6/15/94 Lehman Bros

Investment Management Company	Total Assets ($m)
J.P. Morgan	$ 88,686.0
Neuberger & Berman	24,966.0
Oppenheimer Mgmt.	3,211.0
Pell Rudman & Co.	1,112.9
Pierson Cap. Mgmt.	300.0
Princeton Bank & Tr.	2,174.6
Prudential Asset Mgmt.	50,227.0
Putnam Co.	64,697.0
RCM Cap. Mgmt.	23,810.0
RD Hill Ass.	329.0
Rosenblum Silverman & Sutton	208.7
Sanford Berstein & Co.	18,522.7
Scudder, Stevens & Clark	76,887.6
J&W Selgiman	11,373.0
Shawmut National	12,000.0
Soundshore Mgmt.	775.3
State Street Bank	5,499.0
State Street Res. & Mgmt.	17,338.0
Tom Johnson Inv.	1,467.5
T. Rowe Price	7,365.0
Trust Co. of the West	34,699.0
U.S. Trust/Boston	2,900.0
U.S. Trust/Ca.	1,357.0
U.S. Trust/Tx.	560.0
U.S. Trust/N.Y.	25,355.0
Union Trust	2,100.0
Vaughan, Nelson	1,300.0
W.P. Stewart	4,156.3
Wachovia Inv. Mgmt.	16,147.0

LEHMAN BROTHERS

Health Care Reform Conference

"Changes In The Health Care Industry Driven By Managed Care"

yes

TO BE HELD AT THE
STOUFFER MAYFLOWER HOTEL

File June 15

June 14-15, 1994

Contact: Fred Frankel
(212) 526-5061

NAME: ____________________

COMPANY: ____________________

ADDRESS: ____________________

CITY: ____________________

STATE: ____________________ ZIP: ____________________

PHONE: ____________________

Please check the following:

I will attend the Health Care Meeting on Tuesday, June 14.

I will be attending lunch on Tuesday, June 14.

I will be attending dinner on Tuesday, June 14

I will attend the Health Care Meeting on Wednesday, June 15.

I will be attending lunch on Wednesday, June 15

Please fax or mail this form to Tina Horwath no later than May 23rd.

Please return this form to:
Tina Horwath (fax) 1-212-528-9778
Lehman Brothers
Three World Financial Center, 14th Floor
New York, NY. 10285

Wednesday, June 15, 1994

7:30-8:45 a.m.: *Breakfast*
Keynote Breakfast Speaker:

NEWT GINGRICH, HOUSE MINORITY WHIP

9:00-10:15 a.m.: *Panel Discussion*:

INTRODUCTION AND PAYMENT FOR NEW MEDICAL TECHNOLOGY IN A MANAGED CARE ENVIRONMENT

Genentech: Richard B. Brewer, Senior Vice President
Medtronic: Art Collins, COO
Quantum Health Resources: Douglas Stickney, CEO
Aetna Health Plans: William T. McGivney, Ph.D., Vice President

10:30-11:45 a.m.: *Panel Discussion*:

GENERIC DRUGS: STRATEGIES FOR SUCCESS IN AN INCREASINGLY COMPETITIVE MARKET

Copley: Jane C. I. Hirsh, Chairman and CEO
Mylan: Milan Puskar, Chairman, CEO and President
Teva (Lemmon Company): William Fletcher, President

Noon-2 p.m.: *Lunch*:
KEYNOTE LUNCH SPEAKER (1-2pm Time)

BRUCE C. VLADECK, PH.D., THE ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION (Directs Medicare and Medicaid Programs)

LEHMAN BROTHERS ANALYSTS DISCUSS INVESTMENT STRATEGIES AS MANAGED CARE GROWS

2:15-3:30 p.m.: *Panel Discussion:*

PHARMACY BENEFITS MANAGEMENT: INNOVATIVE TECHNIQUES TO CONTROL DRUG UTILIZATION AND COSTS

Value Health: Robert E. Patricelli, Chairman and CEO
PCS, Division of McKesson: Steven I. Geringer, President, PCS
Express Scripts: Barrett Toan, President and CEO

LEHMAN BROTHERS

Health Care Reform Conference

"Changes In The Health Care Industry Driven By Managed Care"

Tuesday, June 14, 1994

8:30-9:15 a.m.: *Registration - Continental Breakfast*

9:15-10:30 a.m.: *Panel Discussion:*

CUTTING COSTS IN THE 90s: HOSPITAL STRATEGIES

Columbia/HCA Healthcare Group: Rick Scott, CEO and President
Community Health Systems: Richard E. Ragsdale, Chairman
HealthTrust, Inc.: R. Clayton McWhorter, Chairman, President and CEO

10:30-11:45 a.m.: *Panel Discussion:*

CUTTING COSTS IN THE 90s: HOSPITAL SUPPLIER STRATEGIES

Owens & Minor: Robert E. Anderson III, Executive Vice President
U.S. Surgical: Leon Hirsch, Chairman and CEO
Vital Signs: Terence Wall, President and CEO

Noon-2:00 p.m.: *Lunch*
Keynote Lunch Speaker:

PATRICK GRIFFIN, DIRECTOR OF THE WHITE HOUSE OFFICE OF LEGISLATIVE AFFAIRS

2:15-3:30 p.m.: *Panel Discussion:*

HMOs' NEW MEDICAL COST CONTROL INITIATIVES AND THE IMPACT ON HEALTH CARE DELIVERY

Healthsource: Norman C. Payson, M.D., President and CEO
United HealthCare: William McGuire, M.D., Chairman and CEO
U.S. Healthcare: Leonard Abramson, Chairman and Principal Executive Officer

3:45- 5:00 p.m.: *Panel Discussion:*

MANAGED CARE PHYSICIANS' INFLUENCE ON CHANGING MEDICAL PRACTICE

Coastal Healthcare Group: Steven Scott, CEO
Pacific Physician Services: Gary Groves, CEO
PhyCor: Joseph Hutts, CEO

6:30-8:00 p.m.: *Dinner*
Keynote Dinner Speaker:

STAN GREENBERG, POLLSTER TO THE PRESIDENT AND ADVISOR TO THE DEMOCRATIC NATIONAL COMMITTEE

Dear Institutional Client:

We are pleased to invite you to the Lehman Brothers Health Care Conference, "Changes In The Health Care Industry Driven By Managed Care," to be held at the Stouffer Mayflower Hotel in Washington, D.C. on June 14-15.

This conference will be looking broadly at the changes in the industry driven by managed care. Among the keynote speakers will be Newt Gingrich, House Minority Whip.

The meeting will be organized to include:

- Keynote speakers from Congress and The Administration representing various views;
- Topical panels of senior executives of health care companies. These will explore the strategies for facing the major challenges in the changes U.S. health care system;
- Opportunities to follow up with company managements and other speakers at their designated tables;
- Take-home investment ideas from Lehman Research analysts.

We have reserved a block of rooms at the Stouffer Mayflower Hotel, at a special rate of $195.00 for a single/double room. If you need accommodations, please call the Stouffer Mayflower directly at 202-347-3000 by May 23, and be sure to mention the Lehman Brothers Health Care Conference.

To RSVP for the conference, please send in the enclosed registration form. Please watch this spot for any changes to agenda and listing of additional Congressional/Administration speakers.

We look forward to seeing you in June!

New York Lehman Brothers Health Care Analysts

Equity:

Jerry Brimeyer **David Danar** **Ed Kroll** **Teena Lerner**

Rich Silver **Mimi Willard**

Joel Zimmerman

Fixed Income:

Susan Taylor

Washington Lehman Brothers Political Analyst

Tom Gallagher

File June 15

Facsimile Cover Sheet

yes

To: Julie Hopper
Company: White House Scheduling Office
Phone: 202-456-7560
Fax: 202-456-~~2316~~ 2461

From: Teena Lerner
Company: Lehman Brothers
Phone: 212-526-4410
Fax: 212-619-9435

Date: 05/20/94
Pages including this cover page: ~~3~~ 4

Comments: Thank you so much for your help in coordinating Mrs. Clinton's appearance at Lehman Brothers' Second Annual Health Care Reform Conference on June 15. Please convey to the First Lady our deepest appreciation for accepting this invitation. We think she will find our group to be a well-informed, interested and interesting audience.

