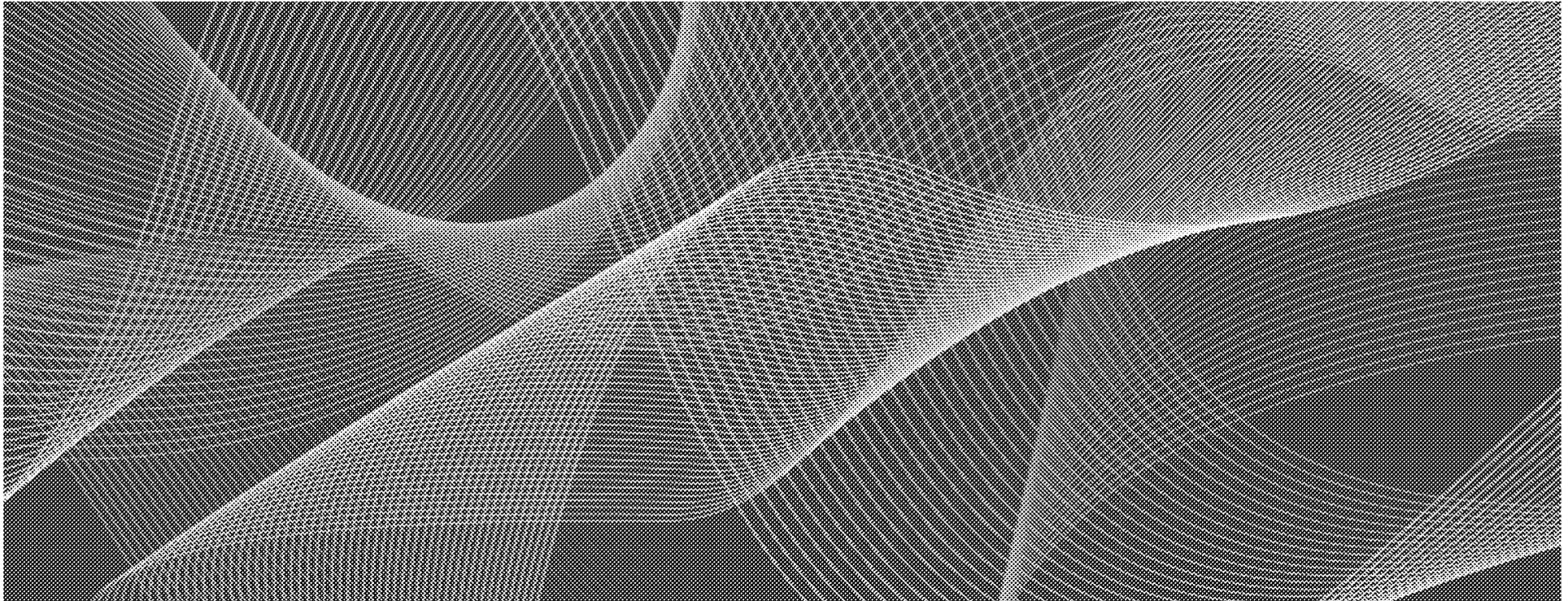


**LEHMAN BROTHERS**

# Discussion Materials for the Board of Directors



Confidential Presentation

# Table of Contents

---

Agenda  

- I. Situational Overview
- II. Green Objectives
- III. Strategic Alternatives Considered
- IV. Game Plan
  - A. Overview
  - B. CRE Spin-off
  - C. IMD Sale Alternatives
- V. Possible Strategic Partners
- VI. Go Private Analysis

---

LEHMAN BROTHERS

---

## **Situational Overview**

# Summary of Current Situation

Situational Overview

## Ongoing Pressure on Stock

- ◆ Green's market value and stock price have declined from their peaks of \$46 billion and \$85.80, respectively, in February 2007 to \$[13.3] billion and \$[19.11], respectively, currently
- ◆ Current price to book multiple of [0.57x] vs. 3-year average of [1.85x] and current industry average of [1.48x]<sup>(1)</sup>

## Positive Actions to Date

- ◆ Significant decline in leverage ratios driven by both capital offerings and balance sheet deleveraging
  - Pro forma for capital offerings, gross leverage is 20.0x and net leverage is 10.1x (vs. 31.7x gross leverage and 15.4x net leverage in the first quarter)
- ◆ Actively reduced key risk positions (CRE, residential mortgages, leverage loans and level 3 assets) in second quarter, though meaningful exposure remains
- ◆ Increased liquidity pool to \$45B from \$34B

