FINANCIAL SERVICES COMPENSATION 2000

A SPECIAL REPORT FROM TMP WORLDWIDE EXECUTIVE SEARCH > NOVEMBER 2000

FOREWORD

November 2000

Dear friends and clients,

A transparency revolution has rocked the financial services business in the last few years. Most stocks are quoted in decimals now and an order is just as likely to be filled on one of several competing electronic networks as it is to be transacted by a guy in a funny jacket standing on a trading floor with two tickets more pressing than yours. In money management, mutual fund companies are spelling out their fees in plain English and institutional manager searches are being conducted in full view on the Internet rather than the golf course. Even the bond market, that bastion of opaqueness, is moving toward electronic trading and the narrow bid/offer spreads that come with it. It seems that today, there is only one corner of Wall Street where inefficiency and, predictably, arbitrage still reigns--the market for human capital.

The data are scarce and the stakes in the annual bonus game that begins in the coming weeks are enormous. Underpay, and a franchise player walks out the door, taking the the whole team with her. Overpay-say, for example, you're an investment bank and compensation nudges above 60% of revenue-and just listen to what the analysts who follow your stock start saying about you.

But senior financial services executives have more pressing matters to worry about than whether their compensation scheme is current. That's why we at TMP Worldwide Executive Search set out to compile our first-ever comprehensive study of compensation in financial services as a value-added service to our clients and the industry in general. With more than 225 consultants working out of 45 offices in nearly two-dozen countries, no recruiting firm is better positioned to bring a badly-needed measure of transparency to the talent market. We hope you find it useful.

Steve Potter
CEO, TMP Worldwide Executive Search

Financial Services Compensation 2000

This report was edited by Greg Joslyn, director of research projects at TMP Worldwide Executive Search.

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TMP WORLDWIDE'S FINANCIAL SERVICES SECTOR

TMP Worldwide Executive Search is the premier global executive search firm in financial services. With a dedicated global team of financial services recruiting and research professionals in North America, Europe, Asia and Latin America, we have the capability to deliver the focus of a boutique firm from a global platform in all the world's major financial markets.

Our team fulfills client needs for exceptional professionals who can lead and effect change in the global markets and deliver performance across a broad range of products and geographies in an area where success is achieved by the innovative and aggressive.

Our specialized sector team is built around global practices in insurance, investment banking, capital markets, investment management, private banking, private equity and real estate. We have additional U.S. practices in banking and consumer banking, technology and finance administration and operation.

Each practice area is shaped to serve clients of all types, from the largest financial conglomerates, to local banks, to mutual insurers, to the smallest asset managers, across all job functions. This is accomplished with expert, efficient service delivered by specialized professionals who have in-depth knowledge of the markets relevant to individual assignments.

For most financial services organizations, the shifting of power to individual consumers has produced an increase in recruiting assignments for executives capable of building or leading customer-focused organizations already possessing an advanced understanding of technology and operations. The Financial Services team has considerable experience recruiting top talent and an extensive proprietary database allowing us to discover new talent for the increasingly competitive financial services arena.

We are committed to offering our clients the opportunity to attract the most qualified management talent. Skilled executives are frequently able to select from numerous opportunities and compelling compensation packages. As recruiting executives in this sector, we offer clients a strategic, focused approach toward identifying, qualifying and negotiating compensation packages for top talent.

- **Banking**
- **Consumer Banking**
- **Finance, Administration & Operations**
- **Financial Services Technology**
- **Insurance**
- **Investment Banking & Capital Markets**
- **Investment Management**
- **Private Banking**
- **Private Equity**
- **Real Estate**

FINANCIAL SERVICES COMPENSATION 2000

INTRODUCTION

One measure of how tight the financial services job market has become is that what sounded laughable a year ago sounds more or less reasonable today. Last autumn, a major M&A boutique was courting a second-year associate in a bulge-bracket firm's financial institutions group when the prospective candidate drew his line in the sand: "I simply will not move for less than one-point-three million, guaranteed over two years."

The figure was well above what the hiring firm was prepared to pay and there was a pregnant pause on the other end of the line as the interviewer struggled for a response. The FIG pro broke the silence: "Maybe you think I'm here in my office having hallucinations, but I'm happy to go on having *these* hallucinations!"

"Maybe you think I'm here in my office having hallucinations, but I'm happy to go on having* these *hallucinations!"

Now it seemed at the time that the brash young banker perhaps was suffering from an inflated sense of his market value. In the event, the boutique went on to fill the position for considerably less. But as it turned out, the pricing on the banker's own "forward salary curve" was right on target. By our reckoning, classmates of his who graduated from business school in 1997 on average will pocket some USD500,000 in 2000 (see table, left). Given that he is in a strong sector at a top firm, it is reasonable to expect he will do better than that this year, putting his two-year target of USD1.3 million well within reach. Indeed, financial services professionals historically have an enviable track record forecasting their payouts--that's why we attached a great deal of weight to their salary expectations in compiling this report.

U.S. CORP. FINANCE/M&A
(TOTAL COMP., USD000s)

Class of ...	2000 /1999
1999 (Assoc.)	280/ —
1998 (Assoc.)	410/200
1997 (VP)	500/300
1996 (VP)	650/425
1995 (VP)	800/550
1994 (Dir.)	875/700
1993 (Dir.)	1,000/750
1992 (Dir.)	1,200/1,000

The following compensation projections capture the insights of TMP Worldwide Executive Search's global team of financial services consultants. With the exception of the real estate section, which is based on a formal, written survey of executives in that field, the data in this report were gleaned from hundreds of interviews conducted through the year. They reflect the bonus expectations of the senior line managers with whom we work every day, calibrated against live offers made to the candidates we placed at leading firms during the first three quarters and, where applicable, against the packages offered by several firms that announced compensation guarantees early this year for retention purposes. To maintain the integrity of the study, we have not provided projections for job titles, geographies and market segments where information was too ambiguous or incomplete to make a reliable forecast.

We hope you find this report helpful as you go into your compensation cycle. And as bonus season begins to unfold, we urge you to contact the TMP Worldwide Executive Search consultants identified in each section of the report for the latest information on your sector of the market.

Joel C. Millonzi
Head of Financial Services Sector
TMP Worldwide Executive Search

GLOBAL BANKING

OVERVIEW: *RETENTION POOLS, RECORD PAYOUTS*

Compensation in 2000 is poised to smash previous records. Despite a volatile year in most markets, bonus pools at global financial services firms are expected to show a 10-50% increase. Indeed, in a particularly hot sector in the U.S., corporate finance and M&A, the average vice-president from the MBA class of 1995 can expect to see total compensation rocket 45% over last year; pay for second-year associates probably will double. Following are a few of the dynamics that we expect to shape the size and allocation of payouts this bonus season:

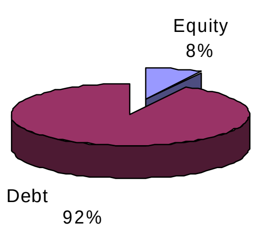
Management will struggle with a critical question: Do the giant retention packages represent a repricing of the talent market or an outlier that can be ignored?

- Wary of paying too much or too little, senior management will struggle with a critical question: Do the giant retention packages already announced at Donaldson, Lufkin & Jenrette, PaineWebber and Wasserstein Perrella represent a repricing of the talent market or an outlier that can safely be ignored? In our opinion, senior management in the bulge bracket will come down squarely in the "outlier" camp. It may well be the case that compensation for top talent will come in right on top of the guarantees at those three firms, but the driver will be the laws of supply and demand rather than the payouts pledged by banks in the second- and third-tier.

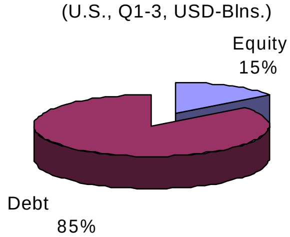
- It's equity versus debt in a rematch of their 1998 showdown, when the fallout from the Russian default and Long-Term Capital Management's liquidity crisis wrecked P&Ls on most bond desks. When bonuses were announced that year at several firms, there was a rebellion among equity professionals who believed they were being forced to pay for the misfortunes of their bond-market brethren. Turning the clock forward to 2000, a stellar year in equity underwriting and a downright lethargic one in fixed-income (see chart, left) potentially has set the stage for another round of internecine warfare. But we believe the outcome will be different this time. Most firms have restructured their procedures since 1998, aligning bonus pools much more tightly along product lines and even individual P&Ls. It may be the bond pros who stage the next rebellion.

A stellar year in equity underwriting and a lethargic one in fixed-income suggests another round of internecine warfare.

ISSUANCE IN 1999 ...



... AND 2000
(U.S., Q1-3, USD-Blns.)



SOURCE: Thomson Financial Securities Data

- Wall Street firms have sought to build in key product areas by luring franchise players with generous pay packages. Now that the rainmakers are in place, many firms will find it difficult to come up with enough cash to satisfy the human infrastructure that backs them. We believe firms will be forced to invest in more training and long-term wealth-creation vehicles for junior staff if they want to retain the rainmakers of tomorrow.

- A credit culture has taken root in Europe, despite a rocky year in the bond market. Showing no sign of backing away from their commitment to build their capabilities in euro-denominated spread products, firms are seconding their own credit professionals from New York to London and paying up to bring in outside talent.

- A tiered market has developed in Asian underwriting, where a handful of firms have dominant marketshare. Those firms can be expected to pay top dollar to retain the professionals who have helped them corner the market.

ASSET-BACKED SECURITIES: *LESS WORK, MORE PAY*

ABS COMPENSATION

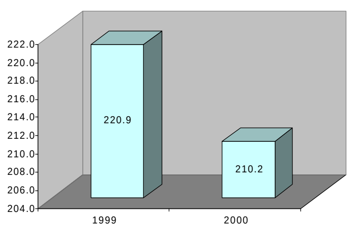
(USD 000s)

Level	Capital Markets	Trading	Research
MD Top Desk			
Base	200-250	200-250	200-250
Total	2,000-5,000	1,500-4,000	1,000-2,000
VP Top Desk			
Base	125-150	125-150	125-150
Total	500-1,000	500-1,000	400-750
MD Second Tier			
Base	200-250	200-250	200-250
Total	2,000-5,000	1,500-4,000	1,000-2,000
VP Second Tier			
Base	125-150	125-150	125-150
Total	500-1,000	500-1,000	400-750

Within the span of about two months, ABS compensation was redefined by bold attempts to re-staff depleted groups with franchise bankers.

ABS ISSUANCE

(U.S., Q1-3, USD-Blns.)



SOURCE: Thomson Financial Securities Data

ANALYSIS: While issuance volume trailed that of last year (see chart, left), 2000 was a watershed year in compensation for asset-backed professionals, primarily because of the unprecedented number of full-team moves during the first half of the year. Deutsche Bank recruited virtually all the ABS professionals from CS First Boston; CSFB countered by recruiting nearly all the ABS players from Prudential Securities; and, in a more modest response, Prudential recruited four senior bankers from Merrill Lynch. (Months later, Pru announced that it was exiting the institutional bond business.) Within the span of about two months, ABS compensation was redefined by bold attempts to re-staff recently depleted groups with franchise bankers. This had the momentary effect of lifting senior MD-level compensation to about two to three times existing levels. Since this was a singular event, compensation levels, however, did not adjust across the board and subsequently have settled to more natural levels.

