

Back in Black

Inside this Issue:

p. 2	Global
p. 3	North America
p. 4	Europe
p. 5	Asia
p. 6	Theme: Exchanges
p. 7	Market Data
p. 8	Public Comps
p. 12	F & Co. Publications

Indices at 8/31/06:

DJIA	11,381
Nasdaq	2,184
S&P 500	1,304
FTSE 100	5,906
10-yr U.S. T-Bond	4.72%
USD per GBP	\$1.90
USD per Euro	\$1.28

Press Release:

Freeman & Co. Opens London Office

New York, NY – June 26, 2006 – Freeman & Co., LLC appoints James G. Hatchley as head of its new London office to spearhead growth in Europe.

Mr. Hatchley will act as MD & COO of Europe. James has over 14 years of investment banking and consulting experience and has advised a wide range of global financial services companies on M&A transactions and strategic development.

The decline of the investment banking business in the aftermath of the dot-com bubble and the painful restructuring that followed have kept the industry focused on innovative ways of generating profits. Hedge funds and proprietary trading have led the way, while the core equity and investment banking businesses felt lucky to survive. The last twelve months saw a strong rebound of the traditional businesses, adding significant leverage to a relatively lean cost structure. The net result was record earnings for most investment banks and a pick-up in merger-related activities as financial institutions were once again focused on growth.

Several major trends have characterized activity in the industry over the last year:

1. **Rising institutional commission revenues** were driven by the return of the traditional investment advisor to the equity market. Increased equity assets coupled with increased fund turnover bucked the trend of flat to declining market volumes from traditional investment advisors and mutual funds over the last 3-4 years.
2. **Demand for electronic trading** was further accelerated by increased trading activity, resulting in a number of acquisitions in the sector.
3. **Internationalization of order flow** was a big driver for cross-border exchange mergers – a trend that will potentially gain momentum in the next few years particularly as technology providers increasingly seek to link order and execution management systems.
4. **Emerging markets have developed into a strong source of revenues** for investment banks and the fast growing economies of China and India attracted significant capital inflows. Investment banks have scrambled to build capabilities to meet with business demands, resulting in record acquisitions and partner buy-outs.

Key Statistical Findings:

- There were a total of 136 acquisitions involving broker dealer firms for the year ending June 30, 2006, versus 124 during the comparable period a year ago. This represents an increase of 10% driven mainly by an increase in activity in Asia.
- The top three transactions announced during the year ending June 30, 2006 ranked by total dollar value of consideration were 1) NYSE's merger with Euronext NV valued at \$10.2 billion, 2) UBS's acquisition of Brazil-based Banco Pactual for \$2.6 billion and 3) Sumitomo Mitsui Financial Group's investment in a majority stake in SMBC Friend Securities for \$1.6 billion.

Peter Major + 1 212 830 6196
Gagan Sawhney + 1 212 830 6165
Michael Kasper + 1 212 830 6164
Anpu Lau + 1 212 830 6178

pmajor@freeman-co.com
gsawhney@freeman-co.com
mkasper@freeman-co.com
alau@freeman-co.com

Global Acquisition Activity

Global acquisition activity in the broker dealer space remains robust. There were a total of 136 acquisitions involving broker-dealer firms in the last twelve months (LTM) ending June 30, 2006, versus 124 during the comparable period a year ago. Despite an overall 10% increase in activity, North American LTM acquisitions were lower by 22% to 32 announced deals from 41. European deals remained stable at 37 compared to 38 the year earlier. Acquisition activity in Asia was especially active with deal volume jumping up almost 50% to 64 from 43 during the prior year period as the China Security Regulatory Commission continues to force consolidation for under-performing brokerages in an industry-wide clean-up.

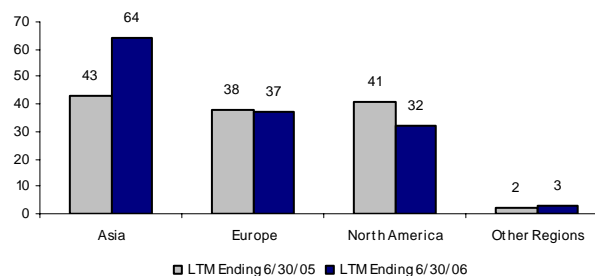
Six of the ten largest transactions by aggregate dollar value of consideration were in the US and European markets. The two most active sectors were Electronic Trading & Exchanges and Research, Sales & Trading which saw total deals of 38 and 35 compared to 37 and 33 deals a year ago, respectively. The largest Research, Sales & Trading acquisitions by consideration include most notably Sumitomo Mitsui's acquisition of SMBC Friend Securities in Japan, FL Group's acquisition of a minority stake in Straumur-Burdaras in Iceland and China Life Insurance Co.'s acquisition of Citic Securities.

In the last twelve months several major transactions have highlighted a trend toward global consolidation between exchanges. Blockbusters like NYSE Group's merger with Euronext and Nasdaq Stock Market's acquisition of a minority stake in the London Stock Exchange have underscored significant volume in exchange related transactions driven heavily by activity in the Asian market. In Asia the number of transactions in the space jumped almost fourfold to 11 in the last year involving consolidation of several regional exchanges and numerous minority sales. In the U.S., the Philadelphia and Chicago Stock Exchanges as well as NYMEX were all acquired either in part or in whole.

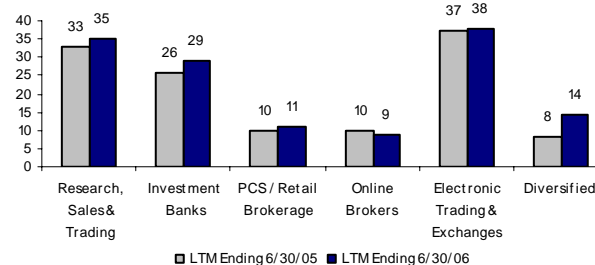
Online Brokers have also had a healthy appetite toward acquiring one another. The most notable transactions include Ameritrade's acquisition of TD Waterhouse (announced in June 2005 and completed in April 2006)

and E*Trade's acquisitions of Brown & Co. and Harrisdirect. For the past few years, Online Brokers have ridden the wave of consolidation to exploit economies of scale, and combat a decline in trading volume and fee compression.

