance of specific strategies or investments, such that a “partnership” culture exists among its employees. This unique culture is a key differentiator of the firm in the hedge fund space and has helped it to attract and retain the highest quality, results-driven people to grow the business. One of its fundamental philosophies as a privately owned firm has been to align its interests, and those of its partners and senior investment professionals, with the interests of the investors in its funds.

Risk Management Expertise – Och-Ziff understands, monitors and manages risks relating to all aspects of its business including market, counterparty, operational, liquidity, geopolitical and other related risks. Each portfolio manager is responsible for risk in their portfolio. Positions are sized so it is not possible to lose more than 1% of NAV. Hal Kelly manages firm wide risk which includes credit and counterparty. A risk committee meets once a week to review all positions.

Deep Existing Investor Base – Och-Ziff has a diverse client base of approximately 700 sophisticated investors across its funds, including many of the largest pension funds, university endowments, and financial institutions, as well as individuals. Many of its investors are invested in multiple Och-Ziff funds, and have invested in its new products at launch dates. The company believes that its deep investor relationships, founded on its premier brand name, consistent performance, disciplined and prudent management of its investors' capital and emphasis on clear, responsive investor communication, make it easier for it to grow its existing businesses and launch new businesses. The company continues to enhance its product offerings to include:

- A European dedicated fund in April 2000;
- A capital structure arbitrage fund in October 2004;
- An Asian dedicated fund in February 2005; and
- A global private investments dedicated fund in November 2005.

Superior Risk-Adjusted Returns – The company believes that the superior investment returns it has generated for investors in its funds over many years across a broad and expanding range of alternative asset classes and through varying economic conditions and equity and debt capital markets cycles are a key reason why it has been able to successfully and consistently grow its assets under management across its alternative asset management platform. Och-Ziff's investment strategy seeks to generate absolute returns with minimal market correlation.

Considerations

Key-man Risk – While Dan Och does not make as many active investment decisions as he used to, he still plays a large role in its strategic focus and direction. Also, each of the funds has special withdrawal provisions pursuant to which the failure of Daniel S. Och to be actively involved in the business provides investors with a one-time special redemption right (not subject to redemption fees). The loss of the services of Daniel S. Och could result in substantial redemption requests from investors in the funds which would have a direct and material adverse effect on the revenue and earnings of the company. This provision has continued to be included in new fund launches even though Dan is not critical for the business to run day to day.

Sustaining future growth can be difficult – Och-Ziff has experienced rapid growth, which may be difficult to sustain and which may place significant demands on its administrative, operational and financial resources. Och-Ziff raised \$8 bn in 2006 alone. The complexity of the demands of additional capital, and the expense required to address them, is a function not simply of the amount by which Och-Ziff's assets under management have grown, but of significant differences in the investing strategies employed within each fund. In addition, the company is required to continuously develop its systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting and regulatory developments.

Retaining talent - Ability to retain key investment professionals is critical to the company's success and its ability to grow depends on its ability to attract additional key investment professional. The company anticipates that it will be necessary to add investment professionals as it pursues its growth strategy. However, it may not succeed in recruiting additional personnel or retaining current personnel, as the market for qualified investment professionals is extremely competitive.

Employee Misconduct – There is risk that employees could engage in misconduct that materially adversely affects the Company's business. If employees were to improperly use or disclose confidential information, the Company could suffer from serious harm to its reputation, financial position and current and future business relationships.

Requirements of Being a Public Company – The Company will be subject to the reporting requirements of the Exchange Act and Sarbanes-Oxley Act of 2002. These requirements may place a strain on it's the company's systems and resources. In order to maintain and improve the effectiveness of its disclosure controls and procedures, significant resources and management oversight will be required. These activities may divert management's attention from other business concerns, which could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Investments in companies based outside the U.S. – All of the funds generally invest a significant portion of its assets in the equity, debt, loans or other securities of issuers located outside the U.S. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities including: currency exchange matters; less developed financial markets; absence of uniform accounting; differences in legal / regulatory environment; difficulties in enforcing contracts and filing claims under foreign legal systems; less publicly available information in respect of companies in non-U.S. markets; certain economic and political risks; and, the possible imposition of non-U.S. taxes.

The preceding discussion of the "issues" with respect to this transaction is preliminary. We have not yet completed our due diligence investigation or our analysis of the Company. Upon further investigation we may with the advice of counsel conclude that certain of these considerations are not relevant or material and therefore should not be included in the prospectus. For a final assessment of the risks associated with this transaction please see the copy of the preliminary prospectus distributed to prospective investors.