It is thought that the high-water mark for group head compensation was USD5M guaranteed this year; other group heads received anywhere from USD2.5M to 3.5M. Multi-year guarantees (up to three years) were offered to the recently recruited.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market for the latest information and expert analysis:

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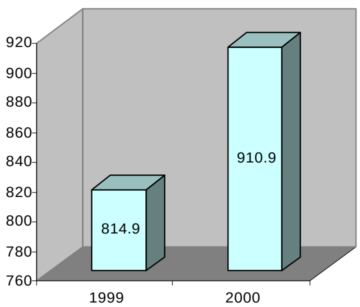
BANK LOANS: *ENJOYING JUNK MARKET'S PAIN*

The pall cast over the high-yield bond market due to rising defaults and a slowing economy increased the demand for loans and loan products.

BANK LOANS
(USD 000s)

Level	Origination	Secondary Trading
MD Top Desk /Money Ctr.		
Base	125-200	100-200
Total	1,250-5,000	750-3,000
VP Top Desk/Money Ctr.		
Base	125-150	100-150
Total	600-850	500-800
MD Second Tier		
Base	125-200	150-200
Total	650-1,250	500-750
VP Second Tier		
Total	100-150	100-150
Total	350-600	200-300

SYNDICATED LOANS
(U.S., Q1-3, USD-Blns.)



SOURCE: Thomson Financial Securities Data

ANALYSIS: Despite a generally tighter credit market, demand for talented leveraged loan professionals for both established money-center banks and, more importantly, bulge-bracket and international newcomers remained robust this year after a particularly busy 1999. The pall cast over the high-yield bond market due to rising defaults and a slowing economy increased the demand for loans and loan products (see chart, left), as companies found it increasingly difficult to tap the term market.

New initiatives by UBS Warburg and Bear Stearns, coupled with a buildup by Goldman Sachs (already a fixture), raised the ante for loan specialists; replacement hires were no exception. The rapid rise of the collateralized loan obligations (CLO) market fueled the demand for ever-scarcer product. Investment-grade bank loan specialists, on the other hand, experienced no appreciable increase in compensation, as the leveraged product has historically yielded higher margins and has delivered richer follow-on products (bonds, IPOs, etc.)

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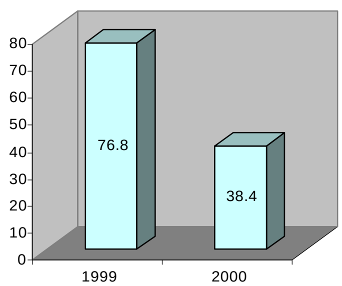
BONDS: *TALENT WELL BID, PAPER WELL OFFERED*

While the rebound in the market never materialized, banks view the high-yield product as necessary to a fully developed institutional business.

HIGH-YIELD COMPENSATION-U.S.
(USD 000s)

Level	Sales	Trading	Research	Capital Markets
MD Top Desk				
Base	100-150	100-150	100-200	100-200
Total	1,000-2,000	1,000-2,000	1,250-2,000	1,000-2,000
VP Top Desk				
Base	100-150	100-150	100-200	100-150
Total	400-650	300-750	350-650	500-800
MD Second Tier				
Base	100-200	100-200	100-200	100-200
Total	500-1,000	500-1,000	500-1,000	750-1,000
VP Second Tier				
Base	100-150	100-150	100-150	100-150
Total	350-600	450-650	350-500	400-800

LONG-TERM JUNK ISSUANCE
(U.S., Q1-3, USD-Blns.)



SOURCE: Thomson Financial Securities Data

ANALYSIS: A two-year downdraft in the high-yield bond market did not limit recruiting activity in 2000, as newly-aggressive players, including J.P. Morgan, UBS Warburg, Deutsche Bank, sought to build up departments and already-strong players--Goldman, in particular--committed even more resources to the area. While the rebound in the market had not materialized through three quarters (see chart, left), and the specter of defaults and weakening positions in the telecom sector caused severe anxiety in the fourth quarter, both investment and money-center banks view the high-yield product as strategic and necessary to a fully developed institutional business.

- Even as second-tier players, including Prudential and Credit Lyonnais, largely exited the bond business and mergers among several large high-yield players resulted in an unusually large number of potential candidates, junk bond experts still proved difficult to recruit in the midst of record demand for leveraged finance professionals.

- A concomitant increase in the demand for research analysts (especially telecom specialists) on the buyside ratcheted up compensation for mid-level analysts to levels double the amounts received in 1999. We expect compensation to be flat to slightly down this year, as losses on trading desks begin to mount.

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CORPORATE FINANCE/M&A: *MAJOR PAY INCREASES ACROSS ALL LEVELS*

CORPORATE FINANCE/M&A-U.S.
(USD 000s)

Level	FIG	Industrial	Tech/Media/Telecom
Department Head			
Bulge Bracket			
Total	2,300-6,000+	2,300-6,000+	5,000-10,000+
Major Bracket/Boutique			
Total	1,600-3,500	2,000-3,500	2,500-6,000+
Working MD			
Bulge Bracket			
Base	200	200	200
Total	1,400-3,500	1,400-3,600	3,000 - 8,000
Major Bracket/Boutique			
Base	200	200	200
Total	1,000-2,600	1,000-2,600	1,700-4,000
Young Star MD			
Bulge Bracket			
Base	200	200	200
Total	1,500-3,600	1,400-3,500	2,500-4,200
Major Bracket/Boutique			
Base	200	200	200
Total	1,300-3,000	1,200-3,000	2,500-4,200

Huge deal volume and a secular shift in hiring dynamics are producing the strongest bull market for bankers Wall Street has ever seen.

ANALYSIS: Huge deal volume and a secular shift in hiring dynamics are trumping mitigating technical factors to produce the strongest bull market for bankers that Wall Street has ever seen. There are two major factors behind the sharp increases we expect in banker compensation. The first is straightforward enough: 2000 was another record year in M&A and equity underwriting. The second represents a paradigm shift--the explosion in the e-economy means that investment banking no longer has the lustre it once did as a career. Experienced bankers and business school graduates alike are now just as likely to look to Sand Hill Road as Wall Street when mapping their next career move.

Experienced bankers and b-school graduates alike are now just as likely to look to Sand Hill Road as Wall Street when mapping their next move.

To be sure, hiring pressure from dot-coms and the private equity firms that finance them has abated to some degree since the spring rout in Internet stocks; the joke is that B2B now stands for Back-to-Banking. But the reality is that the technology economy will remain an appealing and lucrative career path for established Wall Street professionals and newly minted MBAs. Qualified investment banking candidates are hard to find and firms will pay up to attract and retain them.

Compensation packages are expected to be up, on average, 15-40% over last year and the lucre will flow to professionals at all levels. On average, second-year associates are expected to pocket some USD280,000 this year, 40% more than their predecessors made in 1999. The average first-year director from the class of 1994 should expect an

USD875,000 total compensation package this year, up 17% over first-year director pay in 1999. What's more, these figures don't begin to tell the story of the outlier payouts that senior managers, franchise players and bankers lucky enough to have landed in hot sectors such as TMT will see.

Beyond ratcheting up compensation levels, banks are getting creative as they begin to adapt to this newly competitive environment. Several have followed DLJ's lead by creating co-investment funds, typically leveraged up by the firm, that enable senior and mid-level professionals to invest in the firm's merchant banking deals. And now, in a clear attempt to capture some of the glamour of the private equity firms that have poached so many promising young bankers, a handful of firms are said to be considering firm-sponsored private investment funds for more-junior employee. In some cases, they even are expected to have some say in where the money is invested. On the training front, banks also are becoming increasingly willing to subsidize the cost of business school for young talent.

To capture some of the glamour of the private equity firms that have poached so many promising young bankers, firms are said to be considering private investment funds for more-junior employees.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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DERIVATIVES: *CREDIT PROS IN DEMAND*

DERIVATIVES-U.S.

(TOTAL COMPENSATION, USD 000s)

Level	Trading	Sales
Credit		
MD Top Desk	2,700-5,200	2,700-5,200
VP Top Desk	750-1,350	750-1,350
Equity		
MD Top Desk	1,200-2,000+	1,200-2,000+
Director Top Desk	750-1,000	750-1,000
VP (3-4 Yrs.) Top Desk	500-800	500-800
VP (1-2 Yrs.) Top Desk	300-500	300-500
Rates		
MD Top Desk	1,200-1,750	1,200-1,750
VP Top Desk	900-1,150	650-900
MD Second Tier	950-1,200	950-1,200
VP Second Tier	550-650	550-650

ANALYSIS: In credit derivatives, there has been robust demand for individuals with expertise in structuring synthetic asset-backed securities. A v.p.-level synthetic structuring professional with 7-10 years experience commands USD800,000-1 million annually, versus USD600,000-700,000 for traditional CBO/CDO structuring pros.

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EQUITY: *CREATIVE SOLUTIONS IN A TALENT PINCH*

EQUITY-U.S.

(TOTAL COMPENSATION, USD 000s)

Level	Capital Markets	Sales
MD Top Desk	2,150-4,150	N/A
VP (3-4 Yrs.) Top Desk	600-1,100	600-800[1]
MD Second Tier	2,150-3,150	N/A
VP (3-4 Yrs.) Second Tier	500-800	N/A

[1]Average range. Top commission earners can take home USD1M+

In the face of escalating guarantees required to poach from competitors, one bulge-bracket firm has been seeking to recruit high-yield capital markets professionals.

ANALYSIS: In equity capital markets, comp levels have been rising, as major firms fought over experienced ECM coverage officers (especially in industries such as telecom, technology, and healthcare) and syndicate pros. In the face of escalating guarantees required to poach from competitors, some creative solutions are being attempted as part of the systematic headhunting efforts. At least one bulge bracket firm has been seeking to recruit high-yield capital markets professionals who, in a depressed market for junk issuance, would consider retooling themselves.

With the number of new equity deals up almost 50% over last year, so far in 2000, the war for talent has become a significant issue. But during the course of the year, most firms also have decided to "bite the bullet" (ie pay the what the market required) to attract experienced ECM pros opportunistically.

Firms have been working to streamline the mechanics of equity issuance.

Moreover, to free up both their corporate finance and ECM professionals to focus as much as possible on origination as opposed to execution, firms have been working hard to streamline the mechanics of equity issuance. Morgan Stanley has for some time set the standard in terms of efficiency in ECM (and high-yield) execution, with its large client services group. The unit has grown its ranks this year, by poaching individuals from PaineWebber and elsewhere; and other firms have been growing similar groups dedicated to efficient execution, including Salomon Smith Barney's transaction advisory group, a similar new unit at CSFB and others.

