FINANCIAL SERVICES COMPENSATION

Third Quarter Trends and Year-End Projections 11/1/07

At this point in the year, Johnson Associates is projecting small year-over-year increases in incentive compensation off of a very healthy 2006. Broader variation of results driven by mixed business results across sectors and products. The divergence in incentive pool increases and compensation levels between major firms and broader comparators continues. For 2007 key bonus drivers include international growth, trading strategies, and business mix

NOTABLE TRENDS/MARKET COMMENTARY

- Mixed impact of credit market in third quarter and varying outlook on fourth quarter results contributing to uncertainty about overall compensation results. Because fourth quarter outlook has changed from positive to a "wild card" incentive messages have been cautious as firms try to set expectations internally
  - Recognize results different for firms given range of exposure to and positions in mortgage and credit market

- Business diversification driving larger variation in firm-wide results. Factors impacting firm results include exposure to mortgage market, strength in derivatives, and international advisory
  - Overall, business mix especially important in determining where a firm falls on incentive continuum
  - Anticipate reports of highs and lows with both being valid

- Also expect significant variation between business areas as firms employ business by business approach in evaluating compensation
  - Question of subsidizing select business areas while compensating high performing areas

- Weakness of dollar increases international compensation expenses making it harder to discern incentive growth

- As use of term "hiring freeze" increases among financial services firms important to recognize difference in soft versus hard freeze. Expect most firms have a soft freeze where hiring is more selectively because waiting to see longevity of market problems

- Executive compensation will receive significant attention fueled by societal views on mortgage crisis, stock price changes, and general economy. Current and past compensation in relation to business risk a topic of interest
  - Criticism and valuations in media will put pressure on Directors

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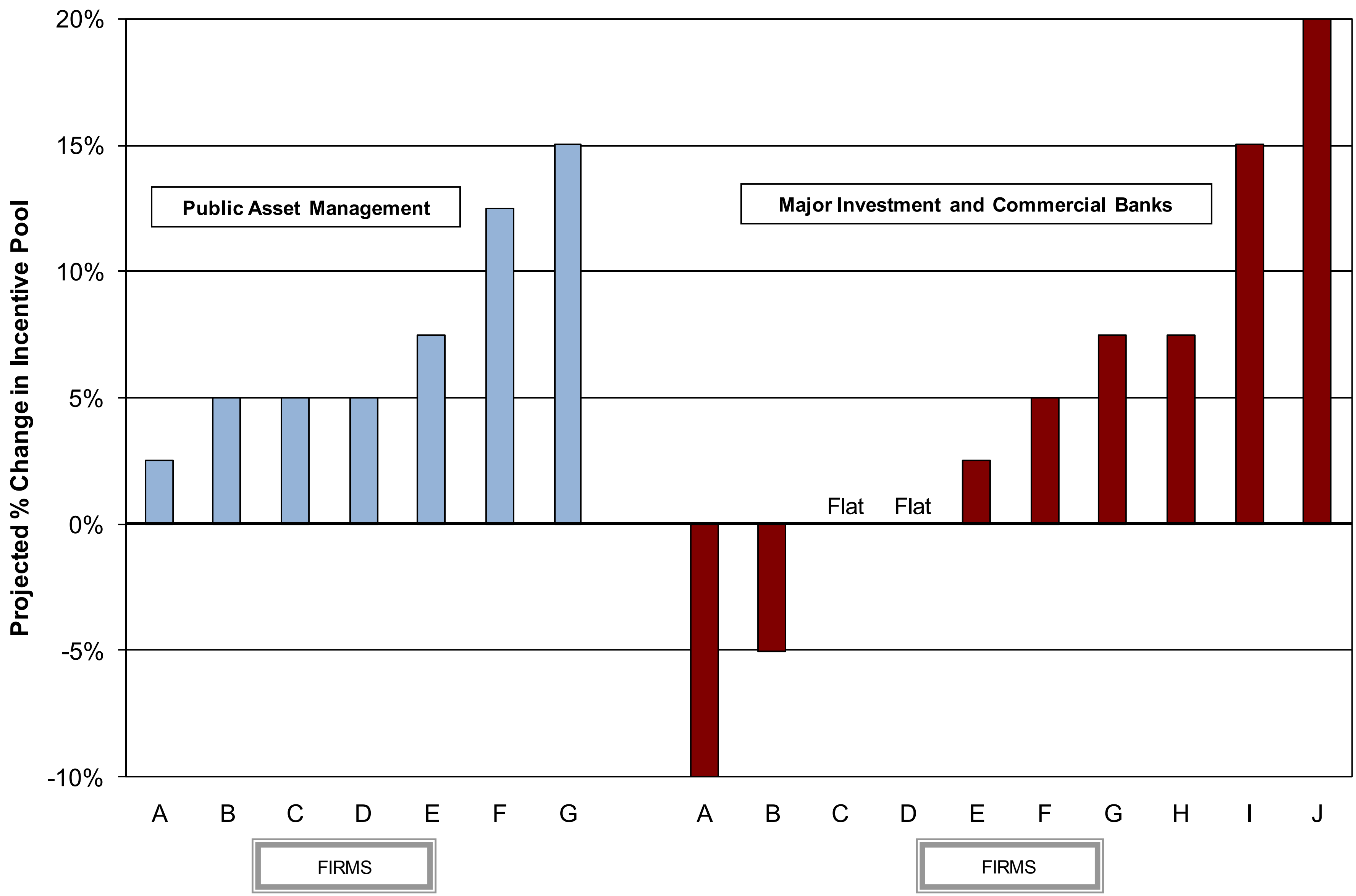
Projected 2007 Wall Street Incentive Funding