K. Research Opinion

Lehman Brothers' equity research coverage of Och-Ziff will be provided by Roger Freeman. Roger Freeman is also the Lehman Brothers equity analyst for Fortress and Blackstone. The banking team had a vetting call with Roger on Tuesday, May 29th. Roger is expected to conduct his initial meeting with the company on Wednesday, June 6th.

L. Executive Officers and Directors

The following table sets forth the names, positions and prior experience of Och-Ziff's current executive officers:

EXECUTIVE OFFICERS			
Name	Age	Title	Prior Experience
Daniels S. Och	46	CEO and Chairman of the Board of Directors	Founder; Head of Prop Trading and Co-Head of U.S. Equities at Goldman Sachs
Joel M. Frank	52	Chief Financial Officer and Director	CFO of Manufacturers Trust
David Windreich	49	Managing Partner and Director	VP in the Equity Derivatives Department at Goldman Sachs
Michael L. Cohen	35	Managing Partner and Director	Equity Research Analyst at Franklin Mutual Advisory
Zoltan Varga	33	Managing Partner and Director	Analyst in Mergers and Acquisitions at Goldman Sachs
Harold A. Kelly, Jr.	44	Managing Partner	Various trading positions at Cargill, Eagle Capital, Merrill Lynch and Buchanan Partners
Jeffery C. Blockinger	37	Chief Legal Officer and Chief Compliance Officer	Counsel at Crowell & Moring; Associate at Schulte, Roth and Zabel; prior experience at Morgan, Lewis & Bockius

The company's operating agreement provides that its Board of Directors will initially consist of 11 directors. Prior to the consummation of this offering, the company intends to appoint six additional directors who will be "independent" as defined under the rules of the NYSE. Intention is to hire people in the industry who understand the alternatives sector. Dan Och is leading these discussions.

Daniel S. Och

- Founder, Chief Executive Officer, and the Chairman of Board of Directors.
- Chief Investment Officer, a member of the board of directors of the Master Fund
- Prior to founding Och-Ziff in 1994, Mr. Och spent eleven years at Goldman, Sachs & Co., where he was a Vice President. Mr. Och began his career in the Risk Arbitrage Department and was later Head of Proprietary Trading in the Equities Division and Co-Head of U.S. Equities Trading. Mr. Och has a B.S. in Finance from the Wharton School of the University of Pennsylvania.

Joel M. Frank

- Chief Financial Officer and director.
- Prior to joining Och-Ziff at its inception in 1994, Mr. Frank spent six years at Rho Management Company, Inc. as its Chief Financial Officer. Mr. Frank was previously with Manufacturers Hanover Investment Corporation from 1983 to 1988 as Vice President and Chief Financial Officer and with Manufacturers Hanover Trust from 1977 to 1983. Mr. Frank holds a B.B.A. in Accounting from Hofstra University and an M.B.A. in Finance from Fordham University. Mr. Frank is a C.P.A. certified in the State of New York.

David Windreich

- Managing Partner and a director.
- Head of U.S. Merger Arbitrage and Event Driven Investing
- Prior to joining Och-Ziff at its inception in 1994, Mr. Windreich was a Vice President in the Equity Derivatives Department at Goldman, Sachs & Co. Mr. Windreich became a Vice President in 1988 and began his career there in 1983. Mr. Windreich holds both a B.A. in Economics and an M.B.A. in Finance from the University of California, Los Angeles.

Michael L. Cohen

- Managing Partner, a director and the Head of European Merger Arbitrage and Event Driven Investing for Och-Ziff.
- Joined Och-Ziff in 1997 and helps manage the London office. Prior to joining us, Mr. Cohen served as an Equity Research Analyst at Franklin Mutual Advisory and as an Investment Banking Analyst at CS First Boston specializing in the financial services sector. Mr. Cohen holds a B.A. in Economics from Bowdoin College.

Zoltan Varga

- Managing Partner, a director and the Head of Asian Merger Arbitrage and Event Driven Investing for Och-Ziff. Prior to joining Och-Ziff in 1998, Mr. Varga was an Analyst in the Mergers and Acquisitions Department at Goldman, Sachs & Co. Mr. Varga holds a B.A. in Economics from DePauw University.

Harold A. Kelly, Jr.

- Managing Partner, a director and the Head of Global Convertible and Derivative Arbitrage for Och-Ziff.
- Prior to joining Och-Ziff in 1995, Mr. Kelly had seven years of experience trading various financial instruments and held positions at Cargill Financial Services Corporation, Eagle Capital Management, Merrill Lynch International, Ltd. and Buchanan Partners, Ltd. Mr. Kelly earned his B.B.A. degree in Finance and also holds M.B.A. and Ph.D. degrees from The University of Georgia.

