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GLOBEOP: ENABLING HEDGE FUNDS, 2000-2003

We were in a business that is a service business and as a result, we were put under a lot of pressure by our clients.... So we had to build an infrastructure that allowed our people to develop in order for them to feel safe within the company.

—Hans Hufschmid, GlobeOp CEO and Co-founder

GlobeOp, headquartered in New York and London[1], was an independent financial technology firm focused on providing outsourced middle- and back-office operations capabilities, and fund administration and risk reporting services to hedge funds and their investors, including fund of funds, institutional investors and family offices. The middle- and back- office operations of a hedge fund are typically thought to include trade processing and settlement, position and risk management reporting, profit and loss computations, fund accounting, cash and foreign exchange management, stock borrow and bond repo tracking and reporting, compliance reports for regulatory authorities, and collateral and margin management. GlobeOp was founded in 2000 by five people, four of whom were alumni of Long-Term Capital Management (LTCM). Despite the widely publicized collapse of LTCM, the rich and varied experiences of key members of its operational and technology infrastructure enabled the founding of GlobeOp.

GlobeOp's hedge fund clients traded a wide range of assets including listed securities traded on exchanges, standardized instruments traded in dealer markets (such as government bonds), and customized over-the-counter (OTC) derivatives. These hedge fund clients outsourced to GlobeOp for a variety of operational services and fund administration support including investor

[1] New York and London were GlobeOp's dual headquarters, but the company was also incorporated in Luxembourg and has offices in Harrison, NY; Mumbai, India; the Cayman Islands; Dublin, Ireland; and Hartford, Connecticut.

Victoria Chang prepared this case under the supervision of David Modest, Ph.D. and Professor Glenn Carroll as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

reporting and communication, calculation of fund-related fees, computations of net asset values (NAV), limited partnership accounting, and assistance with anti-money laundering compliance requirements.

GlobeOp combined "off-the-shelf" software with proprietary systems and technology. The founders' rationale for launching GlobeOp was to enable hedge fund managers to focus on their core investment activities, and to minimize the distraction from middle- and back-office operations. According to GlobeOp, "It is also very difficult to properly scale this side of the business. It takes a substantial investment to reach critical mass in back-office technology and accounting…. For the fund's manager there is no profit to be made in executing and managing the investment process after the trade has been executed. There is only a cost to be minimized and operational risk to be mitigated. GlobeOp provides a service that can lower and scale that cost and…mitigate the risk of operational errors."[2]

The founders of GlobeOp endured typical start-up challenges that included endless hours, technical challenges, management issues, strategic disagreements, resource issues, and financial insecurity. But by December 2003, GlobeOp had grown to nearly 400 people, serving 86 clients representing $29.6 billion in assets under administration (AUA). Moreover, GlobeOp had done so well that it had attracted the interest of a broad range of potential investors and competitors. Ultimately, in the Fall of 2003, GlobeOp's initial partners decided to sell a minority portion of the company to TA Associates, a private equity and buyout firm, for $82 million. TA Associates had been attracted to GlobeOp because of its instrumental role in transforming the hedge fund industry. But despite its early successes, the GlobeOp founders did not want to rest on their laurels. They wondered how best to take advantage of the company's platform, as well as how to maintain GlobeOp's market leadership position going forward.

GROWTH OF HEDGE FUNDS

Hedge funds first emerged in the United States in the 1940s and had grown rapidly by 2003. In 1990, there were reportedly 610 hedge funds managing $39 billion in assets.[3] By 2000, there were 3,000 funds, and by 2003, approximately 6,000 to 7,000 hedge funds operated in the United States, managing roughly $600 to $650 billion in assets.[4] The popular perception of hedge funds was greatly influenced by the big global macroeconomic players such as George Soros, who became famous and was dubbed "the man who broke the Bank of England" after shorting more than $10 billion worth of Pound Sterling in 1992; and earning an estimated $1 billion when the Bank of England was forced to withdraw the Pound Sterling from the European Exchange Rate Mechanism. But the reality was that most hedge funds had less than $100 million under management. Assets under management could vary from less than $1 million to over $10 billion, depending on the fund. Some funds had three to four employees, while larger hedge funds could easily employ more than 300 people.

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[2] GlobeOp Website: www.globeop.com.

[3] Mila Getmansky, "The Life Cycle of Hedge Funds," January 16, 2004, p. 4, lfe.mit.edu/media/hedge_fund_life_cycle.pdf. Note some sources say 300 hedge funds: Aditi Davare and Holly Goodrich, *Vault's Career Guide to Hedge Funds* (New York: Vault Inc., 2004), p. 24.

[4] By 2006, there were more than 9,000 hedge funds with approximately $1.3 trillion under management. Daniel A. Strachman, *Getting Started in Hedge Funds,* (New York: Wiley, 2005), p. 3.

Hedge funds could invest in any asset class (equities, debt, commodities, derivatives, currencies, etc.), depending on the self-imposed restrictions reflected in the Private Placement Memoranda (PPM) that govern their investment activities. They could also trade in any stock market/exchange (e.g. NYSE, NASDAQ, London Stock Exchange (LSE), and Tokyo Stock Exchange) subject to their PPM and local regulatory constraints. Other characteristics of hedge funds were investment strategies that vary over time with the opportunity set:

- limited transparency;
- high minimum investment levels;
- limited liquidity, significant lock-up periods and gates on the amount of investor withdrawals;
- high management fees;
- substantial performance compensation for fund managers (often 20% of profits and sometimes much higher);
- significant management investment of their liquid net worth and deferred compensation;
- absolute returns (hedge funds, unlike mutual funds, promised to achieve positive returns independent of market conditions);
- and that they are only available to qualified investors.

GLOBEOP FOUNDING

Long-Term Capital Management (LTCM) was a hedge fund founded in 1993 by John Meriwether and a group of associates, including ex-colleagues from Salomon Brothers, key academic figures in finance (such as eventual Nobel laureates Robert Merton and Myron Scholes) and former Federal Reserve vice-chairman David Mullins. Although the fund was initially spectacularly successful, it was forced to wind down following huge trading losses in 1998. LTCM was known for the status and intellectual prowess of its partners, as well as for its innovative and wide-ranging approach to arbitrage and trading. At its zenith, LTCM had over $7 billion of equity capital, a balance sheet in excess of $125 billion, off-balance sheet items in excess of $1 trillion (much of the risk defeased), close to 200 employees, and offices in Greenwich, London and Tokyo—with investments that ranged from sovereign to emerging market debt and from vanilla equities to the most complicated derivatives. Among other things, this global and comprehensive approach clearly meant that LTCM needed to build a complex support infrastructure. As LTCM's global manager of accounting (and subsequent GlobeOp founder) James Webb said: "LTCM was a very complicated fund—it traded every product."

