

# The Becker and Warburg-Paribas Group

INCORPORATED  
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January 17, 1977

Fellow Employee Stockholders,

This letter supplements the information provided in the enclosed 1976 Annual Report for The Becker and Warburg-Paribas Group Incorporated.

## Personnel Developments

At the end of fiscal 1976, The Group employed 2,166 persons - 195 more than a year earlier. This increase of just under 10%, compared with the 25% increase that took place during fiscal 1975, represents a general leveling of overall employment growth in the Group.

In the past year the greatest net personnel increases occurred in the marketing, trading and other revenue development areas of A. G. Becker and Becker Securities. Net increases in staff operations and support personnel were somewhat lower. These trends reflect conscious programs to add personnel selectively, increasing the depth of our market penetration while maintaining an emphasis on efficiency in operations and in support areas.

| <u>Personnel By Entity</u>                              | <u>10/29/76</u> | <u>*10/31/75</u> | <u>Change</u> | <u>% Increase<br/>(Decrease)</u> |
|---|-----------------|------------------|---------------|----------------------------------|
| A. G. Becker Activities                                 | 219             | 183              | 36            | 19.7%                            |
| A. G. Becker & Co.                                      | 185             | 156              | 29            | 18.6%                            |
| A. G. Becker & Co. Municipal<br>Securities Incorporated | 30              | 23               | 7             | 30.4%                            |
| A. G. Becker International<br>Limited                   | 4               | 4                | --            | --                               |
| Warburg Paribas Becker<br>Activities                    | 99              | 86               | 13            | 15.1%                            |
| Becker Securities Activities                            | 1,748           | 1,595            | 153           | 9.6%                             |
| Becker Securities<br>Corporation                        | 1,721           | 1,572            | 149           | 9.5%                             |
| Becker Securities<br>Corporation, S.A.                  | 17              | 14               | 3             | 21.4%                            |
| A. G. Becker (Canada)<br>Limited                        | 5               | 4                | 1             | 25.0%                            |
| Mid-Continent Capital, Inc.                             | 5               | 5                | --            | --                               |
| Private Investment Services<br>Activities               | 10              | 15               | (5)           | (33.3%)                          |
| BWP Group Central Administrative<br>Activities          | 90              | 92               | (2)           | (2.2%)                           |
| Group Totals  | <u>2,166</u>    | <u>1,971</u>     | <u>195</u>    | 9.9%                             |

\*Restated for comparability with 1976 organization.

| <u>Personnel By Function</u>  | <u>10/29/76</u>   | <u>10/31/75</u>   | <u>Change</u>     | <u>% Increase<br/>(Decrease)</u> |
|---|-------------------|-------------------|-------------------|----------------------------------|
| Management Group  | 36                | 33                | 3                 | 9.1%                             |
| Marketing, Trading, Other<br>Revenue Development and<br>Direct Support Personnel                        | 982               | 871               | 111               | 12.7%                            |
| Operations, Administrative,<br>Production, Systems, Clerical<br>and Other Indirect Support<br>Personnel | 1,133             | 1,047             | 86                | 8.2%                             |
| Private Investment Activities   | 15                | 20                | (5)               | (25%)                            |
|   | <u>          </u> | <u>          </u> | <u>          </u> |                                  |
| Firm Total  | <u>2,166</u>      | <u>1,971</u>      | <u>195</u>        | 9.9%                             |

Brokerage and Credit Securities Operational Support

The table below, which gives a breakdown of tickets processed, shows the 16.7% increase in overall ticket volume and shows that it was attributable to increases in our dealer services business. The steady gain in portfolio services ticket volume was offset by lower funds evaluation ticket levels, due primarily to the cash conversion program.

|                            | <u>(000 omitted)</u> |             |               | <u>% Increase<br/>(Decrease)</u> |
|----------------------------|----------------------|-------------|---------------|----------------------------------|
|                            | <u>1976</u>          | <u>1975</u> | <u>Change</u> |                                  |
| General Portfolio Services | 156                  | 141         | 15            | 10.6%                            |
| Funds Evaluation Services  | 40                   | 54          | (14)          | (25.9%)                          |
| Investment Dealer Services | 469                  | 366         | 103           | 28.1%                            |
| Other                      | <u>41</u>            | <u>44</u>   | <u>(3)</u>    | (6.8%)                           |
| Total                      | <u>706</u>           | <u>605</u>  | <u>101</u>    | 16.7%                            |

The number of tickets processed related to our fixed income and money market securities activities showed a 1% decline from 279,000 in fiscal 1975 to 276,000 in fiscal 1976.

