

Securities Industry Focus

Freeman & Co. LLC

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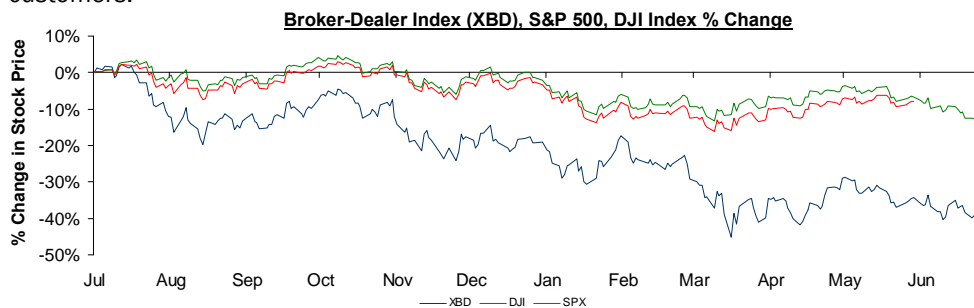
Mom, Dad, Are We There Yet?

Resembling the small, anxious child who every other mile marker down the road is asking their parents how much longer until they get to their relatives' house, and anticipates the relief and holiday party that awaits, the central theme in the Securities Industry marketplace remains a nervous focus on whether the continuing credit write-downs are near the end. The trading market has become increasingly volatile to the downside as it continues to discover that balance sheet transparency has been lacking – or worse – that credit markets have seen such a lack of liquidity that fair asset values remain unknown to Senior Executives.

On the heels of Lehman Brothers' Chapter 11 filing and the rushed sale of Merrill Lynch to Bank of America, we anticipate that most firms will not survive this crisis in their current forms. Goldman Sachs and Morgan Stanley are now Bank Holding Companies but it remains to be seen whether they remain independent by year-end. Never the less, we are cautiously optimistic that the Stage One problem of deleveraging and shoring up the balance sheet of the major money-center banks (and their Broker-Dealer subsidiaries) is within a year of being solved.

The potentially more challenging problem for the large, diversified broker-dealer community (almost all now part of Bank Holding Co.'s) then becomes how to re-invent one self and tackle Stage Two – fixing the Income Statement. With the Federal Reserve first effectively opening up the discount window to broker-dealers and the various regulators then forcing the large broker-dealers to become (or into) Bank Holding Co.'s, it has ushered in an era where the large, diversified broker-dealers will no longer be able to run the recent leverage ratios of 30+ to 1. This deleveraging coupled with the Securitization businesses being former shells of themselves lead to the direct question of where will future Revenue and Earnings growth come from?

We estimate that at least 30%+ of recent pre-crisis profitability has come from Securitization operations and inflated leverage levels, both of which are not near term drivers. Stage Two will be interesting...and will create opportunities for strategic minded firms. Strategic solutions for the winners will include the sale of non-core assets and the acquisition of businesses that provide products and services that create solutions for customers.



Indices as September 18, 2008

Index / Metric	Value	YTD chg
DJIA	11,020	(16.9%)
NASDAQ	2,199	(17.1%)
S&P 500	1,207	(18.8%)
FTSE 100	4,880	(24.4%)
Nikkei	11,489	(21.8%)
AMEX BD Index	122	(41.0%)
10-yr U.S. T-Bond	3.44%	(14.8%)
USD per GBP	1.82	(7.17%)
USD per Euro	1.43	(2.1%)

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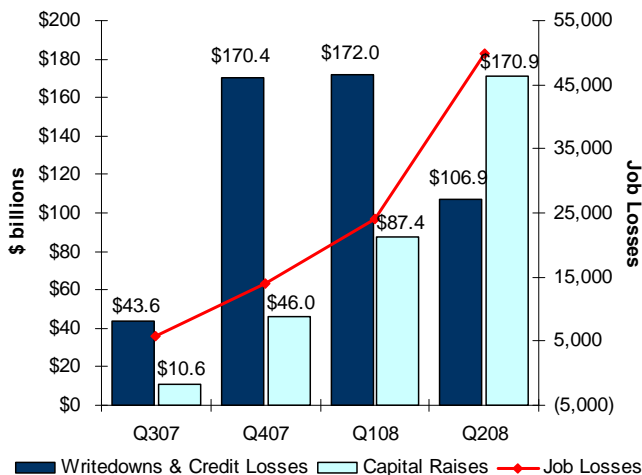
Write-downs, Credit Losses, Job Cuts and Stock Prices

As of June 30, 2008, banks and broker-dealers have experienced almost \$500 billion in write-downs and credit losses. During this same time frame they have raised over \$300 billion in capital and cut almost 50,000 jobs.

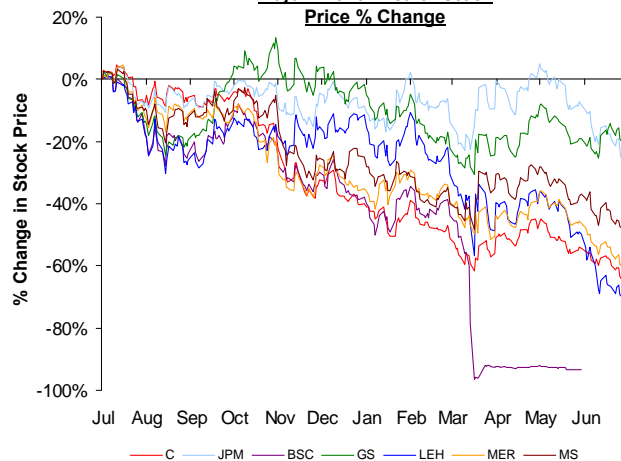
The credit crisis has had a large impact on the trading value of public banks and broker-dealers. As of June 30th, the AMEX Broker-Dealer Index was down 42% YTD, significantly underperforming relative to the S&P 500 and Dow Jones Index which were down 12.5% and 14.4%, respectively.

The events surrounding the collapse of Bear Stearns defined the severity of the current crisis. JPMorgan's purchase of the liquidity challenged investment bank was both a disaster for the shareholders of Bear Stearns (39% of which were employees), as well as a sign of future regulatory intervention. Indeed, the Fed's decision to guarantee up to \$29 billion of Bear Stearns' liquid assets and open up the discount window to securities dealers on the same terms as commercial banks will likely lead to greater regulation of both investment banks and broker-dealers.

Total Write-downs, Credit Losses, Capital Raises and Job Cuts (1)



Major Broker-Dealer Stock Price % Change



Top 25 Firms	Total (\$ billions) (1)		Current Stock Price 09/18/08	LTM (1) % change Stock Price
	Write-downs, Credit Losses	Capital Raises		
Citigroup	\$54.5	\$45.1	\$16.65	(67.3%)
Merrill Lynch	46.1	18.2	22.06	(62.1%)
UBS	44.3	28.4	15.95	(69.4%)
HSBC	27.4	3.9	7.96	(15.2%)
Wachovia	22.5	11.0	14.50	(69.7%)
Bank of America	21.1	20.7	30.58	(51.2%)
IKB Deutsche	15.3	12.6	1.75	(89.6%)
Washington Mutual	14.8	12.1	2.99	(88.4%)
Royal Bank of Scotland	14.6	23.0	1.62	(66.0%)
Morgan Stanley	14.4	5.6	22.55	(57.0%)
JP Morgan	12.8	7.9	40.30	(29.2%)
Deutsche Bank	10.7	3.3	53.10	(49.2%)
Credit Suisse	10.4	2.7	47.20	(46.3%)
Barclays	10.2	17.8	3.01	(58.1%)
Wells Fargo	9.9	4.1	37.00	(32.5%)
Lehman Brothers	8.2	13.9	0.05	(73.9%)
Credit Agricole	8.0	8.8	11.40	(57.0%)
Fortis	7.4	7.1	0.95	(65.6%)
HBOS	7.0	7.5	10.99	(21.4%)
ING Groep N.V.	6.9	4.7	17.71	1.6%
Societe Generale	6.9	9.7	55.86	(59.8%)
Canadian Imperial Bank	6.3	2.8	59.68	(41.6%)
Mizuho Financial Group	6.0	0.0	9.60	4.9%
National City Corp.	5.4	8.9	4.40	(85.7%)
Lloyds TSB Group Plc	4.9	0.6	108.00	(19.3%)
Total - Worldwide	\$497.2	\$315.0	NA	NA

(1) As of 6/30/08

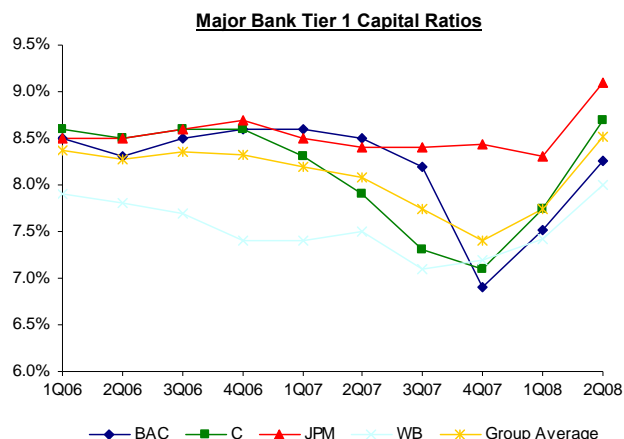
Source: Bloomberg

Capital Raising by Diversified Banks and Broker-Dealers

In the first half of 2008, banks and broker-dealers raised over \$300 billion in capital. While recent disclosures of additional write-downs and investment losses will undoubtedly lead to more capital raises, major broker-dealers have been successful at significantly increasing their Tier 1 capital ratios since 4Q 2007.

A notable difference between the capital raises in the first half of this year has been the movement away from sovereign wealth funds and private investors as a sources of capital and a focus on raising money in the public markets. Indeed, while these former investments were primarily executed within long-term investment strategies, the short-term drops in the prices of banks and broker dealers has clearly caused these investors pause as banks and broker-dealers continue to reach out for additional capital.

As options for raising capital narrow and the dilutive effects of recent capital raises are felt, the market will likely see a movement toward sales of non-core assets. Merrill Lynch's sale of its prized 20% stake in Bloomberg for \$4.4 billion highlights the unfortunate lengths companies must go to shore up their capital position.