Jeffery C. Blockinger

- Chief Legal Officer and Chief Compliance Officer.
- Prior to joining Och-Ziff in 2005, Jeff was Counsel at Crowell & Moring LLP, an Associate at Schulte, Roth and Zabel LLP, and had six years of experience at Morgan, Lewis & Bockius LLP. Mr. Blockinger earned a B.A. at Purdue University and holds a J.D. from the University of Miami School of Law.

M. Pro Forma Financials

- To be discussed at next in-person committee meeting.

N. Valuation

Fortress, Oaktree and Blackstone (pending) are the most comparable direct trading comps. When considering valuation, we have also looked at public traditional U.S. Asset Managers and public Alternative European Asset Managers.

Fortress, Oaktree and Blackstone Valuations			
	Fortress	Oaktree	Blackstone
IPO Price	\$18.5	\$44.0	\$30.0
Forward EPS @ Pricing:	\$0.91	\$2.32	\$1.57
Implied Forward P/E at IPO:	20.3x (Feb 2007)	19.0x (May 2007)	19.1x (Pending)
Current Trading Price:	\$27.1	\$49.0	
2008E EPS @ 5/30/07:	\$1.34	\$2.32	
Implied 2008 P/E:	20.2x	21.2x	

Traditional Asset Managers							
Company	AUM (\$bn)	Mkt Value (\$mm)	Price / '07 EPS	Price / '08 EPS	LTG	2007 PEG	Div. Yield
Blackrock	\$1,125	\$18,862	20.2x	17.2x	22.3 %	0.9x	1.8 %
Legg Mason	945	13,494	19.5	16.7	14.4	1.4	1.0
Alliance Bernstein	742	7,722	18.8	16.3	17.6	1.1	4.0
Franklin Resources Inc	576	33,779	19.0	17.0	16.4	1.2	0.4
Amvescap	463	9,470	15.4	13.6	11.5	1.3	1.5
T. Rowe Price	350	13,429	21.8	18.7	14.3	1.5	1.3
Federated Investors	250	3,937	17.6	15.7	11.4	1.5	2.2
Janus Capital Group	168	5,175	29.7	23.5	18.7	1.6	0.1
Eaton Vance	136	5,441	29.0	20.1	14.3	2.0	1.1
Median			19.5x	17.0x	14.4 %	1.4x	1.3 %
Mean			21.2x	17.6x	15.7 %	1.4x	1.5 %

In addition, Och-Ziff may be compared to some of the alternative asset managers listed in Europe.

Alternative Asset Managers							
Company	AUM (\$bn)	Mkt Value (\$mm)	Price / '07 EPS	Price / '08 EPS	LTG	2007 PEG	Div. Yield
Man Group, PLC	\$60	\$21,806	16.5x	15.0x	15.0 %	1.1x	1.5 %
Partners Group	14	3,470	24.4	20.2	n/a	n/a	1.6
BlueBay	11	1,887	22.0	15.9	n/a	n/a	0.0
RAB Capital, PLC	6	1,183	13.2	10.4	n/a	n/a	1.5
Median			19.2x	15.5x	15.0	1.1x	1.5 %
Mean			20.0x	16.2x	20.0 %	1.0x	1.5 %

Note: Trading information as of 5/30/07

As of now, we do not have a definitive view on valuation but expect to develop this once we receive the company's financial model and the views of the research team.

O. Due Diligence

The following table sets forth the recent due diligence sessions conducted:

RECENT DUE DILIGENCE / MEETINGS WITH ISSUER		
<u>Date</u>	<u>Lehman Brothers Attendees</u>	<u>Company Attendees / Comment</u>
5/28/2007	Laurino, Paull, Tansey	None / Attended Data Room
5/29/2007	Callan, Valenti, Laurino, Marsh, Paull, Tansey	Call with Joel Frank, Jeffrey Blockinger, Rani Doyle
5/30/2007	Callan, Coleman, Valenti, Laurino, Marsh, Paull, Tansey	Call with Joel Frank, Jeffrey Blockinger, Rani Doyle

Underwriter due diligence is on-going. We will report back to the Committee if any material issues surface.

P. Recommendation

We recommend that the Committee approve Lehman Brothers' participation in Och-Ziff's Initial Public Offering.