In a sign of the times, these groups have poached from law firms as much as from each other, as there have been too few bankers to satisfy demand.

Among the high-profile equity capital markets moves this year:

- By February, Bear Stearns had lost a number of ECM professionals to competitors, most notably Managing Director Gregg Nabhan to Morgan Stanley.
- In April J.P. Morgan hired Quinten Stevens as one of the ranking ECM professionals in the U.S. Stevens most recently had been part of Salomon Smith Barney's telecom ECM coverage effort
- In August, Salomon Smith Barney poached J. Barry O'Brien from DLJ, to be the

new head of equity syndicate and internal new issue marketing in the U.S.

- In October, following the announcement of CSFB's acquisition of DLJ, Lehman Brothers recruited DLJ's Nathan Wiesenfeld to be global co-head of equity syndicate. One can expect further fallout from the merger activity on the Street, as Morgan/Chase, CSFB/DLJ, UBS/PaineWebber and others go through their merger integration process.

On the sales front, there also has been major demand for talent, with bulge-bracket banks reaching down to their major bracket competitors and across to their own fixed-income desks for talent.

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BONDS: *JUNK TALENT A LONG-TERM BUY*

HIGH-YIELD-EUROPE
(USD 000s)

Level	Sales	Trading	Research	Capital Markets
MD Top Desk				
Base	200	200	200	200
Total	1,500-2,000	1,500-3,000	1,500-2,000	2,000-3,000
VP Top Desk				
Base	150	150	120	150
Total	800-1,250	800-1,500	600-1,250	750-1,250
MD Second Tier				
Base	N/A	N/A	N/A	200
Total	N/A	N/A	N/A	1,500-2,000
VP Second Tier				
Base	N/A	N/A	90-120	130-150
Total	N/A	N/A	400	450-750

HIGH-GRADE-EUROPE
(USD 000s)

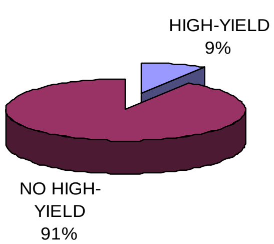
Level	Sales	Research	Capital Markets
MD Top Desk			
Base	200	200	200
Total	1,500	750-1,000	750-1,000
VP Top Desk			
Base	150	150	150
Total	500-750	500-600	500-750
MD Second-Tier			
Base	200	150-200	200
Total	750	750	750-1,000
VP Second-Tier			
Base	120	120-140	150
Total	400	400	400-500

ANALYSIS: The U.S. junk market has been slowing and Europe is following suit, as fears of a global economic slowdown and its implications for credit quality take hold. The telecom/tech sector, which accounts for 80- 90% of the European high-yield market has been hit especially hard. For the first time since 1994/95, fund managers are looking at negative returns on junk bonds in the U.S. and may just be breaking even in Europe. Overall, therefore, a negative sentiment is affecting the issuance of new high-yield bonds in Europe. However, compensation levels have not declined accordingly. This does not appear to be a prolonged downturn and most estimates are that there will be more business in European high-yield over the next five years than over the past five. The financial sponsor market is thriving off the back of continued consolidation across Europe, driving the spin-offs of non-core businesses. And low stock prices are good for financial buyers.

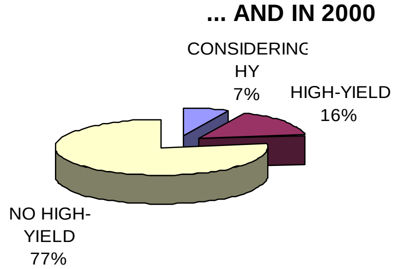
On the employment front, the mergers of CSFB/DLJ and J.P. Morgan/Chase, have led to a number of talented individuals coming on the market. However, there is still a

Most estimates are that there will be more business in European high-yield over the next five years than over the past five years.

EUROPEAN PENSION FUND ALLOCATIONS IN 1998 ...



... AND IN 2000



SOURCE: Greenwich Associates

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A mid-tier v.p. of research making $500,000-1,000,000 in the U.S. could command an additional 25% by moving to London.

shortage of experience and talent in European high-yield and firms are still aggressively seeking to hire talent from the competition or from the U.S. market. According to one head of high-yield research who was quoted in Institutional Investor's *BondWeek*, a mid-tier v.p. with three to five years of experience could make USD500,000-1,000,000 in the U.S., but could command an additional 25% by agreeing to move to London, he says.

There have been a number of moves in the high-yield market in Europe this year, some to European banks with loan based leveraged finance businesses, but with no real presence to date in high-yield, others simply trading franchises. These include:

- ABN Amro hired Vincent Keith, ex-Deutsche BT, to head high-yield origination.
- John Ong, ex-Deutsche BT, was brought in as head of high-yield origination for BNP Paribas.
- Deutsche Bank hired David Fass, ex-Chase Manhattan, to co-head European leveraged finance and high-yield capital markets. It also lured Helen Rodriguez, ex-Merrill Lynch, to head up high-yield research.

High-grade research has been highly competitive. Long guarantees are becoming more commonplace, with some of the shortfall being made up for with transfers from the U.S.

In the high-grade realm, research has been a highly competitive area over the last two years, significantly decreasing quality-candidate liquidity at the senior sector specialist areas. Longer (two- to three-year) guarantees are becoming more commonplace, with some of the candidate shortfall being made up with an increasing number of internal transfers from the United States. For example, Helen Clement, head of high-grade credit research, for Warburg Dillon Read, moved to London from Stamford, Conn., to assume the newly created position of global head of credit research.

Finally, the U.S. asset-backed bond market (where whole teams moved en masse between Prudential Securities, Credit Suisse First Boston and Deutsche Banc) wasn't the only ABS musical chairs game around. In Europe, CSFB lured a team of more than a dozen ABS pros from BNP Paribas, a moved that was preceded by a slightly more modest group lift-out by Merrill Lynch from Deutsche. And just a few weeks ago, CDC Marches reportedly brought in a five-strong ABS team from French rival Societe Generale. Schroder Salomon Smith Barney and ABN Amro also are said to be ramping up in ABS, which is clearly seen as a key growth sector in Europe.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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CORP. FINANCE/M&A: *A CONTINENT CONSOLIDATES*

CORPORATE FINANCE/M&A
(USD 000s)

Level	FIG	Industrial	Tech/Media/Telecom
Department Head			
Bulge Bracket			
Total	2,300-6,000+	2,300-6,000+	5,000-10,000+
Major Bracket/Boutique			
Total	1,600-3,500	2,000-3,500	2,500-6,000+
Working MD			
Bulge Bracket			
Base	200	200	200
Total	1,400-3,500	1,400-3,600	3,000 - 8,000
Major Bracket/Boutique			
Base	200	200	200
Total	1,000-2,600	1,000-2,600	1,700-4,000
Young Star MD			
Bulge Bracket			
Base	200	200	200
Total	1,500-3,600	1,400-3,500	2,500-4,200
Major Bracket/Boutique			
Base	200	200	200
Total	1,300-3,000	1,200-3,000	2,500-4,200
VP (5-6 yrs.)			
Bulge Bracket			
Base	150	125	150
Total	800-1,000	500-750	800-1,250

Technology, media/telecom, FIG, and financial buyer activity are commanding premiums over the older economy sectors.

The dot-com rush has slowed, but still, there is a shortage of bankers in a market where size, and the ability to increase bandwidth and client coverage is increasingly important.

ANALYSIS: Because of the tremendous amount of consolidation among European companies, the M&A and corporate finance activities of the leading banks this year has been exceptional. However, the market is clearly polarizing in terms of those firms that are getting the lion's share of the large assignments. Goldman Sachs and Morgan Stanley have pulled even further away from the rest of the pack in terms of establishing their dominance in this space, followed by Merrill Lynch, CSFB/DLJ, Schroders Salomon Smith Barney, Deutsche Bank, UBS Warburg and J.P. Morgan Chase. At the other end of the spectrum, there are a number of smaller boutiques positioning themselves as specialist, high-quality advisors able to take the smaller deals, as their cost base is lower.

Boom areas have been around technology, media/telecom, FIG, and financial buyer activity; all of these are commanding premiums in compensation over the older economy sectors such as industrial and consumer. Firms are competing aggressively for talented bankers, and fighting equally as aggressively to hang on to staff.

Early in the year there was a "brain-drain" out of investment banking and into technology and dot-com companies, as well as into venture capital and private equity. The dot-com rush has slowed noticeably, as many of these companies have failed to make it,

Bankers with deliverable client relationships, as opposed to product specialists, are fetching a premium.

but still, there is a general shortage of investment bankers in a market where size, and the ability to increase bandwidth and client coverage is increasingly important. Seeking to ensure their place at the table going forward, those banks that have not merged or acquired a competitor are growing organically and are paying high premiums and long guarantees to attract senior staff. Individuals with "deliverable" client relationships, as opposed to product specialists, are fetching a premium.
Among the high-profile moves in Europe this year:

- Lehman Brothers took several senior bankers--Florian Meister, Rolf Gerner, Andreas Nickel--from DLJ and CSFB in Germany, a market in which it is notoriously difficult to find top talent.
- Greenhill & Co. hired Colin Roy, co-head of Merrill Lynch's German investment banking business.
- Morgan Stanley hired a number of top bankers including Rory Maw, in the fall-out from Schroders' merger with Salomon Smith Barney.
- Deutsche Bank hired new heads of both French (Michel Cohen) and Italian (Ricardo Borsi) investment banking
- Cyrus Ardalan, formerly fixed income chief at Paribas, moved to Barclays Capital as vice-chairman in charge of investment banking for much of Continental Europe.
- Bear Stearns hired a large team of media/telecom bankers from Dresdner Kleinwort Benson, headed by Michael Phair.
- ABN Amro hired a group of senior bankers from Lazard.
- Goldman Sachs hired Roberto Mendoza from J.P. Morgan

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DERIVATIVES: *GUARANTEES FOR ROCKET SCIENTISTS*

Guarantee length is increasing in all product areas as individuals become more conscious of the M&A risk in hiring houses.

DERIVATIVES

(TOTAL COMPENSATION, USD 000s)

Level	Trading	Sales
Credit		
MD Top Desk		
Base	200	200
Total	2,500-5,000	2,500-5,000
VP Top Desk		
Base	150	150-180
Total	600-1,200	600 - 1,200
Equity		
MD Top Desk		
Base	200	200
Total	2,000-5,000	2,000
VP Top Desk		
Base	180	180
Total	1,200-1,500	1,000-1,500
MD Second Tier		
Base	200	200
Total	1,500-2,000	1,000- 1,500
VP Second Tier		
Base	180	180
Total	1,000-1,500	800 - 1,000
Rates		
MD Top Desk		
Base	200	200
Total	1,000-1,500	1,000-1,500
VP Top Desk		
Base	150	150
Total	750-1,000	500-750
MD Second Tier		
Base	200	200
Total	750-1,000	750-1,000
VP Second Tier		
Base	150	150
Total	400-500	400-500

ANALYSIS: Derivatives represent a white-hot recruiting market at all levels of experience. A limited and illiquid candidate pool, coupled with a continued growth in this area in Europe, will only increase compensation levels for senior individuals who are perceived as being able to provide the key into this product area. Guarantee length is increasing, as candidates become more conscious of the M&A risk in hiring houses.