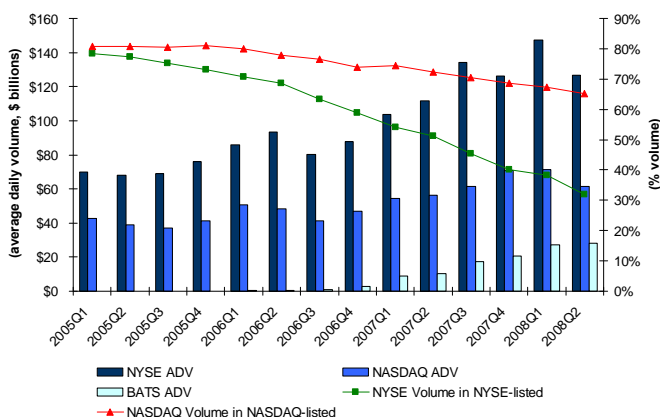
Date	Company	Amount	Investor	Description
U.S. Capital Raises				
8/14/2008	JPMorgan	\$1.6	Public Investors	8.625% Perpetual securities
7/28/2008	Merrill Lynch	0.9	Temasek Holdings	Common Stock at \$22.50 a share
7/28/2008	Merrill Lynch	6.4	Public Investors	Common Stock at \$22.50 a share
6/9/2008	Lehman Brothers	4.0	Public Investors	Common stock at \$28 a share
6/9/2008	Lehman Brothers	2.0	Public Investors	8.75% Non-Cumulative Mandatory Conv. Preferred Stock
5/20/2008	Bank of America	2.7	Public Investors	8.2% Perpetual preferred shares
5/6/2008	Citigroup	2.0	Public Investors	8.5% Perpetual preferred stock
4/29/2008	Citigroup	4.9	Public Investors	Common stock at \$25.27 a share
4/24/2008	Bank of America	4.0	Public Investors	8.125% Perpetual hybrid bonds
4/22/2008	Merrill Lynch	4.0	Public Investors	8.625% Perpetual preferred stock
4/17/2008	JPMorgan	6.0	Institutional Investors	8.125% Perpetual preferred stock
4/14/2008	Wachovia	4.0	Public Investors	Common stock at \$24 a share
4/14/2008	Wachovia	3.5	Public Investors	7.5% Preferred convertible stock
4/1/2008	Lehman Bros	4.0	Public Investors	7.25% Convertible preferred stock
2/24/2008	Merrill Lynch	0.6	Temasek Holdings	Common Stock at \$48 per share
2/6/2008	Wachovia	3.5	80 Domestic Investors	7.98% Preferred stock, private placement
2/2/2008	Lehman Brothers	1.9	Public Investors	7.95% Perpetual preferred securities
1/24/2008	Bank of America	13.0	Public Investors	8.0% and 7.25% preferred stock
1/15/2008	Citigroup	6.9	Gov't of Singapore Inv. Corp.	7.0% Convertible preferred stock
1/15/2008	Citigroup	5.6	Private Investor Group	7.0% Convertible preferred stock
1/15/2008	Citigroup	3.2	Public Investors	6.5% Convertible preferred stock
1/15/2008	Citigroup	3.7	Public Investors	8.125% Preferred Stock
1/15/2008	Merrill Lynch	6.6	Outside Investor Group	9.0% Preferred stock
European Capital Raises				
6/26/2008	Fortis	2.4	Public Investors	Common stock at 10 euros a share
6/26/2008	Fortis	3.1	Public Investors	Preferred stock
6/25/2008	Barclays	1.5	Public Investors	Common stock at 282 pence
6/25/2008	Barclays	0.1	Sumitomo Mitsui Financial Group	Common stock at 296 pence
6/25/2008	Barclays	6.4	Qatar's Challenger Fund	Common stock at 282 pence
6/13/2008	UBS	15.2	Public Investors	Rights offering
5/14/2008	Credit Agricole	9.1	Public Investors	Rights offering at 37% discount
4/22/2008	RBS	24.6	Public Investors	Rights offering (11 share for 18)
1/24/2008	Societe Generale	8.2	Public Investors	Rights offering
Dividend Cuts				
7/23/2008	Wachovia	2.8	NA	87.0% Dividend cut to 5 cents/share from 37.5 cents/share
1/15/2008	Citigroup	4.4	NA	41.0% Dividend cut to 32 cents/share from 54 cents/share
1/14/2008	Wachovia	2.0	NA	41.5% Dividend cut to 37.5 cents/share from 64 cents/share
Non-Core Asset Sales				
8/5/2008	Barclays	1.5	Swiss Reinsurance Co.	U.K. Life Insurance Unit
7/17/2008	Merrill Lynch	4.4	Bloomberg	Sale of 20% stake in Bloomberg

Exchanges and Displayed Liquidity

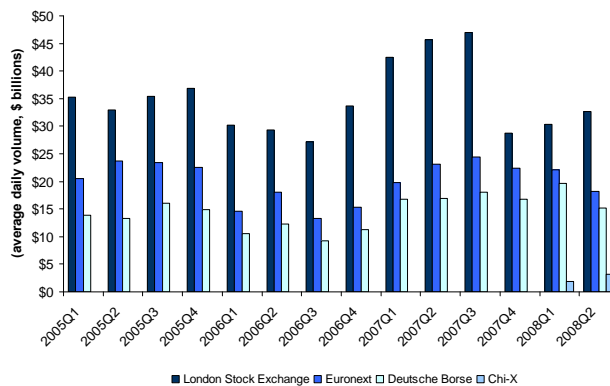
Selected Historical Exchange Transactions⁽¹⁾ (\$ millions)

Announce Date	Target	Target Focus Asset Class	Target Country	Acquirer	Acquirer Country	% Acq.	Deal Value	Target Value
6/24/2008	Doha Securities Market	Equities	Qatar	NYSE Euronext	US	25%	\$250	\$1,000
6/20/2008	Ljubljana Stock Exchange	Equities	Slovenia	Vienna Stock Exchange	Austria	81%	N/A	N/A
6/12/2008	Budapest Stock Exchange	Equities	Hungary	Vienna Stock Exchange	Austria	25%	N/A	N/A
3/26/2008	Brazilian Mercantile & Futures Exchange	Futures	Brazil	Sao Paulo Stock Exchange	Brazil	100%	\$10,309	\$10,309
3/17/2008	New York Mercantile Exchange	Commodities	US	CME Group	US	100%	\$9,467	\$9,467
2/27/2008	European Energy Exchange	Commodities	Germany	Eurex	Germany	21%	\$82	\$393
2/27/2008	Singapore Commodity Exchange	Commodities	Singapore	Singapore Exchange	Singapore	95%	\$5	\$6
2/25/2008	Multi-Commodity Exchange of India	Commodities	India	Bombay Stock Exchange	India	26%	N/A	N/A
1/17/2008	American Stock Exchange	Equities, ETFs	US	NYSE Euronext	US	100%	\$260	\$260
12/21/2007	Boston Options Exchange	Options	US	Montreal Exchange	Canada	22%	\$53	\$240
12/20/2007	International Securities Exchange	Options	US	Eurex	Germany	100%	\$2,821	\$2,821
12/10/2007	Montreal Exchange Inc.	Options	Canada	TSX Group	Canada	100%	\$1,290	\$1,290
11/7/2007	Philadelphia Stock Exchange	Options	US	NASDAQ	US	100%	\$652	\$652
10/1/2007	Boston Stock Exchange	Equities, Options	US	NASDAQ	US	100%	\$61	\$61
7/17/2007	Winnipeg Commodities Exchange	Commodities	Canada	IntercontinentalExchange	US	100%	\$50	\$50
6/23/2007	Borsa Italiana	Equities	Italy	London Stock Exchange	UK	100%	\$2,150	\$2,150
5/25/2007	OMX	Equities	Sweden	NASDAQ	US	100%	\$4,109	\$4,109
4/27/2007	Armenian Exchange	Equities	Armenia	OMX	Sweden	100%	N/A	N/A
1/12/2007	New York Board of Trade	Commodities	US	IntercontinentalExchange	US	100%	\$1,067	\$1,067
1/10/2007	National Stock Exchange (India)	Equities	India	Consortium	Multiple	20%	\$460	\$2,300
10/17/2006	Chicago Board of Trade	Commodities	US	CME Group	US	100%	\$11,065	\$11,065
9/20/2006	Iceland Stock Exchange	Equities	Iceland	OMX	Sweden	100%	\$35	\$35
9/6/2006	National Stock Exchange	Equities	US	Consortium	US	60%	\$30	\$50
8/22/2006	Osaka Mercantile Exchange	Commodities	Japan	Central Japan Commodity Exchange	US	100%	N/A	N/A
7/27/2006	CBOE Stock Exchange	Equities	US	Consortium	US	50%	N/A	N/A

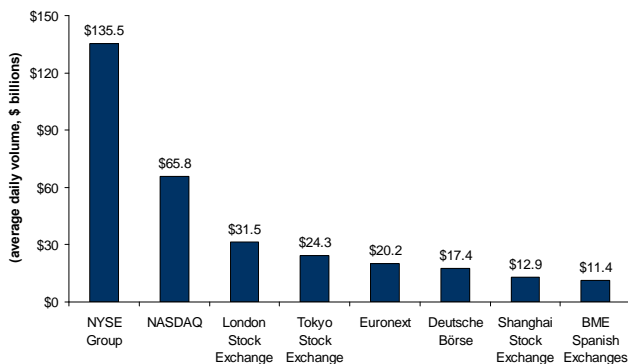
North America. Average Daily Volume



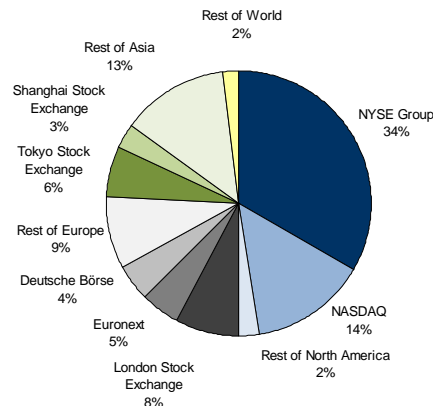
Europe. Average Daily Volume



Average Daily Volume on Major Market Centers – 1H 2008



Global Market Share (\$ traded) by Exchange – 1H 2008



(1) Includes only transactions in which 20% of more of the specified exchange was acquired

Sources: BATS, Chi-X, NASDAQ, NYSE, World Federation of Exchanges, Freeman & Co.