I am group head of the health care equity research group at Lehman Brothers, and one of the organizers of the conference. Fred Fraenkel, with whom you spoke to schedule this event, is the head of the equity research department (and my boss). I will take over the responsibility of working with you (and/or anyone else you refer me to) on the details of this presentation. Rather than hassling you, I will wait to hear from your office when you are ready to hear more about the nature of the meeting, the audience, any preferences we might have about content of Mrs. Clinton's remarks, etc. In the meantime, I enclose some background information on the conference and a copy of the final schedule.

Many thanks.

Teena Lerner

LEHMAN BROTHERS

TEENA L. LERNER, CPA, Ph.D
MANAGING DIRECTOR

BOTH
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MEMORANDUM

what clients based

TO: Julie Hopper

FROM: Teena Lerner

DATE: May 20, 1994

RE: Lehman Conference June 15

This is Lehman Brothers' second annual Washington, DC health care conference. We organize these conferences for the benefit of our institutional investor client base, to educate them on changes expected in the health care system so that they can incorporate that information into investment decisions. Speakers at the conference include CEO-level representatives of 22 major companies involved in all sectors of the health care industry, as well as Washington-based speakers representing different legislative agendas and viewpoints.

Last year's conference was a huge success. Ira Magaziner was the keynote speaker and most of the key legislators on health care reform (ie, Cooper, Daschle, Rockefeller, Durenberger) also gave presentations. The meeting attracted top health care investment decision-makers from the equity and fixed income sides of the largest institutional pension and money management firms in the country: Fidelity, Alliance, Capital Guardian, Morgan Bank, Trust Company of the West, Putnam, Dreyfuss, etc. The audience was also extremely knowledgeable about the ramifications of the various options in health care reform, which led to very lively and productive exchanges with Mr. Magaziner and with each of the invited members of the Hill. All told, the audience consisted of over 200 institutional investors, representing $1.7 trillion of assets under management, plus senior-level representatives of 23 presenting corporations and industry groups.

the analysts the market & specific stocks & bonds relating to hc

Investment companies

We believe that the health care investment community is an important constituency for the Clinton administration to interact with on the topic of health care reform. It is a highly influential constituency whose reaction (seen in the stock and bond tables every day) to this legislation will be key. We believe that Mrs. Clinton can use our conference as a forum to reach out to this important group, and we are pleased that she has chosen to do so. We think it would be an interesting and stimulating meeting for the First Lady. It offers Mrs. Clinton an opportunity to present the Administration's case to these decision-makers directly, rather than through the filter of the media or Wall Street analysts, and offers her an opportunity to react first-hand to their viewpoints. Having attended a dinner in which the First Lady addressed an economic development group, I know that our audience will have a somewhat different interest and agenda than most of the business and industry groups that Mrs. Clinton has previously addressed.

Enclosed is a copy of the final agenda.

LEHMAN BROTHERS

LEHMAN BROTHERS INC.
3 WORLD FINANCIAL CENTER
NEW YORK, NY 10285-1400
212 526 4410

TEENA L. LERNER
MANAGING DIRECTOR

LEHMAN BROTHERS

LEHMAN BROTHERS INC.
3 WORLD FINANCIAL CENTER NEW YORK, NY 10285-1400

Mrs. Hillary Rodham Clinton
Office of the First Lady
The White House
Old Executive Building, Rm. 100
1600 Pennsylvania Avenue
Washington, DC 20500

LEHMAN BROTHERS

TEENA L. LERNER, CFA, Ph.D.
MANAGING DIRECTOR

Scheduling

May 20, 1994

to Patti: FYI
fr: Wendy

Mrs. Hillary Rodham Clinton
Office of the First Lady
The White House
Old Executive Building, Room 100
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mrs. Clinton:

On behalf of Lehman Brothers, I'd like to express our appreciation for your acceptance of our invitation to speak at the Second Annual Lehman Brothers Health Care Reform Conference in Washington, DC on June 15. We will have in attendance senior health care investment decision makers from the leading investment institutions in the country. This is an audience whose actions significantly impact the stock and bond markets on a daily and long term basis. They are most interested in hearing your comments and having the opportunity to interact with you in person. I believe that you, too, will find this to be a stimulating and interesting forum.

We look forward to greeting you on the 15th. In the meantime, we are pleased to work with the appropriate members of your staff to do whatever we can to ensure that this is a smooth and productive meeting for all parties involved.

Thank you once again.

Sincerely,

Teena L. Lerner

LEHMAN BROTHERS

Jerry Brimeyer - Pharmaceuticals
David Danar - Biotechnology
Ed Kroll - Medical Services & Supply
Teena Lerner - Biotechnology
Richard Silver - Pharmaceuticals
Mimi Willard - Medical Services & Supply
Joel Zimmerman - Medical Technology

Angeli Kolhatkar - Jr. Analyst to Teena Lerner & Joel Zimmerman
Scott Kyreakakis - Jr. Analyst to Jerry Brimeyer
Jennie Stephenson - Jr. Analyst to Mimi Willard
Sally Yanchus - Jr. Analyst to Joel Zimmerman

HEALTH CARE GROUP
EQUITY RESEARCH DEPARTMENT

Fax Number: (212) 619-9435
Backup 619-6893
619-6871

212
526-4410

FAX COVER SHEET

Date: June 10, 1994

To: Liz Boyer **From:** Teena Lerner

Co./Dept.: **Phone:**

Phone: 202-456-2131 **# of Pages Incl. Cover** 15

Fax #: 202-456-2239

Messages:

Elise Abrutyn - Research Assistant to Ed Kroll & Rich Silver
Linda Napoli - Administrative/Research Assistant to T. Lerner & David Danar
Naomi Pollus - Administrative/Research Assistant to Joel Zimmerman
Alice Usher - Executive Secretary to Mimi Willard & Jennie Stephenson
Sally Rosario - Administrative/Research Assistant to Jerry Brimeyer

MEMORANDUM

TO: Julie Hopper

FROM: Teena Lerner

DATE: May 20, 1994

RE: Lehman Conference June 15

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Enclosed is a copy of the final agenda.

LEHMAN BROTHERS
Health Care Reform Conference
"Changes In The Health Care Industry Driven By Managed Care"

TO BE HELD AT THE STOUFFER MAYFLOWER HOTEL WASHINGTON, D.C.

JUNE 14-15, 1994

Tuesday, June 14, 1994

8:30-9:15 a.m.: *Registration - Continental Breakfast*

9:15-10:30 a.m.: *Panel Discussion:*

CUTTING COSTS IN THE 90s: HOSPITAL STRATEGIES

Columbia/HCA Healthcare Group: Rick Scott, CEO and President
Community Health Systems: Richard E. Ragsdale, Chairman
HealthTrust, Inc.: R. Clayton McWhorter, Chairman, President and CEO

10:30-11:45 a.m.: *Panel Discussion:*

CUTTING COSTS IN THE 90s: HOSPITAL SUPPLIER STRATEGIES

Owens & Minor: Robert E. Anderson III, Executive Vice President
U.S. Surgical: Leon Hirsch, Chairman and CEO
Vital Signs: Terence Wall, President and CEO

Noon-2:00 p.m.: *Lunch*
Keynote Lunch Speaker:

PATRICK GRIFFIN, DIRECTOR OF THE WHITE HOUSE OFFICE OF LEGISLATIVE AFFAIRS

2:15-3:30 p.m.: *Panel Discussion:*

HMOs' NEW MEDICAL COST CONTROL INITIATIVES AND THE IMPACT ON HEALTH CARE DELIVERY

Healthsource: Norman C. Payson, M.D., President and CEO
United HealthCare: William McGuire, M.D., Chairman and CEO
U.S. Healthcare: Leonard Abramson, Chairman and Principal Executive Officer

3.45- 5:00 p.m.: *Panel Discussion:*

MANAGED CARE PHYSICIANS' INFLUENCE ON CHANGING MEDICAL PRACTICE

Coastal Healthcare Group: Steven Scott, CEO
Mullikin Management Enterprises: John S. McDonald, CEO
PhyCor: Joseph Hutts, CEO

6:30-8:00 p.m.: *Dinner*
Keynote Dinner Speaker:

STAN GREENBERG, POLLSTER TO THE PRESIDENT AND ADVISOR TO THE DEMOCRATIC NATIONAL COMMITTEE

Wednesday, June 15, 1994

7:30-9:15 a.m.: *Breakfast*
Keynote Breakfast Speakers:

8:00-8:45 a.m. **REP. NEWT GINGRICH (R.-Ga.) HOUSE MINORITY WHIP**

8:45-9:15 a.m. **SEN. BOB KERRY (D.-Neb.)**

9:30-10:45 a.m.: *Panel Discussion*:

INTRODUCTION AND PAYMENT FOR NEW MEDICAL TECHNOLOGY IN A MANAGED CARE ENVIRONMENT

Aetna Health Plans: William T. McGivney, Ph.D., Vice President
Genentech: Richard B. Brewer, Senior Vice President
Medtronic: Art Collins, COO
Quantum Health Resources: Douglas Stickney, CEO

11:00 a.m.-12:15 p.m.: *Panel Discussion*:

GENERIC DRUGS: STRATEGIES FOR SUCCESS IN AN INCREASINGLY COMPETITIVE MARKET

Copley: Jane C. I. Hirsh, Chairman and CEO
Mylan: Milan Puskar, Chairman, CEO and President
Teva (Lemmon Company): William Fletcher, President

12:30-2:45 p.m..: *Lunch*:
Keynote Lunch Speakers

1:00 p.m. **THE FIRST LADY, HILLARY RODHAM CLINTON**

2:00 p.m. **BRUCE C. VLADECK, PH.D., ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION (Directs Medicare and Medicaid Programs)**

3:00-4:15 p.m.: *Panel Discussion:*

PHARMACY BENEFITS MANAGEMENT: INNOVATIVE TECHNIQUES TO CONTROL DRUG UTILIZATION AND COSTS

Value Health: Robert E. Patricelli, Chairman and CEO
PCS, Division of McKesson: Steven I. Geringer, President, PCS
Express Scripts: Barrett Toan, President and CEO

LEHMAN BROTHERS

Health Care Reform Conference

"Changes In The Health Care Industry Driven By Managed Care"

TO BE HELD AT THE STOUFFER MAYFLOWER HOTEL, WASHINGTON, D.C.

June 14-15, 1994

NAME: ______________________________

COMPANY: ______________________________

ADDRESS: ______________________________

CITY: ______________________________

STATE: ____________________ ZIP: ____________

PHONE: ____________________ FAX: ____________

Lehman Brothers Relationship: ________ Institutional Client; ________ Corporate Client;

Other ______________________________.

Please check the following:

____ I will attend the Health Care Meeting on Tuesday, June 14.

____ I will be attending lunch on Tuesday, June 14.

____ I will be attending dinner on Tuesday, June 14

____ I will attend the Health Care Meeting on Wednesday, June 15.

____ I will be attending lunch on Wednesday, June 15

Please fax or mail this form to Tina Horwath no later than May 23rd.

For hotel reservations, please call the Stouffer Mayflower directly at (202) 347-3000 and mention the Lehman Brothers Conference.

Please **COPY** and **FAX** this form to:
Tina Horwath (fax) 1-212-528-9778
Lehman Brothers
Three World Financial Center, 14th Floor
New York, N.Y. 10285

ASSETS UNDER MANAGEMENT
Companies Represented
Lehman Brothers' Health Care Reform Conference May 5-6

Investment Management Company	Total Assets ($m)
Alliance Capital Mgmt.	$ 63,826.0
ASB Capital Mgmt.	10,371.1
Atlanta Sosnoff Cap.	1,932.0
Bankers Trust	200.0
Baring America Asset Mgmt.	1,538.7
Berger Associates	850.0
Brinson Partners	26,842.0
Brundage, Story & Rose	3,741.7
Capital Guardian	27,332.7
Capital Research	76,530.7
Chancellor Cap. Mgmt.	26,134.0
Cigna Cap.	57,704.0
Clover Cap. Mgmt.	810.0
Concord Inv. Co.	180.0
Conning & Co.	8,100.0
Equitable Capital Mgmt.	35,095.5
Essex Inv. Mgmt.	2,400.0
Fidelity Mgmt. & Research	190,474.5
Fiduciary Trust, Int'l	24,306.0
Fleming Cap. Mgmt.	486.9
Fortsmann Leff Ass.	3,496.7
Friess Ass.	2,417.1
Froley Revy Inv. Co.	597.0
Frontier Cap.	1,344.0
Furman Selz Cap.	3,639.0
Continental Asset Mgmt.	13,559.0
Cooke Bieler	5,521.6

Investment Management Company	Total Assets ($m)
Weiss Peck Greer	$ 11,091.0
Weiss Peck Greer Farber	11,091.0
Wellington Management	66,952.0
Wellington Mgmt. Co.	66,952.0
Wood, Struthers & Winthrop	1,310.0
TOTAL ASSET UNDER MANAGEMENT	**$1,662,517.8**

MT

LEHMAN BROTHERS

MIMI WILLARD
SENIOR VICE PRESIDENT

April 5, 1993

Mr. Ira Magaziner
Senior Advisor for Policy Development
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. Magaziner:

We are looking forward to your talk at the Lehman Brothers' healthcare reform conference at the Madison Hotel on May 5-6. As you are aware, we have assigned you a keynote slot at the luncheon on May 5th.

I am writing to update you regarding the status of that conference. Specifically, we have had an outstanding response from our client base, and expect to have a turnout near or at the 300 person capacity of our room at the Madison Hotel. We expect that the financial institutions represented at the conference will collectively comprise the majority of money under management in the nation. This should be an excellent opportunity for you to access the financial and healthcare communities regardless of whether the Administration's proposals have been formally unveiled. *

We are still in the process of firming up a couple of our keynote speakers, but do have firm acceptances from Jim Cooper and David Durenberger, as well as senior executives representing various healthcare corporations and interest groups.

Please see the attached agenda.

The recent announcement regarding the divestiture of Shearson Division's retail operations to Smith Barney actually increases the impact of this coming conference. That is because the Lehman Brothers' research department now serves three constituencies: Lehman Brothers' Institutional Sales, Shearson Lehman Brothers' retail sales, and Smith Barney retail sales. Thus, we expect this to be an even more important forum for you to put forward the Administration's views on healthcare reform.

If I can be of any further assistance to you or you have any questions regarding this conference, please call me.

I look forward to seeing you in May.

Yours sincerely,

Mimi C. Willard

Mimi C. Willard

LEHMAN BROTHERS

MIMI WILLARD
SENIOR VICE PRESIDENT

March 2, 1993

Mr. Ira Magaziner
Senior Advisor for Policy Development
The Old Executive Building
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. Magaziner:

I was pleased to learn in speaking with Marjorie Tarmey of your office today that you have agreed to speak at the Lehman Brothers Healthcare Reform conference in Washington on May 5. We have assigned you that day's keynote lunch slot, noon - 2:00 p.m. This will be at the Madison Hotel, 15th and M Streets.

My prior letters to you described the scope and character of this conference. Ms. Tarmey has asked me, in order to better prepare you for this meeting, to provide further details, which are as follows. We expect to have at least 200 attendees. The majority of these will be representatives of major institutional investment firms (such as Fidelity/Mutual Funds, J.P. Morgan, Alliance Capital, various major banks, major insurance companies, etc.); collectively, these institutions are responsible for investing a significant portion of the nation's equity capital. In addition, we expect to have in attendance senior executives from a number of major healthcare and insurance companies; and senior representatives of key interest groups (e.g. physicians and hospitals). We believe that this group of participants represents an important constituency for the administration to access once its healthcare reform proposal is unveiled.

I would suggest that you have 30-45 minutes of prepared comments and then be available to answer some questions from the floor. You should expect that this audience will be highly informed with respect to the issues surrounding healthcare reform.

I am enclosing for your information our preliminary agenda, so that you can understand the broader scope of this conference. There are still about four unfilled keynote slots, most of which we anticipate will be given to key members of Congress who will be central in the healthcare reform debate. Those invitations have been extended and seem to be progressing favorably; on the last page of the agenda you will see a list of the other keynote speakers whom we hope to have with us.

I look forward to seeing you in May. If I can be of any help in the interim, please phone.