The strength of LTCM's infrastructure spawned the idea behind GlobeOp, according to GlobeOp CEO Hans Hufschmid: "Often, when there's a meltdown, there's huge administrative chaos, but that wasn't the case at Long-Term."[5] He also stated: "…some guys from outside the old company [LTCM] came to us and said even if there were problems at LTCM, the infrastructure was good, and if you could find some way of packaging it, there'd be a lot of business coming your way."[6] Hufschmid was referring to John Reville, a partner at Price Waterhouse Coopers in

[5] Katherine Heires, "GlobeOp, Administration Master, Looks Beyond Fund Basics," *Securities Industry News,* September 4, 2006.

[6] John Sandman, "GlobeOp Trades on LTCM Model," *Securities Industry News,* January 29, 2001, vol. 13, Issue 5.

New York who was responsible for the LTCM audit from inception to closure. According to Deegan, Reville encouraged Webb and Rosenblum over a dinner meeting in January of 1999 to consider the back-office concept as a potential business opportunity.

Ron Tannenbaum, GlobeOp's London-based head of sales and marketing and one of its original founders, said that LTCM never failed to make a payment, restate earnings, or miss a deadline for delivery of audited financial statements. Hufschmid added: "People always wanted to meet us just because of the Long Term Capital connection and to learn firsthand how to avoid potholes and how we managed various aspects of the fund."[7] James Webb, another GlobeOp founder and original head of accounting and finance, recounted the genesis in more detail: "We were looking for what we were going to do after LTCM. We had just gone through a year of unwinding all the positions at LTCM and we were kicking around ideas. One of the things that came out of LTCM was that we were able to keep the business running in terms of the back- and middle-office, despite 90 percent plus trading losses. We were able to continue to make margin calls, etc. We felt we had something of value there in terms of the structure and the people and how we had approached the back office."

Along with Hufschmid, Tannenbaum, and Webb, LTCM alumni were:

Notable LTCM Alumni at GlobeOp

- Tom Deegan* (former head of technology at LTCM and founding Chief Information Officer at GlobeOp)
- Alison Gregory (former deputy general counsel at LTCM and GlobeOp's head of enterprise risk management)
- Hans Hufschmid* (former LTCM partner and GlobeOp's CEO and initial funder)
- Didier Martineau (an LTCM strategist focused on strategy development and risk management and head of Risk services at GlobeOp)
- Ira Rosenblum* (former director of operations at LTCM from 1993 to 1998 and head of GlobeOp's client relationship management in New York)
- James Webb* (former global manager of management accounting at LTCM and founding manager of finance functions at GlobeOp).
- Nandini Sankar (technology strategist responsible for LTCM operations systems, became chief operating officer for GlobeOp's India offices)

Other GlobeOp Founder

- Ron Tannenbaum* (formerly at Salomon Brothers, Rabobank and UBS, where he worked with LTCM partners, and GlobeOp's global marketing head and initial funder)

** GlobeOp Founders*

The genesis of GlobeOp began over a series of lunches at Katzenberg's kosher deli in Greenwich, Connecticut, starting in January 1999, attended by Deegan, Rosenblum, and Webb.

[7] Katherine Heires, "GlobeOp, Administration Master, Looks Beyond Fund Basics," *Securities Industry News,* September 4, 2006.

Over those lunches, they mapped out an initial business plan with staffing needs, buildout costs and revenue projections. Hans Hufschmid committed to join and fund the endeavor in September 1999 following a golf outing to Las Vegas in August. Most of the original founders left LTCM in October 1999. Deegan, original head of technology, said: "I shut down Tokyo's LTCM office and started the very next day working at GlobeOp. I literally left LTCM on a Friday and started with GlobeOp on Monday." Although all of the founders had hedge fund experience, Rosenblum, original operations head, noted: "I had no interest in working at a hedge fund after LTCM." Hans Hufschmid officially started with GlobeOp in September/October 1999, as did Ron Tannenbaum, while Alison Gregory started in March 2000. Tannenbaum had been friends with Hufschmid since the early 1980s and remarked that: "We knew immediately the idea of GlobeOp would be a big opportunity from square one."

Another early member of the team was Nandini Sankar, also a former LTCM employee. Sankar was recruited by Webb, Deegan, and Rosenblum in November 1999, as a technology team member. Sankar recalled her decision to join the team: "I decided to take the risk because more than the idea, I believed in the people. I felt that they had a great management team. Very few start-ups have this kind of fire power behind them. The founders knew the industry inside and out and they also had a lot of contacts. Given all of these factors, I thought this company had a pretty good chance of getting off the ground."

The founders had known of another company called IFS that provided outsourced fund administration and back-office functions for hedge funds. Webb said: "We thought we could do the same thing, but have a greenfield advantage. We knew that we had a system that had a competitive advantage." Rosenblum added: "Plus IFS always wanted the administration work or the back-office and we wanted the middle-office work." Deegan noted: "Post-LTCM, we felt there was going to be a big move to push the proprietary trading business out of the banks and securities firms to create hedge funds. We recognized this early on and that gave us time to build a business."

Furthermore, certain U.S. tax law changes impacted and influenced the timing of GlobeOp's founding. The Taxpayer Relief Act that became effective on December 31, 1997, repealed the "Ten Commandments" which had required a U.S. managed fund to have 10 administrative functions performed outside of the U.S. in order for the fund not to be subject to certain U.S. taxes on its offshore income. Some functions included communicating with shareholders, accepting subscriptions of new shareholders, maintaining the principal corporate records and books, etc. The adoption of the Ten Commandments in 1968 had spawned the development of the offshore fund administration industry for U.S.-based hedge funds.

The new Taxpayer Relief Act allowed hedge funds to self-administer their offshore funds or to consider other on-shore alternatives. Webb explained: "There was a whole industry in offshore locations in the Caymans, etc., that handled activities for hedge funds, but that really did nothing at all—they did essentially what the hedge funds told them to do in terms of putting together the books and the records. We saw a big competitive advantage in the timing and in being able to offer these services onshore with Wall Street hedge fund people instead of people in offshore locations. Outsourcing was just starting to get off the ground and we wanted to catch the upward trend. In addition, we thought the middle-office was more attractive and thought we could get a better margin and that's turned out to be true. We also had all the expertise in people in terms of operations, IT, and accounting."

