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Sent: Tuesday, November 6, 2007 9:56 PM (GMT)
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Subject: Comp Meeting Outline

Roger:

Here's my quick thoughts as discussed.

1. General Information:

A. Go thru and update the group on the discussions that the Exec Co had around comp (rev assumptions for firm, for FID etc.) Historically with this group Mike and Bart has shared how the pool was cut by each division (including rev assumptions etc.) Any information related to any changes we are making to the stock program etc. etc.

B. Have MPA go thru some of the details associated with the process: dates, how the pool we will be working with got constructed (ex Prime, adjustments for Eagle, etc.), what documents we have created/made available for the group for the meeting from finance and HR etc. MPA has the list of items that she should review with you before we meet tomorrow.

2. Explain your philosophy and approach you want to take on comp process: my opinion:

A. We must pay our top producers well. No filling in lowball numbers for top producers to fit to the pool.

B. More so than ever before we need to be hard on the "middle" part of the organization to get to -x% NGNNH. Between point A above and pressure from juniors, to achieve the -x% this group needs to be down probably -x-5% (my guess) We should be in good shape to take more risk given the dynamics at firms away from us. Only way we will get the pool to fit and so we will size the pool with this in mind.

C. The group in the room must be balanced in their view so that we represent overall FID

D. Getting round 1 right is extremely important, since we want to ensure that we don't have a impossible homework assignment for the groups when we go out with the pool, and it's extremely difficult to pull money out/fix mistakes later

E. Share with this group how much \$s you are holding back (put in the senior mgt pool) for mistakes and future adjustments (historically we have held between \$3-5MM in round one).

F. Make sure they understand that you are the tiebreaker and that all debates and issues must be laid out in the room, so there is no ambiguity what we are walking out the door with. Side conversations after we cut the pool is very distracting and inappropriate. (Probably can say this more nicely).

3. Explain how you want the day to go: My recommendation is below, but basically it will take your "refereeing" this or any other variation to make sure we stay on course during the day.

A. Review the "sketchbook" that Paul will have created across regions and businesses, and try to fit to the pool top down first. I personally think without this we can't really get done in a day to day 1/2. A good way to start is for you to start by taking each region and business and

provide your actual view on where you think the pools should be. By iterating a bit on this basic starting point, we should get somewhere. I think Alex and Andy have done a version of this (at -10% NGNNH) that might be a good thing for you to look at as a starting point. Paul can get that to you if you want it.

B. Then the group look at large down pools (RE, Mortgages, HY Europe, EM and Structured Finance) to see if our top down approach is actually feasible against the existing pool population.

C. Then look at some of the small pools where small numbers of people actually drive the absolute comp number (e.g. Admin, Research, Sales).

D. Then spend some time on other specific pools and looking at the number versus the roster.

E. Go thru who we want to gather the next day to do a brief communication of the pool dynamics and process and script out what we should say.

F. Everyone sleep on the work from day 1.

G. Day 2: communicate with the group as per E above.

H. Reconvene the group to finalize and review any changes.....

Let me know what you think. I've cc-ed MPA so she can add and edit.

Ken