II. Business of the Company

A. Overview

Och-Ziff is a premier global, multi-strategy, alternative asset management firm. The company is the 5th largest independent hedge fund manager in the world. As of April 30, 2007, it had approximately \$26.5 billion of hedge fund assets under management. Och-Ziff is one among the longest standing hedge fund managers with an investment track record spanning 13 years. The company pursues a diversified, multi-strategy approach integrating investment teams in the U.S., Europe and Asia.

The company was founded in 1994 by Daniel S. Och, in partnership with Ziff Brothers Investments, with the goal of building a world class investment management business. The company has grown into a leading alternative asset management firm with approximately 280 employees, including 18 partners and over 115 investment professionals, and offices in New York, London, Hong Kong, Tokyo and Bangalore.

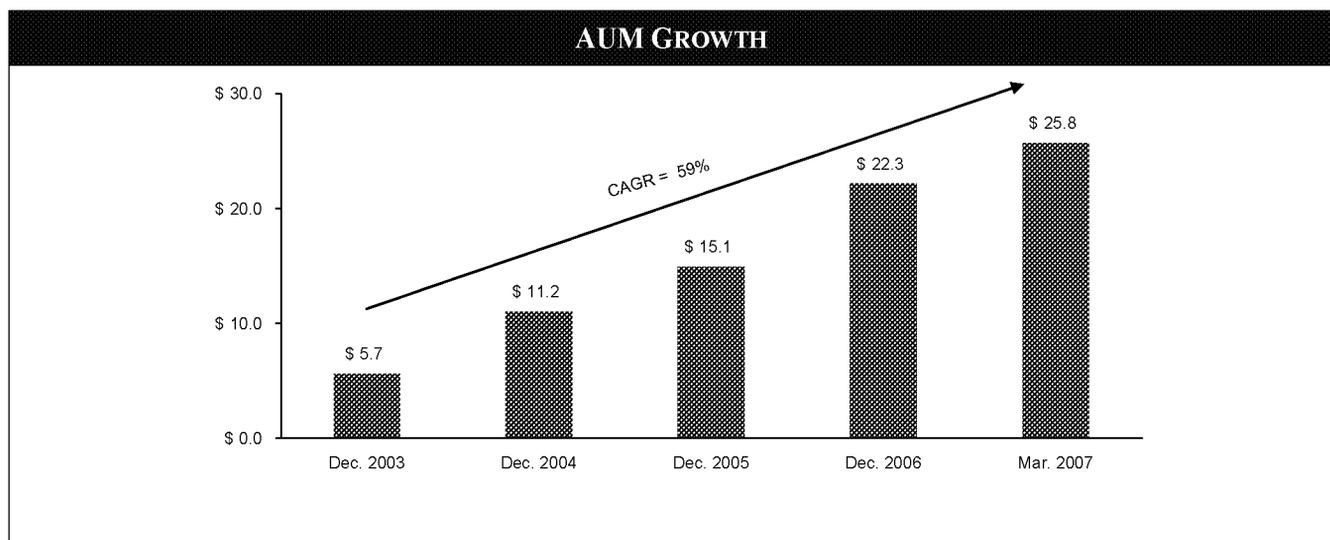
The company manages the following funds (As of March 31, 2007):

Strategy	AUM (billions)
OZ Master Fund*	\$17.3
OZ Europe Master Fund	4.9
OZ Asia Master Fund	2.7
Och-Ziff Capital Structure Arbitrage Fund	0.2
OZ Global Special Investments Fund	0.2

Note: the OZ Master Fund includes all strategies and all geographies.

The company's investment processes are driven by global investment teams, working together in a complementary and synergistic manner. Investment decisions are driven by detailed, bottoms-up analysis conducted by a team of over 115 investment professionals across the globe. Risk management and capital preservation is an intrinsic element of its investment decision making process; further, the company actively monitors and manages risks relating to all aspects of its business including market, counterparty, operational, geopolitical and other related risks.

Since inception, the company has demonstrated an ability to grow its assets under management.



B. Products and Investment Approach

As of April 30, 2007, the company managed approximately \$26.5 billion of alternative assets for 700 investors across its various multi-strategy investment funds and separate accounts. The company manages and operates its business with a global perspective, looking to take advantage of investment opportunities wherever they arise.

Over the last 13 years, the company has developed strong, long-term relationships with its clients, who are typically fund-of-funds clients and institutional investors such as endowments and pension funds. The company has a highly diversified investor base, with no single investor accounting for more than 4% of AUM, and the top 5 investors accounting for less than 8% of AUM.