The early members of the GlobeOp team faced the typical challenges that most start-ups face, including locating office space, buying furniture, building systems, and recruiting employees, according to Sankar. Ironically, even the early office furniture was acquired from a LTCM fire sale at "10 cents on the dollar. I actually had the same computer at GlobeOp that I had at Long-Term with the same Post-It notes attached to it. It actually felt like the same job, but just a different location. But it really wasn't the same job because we didn't even have an email system in place at GlobeOp when I first started." The fact that many of the early team came from LTCM enabled GlobeOp to get up to speed quickly: "We had a very close knit group of people at GlobeOp initially," said Sankar. Of the early 20 employees, 13 of them had been LTCM employees. "The respect and trust that we had as a team helped us to get through some of the long nights."

Hufschmid initially only planned to provide financing for GlobeOp. He had met the team in Las Vegas to discuss the business plan in detail, and after the meeting, decided to see if his contacts in the hedge fund industry might be interested in outsourcing their services to GlobeOp. "One contact said yes," said Hufschmid. "That's really how we started out. We had a lead client, essentially, I put up the money initially, and Ron [Tannenbaum] put up some money to start the company [$1 million dollars]. And we opened up in New York and London." Hufschmid invested $2 million dollars into the company and the combined initial funding lasted through September 2000. After that, Hufschmid raised another $10 million from friends at an $80 million valuation. "And that was it. We never needed to raise money after that," he said.

STRATEGY AND GROWTH

Overall Philosophy

From the very beginning, the GlobeOp team set out to achieve a high degree of excellence in providing customized middle- and back-office solutions and fund administration support to its clients. Tannenbaum explained: "We always had an idea of what we wanted to do and we just went ahead and did it. We have always constantly pushed the bar higher for ourselves and this mentality has put us out in front because we were always innovating. We've always been the one to set the pace." Tannenbaum attributed the root of that hard-charging attitude to the mentality of the GlobeOp team: "We all think this way all the time," he said. "If it's new and we're going to have to do some sort of task, concept, or goal eventually, we have always said, 'do it now and do it better.' That way, you're going to force competitors to either do it too or to drop away."

Technology Strategy

In essence, GlobeOp aimed to develop a streamlined system for traders. They deployed a trade entry system directly to the traders wherever the traders were located. Traders could input a trade directly into a system and it would end up in the portfolio management and accounting systems "without too much work and without too many people touching it," according to Webb.

To the best of the company's knowledge, GlobeOp's systems were the first systems that allowed for real-time transfer of trade data from a trader to the prime broker. Prime brokers were typically part of an investment bank (e.g. Morgan Stanley, Goldman Sachs, etc.) and provided tools, services, and systems to a hedge fund such as clearing trades, stock lending, cash management, position and risk reporting, trading technology, and capital introductions to potential investors. Deegan said: "We had a centralized computer facility and wherever a trader was in the world and whatever prime broker he used, he could access it real-time."

But it took a significant amount of work early on to provide traders with such systems. The GlobeOp team's early strategy was to "get up to speed quickly," in order to build a client base rapidly, according to Webb. Their strategy was to acquire an existing system from a third-party entity, "become experts in the system, design a system around that system, and bolt off-the-shelf software together." "That was our real expertise," added Webb. "By bolting the technology together, however, we knew that our technology would not be a barrier to entry. But we felt that if some system did not function properly, we could easily unbolt it and bolt another system together."

Endeavour, a fixed income arbitrage hedge fund run by Paul Matthews, a former colleague of Hufschmid's and Tannenbaum's at Salomon Brothers, was GlobeOp's first client. Endeavour was a spin-off of what remained of Salomon Brothers' London proprietary fixed income trading business, which Sandy Weil decided to close down late in 1998. Webb said: "We signed Endeavour in January of 2000 and by June we had responsibility for accounting for a quarter-billion dollars. In that time period, we spent all of our time putting together robust systems capable of giving us the flexibility to process high volumes of trading activity." The GlobeOp team actually had to win Endeavour's business away from its internal group at Citigroup, which owned Salomon Brothers. "It was a heartfelt battle," recalled Webb.

In the midst of acquiring its first client, GlobeOp was still in the process of hammering out its technology strategies and details. A major decision concerned the proprietary outside systems that the company planned to use. The GlobeOp team was deciding between Reuters, with its Reuters Kondor+™ Risk Management system and Murex. "The people at Reuters 'got it,'" said Webb. "We struck a very unique revenue contract with them. Their business model was to sell systems to large banks with a significant upfront fee and a lot of consulting dollars behind it. We told them that we would sell seats and they would receive monthly revenue that would build and build in terms of an annuity." Webb elaborated: "Reuters knew that they couldn't take their system and sell it to hedge funds—it was too big and too expensive, but they wanted to penetrate the hedge fund industry because the big bank market was drying up, GlobeOp became their vehicle for doing that." Deegan commented: "It was a unique arrangement for Reuters to have a revenue-sharing model as opposed to receiving a big chunk of up-front money." In the end, GlobeOp received Reuters' technology for "a very low upfront cost" because Reuters was investing in the market over the long-term.

Deegan provided further insight: "Gabriel Bousbib at Reuters, the man in charge of Kondor+ sales in the Americas, recognized the potential of GlobeOp as a business partner and a Kondor distribution channel immediately. He pushed the deal internally at Reuters where competitors, including Murex, were focused on a typical client sale relationship. GlobeOp needed distribution rights and the ability to 'license' the technology for a broader business; we were never going to be a typical end-user. Beyond that, we were focused on an agreement that aligned license payments with assets under administration (AUA) and number of clients/users. Only Reuters was willing, initially, to entertain such an atypical agreement."

From GlobeOp's perspective, Reuters' technology allowed GlobeOp to enter the market quickly with a system that was capable of handling all products and all markets. Rosenblum noted: "Reuters essentially had a risk management system, not a trade capture system, but we saw it as a trade capture or a position-keeping system." Webb felt that the founding team's experiences at LTCM had helped them to build a technology that covered all the important market needs: "We knew that the system we came up with needed to cover every single thing one would want to trade. It couldn't just handle a long/short equity fund." Thus the GlobeOp team worked with the Reuters system and additions to meet the unique needs of a hedge fund. Rosenblum said: "Reuters thought they might get a lot of consulting dollars from us, but we told Reuters early on that not only are you not going to get consulting dollars from us, but in a year, we're going to know more about your systems than you do, and this turned out to be true. And they even told us so." Deegan added: "It used to take Reuters two to three months to deploy one Kondor installation and we got it down to a couple of hours."

One of the key elements of GlobeOp's early strategy was to become an Application Service Provider (ASP). At that time, most technology vendors offering solutions to hedge funds were still doing bulky on-site installations. GlobeOp provided access to their system over the Internet through a Citrix application delivery infrastructure, which many of the vendors at the time "didn't know how to do," according to Webb. "With the ASP aspect, it didn't matter where you were trading, we could give you everything you needed—P&L, trade entry system, etc. We had one fund that had offices in Australia, Israel, London, and New York and they could all log on and see each of their positions and the trades coming in real-time. We provided a global infrastructure network that otherwise would have cost them a significant amount of money to establish."