## Feasibility of Business Model

- ◆ Green's business model has fundamentally changed
- ◆ Lower leverage and decreased flow in certain business lines will pressure future profitability metrics

## Liquidity Outlook / Counterparty Risk

- ◆ Green continues to actively communicate with key counterparties
- ◆ Liquidity position remains strong and secured funding has remained essentially unchanged through July
- ◆ Should Green's stock price erode from current levels, however, the risk of losing secured funding increases

## Discussions with Regulators / Rating Agencies

- ◆ Constructive dialogue with Federal Reserve
- ◆ Recently downgraded one notch by Moody's (from A1 to A2) and additional downgrades are possible
- ◆ Potentially significant negative repercussions from BBB rating

Green cannot afford not to act and must proactively address its situation

Market data as of July [18], 2008.

1. Average of GS ([1.73x]), MS ([1.27x]) and MER ([1.44x]).

LEHMAN BROTHERS

1

---

## **Green Objectives**

# Green Objectives in Response to Situation

---

## Principles Underlying Game Plan

- ◆ Take down risk as soon as practicable so survival is not an issue
  - Need plan for key troubled asset classes: residential mortgages and commercial real estate
- ◆ Losses / capital hole cannot be so large that Green existence is in question
  - Balance marks / loss realization with maintaining sufficiently strong balance sheet / ratings
  - [May be willing to sever a limb, but patient must survive and be strong]
- ◆ Utilize stronger assets and capital sources to accomplish above objectives -- with prudence
  - Real interest in IMD could generate capital -- balance against desire to maintain connection with Green
  - Real interest from investors who want to participate in the solution -- balance against dilutive impacts
- ◆ Re-focus and right size each line of business and overhead
- ◆ Story must be compelling to investors and employees
  - Must believe that Green is focused on right issues, and will be clean and well positioned for value creation and growth once initiatives are executed

---

## **Strategic Alternatives Considered**

# Strategic Alternatives Considered

Strategic Alternatives Considered

	Reasons Considered	Current Status
<b>Status Quo</b>	<ul style="list-style-type: none"> <li>◆ Refrain from selling assets, exiting business lines or issuing capital at depressed valuations</li> </ul>	<ul style="list-style-type: none"> <li>◆ Not feasible in current environment due to pressure on stock price and liquidity concerns</li> <li>◆ Strategic initiatives must be considered</li> </ul>
<b>Strategic Partnership</b>	<ul style="list-style-type: none"> <li>◆ Balance sheet and capital support of partner would alleviate liquidity concerns, remove valuation discount and allow for growth of business</li> </ul>	<ul style="list-style-type: none"> <li>◆ Potential partners unwilling to participate in current environment</li> </ul>
<b>Private Buyout</b>	<ul style="list-style-type: none"> <li>◆ Benefits of removing equity market and media scrutiny</li> <li>◆ Equity capital may be available, but likely at an unattractive valuation</li> </ul>	<ul style="list-style-type: none"> <li>◆ Financially less viable since stock price has rebounded off lows</li> <li>◆ Loss of access to equity markets and possible rating agency downgrades would be harmful to a number of businesses</li> </ul>
<b>Financial Holding Company / Depository Funding Strategies</b>	<ul style="list-style-type: none"> <li>◆ Regulators are supportive of concept</li> <li>◆ Permanent access to Fed window</li> </ul>	<ul style="list-style-type: none"> <li>◆ Lack of commercial banking activities would limit funding advantages in the near term</li> <li>◆ Not pursuing due to lack of funding synergies and incremental capital and expenses required to implement</li> </ul>
<b>Restructure Operations and Capital Structure (Game Plan)</b>	<ul style="list-style-type: none"> <li>◆ Reducing residential and commercial mortgage exposure removes valuation uncertainty</li> <li>◆ Pro forma capital need can be provided by sale of IMD ownership stake and [common equity] offering</li> <li>◆ Sale of IMD stake unlocks value of business</li> </ul>	<ul style="list-style-type: none"> <li>◆ In discussions with potential buyer of residential mortgage assets</li> <li>◆ Analyzing transaction feasibility / financial impact of spinning off CRE assets</li> <li>◆ Analyzing execution strategy and financial impact of selling ownership stake in IMD</li> <li>◆ Analyzing possible structures for capital markets offering</li> </ul>

