

December 23, 2002

Dear Friends:

It's been awhile since I've put out a letter. Like many of you, I have been presented with special challenges by the marketplace. Business activity is down and, in addition, I have been very occupied with trying to stay in touch with my many friends from Arthur Andersen who have had to relocate their careers. Congratulations to all who have moved on successfully. To those still on the move, please stay in touch with me. I will do all I can to help. To the rest of you, if you have any knowledge of opportunities, particularly for the high quality internal management folks (financial, controllership, human resources, facilities, systems etc.) still coming out of Andersen, please relay those opportunities on to me. I will provide any help (short of our core retained search process) I can without fee. Many of you know that I was at Andersen for over 20 years.

Business Activity – In the last few weeks, I have sensed a real up-tick in search activity. While that's good news for all of us (executive recruiting is traditionally a leading indicator), we are still operating below capacity, though we likely will finish 2002 at about 75% of 2001's level. To those of you in transition, I would say "hang in there, better times are coming." To those considering a transition, I would advise extreme caution regarding making a career switch without having your next situation well in hand. Our activity has been increasing across the board – manufacturing to financial institutions – with the continued lack of activity most noted in the information technology and telecom sectors. I am afraid we need some resolution to the uncertainties about going to war before real confidence will return to the employment scene. In addition, we need to get past the fourth quarter of 2002. Many companies will be dumping debits during the fourth quarter, figuring 2002 is lost anyhow and this will clean out the bad accounts so 2003 might be more positive for earnings potential.

Employment – We sense there is an up-tick now in employment activity. As a leading indicator, back in June 2001, we felt the slowdown beginning when there was a lack of proposal activity in our business amidst a high level of work in process. Since the cycle time of our projects is three to five months, we had our first real dip in activity in August. Then, with the 911 attacks, there came first a flurry of proposals and then extreme caution, with many projects sitting on credenzas waiting for the trigger to be pulled. That caution has continued along with some activity until this past July when inquiries from companies began to pick up. Still cautious, there now is at least some interest in going to market for both new and existing positions. Bottom line here is "guarded optimism."

In the news – Be sure to check out the November 2002 issue of *CFO* magazine for the compensation survey. Documenting the obvious, the Mercer survey shows total CFO comp leveling off between 2001 and 2002. It'll be interesting to see what the survey shows for the following year. In another article, the same issue (stating the obvious) concludes that it is more and more difficult to move up to a CFO position in this slow market (from Controller or Treasurer) and it is taking longer to find a new position. <http://www.cfomagazine.com/magazine>

Thanks to those of you who noticed that I haven't sent out this letter for a while! If there are those of you who do not want to receive this in the future, just reply with "remove" – and I'm not kidding!

As we approach the new year, let me say again "thanks" to all of you who have referred your colleagues and clients to me. I sincerely appreciate hearing from you and helping those who may be reaching out for a trustworthy advisor regarding executive recruiting needs. As you know, referrals to organizations that are seeking to find new executive level talent are the lifeblood of my business. My practical "business approach" to search work, along with a personal service attentiveness, consistently generates positive client and candidate feedback.

Donahue / Patterson Associates manages senior level retained executive searches – typically with compensation in excess of \$100,000 – across all functions in a broad range of industries.

A Safe and Joyous Holiday Season to you all!

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