The ASP model eliminated one aspect of technology, enabling GlobeOp to focus on developing ancillary systems that competitors did not have and to focus on other systems that they were experts in (e.g. foreign exchange exposure systems, cash management systems, and systems that could send and receive trades to prime brokers), rather than building trade entry systems. Sankar noted: "The ASP model really worked for us because it allowed us to focus on all the pieces of technology that were needed to be in place that would differentiate our service model and make us a financial technology firm, versus just a financial firm."

Working with other technology vendors such as Reuters, while promoting an ASP concept, had its own set of challenges. Deegan elaborated: "It created problems because we were dealing with vendors who really didn't understand the concept of an ASP because they were in the business of selling systems to end users. We knew that when we were buying the systems, our service strategy would violate their license agreements as they currently existed. So upfront we had to try to convince them of the benefits they were going to receive by partnering with us, because they weren't going to be able to sell their systems to our clients. We needed to show them that they were never going to sell their system to our clients on their own anyway, and by partnering with us, they were going to share our revenue. It was a big education challenge on the vendor side of the business."

Although GlobeOp selected the Reuters Kondor+, the system was not without its difficulties. Many of the competing systems that GlobeOp tested in addition to Reuters were not optimal because GlobeOp would need to have several of them in-house in order to provide clients with a solution that would allow them to trade every product they wanted to trade. The Reuters Kondor system won in the end because "it was a one-stop place where we could get every client on it." Sankar explained: "Unfortunately, after doing testing, the team, including Webb, Rosenblum, Hufschmid, and Deegan**,** realized that Reuters wasn't a multi-client system. Thus even though it was a large scale system that could handle a lot of volume, we weren't able to put every single client inside one Kondor box." As a result, the GlobeOp team needed to build separate Kondor boxes for each and every client, resulting in "a lot" of pressure on the technology infrastructure "because now we had to have all these links. So whatever you built that was downstream of Kondor had to have the ability to listen to any number of different Kondor installations and be able to scale pretty rapidly. If we picked up five new clients in a month, then theoretically it should have been easy for our downstream systems to be able to connect to five new Kondor boxes, but that was easier said than done."

Prime Broker Challenges

Even though the GlobeOp team viewed itself as filling the space between the prime broker, the auditor, and the hedge funds, some prime brokers were not immediately convinced that GlobeOp was not encroaching into their market space. In part, this was because GlobeOp made it significantly easier for a hedge fund to use multiple prime brokers. Deegan elaborated: "Some of the prime brokers loved what we were doing, but if you were a prime broker who owned 50 percent of the market, all you would do is lose market share because of what GlobeOp was doing, and thus some of the prime brokers were not interested in promoting our business model."

Prime brokers took convincing on GlobeOp's part related to multi-client functionality too, according to Sankar. GlobeOp wanted to provide prime brokers with all of their clients' information in one file, versus providing them with information fund by fund, which was how prime brokers had been accustomed to receiving information. "This was a very important strategy for us in the beginning because we felt that it would be impossible to scale if we were going to try to segregate information to and from prime brokers because it would become too complicated," said Sankar. Each prime broker already had a layer of complexity since a prime broker might have multiple "desks" that ran things differently, such as an equity desk, a mortgage desk, a treasury bond desk, a futures desk, etc. Each desk already required trade information in a particular format that they each understood. "We wanted to build a system where we could add new clients onto that already complicated infrastructure and not have to put a lot of additional work into it," according to Sankar. Thus during the initial period, Sankar and her team spent much time in the offices of prime brokers trying to get them to understand the idea of receiving one data file for all of their hedge fund clients because "they were very concerned about the mingling of the data." Sankar added: "This took us a lot of time to put in place, but it really worked in our favor because it allowed us to scale."

Client Growth Strategy

Servicing a high intensity and high growth industry such as the hedge fund industry certainly had its challenging moments related to servicing clients and growing the client base, according to Deegan: "In this business, if the phone rang, clients weren't calling to take us to a Knicks game. They were calling to tell us what was wrong. We were definitely in a tough business." But hedge funds were in a tough business too and because of their sometimes short lives, GlobeOp developed a client growth strategy that entailed acquiring as many clients as possible, regardless of asset size or strategy focus, because Deegan said: "We needed to have a couple of rocks—core clients, a bunch of boulders—good size clients, and a lot of sand."

Diversification of the client base in terms of hedge fund strategy was also a conscious decision of the GlobeOp management team. The GlobeOp team wanted to target funds involved in every strategy. Early on, they were consciously trying to acquire more equity business because GlobeOp was originally known as a fixed income arbitrage shop. To diversify, they adopted a three-tier pricing system based on the complexity of the client's asset mix.

In addition, the GlobeOp team discovered an entire client base that they hadn't really anticipated—funds of hedge funds. GlobeOp didn't manage the back office administration for the fund of funds, but rather, they managed the parallel daily reconciliation and P&L reporting. "If we acquired a fund of funds client, they brought a collection of funds and a lot of money," added Deegan. The fund of funds clients also wanted integrated risk reporting across their funds, which GlobeOp was able to provide. Deegan said: "This was a competitive advantage because no one else was doing it. We were able to tell them we could do their roll-up and risk reporting."

Deegan provided historical background on GlobeOp's pursuit of the fund of fund business: "We all questioned the lower fees related to processing fund of funds, but we also recognized the potential scale. We had clear concerns about introducing an alternate business line that moved off our model of client trade input so early in our business development. Ira Rosenblum, Jim Webb, and I questioned how much work would be required to accommodate the varying methods of delivery and if there would be adequate business to offset the additional labor required. Ron Tannenbaum felt this was a potentially large source of business and worth the effort it would require to accommodate the differences in approach and service. In the end, we collectively made the decision to move forward and pursue these clients. Following an initial contract with client RMF, we went on to land some of the largest fund of funds in the rapidly growing business including Man Investments and Guggenheim."

By the end of 2000, GlobeOp had several clients. Endeavour was the first to launch in June 2000 and Caspian Capital Management, a large mortgage advisor that rolled out of CDC Securities in New York was the second that was acquired in the summer of 2000. Each client posed a different set of challenges. The Endeavour relationship, along with all European-based clients, was managed from the London office. London provided client service and operations support. All client accounting and technology support was provided from the New York office. CDC traded in a product that was a very difficult product to manage and required "complex systems to be able to take care of the functionality that was needed," according to Sankar. "We didn't have some of the functionalities because we were a start-up company, so we spent a lot of time initially doing things manually and making sure our manual process was pretty tight, as well as eventually automating processes for CDC."