Development of Capital Funds and Net Asset Value Per Share -- Fiscal 1976

The Group ended fiscal 1976 with Stockholders' Equity of \$41,725,000, up \$7,495,000 from October 31, 1975. This year-to-year change is summarized in the table below:

|  | <u>(000 Omitted)</u> |                 |
|--|----------------------|-----------------|
| Stockholders' Equity, October 31, 1975   |                      | <u>\$34,230</u> |
| Add:   |                      |                 |
| Net Income   | \$ 7,527             |                 |
| Sale of Class C Common shares<br>(Net of change in notes due from<br>stockholders) | \$1,757              |                 |
| Less:  |                      |                 |
| Repurchase of Class A and Class<br>C Common shares                                 | <u>1,789</u>         |                 |
| Net decrease in equity capital   |                      | <u>(32)</u>     |
| Net Increase   |                      | <u>\$ 7,495</u> |
| Stockholders' Equity, October 29, 1976   |                      | <u>\$41,725</u> |

Giving effect to changes during the period, capital funds increased from \$60,743,000, at the end of fiscal 1975, to \$65,824,000 at October 29, 1976, as follows:

|   | <u>(000 Omitted)</u> |                 |
|---|----------------------|-----------------|
|   | <u>10/29/76</u>      | <u>10/31/75</u> |
| Subordinated Liabilities:                                 |                      |                 |
| Senior Subordinated Term Loans due Banks                  | \$ 3,700             | \$ 6,500        |
| Junior Subordinated Debentures due Former<br>Stockholders | 1,117                | 632             |
| Cash Subordination Agreements                             | 1,282                | 1,381           |
| Capital Note due Warburg-Paribas, Inc.                    | <u>18,000</u>        | <u>18,000</u>   |
|   | \$24,099             | \$26,513        |
| Stockholders' Equity                                      | <u>41,725</u>        | <u>34,230</u>   |
| Total   | <u>\$65,824</u>      | <u>\$60,743</u> |

At October 29, 1976 the net asset value per share of Classes A and B Common was \$31.89 based upon 1,300,457.5 shares and the net asset value per share of Class C Common was \$28.67 based upon 128,997 shares. Over the past ten and two years respectively, our record of change in net asset value per share and in shares outstanding at fiscal year-end has been as follows:

| **Classes A & B Common |                          |                             |                          | ***Class C Common       |                           |                          |
|------------------------|--------------------------|-----------------------------|--------------------------|-------------------------|---------------------------|--------------------------|
| Fiscal Year End        | Avg. Shares Outstanding* | Net Asset Value Per Share * | % Change Over Prior Year | Avg. Shares Outstanding | Net Asset Value Per Share | % Change Over Prior Year |
| 1976                   | 1,353,835                | \$31.89                     | 21.7%                    | 105,559                 | \$28.67                   | 16.0%                    |
| 1975                   | 1,410,495                | 26.20                       | 23.5%                    | 38,007                  | 24.72                     | NA                       |
| 1974                   | 1,580,542                | 21.22                       | 9.7%                     |                         |                           |                          |
| 1973                   | 1,875,502                | 19.34                       | 3.8%                     |                         |                           |                          |
| 1972                   | 1,882,088                | 18.64                       | 24.3%                    |                         |                           |                          |
| 1971                   | 1,835,896                | 15.00                       | 19.8%                    |                         |                           |                          |
| 1970                   | 1,940,866                | 12.52                       | (8.7%)                   |                         |                           |                          |
| 1969                   | 2,223,076                | 13.71                       | 14.4%                    |                         |                           |                          |
| 1968                   | 2,166,032                | 11.98                       | 18.8%                    |                         |                           |                          |
| 1967                   | 2,270,680                | 10.09                       | 129.1%                   |                         |                           |                          |

\*Adjusted for the 2 for 1 stock split in 1975 and the 5 for 1 stock split in 1969.