Yours sincerely,

Mimi C. Willard

Mimi C. Willard

LEHMAN BROTHERS

HEALTH CARE REFORM CONFERENCE: THE VIEW FROM 100 DAYS

MAY 5-6, 1993

THE MADISON HOTEL
15th and M Streets
WASHINGTON, D.C.
202-862-1600

PRELIMINARY SCHEDULE OF EVENTS

When we send out the invitation, only list confirmed speakers and include the comment below:

All speakers listed below are confirmed; other invitations are pending.

May 5

9:30AM: Registration.

9:50AM: Welcoming comments.

10:00AM: Keynote Slot (see last page for outstanding invitations).

10:45AM: Keynote Slot (see last page for outstanding invitations).

Noon: Keynote Lunch. **Ira Magaziner:** President Clinton's Senior Advisor for Policy Development.

2PM: **The Outlook for Health Insurance Reform.** Panel discussion moderated by Mimi Willard and Gloria Vogel. Invited panel discussants include:

Health Insurance Industry Association: Pres. Wm. Gradison (invited by Helene Rayder, with Tom Gallagher doing follow through).

Group Health Association of America: (Invited by Ed Kroll. They have accepted; unclear who speaker is)

Cigna Government Affairs: H. Michael, Assistant VP/Federal Affairs. Confirmed.

Alternate: Sal Curiale, NY Commisssioner of Insurance (to be invited by Gloria Vogel)

3:00PM: Break

3:15PM: **Impact of Health Care Reform on Health Insurers.** Panel discussion moderated by Gloria Vogel. Panel discussants are confirmed and include:

Aetna Group Health Operations: James W. McLane, Assistant Vice President, Federal Affairs. Confirmed.

Cigna Employee Benefits: Lawrence P. English, President Employee Benefits Division). Confirmed.

Metropolitan Life: John D. Moynihan, Executive Vice President, Group Health. Confirmed.

4:15PM: **HMOs in a Changing Regulatory and Competitive Environment; Impact of Health Care Reform.**

U.S. HealthCare: David Simon, corporate counsel. Confirmed. (But are seeking higher level speaker); or will get United HealthCare.

Foundation Health: Dan Crowley, Chairman and CEO or Steve Tough, President. Confirmed.

PacifiCare. Terry Hartshorn, Chairman elect, or Alan Hoops, President and CEO elect. Confirmed.

5:20-5:35PM: **Lehman Brothers Take Home Investment Thinking on HMOs and Insurance**

5:30-8:00PM: **Keynote Dinner.**

May 6

7:30AM: **Keynote Breakfast. Senator David Pryor**, (D) Arkansas. 85% confirmed. Tom G. will firm up.

8:45AM: Break

9:00AM: **Health Care Providers: Reform Measures that they Could Support and How they Will Adapt to the New Environment.** Panel discussion moderated by Ed Kroll. Invited participants include (Ed is responsible for all these invitations except Gaelen):

American College of Physicians: Howard Shapiro, Director of Public Policy. Confirmed.

American Hospital Association: Peter Wilson, Vice President of Regulatory Affairs and State Policy Issues. Confirmed.

Galen: Carl Pollard, Chairman and CEO. (Pending, as per Ed Kroll).on this through David Jones. Humana)

Vencor: Bruce Lunsford, CEO. Confirmed.

May 6, continued

10:00AM: **The Increasing Role of Pharmacy Benefits Management.** Panel discussion moderated by Jerry Brimeyer (and Mimi Willard??). Invited discussants include:

Glaxo: Stephen Stefano, VP Managed Care (invited by Jerry Brimeyer and Scott K.).

United HealthCare's Diversified Pharmaceutical Division. Hank Blissenbach, President. Confirmed.

ValueRx division of Value Health: Barry Smith, President (pending. Mimi Willard invited them; they may RSVP to Joel)

11:15AM: Break

11:30AM: **Pharmaceutical Companies' Strategies for Dealing with Pharmacy Benefit Management** Panel discussion moderated by Jerry Brimeyer. Invited discussants include:

Pharmaco division of Applied Bioscience International: Dr. Charles Defsche, President

Marion Merrell Dow: John Harrington, Director Managed Care. Invited by Rich Silver.

Amgen. Gordon Binder, Chairman and CEO? Likely

12:30PM: Keynote Lunch. **Mark Shields**, syndicated columnist. Confirmed

2:20PM: **Importance of Data Analysis and Outcomes Research in the New Health Care System; Medical Technology, Part of the Problem or part of the Solution?**. Panel discussion to be moderated by Joel Zimmerman and Scott Fithian. Invited discussants include:

Health Insurance Association of America: John Cova. Consultant to HIAA on Medical Technology Assessment and former Director of Technology Assessment.

Health Industry Manufacturers Association. Ted Manne, EVP. Confirmed.

Dan Draglin; Towers Perin, former Prudential National Medical director, currently a (advocate of centralized technology assessment).

3:40PM: **Winners and Losers Under Health Care Reform.** Some take-home investment ideas from Lehman Research analysts:

Pharmaceuticals: Jerry Brimeyer, Rich Silver, Juan Noble
Biotechnology: Teena Lerner and David Danar
Medical Technology: Joel Zimmerman and Scott Fithian
Insurance: Gloria Vogel

Pending Keynote invitees

We expect to fill at least three more keynote slots. Below is a list of those who would be the first choices to fill them. All of those listed below have been extended formal invitations and should respond within the next week or so.

Rep. Jim Cooper, D. Tenn. (invited by Gallagher)
Sen. George Mitchell, D. Me. (invited by Gallagher)
Donna Shalala, Secretary of Health and Human Services.
Rep. Pete Stark, D. Cal.

Tom Elkin, Calpers, is interested in attending. Do we have a slot for him?

The Bond Buyer

GENE
→ collection of highlights
→ Stick w/ basics

April 15, 1994, Friday

SECTION: Q: AND A:; Pg. 5

LENGTH: 1767 words

HEADLINE: 'Giving Management Tools' to Succeed in Local Health Care Markets WITH STEPHEN CLAIBORN, MANAGING DIRECTOR AND CHRISTOPHER CONLEY, SENIOR VICE PRESIDENT AT LEHMAN BROTHERS.

BYLINE: April Hattori

BODY:

The health care industry is rapidly evolving, notwithstanding the political wrangling in Washington, D.C. over proposed reforms.

While Congress considers a variety of health care reform bills, ranging from a Canadian-style, single-payer plan to the Clinton managed competition plan, the health care industry is bracing for a future that will reward the lean and mean.

Competition for managed care contracts with employee groups is forcing many health care institutions to streamline their operations or join forces with other facilities to provide a broad spectrum of care.

Changes in the health care industry could reduce overall hospital revenues, placing some of the $100 billion of outstanding health care bonds at risk, according to rating agency officials and market participants. Nearly half of those bonds are insured.

Meanwhile, issues at both the federal and state levels also threaten to impede health care bond issuance and the speed of reforms. The issues include a limitation on the number of advance refundings allowed for hospital debt and anti-trust laws that could hinder the merging of health care institutions.

Recently, two Lehman Brothers health care bond officials spoke with reporter April Hattori about the changes in the health care industry and their impact on the credit markets.

Stephen A. Claiborn is national director of Lehman's health care group, and Christopher Conley is a senior vice president at the firm.

Claiborn is also chairman of the Health Care Financing Group, a 40 member organization that includes investment banking firms and bond insurers. The group was set up about 15 years ago to provide a forum for discussing significant changes in the health care industry.

Q: How much health care bond issuance can we expect in the coming years? And what kind of projects will the bonds finance?

Conley: We expect health care bond issuance to be somewhere between $15 billion and $20 billion annually for the foreseeable future. And we think that financing will be driven by three needs. First, we have to keep existing structures up to date with renovations. Second, we have to finance new modalities of care, including primary care, that are lower cost, reach further into community, or serve under-served areas. Third, we will continue to see consolidation-related financing as more hospitals merge and need to refinance their debt to effect consolidation. It's important to note that the last two needs - the new modalities of care and consolidation - are really what health care reform is all about - providing new kinds of care and becoming more efficient.

Q: What kind of changes are you seeing in health care financings?

