

From: Kerstein, Daniel [daniel.kerstein@lehman.com]. Sent: 8/7/2008 11:03 PM.

To: Erickson, David [derickso@lehman.com]; McGee III, Hugh E [hmcgee@lehman.com]; Shafir, Mark G [mark.shafir@lehman.com]; Wieseneck, Larry [lwiesene@lehman.com].

Cc: Mehta, Punit (NY) [pumehta@lehman.com]; Reilly, Brian [breilly@lehman.com]; Whitman, Brad [bwhitman@lehman.com].

Bcc: .

Subject: Re: Project green/green acres/hercules.

Not wanting to complicate further, but could we split-off NEU? Would avoid further dilution to book equity as a split is not treated as a dvd for accounting purposes but rather as a sale.

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

From: Erickson, David  
To: McGee III, Hugh E; Shafir, Mark G; Wieseneck, Larry  
Cc: Kerstein, Daniel; Mehta, Punit (NY); Reilly, Brian; Whitman, Brad  
Sent: Thu Aug 07 22:46:53 2008  
Subject: Project green/green acres/hercules

While I continue to think the "kk" path (ie, via lbpe/amsterdam) for hercules is stupid, I have continued to look at the numbers and am getting more positive on a straight us ipo of neuberger.

While it doesn't achieve our primary objectives of adding to tangible common and likely would cause lehman x green acres and hercules

(assuming an eventual spin of hercules) to trade at a lower multiple than w/hercules, if you look holistically at all three pieces (lehx, green acres, and hercules) today, the value of the combined package in a year is likely more valuable than if we kept hercules part of lehman.

The point - current lehman shareholders will likely be better off in a year if we carve/spin hercules and they hold all three pieces vs just spinning green acres and holding both pieces.

The positives are:

1. The lower the stock goes (obviously not a positive) the more accretive a nb carve becomes (accretive even when you assume conservative assumptions on how lehx hercules trades);
2. As lehx and nb (post-ipo) should trade well over the next year (vs status quo), it should more than offset likely pressure on green acres.

The issues are:

1. It doesn't help with tangible common for lehx assuming we want to preserve tax free spin flexibility, and sell less than 20% (or high vote-low vote).
2. If you just look at lehx hercules, it will likely trade at a lower multiple and may face rating agency pressures (vs if hercules was still apart).
3. Splitting into three - one spin and one carve+spin - will complicate execution.
4. Likely only effects nb and alternatives to be ipo'd. Meaning pe and min stakes stay with lehx.

Apologies for the long convoluted email, but it might be worthwhile to discuss as a group more thoroughly asap (tmrw) to clarify.

Dave