---

## Game Plan

---

## Overview

# Game Plan

---

Overview  

1. Pursue CRE Spin-off
  - Preliminary estimate is that SpinCo will require ~\$[10.8]B of equity (including Archstone)
    - Capitalization of SpinCo: \$[10.8]B of equity, [ ] of Mezz, [ ] of Senior
2. Sell U.K. residential mortgages
  - Estimated pre-tax loss of \$0.5B
3. Minimize other residential mortgage losses
4. Sell 50-100% interest in Neuberger Berman for \$5B
  - If partial interest, structure security such that:
    - Callable after year 3 at 15% IRR
    - Show to Carlyle, Warburg and MDP
    - Parties also play in CRE spin-off
    - Use proceeds to repurchase preferred?
5. “Club Deal” on sale of new common (\$3.0B) (purchase contract for common)
  - 6 parties at \$500M each
  - Bring over the wall
  - Explain SpinCo, residential exposure and employee plan
6. Reduce balance sheet, downsize corporate and some front office
  - Modest downsize
7. New employee grants
8. Senior management buys \$150m of secondary shares post-announcement

# Pro Forma Analysis

Overview  

- ◆ **Preliminary analysis to be modified: Will receive updated standalone projections - will analyze pro forma impact of strategic initiatives on Income Statement, Balance Sheet and Capitalization.**
- ◆ Assumptions [TBU]:
  - Sell \$4.0B security mandatorily convertible into 50% stake in IMD; recognize \$2.4B gain on sale
  - Spin CRE with \$10.8B of equity and \$36B of gross assets (offset by \$25.2B of assets retained on RemainCo B/S (70%) for net asset reduction of \$10.8B)
  - Report \$3.325B loss applicable to common in Q3, accompanied by \$6B of UK Resi disposition
  - Report \$0.0B net income in Q4, accompanied by \$50B of net asset sales
  - Raise common at pro forma adjusted book value per share to achieve 12.0x ultimate net leverage post-spin

	PF Q2	Q3 NI	PF	NB Stake Sale		PF	Pref BB	PF	Cap Raise	PF	Q4 NI	PF	CRE Spin	PF
				Proceeds	Less EQ									
Common Book Equity	23,287	(3,325)	19,962	4,000	(1,600)	22,362	0	22,362	1,500	23,862	0	23,862	(10,800)	13,062
Pref/Other Book Equity	8,993	0	8,993	0	0	8,993	0	8,993	0	8,993		8,993	0	8,993
Total Book Equity	\$32,280		\$28,955			\$31,355		\$31,355		\$32,855		\$32,855		\$22,055
Tangible Book Equity <sup>(1)</sup>	\$33,183		\$29,858			\$32,258		\$32,258		\$33,758		\$32,855		\$22,958
Net Assets (\$B)	333.8	(0.4)	333.4	4.0	(1.6)	335.8		335.8	1.5	337.3	(50.0)	287.3	(10.8)	276.5
Net Leverage	10.1x		11.2x			10.4x		10.4x		10.0x		8.7x		12.0x
Common Shares Outstanding	695.7		695.7			695.7		695.7	90.3	786.0		786.0		786.0
Book Value per Share	\$32.95		\$28.69			\$32.14		\$32.14		\$30.36		\$30.36		\$16.62

1. Reflects addition of \$5.004B of junior subordinated notes and subtraction of \$4.101B of goodwill.

# Green Stock Price Value Creation Analysis

Overview

[Total Shareholder Value For Green Post Sale of IMD Stake, CRE Spin, Q3 Results and Common Equity Raise]

Value Creation		Sanity Check: RemainCo ROE	
<b>SpinCo:</b>		Common Equity	13,062
Book Value	10,800	ROE Target	15.0%
Shares Outstanding	695.7	Net Inc. to Common	1,959
BVPS	\$15.52	Preferred Dividends	680
Assumed B/V Multiple	0.5x	Net Income	2,639
Implied Price	\$7.76	Taxes	30%
<b>RemainCo:</b>		Pre-Tax Income	3,770
Book Value	13,062	NPE	3,500
Shares Outstanding	786.0	Comp Ratio	49.3%
BVPS	\$16.62	Comp	7,070
Assumed P/B Multiple	1.0x	Revenue	14,340
Implied Price	\$16.62	Net Assets	276.5
Total Implied Value	\$24.38	ROA	5.2%
Premium to Current	27.6%		