Alternative Trading Systems and Dark Pools

Selected Historical ATS Transactions (\$ millions)

Announce Date	Target	Target Focus Asset Class	Target Country	Acquirer	Acquirer Country	% Acq.	Deal Value	Target Value
6/3/2008	Creditex, Inc.	Credit Derivatives	US	IntercontinentalExchange	US	100%	\$625	\$625
6/3/2008	MarketAxess	Fixed Income	US	TCV	US	11%	\$35	\$310
5/27/2008	SwapsWire	All OTC Derivatives	US	Markit	UK	100%	N/A	N/A
2/28/2008	Agora-X	OTC Commodities	US	NASDAQ OMX	US	20%	\$8	\$38
2/14/2008	Spectron Group	Energy	UK	IMAREX	Norway	100%	\$138	\$138
2/13/2008	YellowJacket	Energy	US	IntercontinentalExchange	US	100%	N/A	N/A
1/8/2008	BATS Trading	Equities	US	Multiple Banks / Brokerages	US	N/A	N/A	N/A
11/26/2007	New Orleans Exchange	Trade Receivables	US	Multiple Private Equity Firms	US	N/A	N/A	N/A
9/28/2007	DirectEdge ECN	Equities	US	Citadel, Goldman Sachs	US	N/A	N/A	N/A
9/17/2007	OANDA Corporation	Foreign Exchange	US	New Enterprise Associates	US	N/A	\$100	N/A
9/10/2007	Restricted Stock Partners	Illiquid securities	US	Pequot Ventures	US	N/A	N/A	N/A
12/18/2006	SecFinex	Securities Lending / Finance	UK	Euronext	Netherlands	51%	N/A	N/A
10/2/2006	ValuBond	Fixed Income	US	Knight Capital Group	US	100%	\$18	\$18
7/24/2006	FXall	Foreign Exchange	US	TCV	US	N/A	\$78	N/A
7/17/2006	MatchPoint Trading	Equities	US	NYSE Group	US	100%	N/A	N/A
7/5/2006	Swapstream	Interest Rate Swaps	UK	CME Group	US	100%	N/A	N/A

Until recently, the LSE, Euronext, Deutsche Börse, and others had a monopoly on liquidity in much of Europe. The EU's implementation in late 2007 of MiFID, which requires exchanges to prove that customers received the best possible execution for a security, has already spawned several Multilateral Trading Facilities (MTFs) as competitors. Chi-X, Europe's first MTF, initiated equity trading operations last year and has grown its € volume by 10x since the start of 2008. Other European-based MTF's, in some cases backed by exchanges, are poised to challenge Chi-X in the coming months. **Turquoise**, backed by nine major investment banks, soft launched in August by offering displayed and dark liquidity in 1,500 equities across 14 European exchanges. **NASDAQ OMX's Pan European Market**, scheduled to launch in September, will handle displayed and dark orders for 300 of the most liquid stocks in Western Europe. The future of **Baikal**, which aims to provide both displayed and dark liquidity in an unspecified number of European equities by early 2009, remains in doubt due to the bankruptcy of Lehman Brothers, a 50% owner in the joint venture. And **Burgundy**, a joint venture of nine Scandinavian brokerages and Neonet, will launch in 2009 with the primary purpose of promoting liquidity in listed equities of Nordic-based firms. While fragmentation is often lamented in the U.S., we expect that the evolution of ATS's in Europe will take on its own distinct flavor from the U.S. while significantly reducing trading costs.

Alternative Trading System and Dark Pool Ownership

Investment Bank	Internal dark pool	BIDS Trading	Level ATS	BATS	Turquoise
Bank of America		✓		✓	
BNP Paribas					✓
Citi	✓	✓	✓	✓	✓
Credit Suisse	✓	✓	✓	✓	✓
Deutsche Bank		✓		✓	✓
Goldman Sachs	✓	✓			✓
JP Morgan		✓		✓	
Lehman Brothers ⁽¹⁾	✓	✓	✓	✓	
Merrill Lynch	✓	✓	✓	✓	✓
Morgan Stanley	✓	✓		✓	✓
Societe Generale					✓
UBS	✓	✓			✓

Independent Firm Dark Pools

Parent Firm	Dark Pool
BNY ConvergeEx	VortEx
Instinet	CBX
ISE	MidPoint Match
ITG	POSIT
Knight Capital	DirectEdge ECN
Liquidnet	H ₂ O
NASDAQ	Crossing
NYFIX	Millennium
Pipeline Trading	Pipeline Block Board
Pulse Trading	Block Cross

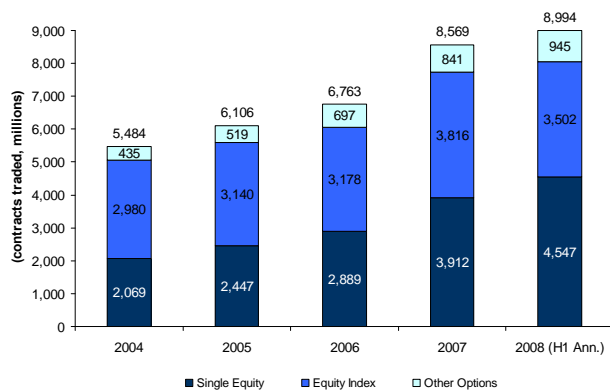
(1) Prior to Lehman Brothers' bankruptcy

Listed Options and Futures

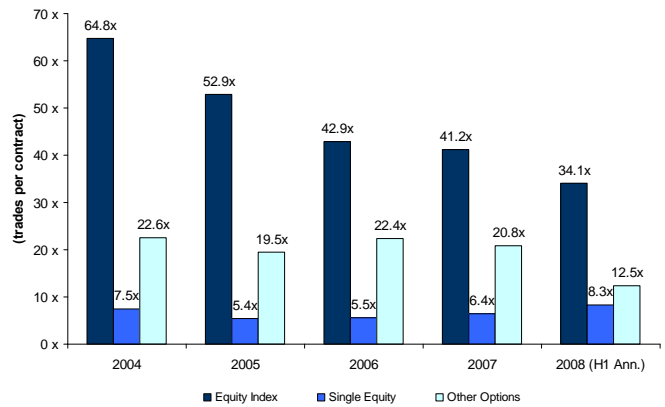
Selected Historical Derivative Technology Transactions (\$ millions)

Announce Date	Target	Target Sector	Target Country	Acquirer	Acquirer Country	% Acq.	Deal Value	Target Value
6/25/2008	Open E Cry	DMA/Connectivity	US	optionsXpress	US	100%	\$18	\$18
3/29/2008	ProActive Futures	Electronic Agency Brokerage	US	iFinix Corp.	US	100%	N/A	N/A
3/26/2008	Brazilian Mercantile & Futures Exchange	Exchange	Brazil	Sao Paulo Stock Exchange	Brazil	100%	\$10,309	\$10,309
3/17/2008	New York Mercantile Exchange	Exchange	US	CME Group	US	100%	\$9,467	\$9,467
1/22/2008	American Stock Exchange	Exchange	US	NYSE Euronext	US	100%	\$260	\$260
11/7/2007	Philadelphia Stock Exchange	Exchange	US	NASDAQ	US	100%	\$652	\$652
12/21/2007	Boston Options Exchange	Exchange	US	Montreal Exchange	Canada	22%	\$53	\$240
10/1/2007	Boston Stock Exchange	Exchange	US	NASDAQ	US	100%	\$61	\$61
7/31/2007	RedSky Financial	DMA/Connectivity	US	ITG	US	100%	\$21	\$21
6/11/2007	LiquidPoint	DMA/Connectivity	US	BNY ConvergEx	US	100%	N/A	N/A
1/24/2007	XpressTrade	Electronic Agency Brokerage	US	optionsXpress	US	100%	\$37	\$37
1/22/2007	Optionable, Inc.	Electronic Agency Brokerage	US	New York Mercantile Exchange	US	19%	\$26	\$137
1/12/2007	New York Board of Trade	Exchange	US	IntercontinentalExchange	US	100%	\$1,067	\$1,067
1/11/2007	The Clearing Corporation	Clearing	US	Multiple Banks / Brokers	US	100%	N/A	N/A
11/6/2006	Goldenberg, Hehmeyer & Co.	Clearing	US	Penson	US	100%	\$27	\$27
10/17/2006	Chicago Board of Trade	Exchange	US	CME Group	US	100%	\$11,065	\$11,065
9/26/2006	thinkorswim Group	Electronic Agency Brokerage	US	INVESTools, Inc.	US	100%	\$350	\$350
9/6/2006	National Stock Exchange	Exchange	US	Consortium	US	60%	\$30	\$50
7/27/2006	U.S. Futures Exchange LLC	Exchange	US	Man Group	UK	70%	\$58	\$83

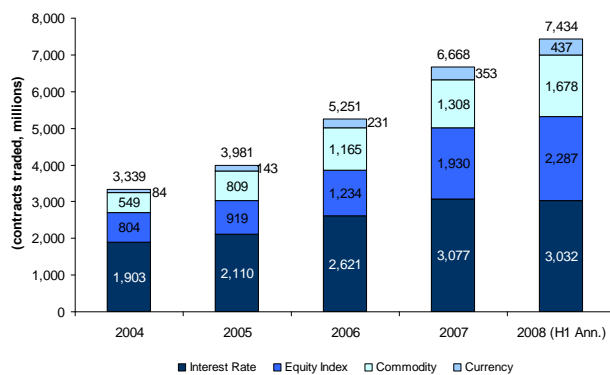
Options Contracts Traded



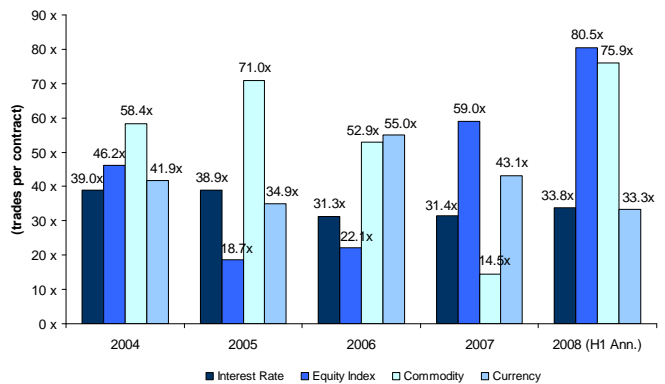
Options Market Churn⁽¹⁾



Futures Contracts Traded



Futures Market Churn⁽¹⁾



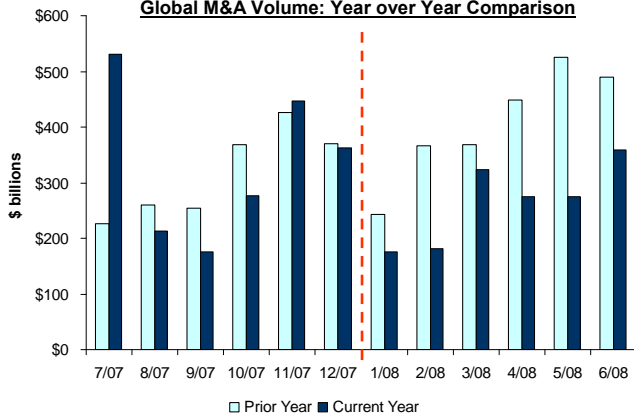
(1) Churn is defined as Contracts Traded / Contracts Outstanding

Sources: Bank of International Settlements, Freeman & Co.