Overall, evaluated incentive funding in the context of a very healthy 2006 base point

Projected 2007 Wall Street Incentive Funding (Individual levels on a headcount adjusted basis)			
Business/Area		**% Change from 2006**	**Explanation**
Senior Firm Management	Investment Banks Commercial Banks	-15% to +5% -5% to Flat	• Variations depend on business mix and performance with incentive change typically outpacing firm-wide incentive movements
Staff Positions	Investment Banks Commercial Banks	-2% to +5% Flat	• Move in line with entire firm. Differences by function (i.e., risk higher increase than tech/operations)
Investment Banking Banking & Advisory only (Investment and Commercial Banks)		+10% to +20%	• Loan and credit losses impact profits at varying degrees. Generally, losses outweighed by advisory and equity underwriting activity • Debt underwriting year to date results indicate flat to modest growth over 2006
Equities excl Prime Brokerage (Investment and Commercial Banks)	Plain-Vanilla Derivatives	+5% +20%	• Derivatives and proprietary trading lead profitability • Increase in client volumes
Fixed Income (Investment and Commercial Banks)	Plain-Vanilla Derivatives	-15% to -5% +10%	• Significant variation due to breadth of products. Overall, derivatives highlight strength with mortgage and credit products a challenge • Mortgage effect driving plain-vanilla results • Write-downs offset profits at varying degrees
Prime Brokerage (Investment Banks)		+15%	• Higher customer balances with activity continuing
Asset Management (Independent and Captive)	Equities Fixed Income	+10% to +15% +5%	• Equity funds impacted largely from appreciation and AUM growth • Fixed income funds experiencing modest returns and AUM growth over 2006 results
High Net Worth		+10%	• Market appreciation and AUM growth. Growth helped from hesitation to invest larger amount of net worth in hedge funds
Hedge Funds (Independent and Captive)		Flat to +10%*	• Hedge fund AUMs increased while above market returns have been challenging • Asset growth at select firms balanced by redemptions at others
Private Equity (Independent and Captive)		+20% plus*	• Large to-date private equity deals and successful fundraising • Lower leverage and higher financing expenses will begin to impact returns but have not had large to-date effects
Commercial Banking		-5% to +5%	• Growth in loan losses • Spread compression impacting top line
Retail Banking		-10% to Flat	• While deposits continue to grow, decrease in mortgage activity and larger loan losses outweigh growth. Also see impact of shift to narrower spread deposit products