## Sensitivity Table – Value Creation

		CRE SpinCo P/BV Multiple / Implied Share Price				
		0.40x	0.50x	0.60x	0.70x	0.80x
Pro Forma Green P/BV Multiple / Implied Share Price	0.80x					
	0.90x					
	1.00x					
	1.10x					
	1.20x					

# Preliminary Summary Timeline

Overview  

**Action**

**Commercial Real Estate**

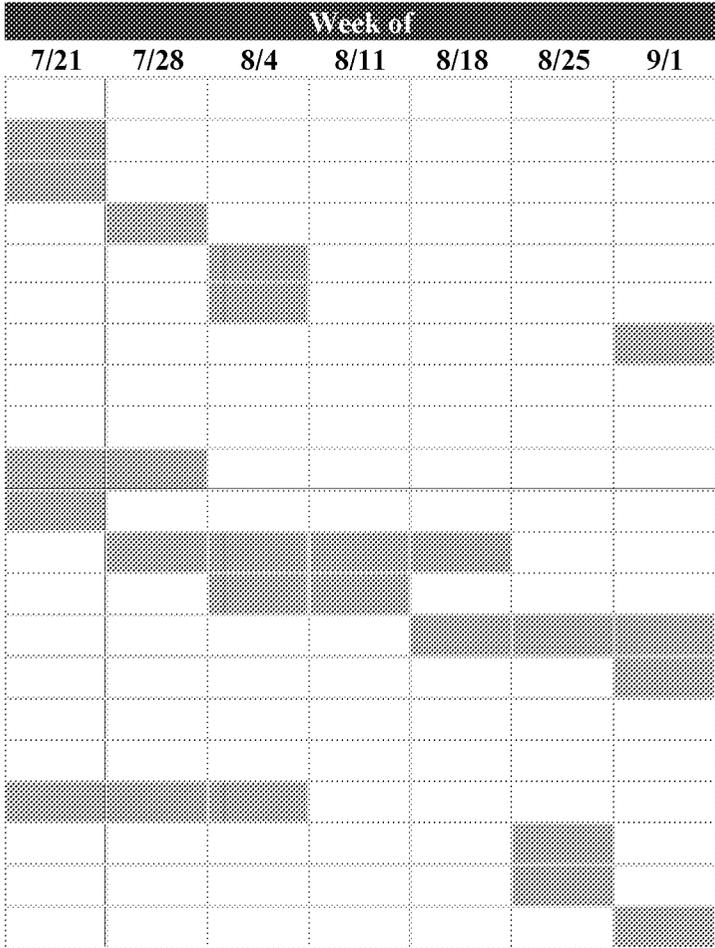
- Asset evaluation and selection
- Finalize indicative capital structure and discuss with E&Y
- Green, S&C and E&Y review transaction with SEC
- Meeting with Rating Agencies to discuss proposed transaction
- Comfort with expected Form 10 financial reporting and indicative capital structure
- Announce Plans to Spin-off CRE (distribution likely in 4-6 months)**

**Investment Management Division <sup>(1)</sup>**

- Prepare marketing materials
- Contact potential investors and sign NDA's
- Investor due diligence and management discussions / presentations
- Receive bid letters and select potential investors to continue in process
- Negotiate key terms and agreements
- Announce Sale of IMD**

**Capital Raise**

- Draft term sheet
- Contact potential investors and sign NDA's
- Negotiate terms with investors
- Announce / Execute Capital Raise**



1. Timeline represents accelerated limited auction process. May conduct parallel process for one or two entities that have high likelihood of delivering comprehensive solve for Green.