Conley: Taxable debt has always been an option, and we may have to rely on it a lot more in the future. For those borrowers that have exceeded their $150 million limitation for non-hospital bonds for outpatient facilities, like ambulatory care centers, taxable debt is the only option. For joint venture arrangements with physicians or developers, particularly for medical office buildings, in which there is clearly some private use of the facility, taxable debt is very good vehicle. If the tax-exempt status of hospitals is taken away or access to the tax-exempt debt market is curtailed, we think there will be more reliance on taxable debt. In our experience, too, the most attractive vehicle to the borrower for those purposes is some form of floating-rate taxable debt that can be hedged with an interest rate swap or interest rate cap.

Q: What is your approach to health care financing?

Conley: More and more, our approach to financing starts with management. The forces that are affecting the health care industry nationally are cost and access, which are management issues. They usually show up at the local level on the desk of the chief executive officers and chief financial officers. So Lehman Brothers looks at how management approaches four major areas: their vision in the marketplace, financial management, network negotiation, and medical staff relationships.

The first thing we look at is whether management has a strong sense of where they fit in their local marketplace. Are they the low-cost provider? Are they the dominant provider?

Second, we look at financial management, starting with all the traditional measures of financial health on the income statement and the balance sheet. And if the information is available, we also try to focus on the institution's cost position compared to its competitors and its ability to enter into managed-care contracts with providers. We want to know whether they're making money or losing money on (the managed-care contracts.)

Third, we look at management's ability to position their institution in networks that may be forming in their marketplace. Here, we may focus on their affiliations with other institutions, the number of managed-care contracts they may have, their dependence on any one contract, and the overall penetration of managed care in their marketplace.

And finally, we look at how they're handling the management of the changing medical staff relationship. For example, are they employing physicians or are they contracting with large physician organizations?

Basically, what we try to do is figure out what management's needs are in their market, driven by what is happening with reform and (we try to) deliver the kinds of tools to solve them.

Q: What needs to be done to eliminate or curtail the likelihood of bond defaults in the future?

Conley: The default rate for tax-exempt bonds in the acute-care sector historically has been very low - less than 1% of all bonds. And we don't see any change in the foreseeable future. Only a third of all hospitals have access to the market. Again, we think management is the key to this. Most of these managers have seen continuous and large changes in the industry for a long time - for at least the last 10 years. In a sense, what is happening now is more of the same. The chief financial officers, chief executive officers, and the boards that have good handles on the four things we talked about probably have the best chance of getting through this round of changes.

But we do think the regulators can help management in a couple of ways. First, they can help by making any changes gradual so local management and their communities have time to adjust. And second, we think that they can remove some of the obstacles that prevent management from moving in the direction that everybody seems to want to go.

Q: What are some of those obstacles?

Claiborn: What I think we're talking about here is giving management the tools to get done what needs to be done in their local markets. One key issue is the anti-trust issue, which we can talk about separately. And there has been some positive movement there. There are three other areas which would help hospital managers rationalize health care in their community. First is the repeal of the $150 million limitation on non hospital bonds outstanding for any 501(c)(3) (organization). This would help encourage the increasing emphasis on primary and preventive care facilities, which is where the changes in health care are taking them. Secondly, relaxing the restriction on advance refunding would help hospitals that are merging to consolidate their operations. And thirdly, the change-in-use rules should be relaxed to permit unexpected shifts from a qualified to a non-qualified use caused by health care reform. For example, if a for-profit operator wants to buy a non-profit facility, financed by tax-exempt bonds, the current safe harbor regulations require that a facility be in use for five years since the last tax-exempt bond issue. And with the speed of health care reform, five years is forever.

Q: What can we expect in the area of anti-trust issues on the state and federal levels?

Claiborn: Many of the new ventures that would increase efficiency may be blocked by current anti-trust provisions. Two of the health care bills, however, that have been introduced - the Chafee-Thomas bill and Nickles Stearns bill - both have fairly identical provisions that recognize the need for anti-trust revision to accommodate changes in the marketplace. These bills would create a number of mandatory safe harbors and allow for other safe harbors to be established going forward to help make the changes that are already taking place. We think these efforts will be successful.

Q: How does the merging of for-profit institutions with nonprofits affect the outstanding debt of the merged institution and the tax-exempt market?

Conley: Consolidation-related financing is driving some portion of the tax exempt market initially. The most likely candidates for that are the hospitals owned by physician partnerships or those owned by some of the proprietary chains. For nonprofits that want to be acquired by the for profit chains, we're going to need some relaxation of the change-in-use provision that (Claiborn) talked about. But we're probably going to end up seeing some increase in taxable financing to accomplish some of these changes.

Q: What is your best guess as to the pace of federal health care reforms?

Claiborn: We think there is tremendous pressure to get something done this year. Nonetheless, regardless of what comes out of Washington, health care reform is happening anyway. Managed care is growing and hospitals are merging with one another and with insurance companies. And there is greater interest in new types of physician organizations and primary and preventive care facilities. The (health care) market is already focusing on issues of cost and access. Smart managers in communities all over the country are responding to the market. So I think it's happening almost regardless of Washington.

Q: What role do derivatives play in health care financings?

Claiborn: Hospitals have been near the forefront if not at the forefront in terms of utilizing derivative product structures. They tend to have a freer hand because most of them are not government entities, per se. They have a freer hand in using newer instruments that save money. We continue to use our more sophisticated derivative products in the health care area to a very large success, and I definitely think that is going to continue. Without giving any particular names or anything, there are probably 15 deals we've done so far this year in the health care market. Probably about three-quarters of them make good use of derivative product structures.

GRAPHIC: includes photos: Claiborn, Conley

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 15, 1994

The Atlanta Journal and Constitution

June 1, 1994

SECTION: BUSINESS; Section E; Page 5

LENGTH: 285 words

HEADLINE: IN THE NEWS American Express completes spinoff of Lehman Brothers to shareholders

BYLINE: BLOOMBERG BUSINESS NEWS

BODY:

New York - Lehman Brothers Holdings Inc., for the second time in its 144-year history, became an independent company as American Express Co. completed the $ 1.77 billion spinoff of the securities firm to shareholders.

American Express, a travel and financial services company, said it distributed its 98.2 million common shares in Lehman through a tax-free dividend to shareholders. American Express holders of record May 20 received one Lehman share for each five of their shares.

Lehman shares were actively traded Tuesday, with nearly 2.8 million sharescha nging hands. The stock fell 12 1/2 cents to $ 18.

Investors who received Lehman shares in the spinoff said they're holding on, at least for the time being. The stock is trading at a 27 percent discount to its $ 24.52 book value, well below a brokerage industry standard of 15 percent to 25 percent above book value.

"It's not our style" to sell stocks that may be inexpensive, said Douglas Eby, a portfolio manager at Robert E. Torray & Co., which owns about 200,000 Lehman shares. Eby said the firm may consider selling its Lehman stock if it rises above book value.

Funds that only buy shares of companies in the Standard & Poor's 500 index are expected to sell their Lehman holdings because the stock isn't part of the index. These funds owned about 8 percent to 9 percent of American Express stock in early May, Lehman said, citing analysts' estimates.

Lehman shares have been trading on the New York Stock Exchange on awhen-issued basis since May 2.

American Express stock traded ex-dividend Tuesday, or as though the dividend had been paid. American Express rose $ 1.62 1/2to $ 27.62 1/2 today, after accounting for the spinoff.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: June 2, 1994

January 31, 1994

SECTION: FIRMS & EXCHANGES; Pg. 8

LENGTH: 687 words

HEADLINE: Unanswered questions linger about Lehman Brothers spinoff; Bonuses of stock and cash are doled out

BYLINE: Ron Cooper, Tom Pratt

BODY:

After years of considering every other alternative imaginable, American Express Co. decided last week to buy its way out of the securities business. It announced that it would inject more than $ 1 billion in new capital into its Lehman Brothers which were only beginning to be communicated to employees at press time last week. Finally, few hints were forthcoming about the makeup of Lehman's new and independent board, or about its unfilled chairman's post.

Terms of the divestiture call for American Express to buy $ 890 million of new Lehman common shares, which will be spun off in a special dividend to American Express shareholders. Amex will also buy $ 200 million of preferred shares, which it will keep. Lehman employees will purchase $ 160 million of new shares, or less than 10% of the common of the newly-independent firm.

