

Broker-Dealer Focus

Freeman & Co. LLC

Inside this Issue:

Global Acquisition Activity	PG. 2
Transaction Proceeds	PG. 3
U.S. Acquisitions	PG. 4
European Acquisitions	PG. 5
Electronic Trading Deals	PG. 6
US Public Broker-Dealers	PG. 7

Indices at December 31, 2004:

DJIA	10,783
NASDAQ	2,175
S&P 500	1,211
FTSE 100	4,814
10 Year US Treasury Bond Yield	4.22%
Dollar to Euro	\$1.36

2004 Provides Foundation for Expanded Deal Volumes

Acquisition activity involving securities firms was fairly robust in 2004 as the total number of acquisitions crept back towards a five year high, but deal proceeds remain well off the peak achieved in 2000. Although a mega-merger involving two broker-dealers has not occurred within the past two years, there is reason to believe that a deal of significant size and scope may lie just beyond the horizon. A number of blockbuster deals occurred in the banking sector in 2004, including JP Morgan's acquisition of Bank One and Bank of America's acquisition of FleetBoston. However, we have excluded these deals from the analysis in this newsletter because we view the targets' core business lines as commercial banking.

Certain sub-sectors within the larger broker-dealer space remained particularly active in 2004. Direct Market Access ("DMA") providers, for example, saw a surge in activity as laggards in the industry rushed to meet the growing demand for these capabilities. We see this expanded acquisition pace amongst DMA providers continuing as the large financial institutions rush to ensure a seat at the table. In general, execution businesses were popular targets with a number of exchanges, clearing firms and inter-dealer brokers being acquired as well. This is not surprising as both the NASDAQ and the NYSE saw their first increase in trading volume since 2001. If this trend continues other areas in this sector should benefit as well.

Summary

Our key findings are:

- There were a total of 92 acquisitions involving broker-dealer firms in 2004, compared to 89 in 2003 and 71 in 2002, representing an increase of 3.4% and 29.6% respectively
- U.S. firms accounted for 43 of the companies acquired during the year, followed by European firms with 29 and Asian headquartered firms with 18
- Transaction proceeds from the acquisition of securities firms in 2004 increased slightly over 2003 to \$8.3 billion from \$7.7 billion, an increase of 7.8%. Proceeds remain relatively low compared to a peak of \$84.3 billion in 2000 when JP Morgan, DLJ, Paine Webber, Spear Leeds Kellogg and others were acquired
- The majority of acquisitions (29) involved traditional research, sales & trading firms. However, electronic trading firms and exchanges saw the biggest surge in activity increasing to 19 transactions from 9 a year ago
- The top three securities firm acquisitions of the year in terms of total entity value were 1) T.H. Lee Partners' acquisition of the Refco Group (\$2.25 billion), 2) Morgan Stanley's acquisition of Barra Inc. (\$816 million) and 3) Thomson Corp.'s acquisition of TradeWeb Group (\$535 million)

Peter Majar

Principal

+1 (212) 830-6196

pmajar@freeman-co.com

Gagan Sawhney

Principal

+1 (212) 830-6165

gsawhney@freeman-co.com

Eric Schwarzbach

Associate

+1 (212) 830-6169

eschwarzbach@freeman-co.com

Devin Haran

Analyst

+1 (212) 830-6178

dharan@freeman-co.com

Global Acquisition Activity

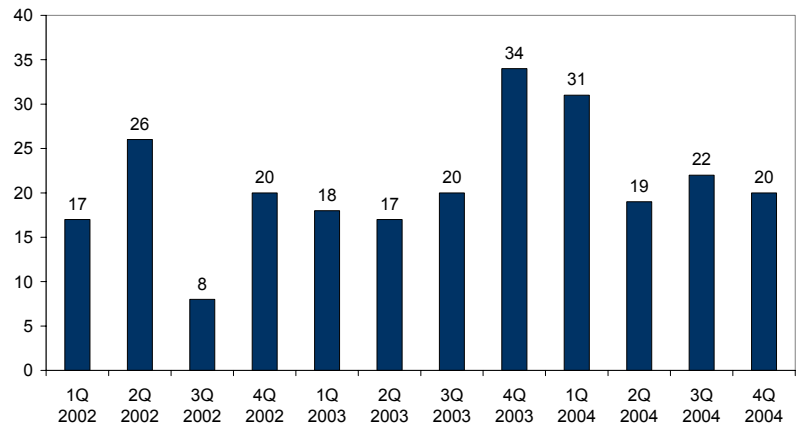
Global acquisition activity in the broker-dealer space kept pace in 2004. While the total number of acquisitions declined from Q3 '04 to Q4 '04, full year totals for 2004 exceeded 2003 numbers by 3.4%. A total of 92 acquisitions were announced globally in 2004, compared to 89 in 2003. Once again, the U.S. was home to the largest number of acquisition targets accounting for 43 of the 92 firms acquired. This marks a three-year high in acquisition totals involving U.S. targets and represents a 19% increase over the 2003 total of 36 firms acquired. European deal activity continued to grow at a marginal year-over-year rate of 7.4%. 29 firms in total were acquired in Europe in 2004 making it the second most active region globally behind the U.S. It is also worth noting that Asia, where acquisition activity jumped by over 140% from 2002 to 2003, saw the number of targets being acquired decline in 2004 to a more modest total of 18. This decline represented a year-over-year decrease of 18%.