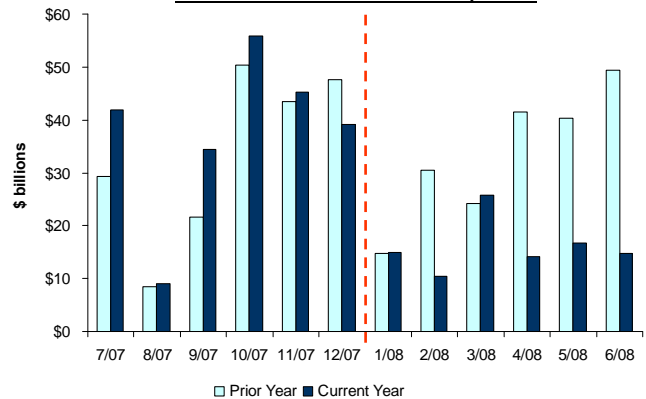
Current Market Review

- The effects of the credit crunch have had a clear effect on M&A and IPO volume. Year-over-year comparisons show a significant decrease in M&A volume beginning in January of 2008. IPO volume decreased sharply in Q2 2008 compared to the prior year
- Debt underwriting, especially in CDO's has declined to its lowest levels in years, reflecting a realignment of investor risk tolerances and an almost complete lock-up of the CDO market
- The decreases in Debt and Equity Underwriting, as well as M&A volume has had a profound impact on the revenue models of major broker dealers. Current valuation metrics show significant decreases in both EV/Pre-Tax and P/BV multiples for major universal banks and broker-dealers

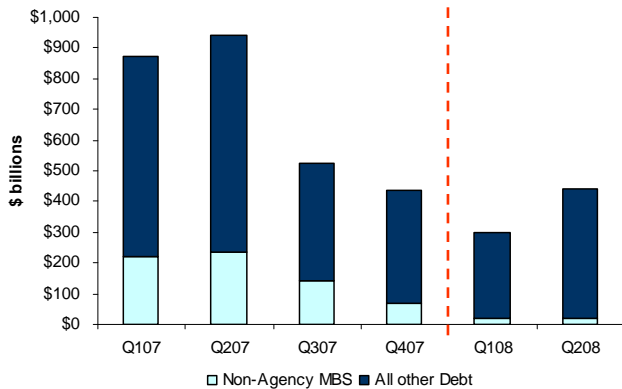
Global M&A Volume: Year over Year Comparison



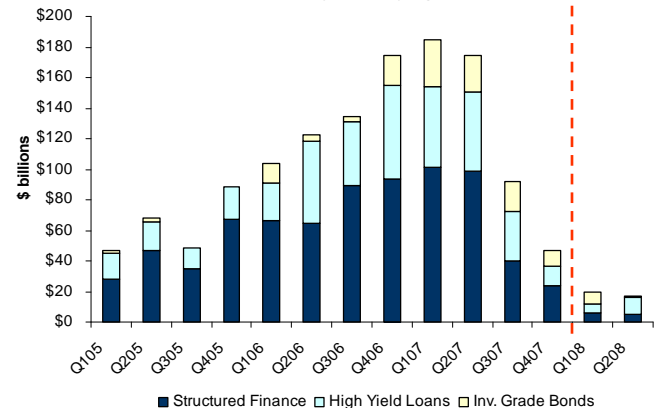
IPO Volume: Year over Year Comparison



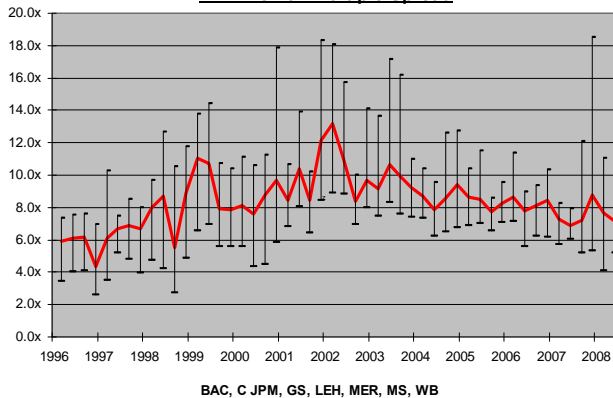
Debt Underwriting



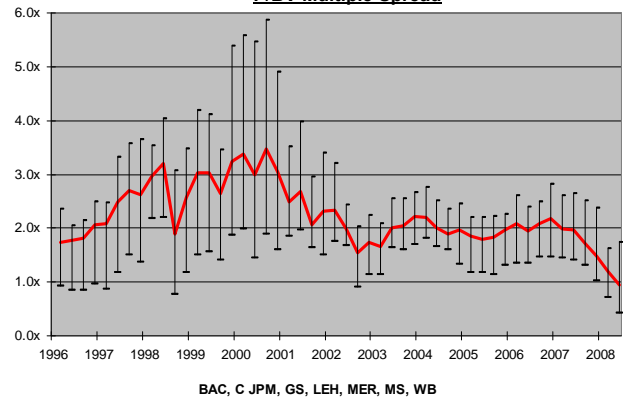
CDO Volume By Underlying Collateral



**Average Universal Banks / Global Investment Bank
EV / Pre-Tax Multiple Spread**



**Average Universal Banks / Global Investment Bank
P/BV Multiple Spread**



Global M&A Trends

Broker-Dealer M&A Trends

Overall, M&A activity in the broker-dealer space fell in the first half of 2008 with a total of 157 acquisitions involving broker-dealer firms, compared to 220 in the second half of 2007.

In North America, there were a total of 52 deals, led by an increase in transactions involving investment banks.

In Europe, there were a total of 39 deals, led by strong activity in the Research, Sales & Trading and PCS/Retail Brokerage sectors.

In Asia, there were a total of 60 deals, the result of consolidation and foreign firms seeking access to robust growth in the region's financial sector.

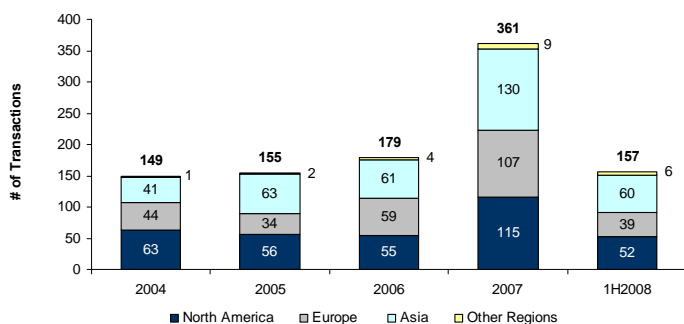
Global M&A Trends Last Twelve Months

Global M&A activity decreased to a total of 19,169 transactions valued at \$1.6 trillion in the first half of 2008 compared to 21,780 transactions valued at \$2.0bn in the second half of 2007.

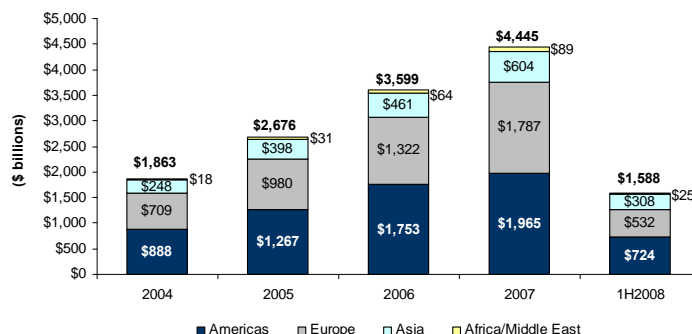
The Financial Services segment decreased to 2,021 transactions valued at \$221 billion compared to 2,379 transactions valued at \$281 billion in the second half of 2007.

Globally, M&A activity decreased 12% in the first half of 2008 compared to the second half of 2007. Overall M&A volume seems to have decreased to the historical average, while broker-dealer transaction volume continues to remain above historical levels as firms seek transaction-based solutions to the credit crisis.

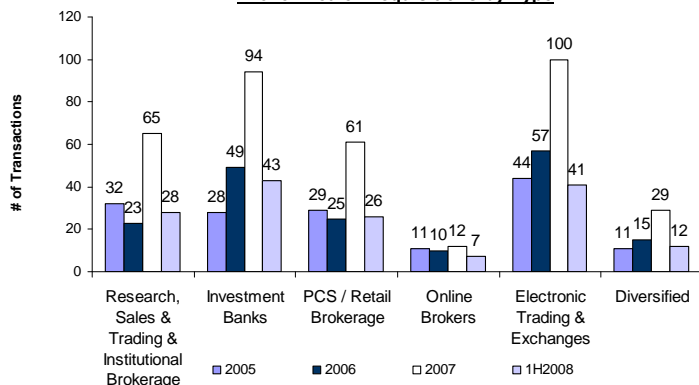
Broker-Dealer Acquisitions – By Region



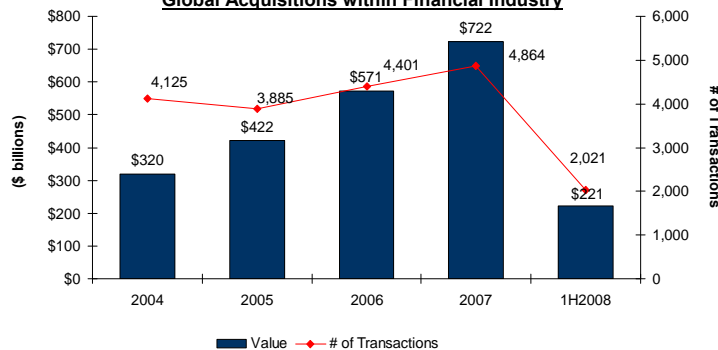
Global Acquisition Value by Region



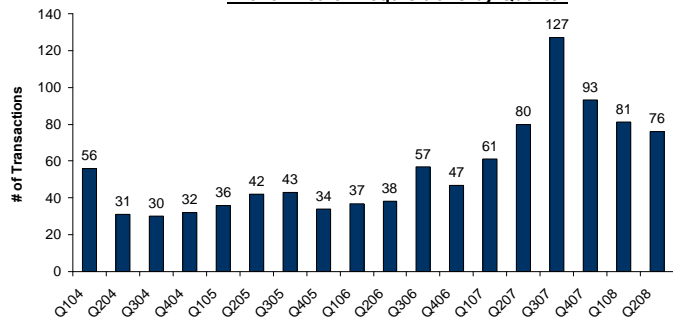
Broker-Dealer Acquisitions by Type



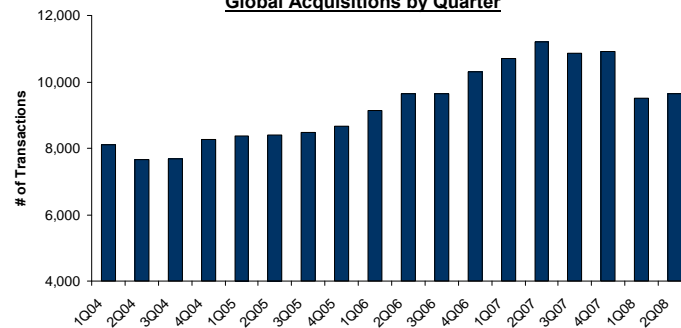
Global Acquisitions within Financial Industry



Broker-Dealer Acquisitions by Quarter



Global Acquisitions by Quarter



North American Broker-Dealer M&A Activity

In the first half of 2008, North American broker-dealer acquisition volume remained steady as diversified banks and broker-dealers continued to pursue transaction-based options in response to the credit crisis.

