

Confidential Presentation to:

Zeus

Project Hercules

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Executive Summary

- ◆ With the recent Fortress transaction (and soon to be others), there are precedents to help value and monetize the management fee and incentive fee components of asset managers.
- ◆ In addition, with its acquisition of a minority stake in Blackrock (and merging infrastructure with MLIM), Merrill Lynch has realized incremental multiple expansion, adjusting for the broker-dealer index.
- ◆ Depending on which businesses are included in Hercules⁽¹⁾, which would impact growth and margin assumptions, Hercules could be valued at 17-21x 2008 P/E. This provides an attractive multiple to expand via potential accretive acquisitions (vs. Zeus' multiple). Hercules fully-distributed value should be approximately \$10.2 – 12.8 billion.
- ◆ Assuming 90% economic interest of Hercules is retained, Zeus could unlock significant incremental value and multiple expansion, subject to stock appreciation of Hercules post-IPO, as illustrated below:

Stock Appreciation	Conservative Case: Projected Net Income Growth of 18% ⁽²⁾			Aggressive Case: Projected Net Income Growth of 25% ⁽³⁾		
	Incremental Value	Value Creation Per Share	Pro Forma 2007 Zeus Multiple ⁽⁴⁾	Incremental Value	Value Creation Per Share	Pro Forma 2007 Zeus Multiple ⁽⁴⁾
Current (No Carve)	N/A	N/A	9.8x	N/A	N/A	9.8x
Fully Distributed at IPO	\$3.4 bn	\$5.85	10.7x	\$5.4 bn	\$9.33	11.2x
+10%	\$4.3bn	\$7.45	10.9x	\$6.5 bn	\$11.33	11.5x
+20%	\$5.2bn	\$9.05	11.1x	\$7.7 bn	\$13.32	11.7x

1. For purposes of this analysis, Hercules is assumed to include IMD (but exclude PIM) and have \$1,432mm in 2006 net revenues (as represented in the annual report).

2. Assumes net margins of 28.5% (T. Rowe Price's 2006 net margin) and fully distributed IPO valuation of 18.0x.

3. Assumes net margins of 28.5% (T. Rowe Price's 2006 net margin) and fully distributed IPO valuation of 20.0x.

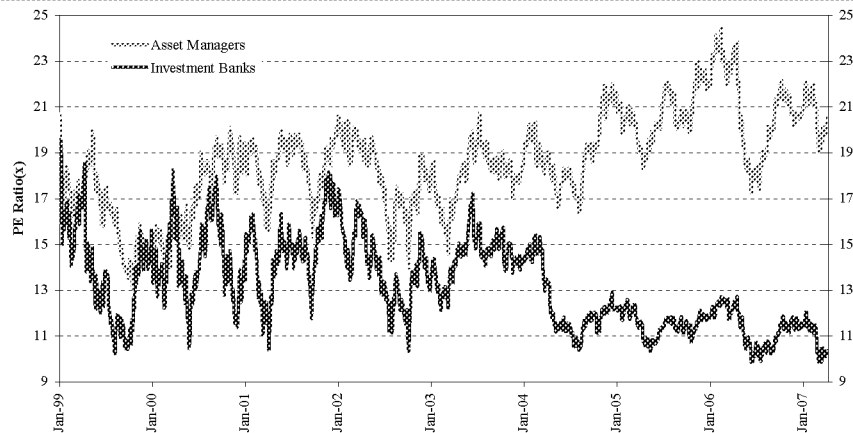
4. Assumes market values Zeus (ex-Hercules) at Price / '07 EPS of 9.5x

Note: Assumes Zeus share price of \$72.40 (5/18/07).