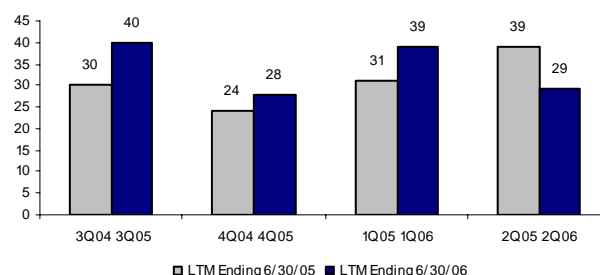
Number of Acquisitions by Target Region



Number of Acquisitions by Target Type



Number of Acquisitions by Quarter



Top Ten Global Transactions Based on Dollar Value of Consideration - LTM Ending 6/30/06

Rank	Ann. Date	Target	Target Firm Type	Target Country	Acquirer	Acquirer Country	Ownership %	Dollar Value of Consideration ¹	Entity Value \$MM ²
1	5/06	Euronext NV	Exchange	Netherlands	NYSE Group	US	100.0%	\$10,203.0	\$10,203.0
2	5/06	Banco Pactual SA	Regional Investment Bank	Brazil	UBS AG	Switzerland	100.0%	2,600.0	2,600.0
3	3/06	SMBC Friend Securities	Retail & Institutional	Japan	Sumitomo Mitsui Financial Group	Japan	59.7%	1,633.4	2,738.3
4	9/05	Brown & Co.	Online Broker	US	E*Trade Financial Corporation	US	100.0%	1,600.0	1,600.0
5	3/06	Sydney Futures Exchange	Exchange	Australia	Australian Stock Exchange	Australia	100.0%	1,587.0	1,587.0
6	5/06	London Stock Exchange	Exchange	UK	Nasdaq Stock Market Inc	US	25.1%	1,378.6	5,492.4
7	4/06	EBS Group	Electronic Trading	UK	ICAP	UK	100.0%	823.0	823.0
8	8/05	Harrisdirect	Online Broker	US	E*Trade Financial	US	100.0%	701.8	701.8
9	6/06	Straumur-Burdaras	Regional Investment Bank	Iceland	FL Group	Iceland	24.2%	618.3	2,555.1
10	6/06	Citic Securities	Regional Investment Bank	China	China Life Insurance Co.	China	17.2%	581.0	3,375.9

Source: Freeman & Co.

¹ Dollar value of consideration must be at least \$10 million if disclosed

² In instances where the equity purchased was less than 100% Entity Value, Entity Value has been derived from the purchase price and percentage acquired

Firm Type Classifications: • Research, Sales & Trading = Institutional Brokerages, Specialists/Market Makers & Equity/ Fixed Income Research Firms • Investment Banks = Global, Regional & Boutique Investment Banks • PCS/Retail Brokerage = PCS Teams & Retail Brokers • Online Brokers = Online Brokers • Electronic Trading & Exchanges = Stock Exchanges, ECNs, Direct Access Providers, Custodians, Clearing Operations & both Voice and Electronic Inter-Dealer Brokers • Diversified Broker Dealers = Broker Dealers whose revenues are not predominantly derived from any one of the above categories

North American Acquisition Activity

North American acquisition volume has slowed considerably during the LTM as compared to the prior year period. LTM deal volume was 32 (of which 31 deals took place in the U.S.), down 22% from 41 (39 in the U.S.). Electronic Trading & Exchanges acquisitions were steeply down from last year, posting 15 deals, down from 24, despite a number of large transactions. The number of investment banks acquired jumped from two to eight during the last year which offset an overall drop in acquisitions in North America, where a number of broker dealers have taken significant measures to strengthen their electronic trading

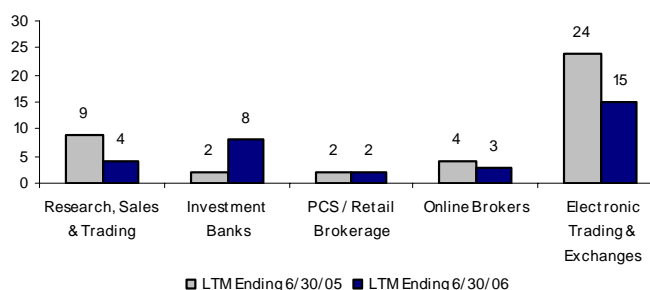
capabilities. An example of this was Lehman Brothers' acquisition of Townsend Analytics, an Execution Management System (EMS) provider. Townsend's marquee product, RealTick, offers real-time news and data, access to exchanges and ECNs, as well as risk management. A similar transaction in the space was Merrill Lynch's acquisition of Wave Securities from Archipelago Holdings. Wave is a full-service broker dealer providing direct access to U.S. equity markets. The sale of Wave Securities was mandated by the SEC upon Archipelago Holdings' acquisition of the Pacific Exchange and PCX Equities in April 2005.

Recent acquisitions in the electronic trading space indicate a growing appetite to consolidate OMS and EMS providers. Notable transactions in this space include e-trading firm ITG's acquisition of Macgregor and The Bank of New York and GTCR Golder Rauner's joint announcement of a combination between BNY Securities Group's trade execution, commission, and research capabilities and Eze Castle Software's trade order management capabilities.¹ Increasingly, broker dealer firms are recognizing the importance of prolonging control of the value chain of desktops in order to garner more information flow and subsequently expand their service offering.

Consolidation among online brokers accounted for several of the largest North American transactions. This is a marked change from a few years ago, when the online brokerage industry rapidly consolidated to stem significant declines in commissions and flows. Notable deals in this space include Ameritrade Holding's announced acquisition of TD Waterhouse in June 2005 for \$2.3 billion and E*Trade Financial's acquisitions of both Brown & Co. for \$1.6 billion and HarrisDirect for \$701.8 million in August and September of 2005, respectively. Smaller discount brokers have also recognized that expanding branch networks is not enough to compete against their larger, more well established peers. Several of these firms are trying to re-brand themselves and adopt additional higher-margin services such as advice and research.

A notable transaction that took place in North America during the last twelve months was Friedman, Billings, Ramsey Group's restructuring effort. The mid-size investment bank divided its operations into a capital markets arm and a mortgage backed securities and private wealth management division. An 8% or \$100 million stake in FBR Capital Markets Corp. was sold to private equity firm Crestview Partners, while an additional \$300 million in equity private placements was raised to fund the new business and expand its most successful products. This follows the company's restructuring as a real estate investment trust in 2001, after which it built a multibillion-dollar portfolio of mortgage securities, which was subsequently sold in Q1 2006.

Number of North American Acquisitions by Target Type



Top Ten North American Transactions Based on Dollar Value of Consideration - LTM Ending 6/30/06

Rank	Ann. Date	Target	Target Firm Type	Target Country	Acquirer	Acquirer Country	Ownership %	Dollar Value of Consideration ²	Entity Value \$MM ³
1	9/05	Brown & Co.	Online Broker	US	E*Trade Financial	US	100.0%	\$1,600.0	\$1,600.0
2	8/05	Harrisdirect	Online Broker	US	E*Trade Financial	US	100.0%	701.8	701.8
3	9/05	Advest Group Inc.	Retail Brokerage	US	Merrill Lynch & Co.	US	100.0%	444.9	444.9
4	11/05	Refco-Futures Brokerage Business	Institutional Brokerage	US	Man Financial	UK	100.0%	286.0	286.0
5	9/05	New York Mercantile Exchange	Exchange	US	General Atlantic	US	10.0%	135.0	1,350.0
6	6/06	FBR Capital Markets Corp	Regional Investment Bank	US	Crestview Partners	US	8.3%	100.0	1,204.8
7	9/05	Legg Mason Capital Markets Business	Asset Management	US	Stifel Financial Corporation	US	100.0%	95.0	95.0
8	1/06	Hotspot FX	ECN	US	Knight Capital Group	US	100.0%	77.5	77.5
9	3/06	Chicago Climate Exchange	Exchange	US	Climate Exchange	UK	100.0%	50.4	50.4
10	9/05	Adams Harkness Financial Group	Regional Investment Bank	US	Canaccord Capital	Canada	100.0%	20.0	20.0

Source: Freeman & Co.