Traditional research, sales & trading businesses remained the most popular targets in '04, outpacing investment banks, electronic trading firms and exchanges, and retail brokerages by a sizable clip. Though the total number of research, sales and trading firms acquired declined moderately in 2004, totals still exceeded 2002 numbers by 123%. Boutique investment banks were popular targets in 2004 as evidenced by an 111% year-over-year jump in acquisitions with investment banks as targets. Since 2002, the total number of investment banks acquired has risen by a compounded annual growth rate of 27.9%. Assuming global M&A and underwriting fees continue to rebound from post-bubble troughs we would expect to see some larger deals occur in the investment banking space, as most of the activity of the past two years has focused on specialized boutiques and regionals.

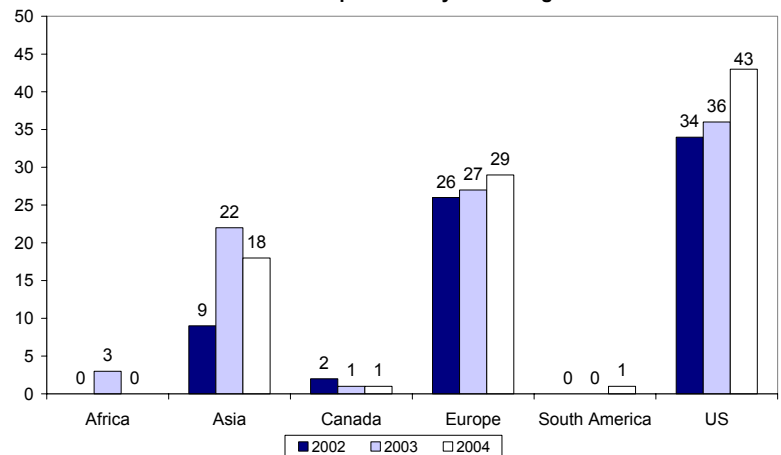
Electronic trading firms and exchanges enjoyed by far the greatest one year increase in acquisition activity in the broker-dealer space in 2004 as the total number of firms acquired leaped from 9 to 19, an annual increase of 111%. A number of global financial heavyweights, including Citigroup, Bank of America and The Bank of New York acquired firms in this space in 2004, adding low-cost, best execution capabilities to their existing securities platforms.

In 2005 we expect to see continued interest in electronic trading firms as most companies have adopted a buy (vs. build) strategy for adding these capabilities.

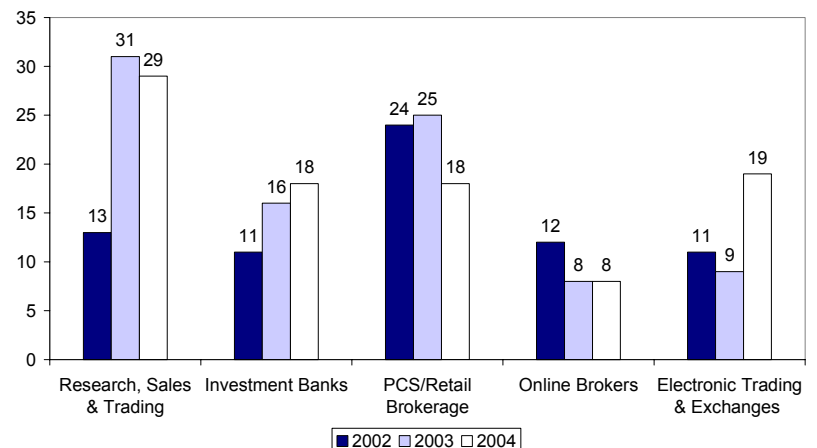
Number of Acquisitions by Quarter



Number of Acquisitions by Seller Region



Number of Acquisitions by Firm Type



Source: Freeman & Co.