Comparative Analysis

Trading of Asset Managers Relative to Investment Banks

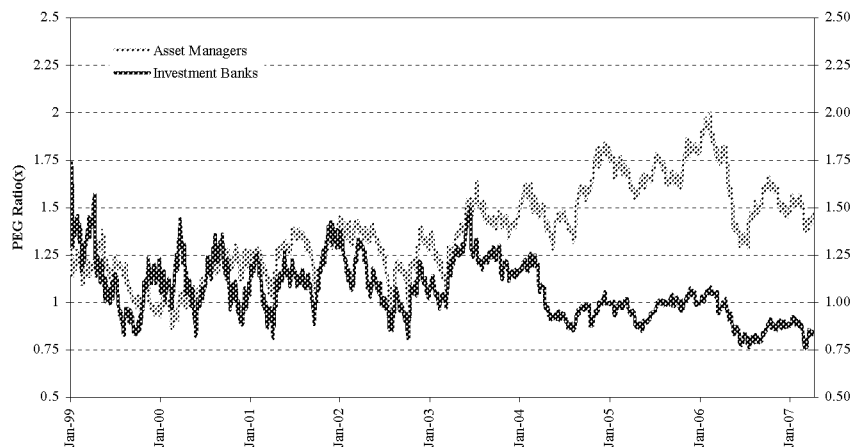
Historical P/E Over Time (1)(2)



Historical Stock Volatility Over Time (1)(2)(3)



Historical PEG Over Time (1)(2)



Observations

- ◆ From peak to trough, asset managers have exceeded investment banks by approximately five multiple points.
 - Volatility of both groups is highly correlated; though valuation peaks/troughs of the groups are counter-cyclical.
- ◆ Asset manager valuations peaked at a forward P/E multiple of 25.5x in February 2006 and bottomed at 13.1x in October 1999 with a historical median of 18.5x.
- ◆ Investment bank valuations peaked at a forward P/E multiple of 19.6x in January 1999 and a trough of 9.9x in June 2006 with a historical median of 13.2x.

Source: FactSet. Uses NTM EPS estimates.

1. Investment Banks include LEH, BSC, GS, MER, MS.

2. Asset Managers include BEN, BLK, EV, FII, JNC, JNS, LM, TROW.

3. Annual stock price volatility.

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Asset Management Comparables

While Hercules is expected to trade at the upper-end in terms of both P/E multiple and MV/AUM, the valuation is well supported by assumed growth and margins.

Asset Management Comparables

Company	AUM (\$bn)	Mkt. Value (\$bn)	MV/AUM	Price/'08 EPS	LTG
Blackrock	\$1,125.0	\$17.3	1.5 %	17.4 x	22.3 %
Legg Mason	945.0	13.3	1.4	16.4	14.4
Alliance Bernstein	717.0	7.7	1.1	16.2	17.4
Franklin Resources, Inc.	552.9	33.9	6.1	17.1	16.4
Amvescap	442.0	10.1	2.3	14.1	11.5
T. Rowe Price	335.0	13.2	3.9	18.3	14.3
Federated Investors	237.0	3.9	1.6	15.6	11.4
Janus Capital Group	168.0	5.0	2.9	22.5	18.7
Eaton Vance	129.0	5.0	3.9	19.7	14.1
Calamos Asset Management	42.6	2.4	5.6	17.3	10.5
Cohen & Steers	33.6	1.9	5.8	23.3	17.3
Mean	\$429.7	\$10.3	3.3 %	18.0 x	15.3 %
Median	335.0	7.7	2.9	17.3	14.4
Fortress	\$35.1	\$11.2	32.0 %	23.7 x	42.5 %
Hercules (Conservative)	\$225.0	\$10.2 ⁽¹⁾	4.5 %	18.0 x	18.0 %
Hercules (Aggressive)	225.0	12.8 ⁽¹⁾	5.7	20.0	25.0

Source: FactSet. Market data as of 5/18/07.

1. Assumes \$1,432mm in 2006 net revenues (as represented in the annual report) and 28.5% net margins.

Hercules Carve-out Analysis

Conservative Case – 18% Net Income Growth

Carve-out Analysis (18x 2008 EPS, 28.5% Net Margin)

(\$ in millions except per share data)

