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DISCUSSION MATERIALS

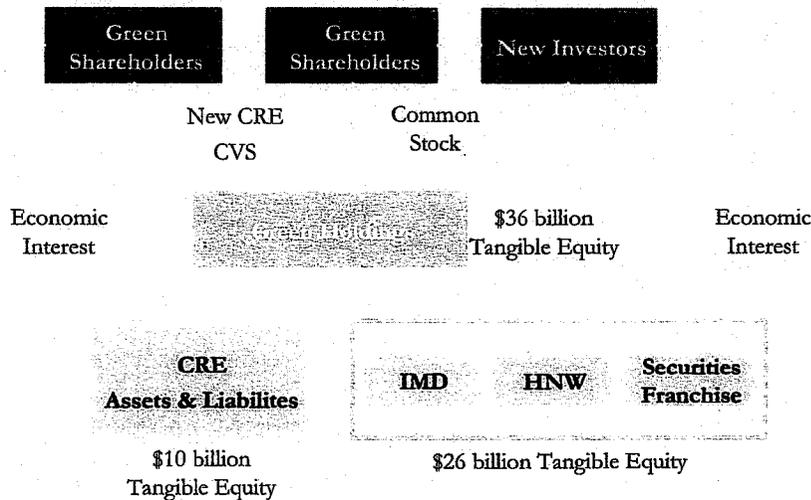
**Project Green**

L. A Z A R D

## Contingent Value Stock Outline

TERM	DESCRIPTION
FORM OF STOCK	<ul style="list-style-type: none"> <li>Contingent Value Stock (“CVS”) representing a new class of Green common stock qualifying for Tier 1 capital and rating agency equity capital</li> </ul>
FACE VALUE	<ul style="list-style-type: none"> <li>[\$_] billion</li> </ul>
STOCK HOLDERS	<ul style="list-style-type: none"> <li>Existing Green common shareholders</li> </ul>
ECONOMIC EXPOSURE	<ul style="list-style-type: none"> <li>Represents participation in economics of the CRE portfolio up to [\$_] billion                             <ul style="list-style-type: none"> <li>Each dollar of loss in CRE portfolio reduces face amount of the CVS</li> <li>First [\$_] billion of loss or earnings/gains on the CRE portfolio inures solely to the benefit of the CVS holders</li> </ul> </li> </ul>
GOVERNANCE	<ul style="list-style-type: none"> <li>Board of directors appointed by Green shareholders to oversee liquidation of the CRE portfolio</li> </ul>
DIVIDENDS/DISTRIBUTIONS	<ul style="list-style-type: none"> <li>No fixed dividends</li> <li>Dividends/distributions as determined by Board based on cashflows and repayments of principal on underlying CRE portfolio</li> </ul>
EXCHANGE LISTING	<ul style="list-style-type: none"> <li>CVS will be registered on a stock exchange and tradeable by Green shareholders to the extent there is a market for the stock</li> </ul>
REDEMPTION	<ul style="list-style-type: none"> <li>At the Company’s option, redeemable for common stock or cash upon liquidation of CRE portfolio based on the following formula                             <ul style="list-style-type: none"> <li>Face amount minus cumulative dividends/distributions paid minus cumulative losses on CRE portfolio from issuance date of CVS to liquidation of the CRE portfolio</li> </ul> </li> </ul>

## Potential Recapitalization By Creating Contingent Value Stock



### STEP 1:

- Create new class of common stock, Contingent Value Stock or “CVS”, which represents \$10bn of equity of CRE portfolio

### STEP 2:

- CVS distributed to Green shareholders in a tax-free manner  
CVS is exchange traded  
Green has two classes of common stock – Green Holdings common stock and CVS

### STEP 3:

- Issue \$4bn common equity at Holdings level  
Assume rights offering  
Potential to also raise equity from new investors

### STEP 4

- New issuance of restricted stock to employees

### ADVANTAGES

- Allows for separate reporting of Green ongoing franchise results and CRE portfolio
- No change in consolidated financials of Green as a result of issuance of CVS
- Green keeps equity associated with CRE portfolio
- Separation of CRE exposure into a different security may facilitate Green’s ability to raise additional equity against the franchise
- Ability to optionally redeem CVS at a later date either for cash or exchange offer for Green common equity