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CORP. FINANCE/M&A: *BULGE-BRACKET SETS HIGH BAR*

CORPORATE FINANCE/M&A-SOUTHEAST ASIA

(USD 000s)

Level	Utilities	Telecom/Media/Tech.
MD Top Desk		
Base	150-200	150-200
Total	2,000-2,500	2,500-3,500
VP (3-5 yrs.) Top Desk		
Base	N/A	90-130
Total	N/A	750-1,125
MD Second Tier		
Base	180-250	180-250
Total	1,500-2,000	1,500-2,500
VP (3-5 yrs.) Second Tier		
Base	90-130	90-130
Total	250-500	350-500

Firms are taking a long view in the PRC by courting local political functionaries and anointing them bankers.

ANALYSIS: Anxious to retain top producers, and thereby preserve their virtual monopoly on the top league table spots, a handful of U.S. bulge-bracket firms can be expected to set a high-bar for banker compensation in Asia. Goldman Sachs, Morgan Stanley, Merrill Lynch and Salomon Smith Barney are expected to pay handsomely this year, despite a relatively lackluster year in terms of deal flow for the region. The difference between the top-tier and the also rans will manifest itself in comparable base pay, but substantially smaller bonuses at second-tier firms.

Bankers with connections in in South Korea and Taiwan are commanding a 20-30% premium.

Among the sectors where talent is in short supply are the usual suspects, technology and telecom/media (like Europe, Asia generally has not bought into the concept of a unified TMT concept, though compensation is roughly the same for each of the three). Another, decidedly less glamorous, sector is also hot in Asia--utilities. Privatization, especially in China, is producing a big share of the deal flow and has led to a bull market for power and utility bankers. Looking at the region geographically:

- U.S. banks are hiring in earnest in Singapore, despite paltry deal volume out of nearby Indonesia, Thailand and Malaysia. The firms appear to be laying the groundwork for an economic turnaround in those tiger economies.
- Many firms also are taking a long view in the PRC by courting local political functionaries, who have virtually no experience in finance, and anointing them bankers.
- Talent demand is intense in South Korea and Taiwan. Bankers with strong connections in Northeast Asia are commanding a 20-30% premium over peers with similar skill sets who lack those relationships.

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EQUITY CAPITAL MARKETS: *STILL HEARING THE ECHOES OF 1998*

Banks quickly pulled product specialists out of the region after the tiger economies were declawed in 1998 and have yet to redeploy them.

EQUITY CAPITAL MARKETS-SOUTHEAST ASIA

(USD 000s)

Level	Compensation
MD Top Desk	
Base	150-200
Total	3,000-4,000
VP (3-5 yrs.) Top Desk	
Base	90-130
Total	750-1,500
MD Second Tier	
Base	180-250
Total	1,000-1,500
VP (3-5 yrs.) Second Tier	
Base	90-130
Total	600-1,000

ANALYSIS: The currency crisis of 1998 is still haunting Asian equity capital markets desks in the guise of a staffing crunch. Banks quickly pulled product specialists out of the region after the tiger economies were declawed and they have yet to redeploy them. That means that despite a relatively poor year in securities underwriting, banks that already have experienced Asian syndicate pros in place can be expected to increase their payouts by 20-40% over last year in an effort to keep their teams happy.

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TMP WORLDWIDE’S GLOBAL BANKING PRACTICE

- **Corporate Finance**
- **Investment Banking Products**
- **Structured Finance**
- **Equity Sales, Trading, Research and Capital Markets**
- **Fixed Income Sales, Trading, Research and Capital Markets**
- **Foreign Exchange**
- **Derivative Products**
- **Risk Management**

The Investment Banking and Capital Markets practices of TMP Worldwide Executive Search have completed Wall Street Searches ranging from senior associates to senior management, including Group Heads, Heads of Investment Banking, CEOs and Board Directors. We have been particularly active in burgeoning areas of Corporate Finance, but our search capability in sell-side Investment Banking spans virtually all product areas.

We offer our clients expertise in corporate finance, private placements, mergers & acquisitions, restructuring, project finance, structured finance (including asset- and mortgage-backed securities, tax-oriented products, and tax arbitrage), debt and equity capital markets, equity and fixed income sales, trading, and sales/trading, derivative products (equity, fixed income, hybrids), proprietary trading and risk management.

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TMP Worldwide Executive Search's Investment Banking and Capital Markets practices serve a varied array of clients, allowing us to keep our off-limits conflicts to a minimum while also enabling us to position each of our clients strategically in the market as we talk with prospective candidates.

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Patricia May Thomsson
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Ger Scholtens
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Dee Symons

<u>Asia:</u>
Patrick J. M. Fearon
Adam Green
Felicity Hall
Neil Laubach

MONEY MANAGEMENT

OVERVIEW: *THE WINDFALLS OF CHANGE*

TOP EXECUTIVES-U.S.

Level	Base	Total Comp (USD 000s)[1]
Chief Investment Officer	350-500	1,500-3,000
Chief Operating Officer	180-250	800-1,200
Head of Equity	350-500	1,000-3,000[2]
Head of Sales & Client Service	220-300	1,000-3,000

[1] Better talent at firms with USD10-50B in assets

[2] Lower end of range if role is more administrative vs. investment

Compensation remains robust as consolidating firms seek to lock in talent with up-front guarantees

The mergers that swept the money management industry this year already are paying dividends for at one least constituency, the portfolio managers and marketing executives the merging firms are seeking to lock in with fat up-front guarantees. Though the situation could change in 2001, the generally sideways equity and bond markets that characterized much of the year have yet to crimp demand for portfolio management and sales professionals. Indeed, with this year's volatility in underwriting and trading revenues, senior executives at diversified financial services providers seem to appreciate more than ever the annuity-like revenue stream of the money management business. Among the trends we see influencing the amount and structure of compensation in the current market:

- Demand for portfolio management and marketing professionals is white-hot. More than ever, firms are concentrating recruiting efforts on beefing up their core competencies--manufacturing superior investment products and distributing them effectively and efficiently across every possible channel. Meantime, administrative and back-office support functions increasingly are being outsourced.

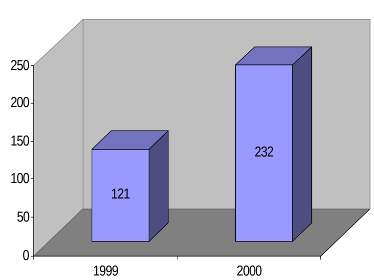
Alternative investments have entered the mainstream and the change is reverberating in both portfolio management and sales.

- After several years watching star portfolio managers beat a path down Steamboat Road to the land of hedge funds, several firms are structuring their own private investment vehicles and giving key talent a piece of the upside.

- Asset size and investment style are having an increasing impact on portfolio manager compensation from firm to firm, with large-cap growth managers in particular continuing to command a premium.

- Alternative asset classes--which historically were managed by small private partnerships and distributed within a clubby network of major endowments, foundations and wealthy individuals--have entered the mainstream (see chart, left) and the change is reverberating in both the portfolio management and sales areas.

ALTERNATIVE MGR. SEARCHES
(U.S., COMPLETED Q1-3)



SOURCE: iisearches.com

Among the major corner-office moves in the industry this year:

- Brinson Partners founder Gary Brinson announced his resignation in a move that coincided with a sweeping reorganization of Brinson parent UBS's money management businesses.

- The newly-formed Fleet Asset Management, a division of FleetBoston Financial,

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named Keith Banks CEO and chief investment officer. Previously he was head of U.S. equities with J.P. Morgan Investment Management.

- Portfolio manager and research head Brian Posner left Warburg Pincus Asset Management to start his own firm, Hygrove Capital.

- David Chalupnik, head of equity investments at Allstate Insurance, moved to Duff & Phelps Investment Management in the new position of CIO. Duff & Phelps experienced a number of changes, including the departure of chairman and CEO Cal Pederson.

- Will Braman hopped from Baring Asset Management in London to John Hancock Funds as CIO.

- Joe DeSantis moved from Chase Manhattan to Scudder Kemper Investments as head of U.S. equities

- Forstmann-Leff President Don Phillips, who ran the firm's private equity unit, left to start his own firm.

- CDC Investment Management President Bluford Putnam left to start up a risk management software venture.

- SSB Citi Asset Management, a division of Citigroup, named Stephen Cone as global head of marketing for retail and retirement services. he joined from Fidelity Investments, where he was president of retail and corporate marketing.

- Thruston Morton left J.P. Morgan Investment Management to join Duke University as cio and president of Duke Management Co., which runs the school's USD4.7 billion investment portfolio.

- Enrique Chang joined Munder Capital as cio-equities. He moved from Vantage Global Advisors, where he was cio.

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PORTFOLIO MANAGEMENT: *PRODUCT PECKING ORDER*

PORTFOLIO MANAGERS/ANALYSTS-U.S.[1]

Level	Base	Total Comp (USD 000s)
CIO-Major Product	300-400	2,000-5,000
Sr. Equity Portfolio Manager	250-325	1,000-5,000[2]
Head of Equity Research	250-325	1,000-1,500
Sr. Analyst (3+ yrs. exp.)	175-225	500-2,000
Jr. Analyst (1-3 yrs. exp.)	125-200	250-500
Product Specialist	180-225	250-750
Head of Fixed Income	180-225	1,000-2000
Sr. Fixed-Income Portfolio Manager	150-180	500-1,000

[1] The lead PM responsible for performance and asset growth is at the upper end of range; a co-manager at the lower end if s/he acts as second in command. Co-managers of equal seniority/responsibility may be paid as full PMs.
[2] Top decile and top Morningstar rankings can allow compensation to exceed these ranges especially as assets grow beyond USD10 billion for the product.

Firms appear more willing than ever to pay up for talent in certain high-profile sectors, including telecom/media/technology, large-cap equity and junk bonds.

ANALYSIS: The market for portfolio management professionals is strong generally, but firms appear more willing than ever to pay up for talent in certain high-profile sectors, including telecom/media/technology, large-cap equity and junk bonds. Meantime, compensation in out-of-favor asset classes such as emerging markets equity is near the bottom of the range.

In another theme that emerged in 2000, several firms launched hedge funds in an effort to capitalize on client appetite for alternative investments and at the same time channel the entrepreneurial inclinations of their top portfolio managers in a direction other than toward the door. Technology has lowered the barriers to entry in money management to such a degree that many firms were losing their brightest stars to the lure of fat management fees, a cut of portfolio gains and even a suburban lifestyle. Typically, the firms structure the product around the PM's existing long-only portfolio to reduce the chances for conflicts of interest.