# Ratings / Liquidity

---

Overview  

- ◆ **THIS MIGHT BE HANDLED BY IAN AND PAOLO IN SEPARATE PRESENTATIONS – SHOULD WE DELETE?**

---

**CRE Spin-off**

# CRE Spin-off Description

CRE Spin-off

## Green spins off its Commercial Real Estate assets to Green shareholders

Transaction	Description
<p>The diagram illustrates the transaction process. At the top, Shareholders own 100% of Green Parent Inc. (Publicly Traded) with a total equity of \$23.3B. Green Parent Inc. is divided into two entities: Non-Commercial Real Estate Assets and Operations (100% Equity: \$12.5B) and Commercial Real Estate Subsidiary (100% Equity: \$10.8B). A line indicates that Commercial Real Estate Subsidiary Stock is being distributed from Green Parent Inc. to the Shareholders.</p>	<ul style="list-style-type: none"> <li>◆ Green separates the operations of its Commercial Real Estate business to be spun off into a new subsidiary</li> <li>◆ Green distributes its entire interest in the subsidiary as a special dividend to its existing shareholders on a pro rata basis             <ul style="list-style-type: none"> <li>– One share of CRE SpinCo for each share of Green (for example)</li> </ul> </li> </ul>
<p>The diagram shows the post-transaction structure. Shareholders now own 100% of two separate entities: Green Parent Inc. (Publicly Traded) with \$12.5B equity and Commercial Real Estate Subsidiary (Publicly Traded) with \$10.8B equity. Green Parent Inc. continues to own 100% of Non-Commercial Real Estate Assets and Operations with \$12.5B equity.</p>	<ul style="list-style-type: none"> <li>◆ Following spin-off, the Commercial Real Estate subsidiary is an independent, publicly traded entity</li> <li>◆ Spin-off, as currently contemplated, would be tax-free to Green and its shareholders</li> </ul>

# Key Considerations of CRE Spin-Off

---

CRE Spin-off  

- ◆ Identification of appropriate assets and management team / employees
- ◆ Capital structure and leverage of spun entity appropriate to deconsolidate assets
  - Financial terms need to be “at market”
  - “Substantive” third party participation in financing required
- ◆ Timing
  - Could announce once comfortable that spin-off is feasible
  - Likely 4 to 6 months from announcement until distribution
  - Financial reporting disclosure could impact timing if complete historical financials required
- ◆ Rating agency review of pro forma Green and SpinCo
- ◆ Pro forma trading of Green and SpinCo
- ◆ SpinCo will need to be deemed a viable stand-alone operating business for ‘40 Act, accounting purposes and to effect a tax-free distribution

# Spin-off Analysis Assumptions

---

CRE Spin-off

## **Preliminary analysis to be modified once new standalone projections are received**

- ◆ \$39.8B CRE assets on Green's balance sheet currently backed by \$33.3 billion of debt at LIBOR + 250 bps and \$6.5B of equity
- ◆ Pre-spin, CRE expected to earn \$400 million of net revenues and \$280 million of net income in 2009
- ◆ Green spins newly created CRE subsidiary to shareholders on December 1, 2008
- ◆ CRE SpinCo includes \$39.8B of CRE inventory
- ◆ CRE SpinCo financed with \$27.6B of debt and \$12.2B of equity
- ◆ Green provides debt financing to CRE SpinCo
  - \$15.0 billion at LIBOR + 150 bps
  - \$12.6 billion at LIBOR + 350 bps
- ◆ Simultaneous with Spin, Green raises equity capital (as Green parent or IMD) which recapitalizes to 10.4x net leverage ratio
  - Issues 166.7 million shares of common equity at \$13.96, totaling \$2.5B of common equity raised
  - Assumes a pre-tax return on cash of 5.0%

# CRE Spin-off Analysis – Pro Forma Impact

CRE Spin-off

## Green Spins CRE Business to Shareholders, Raises \$2.5 Billion in Equity Capital

Preliminary analysis to be modified once new standalone projections are received

(\$ in billions, share data in millions)