Another key client that was a major turning point for GlobeOp was Blue Border, a global macro emerging market hedge fund, who signed on in November 2000. This was a conversion client, meaning that the fund had a previous fund administrator and wanted to shift to GlobeOp's systems. Sankar outlined some of the challenges with conversions in general: "A conversion is much more difficult than a new fund launch because you had to move all of their positions over and make sure that, in the process of moving this data, there would be no difference between the ending balance with the previous administrator and the beginning balance with GlobeOp. One of the reasons why it's so difficult is that all of this information can come from a variety of different sources in a variety of different formats such as faxes, Excel files, etc. This was all very hard for GlobeOp and some people internally questioned whether we should have taken on this big conversion project." On the conversion client, everyone including Hufschmid worked day and night to meet deadlines related to Blue Border. "But after we went through that experience, nothing seemed as complicated," said Sankar. The next set of clients was much easier and about a year-and-a-half into our business, we had exponential growth in terms of our client base."

Hufschmid also felt the high stress, high stakes situation with the conversion client: "We took on this conversion client in November 2000 and we had never done anything like it before," he said. "On top of that, in January, February, and March of 2001, we had three additional conversion clients and took on three or four more new clients, so we were swamped. We were working 17-hour days and trying to keep the ship afloat. I think that this time period could have broken us. We started the conversion in January and really had a hard time making it work. By early February, we were supposed to publish financial statements, but we were still converting and trying to reconcile the P&L, the balance sheets, etc."

The conversion client caused so many challenges that at one point, one of the GlobeOp partners wanted to throw in the towel. Deegan said "This was an extremely stressful period and emotions were running high. Some of the partners felt that not everyone was aware of the amount and complexity and work required to complete the Blue Border conversion. The brunt of the work was falling on Jim Webb and his team. In addition to engineering this first conversion, Jim was responsible for daily P&L delivery and month-end NAV production for all existing clients. This wasn't just a new trade to put on the books, as some of the partners saw it; it was the equivalent of doing open heart surgery on a client who was awake and active. There just weren't enough people or enough hours in the day to make this happen".

Hufschmid described the challenging time: "I remember we were on a conference call with the client in Israel and one of our partners said, 'Look, let's just tell them we can't do it and give it back to them.' I was strongly opposed to this because I felt that if we had done that it might have been the end of the company. We were on the phone and the head client contact in Israel said, 'Look, this is like a trade? When you have a bad trade, you just cut your positions. Is this a bad trade for me? Should we just cut and go back to the other administrator?' This partner of ours wanted to say 'yes.' But I put the phone on mute and said 'no, we're not going to do that.'"

After delineating certain objectives over the next several days, Hufschmid and his team were able to recover and retain the client over the long-term. Hufschmid believed that, among other things, the challenges related to the conversion revealed various peoples' talents and skills. He remarked upon the incident: "People have different strengths."

The India Decision

In late 2002, GlobeOp was on the "cusp of exploding," according to Sankar, because the company had acquired so much business. "We started experiencing people attrition because people were working such long hours. We were in this bubble and people felt that it was going to explode. We knew that fundamentally we were in the right business and we had the right structure in terms of the processes and technology, but because we weren't able to scale as fast as we needed to from the people standpoint, the pressure was building up." Much of the work for GlobeOp occurred at the end of the New York trading day. From a time zone and work flow standpoint, India was very attractive. When workers in India walked into their offices, closing prices and position data from New York would be available to reconcile P&L, investigate fails and breaks, and perform many of GlobeOp's other operational functions.

Sankar initiated the idea of India and pitched it to the management committee, emphasizing people, quality, and time zone issues. "Hans embraced the idea immediately," said Sankar. "Twenty minutes after I sent the presentation to him, he said, 'we've got to do this.' So I went to India in 2003. Without India, the company's growth would not have had the same trajectory as it had. We were also able to improve quality levels by, for example, adding second-level reviews for client reports. I think GlobeOp would have been a much smaller company than it is right now if not for India."

Although Sankar felt that the India decision did not cause much conflict internally, Hufschmid thought the decision was "hotly debated." He said: "If we hadn't made the India decision, we wouldn't be in business today …. or we certainly wouldn't be in business the way we are today."

Deegan provided additional insight into the India decision: "The decision to open the office in India was hotly debated. I don't think anyone disagreed that we needed an alternate location that could provide a deep labor pool and the ability to process information during the off-cycle (between NY close and UK open). The issue under debate was where to put the office and who would run the operation. We never properly assessed the viability of opening an office in any location other than India. Likewise, most of the partners were concerned about how the operation was going to be managed in India."

Sankar and her India team developed a methodological process for adding value to GlobeOp's other offices. First, she and her team would break off the simplest part of a problem and then see if having it done in India could add value. For example, regarding reconciliation, the first step would be procuring two sets of data and putting them in a format that was easily reconcilable. For instance, one set of data (positions and prices) might come from the fund itself and one from the prime broker. The next stage would be matching the data sets, creating reconciliation, and then showing it to the people in the United States. The third stage would be actually trying to resolve the breaks or discrepancies. "It worked well, although people in the States were apprehensive initially about their own jobs," said Sankar. "But we showed them gradually that we were just trying to make their jobs easier. Before India, someone would have to log into four different websites to download data to begin that day's reconciliation. But after India, they could go into work and the information was already sitting in their email box to get them started."

COMPETITION

As mentioned earlier, when GlobeOp first launched they viewed IFS as their main competitor (IFS was acquired by State Street in 2002). IFS managed middle- and back-office work, in addition to fund administration. GlobeOp focused on the middle- and back-office, but not on fund administration unless clients requested such services. Hufschmid said: "We essentially said that we were a middle- and back-office shop, while IFS said they were a fund administration shop that also handled the middle- and back-office." Because of the "Ten Commandments" in the United States, many of GlobeOp's competitors were still offshore.

As GlobeOp grew, other competitors began entering the marketplace "pretty quickly," according to Deegan. By 2002, Citco did a "lift-out" of a back office from a large hedge fund, Tudor Capital, to create a competitor to GlobeOp. State Street purchased IFS, and then Bysis bought Hemisphere, another administrator. Webb said: "We had come in and had really shaken things up. In essence, we showed people that our business model was a viable one. We transformed the hedge fund administration business. We made everyone say to themselves, 'these guys have great technology and if I want to stay in the business, we need to use that technology.'"