On the analyst front, telecom, technology and healthcare specialists are commanding a premium. A senior analyst in one of these hot sectors might receive a total annual compensation package of USD750,000-2M; a junior analyst in these sectors might pocket USD450,000-750,000.

Among the high-profile portfolio management personnel moves this year:

- J&W Seligman hired Mark Cunneen, Alliance Capital's lead small-cap growth manager, in a move designed to shore up performance in the product.
- Deborah Chaplin, a top EAFE portfolio manager at Scudder Kemper Investments, joined Schroder Investment Management.
- Lazard Asset Management tapped two portfolio managers from top firms: Ed Long, who managed large-cap value at Merrill Lynch Asset Management, and Mark Pollard, who ran an international portfolio at Putnam Investments.
- Loomis, Sayles & Co. lost a pair of small-cap value managers, Jeff Petherick and

Mary Champagne, to Paul Hondros' Villanova Capital. Villanova also hired Nicholas-Applegate technology PM Aaron Harris.

- Provident Investment Management fixed-income head Jim Ramsay moved to SunAmerica.
- Michael Kelly joined AIG from J.P. Morgan Investment Management where he was a large-cap core portfolio manager.
- Fidelity Investments senior fund analyst David Ben-Ur jumped to Goldman Sachs Asset Management.
- Waddell & Reed's Abel Garcia joined AIM Management as a senior portfolio manager on AIM's global telecom and technology fund.

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SALES/CLIENT SERVICE: *BUSY YEAR BEHIND, AHEAD*

SALES & CLIENT SERVICE-U.S.

Level	Base	Total Comp (USD 000s)
Head of Sales & Client Service	250-300	1,000-3,000[1]
Senior Institutional Sales	175-225	650 + 20-25 bps[2]
Senior Client Service	125-200	400-800[3]
Junior Client Service	125-150	150-350

[1] Sweet spot: USD1-1.5M.

[2] Senior sales pros earn USD650,000; top make USD2M; mid-level make USD400,000-650,000; and junior USD200,000-400,000. Often-formula driven (e.g. 20% of first year's fees for a new account, 10% second year and 5% third).

[3] Sweet spot: USD400,000-650,000.

Sales pros are specializing in private equity and other alternative asset classes, as more institutions carve out allocations.

ANALYSIS: Though the moves could pale in comparison to what may be in store for next year, 2000 has witnessed substantial recruitment of senior institutional marketing talent. In 2000, firms were willing to pay a premium for experienced marketers with proven asset-gathering skills, some of whom landed multiyear guarantees in excess of $650,000 per annum. Next year may show even more movement, as retention packages for marketers whose firms were involved in mergers expire. Among the acquisitive firms that are said to have locked in key sales executives with retention incentives are the two big European insurance groups, Allianz and Axa.

Marketers, for their part, appear torn between two divergent career paths. Many are attracted to large shops where they have a broad product line to sell and the strength of a committed firm. Alternatively (literally), some sales pros are choosing to specialize in private equity and other esoteric asset classes as more and more institutions carve out allocations to alternatives. It seems that either end of the spectrum is attractive, as many sales pros believe their careers have stalled at single-product shops where performance may be suffering. Among the high-profile moves this year:

- Deutsche Asset Management hired several high-profile marketers, including Joel Whidden from Sanford C. Bernstein, Christopher Keating from Boston Partners and James McPartland from Battery March Financial Management.

- Robert Burdick, head of public-fund coverage at Loomis Sayles, joined Mackay Shields as head of marketing.

- Real estate market specialist J. Grayson Sanders moved to AIG Global Real Estate Investment from CB Richard Ellis in a senior marketing role.

- State Street Research hired Benjamin Thorndike from Scudder as head of client service.

- To round out its marketing group, Merrill Lynch has been hiring junior marketers aggressively. And late in the year, it tapped Brinson Partners' Obie Mackenzie as head of public fund marketing.

- Cigna moved into new offices for Times Square Capital Management and hired Patrick McNelis of T. Rowe Price as head of institutional marketing. Times Square looks set to ramp up its sales group now that it has brought in an equity team to fill out its product line-up.

- Highlighting the growth in exchange-traded index fund investing, Barclays Global Investors hired Joe Linhares, a top Citibank investment management executive, in a senior business development role.
- Veteran Taft-Hartley marketer Jay Carr left Alliance Capital's Shields/Alliance division to join Harbor Capital.
- Credit Suisse Asset Management appointed George Jamgochian, a former managing director at UBS Brinson, to head a new department focusing on client relationship management. that will concentrate on providing strategic client service initiatives to 100 or so of CSAM's largest institutional clients.
- Nicholas Applegate hired a pair of Barclays client service executives, Katherine Rich and Ranjit Sufi. Rich was appointed director of the firm's client service unit, which also hired Ray Dube, formerly at Morgan Stanley, and Erin Blake, formerly at First Quadrant

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OVERVIEW: *APPROACHING, YET STILL NOT MATCHING, U.S. LEVELS*

TOP EXECUTIVES-EUROPE

Level	Base	Total Comp (USD 000s)
Chief Investment Officer	300-350	1,000-2,000
Chief Operating Officer	200-250	500-750
Head of European Equity	220-250	600-1,000
Head of Sales & Client Service	220-250	1,000-3,000

European professionals take home roughly 20-40% less than their counterparts in the U.S., though the gap is narrowing.

ANALYSIS: We expect compensation levels to continue to increase in Europe over the next year and, in the U.K. at least, for total compensation levels to move closer to those in the U.S. Currently, European investment management professionals take home roughly 20-40% less than their counterparts in the U.S. Though the gap is narrowing, we anticipate that comp levels generally will continue to lag those in the U.S. for some time to come. In Europe, total compensation levels vary dramatically based on a number of factors, including assets under management and local pay culture. The parentage of the firm is another important factor that often trumps the local pay culture, thereby producing outlier pay packages in a given market. Four distinct tiers of compensation have taken shape in Europe:

Firms owned by U.S. investment banks tend to pay at the top of the ranges ...

- **Tier 1:** U.S. investment management firms that are owned by investment banks--Goldman Sachs Asset Management, Merrill Lynch Asset Management and Morgan Stanley Asset Management--tend to pay at the top of the ranges in Europe.

- **Tier 2:** Independent U.S. investment management firms such as Capital International and Fidelity Investments pay the next highest compensation. While these firms will pay up for those roles where talent is difficult to find (in the current market, that means sector-specific fund managers and high-yield professionals) they do not feel they need to pay top compensation levels for all roles, as candidates in many cases are attracted to the name and brand recognition of the firm.

- **Tier 3:** European- and U.K.-owned investment management firms such as ABN Amro and ING Barings Asset Management fill out the third tier. These firms find it difficult to compete with the U.S. firms on compensation levels, but often compete strongly in terms of quality of life and culture. And many are reconfiguring their comp structures to attract talent. In some cases that means developing more creative ways of delivering value to employees, through stock options or equity awards. Indeed, in several European markets, there is evidence that all or most of annual bonuses are being paid in equity. In the U.K. there is a recognition of the need to compete strongly in cash terms with equity lock-ins as an extra benefit. Lock-ins are increasingly shorter term.

... and those that are part of insurance companies tend to lag.

- **Tier 4:** With some exceptions, firms tied to insurance companies tend to lag in compensation. To be sure, some insurer affiliates historically have paid market premiums: Norwich Union Investment Management, for one, was known for paying 10-15% above the market to attract talent before its merger with CGU. However, it remains the case that most insurer-owned firms are still paying their people less than the firms in tiers 1-3.

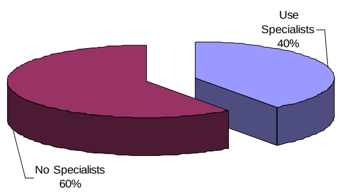
PORTFOLIO MANAGEMENT: *SPECIALIZATION CARRIES THE DAY*

Mirroring their clients, European firms increasingly are adding specialized job roles and paying a premium to fill the spots.

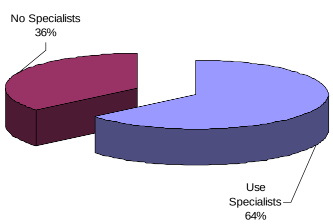
PORTFOLIO MANAGERS/ANALYSTS-EUROPE

Level	Base	Total Comp (USD 000s)
CIO-Major Product	220-250	750-1,250
Sr. Equity Portfolio Manager	160-200	450-1,000
Equity Team Leader	160-200	450-1,000
Head of Equity Research	160-200	1,000-1,500
Sr. Analyst (3+ yrs)	110-160	250-600
Jr. Analyst (1-3 yrs)	75-100	100-175
Product Specialist	115-165	125-450
Head of Fixed Income	180-220	500-1,000
Sr. Fixed-Income Portfolio Manager	150-180	300-800

U.K. PENSION FUNDS IN 1998 ...



... AND IN 2000



SOURCE: Greenwich Associates

ANALYSIS: Mirroring a shift among their clients from balanced investment strategies to diversified asset allocations, money management firms doing business in Europe increasingly are adding specialized job roles and paying a premium for professionals who are able to fill the spots. Among the specialty areas where high demand is liable to lead to significant outliers:

- Senior European equity portfolio managers specializing in technology are seeing offers that approach those of top equity managers in the United States--USD1-5 million per year.

- High-yield fund managers also are fetching a premium. Though it has taken some time and recently has been rocked by the same apprehensions about credit quality that have caused spreads to push out in the U.S., a European high-yield market *is* taking shape and several firms have set up junk bond funds over the past 18 months. Talent is scarce, with firms forced to poach sell-side analysts or import junk market veterans from the U.S.--pricey propositions, both. By way of example, one head of European high-yield, who manages a team of five portfolio managers and analysts at the fund-management unit of a U.S. investment bank is earning a cash package of USD725,000, plus significant equity options. A junk analyst at the same firm with eight years of experience is earning a cash package of USD650,000 per year, plus options.

- As more European institutions embrace passive management, some active fund managers are eyeing hedge fund launches as a potential means to offset the resultant loss in fees.

The stock of analysts is rising, as a number of European houses are attempting to create a research culture.

In addition to the strong demand for sector specialists, the stock of research professionals is generally rising. Following the lead of firms such as Putnam Investments, Capital International and J.P. Morgan Investment Management, which historically have awarded analysts equal stature to portfolio managers, a number of houses are attempting to build high-caliber research functions and create a prestige research culture.

Buy-side global or European heads of equity research who are capable of managing large teams of analysts are in short supply in Europe. The head of European equity research at one U.S. investment management firm recently fetched a total cash comp package of USD2 million per annum. Though clearly an outlier, this figure nonetheless illustrates the demand for analysts. The head of international equity research at a

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MONEY MANAGEMENT-Europe

European investment management house (managing team of 30 analysts) recently drew a base of USD220,000, a bonus of USD255,000 and an option package.