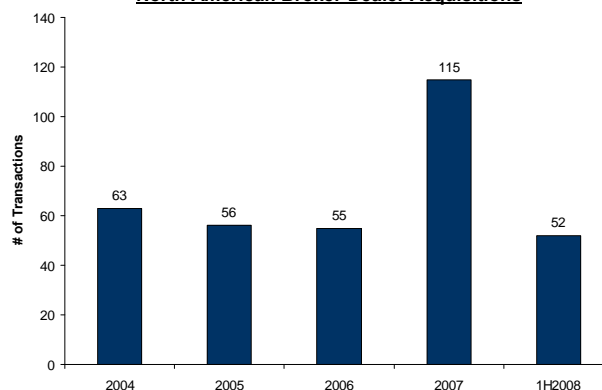
Primarily, M&A activity was driven by several factors: the consolidation of exchanges, SWF-related funding for capital-hungry banks, and distressed acquisitions of financial services-related institutions most negatively affected by the credit crisis.

CME Group Inc., created in the September 2007 merger between the Chicago Mercantile Exchange and the Chicago Board of Trade, is continuing its expansion with the purchase of NYMEX Holdings Inc. for \$9.5 billion, first announced in May of 2007. The combination gives CME the dominant position in energy and metals derivatives, instruments that are key to risk management strategies in Asia and the Middle East. The merger also enhances CME Group's global presence as it positions itself to better compete with the NYSE, NASDAQ and other cash, over-the-counter, and regulated markets.

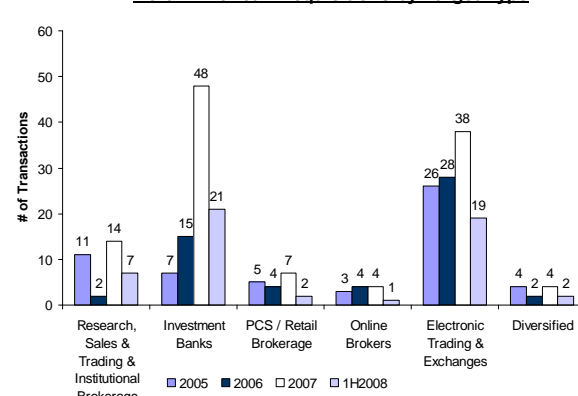
The Government of Singapore Investment Group Led a consortium of private and public investors by investing \$6.9 billion in convertible preferred shares of Citigroup. The entire offering valued at over \$12.5 billion highlights the scope of the crisis. The deal also signaled a last major investment by a SWF into a large broker-dealer as more recent deals have tended to focus on tapping the public markets as these investors grow weary of lackluster short-term returns.

After a run on Bear Stearns and its near collapse, JPMorgan Chase & Co. acquired the firm for approximately \$10 per share or \$1.5 billion. The price is only slightly higher than the estimated market price of the Bear Stearns building at 383 Madison Avenue of \$1.1 billion. Under the terms of the deal, the Federal Reserve guaranteed \$29 billion in hard to value Bear Stearns loan securities, while JPMorgan assumed liability for the first \$1 billion of losses these assets could suffer. As a result of the deal, JPMorgan acquired a very strong prime brokerage and global clearing services business, enhanced its equities platform and extended its energy platform, all at a very depressed price.

North American Broker-Dealer Acquisitions



North American Acquisitions by Target Type



Selected North American Transactions: 1H 2008 (\$ millions)

Ann Date	Target	Target Type	Target Country	Acquirer	Acquirer Country	Ownership	Deal Value	Entity Value ⁽¹⁾
3/08	NYMEX Holdings, Inc.	Exchange	U.S.	CME Group, Inc.	U.S.	100%	\$9,467	\$9,467
1/08	Citigroup, Inc.	Diversified	U.S.	GIC-Led Investor Group	Singapore	NA	12,500	113,598
5/08	Grupo Financiero Inbursa SA de CV	Diversified	Mexico	Criteria Caixa Corp.	Spain	20%	2,400	12,000
1/08	Merrill Lynch & Co, Inc.	Global Investment Bank	U.S.	Investor Group	Kuwait	25%	1,797	7,219
3/08	Bear Stearns Companies, Inc.	Investment Bank	U.S.	JPMorgan Chase & Co.	U.S.	100%	1,456	1,456
6/08	Creditex Group, Inc.	Electronic Trading	U.S.	InterContinental Exchange, Inc.	U.S.	100%	625	625
5/08	MF Global Ltd.	Institutional Brokerage	Bermuda	JC Flowers & Co LLC	U.S.	20%	300	1,501
1/08	American Stock Exchange, Inc.	Exchange	U.S.	NYSE Euronext, Inc.	U.S.	100%	260	260
5/08	Libertas Holdings LLC	Research, Sales & Trading	U.S.	Knight Capital Group, Inc.	U.S.	100%	150	150
1/08	GAIN Capital Group LLC	Direct Access	U.S.	Investor Group	U.K.	NA	117	NA

⁽¹⁾ In instances where the equity purchased was less than 100% entity value, entity value has been derived from the purchase price and percentage acquired. Source: Freeman & Co.

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

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Diversified Broker-Dealers = Broker-Dealers whose revenues are not predominantly derived from any one of the above categories

European Broker-Dealer M&A Activity

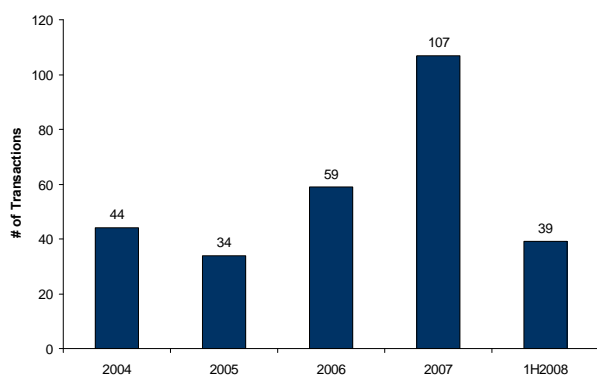
In the first half of 2008, total European broker-dealer acquisition volume decreased to a total of 39 transactions compared to 69 transactions in the prior six months. Similar to North America, M&A activity was focused on the Investment Banking and Electronic Trading & Exchanges sectors. The period's largest transaction was the acquisition by OMX's acquisition of Nord Pool which is the largest power derivatives exchange in the world and the second largest exchange in European Union emission allowances (EUAs).

The 1st half of 2008 saw an escalation of talk around the stockbroking sector in the United Kingdom being on the brink of a large scale consolidation exercise. With significant declines in trading commissions, primary IPO fees in the doldrums and significant declines in sector share prices, conditions certainly offer the potential for M&A activity. To date the majority of activity has focused on actual or potential transactions involving well-funded Asian and Middle Eastern firms eager to gain a foothold in the UK. Examples include the recent acquisition of Hichens, Harrison & Co., London's oldest broking firm, by Religare Enterprises and the reported interest of an Asian bank in Collins Stewart. There continues to be much talk of in-market activity but, for the moment at least, the volume of international interest in keeping such deals at bay.

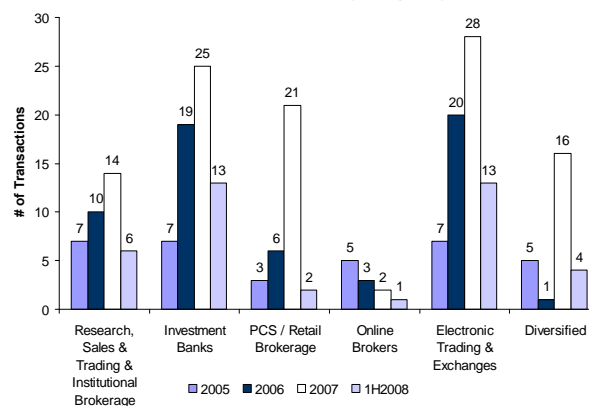
One of 2008's first targets was Close Brothers who rebuffed approaches made by fellow UK stockbroker Cenkos Securities and Iceland's Landsbanki as well as advances reported made by several trade and private equity suitors. Attention was soon turned towards Arden Partners who was also reported to be in talks with a number of domestic and overseas firms. In August, Panmure Gordon announced the sale of a 10% stake to Egyptian bank EFG-Hermes and several predators have been confirmed to be circling around Collins Stewart.

In other segments ICAP's acquisition of Link Asset & Securities was a highlight enhancing the firm's derivative and cash brokerage services. This was eclipsed by the recent news of the potential link-up of Tullett Prebon with US-rival GFI which if consummated will be one of the trophy transactions of our next report. Europe has also witnessed further activity in the electronic trading and exchange spaces with deals in Germany and Norway. Given the pace of the development and of rapid shifting in market shares we see strong indicators for continuing M&A activity in most of these areas, particularly around trading technology and geographical expansion.