* Applies to bonus and equity excluding carry

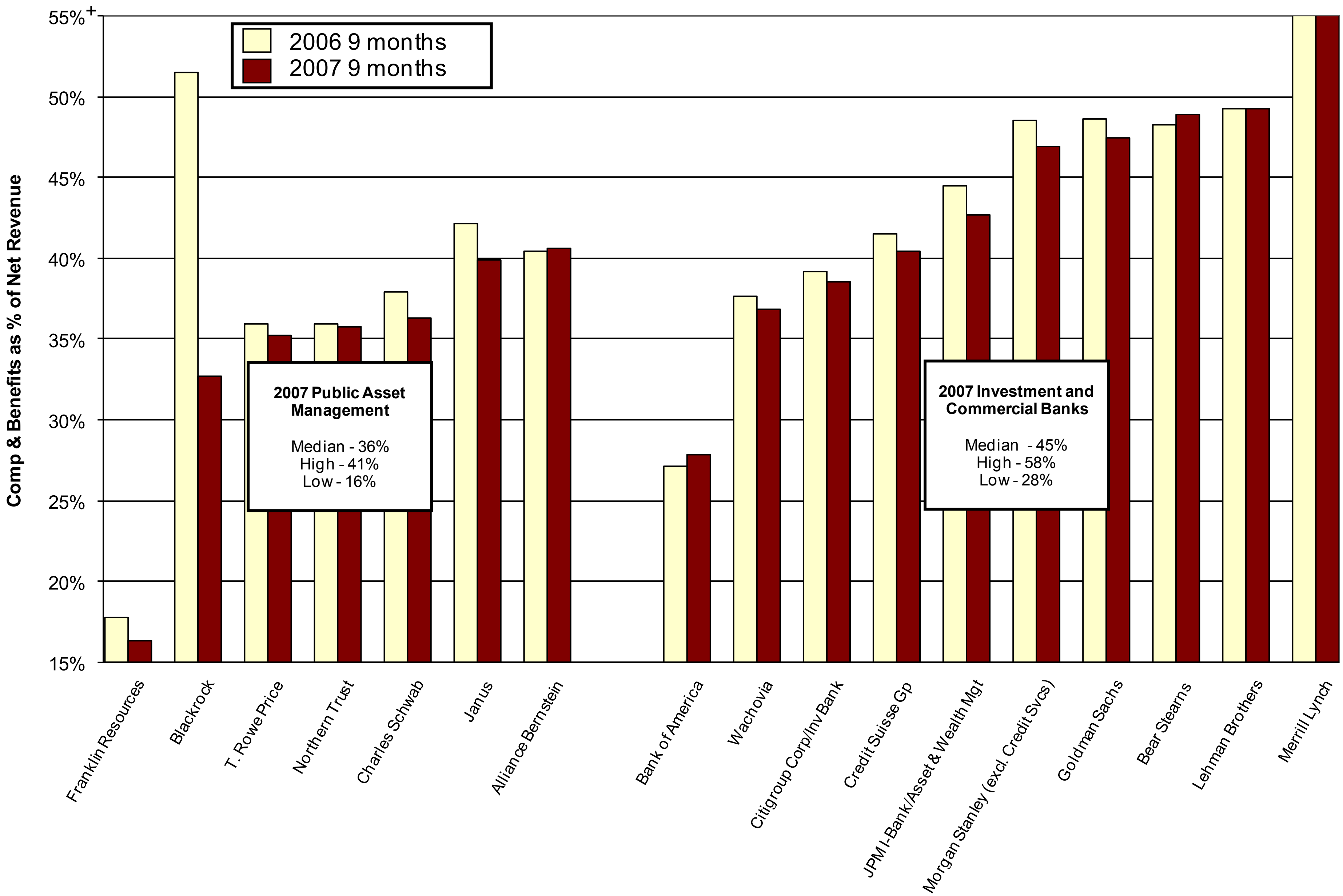
Projected % Change in Year-End Incentive Pool*