Investment Performance

Och-Ziff believes the principal reason for the growth in its assets under management has been the investment performance of its funds. The company's record of creating value on an absolute return basis has been a central element of its investment strategy: investor perceptions of manager performance are driven not by how well a fund performs relative to a benchmark index, but by how well the fund performs in absolute terms.

OZ Master Fund, Ltd. Performance History (through 3/31/07)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Jan		0.70%	0.61%	1.91%	0.25%	1.10%	2.38%	2.18%	0.64%	2.35%	3.10%	0.87%	1.79%	1.97%
Feb		3.61%	1.11%	0.30%	4.44%	0.71%	4.93%	0.40%	-0.16%	0.07%	0.01%	1.05%	1.23%	1.31%
Mar		2.24%	1.09%	0.19%	2.61%	0.97%	2.44%	0.43%	1.07%	0.91%	0.60%	0.52%	1.30%	1.33%
Apr	3.35%	0.14%	0.93%	-0.14%	1.05%	3.15%	0.64%	0.92%	0.25%	2.40%	1.02%	-0.55%	1.34%	
May	3.22%	1.42%	1.38%	3.56%	0.25%	1.95%	0.50%	1.04%	0.09%	2.19%	-0.01%	0.16%	0.54%	
Jun	0.00%	2.14%	2.22%	3.66%	-0.25%	1.35%	1.92%	0.10%	-3.25%	1.71%	0.12%	1.57%	0.43%	
Jul	1.58%	2.08%	-0.46%	0.07%	0.20%	2.04%	1.51%	0.16%	-3.12%	0.99%	-0.56%	2.33%	0.81%	
Aug	5.50%	2.33%	3.82%	2.32%	-3.18%	0.73%	1.64%	1.32%	0.74%	2.68%	0.90%	0.93%	1.33%	
Sep	0.58%	1.74%	4.62%	3.44%	1.08%	0.77%	1.05%	-2.00%	-0.20%	2.16%	0.73%	-0.14%	0.98%	
Oct	4.58%	0.06%	1.74%	1.49%	0.64%	0.83%	0.54%	0.43%	-0.73%	2.91%	0.76%	-1.06%	1.30%	
Nov	1.13%	2.49%	3.13%	2.19%	2.26%	2.09%	0.46%	0.34%	2.49%	1.26%	2.35%	1.97%	1.35%	
Dec	5.66%	2.43%	4.38%	5.02%	1.45%	1.69%	0.92%	0.84%	0.74%	2.14%	1.63%	0.91%	1.45%	
Net Return	28.49%	22.33%	27.36%	26.62%	11.35%	18.80%	21.56%	6.28%	1.58%	24.03%	11.12%	8.79%	14.73%	14.88%

The following table set forth the performance of the funds since inception (As of March 31, 2007):

Strategy	Net Annualized Return
OZ Master Fund	12.60% ⁽¹⁾
OZ Europe Master Fund	13.12% ⁽²⁾
OZ Asia Master Fund	12.53% ⁽³⁾
Och-Ziff Capital Structure Arbitrage Fund	7.24% ⁽⁴⁾
OZ Global Special Investments Fund	NA

(1) Net annualized performance from January 1998 inception through March 31, 2007.

(2) Net annualized performance from April 2000 inception through March 31, 2007.

(3) Net annualized performance from February 2005 inception through March 31, 2007.

(4) Net annualized performance from October 2004 inception through March 31, 2007.

Fund Overview, Fees and Strategies

Och-Ziff's funds are typically organized using a "master-feeder" structure. This structure is commonly used in the hedge fund industry and calls for the establishment of one or more U.S. or non-U.S. "feeder" funds. The company has established five master funds, four of which are focused on a specific investment strategy or geographic region.

Investors are able to invest in the company's funds as frequently as quarterly, although the firm may decide to allow subscriptions at other times, at its discretion. Management fees from the funds range from 1.5% to 2.5% annually of the fund's assets under management. In addition, the company generally earns incentive income consisting of 20% of a fund's profits, both realized and unrealized, calculated based on the fair value of the fund's assets, subject to a "high water mark".

Fund Investment Strategies

The company has established investment strategies which each seek to achieve consistent, positive absolute returns that are non-correlated with any indices. The company opportunistically determines portfolio composition and does not have any predetermined commitment to any given investment discipline or geography, valuing flexibility in its investment approach. The main strategies the company currently employs on a global basis include:

- Business combination with the goal of realizing a profit from pricing discrepancies;
- Convertible/capital structure arbitrage, which generally entails investments at multiple levels of an entity's capital structure to take advantage of valuation or other pricing discrepancies;

- Control-event arbitrage, seeking to realize a profit from other specific corporate events such as spin-offs and recapitalizations;
- Distressed credit investments, which involves high-yield debt investments at a favorable price in distressed businesses; and
- Special investments, including private equity capital investments and special situations.