Asked why American Express didn't go the IPO route, one source explained: "The rating agencies basically indicated that much more capital was required than would have been the case if you simply did a 20% IPO, and spun off the rest." In 1993, Sears, Roebuck & Co. did a 20% IPO of Dean Witter Discover, then spun off the other 80% tax-free. The 20% benchmark can't be exceeded for tax reasons, the source noted, and 20% of Lehman's current net tangible equity of about $ 1.7 billion is far short of the $ 1 subsidiary, and spin it off to American Express shareholders during the second quarter.

The move is a welcome one for Lehman Brothers, which had wanted out of the 10-year relationship every bit as billion the ratings agencies told Lehman they required for a stand-alone single-A rating.

Conversely, it would have taken years for Lehman to earn its way into $ 1 billion in new equity, and American Express would risk missing the current high valuation for securities firms.

"I think [Amex chairman Harvey] Golub looked around and saw that things are never going to be better than they are now," said a source close to Lehman. "Lehman had a good earnings year, there is no press yet about the Shearson Lehman limited partnerships, certain things have been settled, its underwriting ranking is okay, and the equity markets couldn't be more benign."

The bonus issue

When the spinoff was announced, there was considerable suspicion at Lehman that there would be a direct link between 1993 bonuses -- which weren't announced until later in the week -- and the $ 160 million in employee purchases of new common. The situation still wasn't clear at press time, but initial, scanty reports of bonuses indicated that much as American Express wanted it to go. But welcome as the announcement was, it left several issues unresolved.

It wasn't entirely clear why American Express didn't go the separate initial-public-offering route, or why its executives erred so badly last August when they estimated fresh capital of only $ 500 million would bring Lehman a stand-alone single-A rating. It also wasn't clear how much of the $ 160 million of Lehman stock slated for employee purchase would be tied to 1993 bonuses -- individuals were pleased, and that the feared tie-in wasn't an issue.

About $ 60 million of the stock purchases reportedly are linked to 1993 bonuses, although the related portion of the bonus pool is larger -- $ 100 million. The difference is taxes, for which employees will receive the other $ 40 million in cash.

"None of the bonuses are more than 25% stock -- and purchases of stock are completely voluntary," said a Lehman official. "The 25% is a cap, and in many cases it was lower; not many people hit that." Plans for the other $ 100 million in employee stock purchases "are still being worked on," the official added.

As for the new board, American Express said in its announcement that it will not be represented, and that there won't be any directors in common between the firms. Still, sources said, Golub will want to have an influence on the board, and Lehman president and CEO Richard Fuld will likely nominate several Lehman executives loyal to him and managing partner Christopher Pettit. Lehman does not have a chairman.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 11, 1994

The Times

January 25, 1994, Tuesday

SECTION: Business

LENGTH: 168 words

HEADLINE: American Express to float Lehman Brothers

BODY:

AMERICAN Express is to float off Lehman Brothers, its investment bankingarm, in the next six months. The flotation will be through a tax-free special dividend to Amex shareholders consisting of free Lehman shares. American Express, the net income of which more than tripled, to $1.478 billion, last year, will first pump more than $1 billion into Lehman to strengthen its balance sheet and gain a credit rating that will enable it to deal in government and other securities. Amex sold the bulk of Shearson Lehman to Primerica, the American financial conglomerate, almost a year ago.

After the Lehman flotation, Amex will hold no voting shares; 90 per centof these will go to the public and 10 per cent to Lehman executives. The float includes the investment bank's London and other overseas operations, the underwriting, trading and research operations of which have been among its most profitable. Amex bought Lehman Brothers, founded in 1850, in 1984 and later took it private.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: January 26, 1994

November 8, 1993

SECTION: COVER STORY; Pg. 16

LENGTH: 4563 words

HEADLINE: Almost Alone;
President Richard Fuld Jr. outlines the plans for Lehman Brothers now that Shearson is gone

BYLINE: By Ron Cooper

BODY:

Lehman Brothers is almost independent -- again.

Since a near self-immolation and sale to Shearson/American Express in 1984, Lehman Brothers partners have privately longed for the old days when the Lehman

name carried as much cachet as Goldman, Sachs & Co. On August 1 of this year, they got their second chance. The Shearson retail arm was sold to Primerica Corp.'s Smith Barney securities unit, and Lehman Brothers found itself alone in the market -- minus the reassuring presence of Shearson's roughly 8,500 retail brokers.

The divorce has served to intensify the Wall Street buzzing about Lehman Brothers, to multiply some of the questions. What happens without the mighty Shearson distribution link? Will Lehman hire a slew of new brokers, or will it downsize and attempt the high-net-worth route? Will it try to be all things to all people, or will it specialize? How can Lehman Brothers grow when its president publicly told analysts last August that it intends to whack out $ 200 million of costs? What about its long-awaited initial public offering? Its secretive private partnership?

And finally, what about its history of turbulence at the highest management levels -- especially timely since one of its top three executives J. Comilson Hill, was ousted only seven months ago by American Express Co. chief executive Harvey Golub?

Stepping in to answer these and other questions is Richard Fuld Jr., Lehman's president (the firm has no chairman or chief executive). A 21-year Lehman veteran, Fuld is widely respected on the Street and considered one of its great traders.

With the exit of Hill. Fuld has become Mr. Outside at Lehman. Mr. Inside is Christopher Pettit, Lehman's managing partner who, like Fuld, came up through Lehman's capital markets/trading side. Pettit, who has reported to and worked alongside Fuld for 17 years, runs day-to-day operations for all of Lehman. The relationship between the two is described by one top associate as "very complex."

As Fuld notes, the news for Lehman in its first three months of quasi-independence -- it is still owned by American Express -- is positive. Through the first nine months of 1993, Lehman ranked third among all debt and equity underwriters worldwide, the same spot it occupied last year. It ranked third in US investment grade debt -- also a repeat performance -- and third in common stock, up from fourth in the year-earlier period. In the Eurobond league tables, it climbed to 12th from 19th.

The earnings front has been looking up, too. In the third quarter, Lehman posted a net income of $ 112 million versus a year-earlier loss of $ 52 million. For the nine months, net for Lehman Brothers alone was $ 262 million. In the year earlier period, the combined Shearson Lehman Brothers lost $ 19 million.

Still, Lehman watchers contend that the firm can't possibly float an initial public offering without several quarters of earnings history quite independent of the old Shearson Lehman Brothers. It also needs that history to put to rest suspicious of accounting games between different units of the old firm.

An IPO would likely suit the purposes of American Express, too. "American Express has stated publicly that its business going forward is TRS, IDS and American Express Bank," says one source. "If you look at that carefully, you notice that Lehman Brothers is not in there."

Whatever his longterm plans for Lehman, Golub, the Amex CEO, seems to be getting along famously with Fuld at the moment. An Amex-inspired search for an outsider to be brought into Lehman as chairman and CEO reportedly has been called off, sources say. Since Golub was personally responsible for ousting Tom Hill, that act has considerable significance.

Some top insiders are still wary, however, "Golub would cut Dick's legs off in an instant," says a highly placed Lehman source, "if the marketplace began to feel that Dick didn't have the vision and ability to implement Lehman's stategy."

Then there is the Lehman partnership, an exclusive and secretive incentive program resurrected in late 1990 to keep top executives from jumping ship. It isn't clear what happens to the partnership going forward. It is clear that Lehman executives are wrestling with an interesting question: should Lehman do its IPO next year, does a private partnership rightfully belong in a publicly-traded company?

The answer, insiders indicate: probably not.

Investment Dealers' Digest last visited Lehman Brothers headquarters at the World Financial Center in August 1992, when we did a major story featuring a cover shot of Fuld. Pettit and Hill. The breakup of that troika seemed a logical place to start the questioning.

IDD: The last time we were here there were three of you. Now Tom Hill is gone. How have your duties changed, and how has your working relationship with Chris Pettit changed?

Fuld: My responsibilities, specifically, have changed. I find today that I'm working with investment bankers and with clients much more than I ever used to. I'm still involved in the firm's risk management process and its capital commitments. Chris and I together work with the Operating Committee on a much more regular basis. I set the overall strategy for the firm, and together we work on managing the businesses.

I'm obviously still involved with American Express to a very large degree, especially at this crucial time in our lives.

It's different, and the days are longer.