Transaction Proceeds

Broker-Dealer Transaction Proceeds by Seller Region (US \$MM)

Region 1	2000	2001	2002	2003	2004
Africa	338			3	19
Asia	2,076	141	348	615	2,579
Canada	159	350		162	85
Europe	10,348	29,552	18,164	3,710	977
Offshore					
South America	529				65
US	75,197	3,695	2,981	3,206	4,573
Total	\$88,647	\$33,737	\$21,493	\$7,697	\$8,299

No. of Deals	109	106	71	89	92
Average Deal Proceeds	\$813	\$318	\$303	\$86	\$90

Source: Freeman & Co.

Large scale transactions remained scarce during 2004 during which time the largest transaction of the year involved the sale of 57% stake in Refco Group for \$1.3 billion, implying an entity value of \$2.2 billion. The total deal proceeds for the year were \$8.3 billion, representing an increase of 7.8% over 2003's total of \$7.7 billion. This slight increase represents a rebound from the five year trough that occurred last year. The number of transactions during the past two years has remained robust despite decline in proceeds with 89 and 92 total deals occurring in 2003 and 2004, respectively. The overall decline in deal proceeds has led to a significant decrease in average deal size, with an average of \$90 million being spent on each acquisition in 2004. This year's average deal size is up slightly over 2003, but when compared to the 2001 and 2002 averages that were right around \$300 million it is evident that an appetites for large acquisitions in the space have not yet returned.

The US sold and paid the most for securities firms in 2004, followed, surprisingly, by Asia in both categories. Deal activity in Asia was driven by intra-country consolidation amongst many of the domestic brokerages. Many of the larger deals in the US involved electronic trading and financial technology firms, including Citigroup's acquisition of Lava Trading, Morgan Stanley's acquisition of Barra Inc. and Thomson Corp.'s acquisition of TradeWeb Group which in the aggregate amounted to roughly \$1.7 billion in deal proceeds. In Europe, only two deals exceeded \$200 million in proceeds which were:

- The private equity-backed management buyout of Kempen & Co. valued at \$259 million; and
- Collins Stewart Tullet Plc's acquisition of Prebon Yamane's Inter-Dealer Broker Business valued at \$248 million

Deal proceeds have been kept low for the past several years with the absence of many blockbuster deals occurring in the broker-dealer space. We would not expect to see proceeds or the average deal size reach year 2000 levels when several mega deals occurred, including, among others, the acquisitions of JP Morgan by Chase, Paine Webber by UBS, Donaldson, Lufkin, Jenrette by Credit Suisse First Boston and Spear Leeds Kellogg by Goldman Sachs, but we would expect to see some increase in the overall scale of the transactions in the space in the near future. With total transaction proceeds hovering around the \$8 billion mark for the past two years, one large acquisition in the space could easily lead to increases in the coming year.

Broker-Dealer Transaction Proceeds by Buyer Region (US \$MM)

Region 2	2000	2001	2002	2003	2004
Africa	338	120		3	19
Asia	2,076	21	310	615	1,848
Canada	1,862	1,902	25	192	
Europe	36,128	29,470	18,430	2,560	1,067
Offshore					42
South America					65
US	48,243	2,224	2,728	4,326	5,258
Total	\$88,647	\$33,737	\$21,493	\$7,697	\$8,299

No. of Deals	109	106	71	89	92
Average Deal Proceeds	\$813	\$318	\$303	\$86	\$90

Source: Freeman & Co.

US Acquisitions

There were a total of 43 acquisitions involving US firms as the target during 2004. This total represented 46% of global acquisition activity. The largest deal involving a U.S. target was Boston-based private equity group T.H. Lee's acquisition of retail futures brokerage REFCO that valued the firm at \$2.25 billion. One definable trends that emerged over the past year in the U.S. market included an increased focus on behalf of large, diversified financial institutions on the direct market access space. Key acquisitions included Citigroup's acquisition of Lava Trading, Inc. [1] and Bank of America's acquisition of Direct Access Financial. Top-tier securities firms also showed that they were willing to commit significant capital to better their financial technology offerings as evidenced by Morgan Stanley's \$816.4 million acquisition of Barra, Inc., a risk management technology vendor.