Among the significant moves in European portfolio management this year:

- Louise Cox, formerly with Credit Suisse Asset Management, joined Dresdner RCM Global Investors as head of the firm's European research team.
- Schroders appointed Brinson exec Susan Haroun as cio. The firm also has been filling out its ranks in equity and fixed-interest.
- Senior U.K. equity manager Hugo Tudor left Schroders to join Merrill Lynch Investment Managers.
- Invesco Asset Management appointed Andrew Cawker from Prudential Portfolio Managers, where he ran U.K. equity portfolios.
- Credit Suisse Asset Management appointed Joseph Gallegher as interim ceo for Europe (ex-Switzerland).
- Rothschild Asset Management recruited Hill Samuel's David Kiddle as cio and head of global equity.
- Scottish Equitable's technology stock fund managers, Paul Kleiser and Stuart O'Gorman, left to join Henderson to manage its technology fund. They replaced Brian Ashford-Russell and Tim Woolley, who left to set up their own fund.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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SALES/CLIENT SERVICE: *DEMAND FOR DEFINED CONTRIBUTION, PRODUCT DEVELOPMENT TALENT*

SALES & CLIENT SERVICE-EUROPE

Level	Total Comp (USD 000s)
Head of Sales & Client Service	500-1,000
Senior Institutional Sales	300-600
Senior Client Service	200-400
Junior Client Service	100-150

ANALYSIS: Among the positions in high demand in Europe are defined contribution marketers and product development specialists. The growing popularity of defined contribution plans, including the burgeoning stakeholder plans in the U.K., is ramping up demand for specialty marketers and client service executives who are expected to land packages comparable to those received by top defined benefit sales pros.

Firms are just starting to realize the importance of strategic product development and are recruiting people to the role.

Separately, firms are just starting to realize the importance of strategic product development and are recruiting people to the role. The head of European product development at one U.K. investment management house was paid a base of USD390,000. This includes a bonus opportunity of up to 200% of base. And the head of European product development at an investment management house owned by U.K. insurer received a total cash package (base plus bonus) of USD350,000, where the bonus represents some 100% of base.

Many firms are making changes to their compensation schemes as they seek the holy grail of the "right" way to motivate and reward sales professionals. The U.S. model of paying a trailing commission is becoming common. Such individual, formula-driven approaches often are balanced with an assessment of team results.

Additionally, burgeoning retail and e-commerce business is likely to have consequences for how firms organize themselves and how they design compensation. This may add to the tensions that already exist managing the relationships between individual, team and organizational performance. Among the high-profile moves in European distribution this year:

- Sarah Aitken joined Mercury Asset Management early in the year to head the firm's defined contribution effort. She previously served on the defined contribution team at J.P. Morgan Investment Management.
- Building its marketing unit in the U.K., SEI Investments hired Pippa Knight from Chase Fleming Asset Management and Kate Finch from Scottish Widows.
- Credit Suisse Asset Management hired Simon Boote as head of institutional marketing for its operations in Europe. Boote joined CSAM as managing director-head of institutional marketing Europe (ex Switzerland). Boote will have responsibility for directing the strategic push to develop CSAM's institutional distribution.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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OVERVIEW: *U.S. BANK AFFILIATES SET STANDARD*

Compensation levels in Asia Pacific are generally lower than in the U.S., but are comparable or even higher than those in the U.K.

SELECTED POSITIONS-ASIA (EX-JAPAN)

Level	Total Comp (USD 000s)
CEO (of Asia Ex-Japan)	750-1,000[1]
CIO	170-225
COO	500-700
Head of Asian Research	430-600
V.P.-Marketing (5+ years)	600-1,000
V.P.-Marketing (3-5 years)	400-600
V.P.-Marketing (1-3 years)	200-400

[1] Plus expatriate benefits which generally include housing allowance, club membership, school fees, business class return flights for family once a year and healthcare coverage. May also include cost of utilities, telephone, car and driver and parking space. Compensation in Hong Kong is typically 20% higher than in Singapore, as the cost of living is higher.

SELECTED POSITIONS-AUSTRALIA

Level	Total Comp (USD 000s)
CIO	640-790
Sr. Analyst (3+ yrs)	250-625

ANALYSIS: Compensation levels in Asia Pacific are generally lower than in the U.S., but are comparable or even higher than those in the U.K. The four-tier structure described in the European Overview section generally applies to this region too. Investment management firms owned by U.S. investment banks tend to pay the highest compensation levels, followed by independent U.S. firms, then European and U.K. owned investment management firms. Unlike Europe, however, investment management arms of insurance companies are not typically the lowest payers in the market because size of assets under management is often significantly larger than at non-insurance owned investment managers in the region. Also, there is less of a gap between the highest and lowest paid, regardless of whether one is talking about expatriate or local hires.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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TMP WORLDWIDE'S MONEY MANAGEMENT PRACTICE

- **Chief Executive Officers and Chief Investment Officers**
- **Portfolio Managers and Analysts**
- **Marketing, Client Service and Sales Professionals**
- **Chief Financial Officers and Chief Technology Officers**

The Investment Management Practice of TMP Worldwide Executive Search is dedicated to serving the executive recruiting needs of the money management industry. Our clients include institutional investment firms, mutual fund complexes, bank- and insurance-related investment groups, hedge funds, fund of funds, and pension consulting firms. We are experienced in all asset class universes, both traditional and alternative, and have expertise in recruiting in each of the following areas: Chief Executive Officers and Chief Investment Officers, Portfolio Managers & Analysts, Marketing, Client Service and Sales professionals and Chief Financial Officers and Chief Technology Officers.

Our in-depth market knowledge and exceptional performance in these core practice areas has earned the firm a remarkable track record. Last year, we assisted clients with more than 80 traditional and alternative investment management searches. We anticipate a continued surge in demand for investment management talent, as asset managers, banks, insurers, and securities firms seek to take advantage of the many opportunities for growth.

While each practice area is shaped to provide expert, efficient service to clients in its market, we often cross staff assignments through other practice areas in order to generate creative solutions to client needs. Our integrated approach to assignments is also built on state-of-the-art proprietary technology that enables us to streamline search execution.

Core Professionals:

Americas:
Janice E. Abert
Michael P. Castine
Rachel Hamlin
Sloan Klein
Ashton S. McFadden
Christine M. McCann
Joel C. Millonzi
Carol J. Morley
James L. Phillips, Jr.
Jim Schroeder
Elisabeth Wachtel

Europe:
Kirsty McAlpine
Jean-Francois Monteil
Britta Mues
Susannah Pringle
Rosie Robinson
Patricia Tehan
Evelyne Thalman
John Wittgenstein

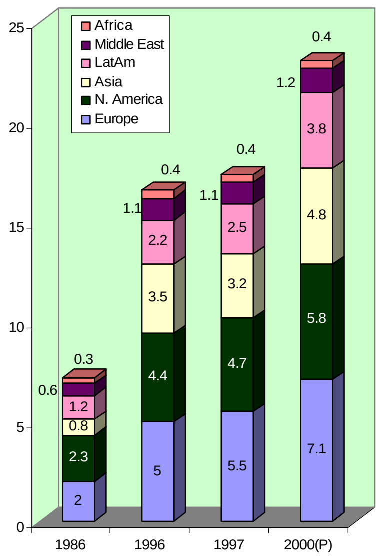
Asia:
Andrew Chancellor
Felicity Hall
John McLaughlin

PRIVATE BANKING

OVERVIEW: *RIDING THE TIDE OF NEW WEALTH*

There has been an explosion in the creation of assets held by high net worth individuals.

HNW WEALTH BY GEO. SOURCE
(USD-Trlns.)



SOURCE: Gemeni Lorenz Curve Analysis

PRIVATE BANKING-U.S.

Level	**COMPENSATION** (USD 000s)[1]
Division Head	
Base	300-750
Total	2,000-4,000
Investment Head	
Base	300-750
Total	1,750-3,000
Sr. Private Client Advisor	
Base	150-300
Total	700-1,000+
Jr. Private Client Advisor	
Base	80-125
Total	160-300+
Asset Gatherer	
Draw	100-200
Commission	30-40% of revenues[2]
PCS Broker	
Draw	N/A
Commission	30-50% of revenues[2]
Portfolio Mgr.-Advisory/Money Mgmt. Firm	
Draw	150-200
Commission	25-30% of revenues[2]
Portfolio Mgr.-Bank (10-15 yrs. exp.)	
Base	150-200
Total	500-1,000+
Portfolio Mgr.-Bank (5-10 yrs. exp.)	
Base	100-150
Total	300-600
Portfolio Mgr.-Bank (Jr.)	
Base	90-100
Total	150-300
Fiduciary Professionals	
Base	115-145
Total	170-290

[1]Bonuses may include some restricted stock, depending on the level of bonus and/or title.

[2]Tied to newly-originated revenue and often based on tiered formulas: USD0-100K=0%; USD100-200K15%; USD200-300K = 25%; USD300K plus = 50%. In some cases there are also trailers: 5-10% per year, or 15% second year, 5-10% third year.

We expect a trend of rising compensation costs, as market participants compete for the services of experienced private banking professionals and new entrants.

ANALYSIS: In recent years there has been an explosion in the creation of assets held by high net worth individuals. Not only has the absolute number of individual prospects for the private banking industry grown, but so also has the absolute amount of investable income that these prospects have available (see table, left). Not surprisingly, the competition for this business has increased dramatically with a myriad of participants ranging from global financial institutions to small advisory boutiques developing and implementing strategies to get their "fair share" of the pie. A battle for talent has emerged, as firms try to gear up quickly to capture the attention of and win long-term relationships with this generation of wealth creators.

For the foreseeable future, we expect an ongoing trend of rising compensation costs, as market participants compete for the services of experienced private banking/wealth management professionals and new entrants to the field moving over from investment banking and consulting. Looking at various market segments, we see the following trends carrying through to 2001:

When market leader Goldman Sachs added a subjective component to the bonus compilation, it experienced a loss of talent.

- Among the HNW bankers, the war for talent is the most visible and active. It seems that each edition of market newsletters highlights a number of individual and team moves between firms. In order to induce moves, typical terms have been up-front payments of 75-150% of the prior year's revenues plus premium payout terms for several years going forward. If the normal payout is 30-40% of revenues generated, firms might offer 40-50% for the first two years. When Goldman Sachs, a market leader, introduced a new compensation scheme that added a subjective component to the bonus compilation that was perceived to limit the upside, it experienced a loss of talent. It's also widely acknowledged that the UBS $11.8 billion acquisition of PaineWebber was largely driven by its desire to gain access to the latter's 8,000 HNW brokers.

Banks that employ the private-client advisor model are hiring and transferring investment bankers to service increasingly sophisticated HNW clients.

- Many banks that employ the private client advisor model for relationship management are hiring and transferring investment bankers to service the increasingly sophisticated needs of HNW clients, particularly wealth creators and the professionally-staffed family offices that intermediate between the wealthy individual or group and the market. JP Morgan, Chase, Citibank and UBS Warburg are representative of firms moving investment bankers into the private banking field. Total compensation for senior private bankers now ranges from USD500,000 to USD750,000; seven-figure compensation is also seen for outstanding performers.