### ISSUES

- Does not result in shrinking of Green’s overall balance sheet
- Time required to register CVS, publish financials/proxy and receive shareholder vote
- Unclear how CVS would trade

PROJECT GREEN

## Contingent Value Stock Payout Example By Creating New CRE Stock

(\$ in millions, except per share data)

- Assumes \$30bn CRE portfolio which declines ratably over 5 years through sales, maturities

Assumes \$10bn CVS issued to current shareholders of Green

Redeemed at 110% of face value at the end of fiscal year 5

No growth in assets

Net income based on IBES consensus for 2008E – 2010E and assumed 10% annual growth in 2011E – 2012E

- For modeling purposes, assumed no gain on sales

CVS PAYOUT EXAMPLE						
	% Cumulative Loss in CRE Portfolio Over Next 5 Years					
	0%	5%	10%	15%	20%	25%
Pre-tax Loss	\$0	\$1,500	\$3,000	\$4,500	\$6,000	\$7,500
Face Amount of CVS	10,000	8,500	7,000	5,500	4,000	2,500
Face Amount of CVS Per Share	\$14.15	\$12.03	\$9.91	\$7.78	\$5.66	\$3.54
Pro Forma Green Year 5 Leverage						
<b><u>Before Payout of CVS</u></b>						
Gross Leverage	11.8x	12.0x	12.2x	12.4x	12.6x	12.8x
Net Leverage	6.0x	6.1x	6.2x	6.3x	6.4x	6.5x
<b><u>After Payout of CVS</u></b>						
Gross Leverage	14.5x	14.3x	14.1x	13.9x	13.7x	13.5x
Net Leverage	7.5x	7.3x	7.2x	7.1x	7.0x	6.8x

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DISCUSSION MATERIALS

## **Project Green**

LAZARD

## Alternatives Under Review

- **Spin-off of CRE portfolio**
  - No capital raise or additional asset sales
  - In conjunction with additional equity capital raise
  - In conjunction with Investment Management Division sale
- **Issue Contingent Value Stock to existing shareholders with additional equity capital raise**
- **Sale of 100% of Investment Management Division**
- **Sale of 49% and 51% of Investment Management Division excluding minority stakes**
- **Going private transaction**
  - Cash only
  - In conjunction with CVS
  - In conjunction with 51% sale of Investment Management Division with FASB 159 election

## Major Assumptions

(\$ in millions)

Alternatives	Category	Assumption
ASSET SALE	Assets sold	\$23,778
	Pre-tax loss on asset sale	4,100
	After-tax loss on asset sale	2,800
	Risk-weight on assets sold for Tier 1 Capital purposes	75%
CRE SPIN-OFF	CRE portfolio assets	\$30,000
	SpinCo financing by Green	19,000
	SpinCo financing provided by third party	1,000
	Implied SpinCo equity	10,000
	Risk-weight on CRE assets for Tier 1 Capital purposes	100%
	Risk-weight on CRE financing for Tier 1 Capital purposes	50%
SALE OF IMD	Total IMD value	\$7,500
	IMD value excluding minority stakes at cost	6,000
	2009E after-tax earnings for total IMD business	\$629
	2010E after-tax earnings for total IMD business	889
	Book value of equities business	\$2,800
	Book value of fixed income business	400
	Book value of Green alternative investments	[ 0 ]
	Book value of D.E. Shaw, Spinnaker and Ospraie	1,169
	Book value of R3, One William Street and Field Street	[ 0 ]
	No book or cash tax on sale proceeds due to capital loss NOLs	
EMPLOYEE SHARES	Vested, saleable shares owned by employees (million)	31
	RSUs in trust (million)	97
	Post 2007 RSUs subject to 18 month vesting post change of control (million)	71
	Performance Stock Units (million)	22
GOING PRIVATE	Exchange of \$2bn of mandatory convertibles and \$4bn perpetual preferred at 15% premium to market	
	Remaining \$2.9bn of straight preferred securities to remain outstanding	
	Target new investor ownership in Green	49.9%