Citigroup continued to be an active acquirer during 2004 and revealed its commitment to expanding its securities platform by acquiring both Lava Trading, Inc.[1] and Knight Trading's Derivatives Unit; the latter costing some \$225 million. ITG also made a number of strategic acquisitions during the period, including spending \$90 million to purchase the remaining 50% of POSIT Electronic Trading that the company did not already own from Morgan Stanley. Earlier in the year, ITG acquired the remaining 75% of Radical Corporation, a direct access provider to hedge funds and institutional brokerages.

While the global investment banks focused many of their acquisitions on trading technology during 2004, a number of regional banks made acquisitions of boutique investment banking firms. A total of 8 investment banking firms were acquired in the U.S. during 2004, including, among others:

- FTN Midwest Securities Corp's acquisition of Alterity Partners, a New York-based boutique providing services to middle market companies in high growth industries [2]
- BB&T's (NYSE: BBT) acquisition of the Windsor Group LLC, a D.C. area firm focusing on middle market companies
- Sanders Morris Harris Group's (NASDAQ: SMHG) acquisition of Crest Advisors, LLC, a New York-based firm specializing in small and middle market advisory services

In the retail brokerage area, transaction activity was driven by a handful of discount brokerage acquisitions. Led by Muriel Siebert, which, in its fourth retail brokerage acquisition in less than two years, acquired the retail brokerage accounts of Wall St. Discount Corp. The acquisition allowed Muriel Siebert to expand its discount brokerage offering in its strongholds of New York and Florida. Additionally, Ameritrade bolstered its customer accounts through the acquisition of the brokerage accounts of JB Oxford Holdings, a discount brokerage whose shares are traded in the OTC market. JB Oxford had made as many as six acquisitions over the past three years, primarily of small online brokerage accounts, but fell under scrutiny of the SEC for late trading of mutual funds. The Ameritrade acquisition excluded any of the accounts in question.

2004 Top Ten US Acquisitions Ranked by Entity Value

Year	Qtr.	Target	Target Firm Type	Target Country	Acquirer	Acquirer Firm Type	Entity Value \$MM
2004	2	Refco Group Ltd.	Institutional Brokerage	US	Thomas H. Lee Partners	Private Equity	2,250.0
2004	2	Barra, Inc.	Financial Technology	US	Morgan Stanley	Global Investment Bank	816.4
2004	2	TradeWeb Group LLC	Institutional Brokerage	US	Thomson Corp.	Research	535.0
2004	4	BHC Investments, Inc.	Clearing	US	Fidelity Investments	Asset Manager	365.0
2004	3	Schwab Soundview Capital Markets	Institutional Brokerage	US	UBS AG	Global Investment Bank	265.0
2004	3	Knight Trading Group Inc.'s Derivatives Unit	Institutional Brokerage	US	Citigroup	Global Investment Bank	225.0
2004	2	Brut LLC	ECN	US	Nasdaq Stock Market, Inc.	Exchange	190.0
2004	4	POSIT Electronic Trading	ECN	US	ITG, Inc.	Institutional Brokerage	180.0
2004	4	Spear, Leeds Fixed Income Unit	Institutional Brokerage	US	First Horizon National Corp	Diversified Financial Services	150.0
2004	1	Direct Access Financial Corporation	Direct Access	US	Bank of America	Global Investment Bank	75.0

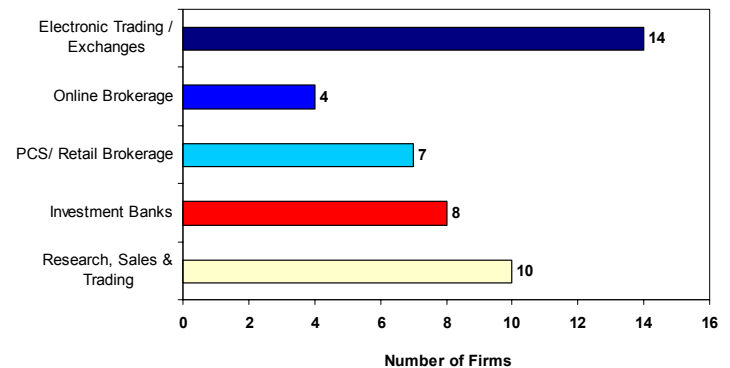
Source: Freeman & Co.

