Subj: **Re: Next Steps?**
Date: 2/12/03 10:17:23 PM Eastern Standard Time
From: Steven.Z.Schwartz@chase.com
To: SpencerCYoung@aol.com, brian.j.baker@jpmorgan.com
Sent from the Internet (Details)

The feedback was good. Brian and I have been reference checking and will be asking you for a couple of numbers tomorrow for people on your expanded list. Our goal is to conclude reference checking tomorrow or Friday, have you in next Tuesday to meet with Lilie (Human Resources), a CMBS banker and maybe a credit guy as well. Finish the day w/Brian and me to talk turkey.

----- Original Message -----
From:SpencerCYoung@aol.com
To:brian.j.baker@jpmorgan.com,
steven.z.schwartz@jpmorgan.com
Cc:
Date: 02/12/2003 09:17:56 PM
Subject: Next Steps?

Brian / Steve --

A few questions:
- How was the feedback from Tuesday?
- What are the next steps?
- What is the timing?

Thank you.

Spencer

Subj:	**JPMorgan**
Date:	2/12/03 10:59:25 AM Eastern Standard Time
From:	Nicki.Livanos@axa-financial.com
To:	spencercyoung@aol.com

Sent from the Internet (Details)

Just spoke to Brian Baker at JPMorgan - gave you glowing reviews.....
apparantly you should hear shortly.
N

****

****

Subj:	**Re: Thank you**
Date:	2/11/03 8:33:03 AM Eastern Standard Time
From:	JOHN.STEINHARDT@jpmorgan.com
To:	SpencerCYoung@aol.com, john.steinhardt@jpmorgan.com

Sent from the Internet (Details)

Spencer,

Thanx. Good to meet you as well. I found your product ideas and market views very intereting, and I have no doubt you would be additive to or platform.
Js

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----
From:SpencerCYoung@aol.com
To:john.steinhardt@jpmorgan.com
Cc:
Date: 02/11/2003 07:17:20 AM
Subject: Thank you

John --

Thank you for taking the time to meet with me yesterday. Your candor was refreshing and your vision of growing market share with profitability for Credit Products generally, and real estate capital markets specifically, piqued my interest.

With its vast capital and a profound client base, JP Morgan Chase appears well-positioned for the foreseeable future, particularly in credit related products. I believe my track record for building businesses in capital markets and well-established relationships with insurance companies would be complementary to your objectives.

Thank you.

Spencer

DRAFT

Date: January 20, 2003

To: Michael Malta [spelling?]

From: Brian Baker / Steven Schwartz

Re: Proposed Strategic Hire – Spencer Young

Last week, a gentleman presented a compelling business plan to establish a high quality brand of CMBS at JPMorgan Chase through his vast client contacts at the major insurance companies. As you know, this is currently a void in our business franchise. Spencer Young is someone who is well-known and well-respected within the CMBS industry, and a person who we firmly believe will be a high impact addition to the JPMorgan Chase team -- in short, he will help propel us into the top 3 ranking of CMBS global league tables, one of our stated objectives for 2003.

While we would like him to come in to present his business plan to you, we wanted to give you a summary and convey why we recommend his coming on board, despite the headcount constraints we face as an institution. We are confident that you will agree that he would be an invaluable contributor.

We have also attached his resume [*note to Steve and Brian – this was sent to you in a separate file*] for your review. Of note, he is the person responsible for launching the JPMorgan conduit and related capital markets lending activities in commercial real estate in 1994 (Brian Baker worked with him and knows him well). Before leaving in 1997 for Morgan Stanley, he brought JPMorgan to #3 in the conduit league tables. While at Morgan Stanley, he was co-head of the conduit, overseeing the origination of $7.0B in commercial mortgages, and then headed up new business development on the issuance side, creating the highly successful IQ ("Institutional Quality") brand of CMBS which provides $2.5B -$3.0B in league table credit per annum, and generates $30mm + in annual revenue. As you know, Morgan Stanley was number 1 in global CMBS league tables for three years running.

We have summarized the key points of his business plan, which we found to be sound and conservatively derived.

Background On The IQ Brand

Completed IQ transactions include three deals completed over 14 months, and as an established brand, this can result in three to four transactions of $700mm to $1.0B each year. Spencer was the architect of this brand, and given his strong relationships within the insurance industry, we are confident that he can replicate this success at JPMorgan Chase and fill a much-needed gap. Furthermore, we believe this will be done at the expense of Morgan Stanley, as many of the insurance clients will follow Spencer to issue off the JPMorgan Chase platform, similar to how they followed him from JPMorgan to Morgan Stanley in 1997. As Spencer had contemplated, these transactions have received the best capital structures of any multi-seller CMBS deals, and provide an attractive platform to include high quality JPMorgan Chase originated loans, and realize substantial arbitrage gains. Having a high quality brand will also position JPMorgan Chase to continue to issue CMBS at attractive execution levels, even if commercial real estate credit fundamentals were to deteriorate substantially, as we would expect there to be a “flight to quality” by investors. This would give us a competitive advantage, as compared with other programs.