## Green Strategic Alternatives – Key Summary Financial Metrics

(\$ in billions, except per share amounts)

	Status Quo 5/31/08 (b)	Pro Forma 5/31/08 (b)	CRE Spin-off		CRE/ CVS	CVS
			Only	With 100% IMD Sale	Green Only With \$4bn Raise	Consolidated With \$4bn Raise
<b>Balance Sheet Statistics:</b>						
New Third-Party Capital Raised	--	--	--	--	\$4.0	\$4.0
Balance Sheet Cash Used	--	--	--	--	--	--
Net Leverage	10.1x	10.2x	14.7x	11.5x	12.5x	9.1x
Tier 1 Capital Ratio	13.5%	13.3%	9.2%	12.6%	11.4%	15.3%
Pre-Tax Charge to Breakeven			--	--		\$7.7
Net Assets	\$333.8	\$310.0	\$300.0	\$306.1	\$304.0	\$314.0
Tangible Equity Capital	33.2	30.4	20.4	26.5	24.4	34.4
Tangible Common Book Value (a)	\$19.2	\$16.4	\$6.4	\$12.5	\$10.4	\$20.4
Tangible Common Book Value Per Share	\$27.15	\$23.19	\$9.04	\$17.71	\$11.12	\$21.83
<b>Earnings Statistics:</b>						
2009E Earnings Per Share (a)	\$3.68	\$3.68	\$3.68	\$3.09	\$2.91	\$2.91
% Accretion / (Dilution)			0.0%	(15.9%)	(20.9%)	(20.9%)
2009E Operating ROE	10.5%	11.7%	21.4%	14.6%	16.9%	10.3%
<b>FYE 2010 Illustrative Share Price (a):</b>						
Green FYE 2010 Est. Share Price		\$48.84	\$43.53	\$33.99	\$35.45	\$36.62
SpinCo./CVS FYE 2010 Est. Share Price		--	7.22	7.22	7.22	3.89
Total FYE 2010 Est. Share Price		48.84	50.75	41.20	42.66	40.51

Source: Company filings and equity research reports.

(a) Assumes share count equal to 706.7 million shares plus incremental shares issued in capital raise. Excludes the dilution effect of in-the-money options, if any.

(b) Status quo adjusted for capital raise since 2Q'08. Pro forma reflects \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.

## Green Strategic Alternatives – Key Summary Financial Metrics (cont'd)

(\$ in billions, except per share amounts)

	Pro Forma 5/31/08 (b)	Sell IMD		Green Go Private (c)				
		100% Sale	49% Sale With Consolidation	51% Sale With FASB 159	\$19.30 Cash 9.2% Tier 1 49.9% New Inv.	\$19.30 Cash 11.0% Tier 1 66.4% New Inv.	\$19.30 Cash 51% IMD Sale + FASB 159	\$15 Cash + CVS 9.2% Tier 1 26.5% New Inv.
<b>Balance Sheet Statistics:</b>								
New Third-Party Capital Raised	--	--	--	--	\$3.7	\$7.2	\$3.7	\$1.0
Balance Sheet Cash Used	--	--	--	--	8.1	4.5	5.1	8.1
Net Leverage	10.2x	8.7x	9.4x	8.7x	13.6x	11.8x	12.1x	13.6x
Tier 1 Capital Ratio	13.3%	16.4%	14.8%	16.2%	9.2%	11.0%	12.1%	9.2%
Pre-Tax Charge to Breakeven		\$11.9	\$5.7	\$11.2	--	--	--	--
Net Assets	\$310.0	\$316.1	\$312.9	\$315.8	\$301.9	\$305.5	\$304.7	\$301.9
Tangible Equity Capital	30.4	36.5	33.3	36.2	22.3	25.9	25.1	22.3
Tangible Common Book Value (a)	\$16.4	\$22.5	\$17.8	\$22.2	\$9.6	\$13.2	\$15.4	\$9.6
Tangible Common Book Value Per Share	\$23.19	\$31.86	\$25.13	\$31.40	\$13.58	\$18.67	\$21.79	\$13.58
<b>Earnings Statistics:</b>								
2009E Earnings Per Share (a)	\$3.68	\$3.09	\$3.54	\$3.55	\$3.49	\$3.64	\$3.36	\$3.49
% Accretion / (Dilution)		(15.9%)	(3.7%)	(3.4%)	(5.2%)	(1.2%)	(8.6%)	(5.2%)
2009E Operating ROE	11.7%	8.7%	10.6%	10.1%	15.7%	13.2%	12.9%	15.7%
<b>FYE 2010 Illustrative Share Price (a):</b>								
Green FYE 2010 Est. Share Price	\$48.84	\$38.94	\$43.03	\$43.78	\$44.26	\$47.42	\$39.55	\$41.13
SpinCo./CVS FYE 2010 Est. Share Price	--	--	--	--	--	--	--	2.55
Total FYE 2010 Est. Share Price	48.84	38.94	43.03	43.78	44.26	47.42	39.55	43.68