Note: In instances where the equity purchased was less than 100% Entity Value has been derived from the purchase price and percentage acquired

[1] Freeman & Co. acted as financial advisor to Citigroup in its acquisition of Lava Trading. The transaction is excluded from the chart above because the acquisition price was undisclosed

[2] Freeman & Co. initiated this transaction and advised FTN Midwest Securities Corp.

Types of US Firms Acquired in 2004



European Acquisitions

There were a total of 29 acquisitions in Europe in 2004, an increase of 7.4% over 2003's total of 27. From 2002 through 2004, Europe enjoyed a steady upward trend in acquisition activity. The total number of European acquisitions grew by nearly 12% during the period and a number of deals of considerable size such as Clearnet's \$1.4 billion acquisition of London Clearing House in 2003 and JP Morgan's acquisition of a majority stake in Cazenove with an implied value of \$360 million were completed.

In contrast to merger activity in the U.S. during the past year, European activity centered around traditional research, sales & trading firms, as opposed to electronic trading firms. In fact, the number of research, sales & trading firms acquired (11) was more than double the amount posted in any of the other target categories. The UK was home to five of the top ten firms acquired in 2004, including Cazenove Group, a London-based investment bank that sold a 50% stake to JP Morgan in Q4 for \$180 million. As part of the transaction JP Morgan agreed to lend an additional GBP £300 million to Cazenove to pay its shareholders.

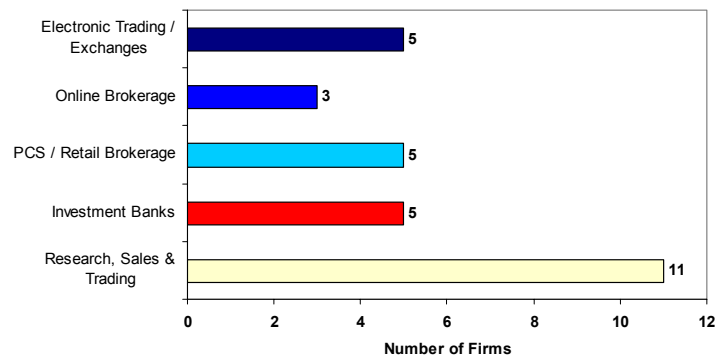
Activity in the Scandinavian region also proved to be robust in 2004. Stockholm-based OMX AB, owner and operator of the largest integrated securities market in Northern Europe, acquired the Copenhagen Stock Exchange for \$174.3 million in Q4 2004 in an attempt to broaden its reach in the Nordic and Baltic marketplaces. Following the transaction, OMX offered its customers access to over 80% of the Nordic and Baltic securities markets. Finnish online broker and asset management provider EQ Online Oyj made two strategic acquisitions in 2004, purchasing institutional securities firm Conventum Securities for \$2.5 million and regional investment bank Acvium Partners OY for \$19.7 million.

UK-based Collins Stewart Tullett made headlines in 2004 when it acquired Prebon Group, a UK-based inter-dealer broker, for \$248 million. According to Collins Stewart Tullett, the acquisition will make it the world's fourth largest inter-dealer broker with a market share of approximately 25%. It marks the second sizable acquisition made by the firm in the inter-dealer broker space; in 2003, as Collins Stewart Holdings Plc, it purchased Tullett Plc for \$406 million.

There were a few multiple buyers during the past year, although the acquisitions were quite small. German institutional brokerage Baader Wertpapierhandelsbank AG topped a list of repeat buyers in 2004 with 3 acquisitions. Its targets included German institutional brokerage CK Trading Bank GmbH, Jorg D Reuter Wertpapierhandel, a Munich-based Specialist/Market Maker and Sobata, Maier & Stopp Wertpapierhandels GmbH, which manages all order books for bonds on the Munich Exchange. UK-based retail brokerage Charles Stanley Group PLC was also busy in 2004, acquiring Tozer Wingate's Corporate Benefit and Stock broking assets for \$2.6 million and fixed income research and trading firm Sutherlands Group, also based in the UK for \$4.6 million.

Another notable transaction was Kempen & Co.'s management buyout from Dexia. After three years as a subsidiary, Kempen is now owned 35% by employees and management after buying back the company at a fraction of its original price.