Hercules Fully Distributed Equity Valuation (18x 2008 P/E)	\$10,229		
Current Zeus Share Price	\$72.40		
<i>Fully Diluted Shares Outstanding</i>	575.4		
Current Zeus Fully-Diluted Market Cap	\$41,659		
Current 2007 P/E	9.8x		
Current Zeus 2007 Net Income	\$4,252		
Less: Hercules Net Income	(482)		
Zeus Net Income (Ex-Hercules)	\$3,771		
Assumed Zeus 2007 P/E Multiple (Ex-Hercules)	9.0x	9.5x	10.0x
Implied Zeus Market Value (Ex-Hercules)	\$33,936	\$35,821	\$37,706
Hercules IPO Value (Assumes 10% IPO discount)	\$9,299	\$9,299	\$9,299
Hercules Fully Distributed IPO Value	\$10,229	\$10,229	\$10,229
Less: Public Stub (assumes 10% Sale)	(1,023)	(1,023)	(1,023)
Market Value of Zeus Retained Int. in Hercules	\$9,206	\$9,206	\$9,206
Pro Forma Value of Zeus	\$43,142	\$45,027	\$46,912
<i>Value Creation</i>	3.6%	8.1%	12.6%
Pro Forma New Zeus Share Price	\$74.98	\$78.25	\$81.53
Incremental Value per Share	\$2.58	\$5.85	\$9.13
Implied Zeus 2007 P/E	10.3x	10.7x	11.2x

Carve-out Analysis (16.5x 2008 EPS, 22.5% Net Margin)

(\$ in millions except per share data)

Hercules Fully Distributed Equity Valuation (16.5x 2008 P/E)	\$7,402		
Current Zeus Share Price	\$72.40		
<i>Fully Diluted Shares Outstanding</i>	575.4		
Current Zeus Fully-Diluted Market Cap	\$41,659		
Current 2007 P/E	9.8x		
Current Zeus 2007 Net Income	\$4,252		
Less: Hercules Net Income	(380)		
Zeus Net Income (Ex-Hercules)	\$3,872		
Assumed Zeus 2007 P/E Multiple (Ex-Hercules)	9.0x	9.5x	10.0x
Implied Zeus Market Value (Ex-Hercules)	\$34,848	\$36,784	\$38,720
Hercules IPO Value (Assumes 10% IPO discount)	\$6,729	\$6,729	\$6,729
Hercules Fully Distributed IPO Value	\$7,402	\$7,402	\$7,402
Less: Public Stub (assumes 10% Sale)	(740)	(740)	(740)
Market Value of Zeus Retained Int. in Hercules	\$6,662	\$6,662	\$6,662
Pro Forma Value of Zeus	\$41,510	\$43,446	\$45,382
<i>Value Creation</i>	-0.4%	4.3%	8.9%
Pro Forma New Zeus Share Price	\$72.14	\$75.51	\$78.87
Incremental Value per Share	(\$0.26)	\$3.11	\$6.47
Implied Zeus 2007 P/E	9.9x	10.3x	10.8x

Hercules Carve-out Analysis

Aggressive Case – 25% Net Income Growth

Carve-out Analysis (20x 2008 EPS, 28.5% Net Margin)

(\$ in millions except per share data)

Hercules Fully Distributed Equity Valuation (20x 2008 P/E)	\$12,754		
Current Zeus Share Price	\$72.40		
<i>Fully Diluted Shares Outstanding</i>	575.4		
Current Zeus Fully-Diluted Market Cap	\$41,659		
Current 2007 P/E	9.8x		
Current Zeus 2007 Net Income	\$4,252		
Less: Hercules Net Income	(510)		
Zeus Net Income (Ex-Hercules)	\$3,742		
Assumed Zeus 2007 P/E Multiple (Ex-Hercules)	9.0x	9.5x	10.0x
Implied Zeus Market Value (Ex-Hercules)	\$33,679	\$35,550	\$37,421
Hercules IPO Value (Assumes 10% IPO discount)	\$11,594	\$11,594	\$11,594
Hercules Fully Distributed IPO Value	\$12,754	\$12,754	\$12,754
Less: Public Stub (assumes 10% Sale)	(1,275)	(1,275)	(1,275)
Market Value of Zeus Retained Int. in Hercules	\$11,478	\$11,478	\$11,478
Pro Forma Value of Zeus	\$45,157	\$47,028	\$48,899
<i>Value Creation</i>	8.4%	12.9%	17.4%
Pro Forma New Zeus Share Price	\$78.48	\$81.73	\$84.98
Incremental Value per Share	\$6.08	\$9.33	\$12.58
Implied Zeus 2007 P/E	10.7x	11.2x	11.6x