Source: Company filings and equity research reports.

- (a) Assumes share count equal to 706.7 million shares plus incremental shares issued in capital raise. Excludes the dilution effect of in-the-money options, if any.  
 (b) Pro forma for capital raise since 2Q'08 and \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.  
 (c) All cash going private scenarios accounted for under recap accounting.

## Green Strategic Alternatives — Summary Observations

GREEN CRITERIA	STATUS QUO	CRE SPINOFF				SALE OF IMD			GO PRIVATE			
		ONLY	WITH \$4BN RAISE	WITH 100% IMD SALE	CVS + \$4BN	100% SALE	49% SALE W/ CONSOL.	51% SALE W/ FASB 159 ACCT	\$19.30 CASH		51% SALE W/ FASB 159 ACCT	CVS
			9.2% TIER 1	11.0% TIER 1								
BALANCE SHEET	◐	○	◐	◐	◐	●	●	●	◐	◐	◐	◐
EARNINGS POWER/ROE	◐	●	◐	◐	◐	◐	◐	◐	◐	◐	◐	◐
PERCEIVED BUSINESS MIX	◐	◐	◐	◐	◐	○	◐	◐	◐	◐	◐	◐
TRANSACTION/ OPERATING EXECUTION RISK	○	◐	◐	◐	◐	◐	◐	◐	◐	◐	◐	◐
COMMENTS	<ul style="list-style-type: none"> <li>■ Full exposure to CRE</li> <li>■ Market expecting action</li> <li>■ Eliminates CRE exposure to franchise</li> <li>■ Probable rating agency downgrade</li> <li>■ Leverage and capital likely not feasible following spinoff only</li> <li>■ Under \$4bn raise scenario, dilutive equity offering</li> <li>■ IMD sale results in loss of stable/valuable IM earnings</li> <li>■ Multiple transactions</li> <li>■ Eliminates CRE exposure to franchise</li> <li>■ CVS facilitates capital raise</li> <li>■ Dilutive equity offering</li> <li>■ Trading of CVS?</li> <li>■ CVS oversight</li> <li>■ Loss or partial loss of stable/valuable IM earnings</li> <li>■ Full exposure to CRE</li> <li>■ Timing required</li> <li>■ CVS eliminates CRE exposure to franchise</li> <li>■ IMD sale results in loss of stable/valuable IM earnings</li> <li>■ Trading of CVS?</li> <li>■ Requires large equity investment without sale of IMD</li> <li>■ Multiple transactions</li> <li>■ CVS facilitates capital raise</li> <li>■ CVS oversight</li> </ul>											
	○	Least desirable	◐	Less desirable	◐	Desirable	◐	More desirable	●	Most desirable		

## Select Publicly Traded Broker-Dealer Comparables

(\$ in millions)