Hufschmid added: "We're better than the competition because we can deal with multiple clients. We also provide real-time systems, and we're scalable. We built a distributed environment where we just buy more computers, not bigger computers. Citco would often just rely on the fact that they've been in business for 60 years. Both IFS and Citco had aggressive sales pitches against us and they always focused on our people turnover issues, because they couldn't criticize our technology or knowledge."

ORGANIZATIONAL STRUCTURE AND CLIENT MANAGEMENT

During the early stages of GlobeOp's development, the company organized around functional areas such as operations, fund accounting, investor relations and technology because the GlobeOp team members had expertise in these specific areas. Each area would handle a certain number of clients and each client would move from one area to another within the service model. Thus, client service was being managed by a number of different groups. "When we organized by function, we were able to easily standardize processes, which worked well for a start-up because we had one voice that would say, 'this is how we're going to do it,'" said Sankar. "So the technology solutions that different functional areas asked for came from one place and thus we were able to put together a standardized solution and this helped us at the beginning."

But as GlobeOp began to grow, clients began to desire a single point of contact versus going to fund accounting if they had an accounting question or operations if they had an operations question. Thus in early 2002, GlobeOp shifted to a "CSG" model or a Client Service Group model where separate groups were created within the organization that had expertise across all the different functional areas. "But the CSG model was difficult for us because the question was who was going to head these CSGs," said Sankar. "The problem was that the senior people typically only knew their vertical functional areas. If an accounting director heads a CSG, then the problem was that they didn't know operations or OTC[8], or they're not as strong in those areas." Ultimately, the GlobeOp team provided CSGs with complementary team members, or people with different skill sets, in order to balance out the knowledge base to better service the client.

PEOPLE MANAGEMENT: RECRUITING, TRAINING, AND RETENTION

GlobeOp's original recruiting strategy was to hire people, provide them with equity, train them, grow them for a period of years, and retain them. However, due to the growth of the hedge fund industry and the fact that each hedge fund needed at least one accounting person and one operations person, the head hunter community used GlobeOp as a "greenhouse," according to Deegan. "Someone would join us for six months then go up the road to Greenwich and immediately double their salary."

Webb added: "We started right in the middle of the Internet boom and a market full of people who had started their own companies, had taken them public, and had made a billion dollars. But our philosophy was 'work hard and something good will come of it.' We never had an exit strategy." Deegan noted: "We knew that if we built it, it would be attractive, but we didn't sit around and focus on how we were going to get out. We were trying to build something that would have value. We just knew the industry was changing and we were at the forefront."

The GlobeOp founders often told recruits they would be first class citizens at GlobeOp, according to Webb. "When we were recruiting, that was our pitch. We told people that if they worked at a hedge fund, they would be a second class citizen. If they came here, then they would be a first class citizen, one of the revenue generators." Deegan said: "Right from the beginning, this place was rockin' and rollin.' We had trouble training people fast enough." Webb said: "In the early days, the training consisted of, 'here, sit with this person, watch what they do, and get to work.' There was no formal training; it was on-the-job training."

Because GlobeOp was in a client service business, the company and its people were constantly put under pressure by GlobeOp's clients. Hufschmid elaborated: "Our employees are not the guys that make the millions of dollars, but they're working with people who make millions of dollars—some of whom have very little patience. Thus we wanted to build an infrastructure that allowed our people to grow and feel safe, because some of our clients were just not very nice people. They could be very obnoxious and very hard on our employees. We had to learn how to develop and manage people with these types of external challenges. None of us had this kind of experience. I managed 40 people at Salomon. But those were all traders. They were all very self-motivated. That's different to hiring 200 or 300 operations people into our company."

To respond to the recruiting and retention challenges, at the beginning, the founders reserved 15 percent of GlobeOp's equity for the initial employees. In the very beginning in 2000, anyone who was viewed as a key player was given shares in the company. Overall, Hufschmid pitched

[8] Over the counter (OTC)—a security not traded on an exchange.

experience, knowledge, and equity to young recruits who had "hedge fund lust." "A lot of kids just out of university heard of hedge fund guys making a lot of money and they wanted to get into it too. But it's difficult to become a hedge fund trader because it's tough and competitive. To become the COO or the CFO of a hedge fund requires education, diligence, hard work, precision, reliability, etc. I told recruits that we could teach them all of these things at GlobeOp. I told them not to focus on the salary, but to focus on building professional equity. It's one thing if you're 55 or 56 years old, you might want to focus on salary, but if you're 20 or 22 years old, you should focus on building your equity value, focus on building your experience, and your knowledge. I told recruits that if they spent five years at GlobeOp, then they could go and become the COO or the CFO of a hedge fund and make $200,000 or $300,000 and the sky's the limit." Despite Hufschmid's pitch, he did not always feel "very successful in getting that message through" in terms of recruiting or retention.

Even though there was a core group of 25 to 30 people that had stayed at GlobeOp for five years or more (many of whom had come from LTCM), annual turnover around 2003 was still estimated to be 30 to 35 percent. In one instance, an employee went out to lunch and didn't return; instead, he sent an email that stated that he was quitting. Deegan added: "There were so many [outside] jobs at that time." Rosenblum commented: "The people management and client management aspects of our job were the most stressful. Trying to get someone to stay at work for 22 hours was not easy."

Part of the retention challenge was that GlobeOp's human capital costs needed to remain relatively stable and low, given that the team had negotiated specific revenue amounts with their clients. But hedge funds had far more flexibility in terms of salary levels that they could offer to new recruits. Hufschmid was more specific: "I don't think turnover was a problem early on, but really started in 2002 and 2003. To me, that was part of a management problem in that some of the partners were not very good managers. And then also the labor markets had recovered so there were more jobs. In addition hedge funds started to take off, which is another thing that helped spur turnover."

Although Hufschmid and his team tried many retention tactics, ultimately Hufschmid felt that retaining employees was always going to be a major challenge: "This industry can cause you to develop a very cynical view of retention. It's a culture where you find people constantly looking at performance rewards from the position of 'what do I get next?' And like many industries, junior people can be highly mobile. These are not battles you're going to win. Thus I felt that we had to focus, which we've done, on building systems and building technology that will enable us to deliver consistent, quality service in spite of turnover at the more junior levels." An example was a system called GoCheck started in 2001, an online system which showed the different tasks of employees and streamlined the tasks for everyone to see so that different people could take over certain tasks easily if necessary. "That system's given us a real competitive advantage," said Hufschmid. "I don't think any of our competitors have been able to duplicate that."

SELLING PART OF GLOBEOP: THE TA ASSOCIATES DEAL

Since GlobeOp had been growing rapidly, there had been quite a bit of external interest in the company from venture capitalists and other investors by 2002 and 2003. In the Fall of 2003, just as GlobeOp had become profitable, TA Associates acquired part of the company, receiving a large minority stake in GlobeOp in exchange for $82 million.