Carve-out Analysis (18.5x 2008 EPS, 22.5% Net Margin)

(\$ in millions except per share data)

Hercules Fully Distributed Equity Valuation (18.5x 2008 P/E)	\$9,314		
Current Zeus Share Price	\$72.40		
<i>Fully Diluted Shares Outstanding</i>	575.4		
Current Zeus Fully-Diluted Market Cap	\$41,659		
Current 2007 P/E	9.8x		
Current Zeus 2007 Net Income	\$4,252		
Less: Hercules Net Income	(403)		
Zeus Net Income (Ex-Hercules)	\$3,849		
Assumed Zeus 2007 P/E Multiple (Ex-Hercules)	9.0x	9.5x	10.0x
Implied Zeus Market Value (Ex-Hercules)	\$34,645	\$36,570	\$38,495
Hercules IPO Value (Assumes 10% IPO discount)	\$8,467	\$8,467	\$8,467
Hercules Fully Distributed IPO Value	\$9,314	\$9,314	\$9,314
Less: Public Stub (assumes 10% Sale)	(931)	(931)	(931)
Market Value of Zeus Retained Int. in Hercules	\$8,382	\$8,382	\$8,382
Pro Forma Value of Zeus	\$43,027	\$44,952	\$46,877
<i>Value Creation</i>	3.3%	7.9%	12.5%
Pro Forma New Zeus Share Price	\$74.78	\$78.12	\$81.47
Incremental Value per Share	\$2.38	\$5.72	\$9.07
Implied Zeus 2007 P/E	10.2x	10.7x	11.1x

Sensitivity Analysis

Aggressive Case – 25% Net Income Growth

Hercules Valuation ⁽¹⁾											
Hercules Fully Distributed Price / '08 EPS Multiple											
	16.0x	16.5x	17.0x	17.5x	18.0x	18.5x	19.0x	19.5x	20.0x	20.5x	21.0x
20%	\$7,160	\$7,384	\$7,608	\$7,831	\$8,055	\$8,279	\$8,503	\$8,726	\$8,950	\$9,174	\$9,398
21%	\$7,518	\$7,753	\$7,988	\$8,223	\$8,458	\$8,693	\$8,928	\$9,163	\$9,398	\$9,632	\$9,867
22%	\$7,876	\$8,122	\$8,368	\$8,614	\$8,861	\$9,107	\$9,353	\$9,599	\$9,845	\$10,091	\$10,337
23%	\$8,234	\$8,491	\$8,749	\$9,006	\$9,263	\$9,521	\$9,778	\$10,035	\$10,293	\$10,550	\$10,807
24%	\$8,592	\$8,861	\$9,129	\$9,398	\$9,666	\$9,935	\$10,203	\$10,472	\$10,740	\$11,009	\$11,277
25%	\$8,950	\$9,230	\$9,509	\$9,789	\$10,069	\$10,348	\$10,628	\$10,908	\$11,188	\$11,467	\$11,747
26%	\$9,308	\$9,599	\$9,890	\$10,181	\$10,472	\$10,762	\$11,053	\$11,344	\$11,635	\$11,926	\$12,217
27%	\$9,666	\$9,968	\$10,270	\$10,572	\$10,874	\$11,176	\$11,478	\$11,780	\$12,083	\$12,385	\$12,687
28%	\$10,024	\$10,337	\$10,651	\$10,964	\$11,277	\$11,590	\$11,904	\$12,217	\$12,530	\$12,843	\$13,157
29%	\$10,382	\$10,706	\$11,031	\$11,355	\$11,680	\$12,004	\$12,329	\$12,653	\$12,978	\$13,302	\$13,626
30%	\$10,740	\$11,076	\$11,411	\$11,747	\$12,083	\$12,418	\$12,754	\$13,089	\$13,425	\$13,761	\$14,096