IDD: Tom Hill was a life-long investment banker, and now the firm's top executives are non-bankers. You and Chris Pettit are trading types from the old commercial paper division. As you are well aware, the whole trading/investment banking tension has a certain history of Lehman Brothers. Who speaks for investment bankers now, and how do you assuage their fears that this is becoming a trading firm?

Fuld: Well, there are really two parts to that. What you're talking about is the historic tension between investment banking and capital markets. That was something that we addressed back in 1990, and that is not a factor today.

At the time Tom and I shook hands [and agreed to run the firm together in September, 1990], we said: there are no more territories. We're not going to run capital markets and investment banking separately, and come together once or twice a week and talk about it. What we're going to do is manage the firm along product lines -- fixed income, equity, commodities, which includes foreign exchange, etc.

We don't have that problem of who represents who.

Does investment banking have a place at the table? Absolutely, I count myself among the people who represent the interests of investment banking. It's been a long time since I was a trader. I am very much involved in investment banking today, very much involved with a lot of our clients. But most importantly, at this table where the Operating Committee sits at least once a week, we have representatives of investment banking who have equal say as to what goes on with this firm.

This firm is not just fixed-income sales and trading. As a matter of fact, it's much broader than that. This firm today is about: how do we bring value to the clients? Our clients are our business.

IDD: You are the point man for the American Express relationship?

Fuld: I am indeed. Harvey Golub (chief executive of American Express) and I are in fact the Executive Committee for Lehman Brothers Holdings, Inc.

IDD: Why is there no chairman and chief executive of Lehman Brothers?

Fuld: There is no chairman and chief executive at the moment because Harvey has not gotten to that point. I am president of this company. I am very comfortable with that, and he is very comfortable with that. Today our relationship is better than it ever has been.

He has been very supportive. Whenever there is an issue regarding Lehman Brothers, he is very comfortable in my making that decision. My job at the moment is to get us to the point where we are strong enough both in terms of earnings and balance sheet to get a stand-alone single A and A2 from S&P and Moody's. That's my job.

IDD: A little over a year ago we wrote a cover story on Lehman Brothers that got a lot of comment. Where did we go right in that story, and where did we go wrong?

Fuld: You spent more time talking about the three of us, and less time talking about what is, in fact, really Lehman Brothers. And maybe when you spoke to us last, maybe part of what Lehman Brothers was about was the interaction among the three of us.

Today though, Chris Petit and I are very comfortable. We have been together for 17 years. It's a wonderful working relationship. Chris basically has responsibility day-to-day of working with the operating businesses. He and I come together and talk about strategy, I run risk and positioning. I work with American Express. I work with overall strategy -- where we're going with the firm. I work with the agencies, and the outside constituencies. There is a lot to do in this firm, and he and I together have a clear definition of where we are going with it.

I think you spent less time on what is the guts of Lehman Brothers, and hopefully in this conversion we will talk about business philosophy -- about culture and chemistry and what really drives the firm today.

IDD: At Lehman, as at Goldman Sachs and Morgan Stanley and perhaps most firms, there is a sort of tension between homogeneity and independence, between wanting everyone to pull on the same oar and allowing dissent -- even the offensive kind that sometimes result in new products and new directions for a firm. Some people outside Lehman say that you are still coming to grips with this tension, that Lehman at times tips too far in the area of homogeneity and does not allow enough dissent.

Fuld: Homogeneity as far as its people, or its thinking?

IDD: Homogeneity as far as demanding that people hue to a certain behavior is here.

We had talked about this in the last article as it related to the rise of the fixed-income division here. Some people on the banking side especially were afraid of all the fixed-income guys.

How do you deal with this?

Fuld: Well there are a couple of pieces to that. When you run a firm of 9,200 people, you must constantly address the question of how do you keep everybody together. Our culture at Lehman Brothers today is very much one firm, unlike the Lehman Brothers of old.

That doesn't mean, though, that everybody has to look the same, speak the same, think the same, dress the same. We are not into that at all. As a matter of fact we are very much an electric group.

Teamwork is the balance between discipline and creativity. And how do you manage the two? How do you make sure that at all times the entire firm is moving together to focus on the client, to focus on how do we make Lehman Brothers better everyday? You have to have a management structure, because you can't have 9,200 people raising their hand all the time saying, 'me, me, me.' You have to have an effective management structure that gives people the opportunity to surface their ideas while maintaining the foundation for team work.

IDD: When you and Tom Hill took over this firm at the end of 1990, all the different products had fences around their little area.

Fuld: They very much did.

IDD: And it was your job and it was his job to go in there and take the fences down, and put everything together. People don't give up their territory willingly, and subscribe to this one firm, one vision philosophy. It would seem natural to go overboard in that direction.

Fuld: You know what's interesting? You're right, you can never convert 9,200 people.

But our people were very ready to come together as one firm. It was a lot easier than we thought it was going to be, and it happened a lot quicker.

Now that doesn't mean that everybody has the message. That doesn't mean that we don't have to reinforce it occasionally. But I will tell you that for the most part, the ability to work, together, to bring other areas in without being afraid of what is the P&L fallout, is much, much greater today.

We used to spend a lot of time on how you allocate a dollar of revenue. Number one, you never got it right. Number two, it was always non-productive. And number three, whatever role you came up with or whatever decision you came up with at that particular time, for that particular dollar on a certain transaction, you set a precedent for the next one. And if you had to change it, the arguments were worse.

We don't worry about that today. Today we have people focus on what is the revenue for Lehman Brothers. But in doing that, you clearly shift the responsibility of understanding what happens in a deal, and how the revenues fall out. So there is a real emphasis today with our managers on knowing what their people are doing.

IDD: People are very curious about where you are going with this firm. You've been on your own again for three months now, since Shearson used to Smith Barney. Where do you want to take this firm in the '90s? What is your vision of this place five years, ten years down the road?

Fuld: We are very comfortable with our current mix of businesses. I think we have critical mass in all the core businesses -- about 9.200 people overall. We have begun to see the return on our investment in swaps/derivatives, foreign exchange, and our international businesses. That contribution is expected to grow.

I think we're very good in the vanilla businesses of originating and trading securities, both debt and equity. I expect we will continue to consolidate our market position in these areas.

The real key for us is how we continue to build our international revenues -- today about 25% of our total revenues. Over the next couple of years. I would like to see that number increase to 50%, because that is where the business is going to be.

IDD: Next two years?

Fuld: Two years, maybe three, I would like to see the number increase. If it takes longer, that's okay, too, as long as we're moving in the right directions.

But it's not just going to be just 50% of today's revenue base, because today's revenue base is going to go up also.

IDD: Which geographic areas will you focus on, and which product areas?

Fuld: Let me give you the obvious answer: Europe and Asia. I am very pleased by the strides we have made in Europe in a very short time. Our London business is strong. We've recently expanded in Frankfurt. We also continue to get mandates in other countries -- Italy, for instance. We have just been appointed global coordinator on the privatization of BCI [Banca Commerciale Italiana]. So Europe is very much on my screen.

And next is Asia. We have a solid operation in Tokyo and in Hong Kong, where we've been for 25 years. We are also doing business in Korea, Taiwan, the PRC, Singapore, Malaysia and Indonesia.

Asia is going to be a huge area -- a huge platform -- for us. There are tremendous pools of capital being generated, looking to be invested.

And we are configuring ourselves today to take advantage of these new opportunities. We are making the investments in people, infrastructure and software.

Because if you are going to be truly a global firm, you have got to be able to do any transaction in any currency, in any country, at any time.

That calls for a huge systems investment. And we are probably now in the third year of that investment. So far, it's been a wonderful investment. That is the direction of the business. That's the direction our clients are going. That's the direction our clients want us to go.

IDD: Third year of that investment? Is this a formal plan that only has a number of years to run?

Fuld: This is something we basically started at the beginning of 1991 -- building our international presence. We are represented today in 19 different countries. If you look at Eurobond rankings, a year ago we were 38th, and today we are number 8. That has taken a real concerned effort. If you look at Lehman's overall rankings -- all debt, all equity, worldwide -- Lehman Brothers is number three, from number eight in 1990.

IDD: You just talked about a "huge systems investment" overseas. How do you make that investment, when at the same time you've got to whack out $ 200 million in costs?

Fuld: That's a good question. Making investments in your infrastructure and taking a disciplined attitude toward costs are not mutually exclusive. In both instances, you try to make the decision that involves the most efficient allocation of resources.