CRE Spin-off with \$9,500 of Assets and \$1,200 of Equity

	Green Standalone	Green Spin-off of CRE Adj.	Green Spin-off of CRE Pro Forma	Adj. For \$2.5B Common Raise	Green Pro Forma	CRE Pro Forma
<b>2009 Earnings</b>						
Net Income to Common (Reported)	\$1.53	(\$0.51)	\$1.02	\$0.09	\$1.11	\$0.51
Net Income to Common (No Mark)	1.53	(0.51)	1.02	0.09	1.11	0.51
CRE Assets	\$47.58	(\$39.80)	\$7.78	\$0.00	\$7.78	\$39.80
Loan to CRE Co	0.00	27.60	27.60	0.00	27.60	0.00
Other Net Assets	201.69	0.00	201.69	2.50	204.19	0.00
Total Net Assets	\$249.27	(\$12.20)	\$237.07	2.50	\$239.57	\$39.80
Preferred Equity	\$8.99	\$0.00	\$8.99	\$0.00	\$8.99	\$0.00
Common Equity	22.76	(12.20)	10.56	2.50	13.06	12.20
Average Common Equity	21.35	(12.20)	9.15	2.50	11.65	12.20
Leverage Capital	32.65	(12.20)	20.45	2.50	22.95	12.20
Basic Shares	741.3		741.3	179.1	920.4	741.3
Diluted Shares	860.2		860.2	179.1	1,039.3	741.3
Share for BV / Share	756.3		756.3	179.1	935.4	741.3
<b>2009 Ratios</b>						
EPS (Reported)	\$1.78		\$1.19		\$1.07	\$0.69
EPS (No Mark)	1.78		1.19		1.07	0.69
Book Value / Share	\$30.09		\$13.96		\$13.96	\$16.46
ROE (Reported)	7.2 %		11.2 %		9.5 %	4.2 %
ROE (No Mark)	7.2		11.2		9.5	4.2
Net Leverage	7.6 x		11.6 x		10.4 x	3.3 x
Preferred Equity / Total Equity	28.3 %		46.0 %		40.8 %	0.0 %
<b>2009 Ratios</b>						
Price / BV Multiple					1.00 x	0.50 x
Implied Share Price					\$13.96	\$8.23
Implied Price / EPS (No Mark) Multiple					13.1 x	12.0 x

LEHMAN BROTHERS

12

---

## IMD Sale Alternatives

# Potential Businesses in IMD Transaction

IMD Sale Alternatives

	<b>Sale of only Neuberger Berman</b>	<b>Sale of Neuberger Berman + LBAM Fixed Income</b>	<b>Sale of IMD (excluding HF minority stakes)</b>	<b>Complete Sale of IMD</b>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>◆ Largest partner universe</li> <li>◆ Easiest comparison to public asset managers</li> <li>◆ Maximize sale multiple</li> <li>◆ Retain businesses with significant embedded value</li> <li>◆ Highlight “smart” acquisition of NB in 2003</li> </ul>	<ul style="list-style-type: none"> <li>◆ Focus on most transparent / easiest to value segments</li> <li>◆ Maximize sale multiple</li> <li>◆ Synergy opportunities with Fixed Income business</li> <li>◆ Retain businesses with significant embedded value</li> <li>◆ Maximize sale multiple by selling each separately</li> </ul>	<ul style="list-style-type: none"> <li>◆ Cleaner sale without minority stakes                             <ul style="list-style-type: none"> <li>– Divergent views on stake values</li> <li>– Transfer restrictions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>◆ Maximize cash proceeds / residual stake</li> <li>◆ No residual businesses</li> </ul>
<b>Other Considerations</b>	<ul style="list-style-type: none"> <li>◆ Viability of remaining asset management business</li> <li>◆ Selling the “gem” asset</li> </ul>	<ul style="list-style-type: none"> <li>◆ Viability of remaining asset management business</li> <li>◆ Fixed Income valuation given profitability</li> </ul>	<ul style="list-style-type: none"> <li>◆ Size of partner universe</li> <li>◆ SOTP value realization (e.g. PE)</li> <li>◆ Left with illiquid minority stakes</li> </ul>	<ul style="list-style-type: none"> <li>◆ Size of partner universe</li> <li>◆ SOTP value realization (e.g. Min. Stakes / PE)</li> <li>◆ Minority stake transfer restrictions</li> </ul>

*Note: All scenarios exclude ICG.*

## Valuation of Potential Businesses in IMD Transaction

Current numbers are substantially lower than the numbers initially provided

IMD Sale Alternatives

We are currently looking into but this could have impact on value

	Sale of only Neuberger Berman	Sale of Neuberger Berman + LBAM Fixed Income	Sale of IMD (excluding HF minority stakes)	Complete Sale of IMD
<b>2008 Financial Summary [Note: Revised Numbers to Come]</b>				
<i>(\$ in mm, except for AUM (\$bn))</i>				
AUM (\$bn)	\$120	\$232	\$277	\$277
Revenue	\$1,139	\$1,303	\$1,822	\$2,119
Pre-Tax Income	\$455	\$443	\$724 <sub>(1)</sub>	\$732
<b>Net Income</b>	<b>\$296</b>	<b>\$288</b>	<b>\$471</b>	<b>\$476</b>
<b>Valuation</b>				
Metric	~14x-16x 2008 P/E	~14x-16x 2008 P/E for Neuberger Berman ~3.0x-4.0x 2008 Revenue for LBAM	TBD	~12-14x 2008 P/E
<b>Implied Valuation</b>	<b>\$4.0 - \$5.0bn</b>	<b>\$4.5 - \$5.5bn</b>	<b>TBD</b>	<b>\$5.5 - \$6.5bn</b>