European Broker-Dealer Acquisitions



European Acquisitions by Target Type



Selected European Transactions: 1H 2008 (\$ millions)

Ann Date	Target	Target Type	Target Country	Acquirer	Acquirer Country	Ownership	Deal Value	Entity Value ⁽¹⁾
2/08	Nord Pool (Group of Companies)	Clearing	Norway	OMX AB	Sweden	100%	553	553
4/08	Link Asset & Securities Co Ltd.	Inter-Dealer broker	U.K.	ICAP	U.K.	100%	497	497
3/08	Rosbank	Investment Bank	Russia	Societe Generale Group	France	8%	453	5,806
6/08	Meliobanca SpA	Diversified	Italy	Banca popolare dell'Emilia Romagna	Italy	72%	449	626
1/08	CDM Pekao-Brokerage Business	Institutional Brokerage	Poland	Unicredit CA IB Polska SA	Poland	100%	184	184
2/08	Spectron Group PLC	Electronic Trading	U.K.	Imarex ASA	Norway	100%	138	138
1/08	Saxo Bank A/S	Online Broker	Denmark	Investor Group	Portugal	5%	92	1,843
2/08	European Energy Exchange AG	Exchange	Germany	Eurex AG	Germany	21%	83	400

⁽¹⁾ In instances where the equity purchased was less than 100% entity value, entity value has been derived from the purchase price and percentage acquired. Source: Freeman & Co.

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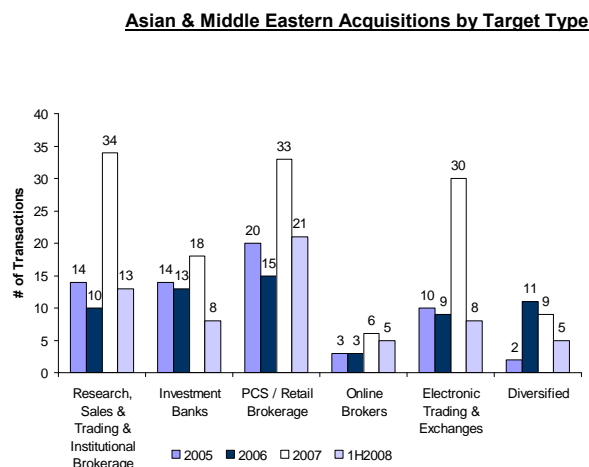
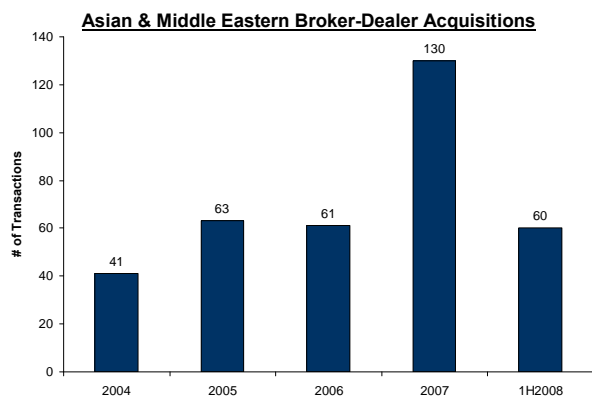
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Diversified Broker-Dealers = Broker-Dealers whose revenues are not predominantly derived from any one of the above categories

Asian and Middle Eastern Broker-Dealer M&A Activity

Overview

Asian acquisition volume outpaced both North America and Europe with 60 deals in the first half of 2008. Research Sales & Trading, Electronic Trading/Exchange and PCS/Retail Brokerage transactions led the deal volume growth as consolidation continued in the region.



Selected Asian & Middle Eastern Transactions: 1H 2008 (\$ millions)

Ann Date	Target	Target Type	Target Country	Acquirer	Acquirer Country	Ownership	Deal Value	Entity Value ⁽¹⁾
6/08	Wing Lung Bank Ltd.	Diversified	Hong Kong	China Merchants Bank Co. Ltd.	China	53%	\$2,474	\$4,657
6/08	CITIC Int'l Financial Holdings Ltd.	Diversified	Hong Kong	BBVA SA	Spain	15%	1,235	8,142
1/08	E-Trade Securities Co. Ltd.	Online Broker	Japan	SBI Holdings, Inc.	Japan	40%	1,125	2,839
5/08	MCB Bank Ltd.	Diversified	Pakistan	Maybank	Malaysia	15%	673	4,488
1/08	Mizuho Securities Co. Ltd.	Investment Bank	Japan	Mizuho Corporate Bank Ltd.	Japan	NA	432	NA
5/08	Sharekhan Limited	Retail Brokerage	India	Baring Private Equity Asia	China	12%	400	3,330
5/08	Kuok Hang Entrp Dvlp Co. Ltd.	Research, Sales & Trading	Macau	SOHO China Ltd.	China	100%	384	384
6/08	Doha Securities Market	Exchange	Qatar	NYSE	U.S.	25%	250	1,000
5/08	IL&FS Investsmart Ltd.	Research, Sales & Trading	India	HSBC Holdings PLC	U.K.	73%	241	329
5/08	Cosmo Securities Co. Ltd.	Research, Sales & Trading	Japan	CSK Holdings Corp.	Japan	50%	235	468

Major Recent Sovereign Wealth Fund Acquisitions

Date	Bank/ Exchange	Sovereign Wealth Investor(s)	Stake	Security	Coupon	\$ (bn)
7/28/2008	Merrill Lynch	Temasek Holdings (Singapore)	n/a	Common Stock at \$22.50 a share	n/a	0.9
6/25/2008	Barclays	Challenger Universal (Qatar)	1.9%	Common Stock at 282 pence	n/a	6.4
2/24/2008	Merrill Lynch	Temasek Holdings (Singapore)	1.2%	Common Stock at \$48 per share	n/a	0.6
1/15/08	Citigroup	Government of Singapore Investment Corp. Kuwait Investment Authority Saudi Prince Alwaleed	>9.9%	Mandatory Convertible Non-Cumulative Preferred Stock	7.0%	12.5 ⁽¹⁾
11/26/07		Abu Dhabi Investment Authority	4.9%	Mandatory Convertible Equity Units	11.0%	7.5
1/15/08	Merrill Lynch	Korea Investment Corporation Kuwait Investment Authority Olayan Group (Saudi Arabia)	>9.9%	Mandatory Convertible Non-Cumulative Preferred Stock	9.0%	6.6 ⁽¹⁾
12/24/07		Temasek (Singapore)	9.9%	Common Stock	n/a	5.0
12/10/07	UBS	Government of Singapore Investment Corp. Saudi Arabian Monetary Agency	11-12%	Mandatory Convertible Non-Cumulative Preferred Stock	9.0%	11.5
12/19/07	Morgan Stanley	China Investment Corporation	9.9%	Mandatory Convertible Equity Units	9.0%	5.0
8/14/07	Barclays	China Development Bank	3.1%	Common Stock	n/a	1.9
		Temasek Holdings	2.1%	Common Stock	n/a	3.0
9/19/07	Nasdaq	Borse Dubai	19.0%	Common Stock	n/a	n/a
	LSE		28.0%	Common Stock	n/a	n/a

⁽¹⁾ Total amounts invested including non-SWF investors

Source: Freeman & Co., Bloomberg

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Public Company Comparables – Broker Dealers

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

Company Name	Ticker	Stock		Book Value	Last Twelve Months ⁽¹⁾		EPS		Price / Book	Equity Value / LTM ⁽¹⁾		PE Ratio			
		Price 9/18/2008	Equity Value		Revenue	Pre-Tax	LTM ⁽¹⁾	2008E ⁽²⁾		Revenue	Pre-Tax	LTM ⁽¹⁾	2008E ⁽²⁾		
Universal Banks / Investment Banks															
Bank of America	BAC	\$ 30.58	\$ 139,448	\$ 162,691	\$ 65,919	\$ 11,766	\$ 1.90	\$ 2.28	0.9x	2.1x	11.9x	16.1x	13.4x		
Citigroup	C	16.65	90,666	136,405	61,480	(27,720)	(3.06)	(1.13)	0.7	1.5	NM	NM	NM		
JPMorganChase	JPM	40.30	138,513	133,176	68,785	15,662	3.09	2.22	1.0	2.0	8.8	13.1	18.2		
Wachovia	WB	14.50	31,303	75,127	23,633	(3,009)	(1.87)	(2.20)	0.4	1.3	NM	NM	NM		
TOTAL			\$ 399,930												
										HIGH	1.0x	2.1x	11.9x	16.1x	18.2x
										AVERAGE	1.0	1.7	10.3	14.6	15.8
										MEDIAN	0.8	1.7	10.3	14.6	15.8
										LOW	0.4	1.3	8.8	13.1	13.4
Global Investment Banks															
Goldman Sachs	GS	\$ 108.00	\$ 43,270	\$ 44,818	\$ 40,832	\$ 14,308	\$ 20.99	\$ 13.24	1.0x	1.1x	3.0x	5.1x	8.2x		
Merrill Lynch	MER	22.06	33,729	34,778	(6,994)	(29,457)	(21.67)	(10.07)	1.0	NM	NM	NM	NM		
Morgan Stanley	MS	22.55	25,008	34,493	22,340	187	0.18	4.64	0.7	1.1	NM	NM	4.9		
TOTAL			\$ 102,007												
										HIGH	1.0x	1.1x	3.0x	5.1x	8.2x
										AVERAGE	0.9	1.1	3.0	5.1	6.5
										MEDIAN	1.0	1.1	3.0	5.1	6.5
										LOW	0.7	1.1	3.0	5.1	4.9
Global M&A Boutiques															
Evercore Partners ⁽³⁾	EVR	\$ 14.00	\$ 382	\$ 192	\$ 271	\$ 48	\$ 0.87	\$ 0.82	2.0x	1.4x	8.0x	16.1x	17.1x		
Greenhill	GHL	85.00	2,266	163	399	175	3.99	3.16	13.9	5.7	13.0	21.3	26.9		
Lazard Ltd.	LAZ	39.79	2,771	353	1,903	360	2.47	1.93	7.9	1.5	7.7	16.1	20.6		
TOTAL			\$ 5,420												
										HIGH	13.9x	5.7x	13.0x	21.3x	26.9x
										AVERAGE	7.9	2.8	9.5	17.8	21.5
										MEDIAN	7.9	1.5	8.0	16.1	20.6
										LOW	2.0	1.4	7.7	16.1	17.1
Mid Market Full Service Investment Banks															
Cowen Group	COWN	\$ 7.50	\$ 108	\$ 207	\$ 234	\$ (28)	\$ (1.41)	\$ (0.14)	0.5x	0.5x	NM	NM	NM		
Jefferies Group	JEF	21.44	3,481	2,205	1,277	(218)	(0.36)	(0.29)	1.6	2.7	NM	NM	NM		
JMP Group	JMP	5.78	116	116	94	13	0.34	0.34	1.0	1.2	8.8	16.8	17.0		
KBW	KBW	37.50	1,246	451	350	1	(0.05)	0.11	2.8	3.6	NM	NM	NM		
Piper Jaffray	PJC	35.45	680	924	430	12	0.87	(0.57)	0.7	1.6	NM	NM	NM		
Stifel Financial	SF	45.85	1,128	465	816	113	3.51	2.49	2.4	1.4	9.9	13.1	18.4		
Thomas Weisel	TWPG	7.03	218	350	250	(28)	(0.50)	(0.97)	0.6	0.9	NM	NM	NM		
TOTAL			\$ 6,977												
										HIGH	2.8x	3.6x	9.9x	16.8x	18.4x
										AVERAGE	1.4	1.7	9.4	15.0	17.7
										MEDIAN	1.0	1.4	9.4	15.0	17.7
										LOW	0.5	0.5	8.8	13.1	17.0
Discount Online Brokerages															
Charles Schwab	SCHW	\$ 23.90	\$ 27,906	\$ 3,891	\$ 5,251	\$ 1,988	\$ 1.07	\$ 1.09	7.2x	5.3x	14.0x	22.4x	21.9x		
E*Trade Financial	ETFC	3.30	1,773	2,637	(1,412)	(2,899)	(4.34)	(0.70)	0.7	NM	NM	NM	NM		
optionsXpress	OXPS	21.37	1,283	246	255	161	1.61	\$ 1.58	5.2	5.0	8.0	13.3	13.5		
Raymond James Financial	RJF	30.69	3,692	1,847	2,811	399	2.09	2.16	2.0	1.3	9.2	14.7	14.2		
TD AMERITRADE	AMTD	19.60	11,613	2,750	2,373	1,301	1.38	\$ 1.38	4.2	4.9	8.9	14.2	14.2		
TOTAL			\$ 46,266												
										HIGH	7.2x	5.3x	14.0x	22.4x	21.9x
										AVERAGE	3.9	4.1	10.0	16.1	16.0
										MEDIAN	4.2	5.0	9.1	14.4	14.2
										LOW	0.7	1.3	8.0	13.3	13.5
European Middle-Market Boutiques															
Cenkos Securities	CNKS LN	\$ 2.12	\$ 154	\$ 89	\$ 108	\$ 44	\$ 0.42	\$ 0.32	1.7x	1.4x	3.5x	5.0x	6.6x		
Panmure Gordon	PMR LN	0.71	41	154	130	21	0.23	0.07	0.3	0.3	2.0	3.0	9.8		
Collins Stewart	CLST LN	1.55	381	523	388	59	0.17	0.15	0.7	1.0	6.5	9.2	10.4		
Shore Capital	SGR LN	0.57	169	154	53	15	0.03	0.03	1.1	3.2	11.4	18.5	21.1		
HQ Bank	HQ SS	12.96	351	170	132	50	1.22	1.42	2.1	2.7	7.0	10.6	9.1		
Numis	NUM LN	3.08	331	234	152	74	0.59	0.10	1.4	2.2	4.5	5.2	NM		
Arden Partners	ARDN LN	1.81	48	21	30	8	0.19	0.19	2.3	1.6	6.2	9.6	9.7		
TOTAL			\$ 1,474												
										HIGH	2.3x	3.2x	11.4x	18.5x	21.1x
										AVERAGE	1.4	1.8	5.9	8.7	11.1
										MEDIAN	1.4	1.6	6.2	9.2	9.7
										LOW	0.3	0.3	2.0	3.0	6.6
										HIGH	13.9x	5.7x	14.0x	22.4x	26.9x
										AVERAGE	2.3	2.2	8.0	12.8	14.5
										MEDIAN	1.1	1.5	8.0	13.3	14.2
										LOW	0.3	0.3	2.0	3.0	4.9
TOTAL OVERALL			\$ 572,914												