Lehman Brothers has a base of about 9,200 employees, a number I'mcomfortable with. And the question is, how do we move those people around from the less productive businesses to some of the more productive businesses? How do we move our people throughout the world so they can be most productive? As we refine our business strategy, we are also going to be taking a hard look at our costs.

I've said that $ 200 million is our goal, and we have got the entire organization focused on coming up with ways to get there.

We have to rely and count on the more productive businesses, and wind down some of the less productive. In doing that, we're going to be able to focus on the areas that need development.

IDD: Do you have office in China?

Fuld: We have a satellite office in China. It's a small one though.

IDD: Will China be a thrust for you?

Fuld: China will clearly be an area of terrific opportunity. I think, for the whole business.

IDD: Business Week had an article two weeks ago that said Lehman does not plan to invest in China. Is that true?

Fuld: It depends on how you define the term "invest." We already have an office in Beijing. We just did the PRC's first Dragon Bond issue. We've got a number of other mandates, which I cannot discuss. We are nicely positioned there. I am very comfortable with it.

IDD: The article talked mainly about how different firms like Oppenheimer were nosing around to identify equity investment possibilities in China.

Fuld: I see -- the article discusses investment in Chinese companies. What I'm talking about is a commitment to increase our presence and expand our franchise. We're representing clients that are looking to make investments in the country, or establish joint ventures. We are also representing clients in China that want to raise money to finance their infrastructure development.

IDD: The last time we were in here, Chris Pettit talked about the strategic/tactical approach overseas, the mix between product and geographical reporting lines. As we recall, it meant that for fixed income, for instance, the New York global product manager would set the policy, the London person would sign off on it, and would then have the responsibility to carry it out.

Is that still in effect?

Fuld: I think what Chris said was that the New York product person, in conjunction with the London person, would set policy together. And then the London person would be responsible for the day-to-day implementation of that policy. That's what we call matrix management.

You asked earlier about the tension between discipline and creativity. One of the ways we deal with that is we can agree to disagree. Let's say you represent a product, and someone else represents London. You have an idea, and he has an idea, and they are different, 99 times out of 100 you and that person will come to closure.

If you do not, then instead of having a battle between the two of you, you just agree to disagree. And then you'll come up to either Chris or me depending on what the issue is, and we'll make the judgement. It's a lot better than having the tension either at the Operating Committee level or at the business level below. If it's the business level below, they go to the Operating Committee member, or members, and they hands it.

IDD: How often does that actually happen?

Fuld: When Chris and I have to get involved? Very infrequently. But issues are certainly brought to the attention of Operating Committee members. That's a big part of their job. Because the firm today -- the 9,200 people in 19 different countries, the 20,000 transactions, the $ 85 billion balance sheet -- Chris and I cannot run it alone. We have an 18-member Operating Committee that is busy on these and other issues all the time.

IDD: This severing of the tie with Smith Barney Shearson in August. You were expecting to deliver product to them for two years, and all of a sudden the time period got compressed rather radically. How did that affect you internally, especially in your brokerage force and your research staff?

Fuld: Well, let me go back a little bit first. When we first began conversations about how we were going to handle these agreements with Smith Barney, I think they very much felt that, at least to begin with, they didn't want to be left in a position of acquiring 8,500 brokers without any product origination capabilities.

But in my conversations with them, I said to them very clearly, 'Guys, once you're on your own, you are very much going to want to do this yourself as quickly as possible.' And they said, yes, they knew that, but they'd still like to have the agreement.

I think as soon as they got into it, they realized the truth of exactly what I said to them. And I think their hiring of [Robert] Greenhill was clearly indicative of that. They knew that they had to do their own origination without Lehman Brothers. They were smart to do that. So when they came to us, we were thrilled. It was a very easy conversation.

I know it got a lot of noise in the press. Was it earlier than I expected? Yes. Did it surprise me? Not at all. Were both of us happy about it? Very, because it made it cleaner and easier.

IDD: You've got how many brokers here? About 675 or 700?

Dick: Domestic and international, there are 660.

IDD: What would you like that figure to be? We had heard 1,000 to 1,200, somewhere in that area.

Fuld: You know, it's interesting, I think that was one school of thought. There is another school of thought, though, one that I'm beginning to get very serious about.

Instead of having 1,000 brokers doing $ 1 million apiece, I think it may be better for us to think about having 500 to 600 brokers doing $ 2 million apiece. And I think we have the product today. We have good product. We have the resources. We really need to focus on the high-net-worth investor. It's certainly something we are considering.

IDD: That's interesting. How do you go about doubling their productivity?

Fuld: Mostly through training and creating additional products to sell. For the last eight years, the Lehman brokers were called the Lehman Brothers division of the Shearson Lehman Brothers retail division. It was very convoluted. They were very much part of the Shearson Lehman Brothers infrastructure, and really were not aware of all the products that this Lehman Brothers could bring to them.

I just came back from a four day conference in Phoenix of the firm's top brokers, Chris was there, and so were several other Operating Committee members. We spent time with the brokers. We told them what the philosophy of the firm was. We told them how important they were to Lehman Brothers, and where they fit in.

IDD: At an analysts luncheon last August, you talked about reducing the cost structure at Lehman Brothers by $ 200 million. Did you give a time frame for that?

Fuld: I told the analysts we had begun a process of looking at our administrative costs, at some of the inherited costs from Shearson, and at some of the non-strategic businesses across the board. We were also going to look at some of our purchased costs, and some of our variable costs. As I mentioned, our goal is $ 200 million in savings, and we should start to see a good part of that by the first quarter of 1994.

IDD: Whenever an employee sees a figure like that, it naturally sends a little chill through your heart. The first thing you think of is head count.

Fuld: That is not the direction we are going in. But, for example, we sold the

Shearson Mortgage Co., which was a non-core business. So, in that respect, those people left the firm, and our head count was reduced.

Our head count will drop again when some 500 people move to Smith Barney Shearson over the next few months. So, Lehman Brothers will drop below its current head count, but it won't be because of our current cost reduction efforts.

IDD: Let's talk about the operations at Lehman Brothers, starting with fixed income.

People say that generally, the vast majority of your profits come from fixed income, and the real home run hitter in that sector is mortgage-backed securities. True?

Fuld: It's true that I've heard that, I think that is clearly the common view.

The mortgage business has been a very big business for this firm. But I would certainly never take out one business and say that it is the strongest, or the driving force, because that is not the case. Lehman Brothers' revenues today are close to $ 4 billion. That can't be the result of one or two or three or four individual products.

Fixed income is strong, no question, but our equity business has been way up, too.

I will say to you that the perception clearly exists that Lehman Brothers is a fixed-income house. But we cannot be number three worldwide in both equity and debt by just being strong in fixed income.

IDD: When you look over at the end of 1990, equities was pretty obviously the business that needed the most work. Where are you in that learning curve? Are you satisfied with where you are today in equities?

Fuld: A little more than two years ago, I think it was safe to say that the equity business clearly needed more attention, more resources and more investment than other areas of the firm. We made those investments. We changed management.

Are we happy? My answer is yes, with qualification. As soon as you say you're completely content, that means you lay down your guns and you go to sleep. In this business you can never stop pushing. Because as soon as you stop, everybody else moves faster.

IDD: The Lehman Brothers partnership that you reinstituted at the end of 1990, do you keep that going forward?

Fuld: We don't talk about the Lehman Brothers partnership.

IDD: Finally, the question everyone asks about Lehman Brothers: what about your IPO? How soon could one be done?

Fuld: The answer is that American Express clearly wants Lehman Brothers to be a stand-alone single A-rated company. And once we are in that position, that will give American Express the opportunity to work at its three strategic options.

One, they can hold us. Two, they can sell us to another institution. Or three, we can do some form of public offering. My goal is to get the business to a point where American Express can consider all its options.

GRAPHIC: Picture 1, Fuld: wants to boost international to 50% from 25% of total revenues in two years; Picture 2, Pettit: has reported to and worked alongside Fuld for 17 years; Picture 3, Hill: ran afoul of Amex's Golub last March; Picture 4, Lehman

Brothers Broadgate headquarters in London; Picture 5, Lehman Brothers fixed-income trading floor at the World Financial Center

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