**Valuation Commentary**

◆ Valuation excludes the following:

- HNW Brokerage: 2008 Revenue - \$800 million / 2008 Net Income - \$246 million
- ICG: 2008 Revenue - \$1,020 million / 2008 Net Income - \$518 million
- Private Equity: Business has no earnings currently

- However, the present value of the future fee stream suggests a value between \$2.0 - \$2.5bn

1. Assumes 35% tax rate.

## IMD Financial Summary [Revised Numbers to Come]

IMD Sale Alternatives

(\$ in millions)

	Alternative Investments			Traditional AM - Equities			Traditional AM - FI			Total Hercules		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
<b>Revenue</b>												
Transactional Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Management Fees	266	430	544	1079	1044	1133	123	164	197	1468	1638	1874
Performance Fees	151	19	120	0	0	0	0	0	0	151	19	120
Other Fees	0	71	75	53	95	87	0	0	0	53	166	162
<b>Client Revenue</b>	<b>\$417</b>	<b>\$520</b>	<b>\$739</b>	<b>\$1,132</b>	<b>\$1,139</b>	<b>\$1,220</b>	<b>\$123</b>	<b>\$164</b>	<b>\$197</b>	<b>\$1,672</b>	<b>\$1,823</b>	<b>\$2,156</b>
<b>Principal Revenue (MS)</b>	<b>205</b>	<b>297</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>205</b>	<b>297</b>	<b>250</b>
<b>Total Revenue</b>	<b>\$622</b>	<b>\$816</b>	<b>\$989</b>	<b>\$1,132</b>	<b>\$1,139</b>	<b>\$1,220</b>	<b>\$123</b>	<b>\$164</b>	<b>\$197</b>	<b>\$1,877</b>	<b>\$2,119</b>	<b>\$2,406</b>
<b>Expenses</b>												
Comp & Benefits	\$401	\$458	\$514	\$496	\$518	\$562	\$105	\$128	\$127	\$1,002	\$1,104	\$1,203
NPE	(51)	69	52	147	166	227	34	48	44	129	283	323
<b>Total Expenses</b>	<b>\$350</b>	<b>\$527</b>	<b>\$566</b>	<b>\$643</b>	<b>\$684</b>	<b>\$789</b>	<b>\$138</b>	<b>\$176</b>	<b>\$171</b>	<b>\$1,131</b>	<b>\$1,387</b>	<b>\$1,526</b>
<b>PreTax Income</b>	<b>\$271</b>	<b>\$289</b>	<b>\$423</b>	<b>\$489</b>	<b>\$455</b>	<b>\$431</b>	<b>(\$15)</b>	<b>(\$12)</b>	<b>\$26</b>	<b>\$746</b>	<b>\$732</b>	<b>\$880</b>
<i>PreTax Margin</i>	<i>44%</i>	<i>35%</i>	<i>43%</i>	<i>43%</i>	<i>40%</i>	<i>35%</i>	<i>(12%)</i>	<i>(7%)</i>	<i>13%</i>	<i>40%</i>	<i>35%</i>	<i>37%</i>
Taxes	82	101	148	148	159	151	(5)	(4)	9	226	256	308
<b>Net Income</b>	<b>\$189</b>	<b>\$188</b>	<b>\$275</b>	<b>\$341</b>	<b>\$296</b>	<b>\$280</b>	<b>(\$10)</b>	<b>(\$8)</b>	<b>\$17</b>	<b>\$520</b>	<b>\$476</b>	<b>\$572</b>
<i>Net Income Margin</i>	<i>30%</i>	<i>23%</i>	<i>28%</i>	<i>30%</i>	<i>26%</i>	<i>23%</i>	<i>(8%)</i>	<i>(5%)</i>	<i>9%</i>	<i>28%</i>	<i>22%</i>	<i>24%</i>
<b>EBITDA</b>												
+Taxes	82	101	148	148	159	151	(5)	(4)	9	226	256	308
+Depreciation	1	1	1	2	1	1	0	0	0	2	2	2
+Amortization	3	3	3	31	31	31	(1)	7	7	34	41	41
<b>EBITDA</b>	<b>\$275</b>	<b>\$293</b>	<b>\$427</b>	<b>\$522</b>	<b>\$487</b>	<b>\$463</b>	<b>(\$15)</b>	<b>(\$5)</b>	<b>\$33</b>	<b>\$782</b>	<b>\$775</b>	<b>\$923</b>
<i>% margin</i>	<i>44%</i>	<i>36%</i>	<i>43%</i>	<i>46%</i>	<i>43%</i>	<i>38%</i>	<i>(13%)</i>	<i>(3%)</i>	<i>17%</i>	<i>42%</i>	<i>37%</i>	<i>38%</i>

