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Sent: Thursday, November 8, 2007 2:40 AM (GMT)
To: Nagioff, Roger <rnagioff@lehman.com>
Cc: Archer, Mary Pat <marcher@lehman.com>
Subject: Fw: Talking Points for Group Meeting

MPA: please add/edit as u see fit

----- Original Message -----

From: Kentaro Umezaki <kumezaki@nyc.rr.com>
To: Umezaki, Kentaro
Sent: Wed Nov 07 21:38:12 2007
Subject: Talking Points for Group Meeting

Roger:

Here's an outline of things I feel you should cover tomorrow with the broader group:

1. FID revenues YoY are forecast to be down ~20% (estimated at 7.3bln). FID's compensation pool was sized accordingly.
2. FID is the worst performing business of the 4 divisions (don't think you should mention other numbers)
3. Businesses and regions within FID have had vastly different performances (from + triple digits YoY, to down significantly)
4. This includes challenging revenue results from our European Securitized Products, US Mortgage and US Real Estate businesses, which have historically been large franchises and contributors to FID's success thru the years
5. We are committed to these businesses going forward and expect to continue to be in these businesses, so we must absorb some of the downside across the rest of FID.
6. The result of this has the impact of making our compensation dynamic even more challenging than the individual business performances
7. The firm treated FID extremely well in overall comp terms given the revenue underperformance YoY. This is the first year that we have a negative YoY revenue and comp dynamic in a long time. The firm has taken into account our long history of success.
8. Round 1 will be distributed sometime on Friday to all pool owners. They are due back to HR on Wed at 5pm NY time. Bear in mind the following:
9. Pay the performers (the 1s). We have sized to pools to make sure the true performers can be paid competitively.
10. We must take risk with the role players (ranks of 2s and 3s) to make the Round 1 pool fit. We have sized the pools assuming that these people will be down more than your overall pool. We must be even harder on this part of the pool than in years past. Guidance for analyst and associates will be provided by HR. This will put some further pressure on the pools.
11. The street's performance overall is worse than ours, so we can take this risk.
12. Make sure during the process that you work with your partners across disciplines and the regions. We expect all numbers to be vetted properly amongst all of the partners. Pools will be distributed by region by business. [Are we going to allow moves in Round 1? Or only in Round 2? If allowed: Moves across regions within a business must be approved by both the business and regional head during this round.]
13. Do not submit nonsensical numbers in Round 1 (e.g. managers with no bonus, because you could not make the pool fit). You must fit to the pool that is assigned.
14. We have essentially held nothing back, only a small amount for minor mistakes that we may need to fix.
15. We will review the submitted pools starting Friday 11/16 thru Tues 11/27.
16. We are not done. We have a lot to play for in the month of November. Let's do our best to maximize revenues in the remaining 3 weeks.