¹ Freeman acted as the adviser to GTCR in this transaction

² Dollar value of consideration must be at least \$10 million if disclosed

³ In instances where the equity purchased was less than 100% Entity Value, Entity Value has been derived from the purchase price and percentage acquired

Firm Type Classifications: • Research, Sales & Trading = Institutional Brokerages, Specialists/Market Makers & Equity/ Fixed Income Research Firms • Investment Banks = Global, Regional & Boutique Investment Banks • PCS/Retail Brokerage = PCS Teams & Retail Brokers • Online Brokers = Online Brokers • Electronic Trading & Exchanges = Stock Exchanges, ECNs, Direct Access Providers, Custodians, Clearing Operations & both Voice and Electronic Inter-Dealer Brokers • Diversified Broker Dealers = Broker Dealers whose revenues are not predominantly derived from any one of the above categories

European Acquisition Activity

European broker dealer acquisition activity has remained fairly consistent on a year-over-year basis as 37 deals were announced in the last twelve months as compared to 38 a year ago. Electronic Trading and Exchange firm acquisitions were most active while Investment Banks and Diversified Broker Dealers each held their own.

Greater demand for geographic integration, electronic trading, liquidity and a broader product mix have triggered several cross-border mergers and acquisitions between exchanges this year. The \$20 billion behemoth

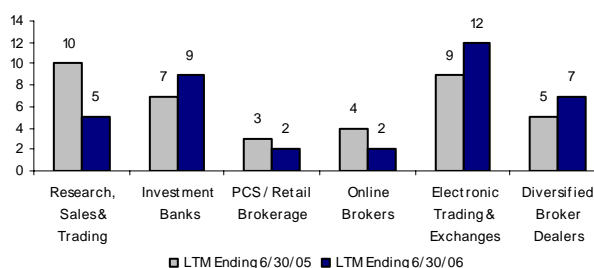
that will be created if NYSE Group completes its “merger of equals” with Euronext will certainly fuel the drive toward consolidation. Formed in 2000, Euronext was born out of a merger between the Amsterdam, Brussels, and Paris Exchanges and the London International Financial Futures and Options Exchange. The Nasdaq Stock Exchange had high hopes to create a similarly potent global exchange with its \$4.2 billion hostile bid for the much sought after London Stock Exchange. While the bid was rebuffed, Nasdaq accumulated a 25.1% minority stake by late May 2006. Over the next 12 months, Deutsche Boerse, LSE, Borsa Italiana, the Tokyo and Swedish Stock Exchanges may become potential targets.

Additionally, ever more broker dealers are headed toward the electronic route especially in foreign exchange trading. In April 2006, U.K.-based ICAP announced its acquisition of the electronic FX trading platform EBS for \$823 million. ICAP is the world’s largest voice and electronic interdealer broker with a daily average transaction volume in excess of \$1 trillion, 50% of which is electronic. This acquisition will lift ICAP’s electronic trades by approximately 33% to \$700 billion a day, which is expected to lead to a doubling of revenues from computer-based transactions to \$400 million a year. This transaction follows ICAP’s 2003 acquisition of Brokertec, the second-largest online broker of U.S. Treasuries. In a similar transaction in the U.S., Knight Capital Group acquired Hotspot FX, an ECN-based platform for spot foreign exchange transaction, in an all-cash deal for approximately \$77.5 million. Hotspot FX supports 24 currency pairs and executes 5,000 to 10,000 FX spot trades per day.

Another notable transaction that falls in both the exchange and electronic trading spaces is Euronext and Borsa Italiana’s acquisition of a 60.4% stake in MTS SpA, Europe’s leading government bond trading platform. MTS SpA handled an average of €85 billion worth of European government bonds per day and \$539 billion worth of U.S. Treasuries per day at the end of Q1 2005. This transaction enables Euronext, whose dominance rests in equities and derivatives trading, to expand into the fixed income securities electronic market. The remaining 39.6% stake is owned by 27 global and regional investment banks, including JPMorgan, Deutsche Bank, and Barclays.

A growing number of global investment banks are also buying into emerging markets. In August of 2005 Deutsche Bank acquired the remaining 60% stake of its partially owned subsidiary United Financial Group for \$400 million. Russia-based United Financial Group offers corporate finance, research, sales & trading, and structured products to international and Russian clients. This transaction propels Deutsche Bank into a position as a leading investment bank in Russia.

Number of European Acquisitions by Target Type



Top Ten European Transactions Based on Dollar Value of Consideration - LTM Ending 6/30/06

Rank	Ann. Date	Target	Target Firm Type	Target Country	Acquirer	Acquirer Country	Ownership %	Dollar Value of Consideration ¹	Entity Value \$MM ^{2,3}
1	5/06	Euronext NV	Exchange	Netherlands	NYSE Group Inc	US	100.0%	\$10,203.0	\$10,203.0
2	5/06	London Stock Exchange	Exchange	UK	Nasdaq Stock Market Inc	US	25.1%	1,378.6	5,492.4
3	4/06	EBS Group Ltd	Electronic Trading	UK	ICAP PLC	UK	100.0%	823.0	823.0
4	6/06	Straumur-Burdaras	Regional Investment Bank	Iceland	FL Group hf	Iceland	24.2%	618.3	2,555.1
5	8/05	United Financial Group	Regional Investment Bank	Russia	Deutsche Bank AG	Germany	60.0%	400.0	666.7
6	5/06	ABN Amro's futures unit	Institutional Brokerage	Netherlands	UBS AG	Switzerland	100.0%	386.0	386.0
7	2/06	Boursorama SA	Online Broker	France	Caixa d'Estalvis Pensions de Barcelona	Spain	100.0%	278.8	278.8
8	6/06	Proton Investment Bank	Regional Investment Bank	Greece	IRF European Finance Investments	Bermuda	30.0%	252.0	840.0
9	4/06	Euronext NV	Exchange	Netherlands	Dubai International Financial Centre	Saudi Arabia	1.7%	162.0	9,700.0
10	1/06	MTS SpA	Electronic Trading	Italy	Euronext NV & Borsa Italiana	n/a	51.0%	149.5	293.1

Source: Freeman & Co.