	Green (a)	Goldman Sachs	Merrill Lynch (b)	Morgan Stanley	Peer Universe	
					Mean	Median
<b>Market Statistics:</b>						
Share Price (8/5/08)	\$20.24	\$180.77	\$28.22	\$43.20		
As % 52-Week High	31%	73%	36%	63%	57%	63%
As % 52-Week Low	163%	120%	116%	139%	125%	120%
Fully Diluted Market Capitalization	\$14,055	\$74,785	\$43,601	\$49,164		
<b>Price as a Multiple of:</b>						
2008E Calendarized EPS (c)	NM	10.7x	NM	9.2x	2.4x	3.3x
2009E Calendarized EPS (c)	5.3x	9.0	10.4x	7.4	8.9	9.0
2010E Calendarized EPS (c)	4.9	8.3	9.1	6.4	8.0	8.3
Reported Common Book Value	0.61x	1.85x	1.35x	1.43x	1.55x	1.43x
Tangible Common Book Value	0.75	2.12	1.60	1.62	1.78	1.62
<b>Other Statistics:</b>						
2008E ROE (b)	NM	17.4%	NM	15.2%	(2.6%)	4.0%
2009E ROE (b)	12.1%	18.2%	13.5%	16.4%	16.0%	16.4%
2010E ROE (b)	13.7%	16.9%	11.6%	17.2%	15.2%	16.9%
IBES LTG	10.5%	14.0%	12.0%	12.2%	12.7%	12.2%
Tier 1 Capital Ratio	13.3%	10.8%	10.5%	12.4%	11.2%	10.8%
Gross Leverage	21.1x	24.3x	25.5x	25.1x	25.0x	25.1x
Net Leverage	10.2	14.7	16.2	14.1	15.0	14.7
Capital Raise since 3Q '07	\$14,902	\$0	\$25,800	\$5,579		
% of Equity (2Q '08)	57%	0%	63%	14%		
Write-downs since 3Q '07	\$10,830	\$4,485	\$29,700	\$11,700		
% of Assets (2Q '07)	1.7%	0.5%	2.8%	1.0%		

Source: Company filings, press releases and equity research.

(a) Pro forma for capital raise since 2Q'08 and \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.

(b) Includes expected write-downs in 3Q '08 for Merrill Lynch.

(c) Based on IBES median consensus.

## Select Comparable Operating Statistics

(\$ in millions)

	Green (a)	Goldman Sachs	Merrill Lynch (b)	Morgan Stanley
<b>Balance Sheet Statistics:</b>				
Reported Common Book Value	\$20,487	\$41,718	\$32,297	\$33,393
Tangible Common Book Value	16,386	36,441	27,233	29,503
Common Book Value Per Share	\$28.99	\$97.49	\$20.90	\$30.11
Tangible Common Book Value Per Share	23.19	85.16	17.63	26.60
Gross Leverage	21.1x	24.3x	25.5x	25.1x
Net Leverage	10.2x	14.7x	16.2x	14.1x
Liquidity Position	\$45,000	\$87,756	\$98,292	\$135,000
Tier 1 Capital Ratio	13.3%	10.8%	10.5%	12.4%
Total Risk-Based Capital Ratio	19.1%	14.2%	16.6%	18.6%
Net Assets	\$310,000	\$653,514	\$659,777	\$579,124
Total Assets	621,658	1,088,145	1,048,346	1,031,228
Tangible Equity Capital	30,383	44,541	40,753	41,070
Total Stockholders' Equity	29,480	44,818	41,063	41,070
<b>Earnings Statistics (IBES Median):</b>				
2009E Calendarized EPS	\$3.79	\$20.14	\$2.72	\$5.81
2009E Operating ROE	12.1%	18.2%	13.5%	16.4%
<b>Issuer Credit Ratings (Outlook) (c):</b>				
S&P	A (ON)	AA- (ON)	A (ON)	A+ (ON)
Moody's	A2 (ON)	Aa3 (OS)	A2 (OS)	Aa3 (WN)

Source: Company filings and press releases.

(a) Pro forma for capital raise since 2Q'08 and \$23.8 billion reduction in asset levels per management assuming \$4.1 billion pre-tax (\$2.8 billion after-tax) loss on asset sales.

(b) Includes expected write-downs in 3Q '08 for Merrill Lynch.

(c) ON - Outlook Negative; OS - Outlook Stable; WN - Watch Negative.