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Contact: Ed Emerman
609-452-5967
eemerman@eaglepr.com

WALL STREET INCENTIVE AWARDS TO BE FLAT IN 2007, JOHNSON ASSOCIATES ANALYSIS FINDS

Payouts Will Vary Greatly by Business Area with Some Expected to Decline 10-15 Percent

NEW YORK, November 7, 2007 – Despite market turbulence and weak third-quarter financial results on Wall Street, year-end incentive payouts are expected to be flat versus last year, although payments will vary significantly by business area, according to a compensation analysis released today by Johnson Associates, Inc., a New York-based compensation consulting firm. In fact, the analysis found that for the first time in several years, year-end payments for some Wall Street professionals are expected to decline by as much as 10 to 15 percent.

"Wall Street can breathe a little easier," said Alan Johnson, managing director of Johnson Associates and one of Wall Street's leading compensation consultants. "While the credit markets and sub-prime mortgage crunch dampened what had been a strong first half of 2007, overall year-end incentives will be roughly the same. However, payments are expected to vary widely among business lines and firms."

Johnson Associates third quarter compensation analysis shows that year-end incentives, which include cash bonuses and equity awards, will be flat compared to 2006. Last year, incentives increased an average 10 to 15 percent. The biggest winners will be investment bankers, as well as professionals in private equities, derivative equities and prime brokerage markets. Those who will be hit the hardest will be mortgage backed and credit derivative professionals, whose incentives will be lower by as much as 40 percent or more. Payments for fixed-income professionals will be lower by as much as 15 percent. Retail and commercial bankers can expect to receive payments lower by as much as 10 percent.

Business Area	**Percent Change from 2006**
Investment Banking	10 – 20%
Prime Brokerage	15%
Equities (Plain-vanilla)	5%
Equities (Derivatives)	20%
Asset Management (equities)	10%
Asset Management (Fixed Inc)	5%
Senior Firm Management	
-- Investment Banks	flat to 5%
-- Commercial Banks	minus 5% to flat
Corporate Staff	
-- Investment Banks	flat to 5%
-- Commercial Banks	minus 5% to flat
High Net Worth	10%
Fixed Income	
-- Plain Vanilla	minus 15 to minus 5 %
Commercial Banking	minus 10% to flat
Retail Banking	minus 10% to flat
Private Equity	20% and higher
Hedge Funds	Flat to 10%

Johnson Associates regularly monitors compensation trends among a wide range of commercial and investment banks, and financial services companies. Its quarterly compensation analysis is based on the firm's ongoing monitoring of the financial services industry and public data from 10 of the nation's largest investment and commercial banks and seven of the largest asset management firms.

Johnson noted that Wall Street compensation had been increasing steadily since 2003, following declines in both 2001 and 2002. For example, an average managing director at an investment bank should earn about $1.7 million in incentives this year, compared with $1.5 million last year. Investment banker's pay may have finally reached the market's peak.

"Looking ahead, we expect 2008 will be a difficult and challenging year on Wall Street," says Johnson. "Given the ongoing credit and housing market woes, we don't expect to see staffing levels increase next year and incentives throughout the industry could be down 15 to 20 percent for the first time since 2003.

Other findings from the analysis include:

- Wall Street firms implemented soft "hiring freezes" as weakness in the credit and housing markets created a lot of uncertainty.
- Companies continued to make heavy use of restricted stock this year. However, the use of broad-based stock options is expected to return to favor in 2008 as market multiples return to historic norms.
- More favorable termination and severance provisions are expected to be put into place at many Wall Street firms in 2008.

Johnson Associates is a boutique compensation consulting firm specializing in the design of annual and long-term incentive plans and establishing appropriate market pay levels. The firm is well-known for providing candid advice and for its expertise and in-depth knowledge of the financial services industry, including major investment and commercial banks, asset management firms, hedge funds and other alternative investments, insurance companies, and brokerages. For more information, visit www.jaiconsulting.com

19 West 44th Street, Suite 511
New York, New York 10036
212.221.7400 Fax: 212.221.3191
info@jaiconsulting.com