The IQ deals are summarized as follows:

Deal	Date	$mm	AAA // BBB Subordination	Issuers
IQ	10/01	$713	14.000% // 5.500%	Aegon / Allmerica / Lincoln / MONY / Nationwide / TIAA
IQ2	6/02	$778	14.875% // 5.500%	John Hancock / Principal / Morgan Stanley / State Farm / TIAA
IQ3	12/02	$910	14.375% // 5.625%	Morgan Stanley / Nationwide / NCB / Principal / Prudential / TIAA / Union Central Life

Clients / Deals

Expected new client conversions and deal closings are summarized in the below table over a 3-year horizon, along with underlying assumptions:

Year	1	2	3	Total
New CMBS Clients	7	5	3	15
Deals				
Multi-Seller CMBS	2	2	3	7
Stand Alone CMBS	1	1	1	3
Warehouse Lines	1	1	1	3
Real Estate CDOs	0	1	2	3
New Product Deals	0	1	2	3
Total Deals Closed	4	6	9	19

- Expect 5 of the following 7 clients to move in year 1 (Aegon, Allmerica, AXA, Nationwide, MONY, State Farm, Union Central Life)
- Project 2 of following 6 clients to move in year 2 (Principal, Hancock, TIAA, Wells Fargo, NCB, Prudential)
- Will complete 3 New CMBS issuer conversions per year (year 1 will have only two conversions, due to a partial first year)

- Transaction count expected to start conservatively in year 1 and then realize a 50% growth rate

Average Deal Size

($mm) Year	1	2	3
Multi-Seller CMBS	700	800	900
Stand Alone CMBS	500	700	900
Warehouse Lines	150	150	200
Real Estate CDOs	0	300	300
New Product Deals	0	500	500

- Multi-Seller deals will grow from a $700mm critical mass, reflecting repeat issuers and the additive impact of new client conversions, consistent with that experienced in the IQ brand development
- Stand alone deals will comprise of $500mm to $900mm, although dialog with many is in the $1.0B+ range
- Average size of warehouse line will grow slightly
- CDO's and New Product deals not projected to occur until year 2
- Principal transactions can vary significantly, but $75mm per deal is assumed

League Table

($mm) Year	1	2	3	Total
Multi-Seller CMBS	1,400	1,600	2,700	5,700
Stand Alone CMBS	500	700	900	2,100
Real Estate CDOs	0	300	600	900
New Product Deals	0	500	1,000	1,500
League Table Impact	1,900	3,100	5,200	10,200
Principal Transactions	400	400	600	1,400
Warehouse Lines	150	150	200	500

- It is contemplated that "institutional quality" loans or participations originated on a principal basis will supplement the Multi-Seller deals, totaling $200mm per deal.
- Of the Principal Transactions contributed, 33-50% will be sourced incrementally by Spencer Young
- After 3 years, incremental warehouse lines will be $500mm

Revenues / Shareholder Value

($mm) Year	1	2	3	Total
Principal Trans.	12.0	12.0	18.0	42.0
Multi-Seller CMBS	4.9	5.6	9.5	20.0
New Product Deals	0.0	3.1	6.3	9.4
Real Estate CDOs	0.0	3.0	6.0	9.0
Stand Alone CMBS	1.3	1.8	2.3	5.3
Warehouse Lines	0.3	0.6	0.9	1.8
Advisory Fees	0.0	0.5	1.0	1.5
Total Revenue	18.4	26.5	43.9	88.9
Risk Adjustment	75%	75%	75%	
Risk-Adj. Revenue	14.0	20.0	33.0	67.0
P/E Ratio	19.0	19.0	19.0	
Marginal Tax Rate	35%	35%	35%	
Shareholder Value	170	250	400	

- Revenue rates for the contemplated transactions are as follows:
  - Multi-Seller = 35 bp
  - Stand Alone = 25 bp
  - CDOs = 1.0%
  - New Product = 5/8ths
  - Warehouse = 75 bp
  - Prin. Trans = 3.0%
- The risk adjustment factor to proforma revenue = 25%
- Although JPMorgan Chase stock currently trades at a 32-33x P/E, a more normalized 19x for financial services stocks is used for purposes of determining the related shareholder value

Human Resource Requirements

Person Equivalents			
Year	1	2	3
Sell-side Execution	2.1	3.5	5.5
Coverage Support	1.0	1.0	1.0
Principal closings	0.7	0.9	1.1
Analytical Support	0.5	0.5	0.5
Totals	4.3	5.9	8.1

- Spencer Young (not included in above numbers)
- Team working on sell-side execution would include a VP / Associate / Analyst (12 weeks per deal)
- Coverage VP to actively participate in client coverage
- Analytical support from desk

- Team support during final “bake offs”
- Principal & warehouse line closings contemplate a VP executing at 12 weeks per deal
- It is contemplated that the personnel would come from the allocation of existing staff

Other Business Development

Concurrent with the establishment of a high quality brand of CMBS, Spencer would pursue other business development opportunities that would further distinguish JPMorgan Chase. These include:

- Creating an institutional quality subordinate fund (BB, B, NR, leveraged IO’s)
- Agribusiness transactions in collaboration with Farmer Mac
- Real estate related CDOs (managed and static)
- Advisory work for market leveraged lending by insurance companies
- Joint ventures with insurance company opportunity funds in mezzanine lending or A-B note structured transactions
- Mining principal transactions from pension funds and middle market banks
- Bank portfolio securitizations
- Securitization of insurance company portfolios with non-standard call provisions
- Joint marketing of portfolio dispositions with a well-known loan sale advisor

Summary

Spencer has three noteworthy skill sets that we feel would fit well with the JPMorgan Chase team: (1) client focus; (2) commercial orientation; and (3) highly organized with demonstrable leadership abilities. With these skills, we expect him to realize the following milestones over three years:

- Convert 15 new institutional CMBS clients
- Close 19 CMBS and related transactions
- Bring $10B in CMBS league table
- Generate $67mm in revenue
- Create $400mm in incremental shareholder value

We’d like to invite him in to present his business plan to you, and with your endorsement, get the green light to bring him on board. Thank you.