TA Associates had made offers to GlobeOp several times in the past, but GlobeOp and TA were not able to agree on valuation until the Fall of 2003. Not to mention Hufschmid had felt very strongly about not building a company just to sell it: "I've always believed in the fact that we were going to build a first-class business and if we did that, the financial part would take care of itself. If we took shortcuts to sell the company in three years, for example, then we would be building a company for the short-term." He added: "One of our original founders was very risk-averse and wanted to sell our company to a buyer for $10 million three months in. He wanted to do that so that he would make $1 million. I saw this in investment banking too—people would try to make a $1 million fast and none of these people really made it. The people who came in and said, 'I love this business—it's fun, interesting, and challenging—they all did well financially. Of course, part of this mentality of some of our founders came from the fact that Long-Term had failed and they didn't want to be in the same situation again."

Prior to the TA deal, GlobeOp worked with Goldman Sachs to conduct an auction, accepting various bids from financial institutions and investors in order to maximize value. The process was iterative and after receiving 11 bids initially, GlobeOp narrowed the bids down to two—one was TA Associates and the other was a bank. Hufschmid elaborated: "There were two different philosophies. The bank would pay us money upfront with a three-year requirement, and TA would buy a minority stake."

Of the eight people on GlobeOp's management committee, five were founding partners. The other three included Alison Gregory, the general counsel, plus two risk people who started in October 2000. Some of the partners could have made $10 million with the bank deal but only $5 million with the TA deal. "They could retire on $10 million, but $5 million wouldn't allow them to never have to worry about money again," said Hufschmid. "I told the partners that if they worked for the bank, the worst thing that could happen to them is that they would have enough money in the bank but would also have to spend three years at that bank, which could be the worst three years of their lives. I also felt personally that the TA bid was better. The TA bid was obviously much less money because they bought a minority stake, but if we achieved those earn-out numbers, we would have been much better off with the TA deal than we would have been with the bank deal."

After several iterations and several switching back-and-forth of votes, only Hufschmid and Webb voted for the TA deal. Hufschmid was in a different financial situation compared to most of the other partners, but he also voted for the TA deal because he wanted to build a company for the longer term. After initially deciding to sell to the bank, GlobeOp allowed TA to come back in and speak with the management committee again. TA re-pitched their investment and increased the amount of stock they were buying from GlobeOp employees from 30 percent to the mid-40s. The GlobeOp team switched and decided to work with TA because the deal not only allowed them to take money off the table, but also to maintain control and build a company for the longer term.

Specifically, GlobeOp employees were given the option to sell a certain percentage of their shares to TA and different employees handled the situation differently, depending on their own personal financial situations. Deegan articulated his and a few other founders' situations: "We had been living on nothing for so long. Some of us lost a lot of money at LTCM. We didn't have any money left in the bank because we had been living off our savings, refinancing our mortgages and borrowing against our credit cards. We were up to our ears in hock and we weren't drawing a large salary at GlobeOp or receiving any bonus. People's personal situations were becoming problematic and were having an impact on the business. We knew that the average life span of a hedge fund was three to three-and-a-half years and we weren't losing clients, just adding clients, so we thought it was a good time to take some money off the table." Others such as Sankar had received some shares, but had not invested further into the company. Still, Sankar was able to reap some financial benefits from her hard work. Since some elected not to sell their shares, individual proceeds differed and ranged from hundreds of thousands of dollars to millions of dollars.

HIRING A COO AND BOARD CHANGES

In January 2003, all of the partners met together in person and Hufschmid delivered a difficult message by telling them that he felt the team was "not cutting it as a management team." Deegan admitted: "None of us were managers. None of us had ever managed more than 50 people at one time. All of a sudden, we were managing 500 people. We learned along the way." Hufschmid elaborated on his message to the team: "I told everyone that I thought that we were not managing our people or the processes properly. And that we needed to hire someone professional who had experience in managing large organizations. It was an extremely contentious meeting. Four of the partners lived in London and four lived in the United States. The four partners in the U.S. didn't want to hire anyone because they didn't want to have another reporting layer. The four partners in London wanted to hire someone. I felt that we needed to hire the COO in the U.S. because that's where we needed the help."

Because the decision to hire a COO became so contentious, Hufschmid decided against hiring because he felt that placing someone in New York would guarantee failure if other partners did not buy into the decision. But as part of the TA deal, Hufschmid made hiring a COO part of the deal, which everyone signed-off on. "Hiring the COO as part the TA deal was really important in my view," he said.

In addition to hiring a COO post-TA, a series of board changes occurred. In early 2004, Deegan and Webb resigned from the company, sold all of their remaining interest in the firm and left the board while two TA people joined the board. "The TA people gave us market intelligence and a new set of eyes, as well as outside influence. They were very plugged into the capital markets," said Hufschmid. In fact, the two TA investors played a significant role in helping to find the new COO in terms of sourcing candidates.

THE FUTURE

The original GlobeOp founders had hit upon the magical combination of idea, timing, and execution, according to Tannenbaum: "We knew right away that GlobeOp was not only a good idea, but that it was a great idea. We could also visualize how to execute on the idea, meaning we had the right combination of skills and experience to make it happen. When ideas like this come onto your radar, you have to be open-minded and experienced enough to realize it." By December 2003, GlobeOp had been in business for over three years and served 82 hedge funds clients, including many large and small ones, controlling over $29.6 billion in assets. New hedge funds were opening in record numbers both in the UK and the US, and many of them outsourced their middle and back offices, allowing fund staff to focus primarily on fundraising and investment strategy. Looking back on these developments and GlobeOp's leading role, Webb said: "We changed the hedge fund industry."

But it had been a long and hard road. From LTCM's demise had risen a company that seemed to be gaining traction every day. The founding team was pleased to finally be able to reap some of the financial benefits from their hard work when the TA deal went through. Rosenblum reflected: "Every day was a roller coaster. When I look back, I can't even believe I was involved because I don't have the stomach for this type of stuff. Throw into the mix our personal lives and it was very hard. I lost everything I had at LTCM. But at GlobeOp we didn't make money for a year and a half." But now that the TA deal was complete, the team and the company could rest more comfortably on a financial basis. They put their heads together and looked forward to what they needed to do to stay on top in an industry that was clearly in a rapid state of development.