Source: Publicly available SEC filings, Bloomberg and IBES estimates

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

Note: Exchange Rates are applied as of the following dates: Stock Prices and Earnings Estimates (9/18/08); Book Value (Date of Financials); Revenue, Pre-Tax, LTM Earnings (Average LTM)

(1) LTM based on calendar year ended Q2 2008. LTM financials as of 5/31/08 for GS and MS; 4/30/2008 for ARDN LN; 3/31/08 for NUM LN, and 12/31/2007 for CNKS LN and PMR LN

(2) Based on consensus Bloomberg estimates as of 9/18/08; Estimates for firms with fiscals year-end other than 12/31/08 have been calendarized

(3) Total share count includes Class A common stock, vested partnership units, vested event-based restricted stock units and vested and unvested service-based restricted stock units

Public Company Comparables – Inter-Dealer Brokers

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

Company Name	Ticker	Stock		Book Value	Last Twelve Months ⁽¹⁾		EPS		Price / Book	Equity Value / LTM		PE Ratio		
		Price	Equity Value		Revenue	Pre-Tax	LTM ⁽¹⁾	2008E ⁽²⁾		Revenue	Pre-Tax	LTM ⁽¹⁾	2008E ⁽²⁾	
		9/18/2008												
Inter-Dealer Brokers														
BGC Partners	BGCP	\$ 3.97	\$ 755	\$ 207	\$ 1,214	\$ 72	\$ (0.09)	\$ 0.67	3.7x	0.6x	10.4x	N/M	6.2x	
GFI Group	GFIG	\$ 4.58	\$ 540	\$ 493	\$ 1,078	\$ 210	\$ 0.99	\$ 0.91	1.1	0.5	2.6	4.6	6.1	
ICAP	IAP	389.3 p	£ 2,528	£ 820	£ 1,304	£ 359	£ 0.26	£ 0.35	3.1	1.9	7.0	15.2	12.8	
Tullett Prebon	TLPR	288.0 p	£ 620	£ 163	£ 851	£ 173	£ 0.41	£ 0.40	3.8	0.7	3.6	7.0	8.5	
									HIGH	3.8x	1.9x	10.4x	15.2x	12.8x
									AVERAGE	2.9	0.9	5.9	8.9	8.4
									MEDIAN	3.4	0.7	5.3	7.0	7.3
									LOW	1.1	0.5	2.6	4.6	6.1

Source: Publicly available SEC filings, Bloomberg and IBES estimates

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

(1) LTM as of 6/30/08, except for ICAP, which is as of 3/31/08

(2) Based on consensus Bloomberg estimates as of 9/18/08

Public Company Comparables – Exchanges

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

Company Name	Ticker	Stock		Book Value	Last Twelve Months ⁽¹⁾		EPS		Price / Book	Equity Value / LTM		PE Ratio		
		Price	Equity Value		Revenue	Pre-Tax	LTM ⁽¹⁾	2008E ⁽²⁾		Revenue	Pre-Tax	LTM ⁽¹⁾	2008E ⁽²⁾	
		9/18/2008												
Exchanges														
CME Group Inc.	CME	\$ 360.00	\$ 19,701.7	\$ 13,328.4	\$ 2,303.0	\$ 1,411.8	\$ 16.69	\$ 16.39	1.5x	8.6x	14.0x	21.6x	22.0x	
Deutsche Boerse AG	DB1	91.10	17,492.4	4,339.8	4,152.3	2,230.8	8.10	6.87	4.0	4.2	7.8	11.2	13.3	
London Stock Exchange plc	LSE	14.37	3,895.0	2,518.4	1,096.9	471.2	1.46	1.34	1.5	3.6	8.3	9.9	10.7	
Nasdaq OMX Group, Inc.	NDAQ	33.03	6,872.3	4,715.3	2,951.7	640.8	1.84	1.97	1.5	2.3	10.7	18.0	16.8	
NYSE Group, Inc.	NYX	41.00	10,906.0	10,008.0	4,426.0	1,180.8	3.08	3.12	1.1	2.5	9.2	13.3	13.2	
TMX Group Inc.	X	32.78	2,587.5	853.2	455.5	264.8	2.34	2.46	3.0	5.7	9.8	14.0	13.3	
IntercontinentalExchange, Inc.	ICE	75.26	5,361.5	1,698.0	715.4	469.4	4.32	4.79	3.2	7.5	11.4	17.4	15.7	
TOTAL			\$ 66,816.3											
									HIGH	4.0x	8.6x	14.0x	21.6x	22.0x
									AVERAGE	2.3	4.9	10.2	15.1	15.0
									MEDIAN	1.5	4.2	9.8	14.0	13.3
									LOW	1.1	2.3	7.8	9.9	10.7

Source: Publicly available SEC filings, Bloomberg and IBES estimates

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

Note: Exchange Rates are applied as of the following dates: Stock Prices and Earnings Estimates (9/18/08); Book Value (Date of Financials); Revenue, Pre-Tax, LTM Earnings (Average LTM)

(1) LTM based on calendar year ended Q2 2008. LTM financials for London Stock Exchange as of 3/31/08

(2) Based on consensus Bloomberg estimates as of 9/18/08

Trailing Public Company Comparables – Trading Technology

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

Company Name	Ticker	Stock		Book Value	Enterprise Value	Last Twelve Months ⁽¹⁾			Price / Last Twelve Months ⁽¹⁾			Price / Tangible Book	
		Price 9/18/2008	Equity Value			Revenue	EBITDA	Pre-Tax	Revenue	EBITDA	Pre-Tax	Book	Book
U.S. Trading Technology Firms													
Advent Software	ADVS	\$ 39.87	\$ 1,069	\$ 204	\$ 1,061	\$ 240	\$ 35	\$ 23	4.4x	30.4x	47.2x	5.2x	12.2x
Interactive Brokers	IBKR	19.66	7,982	4,029	8,127	1,783	1,244	1,210	4.5x	6.4x	6.6x	2.0x	2.0x
Investment Technology Group	ITG	30.51	1,330	765	1,385	771	256	203	1.7x	5.2x	6.5x	1.7x	4.3x
Knight Capital Group	NITE	15.56	1,410	965	1,484	683	227	202	2.1x	6.2x	7.0x	1.5x	2.0x
MarketAxess Holdings	MKTX	6.71	225	211	197	94	22	15	2.4x	10.1x	14.7x	1.1x	1.3x
NYFIX	NYFX	2.67	102	124	102	123	(18)	(29)	0.8x	N/M	N/M	0.8x	1.8x
European Trading Technology Firms													
Fidessa Group	FDSA	760.0 p	£267	£92	£261	£163	£38	£19	1.6x	6.9x	14.2x	2.9x	16.6x
GL Trade	GLT	€40.45	€387	€63	€411	€217	€42	€35	1.8x	9.2x	11.1x	6.2x	-6.4x
Linedata Services	LIN	€10.38	€122	€100	€174	€165	€31	€19	0.7x	3.9x	6.3x	1.2x	-5.0x
Neonet	NEO	16.40 kr	1,067 kr	299 kr	1,026 kr	324 kr	133 kr	97 kr	3.3x	8.0x	11.0x	3.6x	6.3x
Orc Software	ORC	96.00 kr	1,460 kr	314 kr	1,448 kr	548 kr	150 kr	131 kr	2.7x	9.7x	11.1x	4.7x	51.3x