Types of EU Firms Acquired in 2004



2004 Top Ten European Acquisitions Ranked by Entity Value

Year	Qtr.	Target	Target Firm Type	Target Country	Aquirer	Acquirer Firm Type	Entity Value \$MM
2004	4	Cazenove Group Plc	Global Investment Bank	UK	JPMorgan Chase	Global Investment Bank	360.0
2004	4	Kempen & Co.	Regional Investment Bank	Netherlands	Investor Group / Management	Private Equity	258.9
2004	2	Prebon Group Ltd. Inter-dealer Broker Bus.	Inter Dealer Broker	UK	Collins Stewart Tullett Plc	Diversified Financial Services	248.0
2004	4	Copenhagen Stock Exchange A/S	Exchange	Denmark	OMX AB	Exchange	174.3
2004	1	Effectenbank Binck	E-Finance	Netherlands	AOT NV	Institutional Brokerage	52.0
2004	2	Stocknet-Aston Securities ASA	Retail Brokerage	Sweden	Nordnet AB	Retail Brokerage	23.4
2004	2	Comdirect Ltd.	E-Finance	UK	Execution Services Group Ltd	Private Equity	19.9
2004	4	Acvium Partners Oy	Regional Investment Bank	Finland	EQ Online Oyj	E-Finance	19.7
2004	4	ITSEcco Holdings Limited	Financial Technology	UK	eSpeed, Inc.	ECN	14.0
2004	4	Sutherlands Group Ltd.	Institutional Brokerage	UK	Charles Stanley Group Plc	Diversified Financial Services	4.7

Source: Freeman & Co.

Note: In instances where the equity purchased was less than 100% Entity Value has been derived from the purchase price and percentage acquired

Direct Access—Electronic Trading Deals

The direct access and electronic trading sector saw the largest increase in acquisition activity during 2004 among broker-dealer businesses. The use of Direct Market Access (DMA) continued to increase among both hedge funds and traditional long-only institutions. Equity executions through DMA are currently estimated to account for approximately 30-35% of all equity executions in the U.S. This represents a significant increase over the 10-15% estimated market share from just two years ago. Direct Market Access capability has therefore moved from an “emerging” technology to a “core” capability that every equity desk must have.

Most major financial institutions recognize this product gap. Furthermore, since the time-to-market of internally building a quality DMA offering is considered by most to be too long to be a competitive strategy, major financial institutions are scrambling to acquire the many independent firms in this sector. Acquired firms ran a gamut, from businesses with an established client base that process significant volume such as Lava Trading, Inc., to technology start-ups such as Radical Corporation.

Existing players in the electronic execution business were also active acquirers seeking to round out their product offering and strengthen their market positioning. For example, ITG purchased Radical Corporation to acquire a DMA platform for hedge funds. It also purchased E-Crossnet to increase its presence in the European market and acquired the remaining 50% of POSIT it did not own to gain full control of the U.S. crossing business.

There was also heightened activity in the electronic trading space, particularly in the areas of fixed income and foreign exchange. This activity was highlighted by Thomson's acquisition of Tradeweb Group LLC and Jefferies' acquisition of Bonds Direct Securities LLC.

A number of major equity and fixed income players still lack a credible electronic execution product offering. As such, we feel that consolidation in this sector will likely continue as these firms add this core capability.

Direct Access & Electronic Trading Acquisitions - Full Year 2004

Year	Qtr.	Target	Target Country	Acquirer	Entity Value \$MM
2004	4	POSIT Electronic Trading	US	ITG, Inc.	180.0
2004	4	E-Crossnet	UK	ITG Europe	
2004	3	Lava Trading Inc.	US	Citigroup ⁽³⁾	
2004	3	Vie Securities LLC	US	Piper Jaffray Cos.	21.4
2004	3	Bonds Direct Securities LLC	US	Jefferies Group	
2004	3	Global Partners Securities Inc.	US	vFinance, Inc.	
2004	2	Radical Corporation	US	ITG, Inc.	
2004	2	Brut LLC	US	Nasdaq Stock Market, Inc.	190.0
2004	2	TradeWeb Group LLC	US	Thomson Corp.	535.0
2004	1	Sonic Financial Technologies LLC Assets	US	Bank of New York	
2004	1	Direct Access Financial Corporation	US	Bank of America Corporation	75.0
2004	1	Icor Brokerage Ltd	UK	Reuters Group Plc	
2004	1	Great Eastern Securities Inc	US	JAG Media Holdings	
2004	1	BrokerTec Futures Exchange	US	Eurex AG	

Note: In instances where the equity purchased was less than 100% Entity Value has been derived from the purchase price and percentage acquired

[3] Freeman & Co. acted as financial advisor to Citigroup, Inc. in its acquisition of Lava Trading, Inc.