Exhibit 1
GlobeOp Bios
**** = Founders***

Tom Deegan*
Between 2000 and 2004, Tom Deegan was based in New York, responsible for GlobeOp Financial Services' IT infrastructure, software quality assurance, implementations, and account management. Before becoming a GlobeOp founding partner, Deegan was employed at Long-Term Capital Management (LTCM), joining the company in 1993 as head of technology and systems management with responsibility for offices in Greenwich (US), London, and Tokyo. He previously held management positions within several business units at Citicorp in New York, from 1990 to 1993, where he focused on business application development, technical operations, cost analysis, and MIS design. He also worked in financial systems management at Marine Midland Bank in New York and in technical support at ITT, from 1985-1989. Deegan holds a B.E. in electrical engineering from Manhattan College in the Bronx, New York and an M.B.A. from Iona College in New Rochelle, New York.

Alison Gregory—Head of Enterprise Risk Management, GlobeOp Financial Services
Alison Gregory, head of enterprise risk management, is based in New York. Prior to joining GlobeOp, she served as deputy general counsel at Long-Term Capital Management (LTCM) and JWM Partners. Gregory commenced her career as a swap and option trader at Morgan Stanley in New York. She began her legal career as a US Court of Appeals Clerk, and then joined Sullivan & Cromwell in New York. Gregory earned a B.A. from the University of Virginia and earned a J.D. from the Stanford Law School, where she also served as associate editor of the Stanford Law Review.

Hans Hufschmid—Chief Executive Officer, GlobeOp Financial Services*
Hans Hufschmid, chief executive officer, is based at GlobeOp's London, UK office. Prior to becoming a founding partner in GlobeOp in 2000, Hufschmid was a principal at Long-Term Capital Management (LTCM) and co-head of its London office for five years, supervising traders, researchers, programmers, and administration personnel. He also served on the company's risk management and management committees. He previously spent 10 years with Salomon Brothers in London and New York, the last four as global head of foreign exchange sales and trading. A managing director, he was also a member of Salomon Brothers' credit committee. Hufschmid holds a B.S. in business administration from the University of Southern California and an MBA from the University of California, both in Los Angeles.

Didier Martineau—Managing Director, GlobeOp Risk Services
Didier Martineau is managing director of GlobeOp Risk Services and is based at GlobeOp's London, UK office. Prior to joining GlobeOp, Martineau worked for Nomura International in London as co-head of a proprietary trading operation. He was a senior strategist at Long-Term Capital Management (LTCM) in London for five years where he was responsible for various aspects of the risk management and modeling effort. Previously he worked for the Computational Finance Group of Digital Equipment Corporation in Paris. Martineau is a graduate of Ecole Polytechnique in Paris and holds two Masters Degrees, one in parallel computing and one in engineering.

Ira Rosenblum—Founding Partner, GlobeOp Financial Services*
Ira Rosenblum, director, is based in New York, NY and is responsible for all client Operations, profit and loss (P&L) reporting and fund administration. Prior to becoming a founding partner of GlobeOp, he served as director of security operations and treasury management at Long-Term Capital Management (LTCM) from 1993-1999. His responsibilities included management of the company's operational infrastructure, treasury and relationships with clearing and prime brokers. Prior to joining LTCM he managed operational infrastructure at the New York offices of Salomon Brothers (1987-1993) and L.F. Rothschild, Unterberg, Towbin (1983-1987). Rosenblum earned a B.S. in Business Administration from the State University of New York, in Brockport, NY.

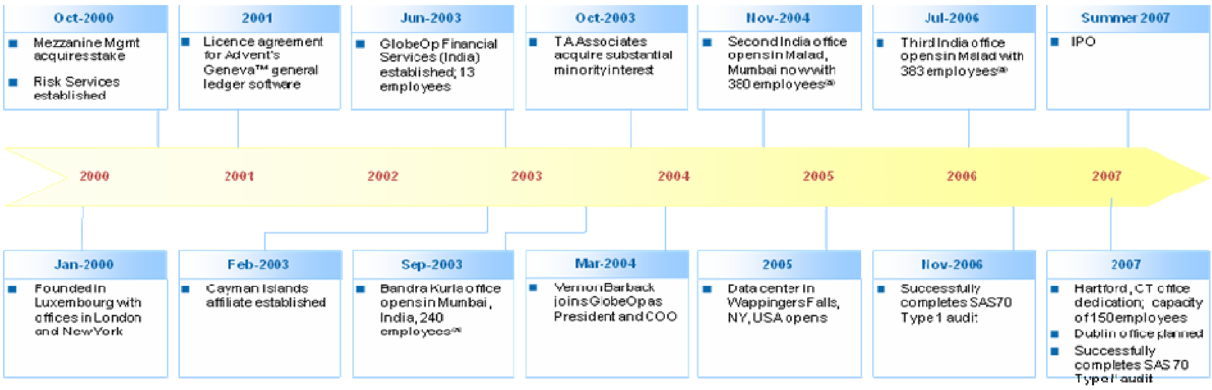
Nandini Sankar—COO & President of GlobeOp Financial Services (India)
Nandini Sankar Piparaiya serves as COO & president of GlobeOp Financial Services (India) Private Limited. She relocated to India from GlobeOp's New York office, where she served as director of development since its formative stages in 2000. Prior to joining GlobeOp, Sankar was a technology strategist at Long-Term Capital Management (LTCM), where she was responsible for implementing solutions for credit exposure, treasury management, and third party reconciliations. Previously, she was an associate with the solutions-through-technology group at PriceWaterhouseCoopers. Sankar holds a B.S. in Computer Science and a B.A. in Economics from the University of Rochester, NY.

Ron Tannenbaum—Director of Marketing, London*
Tannenbaum previously served as managing director and global head of hedge fund coverage at Rabobank International in London (1998-1999) and at Union Bank of Switzerland (UBS) in London from 1991-1998. He also managed bonds, capital markets, and structured derivatives teams at Salomon Brothers in New York, London, and Tokyo from 1981-1991. From 1988-1991 he served as head of European Capital Markets. Tannenbaum holds a B.S. in Economics (magna cum laude) from the Wharton School at the University of Pennsylvania.

James Webb*
Between 2000 and 2004, Jim Webb was responsible for new business development and software development management at GlobeOp Financial Services, based at the company's New York offices. A founding partner at GlobeOp, Webb previously served as global manager of management accounting at Long-Term Capital Management (LTCM) from 1993 to 1999. At LTCM he oversaw counterparty credit exposure, working capital management, foreign exchange exposure hedging, and daily P&L. He previously served as equity derivatives controller at Bankers Trust in London from 1990 to 1993, having earlier supervised arbitrage support analysis teams at Salomon Brothers in New York. Webb holds a B.S. in Accountancy from the University of Illinois and a Masters in Computer Science from the University of Illinois.

Source: GlobeOp.

Exhibit 2
GlobeOp Timeline and Milestones



Source: GlobeOp.