¹ Dollar value of consideration must be at least \$10 million if disclosed

² During the period from April 18, 2006 to May 24, 2006, Nasdaq paid an aggregate \$1,378.6 million for a cumulative 25.1% investment in the LSE. The average implied Entity Value is derived from the percentage and consideration of this investment

³ In instances where the equity purchased was less than 100% Entity Value, Entity Value has been derived from the purchase price and percentage acquired

Firm Type Classifications: • Research, Sales & Trading = Institutional Brokerages, Specialists/Market Makers & Equity/ Fixed Income Research Firms • Investment Banks = Global, Regional & Boutique Investment Banks • PCS/Retail Brokerage = PCS Teams & Retail Brokers • Online Brokers = Online Brokers • Electronic Trading & Exchanges = Stock Exchanges, ECNs, Direct Access Providers, Custodians, Clearing Operations & both Voice and Electronic Inter-Dealer Brokers • Diversified Broker Dealers = Broker Dealers whose revenues are not predominantly derived from any one of the above categories

Asian Acquisition Activity

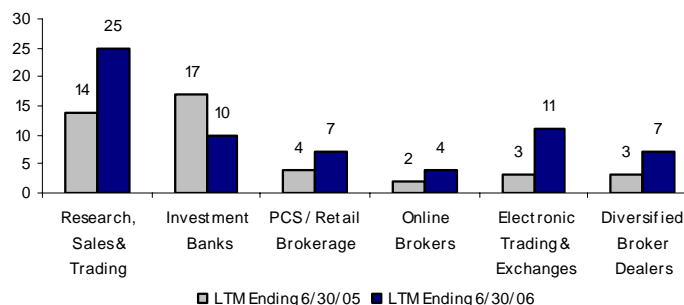
Almost half of the 136 global acquisitions announced in the last twelve months took place in Asia, representing an almost 50% increase to 64 from 43 a year ago. Particularly active areas include acquisitions of firms that can be broadly identified as Research, Sales & Trading, Electronic Trading & Exchanges, and Investment Banks.

The China Securities Regulatory Commission has forced the consolidation or closure of underperforming brokerage houses in an effort to clean up the money-losing and scandal-ridden industry. Of the 64 deals announced in Asia in the twelve months ending June 30, 2006, 8 were in China compared to 6 in the prior year. A further 17 of the 42 brokerage houses which reported earnings in 2005 were closed.

As trading and underwriting volumes rise in Asian markets, global investment banks are buying and building broker dealers to take advantage of these new markets. A number of key acquisitions from European based investment banks highlight this growing trend. In April 2006, UBS announced it became the first overseas investor to buy into one of China's ailing broker dealers by taking a 20% stake in Beijing Securities for \$210 million. Also in May 2006, Dutch bank ABN-Amro became the first international bank to offer a retail brokerage service in India, when it launched ABN Amro Broking. BNP Paribas also recently acquired a 26% stake in Indian retail broker Geojit Financial Services. European banks were not the only banks shopping in emerging markets, Citigroup launched a brokerage in India and Merrill Lynch bought 50% of its Indian brokerage arm DSP Merrill, bringing its total investment up to 90%, to cite two examples. This trend will likely continue as foreign banks seek to gain access to India's equity markets, which have grown tenfold in the last two years, and China's underwriting, advisory and trading commissions, which are expected to reach \$12 billion by 2010.

Historically, mergers and acquisitions activity among exchanges in Asia has lagged behind the rest of the world. However, during the past 12 months deal volume increased from three to eleven, making it more active than the U.S. market by number of deals. Regional consolidation including numerous minority stakes was a major driver for the increase in activity, especially for derivatives and commodities exchanges. Topping the list is the Australian Stock Exchange's (ASE) acquisition of the Sydney Futures Exchange for \$1.59 billion. The transaction is intended to broaden ASE's product mix and the combination has catapulted the merged company into ninth place on the list of largest global exchanges by market capitalization. Only one of the eight exchanges acquired in whole or part during the LTM in Asia was from a foreign entity. Fidelity International acquired a 9% stake in the Multi Commodity Exchange (MCX) of India for \$49 million, valuing the exchange at \$544 million. MCX makes a market in 56 different commodities and is planning an IPO by the end of this year. Fidelity's acquisition is the first foreign investment into an Indian commodity exchange.

Number of Asian Acquisitions by Target Type



Top Ten Asian Transactions Based on Dollar Value of Consideration - LTM Ending 6/30/06

Rank	Ann. Date	Target	Target Firm Type	Target Country	Acquirer	Acquirer Country	Ownership %	Dollar Value of Consideration ¹	Entity Value \$MM ²
1	3/06	SMBC Friend Securities	Retail & Institutional	Japan	Sumitomo Mitsui Financial Group	Japan	59.7%	\$1,633.4	\$2,738.3
2	3/06	Sydney Futures Exchange	Exchange	Australia	Australian Stock Exchange	Australia	100.0%	1,587.0	1,587.0
3	6/06	Citic Securities	Regional Investment Bank	China	China Life Insurance Co.	China	17.2%	581.0	3,375.9
4	12/05	DSP Merrill Lynch	Regional Investment Bank	India	Merrill Lynch & Co.	US	50.0%	500.0	1,000.0
5	8/05	Global Securities Finance	Retail & Institutional	Taiwan	Taiwan International Securities	Taiwan	100.0%	265.7	265.7
6	12/05	SBI Securities	Diversified Broker-Dealer	Japan	SBI Holdings	Japan	42.8%	255.4	596.0
7	9/05	Beijing Securities	Regional Investment Bank	China	UBS AG	Switzerland	20.0%	210.0	1,050.0
8	12/05	NH Investment & Securities	Online Broker	South Korea	National Agricultural Cooperative	South Korea	47.6%	102.6	215.5
9	9/05	Goldstone Securities	Institutional Brokerage	China	Citic Securities Co.	China	94.4%	98.3	104.2
10	1/06	5 ECM Libra subsidiaries	Specialist/Market Maker	Malaysia	Avenue Capital Resources	Malaysia	100.0%	81.0	81.0

Source: Freeman & Co.

¹ Dollar value of consideration must be at least \$10 million if disclosed

² In instances where the equity purchased was less than 100% Entity Value, Entity Value has been derived from the purchase price and percentage acquired

Firm Type Classifications: • Research, Sales & Trading = Institutional Brokerages, Specialists/Market Makers & Equity/ Fixed Income Research Firms • Investment Banks = Global, Regional & Boutique Investment Banks • PCS/Retail Brokerage = PCS Teams & Retail Brokers • Online Brokers = Online Brokers • Electronic Trading & Exchanges = Stock Exchanges, ECNs, Direct Access Providers, Custodians, Clearing Operations & both Voice and Electronic Inter-Dealer Brokers • Diversified Broker Dealers = Broker Dealers whose revenues are not predominantly derived from any one of the above categories

Exchanges

The last twelve months have seen substantial consolidation among exchanges: more broker dealers build or acquire financial technology firms to create a more efficient, automated trading process, siphoning off trading volume and creating pressure on fees. To regain their competitive edge, leading exchanges have taken measures to adopt electronic trading themselves and expand reach to improve liquidity and scale up their business. NYSE Group and Nasdaq both announced major transactions this year with European exchanges, the former a tie-up with Euronext and the latter a minority stake in the LSE. Both of these announcements follow acquisitions of electronic trading platforms Archipelago and Instinet by NYSE and Nasdaq, respectively, in 2005.

