

Securities Industry Focus

Freeman & Co. LLC

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Indices at October 25, 2011

Index / Metric	Value
DJIA	11,706
NASDAQ	2,324
S&P 500	1,229
FTSE 100	5,526
10 yr Bond	1.29%
USD per GBP	\$1.60
USD per Euro	\$1.39

Post-Crisis: A Rapidly Changing Environment

The Securities Industry has undergone several seismic shifts since the global financial crisis of 2007-2009

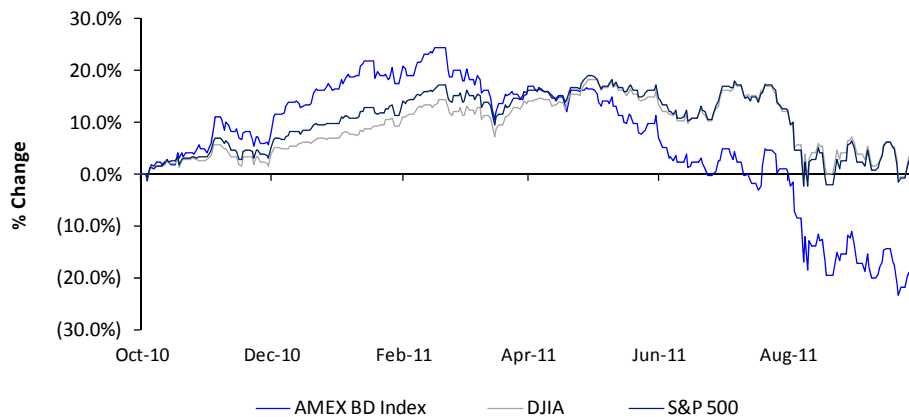
The global financial crisis of 2007-2009 is still playing itself out, and we are currently in the midst of refreshed uncertainty. Fears of the European banking crisis are spreading, and the US government finds itself once again trying to stave off a recession. Other than the banking industry as a whole, perhaps no segment of financial services has been affected by these crises as much as the securities industry – as we define it, the manufacturing and distribution of securities as well as the services & technology that support these functions.

Historically, the macroeconomic phases that serve as the backdrop for the securities industry have generally been long-term in nature. However, while 25+ years of history (described in detail on page 3 of this report) experienced only a few discrete phases, the period beginning in mid-2007 is already entering what we observe as the fourth phase with respect to the changing dynamics of the securities industry.

Trends Discussed in this Issue:

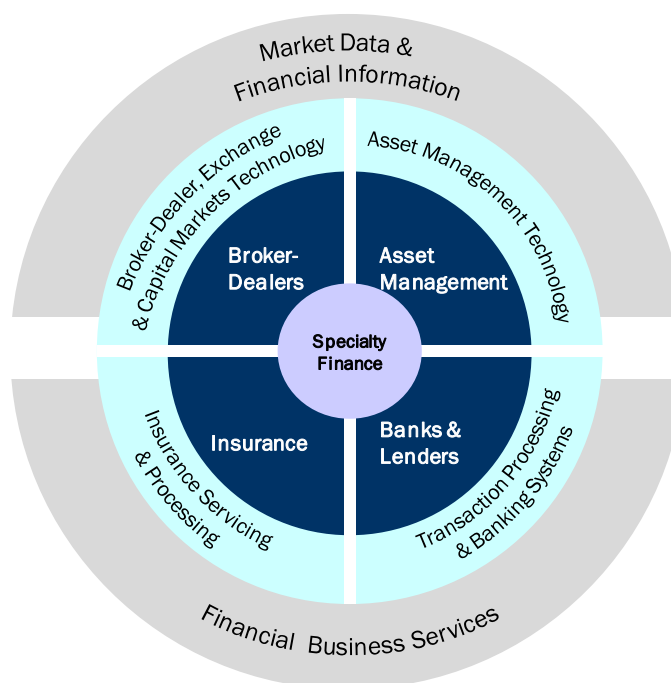
- The evolving broker-dealer landscape and its effects on the middle market
- The surge in layoffs underway at large banks and broker-dealers
- Retail brokerage trends
- Market volatility and trading volumes

AMEX BD Index, Dow Jones Industrial Average, S&P 500 % Change



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Post-Crisis Environment: Phase 3, But Phase 4 is Lurking

The securities and banking industry from the 1980s until 2007 can largely be broken down into three major phases, with each phase providing market participants with a framework for conducting business in the space:

- Long-Term Phase 1: The 1980's bull market spurred by Reagan lowering tax rates by 23% across the board (1981), simplifying the tax structure (1986) and easing by the Federal Reserve
 - Active trading; mutual fund explosion; large debt issuance
- Long-Term Phase 2: This environment started with a hiccup in 1987 but essentially blended into another bull run in the 1990's, culminating in a technology bubble (and its subsequent bursting)
 - Active IPO issuance; active equity trading markets
- Long-Term Phase 3: Post-tech bubble, there was an additional bull market from 2003-2007, stimulated by rapidly rising housing prices, eventually ending in a credit crisis which spread to a broad, global economic recession
 - Active securitization markets; high trading volumes in equities and fixed income

Recently, however, there has been a drastic compression in cycles as it pertains to the securities industry, as we are about to enter a fourth distinct phase since the onset of the financial crisis:

- Phase 1: The credit and housing crisis begins
 - Initially, banks and their balance sheets are primarily affected
 - Banks significantly scale back (and in some cases exit) various securities-related businesses that are risk-taking in nature and balance sheet-intensive
 - Compensation practices come under extreme scrutiny, exacerbating the flight of talent of banking and sales & trading personnel from the large dealers
- Phase 2: A proliferation of boutique broker-dealers emerge in 2008 and 2009 (see our previous issue of Securities Industry Focus, *Filling the Void in the Middle Market*)
 - These firms include new players and revitalized existing brokerages
 - They capture talent and market share lost by the large dealers
 - Selected boutique firms, especially in the fixed income space, are able to execute their strategy in 2009 as markets rebound from the crisis, spreads widen and the traditional global bulge bracket players reduced their presence and capital deployed
- Phase 3: After banks had reconstituted their balance sheets, they begin to re-enter sales and trading businesses that require capital to facilitate client trades
 - As a result, competition for both market share and talent is refreshed
 - Several of the smaller broker-dealers that had either started or flourished in Phase 2 are hurt as a result – as markets and the competitive landscape changed, many were exposed as merely opportunistic and not built in a diversified manner that could withstand these changes

The end of Phase 3 is where we find ourselves now, as there has been considerable shakeup in the boutique broker-dealer space in the past 6 to 12 months. After an initial wave of capitalization to these boutique broker-dealers in Phase 2, mainly led by the private equity community, it has become clear that business models need to evolve to both grow to be viable competitors to the large banks and to be able to withstand the uncertainty of the business environment. Simultaneously, banks are facing renewed stress and earnings pressure, and are laying off personnel – welcome the emergence of Post-Crisis Phase 4. There once again will be additional opportunities for smaller players to attract talent through 2012, but success will require a well thought out strategy and a well-capitalized and diversified platform with leadership that employees believe will provide a stable home.

- Phase 4: As we enter Phase 4, there are two factors that will contribute to determining the success of the players in the market:
 1. The success of several of the larger middle market investment banks (such as Jefferies, Stifel, Raymond James and Robert W. Baird), demonstrates there is an opportunity for full service investment banks serving small and mid-sized companies to succeed
 2. Breadth of platform will be crucial in the survival of participants in the marketplace, along with stable leadership and proper capital

Major Headcount Reductions Underway at Large Firms

Large bank layoffs could lead to more opportunities for middle market firms

As large banks grapple with regulatory changes and a slumping economy, the optimism that led to hiring and re-entering businesses in 2010 and early 2011 has reversed (Post Crises Phase 4). Formal plans to reduce headcount are underway (see table on right). This should present small and middle market broker-dealers with opportunities to hire talented people much in the same way as it did toward the tail end of the 2007-2009 crisis.

In addition, as bulge bracket pay has become more share based, declining bank stock prices has significantly reduced the recent pay of top performers – FinancialNews reports that at a selected group of four large investment banks, the value of shares granted for 2010 pay have already dropped almost 40% in value.

We expect mid-sized, well-capitalized, private broker-dealers to be able to compete for this talent with more straight-forward pay packages.