Corrections

In the last issue of *Broker-Dealer Focus*, “Inaugural Issue: Mid-Year Update,” we stated that “Lovell Minnick Partners acquired the boutique investment bank Duff and Phelps, which it will combine with one of its current portfolio companies, Stone Ridge Partners.” We were mistaken in that the Stone Ridge Partners involved in this transaction is not a portfolio company of Lovell Minnick, but rather an independent, boutique advisory firm in New York that invested alongside Lovell Minnick in the transaction. Lovell Minnick has a portfolio company StoneRidge Investment Partners, an investment advisory firm in Pennsylvania that is not affiliated with the Stone Ridge Partners involved in the transaction.

Public Company Comparables

Investment Banking Company Valuations Financial Summary and Valuation Multiples

(All figures in millions, except for per share data or unless otherwise noted)

Company Name	Ticker	Stock		Equity Value	Book Value	Last Twelve Months ^(a)		EPS		Price / Book	Equity Value / LTM		PE Ratio		
		Price 12/31/04	Shares Outstanding			Revenue	Pre-Tax	LTM ^(a)	2005E		Revenue	Pre-Tax	LTM ^(a)	2005E	
Global Investment Banks															
Citigroup	C	\$ 47.75	5,245,896	\$ 250,492	\$ 109,291	\$ 86,190	\$ 30,547	\$ 4.08	\$ 4.20	2.3x	2.9x	8.2x	11.7x	11.4x	
Bank of America	BAC	46.99	4,040,690	189,872	99,645	48,894	21,839	3.79	4.06	1.9	3.9	8.7	12.4	11.6	
JPMorganChase	JPM	38.67	3,756,060	145,247	105,653	43,097	11,259	2.61	3.06	1.4	3.4	12.9	14.8	12.6	
Goldman Sachs	GS	103.79	493,240	51,193	25,079	20,550	6,676	8.99	8.72	2.0	2.5	7.7	11.5	11.9	
Morgan Stanley	MWD	55.25	1,131,415	62,511	31,103	23,765	6,836	4.14	4.57	2.0	2.6	9.1	13.3	12.1	
Merrill Lynch	MER	59.61	983,552	58,630	31,400	22,023	5,836	4.76	4.83	1.9	2.7	10.0	12.5	12.4	
Bear Stearns	BSC	102.06	130,594	13,328	8,991	6,813	2,022	9.76	8.96	1.5	2.0	6.6	10.5	11.4	
Lehman Brothers	LEH	87.48	280,153	24,508	15,920	11,576	3,518	7.90	7.75	1.5	2.1	7.0	11.1	11.3	
TOTAL				\$ 795,780											
										HIGH	2.3x	3.9x	12.9x	14.8x	12.6x
										AVERAGE	1.8	2.8	8.8	12.2	11.8
										MEDIAN	1.9	2.6	8.4	12.0	11.7
										LOW	1.4	2.0	6.6	10.5	11.3
Regional Investment Banks / Broker - Dealers															
Friedman Billings Ramsey	FBR	\$ 19.39	170,150	\$ 3,299	\$ 1,579	\$ 888	\$ 409	\$ 2.07	\$ 2.06	2.1x	3.7x	8.1x	9.3x	9.4x	
Jefferies Group	JEF	40.28	59,931	2,414	1,000	1,058	227	2.06	2.17	2.4	2.3	10.6	19.6	18.5	
Raymond James Financial	RJF	30.98	74,076	2,295	1,120	1,866	234	1.94	2.08	2.0	1.2	9.8	16.0	14.9	
Piper Jaffray	PJC	47.95	19,864	952	725	797	80	2.60	2.73	1.3	1.2	12.0	18.5	17.5	
Greenhill	GHL	28.70	30,741	882	116	152	57	1.19	1.37	7.6	5.8	15.4	24.1	21.0	
Stifel Financial	SF	20.95	10,289	216	131	247	37	1.88	NA	1.6	0.9	5.9	11.1	NA	
AG Edwards	AGE	43.21	77,040	3,329	1,713	2,603	298	2.34	2.36	1.9	1.3	11.2	18.5	18.3	
Legg Mason	LM	73.26	100,772	7,383	1,728	2,297	616	3.44	3.52	4.3	3.2	12.0	21.3	20.8	
Charles Schwab	SCH	11.94	1,362,151	16,264	4,386	4,202	1,044	0.38	0.53	3.7	3.9	15.6	31.0	22.6	
TOTAL				\$ 37,034											
										HIGH	7.6x	5.8x	15.6x	31.0x	22.6x
										AVERAGE	3.0	2.6	11.2	18.8	17.9
										MEDIAN	2.1	2.3	11.2	18.5	18.4
										LOW	1.3	0.9	5.9	9.3	9.4
Overall	TOTAL			\$ 832,814											
										HIGH	7.6x	5.8x	15.6x	31.0x	22.6x
										AVERAGE	2.4	2.7	10.0	15.7	14.9
										MEDIAN	2.0	2.6	9.8	13.3	12.5
										LOW	1.3	0.9	5.9	9.3	9.4