* 9 months actual data with projection for remainder of year

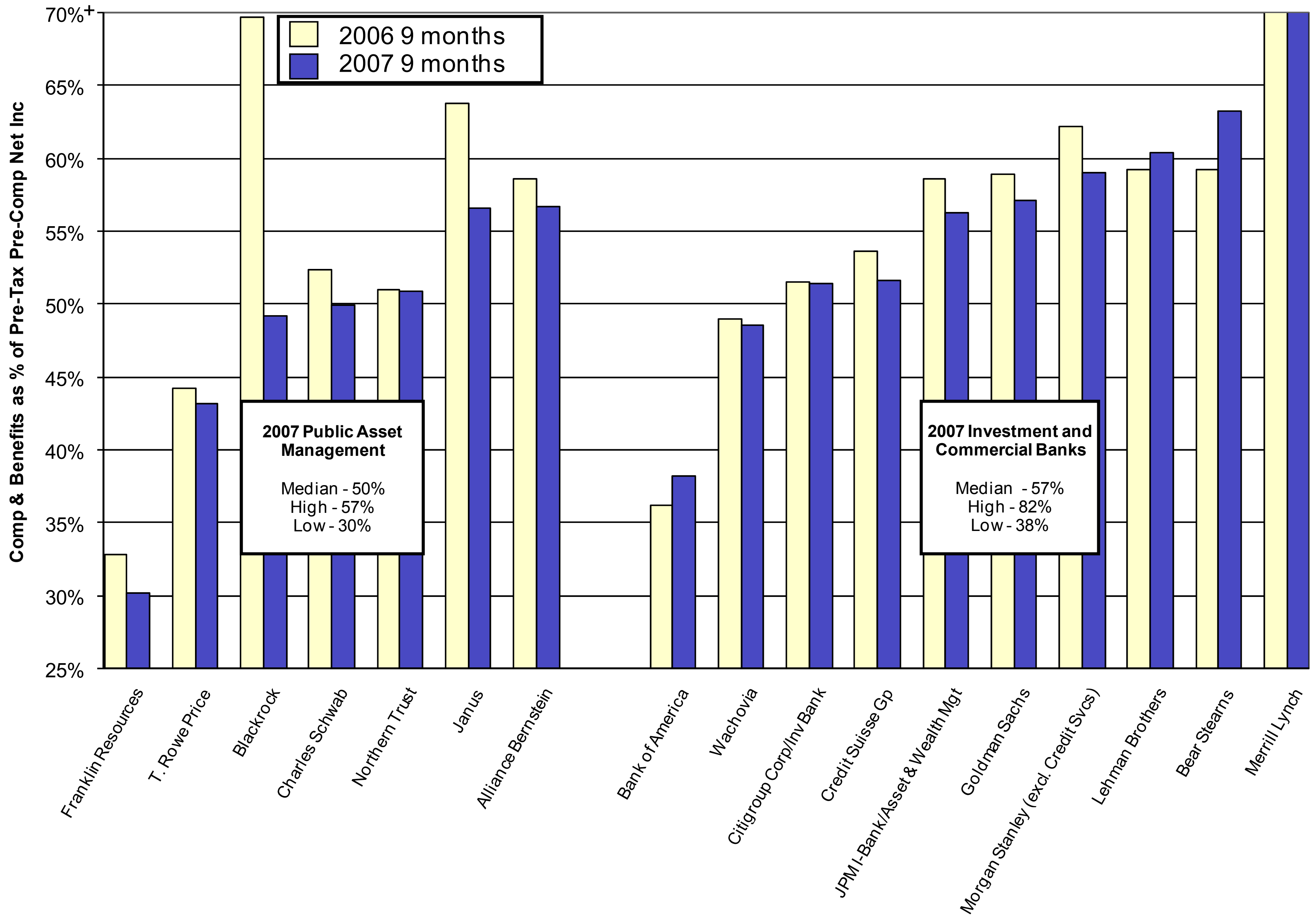
Year-to-Date Compensation & Benefits as % of Net Revenue

Notes:
Select ratios may be skewed high because of the incremental expense for retirement acceleration & SFAS 123R adoption
Blackrock ratios reflect impact of MLIM integration