Investment Philosophy

Across the company's strategies, its investment philosophy is based on a research-driven investment process involving extensive qualitative and quantitative analysis, allowing it to capitalize on a wide variety of opportunities. This dynamic investment philosophy incorporates the firm's global relationships and expertise across capital structures, industries and geographies and benefits from the firm's dedicated industry specialist teams and a dedicated and experienced private equity team operating out of New York, London, Hong Kong, Tokyo and Bangalore.

Capital is allocated among the strategies on an opportunistic basis, meaning that Och-Ziff retains maximum flexibility to invest in what it deems to be the most attractive opportunities at a given time, within the bounds of its overall risk assessment. In all of its strategies, its investment approach is defined by certain common elements:

- **Disciplined investment process** - Each strategy is focused on fundamental research to ensure that the relationship between profit potential and risk is understood.
- **Active management** – The company takes an extremely active, hands-on approach to identifying and managing its investments, using strong in-house investment and risk control teams.
- **Focus on fundamentals** – The company's approach investments in each of its strategies by focusing on the fundamental drivers of return. Och-Ziff employs a disciplined investment process which evaluates the risk-adjusted return on capital from both new and incremental investments.
- **Preservation of capital** – The company believes that a critical step to delivering attractive returns to investors is minimizing the risk of loss on investments. Accordingly, in each of its strategies the company focuses on ways to minimize downside risk. Across all of its strategies, it seeks to use sophisticated risk analysis and active portfolio management to limit the funds' exposure to market and other risks.
- **Synergies among strategies** - Complementary interaction among its strategies allows it to capitalize on potential investment opportunities wherever they arise.

Risk Management Principles and Practices (based on diligence)

Portfolio manager is responsible for and monitors risk in their portfolio:

- Daily meeting with their teams
- Review of each position
- Discussion of quantitative / qualitative information
- Event strategies: positions are hedged to limit loss to 1-2% of NAV in a blow-up scenario

Risk Committee:

- Meets weekly
- Comprised of each PM, CFO, Risk Analyst, CIO
- Reviews data including stress testing and analyze drivers of p/l i.e., is the PM generating alpha or are there other factors
- General discussion of non-market risks, geo-political risk

Role of Dan Och:

- Dan Och receives all underlying data and additional info (i.e. gross long/short, top 5 positions)
- Is responsible for the overall risk of the portfolio
- Monitors exposures within the portfolio and in geographic regions

Monitoring Leverage:

- Examines leverage (generally only lever the convert portfolio)
- Leverage is sometimes used but is insignificant in the other portfolios
- Converts are levered approx 3:1 and overall leverage is very light as compared with other hedge fund managers 1.4:1
- In the master fund, top 5 positions = 8.6%
- ~700 relationships in Master Fund

Investor Overview

Och-Ziff has developed a loyal following among many of the world's most significant institutional investors. The strength of its following and their loyalty to the company over the years flows from its superior investment record, its reputation for integrity and the fairness and transparency of its fee structures. As of March 31, 2007, approximately 22% of its investors were funds of funds, approximately 5% were pensions and profit sharing plans, and approximately 1% each were state pension plans and endowments. Other institutions and a number of high net worth individuals comprise the remainder of the company's current fund investors. The top 10 and top 20 clients comprise approximately 18% and 27% of assets under management, respectively. In addition, many of its clients have invested in more than one of the company's funds.

C. Growth Strategy

Och-Ziff continually seeks to explore and identify new geographies, asset classes and investment opportunities and strategies, focusing on capital preservation and delivering consistent absolute returns to its investors. It seeks to hire, cultivate, and retain the leading investment and business talent across the world in order to pursue these opportunities. If it continues to successfully implement these objectives, it expects its AUM and related revenue to continue to increase commensurately.

The specific components of Och-Ziff's growth strategy are as follows:

- **Deliver Superior Risk Adjusted Absolute Returns** – While the company maintains a highly diversified portfolio, it is not constrained by limits in particular strategies or regions. The company continues to expand and refine its investment capabilities and processes in an effort to generate the attractive absolute returns for its clients.
- **Identify and Pursue New Investment Strategies** – Identify new, complimentary investment strategies and opportunities across the globe. To maximize its flexibility, the company manages its investment capital such that it is poised to pursue investment opportunities as they arise, whether due to occurrences involving a specific corporate event or a general market or economic change or trend.
- **Continue to Develop New Product Offerings** - Leverage certain core competencies, often developed and refined over years within its core multi-strategy product offerings, to launch new products based upon specific investment disciplines, such as private equity, as well as geographies, such as Europe and Asia.