Zeus Value Creation per Share ⁽¹⁾											
Hercules Fully Distributed Price / '08 EPS Multiple											
	16.0x	16.5x	17.0x	17.5x	18.0x	18.5x	19.0x	19.5x	20.0x	20.5x	21.0x
20%	\$3.09	\$3.44	\$3.79	\$4.14	\$4.49	\$4.84	\$5.19	\$5.54	\$5.89	\$6.24	\$6.59
21%	\$3.36	\$3.73	\$4.09	\$4.46	\$4.83	\$5.20	\$5.56	\$5.93	\$6.30	\$6.67	\$7.03
22%	\$3.62	\$4.01	\$4.39	\$4.78	\$5.16	\$5.55	\$5.93	\$6.32	\$6.70	\$7.09	\$7.47
23%	\$3.89	\$4.29	\$4.69	\$5.09	\$5.50	\$5.90	\$6.30	\$6.70	\$7.11	\$7.51	\$7.91
24%	\$4.15	\$4.57	\$4.99	\$5.41	\$5.83	\$6.25	\$6.67	\$7.09	\$7.51	\$7.93	\$8.35
25%	\$4.42	\$4.85	\$5.29	\$5.73	\$6.17	\$6.60	\$7.04	\$7.48	\$7.92	\$8.35	\$8.79
26%	\$4.68	\$5.14	\$5.59	\$6.04	\$6.50	\$6.95	\$7.41	\$7.86	\$8.32	\$8.77	\$9.23
27%	\$4.94	\$5.42	\$5.89	\$6.36	\$6.83	\$7.31	\$7.78	\$8.25	\$8.72	\$9.20	\$9.67
28%	\$5.21	\$5.70	\$6.19	\$6.68	\$7.17	\$7.66	\$8.15	\$8.64	\$9.13	\$9.62	\$10.11
29%	\$5.47	\$5.98	\$6.49	\$7.00	\$7.50	\$8.01	\$8.52	\$9.03	\$9.53	\$10.04	\$10.55
30%	\$5.74	\$6.26	\$6.79	\$7.31	\$7.84	\$8.36	\$8.89	\$9.41	\$9.94	\$10.46	\$10.99

1. Assumes Zeus '07 P/E of 9.5x.

Strategic Considerations

While there are strategic issues, most/all will be perceived as positives to Zeus & Hercules.

- ◆ **Valuation of Zeus (ex-Hercules)** – It is unlikely that investors will reduce valuation parameters for Zeus (ex-Hercules) given tight historical ranges of investment banks as well as the significant retained ownership. A carve-out should significantly enhance value as investors will include “unlocked value” of Hercules (similar to MLIM/Blackrock).
- ◆ **Perception of Strategic Reversal** – While Zeus bought Hercules in recent years, by “unlocking value” and maintaining control, Zeus continues to send message that Hercules is strategically important and will likely accelerate its growth with a higher-valued acquisition currency.
- ◆ **Management Structure** – It’s likely the Zeus CEO can only be Chairman of Hercules, however, Zeus can maintain strong board control via NYSE’s controlled-company exemption. Along with Chairman of Zeus, likely management team of Walker (CEO) and Amato (COO/CFO) should sell well with investors.
- ◆ **Compensation** – Hercules would use Hercules stock/options to supplement compensation and provide aligned incentive for Hercules employees. It may also be possible to have a portion of Zeus’ employee RSU/option compensation in the form of Hercules stock/options.
- ◆ **Use of Proceeds** – While it is unlikely Hercules needs cash, a carve-out could facilitate investments and/or return capital to Zeus shareholders (depending on tax efficiencies).

Strategic Considerations (Cont.)

While there are strategic issues, most/all will be perceived as positives to Zeus & Hercules.

- ◆ **Assets to Include** – Analysis includes “Asset Management” as defined by the Annual Report. Additional assets could be included to enhance value such as minority stakes in other funds and/or proprietary groups. Inclusion of Private Client Services would likely decrease value and be strategically challenging for Zeus.
- ◆ **Acquisition “Currency”** – With higher multiples, Hercules has efficient acquisition “currency” to facilitate acquisitions.
- ◆ **Depreciating Stock Value of Hercules** – While every stock goes lower at a certain point in the cycle, in recent cycles, asset manager valuations have traded (on a historical median basis) five multiple points higher than investment banks.