JP Morgan Chase

Marketing Real Estate Capital
Markets to the Insurance Industry
February 6, 2002

Agenda

- The Opportunity
- Business Development
- Pro-forma Impact
- Skill Sets
- Strategic Fit

The Opportunity

The Top 20 Insurance Company Holders of Commercial Mortgages . . .

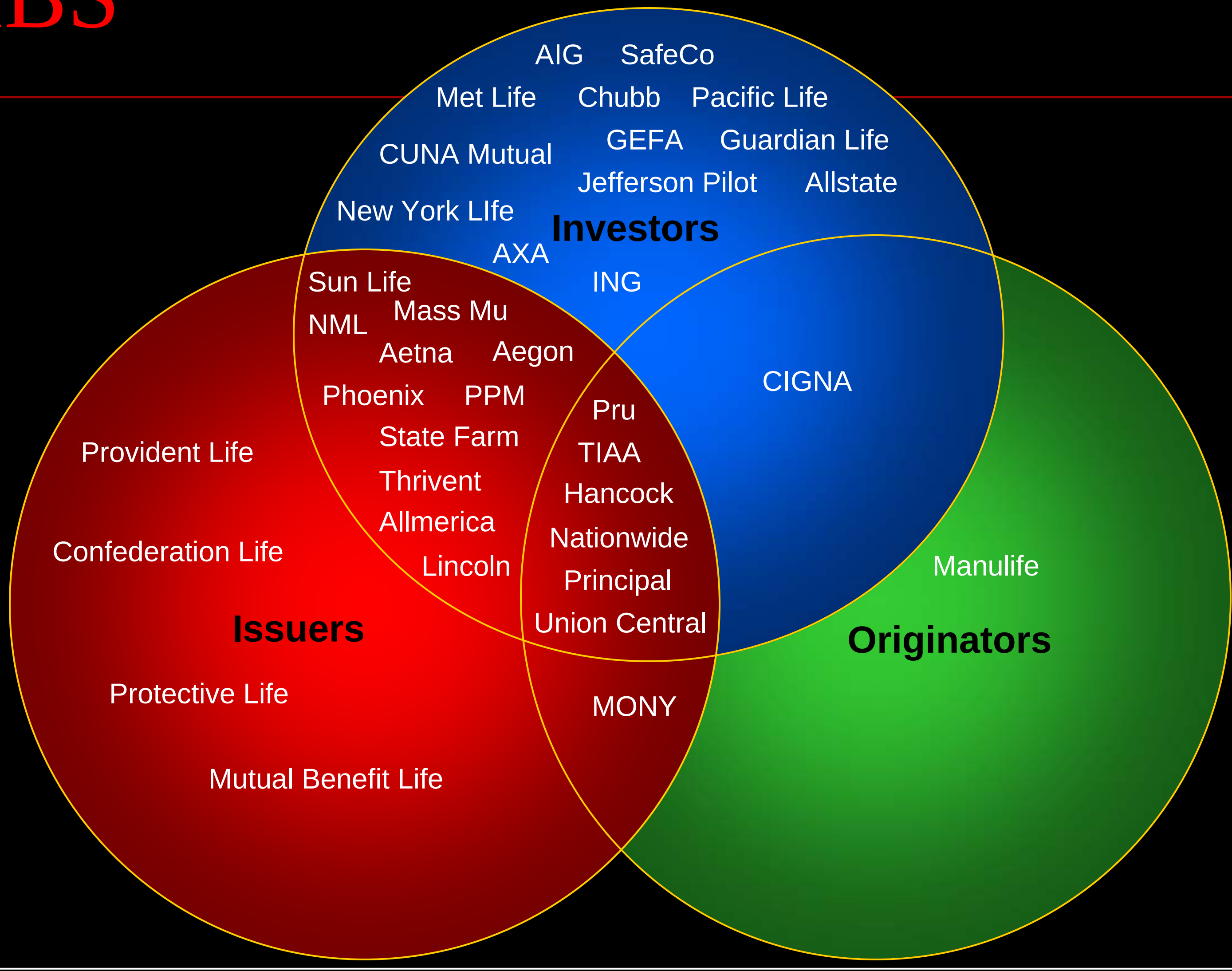
Rank	Company	Mortgages	Originations
1	Met Life	$ 25.0 B	$ 2.5 B
2	TIAA	22.5	4.3
3	NML	15.2	2.0
4	Prudential	13.2	0.9
5	Aegon	12.2	2.3
6	NY Life	9.6	0.9
7	Hancock	9.5	0.8
8	AIG	9.4	0.7
9	Cigna	9.3	1.2
10	ING	9.0	0.9

Rank	Company	Mortgages	Originations
11	Principal	$ 8.0 B	$ 1.0 B
12	Mass Mu	7.3	1.1
13	Nationwide	7.1	1.8
14	Allstate	4.9	1.2
15	GE Ins.	4.6	0.8
16	Lincoln	4.5	0.6
17	AXA	4.4	0.6
18	State Farm	3.8	0.6
19	Amex IDS	3.7	0.4
20	PPM	3.2	0.5