- **Attract Client Capital to Pursue Investment Opportunities** – The company intends to continue to attract new capital to deploy across its growing base of investment opportunities, while simultaneously ensuring that it continue to produce superior, absolute returns. By providing diverse investment opportunities and expanding the investor base for our funds, we expect to continue to grow our assets under management commensurate with our ability to deploy capital.
- **Continue to Expand the Investor Base and Distribution Channels** - In recent years, global institutional investors have been increasing investment allocations to alternative asset management products, including hedge funds and private equity. The company believes its competitive strengths and reputation as a premier, global alternative asset manager position us to attract a disproportionately larger share of clients and capital from the leading institutional investors across the globe allocated to alternative investments.

D. Internal Controls and Compliance

The Chief Compliance Officer supervises the work of a number of lawyers and compliance associates who monitor and enforce employee compliance with the company's policies and practices and applicable regulatory requirements, including relating to trading and reporting functions. The compliance function, led by the company's Chief Legal Officer, has significant experience in managing its global business operations, including compliance with various regulatory and reporting regimes, such as those implemented by the U.S. Securities and Exchange Commission, the United Kingdom's Financial Services Authority, and Hong Kong's Securities and Futures Commission.

III. Litigation / Other Contingent Liabilities

The company is not currently subject to any pending judicial, administrative or arbitration proceedings that it expects to have a material impact on its results of operations or financial condition.

IV. Summary Financials

Och-Ziff OPERATING GROUP
(Limited Liability Companies)

COMBINED STATEMENTS OF POSITION

(dollars in thousands)

	As of December 31,	
	2006	2005
Assets		
Cash and cash equivalents.....	\$ 12,257	\$ 61,933
Cash and cash equivalents restricted at consolidated funds....	-	50,749
<i>Receivables</i>		
Interest and dividends receivable at consolidated funds.....	99,291	64,034
Incentive income receivable.....	15,851	9,414
Management fee receivable.....	437	504
Total Receivables	115,579	73,952
Due from affiliates.....	23,460	11,415
Due from brokers at consolidated funds.....	7,821,332	5,058,718
<i>Investment company holdings</i>		
Investments in affiliated entities, at fair value.....	105,136	130,338
Securities owned, at fair value.....	25,152,326	16,947,209
Securities purchased under agreement to resell.....	2,153,230	1,327,812
Total Investment company holdings	27,410,692	18,405,359
Fixed assets, net.....	37,905	27,655
Other assets at consolidated funds.....	559,340	635,039
Other assets.....	9,654	8,122
Total Assets	\$ 35,990,219	\$ 24,332,942
Liabilities		
Note payable.....	17,862	18,740
Due to brokers and counterparties.....	203,237	297,005
Due to affiliates.....	143,187	89,861
Compensation payable.....	280,304	185,197
Redemptions payable.....	762,817	424,837
<i>Investment company holdings</i>		
Securities sold, not yet purchased.....	10,417,701	7,019,573
Securities sold under agreements to repurchase.....	1,215,711	845,014
Total investment company holdings	11,633,412	7,864,587
Contributions received in advance at consolidated funds.....	526,218	233,120
Deferred income taxes.....	56,319	32,528
Other liabilities at consolidated funds.....	1,161,989	723,734
Other liabilities.....	14,829	9,047
Total liabilities	14,800,174	9,878,656
Commitments and Contingencies (Note 15)		
Non-controlling interests in consolidated subsidiaries	19,672,464	13,581,883
Total Members' Equity	1,517,581	872,403
Total Liabilities and Members' Equity	\$ 35,990,219	\$ 24,332,942

See notes to combined financial statements.