Mergers and acquisitions activity among derivatives exchanges in the last twelve months has been particularly robust. Indicative of this is Morgan Stanley, Citigroup, UBS, and Credit Suisse's agreement to invest almost \$20 million in the Philadelphia Stock Exchange, the fourth-largest U.S. options market. Merrill Lynch and Chicago-based hedge fund company Citadel Investment Group each bought 10% of the exchange in June 2005. The deal will likely lower trading costs for the Wall Street firms, which have the option of doubling their stakes in the future. Additionally the banks gained exposure to a piece of a market where the value of contracts traded is increasing almost 40% a year. The privately-held Philadelphia Stock Exchange is a significant player in the equity options area and handled 9.7% of all equity-option trades as of July 2005. Morgan Stanley, Citigroup, UBS and Credit Suisse already own shares, trading rights or both in the International Stock Exchange, who, along with the Chicago Board Options Exchange and American exchanges represent the three largest options exchanges.

Regional exchange consolidation has picked up abroad while domestically an increasing number of global investment banks have made key investments in regional U.S. exchanges. In addition to the aforementioned Philadelphia Stock Exchange transaction, another notable transaction includes Bank of America Corp., Bear, Stearns & Co., E*Trade Financial Corp., and Goldman Sachs Group's combined \$20 million minority investment in the Chicago Stock Exchange. Also, last year Citigroup, Credit Suisse, Fidelity Brokerage Company, and Lehman Brothers partnered with the Boston Stock Exchange to create Boston Equities Exchange, an electronic stock exchange. The National Stock Exchange, formerly known as the Cincinnati Stock Exchange could be next to partner up.

Notable in the commodities space is buyout-firm General Atlantic's acquisition of a 10% stake in the New York Mercantile Exchange (NYMEX), which trades benchmark futures contracts in crude oil and natural gas and has set volume records in 2006 as energy prices have soared. NYMEX became particularly attractive when, in April 2005, it implemented an all-electronic trading system, which led to a 24% surge in volume. The sale of the stake prepares the company for its recently announced initial public offering.

Another significant transaction is the creation of FX MarketSpace from a joint venture between Reuters and the Chicago Mercantile Exchange, the third largest futures exchange by volume. The venture is intended to create the world's first centrally cleared global foreign exchange marketplace by building on electronic and algorithmic trading as well as a growing demand for alternative investments.

Ann. Date	Exchange	Specialty Focus	Target Country	Acquirer	Acquirer Country	% Ownership	Dollar Value of Consideration ¹	Entity Value \$MM ²
5/22/06	Euronext NV	Equities / Derivatives	Netherlands	NYSE Group	US	100.0%	\$10,203.0	\$10,203.0
3/27/06	Sydney Futures Exchange	Derivatives	Australia	Australian Stock Exchange	Australia	100.0%	\$1,587.0	\$1,587.0
5/24/06	London Stock Exchange	Equities	UK	Nasdaq Stock Market Inc	US	25.1	1,378.6	5,492.4
4/24/06	Euronext NV	Equities / Derivatives	Netherlands	Dubai International Financial Centre	Saudi Arabia	1.7%	162.0	9,700.0
9/20/05	New York Mercantile Exchange	Commodities	US	General Atlantic	US	10.0%	135.0	1,350.0
3/31/06	Chicago Climate Exchange	Diversified	US	Climate Exchange	UK	100.0%	50.4	50.4
2/6/06	Multi Commodity Exchange of India	Commodities	India	Fidelity International	Bermuda	9.0%	49.0	544.4
12/29/05	Osaka Securities Exchange	Derivatives	Japan	CSK Holdings	Japan	5.5%	31.4	573.7
2/24/06	Chicago Stock Exchange	Equities	US	BofA, Bear Stearns, E*Trade Financial, GS	US	-	20.0	-
5/25/06	Philadelphia Stock Exchange	Derivatives	US	UBS AG, CSFB, Citigroup, MS	Switzerland	25.0%	18.8	75.0
7/1/05	Bremer Wertpapierbörse AG	Derivatives	Germany	SWX Swiss Exchange	Switzerland	100.0%	-	-
8/16/05	Philippine Stock Exchange	Derivatives	Philippines	Value Partners	Hong Kong	4.9%	-	-
4/13/06	Surabaya Stock Exchange	FI / Derivatives	Indonesia	Jakarta Stock Exchange	Indonesia	-	-	-
7/11/05	Lahore Stock Exchange	Diversified	Pakistan	Islamabad Stock Exchange	Pakistan	-	-	-
10/7/2005	Tokyo Grain Exchange	Commodities	Japan	Yokohama Commodity Exchange	Japan	-	-	-
11/3/2005	Taiwan Futures Exchange	Derivatives	Taiwan	Taiwan Stock Exchange	Taiwan	-	-	-

Source: Freeman & Co.

¹ Dollar value of consideration must be at least \$10 million if disclosed

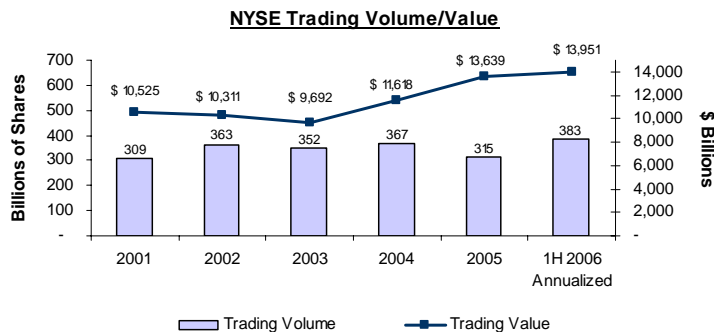
² In instances where the equity purchased was less than 100% Entity Value, Entity Value has been derived from the purchase price and percentage acquired

Firm Type Classifications: • Research, Sales & Trading = Institutional Brokerages, Specialists/Market Makers & Equity/ Fixed Income Research Firms • Investment Banks = Global, Regional & Boutique Investment Banks • PCS/Retail Brokerage = PCS Teams & Retail Brokers • Online Brokers = Online Brokers • Electronic Trading & Exchanges = Stock Exchanges, ECNs, Direct Access Providers, Custodians, Clearing Operations & both Voice and Electronic Inter-Dealer Brokers • Diversified Broker Dealers = Broker Dealers whose revenues are not predominantly derived from any one of the above categories