HIGH	4.5x	30.4x	47.2x	6.2x	51.3x
AVERAGE	2.4x	9.6x	13.6x	2.8x	7.8x
MEDIAN	2.1x	7.5x	11.0x	2.0x	2.0x
LOW	0.7x	3.9x	6.3x	0.8x	-6.4x

Source: SEC filings, Bloomberg, Freeman & Co. research

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

(1) LTM as of 6/30/08, except for Linedata, which is as of 12/31/07

Forward Public Company Comparables – Trading Technology

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

Company Name	Ticker	Stock		Enterprise Value	Net Revenue	2008E ⁽²⁾			Year-over-Year Est. Growth ⁽¹⁾			Price / 2008E		
		Price 9/18/2008	Equity Value			Revenue	EBITDA	Pre-Tax	Revenue	EBITDA	Pre-Tax	Revenue	EBITDA	Pre-Tax
U.S. Firms														
Advent Software	ADVS	\$ 39.87	\$ 1,069	\$ 1,061	\$ 258	\$ 51	\$ 43	20%	91%	203%	4.1x	21.0x	24.8x	
Interactive Brokers	IBKR	19.66	7,982	8,127	1,764	1,204	1,201	18%	25%	29%	4.5x	6.6x	6.6x	
Investment Technology Group	ITG	30.51	1,330	1,385	766	203	198	5%	-14%	5%	1.7x	6.6x	6.7x	
Knight Capital Group	NITE	15.56	1,410	1,484	821	228	201	23%	8%	6%	1.7x	6.2x	7.0x	
MarketAxess Holdings	MKTX	6.71	225	197	97	23	15	2%	-7%	-18%	2.3x	9.6x	15.3x	
NYFIX	NYFX	2.67	102	102	120	N/A	(18)	-1%	N/A	-36%	0.8x	N/A	N/M	
European Firms														
Fidessa Group	FDSA	760.0 p	£267	£261	£177	£32	£23	31%	-2%	37%	1.5x	8.3x	11.5x	
GL Trade	GLT	€40.45	€387	€411	€226	€45	€38	11%	22%	25%	1.7x	8.6x	10.2x	
Linedata Services	LIN	€10.38	€122	€174	€173	€35	N/A	5%	10%	N/A	0.7x	3.5x	N/A	
Neonet	NEO	16.40 kr	1,067 kr	1,026 kr	690 kr	93 kr	40 kr	98%	-43%	-70%	N/M	11.5x	27.0x	
Orc Software	ORC	96.00 kr	1,460 kr	1,448 kr	568 kr	135 kr	114 kr	8%	-17%	-20%	2.6x	10.8x	12.8x	

HIGH	4.5x	21.0x	27.0x
AVERAGE	2.2x	9.3x	13.6x
MEDIAN	1.7x	8.5x	11.5x
LOW	0.7x	3.5x	6.6x

Source: SEC filings, Bloomberg, Freeman & Co. research

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

(1) LTM as of 6/30/08, except for ICAP, which is as of 3/31/08

(2) Based on consensus Bloomberg estimates as of 9/08/08

Freeman & Co. Selected Securities Firms Transactions

Broker Dealer Firms

<p>\$50,000,000 investment in</p> <p>Broadpoint.</p> <p>by</p> <p>MatlinPatterson MatlinPatterson Global Opportunities Partners II, L.P.</p> <p>The undersigned acted as financial advisor to the Board of Directors of First Albany Companies, Inc. September 21, 2007</p> <p>Freeman & Co. Securities LLC</p>	<p>LEERINK SWANN</p> <p>has sold a minority interest to</p> <p>LEVEL HENRIK PARTNERS LLC March <i>Carveout</i></p> <p>The undersigned acted as financial advisor to Leerink Swann & Company July 23, 2007</p> <p>Freeman & Co. Securities LLC</p>	<p>The Municipal Capital Markets Division of</p> <p>FIRST ALBANY COMPANIES</p> <p>has been acquired by</p> <p>DEPPA BANK</p> <p>The undersigned acted as financial advisor to First Albany Companies, Inc. announced March 6, 2007</p> <p>Freeman & Co. Securities LLC</p>	<p>ThinkEquity Partners LLC</p> <p>has been acquired by</p> <p>PANMURE GORDON & CO</p> <p>The undersigned acted as financial advisor to Panmure Gordon & Co. announced February 20, 2007</p> <p>Freeman & Co. Securities LLC</p>	<p>\$345,577,305</p> <p>charles SCHWAB</p> <p>has acquired</p> <p>SOUNDVIEW TECHNOLOGY GROUP</p> <p>Acted as financial advisor to The Charles Schwab Corporation January 16, 2004</p> <p>Freeman & Co. Securities LLC</p>
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<p>BROADVIEW</p> <p>has been acquired by</p> <p>JEFFERIES</p> <p>Acted as financial advisor to Broadview International December 31, 2003</p> <p>Freeman & Co. Securities LLC</p>	<p>GKM GROUP</p> <p>has been acquired by</p> <p>BMO Financial Group</p> <p>Acted as financial advisor to Gerard Klauer & Mattison July 7, 2003</p> <p>Freeman & Co. Securities LLC</p>	<p>\$105,000,000</p> <p>ITG Investment Technology Group, Inc.</p> <p>has acquired</p> <p>HOENIG GROUP Hoensig Group, Inc.</p> <p>Acted as financial advisor to ITG September 3, 2002</p> <p>Freeman & Co. Securities LLC</p>	<p>POTNAM-LOVELL</p> <p>has been acquired by</p> <p>NATIONAL BANK FINANCIAL</p> <p>Acted as financial advisor to Putnam Lovell July 19, 2002</p> <p>Freeman & Co. Securities LLC</p>	<p>GUGGENHEIM</p> <p>has made an investment in</p> <p>CRT Capital Resources Trust</p> <p>Acted as financial advisor to CRT Capital Group February 2002</p> <p>Freeman & Co. Securities LLC</p>
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<p>LEBENTHAL</p> <p>has been acquired by</p> <p>Advest Serving Investors Since 1858</p> <p>a member of</p> <p>IMONY THE FIRST GROUP</p> <p>Acted as financial advisor to Leubenthal & Co. December 3, 2001</p> <p>Freeman & Co. Securities LLC</p>	<p>LEHMAN BROTHERS</p> <p>has acquired the Private Client Group of</p> <p>SG Cohen & Co.</p> <p>Initiated and acted as Financial advisor to Lehman Brothers, Inc. October 2000</p> <p>Freeman & Co. Securities LLC</p>	<p>\$320,000,000</p> <p>SOUNDVIEW TECHNOLOGY GROUP</p> <p>has been acquired by</p> <p>Wit Capital Group, Inc.</p> <p>Acted as financial advisor to SoundView Technology Group, Inc. January 2000</p> <p>Freeman & Co. Securities LLC</p>	<p>FPK</p> <p>FOX-PITT, KELTON</p> <p>has been acquired by</p> <p>Swiss Re</p> <p>Acted as financial advisor to Fox Pitt Kelton March 1999</p> <p>Freeman & Co. Securities LLC</p>	<p>ROBERTSON STEPHENS & COMPANY</p> <p>has been acquired by</p> <p>BankBoston</p> <p>Acted as financial advisor to Robertson Stephens August 1998</p> <p>Freeman & Co. Securities LLC</p>	<p>COWEN COWEN & COMPANY</p> <p>has been acquired by</p> <p>GENERALI GENERALI LIFE</p> <p>Acted as financial advisor to Cowen & Co. June 1998</p> <p>Freeman & Co. Securities LLC</p>
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Electronic Trading Firms

<p>ESP</p> <p>ESP has been recapitalized and received a growth equity investment from</p> <p>BEAR STEARNS</p> <p>CREDIT SUISSE</p> <p>SIG</p> <p>The undersigned acted as advisor to ESP Technologies, LLC May 17, 2007</p> <p>Freeman & Co. Securities LLC</p>	<p>CARLIN FINANCIAL GROUP</p> <p>has been acquired by</p> <p>RBC Capital Markets</p> <p>Acted as financial advisor to Carlin Financial Group January 2, 2007</p> <p>Freeman & Co. Securities LLC</p>	<p>THE BANK OF NEW YORK GTCR Eye Castle Software</p> <p>have merged</p> <p>THE BANK OF NEW YORK Eye Castle Software</p> <p>to form</p> <p>BNY Converge Group</p> <p>Acted as financial advisor to GTCR October 2, 2006</p> <p>Freeman & Co. Securities LLC</p>	<p>NEOVEST</p> <p>has been acquired by</p> <p>JPMorgan</p> <p>Acted as financial advisor to Neovest Holdings, Inc. September 1, 2005</p> <p>Freeman & Co. Securities LLC</p>	<p>citigroup</p> <p>has acquired</p> <p>LAVA</p> <p>Acted as financial advisor to Citigroup Inc. August 2004</p> <p>Freeman & Co. Securities LLC</p>
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Derivatives Firms

<p>KBC</p> <p>has acquired</p> <p>VERTICALEND</p> <p>The undersigned acted as financial advisor to KBC Financial Products signed June 9, 2007</p> <p>Freeman & Co. Securities LLC</p>	<p>CONSTELLATION</p> <p>has been acquired by</p> <p>SG CORPORATE & INVESTMENT BANKING</p> <p>Acted as financial advisor to Constellation Financial Management Company LLC, FSP Holdings LP and affiliates July 17, 2003</p> <p>Freeman & Co. Securities LLC</p>	<p>\$800 million AUM</p> <p>VOLARIS</p> <p>has been acquired by</p> <p>CREDIT SUISSE FIRST BOSTON</p> <p>Acted as financial advisor to Volaris Advisors June 6, 2003</p> <p>Freeman & Co. Securities LLC</p>	<p>KBC</p> <p>has merged with</p> <p>KBC Derivatives</p> <p>Acted as financial advisor to KBC Bank January 2001</p> <p>Freeman & Co. Securities LLC</p>	<p>KBC</p> <p>has acquired</p> <p>DE Shaw & Co Financial Products</p> <p>Acted as financial advisor to KBC Bank October 1999</p> <p>Freeman & Co. Securities LLC</p>
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- *History Repeats, but with Many Different Flavors* (February 2008)
- *Post Labor Day: Back to School, Hopefully not Schooled!* (September 2007)
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- *Mega Deals Return* (January 2005 Supplement)
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- *Inaugural Issue: Midyear Update* (August 2004)

Asset Management Reports

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