There is a furious competition among investment advisory firms to identify individuals, teams and entire small firms to acquire.

- Investment advisory firms are actively pursuing strategies to leverage their proven investment capabilities by building their asset-acquisition teams locally, regionally and nationally. To accomplish this, there is a furious competition to identify individuals, teams and entire small firms to acquire. Many banks, both money center and regional, are in the same hunt. Once acquired, the payout for asset gatherers remains within the existing ranges: 30-40% of year-one revenue, with 5-10% trailers. The premium on acquisition of existing assets under management can be deferred by adding stock incentives, when available, on top of commission payouts as goals are reached for incremental assets gathered.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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SWITZERLAND: *ENTER THE CANTONAL BANKS*

PRIVATE BANKING-SWITZERLAND
(USD 000s)

LEVEL	EUROPEAN UNIV. BANK	SWISS PRVT. BANK	U.S. AFFILIATE BANK	CANTONAL BANK
Sr. Rel. Mgr.				
Base	85-110	100-125	95-110	95-110
Total	145-175	160-250	125-165[1]	25% of revenue[2]
Head of Portfolio Mgmt.				
Base	125-145	N/A	N/A	N/A
Total	400-450	N/A	N/A	N/A
Head of Subsidiary/Division				
Base	145-185	125-175	155-185	135-175
Total	335-375	250-360	310-375	25% of revenue[2]

[1]If >USD30M acquired, receives 12% of performance.
[2]Base + 25% of net revenues.

A staffing buildup by cantonal banks is beginning to have an impact on the market for top professionals.

ANALYSIS: On top of already robust demand for talent created by organic growth in the USD2.8 trillion Swiss private banking sector, a staffing buildup by cantonal banks is beginning to have an impact on the market for top professionals. These state-owned institutions previously offered limited services to the affluent, but several are seeking to ramp up their high-net-worth businesses significantly by launching independent asset management affiliates. By creating these independent affiliates, which are partially owned by the canton and partially privately held, the cantonal banks can avoid civil service pay scales and they have a new tool to induce bankers to join--equity. Among other trends:

- As affluent Europeans become increasingly comfortable with equity investing, HNW bankers and portfolio managers with an equity bent are finding their talents in strong demand.

- Famously resistant to changing jobs anyway, the strong market for talent has Swiss bankers focusing more than ever on the relative prestige of the hiring firm when considering a move in addition to the possibility of participating in entrepreneurial success.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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UNITED KINGDOM: *SOLID DEMAND FOR TALENT, FLUID PAY PRACTICES*

PRIVATE BANKING-U.K.

Level	COMPENSATION (USD 000s)
Division Head	
Base	220-365
Total	330-730
Sr. Private Client Advisor	
Base	95-175
Total	140-350
Jr. Private Client Advisor	
Base	50-95
Total	35 (guaranteed min.)
Asset Gatherer	
Base	100-130
Commission	150-260
PCS Broker	
Draw	N/A
Commission	30-50% of revenues
Portfolio Mgr.-U.K. House	
Base	80-95
Total	90-145
Portfolio Mgrs.-U.S. House	
Base	120-130
Total	200-210
Fiduciary Professionals	
Base	115-145
Total	170-290

At least two major U.K. firms are reviewing their compensation structure as a result of the departure of a large number of top performers.

ANALYSIS: Demand for high-net-worth banking talent is generally high in the U.K., but there remain significant variations in pay practices between firms. There is a sizable discrepancy in compensation between the U.S., European and U.K. private banking houses. Individuals' salaries are determined by the house they work for and the size of their portfolios rather than the geographical market they cover. For instance, a relationship manager covering the U.K. is likely to be rewarded in a similar fashion to a relationship manager covering the Middle East or Asia.

The U.K. retail houses are notorious for underpaying their employees (across all positions/geographies) and even top performers have been paid bonuses in the form of what one banker calls a "figure plucked out of the air." At least two U.K. firms currently are reviewing their compensation structures as a result of the departure of a large number of top performers in recent months. (One of the firms has retained an outside consultant to assist with its review).

To illustrate the disparate compensation structures, we have compared the compensation packages for a highly-rated, U.K.-based relationship manager--more than a dozen years experience and in excess of USD260 million in high-net-worth assets under management--at several different kinds of private banking firms operating in the U.K. marketplace:

Major U.K. Bank

Base:	USD95,000
Signing Bonus:	N/A
Bonus:	USD40,000 (1999)

U.S. Bulge Bracket Broker

Base:	USD110,000
Signing Bonus:	USD130,000 (called a “transition payment” and paid over 18 months)
Bonus:	Based on assets generated; for every USD1 million brought in above target (typically USD10 million in first year, adjusted upward in later years) firm pays USD7,200 to the relationship manager

Swiss Universal Bank

Base:	USD110,000
Signing Bonus:	USD20,000
Bonus:	USD35,000 (1999)

U.K. Money Management House

Base:	USD145,000
Signing Bonus:	USD70,000
Bonus:	Based on assets generated

Many houses pay comparatively low bases but stress the potential upside which comes in the performance/revenue related bonuses that are paid.

We also are seeing a change in the profile of many private bankers. With the pay gap between wealth management and capital markets narrowing significantly, a number of investment bankers and institutional sales professionals moving into private banking positions. These individuals often take an up-front drop in salary, on the view that there is significant upside earning potential over the following years.

We have seen a number of investment bankers and institutional sales professionals moving into private banking positions.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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SOUTHEAST ASIA: *ROARING WITH THE TIGERS*

Many U.S. and European banks have lifted their cap on bonus awards and some big producers are receiving bonuses in excess of 24 months salary.

Many banks are "localizing" long-term expat staff--moving them onto higher base salaries, with reduced expat allowances.

PRIVATE BANKING-SOUTHEAST ASIA

Level	COMPENSATION (USD 000s)
Regional Head	
Total	250-500+
Sr. Private Client Advisor	
Base	150-175
Total	200-350
Jr. Private Client Advisors	
Base	50-100
Total	65-200
Asset Gatherers	
Base	75-125
Commission	25-40% of revenues
PCS Brokers	
Draw	35-150
Total	30-40% of revenues
Sr. Portfolio Mgrs.	
Base	150-175
Total	190-265
Jr. Portfolio Mgrs.	
Base	50-75
Total	65-115
Fiduciary Professionals	
Base	125-150
Total	190-300

ANALYSIS: There has been an explosion of demand in Asia for qualified bankers, in part because of the rebound from the the Asian currency crisis. In private banking, the general trend is upward on all packages due to pressure on the supply of talent. Employers are responding by emphasizing production/revenue-linked packages for front line producers and moving away from high-salary/low-bonus packages; in other words, pay packages are coming to resemble those in investment banking. Many U.S. and European banks have lifted their cap on bonuses and some big producers are receiving in excess of 24 months salary. One top investment bank that is seeking private-client brokers in Southeast Asia is prepared to pay a base plus a guaranteed one-half of production across all product lines. However, contrary to the situation before the crisis--when banks had few qualms about dangling fat signing bonuses and up-front guarantees in front of candidates--only proven, high-caliber candidates are now accorded this treatment. And even then, it is in a far more conservative fashion.

In many cases, expatriate benefits-relocation, housing, car and special tax equalization arrangements-exceed the employee's salary. This can result in an anomaly whereby local hires are paid higher base salaries than their expat counterparts. In a move to address this situation and at the same time rein in their substantial costs, many banks are "localizing" long-term expat staff--moving them onto higher base salaries, with reduced expat allowances. This is putting upward pressure on overall salary levels.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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TMP WORLDWIDE'S PRIVATE BANKING PRACTICE

- **Chief Executive Officer**
- **Chief Investment Officer**
- **Chief Administrative Officer / Chief Operating Officer**
- **Investment Managers**
- **Client Advisors**
- **Brokers**
- **Fiduciary Specialists**
- **Marketing Officers**

Even more than in other areas of financial services, the arena of Private Banking will be undergoing an extended period of significant change. With the extraordinary aggregation of personal wealth over the last decade, an ever-growing pool of prospective clients has emerged for the private banking industry. The creators rather than the inheritors of wealth represent a significant percentage of this pool.

As private banking clients, they will be expecting their financial advisors to be individuals with a skill set and intellectual capacity to complement their own. Conscious of the opportunities to build profitable long-term relationships with substantive private clients, the private banking industry has acknowledged an ongoing need to enhance its capabilities through new product, better service and more qualified staff.

TMP Worldwide has a focused Private Banking practice. We have team members located in major private banking centers around the world, positioning TMP to meet the needs of the banks, private banks, trust companies, private family offices and investment banks that serve the private client.

Our experienced consultants have assisted numerous clients in the identification and selection of private banking professionals including investment managers, client advisors, brokers, fiduciary service specialists and marketing officers.

Core Professionals

Americas:
Gerry Cameron
Dale Flanagan
Abbe Goldfarb
Sara Kampmann
Linda Mack
Tom Moran
Sandra Rupp
Jim Schroeder

Europe:
Vito Gioia
Adam Green
Klaus Jacobs
Ginny Llewelyn
Britta Mues
Alexandra Tschopp
Andrew Simpson
Peter Sonderegger
Patricia Tehan
Evelyne Thalmann

Asia and Australia:
Felicity Hall
Gael de Roquefeuil

PRIVATE EQUITY

HEALTHY COMP LEVELS DESPITE SIGNS OF IMPENDING SHAKEOUT

It's tough to make broad generalizations about compensation for firms engaged in private equity investing. Fund size, investment pace, investment return and number of investment professionals are just a few of the variables that make such generalizations difficult. Still, the tenor of the market can be determined: Demand for experienced private equity pros will remain high, although those seeking to enter the business will find it more difficult to make the move.

Despite signs of an incipient shakeout in the industry, our expectation is that overall non-partner compensation levels will be modestly higher this year.

Despite signs of an incipient shakeout in the industry, our expectation is that overall non-partner compensation levels will be 10-20% higher this year compared to last. Because private equity firms tend to be leanly staffed and don't manage their human capital in the boom-and-bust cycle employed by investment banks, and because the long-term warning signs have yet to have an impact on bottom lines in this largely fee-driven business, compensation will remain robust.

Still, there are at least two factors that are expected to cap growth in demand for *new* private equity professionals over the next year or two. The first concerns external competition for talent. Before the Internet bubble burst, private equity firms of all kinds were experiencing significant competition for talented individuals from early-stage technology companies, which offered exciting career opportunities and significant remuneration prospects in the form of equity. Much, though certainly not all of this demand for talent has disappeared.

The second factor is particular to capital flows in the market. On top of the competition for talent created by companies outside the private equity industry, explosive inflows of capital and the resultant launch of new private investment vehicles has been a major factor in ratcheting up demand for talent. But now, as a knock-on result of their public securities portfolios trading off sharply, most institutional limited partners have hit their allocation caps for private equity. Absent the tremendous flow of institutional money into the sector seen over the last few years, it is unreasonable to expect the pace of new fund launches to continue.