. . . and others who will likely access the CMBS markets

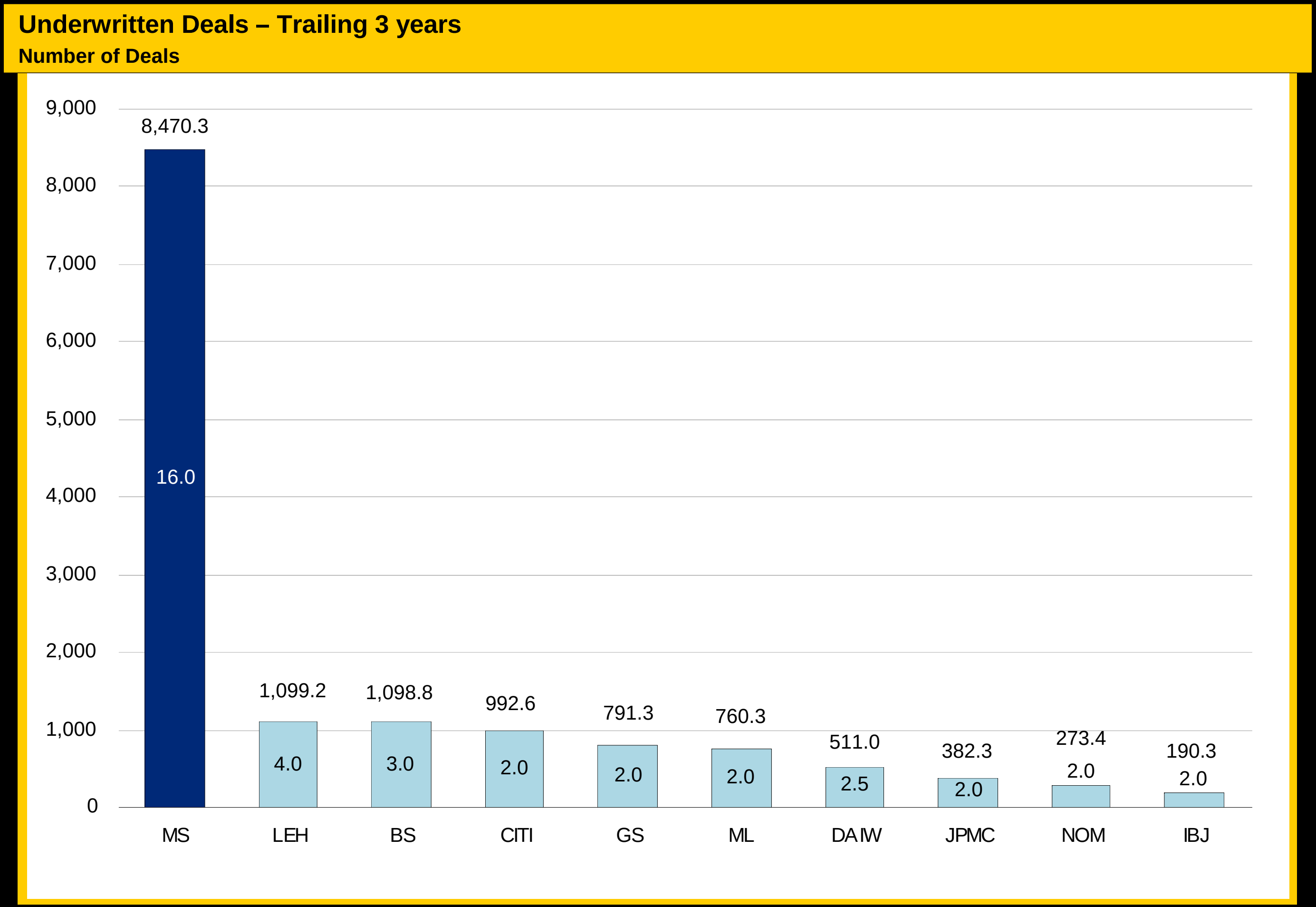
- Union Central Life
- Guardian Life
- MONY
- Allmerica
- Protective Life
- Fortis
- Manulife
- Stancorp
- SafeCo
- Woodmen
- Canada Life
- Sun Life
- Jefferson Pilot
- Western & Southern
- Allianz
- CUNA Mutual
- Pacific Life
- Unumprovident
- Thrivent
- Mutual of Omaha