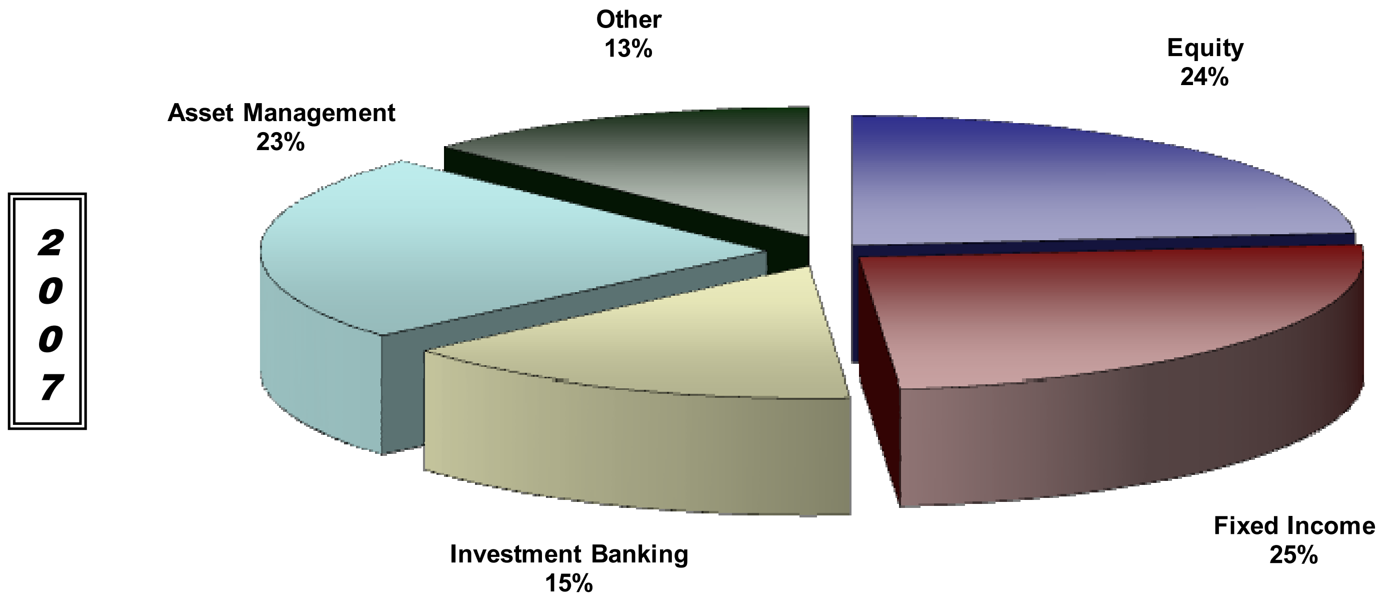


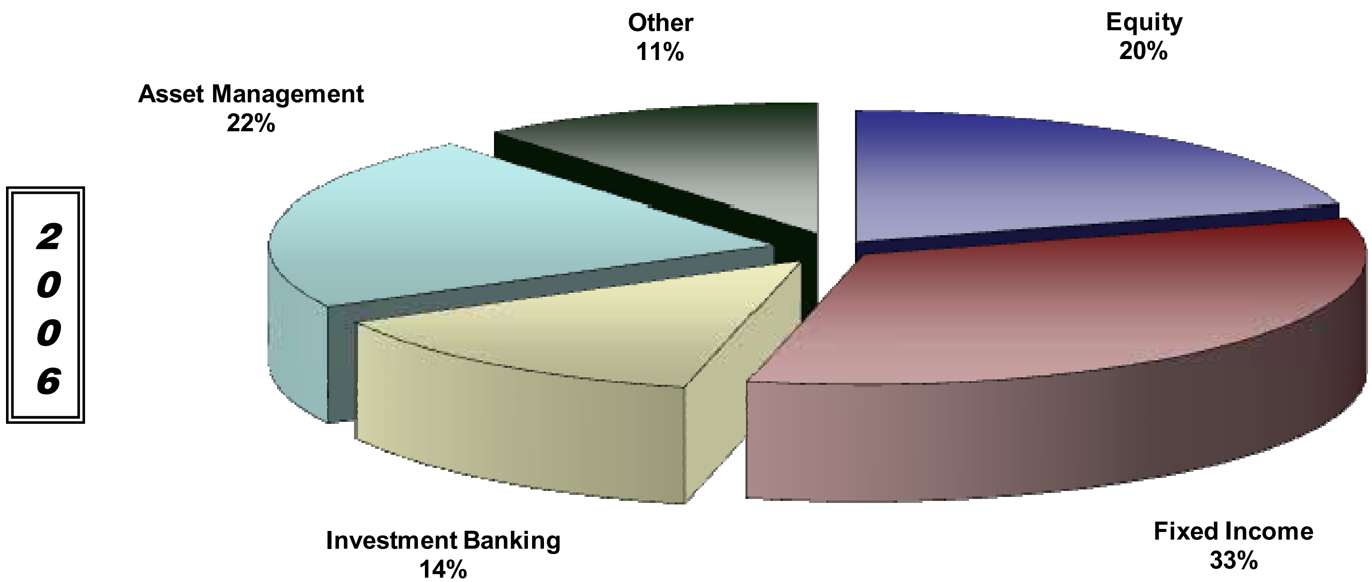
Year-to-Date Compensation & Benefits as % of Pre-Tax Pre-Comp Net Income

Notes:
Select ratios may be skewed high because of the incremental expense for retirement acceleration & SFAS 123R adoption
Blackrock ratios reflect impact of MLIM integration



Year-to-Date Investment Banking Net Revenue Breakdown





* Reflects median data from Goldman Sachs, Merrill Lynch, JPMorgan, Morgan Stanley, Citigroup, Bear Stearns, Lehman Brothers