<b>Commentary</b>
-------------------

- ◆ Financial Summary excludes the following:
  - HNW Brokerage: 2008 Revenue - \$800 million / 2008 Net Income - \$246 million
  - ICG: 2008 Revenue - \$1,020 million / 2008 Net Income - \$518 million
- ◆ Expenses includes 70% of shared expense allocations, or \$102 million, \$148 million, and \$188 million in 2007, 2008, and 2009, respectively.

Source: Hercules Financial Model

---

## Possible Strategic Partners

# Potential Strategic Partners

	Company	Discussions to Date	Status
<b>Commercial Banks</b>	Bank of America	◆ Senior executive discussions	◆ Reviewing opportunity
	BNP Paribas	◆ Green coverage bankers met with BNP	◆ Not inclined to pursue
	HSBC	◆ Green coverage bankers met with HSBC	◆ Not inclined to pursue
	Royal Bank of Canada	◆ Green coverage bankers met with RBC	◆ Inconsistent with strategy
	Barclays	◆ Did not contact	◆ Dealing with internal issues
	BBVA	◆ Did not contact	◆ Inconsistent with strategy
	Deutsche Bank	◆ Did not contact	◆ Dealing with internal issues
	Lloyds TSB	◆ Did not contact	◆ Inconsistent with strategy
	Santander	◆ Did not contact	◆ Inconsistent with strategy
	Standard Chartered	◆ Did not contact	◆ Inconsistent with strategy
<b>Minority Stake / Investors</b>	Berkshire Hathaway	◆ Preliminary discussions	◆ Unwilling to proceed in current environment
	KDB / Korea	◆ Multiple meetings with senior management	◆ Significant execution issues
	Mitsubishi	◆ Checked interest	◆ Not inclined to act in reasonable timeframe
<b>Investment Banks</b>	Morgan Stanley	◆ Preliminary senior executive-level discussions	◆ Not proactively pursuing further dialogue
	Credit Suisse	◆ Did not contact	
	Goldman Sachs	◆ Did not contact	
	JPMorgan	◆ Did not contact	
	UBS	◆ Did not contact	◆ Dealing with internal issues

---

**Go Private Analysis**

# Overview of Go Private Alternative

Go Private Analysis

## Transaction Rationale

- ◆ Removes equity market and media scrutiny
- ◆ Expect that buyer would not fund equity purchase by putting incremental leverage on Green
- ◆ Ability to manage company with less quarter by quarter oversight

## Level of Interest

- ◆ Aware of interest from private equity investors, including Carlyle, Warburg Pincus and Madison Dearborn Partners
- ◆ Received inbound calls from additional equity sources that may want to participate

## Rate of Return Analysis

- ◆ Returns are sensitive to exit multiple – 18% return could be achieved with \$16 purchase price per share and 1.2x book value exit
- ◆ With exit at 1.0x book value, \$16 purchase price yields only 8% IRR

## Transaction Considerations

- ◆ Third party equity required estimated to be \$12 billion
  - Significant amount of equity capital may be available, but likely at an unattractive valuation
- ◆ Financially less viable since stock price has rebounded off lows
- ◆ Loss of access to equity markets and possible rating agency downgrade would be harmful to a number of businesses
- ◆ Regulatory hurdles for private equity owners
- ◆ Ability to use stock-based compensation after the close of the transaction