Insurance Company Involvement in CMBS

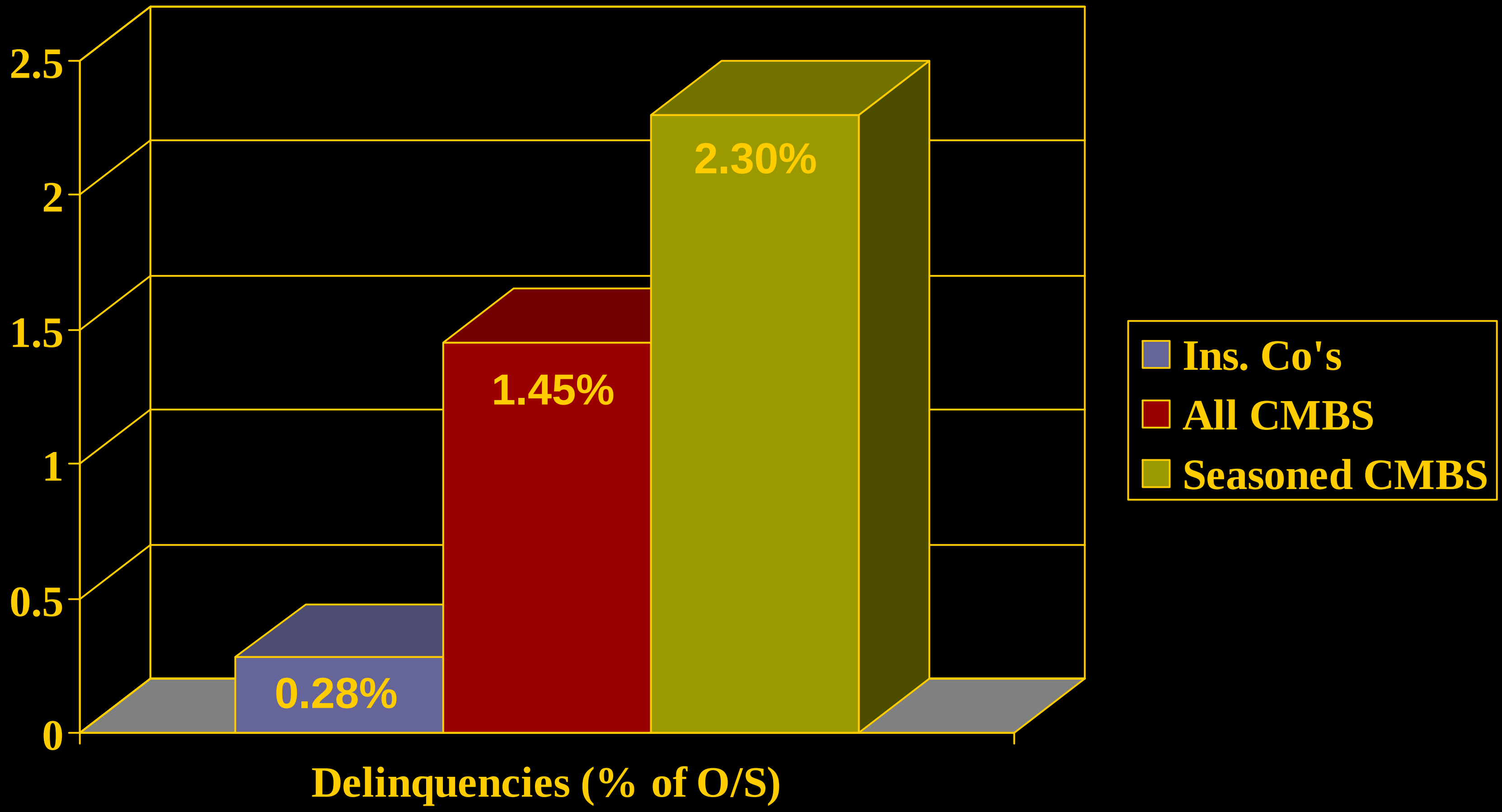


Underwritten Insurance Company CMBS League Table

Morgan Stanley has heretofore had a dominant market share with insurance companies.



Insurance Company mortgages outperform other originators of CMBS



Insurance Companies will continue to access CMBS markets . . .

- Portfolio management tool
- Attractive off balance sheet financing
- RBC pickup
- Boost portfolio yields
- Improve ROE / ROA
- Portfolio liquidity
- Create incremental shareholder value

. . . for a variety of reasons

- Economies of scale
- Brand benefit
- Enhanced arbitrage gain
- Origination momentum
- Client retention
- Investment Opportunities
- Velocity

Insurance Companies committed to issuing CMBS in 2003 . . .

- Nationwide ($500mm)
- State Farm ($400mm)
- TIAA ($300mm)
- Allmerica ($200mm)
- MONY ($200mm)
- Aegon ($300mm)
- UCL ($300mm)
- Principal ($1,200mm)
- Hancock ($800mm)

- These insurance companies and the amounts reflected would be eligible for inclusion in CMBS transactions
- All amounts are annual contributions, except for Allmerica ($4.2B)

. . . and other financial institutions would be likely participants . . .

- Allstate
- Allianz
- CUNA Mutual
- Union BanCal
- ABN-AMRO
- NCB
- Lincoln National
- Guardian Life
- Wells Fargo

- This list represents firms who intend to participate in the issuance of low leverage, high quality CMBS on an ongoing basis
- This group represents another $3-$4B in annual primary CMBS issuance

. . . and certain insurance companies would be candidates for “sell & holds”

- Aegon
- Nationwide
- Principal
- TIAA
- MONY
- State Farm
- AIG / SunAmerica
- Mass Mutual
- Jackson / PPM

- This group has expressed an interest in executing a portfolio securitization and retaining subordinate securities
- Transaction sizes range from $500mm to $1.5B
- It is not inconceivable that half these names will execute a stand-alone deal in 2003

Business Development

What is the IQ Brand of CMBS and what is its importance?

<u>What it is</u>

- A service-marked brand of CMBS owned by the issuer
- Multi-seller CMBS deals providing diversity, velocity, and economies of scale
- A brand which investors are favorably disposed toward and bid on accordingly

<u>Strategic Importance</u>

- Positions issuer for “flight to quality” if CMBS credit conditions deteriorate
- Provides a platform for superior CMBS execution
- Becomes a magnet for new client conversions and repeat business
- Provides a basis for other securitization business from financial institutions (particularly Ins. Co.’s)

