

From: Fuld, Dick [REDACTED]@lehman.com]
Sent: Tuesday, June 3, 2008 7:59 PM (GMT)
To: Lauckhardt, Shelby [REDACTED]@lehman.com] <Error -2147221233>
Subject: Re:

Don't worry-they are only people who think about their own pockets

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

From: Lauckhardt, Shelby
To: Fuld, Dick
Cc: Judd, Angela E
Sent: Tue Jun 03 15:30:43 2008
Subject:

From: Walker, George H
Sent: Tuesday, June 03, 2008 3:30 PM
To: Gregory, Joe; Callan, Erin; Goldfarb, David; Amato, Joseph V; Lauckhardt, Shelby; Isaacs, Jeremy; Janulis, Theodore P; Lessing, Stephen M; McGee III, Hugh E; Morton, Andrew J; Russo, Thomas A; Savoret, Benoit [London]

Cc: Amato, Joseph V
Subject:

Sorry team.

I am not sure what's in the water at 605 Third Avenue today, but Amato and I clearly have some work to do (given the today's similar emails from Marvin Schwartz, Michael Kaminsky and now Judy).

The compensation issue she raises (Judy Vale and Benjamin Segal on one hand versus Marvin Schwartz and Jeff Bolton on the other) is a particular issue for a small handful of people at Neuberger and hardly worth the EC's time now.

I'm embarrassed and I apologize.

From: Vale, Judith
Sent: Tuesday, June 03, 2008 3:15 PM
To: Gregory, Joe; Callan, Erin; Goldfarb, David; Walker, George H; Amato, Joseph V; Lauckhardt, Shelby; Isaacs, Jeremy; Janulis, Theodore P; Lessing, Stephen M; McGee III, Hugh E; Morton, Andrew J; Russo, Thomas A; Savoret, Benoit [London]

Cc: D'Alelio, Robert
Subject:

As long-term employees and former partners of Neuberger Berman, we feel compelled to express our views on several matters to members of Lehman's Executive Committee.

(1) Top management should forgo bonuses this year.

This would serve a dual purpose. Firstly, it would represent a significant expense reduction. Secondly, when the "world" discovers

this in next year's proxy, it would send a strong message to both employees and investors that management is not shirking accountability for recent performance.

(2) Do a partial spin-out of NB.

A partial spin could be an attractive source of capital for Lehman, at a time the company needs capital. It would also serve to highlight a high quality, stable, low-risk earnings stream, a large portion of which would continue to accrue to the parent.

Secondly, this would relieve the anxiety of NB clients, who are placing many worried calls about the fate of NB and their accounts because of the negative publicity and financial stress associated with Lehman.

Finally, it would permit the use of Neuberger Berman stock to pay the non-cash incentive comp of NB employees. Morale at NB is at a dangerously low level, largely because Lehman stock is a significant portion of our compensation, and as such, our comp is not tied to anything within our control. Many believe that a substantial portion of the problems at Lehman are structural rather than merely cyclical in nature. The "old" Neuberger franchise (which resides at 605 Third) is largely intact. However, this is a people business, and the continuing health of the franchise is dependent on retaining key producers and support personnel.

Don't slam bonuses of key producers and support personnel at NB because of management mistakes elsewhere (Lincoln Capital, Liberty View, elsewhere at Lehman).

Because of the fixed nature of PAM (high net worth) compensation, any adjustment to compensation will by definition fall disproportionately on non-PAM money managers (those of us on the institutional side) and related support staff. Please be aware that there is a serious potential of losing key people. Many money managers at NB are in a position to retire if they feel they are being dealt with unfairly, and others have numerous employment options open to them. The potential for adverse selection is real, and cannot be underestimated.

Judy Vale and Bob D'Alelio, co-managers of the \$15 billion Small Cap Value product (NB Genesis Fund)