\*\*The amounts shown above for Classes A & B Common during the period 1967-1974 are based on the then outstanding Common and Class A non-voting Common stock. The 1975 and 1976 amounts are based on the Class A Common voting stock, which was exchanged for the two previously mentioned classes of stock on a share for share basis pursuant to the Amalgamation Agreement with Warburg-Paribas, Inc., as well as the Class B Common stock.

\*\*\*Class C Common stock of the Company represents the class of stock sold to employees of the Company since December 27, 1974.

NA Not Applicable.

### Stockholder Group

During fiscal 1976 our employee stockholder group decreased slightly from 214 to 205. At fiscal year-end there were 182 employee stockholders who owned 1,040,362 shares of Class A Common and 88 employee stockholders who owned 128,997 shares of Class C Common, of whom 65 are also Class A stockholders. Warburg-Paribas, Inc. owned 282,819 shares of Class B Common at fiscal year-end.

### Employee Benefit Fund Developments

The Group's 1976 contributions to the Profit Sharing Funds, which were made early in January, 1977, totalled approximately \$3,444,000. The number of employees participating in the Profit Sharing Plans increased by 154 to 1,095, and included 307 employees who participated in the Plans for the first time during fiscal 1976. At fiscal year-end, after giving effect to fiscal 1976 contributions, the total market value of these funds was approximately \$17.3 million.

The table below gives a five year summary of participation, total fund market value and Growth Fund performance:

| <u>Year</u> | <u>Employees participating at fiscal year end</u> | <u>Total Fund Market Value at Fiscal year end*</u> | <u>Time weighted rate of change on a calendar year basis</u> |  |
|-------------|---|--|--|--|
|             |   |  | <u>Growth Fund Increase (Decrease)</u>                       | <u>S &amp; P 500 Increase (Decrease)</u> |
| 1976        | 1,095   | \$17,280,943                                       | 21.0%**  | 12.6%**                                  |
| 1975        | 941   | \$13,371,023                                       | 33.1%  | 31.5%                                    |
| 1974        | 707   | \$ 8,421,968                                       | (7.6%)   | (29.7%)                                  |
| 1973        | 667   | \$ 9,201,556                                       | (20.5%)  | (17.4%)                                  |
| 1972        | 751   | \$ 9,908,620                                       | 27.9%  | 18.9%                                    |

\*Includes company contribution for that fiscal year and voluntary employee contributions.

\*\*For the ten months ended October 29, 1976.

The contributions made by the Group and its subsidiaries for fiscal 1976 to the Employee Pension Plan totalled \$1,194,000. This amount brings the total of contributions made to the plan, which began in 1957, to \$8,377,000. At October 29, 1976, after giving effect to the fiscal 1976 contributions, the market value of pension fund assets totalled approximately \$9,824,000. For the three years ending October 29, 1976, the performance of our pension plan ranked in the top 3% of plans under measurement by the funds evaluation services. There were 50 pensioners at fiscal year-end who were receiving monthly benefits totalling approximately \$14,200 from the Pension Plan.

### Closing Thoughts

Overall results for The Becker and Warburg-Paribas Group for fiscal 1976 mark the year as a very successful one. The benefits from our association with S. G. Warburg & Co. Ltd. and Compagnie Financiere de Paris et des Pays-Bas have increased as our working relationships have solidified. The dedication and teamwork of all employees — but especially those in our stockholder group — have contributed mightily to make fiscal 1976 a very good year.

As we move along into fiscal 1977, we have a big job to do. Coupled with all the normal uncertainties as to the volume and value levels of the securities markets, we have a significant structural change taking place in our nation's equity markets. We are in a good position to meet these challenges if every key employee will continue to give his or her very best. Keep up the great work!



Paul R. Judy  
President