Parameters in Establishing a High Quality Repeat Issuer Brand of CMBS

Comparison of Key Credit Parameters

	2001 – IQ	**2001-TOP3**	**2001-TOP2**
Loan to Value	59.3%	60.8%	60.3%
Balloon Loan to Value	42.6%	49.6%	50.6%
DSCR	1.50X	1.65X	1.60X
DSCR @ 9.0%	1.64X	1.62X	1.57X
Remaining Amortization	21.2 years	27.3 years	26.8 years
Seasoning	3.3 years	4 months	8 months
Multifamily %	8.5%	10.1%	10.8%
Retail %	35.3%	27.2%	21.8%
Industrial %	16.6%	18.4%	24.4%
Office %	33.9%	31.5%	29.3%
Other %	5.6%	12.8%	13.7%
AAA Subordination	14.000%	15.000%	15.000%
AA Subordination	10.875%	12.000%	12.375%
A Subordination	8.250%	9.250%	9.375%
BBB Subordination	5.500%	6.250%	6.000%

Participants to date in IQ Brand transactions

- Aegon
- Allmerica
- John Hancock
- Lincoln National
- MONY
- Nationwide
- National Coop. Bank
- Principal Pension Fund
- Principal Financial
- Prudential
- State Farm
- TIAA
- Union Central Life

What do insurance companies look for in selecting a Wall Street Partner?

- Help facilitating organizational “buy-in”
- Origination / Underwriting Support
- Hedging Strategy
- Staffing Needs
- Warehouse Financing
- Accommodative Servicing
- Strong Capital Markets Distribution
- Dependability & Trust

What strategies will Insurance Companies contemplate?

- Multi-party Securitization
- Stand-alone Securitization
- True Sale Transactions
- Maximized Gains
- Yield Preservation
- Asset Management & Fee Growth
- Capital Markets Lending
- Expansion of managed risk for yield
- Static & Managed CDOs

Other opportunities can be pursued with Insurance Companies . . .

- Institutional Quality Subordinate Fund (BB, B, NR, Leveraged IO’s)
- Agribusiness transactions in collaboration with Farmer Mac
- Real Estate related CDOs (managed and static)
- Market-leverage capital markets lending
- Joint ventures with Insurance company opportunity funds in Mezzanine lending or A-B note structured transaction
- Insurance policy securitizations

. . . as well as other financial institutions

- Mining principal transactions from pension funds and middle market banks
- Bank portfolio securitizations
- Portfolio securitizations with non-standard call provisions
- Joint Marketing of portfolio dispositions with loan sale advisor

Pro-forma Impact

Client Conversions and Deal Count

- Five of the following 7 clients to move in year 1 (Aegon, Allmerica, AXA, Nationwide, MONY, State Farm, UCL)
- Project 2 of following 6 clients to move in year 2 (Principal, Hancock, TIAA, Wells, NCB, Pru.)
- New CMBS issuer conversions= 3 per year
- Transaction count to start conservatively in year 1 and grow 50%

Clients & Deals				
Year	1	2	3	Total
New CMBS Clients	7	5	3	15
Deals				
Multi-Seller CMBS	2	2	3	7
Stand Alone CMBS	1	1	1	3
Warehouse Lines	1	1	1	3
Real Estate CDOs	0	1	2	3
New Product Deals	0	1	2	3
Total Deals Closed	4	6	9	19

Recent Key Client Conversions

- Aegon
- Nationwide
- State Farm
- Union Central Life
- AXA Financial
- MONY
- Allmerica

Average Transaction Sizes

- Multi-Seller deals will grow from a $700mm critical mass, reflecting repeat issuers and the additive impact of new client conversions
- Stand alone deals will comprise of $500mm to $900mm, although dialog with many is in the $1.0B+ range

Average Deal

($mm)	Year 1	2	3
Multi-Seller CMBS	700	800	900
Stand Alone CMBS	500	700	900
Warehouse Lines	150	150	200
Real Estate CDOs	0	300	300
New Product Deals	0	500	500

League Table Impact

- "Institutional quality" loans originated on a principal basis to supplement the Multi-Seller deals, totaling $200mm per deal.
- The league table impact would move JP Morgan Chase within striking distance to a top 3 ranking

($mm)	Year	1	2	3	Total
Multi-Seller CMBS		1,400	1,600	2,700	5,700
Stand Alone CMBS		500	700	900	2,100
Real Estate CDOs		0	300	600	900
New Product Deals		0	500	1,000	1,500
League Table Impact		1,900	3,100	5,200	10,200

2003 Pro-forma Global CMBS Ranking	$B	Chg	$B	New Rank
4) Morgan Stanley	10.4	(1.9)	8.5	5)
5) JP Morgan Chase	8.2	1.9	10.1	4)

Pro-forma Revenue

- Revenue rates

  Multi-Seller = 35 bp
  Stand Alone = 25 bp
  CDOs = 1.0%
  New Prod. = 5/8ths
  Warehouse = 75 bp
  Prin. Trans = 3.0%

($mm) Year	1	2	3	Total
Principal Trans.	12.0	12.0	18.0	42.0
Multi-Seller CMBS	4.9	5.6	9.5	20.0
New Product Deals	0.0	3.1	6.3	9.4
Real Estate CDOs	0.0	3.0	6.0	9.0
Stand Alone CMBS	1.3	1.8	2.3	5.3
Warehouse Lines	0.3	0.6	0.9	1.8
Advisory Fees	0.0	0.5	1.0	1.5
Totals	18.4	26.5	43.9	88.9

Risk-Adjusted Revenue and Related Shareholder Value

- **The risk adjustment factor to pro-forma revenue = 25%**
- **While JP Morgan Chase's current P/E ratio is 29x, a more normalized number for a financial services firm is utilized for purposes of determining the related incremental shareholder value created**

Revenue & Value

($mm)	Year	1	2	3	Total
Pro-forma Revenue		18.4	26.5	43.9	88.9
Risk-Adjusted Rev.		14.0	20.0	33.0	67.0
P/E Ratio		19	19	19	
Marginal Tax Rate		35%	35%	35%	
Shareholder Value		170	250	400	

Resource Requirements

- Yours Truly
- Team working on each deal would include a VP / Associate / Analyst (12 weeks per deal)
- Coverage VP
- Analytical support from desk
- Principal transaction closing support
- Team support during final “bake offs”

Person Equivalents

Year	1	2	3
Sell-side Execution	2.1	3.5	5.5
Coverage Support	1.0	1.0	1.0
Principal closings	0.7	0.9	1.1
Analytical Support	0.5	0.5	0.5
Totals	4.3	5.9	8.1

Skill Sets

What Are My Relevant Skill Sets?