All this would seem to point to a disappointing 2000 bonus season. But the countercyclical nature of the private equity market will preserve the high demand for experienced private investment professionals. The softness in the pricing of target companies in many sectors creates a buying opportunity for funds that have a pool of uninvested capital. At the same time, funds are devoting more resources to helping troubled, existing portfolio companies. The combination of these two factors will lead to increasingly higher overall compensation for experienced private equity investment professionals. Private equity is a performance oriented business and the top producers will continue to command rapid advancement in cash comp and equity participation.

But looking to next year, we predict new fund formation will be curtailed dramatically and the overall pace of capital going into existing funds will be lower. Ultimately, this will have the effect of slowing the number of professionals being recruited into the private equity industry, though it is unlikely that individuals already working in the area will suffer.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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TMP WORLDWIDE'S PRIVATE EQUITY PRACTICE

- **Leveraged Buyout Funds**
- **Venture Capital Funds**
- **Other Alternative Asset Investment Vehicles (Mezzanine, CBO, CLO, Fund of Funds, etc.)**

The Private Equity Practice at TMP Worldwide is one of the preeminent teams dedicated to providing the highest quality executive search services to private investment partnerships. Our work consists primarily of assisting the General Partners of established funds recruit talented private equity professionals from within the investment community. We have also had success recruiting professionals into funds from other disciplines including investment banking, fund raising and management consulting as well as those in operating roles.

Our clients include venture capital funds, leveraged buyout funds, real estate investment funds, hedge funds, mezzanine investment funds, family offices, fund-of-funds and product-specific vehicles such as distressed funds and high-yield funds, among others.

We have unparalleled insight and access to the investment professionals who comprise this rapidly growing field. Our professionals have completed hundreds of assignments in this sector. These have included searches to identify Managing Partners, Partners, Principals, Vice Presidents and Associates. We have also completed assignments for those in functional roles within a fund including Chief Financial Officer, Chief Fundraising Officer, General Counsel and Chief Operating Officer.

As this dynamic market continues to segment by industry, our search activity follows suit. Telecommunications, technology and e-commerce, insurance, health care and consumer products are a few of the sectors in which we have recent experience.

Core Professionals

Americas:	**Europe:**	**Asia:**
Stephen Bochner, M.D.	Susannah Pringle	Steve Mullinjer
Jonathan Goldstein	Ger Scholtens	
Joseph T. Healey	Andrew Simpson	
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REAL ESTATE

INVESTMENT MGMT./ADVISORY: *EQUITY IN THE DRIVER'S SEAT.*

Firms are structuring competitive base and cash bonus packages and then using options and restricted and phantom stock to woo candidates to make a change.

INVESTMENT MANAGEMENT/ADVISORY SURVEY

(USD 000s)

TITLE (Observations)	BASE AVG.	BASE MED.	BASE HIGH	BASE LOW	TOTAL AVG.	TOTAL MED.	TOTAL HIGH	TOTAL LOW
CEO/Unit Pres.(10)[1]	311	325	400	150	1058	875	3000	0
CIO/COO(5)[2]	225	225	275	150	740	550	1450	400
MD/Ptnr-Asset Mgmt.(11)[3]	201	200	275	100	451	400	850	130
VP/Dir. (5-6 yrs exp.)-Asset Mgmt.(9)	133	125	200	90	196	213	300	115
VP/Dir. (5-6 yrs exp.)-Acquis.(11)[4]	146	145	200	110	339	275	750	148
Senior Equity Portfolio Mgr.(4)	227	173	400	163	372	238	800	213
Head of Mktng./Capital Raising(4)	181	188	250	100	513	500	750	300
Assoc. (3+ yrs. exp.)-Investments(11)	97	100	125	52	167	150	475	62
Junior Assoc./Analyst(8)	72	68	100	42	125	84	300	48

[1]More than half the respondents at this level also receive significant long-term equity compensation or own a major stake in the firm. Four respondents at this level also receive carried interest in funds; among those four, the average carry was 3.875% of total profits.
[2]More than half the respondents at this level also receive significant long-term equity compensation. One respondent at this level receives carried interest in funds.
[3]More than half the respondents at this level also receive significant long-term equity compensation. More than half receive carried interest, typically 40-60 basis points.
[4]More than two-thirds of the respondents at this level also receive significant long-term equity compensation *or* carried interest, typically 40-60 basis points.

ANALYSIS: There continues to be firm upward pressure on cash compensation for real estate investment professionals, but the more significant development may be the increased use of various forms of equity remuneration. Tapping into the long-term wealth-building ethos that has developed in recent years, firms are structuring competitive base and cash bonus packages and then using options and restricted and phantom stock to woo candidates to make a change. Real estate firms are still finding equity to be the key to recruiting top-tier executives, despite the relatively lackluster performance of real estate stock over the last few years. For now at least, the modest REIT stock rebound seen in the last six months, coupled with the addition of Starwood Capital Group to the Standard & Poor's 500, appears to have assuaged concerns candidates may have been having about receiving a major piece of their overall compensation in equity.

Overall, base salaries for senior positions have increased some 6-10% annually over the year, with bonuses of 100% of base for most mid-level executives. The basis for these increases has been a combination of performance and current market pressure on base salaries for high-demand positions. The exception has been a much more pronounced increase in cash compensation for capital-raising professionals, whose bonuses often are coming in at 200-300% of base. Why? Because they are earning it. In a period of record economic growth without significant inflation, real estate has proven to be a tough sell. That means institutional marketing professionals who demonstrate that they can still bring in assets are commanding a premium.

Demand for talent from several Wall Street firms that have assumed a high profile in real estate effectively has created a floor on salaries

Among other trends shaping the real estate investment management market:

- Intense competition for key talent within the industry as a response to trends experienced in other industries, some of which are competing for talent with the real estate sector.
- Opportunity funds are offering co-investment opportunities and carried interest in the promote agreements to entice key players.
- Robust demand for talent from several Wall Street firms that have assumed a high profile in real estate effectively has created a floor on salaries in the industry.
- A host of real estate specialty jobs that have proliferated in the strong economy also is creating demand for professionals from traditional firms and has put pressure on compensation. E-commerce startups intent on creating low-commission electronic marketplaces for small- to mid-sized commercial properties may be the biggest single new employer to emerge. But other specialized jobs that are creating demand include environmental impact and zoning experts, specialty portfolio management professionals and capital raisers with experience in niche markets.

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Among the major personnel moves in the real estate market this year:

- Sheryl Pressler joined Lend Lease Real Estate Investments as ceo-U.S. She previously was cio of the California Public Employees' Retirement System.
- Edison "Ted" Buchanan left Morgan Stanley Dean Witter to join Credit Suisse First Boston as head of real estate investment banking.
- Jeffrey Gault moved from SunAmerica to become ceo of CapitalEngine.com.
- AMB Property hired former CalPERS exec Guy Jaquier as cio.
- Bryan McGowan left Donahue Schriber to join Koll Development as CFO.
- Jones Lang LaSalle tapped John Millar, formerly with General Growth Properties, as executive v.p.
- William Harris moved from Koll Investment Management to CB Richard Ellis as chief operating officer.
- Gerald Rohm, formerly with CB Richard Ellis/Whittier Partners, was appointed president of EProperty.com.
- Carter & Associates hired Duke-Weeks Realty exec Tom Senkbeil as president.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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PROPERTY MANAGEMENT: *A WHOLE NEW LEVEL OF PROFESSIONALISM*

The caliber of property management executives has risen greatly in recent years and the trend is manifesting itself in fatter compensation packages.

PROPERTY MANAGEMENT[1]
(USD 000s)

TITLE (Observations)	DIRECT RPRTS. (Avg.)	BASE(Avg.)	TOTAL (Avg.)[2]
CEO/Pres. (2)	4	713	1138
CIO/Top Finance Exec (2)	4.5	375	475
Senior Property Mgmt. Exec (2)	5	243	325
VP-Leasing (2)	N/A	110	135

[1]Figures are derived from just two firms that responded to the survey in this category and appear higher than industry norm. Both responding firms were major property managers with more than 60 million square feet in commercial space under management.

[2]All the respondents also receive significant long-term equity compensation--either options or restricted stock.

ANALYSIS: The caliber of property management executives has risen greatly in recent years and the trend is manifesting itself in fatter compensation packages and greater responsibility. Previously, strategic buy/sell decisions tended to be driven by asset managers who are paid on a different scale. But senior executives increasingly are seeking input from property management professionals on strategic moves as well. If there is a single factor behind the rise in stature and responsibility among property management pros, it is the number of solid programs in property management that have sprouted up at major universities across the U.S.

These unscientific projections soon will be replaced with hard numbers when firms begin declaring bonuses. As that process unfolds, we would encourage you to contact the TMP consultants who specialize in this market space for the latest information and expert analysis:

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TMP WORLDWIDE'S REAL ESTATE PRACTICE

- **Real Estate Investment Management Firms**
- **Real Estate Opportunity Funds and Real Estate Advisors**
- **REITs and Real Estate Owners and Operators**
- **Real Estate Investment Banks and Mortgage Banking Firms**

TMP Worldwide Executive Search's Global Real Estate Practice is generally recognized as the industry's premier search practice specializing in high profile, senior-level searches for executives in real estate, general management, leasing and corporate facilities. Clients include commercial and residential development companies, management companies, REITS, commercial banks, pension funds and non-real estate organizations with a need for real estate and mortgage banking expertise.

Our approach to search is grounded in unparalleled market knowledge resulting from more than 125 collective years of real estate and mortgage banking recruiting experience. In addition to our formidable recruiting history, 25% of our search professionals have career histories in real estate and/or mortgage banking. Our exceptional market knowledge and outstanding performance has earned our practice a remarkable track record. Our average completion rate of more than 90% is one of the highest in the industry.

We have experience recruiting for a wide range of disciplines including Board Members, Chairmen, CEOs, Presidents, CFOs, COOs and CIOs as well as the full range of functional roles such as Marketing, Development, Portfolio & Asset Management, Acquisitions, Capital Markets, Client Services, Operations and Regional Managers. We are also called upon to assist in executive compensation issues as the trend towards a lower base salary with higher ratio of other compensation items continues to grow.

We have been at the forefront in assisting some of our clients as they navigate through the industry's consolidation and mergers, growth of financial tools such as REITs and CMBS, increasingly corporate orientation, globalization and increased demand for executives with a firm grasp of finance, technology, research, human resources and training.

With a global network of offices and a proprietary database containing thousands of names in virtually every market, our Real Estate Practice has the capacity to execute searches that are local, national and global in scope. Recent work has been done in such diverse markets such as New York, San Francisco, Dallas, Atlanta, Reno, Detroit, Hartford, Seattle, Chicago, Hong Kong and London.

Core Professionals

Americas:	**Europe:**	**Asia and Australia:**
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James Dell'Olio	Patricia Tehan	
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Lisa Segal		
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