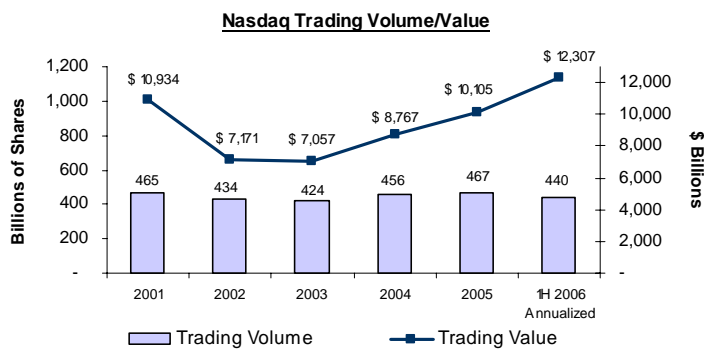
Market Data

The markets have exhibited remarkable resiliency. Skyrocketing commodities prices, political unrest in the Middle East and concerns regarding an inverted yield curve or a cooling U.S. economy have not served to dampen trading volumes. Volumes on both the NYSE and NASDAQ Composite Indices reversed the trend of declining share volumes from 2001-2003. Annualized first half 2006 results forecast that approximately 383 and 530 billion shares could be traded on the NYSE and NASDAQ if the first half pace continues. This would represent increases of 22% and 25% over 2005, respectively.

Several years ago, a slight dip in trading volume was accompanied by significant declines in commissions. In the last several months, rising volatility indicated by the Chicago Board Options Exchange Volatility Index paired with a stabilization in commissions has driven up commission revenues. Indeed, the record earnings set by some of the world's leading investment banks has been bolstered by a turnaround in share volumes. Mutual fund equity trading activity has been on the rise since dipping sharply in 2002, driving up institutional trading commissions. In 2006 thus far, global powerhouses Goldman Sachs, Morgan Stanley, Lehman Brothers and Bear Stearns have all set earnings records. And, in spite of swings in equity, commodity, and currency markets, Wall Street analysts raised their earnings estimates for these firms. The excess cash generated in the industry has fueled a spate of acquisitions as well as a spike in IPOs of broker dealers. Apart from taking advantage of current favorable market conditions, broker dealers have engaged in transactions to strengthen their technology capabilities, especially in electronic trading, achieve ever greater economies of scale, as well as take advantage of hot sectors, such as the emerging markets and derivatives area.



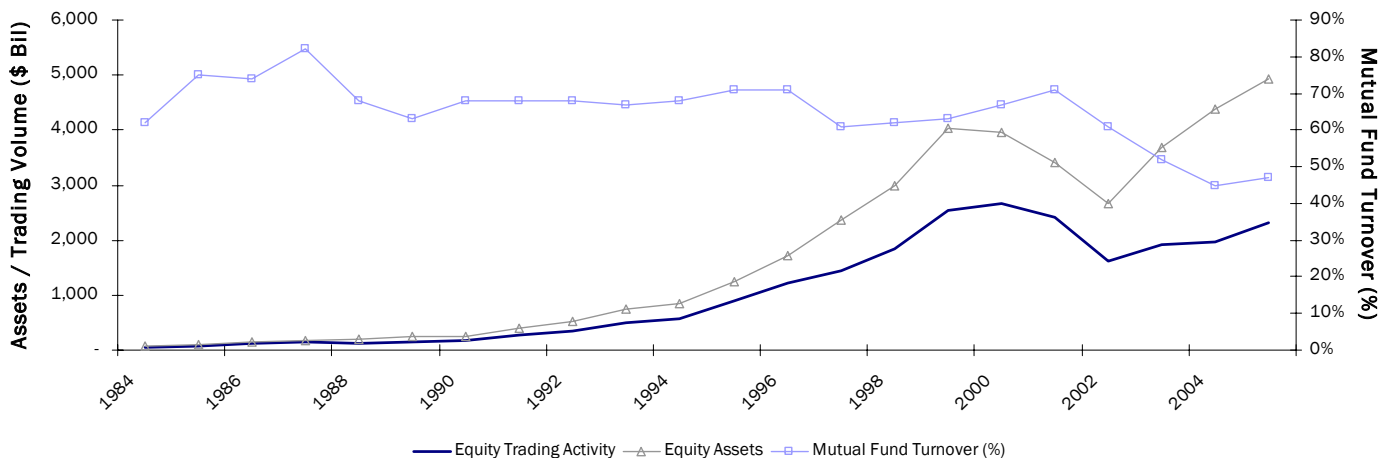
Source: Bloomberg



Source: www.nasdaqtrader.com

	2001	2002	2003	2004	2005	6/30/2006
Nasdaq	1,950.4	1,335.5	2,003.4	2,175.4	2,205.3	2,172.1
DJIA	10,021.6	8,341.6	10,453.9	10,783.0	10,717.5	11,150.2
S&P 500	1,148.1	879.8	1,111.9	1,211.9	1,248.3	1,270.2