- Client Focused
- Commercial Orientation
- Demonstrable Leadership

Client Focused

- Able to convert large financial institutions into first time CMBS issuers
- Consistently viewed by clients as “trusted advisor” and “first call” with regard to real estate capital markets initiatives
- Created a highly focused marketing initiative with insurance companies contributing to 85% market share
- Possess strong track record for client following

Commercial Orientation

- In 18 months, built the JP Morgan Commercial Mortgage Conduit from scratch to #3 in league table conduit production ($1.2B)
- Over three years, built Morgan Stanley’s conduit production five-fold to $2.5mm per annum
- In 18 months, developed the IQ brand of CMBS, which generates $2.5B to $3.0B annually in league table and $30mm+ in revenue
- Executed the largest agribusiness disposition ever

Demonstrable Leadership

- Headed up new business and new product development leading client coverage and deal teams for Morgan Stanley
- Established expertise in managing multi-seller transactions
- Ran two major Wall Street commercial mortgage conduits (JP Morgan & Morgan Stanley)
- Established use of Dean Witter broker network to source principal commercial real estate debt transactions
- Chaired the JP Morgan New Product Committee to get approval to take commercial real estate principal risk

Self-Imposed Standards

- Meaningfully generate client revenues on a consistently profitable basis
- Accept accountability for client relationship
- Command respect as “trusted advisor” to clients
- Engage firm resources at appropriate times to “deliver the firm” with a focused team approach
- Gain in-depth knowledge of client’s goals, challenges and strategy to develop solutions
- Regularly create new client relationships and new business opportunities

Strategic Fit

Spencer Young would be a natural strategic fit . . .

- JP Morgan Chase possesses strong call in real estate investment banking with many financial institutions
- However, there has been a void with Insurance Companies, which now can be readily filled . . .
- . . . with a “rainmaker” possessing a strong track record for building businesses in real estate capital markets
- . . . who would help JP Morgan Chase achieve its goal of global CMBS league table ranking in the top 3

. . . particularly in the context of other important factors

- Insurance Companies want another dependable Wall Street partner
- Clients were displeased with Morgan Stanley’s action and have pledged their support assuming affiliation at certain firms
- The development of a high quality, repeat issuer brand of CMBS supported by Insurance Companies will be a strong addition to the JP Morgan Chase franchise
- Once established, there are other business development initiatives to be pursued

Thank you for your time . . .

. . . I would welcome the opportunity to join JP Morgan Chase real estate capital markets . . .

. . . As a complementary high impact addition to the team

Sincerely,

Spencer C. Young III

Terms of Employment
J.P. Morgan Chase / Spencer Young

Item	SYoung Bid (and rationale)	JPMC Offer
Title	Managing Director (For a level playing field in competing against Morgan Stanley – also commensurate with expected value creation)	Vice President
Entity	JPMorgan Securities (Consistent with other personnel on the sell-side of the business, and to preserve my 5 securities licenses)	JPMorgan Mortgage Capital
Sign On Bonus	$300,000 (to offset foregone deferred compensation and forfeited investment gains resulting from joining a competitor and soliciting Morgan Stanley clients)	$0
Base Salary	$200,000 (consistent with Morgan Stanley Managing Directors)	$160,000
Guarantee	Two Years of Base (to provide sufficient time to replicate the IQ brand in the marketplace with multiple transactions)	None
Bonus Formula (Revenue is total revenue booked by JPMorgan Chase on the new high quality brand of CMBS & sourced principal transactions	Contingent on three tiers of four achievement parameters, as articulated below: Tier I = $500,000; Tier II = $900,000; Tier III = $1,400,000 (In order to reach a Tier and receive a year-end bonus, each of the four achievement parameters noted below must be met or exceeded)	Discretionary – Expectations by tier are: Tier I = $500,000; Tier II = $825,000; Tier III = $1,250,000
Risk Limiters	$1mm severance in the event of a down-sizing, contingent on reaching Tier II	Nothing

Achievement Parameters:

Tier	New CMBS Clients	Deals Closed	Deal Amount	Revenue
I	3	1	$600,000,000	$5,000,000
II	5	2	$1,200,000,000	$10,000,000
III	7	3	$2,000,000,000	$20,000,000
Applicable Period:	Calendar years 2003 and 2004 – thereafter, bonuses are discretionary, but commensurate with results.			

Subj:	**Where I Stand**
Date:	3/13/03 9:30:25 AM Eastern Standard Time
From:	SpencerCYoung
To:	Steven.Z.Schwartz@chase.com, brian.j.baker@jpmorgan.com

Steve / Brian --

As you know, I have been candid and enthusiastic about joining J.P. Morgan Chase throughout our discussions and negotiations these past two months. You were provided a list of client references, of which I believe you personally contacted between 10 and 17 of them. You had the indicated that those I had interviewed with, as well as those clients you spoke with were consistently very positive about me.