Och-Ziff OPERATING GROUP				
(Limited Liability Companies)				
COMBINED STATEMENTS OF INCOME				
(dollars in thousands)				
Year Ended December 31,				
2006 2005 2004				
Revenues				
<i>Och-Ziff operating group revenues</i>				
Management fees.....	\$ 13,794	\$ 11,861	\$ 7,100	
Incentive income.....	15,851	9,414	11,044	
Other revenue.....	5,275	876	294	
Total Och-Ziff operating group revenues	34,920	22,151	18,438	
<i>Investment company holdings income</i>				
Interest income.....	706,961	336,403	230,880	
Dividend income.....	154,963	118,556	143,248	
Other revenues at consolidated funds.....	40,500	16,140	8,330	
Total investment company holdings income	902,424	471,099	382,458	
Net Revenues	937,345	493,250	400,896	
Expenses				
<i>Investment company holdings expense</i>				
Interest expense.....	195,072	111,043	223,860	
Dividend expense.....	139,245	149,796	115,678	
Total investment company holdings expense	334,317	260,839	339,538	
Compensation and benefits.....	289,519	200,395	103,156	
Other expenses at consolidated funds.....	143,830	103,901	46,795	
Professional services.....	12,516	8,150	4,812	
Occupancy and equipment.....	13,443	10,255	8,034	
Business development.....	7,696	5,366	4,256	
Information processing & communication.....	5,463	4,050	2,268	
Royalties.....	97,688	48,218	36,697	
Other expenses.....	11,088	12,048	29,478	
Total expenses	915,560	653,222	575,034	
Other Income:				
Net gains (losses) from investments				
<i>Investment company holdings</i>				
Net realized gains on investments.....	3,256,204	1,295,702	1,254,540	
Net unrealized gains on investments.....	293,785	287,091	415,882	
Net realized and unrealized foreign currency (losses)/gains at consolidated funds.....	(50,080)	84,404	(36,195)	
Net realized and unrealized (losses)/gains on derivative contracts.....	(201,880)	(63,546)	(394,168)	
Total other income	3,298,029	1,603,651	1,240,059	
Income before non-controlling interests in income of consolidated subsidiaries and income taxes	3,319,814	1,443,679	1,065,921	
Non-controlling interests in income of consolidated subsidiaries.....	2,544,043	1,133,746	829,218	
Income before income taxes	775,771	309,933	236,703	
Income taxes.....	36,859	14,865	10,480	
Net Income	\$ 738,912	\$ 295,068	\$ 226,223	
See notes to combined financial statements.				

Och-Ziff OPERATING GROUP
(Limited Liability Companies)

COMBINED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	For the Year Ended December 31,		
	2006	2005	2004
Cash Flows From Operating Activities			
Net income.....	\$ 738,912	\$ 295,068	\$ 226,223
Adjustment to reconcile net income to net cash used in operating activities.....			
Depreciation.....	3,262	2,605	716
Amortization of deferred compensation.....	38,640	28,155	18,965
Gains on investments.....	(293,785)	(287,091)	(415,882)
Deferred income taxes.....	23,791	7,443	6,786
Cash flows due to changes in			
Cash held at consolidated subsidiaries and restricted cash..	50,750	(50,749)	-
Receivables.....	(41,627)	(25,023)	(7,138)
Due from affiliates.....	(12,045)	(6,315)	(2,434)
Due from brokers at consolidated funds.....	(2,762,614)	(1,633,725)	(3,421,264)
Investments in other entities.....	25,202	(75,548)	1,321,295
Other assets.....	74,166	(539,352)	(55,596)
Due to brokers and counterparties and other liabilities.....	(93,768)	119,721	164,160
Due to affiliates.....	53,326	17,214	4,637
Compensation receivable.....	-	-	457,380
Compensation payable.....	56,467	48,602	19,306
Redemptions payable at consolidated level.....	337,980	424,837	-
Securities sold, not yet purchased.....	3,398,128	2,410,272	4,575,887
Securities sold under agreements to repurchase.....	370,697	833,988	11,026
Contributions received in advance at consolidated funds....	293,098	141,770	91,350
Other liabilities.....	444,037	429,580	300,478
Investment company holdings			
Securities owned.....	(7,911,332)	(4,399,934)	(11,674,840)
Securities purchased under agreement to resell.....	(825,417)	(1,201,129)	(126,683)
Net cash used in operating activities.....	(6,032,133)	(3,459,611)	(8,505,628)
Cash Flows From Investing Activities			
Purchase of fixed assets.....	(13,512)	(2,280)	(3,371)
Cash Flows From Financing Activities			
Repayments of debt obligations.....	(878)	(878)	(586)
Capital distributions.....	(140,138)	(40,740)	(79,180)
Capital investments.....	46,404	7,353	-
Non-controlling interests in consolidated subsidiaries.....	6,090,581	3,537,305	8,603,854
Net cash provided by financing activities.....	5,995,969	3,503,040	8,524,088
Net increase in cash and cash equivalents	(49,676)	41,148	15,089
Cash and Cash Equivalents, Beginning of Period	61,933	20,785	5,696
Cash and Cash Equivalents, End of Period	\$ 12,257	\$ 61,933	\$ 20,785
See notes to combined financial statements.			

Appendix
A. Draft S-1