Source: Publicly available SEC filings, Bloomberg and IBES estimates.

Note: All figures have been adjusted for extraordinary and non-recurring items.

(a) LTM as of fourth quarter calendar year 2004.

REVENUE (\$ in millions)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Global Investment Banks						
Citigroup	\$ 65,722.0	\$ 75,188.0	\$ 80,057.0	\$ 71,308.0	\$ 77,442.0	\$ 86,190.0
Bank of America	32,306.0	32,931.0	34,638.0	34,494.0	37,886.0	48,894.0
JPMorganChase	29,484.0	31,557.0	25,865.0	25,283.0	31,716.0	43,097.0
Goldman Sachs	13,345.0	16,590.0	15,811.0	13,986.0	16,012.0	20,550.0
Morgan Stanley	21,546.0	25,999.0	21,896.0	19,109.0	20,857.0	23,765.0
Merrill Lynch	22,313.0	26,766.0	21,880.0	18,608.0	20,154.0	22,023.0
Bear Stearns	4,502.1	5,475.7	4,907.0	5,128.2	5,994.5	6,812.9
Lehman Brothers	5,340.0	7,707.0	6,736.0	6,155.0	8,674.0	11,576.0
TOTAL	\$ 194,558.1	\$ 222,213.7	\$ 211,790.0	\$ 194,071.2	\$ 218,735.5	\$ 262,907.9
Regional Investment Banks / Broker - Dealers						
Friedman Billings Ramsey	\$ 137.6	\$ 179.2	\$ 159.7	\$ 266.1	\$ 559.5	\$ 887.9
Jefferies Group	543.7	617.4	670.3	674.7	829.6	1,058.2
Raymond James Financial	1,232.2	1,698.6	1,657.8	1,515.9	1,452.0	1,781.3
Piper Jaffray	800.1	1,018.3	800.8	729.1	786.7	797.5
Greenhill	85.7	111.5	100.0	112.6	126.7	151.9
Stifel Financial	141.1	177.5	177.9	187.8	216.5	246.8
AG Edwards	2,235.2	2,796.2	2,741.2	2,338.4	2,194.0	2,496.4
Legg Mason	975.7	1,265.2	1,360.9	1,451.3	1,528.2	1,941.1
Charles Schwab	4,486.0	5,788.0	4,353.0	4,135.0	4,087.0	4,202.0
TOTAL	\$ 10,637.3	\$ 13,651.9	\$ 12,021.5	\$ 11,410.9	\$ 11,780.3	\$ 13,563.1
OVERALL TOTAL	\$ 205,195.4	\$ 235,865.6	\$ 223,811.6	\$ 205,482.2	\$ 230,515.8	\$ 276,471.0

Recent Freeman & Co. Publications

Broker-Dealer Focus Newsletter:

Inaugural Issue: Mid-Year Update September 2004

Broker-Dealer Reports:

Credit: The Rite of Passage for Investment Banks? June 2003

The End of the Line for Old Reliable: New Directions for Institutional
Commission Flows June 2002

Asset Management Focus Newsletter:

Alternatives Go Mainstream; Move Up the Charts September 2004

Will Strong Returns Lead to Increases in Industry Activity? March 2004

Struck by Scandal, but Buoyed by Bounce in Returns October 2003

A Nadir or Not? Lowest Deal Levels in Over 6 Years May 2003

2002 Year End Summary January 2003

Asset Management Reports:

Are Hedge Fund M&A Deals a Sustainable Trend? January 2005

Convergence in Alternatives November 2004