Based on my discussions with those I met with at J.P. Morgan Chase, I am convinced that it is an outstanding institution at which to replicate the high-quality repeat issuer brand of CMBS that I had created at Morgan Stanley. The sheer breadth of the number of clients, the vast capital base, and the strong, growth oriented CMBS franchise that you have established convince me that this would be the ideal platform to create the meaningful incremental value that is articulated in the business plan I presented to Michael Malter and you.

As I indicated in our conference call yesterday, I was interested in the features of our negotiations that would demonstrate that you value the skill sets and relationships that I bring to the table such that this would be a win-win negotiation. I believe that the efforts you have expended to date to address my concerns have been vigorous and concentrated, but unfortunately given the strange times, you've been pushed back on virtually all fronts. Nevertheless, I thank you for those efforts and travails.

As I am most interested in getting started, I will accept what you say is the best you can do to address my concerns of the likely forgone deferred compensation and forfeited investment gains from the various Morgan Stanley real estate in venture capital funds that I am invested in, and if you require additional information, I will be happy to provide it.

Thank you.

To: John Steinhardt / Michael Malter

I was disappointed to learn yesterday that I would not be joining your team, particularly given the numerous discussions held over the past 10 weeks, and positive feedback that was heretofore received. Frankly, I'd like to get a better understanding of what caused this sudden about-face. Since Brian and Steve indicated that they were not plenipotentiaries in my employment negotiations, I seek your feedback.

From the outset, Brian Baker was my advocate when he met with me at the Miami CMSA conference in January. He knows me quite well from the days when he and I worked together at J.P. Morgan (1994 – 1997), when I founded and ran the commercial mortgage conduit. Steve Schwartz was equally enthusiastic from our initial meeting at the CMSA.

As part of the due diligence process, I provided 48 client references (copy attached) of which approximately one-third were contacted by Brian and Steve. I was told all clients were very positive of me (no surprise here), and those that I had interviewed with at J.P. Morgan Chase were enthusiastically supportive of my coming on board. The business plan that I presented was described as sound, well-thought through and consistent with J.P. Morgan Chase objectives (an abridged copy is also attached). The majority of those I met with indicated I would be filling an important strategic void.

In addition to your meetings with me, I would like to thank you for arranging my discussions with Lillie Alexandre, Peter Baccile, Louis DeCaro, Kevin Finnerty, Jeff Flug, Tim Main, Geoff Souter and Bill Wallace. And I certainly appreciate the numerous and lengthy discussions held with Brian and Steve.

Throughout the process, I was impressed with those I met with and was confident that the J.P. Morgan Chase platform was ideal for the execution of my business plan. Important insurance company clients that I had lined up for a deal in June 2003 were anxious to see me land at a viable CMBS platform. These include Allmerica, MONY, Nationwide, TIAA and Union Central Life. In addition, Allstate, AXA Financial, Nationwide and State Farm had submitted portfolios for stand-alone portfolio securitizations. Needless to say, I have been anxious to get started.

On February 25th, Brian, Steve and I began negotiating the terms of my employment. In the context of, and subject to delivering on the business plan I presented, I outlined the terms I was looking for. Given the challenging business environment faced by the financial services industry generally, the terms I outlined were such that if I didn't deliver on the plan, I simply wouldn't get paid.

Steve and Brian countered. The "bid/ask" on the seven key terms of employment are contained in the attached Employment Terms Sheet. Having negotiated approximately 100 contract agreements with clients, I believe that successful negotiations are those where both parties construct a mutual "win-win" final product. When I conveyed my concern over the one-sided nature of the negotiations, I was told that this was because of the challenging environment and the uncertainty created by the imminent war didn't help matters. I responded that I would accept the best that could be offered (email attached). The response back was “we are no longer interested in proceeding”.

I am trying to understand the rationale for this about-face, and why from a business perspective you wouldn't hire someone who: (1) Brian Baker knew very well and advocated from the outset; (2) received consistently positive internal feedback and vast institutional client support; (3) possesses a proven and verifiable track record at a firm that was No. 1 in CMBS for three years running; and (4) has developed a three-year business plan that has been vetted internally and promises to deliver:

- $10.2 billion in CMBS transaction volume that would position J.P. Morgan Chase within striking distance for leadership in the global CMBS League tables;
- $67.0 million in risk-adjusted revenue;
- 15 new institutional clients;
- 19 transactions; and
- incremental shareholder value of $400 million

I would be happy to come in to visit with you at your convenience to better understand this and determine if there is a way to construct a role that would be mutually beneficial. As my resume illustrates (also attached), I am a high-impact, client-focused rainmaker whose business development skills can be applied against a deep institutional client base (with a focus on insurance companies) and across a range of credit products. If I don’t deliver, you don’t pay me, and I go away quietly. The way I see it, you would have limited downside and significant upside.

Thank you.

Sincerely,

Spencer C. Young III

P.S. If you were to check with Peter Baccile and Tim Main, they would likely convey their surprise and disappointment with this turn of events. Just last Thursday, my close friend Joe Forte (Partner at Dechert and renowned CMBS / Real Estate Attorney) inquired of my prospective employment with Peter Baccile at the Real Estate Roundtable Dinner. Peter told him that he “thought it was a done deal” and expressed that he was looking forward to working with me.

Attachments:

- Client Reference List
- Business Plan
- Employment Terms Sheet
- Email accepting terms offered
- Resume