Mutual Fund Assets and Trading Activity



Source: Investment Company Institute

Investment Banking Public Company Comparables

Financial Summary and Valuation Multiples

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

Company Name	Ticker	Stock		Book Value	Last Twelve Months ^(a)		EPS		Price / Book	Equity Value / LTM		PE Ratio			
		Price 8/31/06	Equity Value		Revenue	Pre-Tax	LTM ^(a)	2006E		Revenue	Pre-Tax	LTM ^(a)	2006E		
Universal Banks															
Bank of America	BAC	\$ 51.47	\$ 236,556	\$ 127,841	\$ 63,959	\$ 27,732	\$ 4.20	\$ 4.43	1.9x	3.7x	8.5x	12.3x	11.6x		
Citigroup	C	49.35	246,517	115,379	86,305	29,388	4.08	4.33	2.1	2.9	8.4	12.1	11.4		
JPMorganChase	JPM	45.66	160,864	110,684	58,499	19,192	3.58	3.43	1.5	2.7	8.4	12.7	13.3		
TOTAL			\$ 643,937												
										HIGH	2.1x	3.7x	8.5x	12.7x	13.3x
										AVERAGE	1.8	3.1	8.4	12.4	12.1
										MEDIAN	1.9	2.9	8.4	12.3	11.6
										LOW	1.5	2.7	8.4	12.1	11.4
Global Investment Banks															
Bear Stearns	BSC	\$ 130.35	\$ 16,059	\$ 11,708	\$ 8,384	\$ 3,048	\$ 14.14	\$ 12.48	1.4x	1.9x	5.3x	9.2x	10.4x		
Goldman Sachs	GS	148.65	66,797	31,800	34,003	12,218	16.57	16.10	2.1	2.0	5.5	9.0	9.2		
Lehman Brothers	LEH	63.81	34,585	17,982	16,414	5,739	6.57	6.40	1.9	2.1	6.0	9.7	10.0		
Merrill Lynch	MER	73.53	68,285	36,540	29,591	9,348	6.49	5.15	1.9	2.3	7.3	11.3	14.3		
Morgan Stanley	MS	65.79	74,685	32,255	31,320	10,333	6.48	5.62	2.3	2.4	7.2	10.2	11.7		
TOTAL			\$ 260,412												
										HIGH	2.3x	2.4x	7.3x	11.3x	14.3x
										AVERAGE	1.9	2.1	6.3	9.9	11.1
										MEDIAN	1.9	2.1	6.0	9.7	10.4
										LOW	1.4	1.9	5.3	9.0	9.2
Global M&A Boutiques															
Evercore Partners ^(b)	EVR	\$28.75	\$ 780.2	\$ 28	\$ 149	\$ 82	\$ 2.71	NA	27.5x	5.2x	9.6x	10.6	NA		
Greenhill	GHL	55.03	1,584	124	308	128	2.64	2.57	12.8	5.1	12.3	20.8	21.4		
Lazard Ltd.	LAZ	37.65	1,412	(745)	1,714	438	1.71	2.26	NA	0.8	3.2	22.1	16.7		
TOTAL			\$ 3,776												
										HIGH	27.5x	5.2x	12.3x	22.1x	21.4x
										AVERAGE	20.1	3.7	8.4	17.8	19.0
										MEDIAN	20.1	5.1	9.6	20.8	19.0
										LOW	12.8	0.8	3.2	10.6	16.7
Regional Investment Banks / Broker - Dealers															
AG Edwards	AGE	\$ 52.82	\$ 4,064	\$ 1,972	\$ 2,852	\$ 403	\$ 3.45	\$ 3.49	2.1x	1.4x	10.1x	15.3x	15.1x		
Charles Schwab	SCHW	16.31	21,639	4,602	4,908	1,447	0.68	0.80	4.7	4.4	15.0	23.9	20.4		
Friedman Billings Ramsey	FBR	8.25	1,436	1,271	352	24	(0.54)	0.75	1.1	4.1	NA	NA	11.00		
Jefferies Group	JEF	24.92	2,962	1,434	1,385	324	1.96	1.43	2.1	2.1	9.1	12.7	17.5		
Piper Jaffray	PJC	58.58	1,215	807	752	131	4.38	2.78	1.5	1.6	9.2	13.4	21.1		
Raymond James Financial	RJF	27.72	3,218	1,444	2,285	326	2.04	1.66	2.2	1.4	9.9	13.6	16.7		
Stifel Financial	SF	31.97	413	205	352	41	1.84	NA	2.0	1.2	10.1	17.4	NA		
TOTAL			\$ 34,948												
										HIGH	4.7x	4.4x	15.0x	23.9x	21.1x
										AVERAGE	2.2	2.3	10.6	16.1	17.0
										MEDIAN	2.1	1.6	10.0	14.5	17.1
										LOW	1.1	1.2	9.1	12.7	11.0
Overall	TOTAL		\$ 943,073							HIGH	27.5x	5.2x	15.0x	23.9x	21.4x
										AVERAGE	4.2	2.6	8.5	13.9	14.5
										MEDIAN	2.1	2.2	8.5	12.7	13.8
										LOW	1.1	0.8	3.2	9.0	9.2

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 second quarter calendar year 2006, where possible.

(b) Note TTM EPS includes pre-IPO quarters which no taxes were paid. Share counts include unvested shares.

Investment Banking Public Company Margins

Pre-Tax Income Margin

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Universal Banks							
Bank of America	37.8%	35.8%	35.1%	38.0%	42.1%	44.7%	44.4%
Citigroup	27.6%	28.1%	29.4%	31.2%	34.6%	35.4%	35.2%
JPMorganChase	39.0%	27.5%	19.8%	13.2%	32.4%	26.1%	28.4%
AVERAGE	34.8%	30.5%	28.1%	27.5%	36.4%	35.4%	36.0%
Global Investment Banks							
Bear Stearns	10.1%	21.4%	19.0%	21.1%	29.6%	29.8%	31.4%
Goldman Sachs	14.9%	30.3%	23.4%	23.3%	28.4%	32.5%	33.7%
Lehman Brothers	30.5%	33.5%	27.8%	24.4%	30.1%	30.6%	33.0%
Merrill Lynch	18.8%	21.4%	16.9%	20.3%	27.4%	26.5%	28.6%
Morgan Stanley	35.9%	32.7%	26.4%	25.9%	29.0%	28.8%	31.4%
AVERAGE	22.1%	27.8%	22.7%	23.0%	28.9%	29.6%	31.6%
Global M&A Boutiques							
Evercore Partners (a)	n/a	n/a	n/a	n/a	58.6%	60.2%	53.0%
Greenhill	36.7%	36.9%	31.3%	34.6%	35.1%	37.7%	39.9%
Lazard Ltd.	n/a	n/a	37.6%	36.3%	41.7%	33.6%	26.3%
AVERAGE	36.7%	36.9%	34.4%	35.5%	45.1%	43.8%	39.7%
Regional Investment Banks / Broker - Dealers							
AG Edwards	21.1%	19.6%	16.6%	12.9%	7.8%	9.8%	11.1%
Charles Schwab	24.5%	22.5%	12.1%	16.1%	19.2%	24.8%	26.9%
Friedman Billings Ramsey	(5.1)%	12.4%	(6.5)%	20.8%	44.0%	46.0%	27.0%
Jefferies Group	15.5%	15.5%	15.3%	15.4%	17.4%	21.4%	22.3%
Piper Jaffray	12.3%	12.5%	8.3%	7.4%	8.9%	10.0%	10.2%
Raymond James Financial	11.2%	12.0%	9.5%	9.1%	9.5%	11.7%	12.9%
Stifel Financial	6.7%	8.3%	4.5%	4.4%	11.6%	14.8%	12.4%
AVERAGE	12.3%	14.7%	8.5%	12.3%	16.9%	19.8%	17.5%
OVERALL AVERAGE	21.1%	23.1%	19.2%	20.8%	26.4%	27.3%	26.8%

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

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

(a) Note TTM EPS includes pre-IPO quarters which no taxes were paid. Share counts include unvested shares.

Electronic Trading Public Company Comparables

Financial Summary and Valuation Multiples

(All figures in millions of USD, except for per share data)

Company Name	Ticker	Stock	Equity Value	Tangible Book Value	LTM		EPS		Price / Book	Equity Value / LTM		PE Ratio		
		Price 8/31/06			Revenue	Pre-Tax	LTM	2006		Revenue	Pre-Tax	LTM	2006E	
Electronic-Oriented														
Espeed	ESPD	\$ 8.41	\$ 425.2	\$ 228.7	\$ 147.4	\$ 6.0	\$ 0.08	\$ 0.07	1.9x	2.9x	70.5x	105.9x	120.1x	
Knight	NITE	17.46	1,922.2	744.3	803.7	236.5	1.44	0.97	2.6	2.4	8.1	12.1	18.0	
ITG	ITG	46.21	2,007.2	111.5	511.1	150.8	1.98	1.79	18.0	3.9	13.3	23.3	25.8	
TOTAL			\$ 4,354.6											
									HIGH	18.0x	3.9x	70.5x	105.9x	120.1x
									AVERAGE	7.5	3.1	30.7	47.1	54.7
									MEDIAN	2.6	2.9	13.3	23.3	25.8
									LOW	1.9	2.4	8.1	12.1	18.0
Voice-Oriented														
LaBranche	LAB	\$ 8.30	\$ 503.9	\$ 204.6	\$ 264.2	\$ 195.6	\$ 0.47	\$ 0.57	2.5x	1.9x	2.6	17.8x	14.6x	
Collins Stewart Tullett	CSTL LN	14.85	3,102.8	191.1	1,375.5	168.8	0.63	0.88	16.2	2.3	18.4	23.5	17.0	
ICAP	IAP LN	8.80	5,385.9	567.3	1,596.8	335.3	0.35	0.43	9.5	3.4	16.1	25.5	20.5	
TOTAL			\$ 8,992.6											
									HIGH	16.2x	3.4x	18.4x	25.5x	20.5x
									AVERAGE	9.4	2.5	12.3	22.3	17.4
									MEDIAN	9.5	2.3	16.1	23.5	17.0
									LOW	2.5	1.9	2.6	17.8	14.6
Exchanges														
Chicago Mercantile Exchange	CME	\$ 440.00	\$ 15,378.2	\$ 1,311.8	\$ 1,021.4	\$ 584.4	\$ 10.02	\$ 11.16	11.7x	15.1x	26.3x	43.9x	39.4x	
Toronto Stock Exchange	X CN	44.81	3,053.5	131.6	239.2	141.1	1.32	1.68	23.2x	12.8	21.6	34.0	26.6	
Nasdaq	NDAQ	28.51	3,400.5	(16.7)	1,287.3	117.4	0.74	0.68	NM	2.6	29.0	38.7	42.1	
Deutsche Boerse AG	DB1 GY	151.58	15,097.6	1,178.5	2,451.0	1,155.9	6.70	6.21	12.8x	6.2	13.1	22.6	24.4	
London Stock Exchange	LSE LN	21.93	6,333.2	408.7	516.0	162.2	0.54	0.33	15.5x	12.3	39.0	40.5	66.5	
TOTAL			\$ 43,262.9											
									HIGH	23.2x	15.1x	39.0x	43.9x	66.5x
									AVERAGE	15.8	9.8	25.8	35.9	39.8
									MEDIAN	14.2	12.3	26.3	38.7	39.4
									LOW	11.7	2.6	13.1	22.6	24.4
Overall														
TOTAL			\$ 56,610.2						HIGH	23.2x	15.1x	70.5x	105.9x	120.1x
									AVERAGE	11.4	6.0	23.5	35.3	37.7
									MEDIAN	12.3	3.4	18.4	25.5	25.8
									LOW	1.9	1.9	2.6	12.1	14.6

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

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

Note: LTM as of first quarter of calendar year 2006 where available.

Electronic Trading Public Company Margins

Pre-Tax Income Margin

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Electronic-Oriented							
Espeed	-37.4%	-32.2%	-1.8%	22.7%	32.3%	29.1%	2.8%
Knight	38.8%	34.0%	13.7%	-2.3%	19.0%	13.7%	20.9%
ITG	38.5%	38.1%	36.0%	34.6%	21.9%	19.2%	26.3%
AVERAGE	13.3%	13.3%	15.9%	18.3%	24.4%	20.7%	16.7%
Voice-Oriented							
LaBranche	40.6%	55.0%	42.1%	38.2%	16.3%	11.6%	18.3%
Collins Stewart Tullett	37.2%	26.6%	26.4%	33.4%	16.6%	13.9%	16.2%
ICAP	20.2%	30.3%	26.2%	1.7%	58.4%	38.1%	37.4%
AVERAGE	32.7%	37.3%	31.6%	24.5%	30.5%	21.2%	24.0%
Exchanges							
Chicago Mercantile Exchange	3.3%	-7.1%	32.5%	36.1%	38.5%	49.8%	57.2%
Toronto Stock Exchange	N/A	N/A	36.3%	43.5%	43.1%	52.3%	57.6%
Nasdaq	22.8%	25.7%	11.5%	12.9%	4.8%	9.3%	12.6%
Deutsche Boerse AG	20.4%	31.0%	40.7%	38.1%	35.5%	34.0%	41.5%
London Stock Exchange	1.4%	6.2%	14.8%	(3.0)%	18.5%	20.3%	21.6%
TOTAL	11.9%	14.0%	27.2%	25.5%	28.1%	33.1%	38.1%
OVERALL AVERAGE	18.6%	20.8%	25.3%	23.3%	27.7%	26.5%	28.4%

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

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

Recent Publications by Freeman & Co.

Broker-Dealer Reports

- *Back in Black* (August 2006)
- *Landmark Deals Signal Growth of Electronic Trading Flow* (July 2005)
- *Mega Deals Return* (January 2005 Supplement)
- *2004 Provides Foundation for Expanded Deal Volumes* (January 2005)
- *Inaugural Issue: Midyear Update* (August 2004)

Asset Management Reports

- *Déjà vu (All Over Again)* (August 2006)
- *Size Matters* (March 2006)
- *Changing Tides II* (August 2005)
- *A Slow Year, Focused on Repositioning* (February 2005)
- *Alternatives Go Mainstream, Move Up the Charts* (August 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)

Private Equity Focus

- *Inaugural Issue: Buyouts Breakout* (August 2006)

Thematic Industry Focus

- *Are Hedge Fund M&A Deals a Sustainable Trend?* (January 2005)
- *Convergence in Alternatives* (November 2004)
- *Credit: The Rite of Passage for Investment Banks?* (June 2003)

Freeman & Co. LLC

“Independent Financial Services Advice”

New York

Freeman & Co. LLC
645 Fifth Avenue
9th Floor
New York, NY 10022

Tel: +1 212 830 6161
Fax: +1 212 265 4998

Paris

Freeman & Co. LLC
171bis Avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Tel: +33 (0) 1 40 88 10 53
Fax: +33 (0) 1 40 88 11 99

London

Freeman & Co. International LLP
N° 1 Cornhill
London , EC3V 3ND
United Kingdom

Tel: +44 (0) 207 743 6535
Fax: +44 (0) 207 743 6528