Announced Layoffs

Company	Potential	
	Job Cuts	Details
Bank of America	30,000	Over several years
HSBC	30,000	Over several years
Lloyd's	15,000	
UBS	4,000	Investment bank, wealth management, asset management
Barclays	3,000	By year end; 1,000 at BarCap
Credit Suisse	2,000	
RBS	2,000	In Global Banking & Markets
Goldman Sachs	1,000	More likely coming
Mizuho Securities	700	
Deutsche Bank	500	Corporate Banking & Securities division outside Germany
Morgan Stanley	300	Mostly US financial advisors; full headcount review underway
Gleacher & Company	100	Shut down equities business
Citi	TBD	Will reveal expense review color in Q3 earnings details
Credit Agricole	TBD	Potentially scaling back investment banking operations
JP Morgan	TBD	Headcount review underway
Macquarie	TBD	
MF Global	TBD	Up to 30% of equities staff in Europe and Asia
Nomura	TBD	Wholesale banking
Societe Generale	TBD	Potentially scaling back investment banking operations

Trends in Retail Brokerage

As retail brokerage is a relatively low margin business at the smaller end of the spectrum, we expect both strategic and private equity firms to continue to force consolidation in retail brokerages to gain scale. Strategics have certain advantages operationally, as additional retail brokerage activity in house can bring complementary revenues from execution and clearing, as well as cross-selling opportunities via access to clients to distribute more product through. Other reasons for consolidation in the segment include increased regulatory and compliance costs and difficulty in retaining talent at the sub-scale franchises.

Registered Representative Headcount

Company	Jun. 2010	Jun. 2011	% Change
Morgan Stanley Smith Barney	18,087	17,638	(2.5%)
Bank of America	16,500	16,000	(3.0%)
UBS Wealth Management Americas	6,760	6,862	1.5%
Raymond James Financial	4,937	5,093	3.2%
JPMorgan	2,055	2,282	11.0%
Stifel Financial	1,749	1,728	(1.2%)
Oppenheimer & Co.	1,429	1,421	(0.6%)

Selected Retail Brokerage Deals ⁽¹⁾

Date Announced	Acquiror	Target	Deal Value (\$mm)	Target Country
In Process	N/A	Morgan Keegan	\$1bn+	USA
9/7/2011	Bendigo Partners	Akatsuki Financial Group	Minority	Japan
8/22/2011	Lovell Minnick Partners	First Allied Securities	Majority	USA
8/17/2011	Ladenburg Thalmann	Securities America Financial	\$220	USA
6/29/2011	Parthenon Capital, Lovell Minnick	H.D. Vest	Majority	USA
3/20/2011	Hilltop Holdings & Oak Hill Capital Partners	SWS Group	\$100	USA
3/1/2011	GTCR	Assured Agencies	\$250	USA
12/27/2010	Sterne Agee	Nollenberger Capital Partners	Majority	USA
11/22/2010	Bank of Nova Scotia	DundeeWealth	\$2,971	Canada
9/10/2010	Investment Planning Counsel	Partners in Planning Financial Group	Majority	Canada
8/5/2010	StanCorp Investment Advisors	Florida Financial Advisors	Majority	USA
3/24/2010	Management	Pantheon Financial	Majority	UK
2/1/2010	Lightyear Capital	Cetera Financial Group	Majority	USA

Welcome Volatility

Boutique Broker Dealers Forced to Reinvigorate Services to Capture Trading Volumes

As the state of the economy remains in question, newly lean broker dealers are struggling with how to best capture the diminishing pool of commissions that stems from lower trading volumes. The composition of the commission pool itself continues to change, as firms attempt to balance the comforts of high touch services to traders in an unstable market, with the appeal of low transaction fees as well as the encroachment of high frequency trading on market share. Many broker dealers have already cut costs in order to survive in today's new trading environment; however, as investors continue to be threatened with a myriad of potential bear market catalysts – and are therefore less apt to put on large or frequent positions – small and mid-sized firms will be forced to both broaden and improve services in order to capture meaningful commissions and compete with revitalized bulge bracket firms. We feel that a few well-capitalized middle market players will emerge and capture a meaningful market share.

Increased volume based on negative macroeconomic factors is unsustainable, as retail investors become unwilling to participate in the market. Recent events such as the downgrade of U.S. debt, the drama over the debt ceiling and the financial turmoil in Europe have created enough volatility to support a bounce in trading volume; however, volumes across the entire stock market as of August are still about 7% lower than they were at this time in 2010⁽²⁾. This decrease in trading volume in 2011 follows a 13% decline between 2009 and 2010, which ended six consecutive years of volume increases from 2004 to 2009⁽²⁾. While market volatility in recent months did see increased volumes, it has yet to compare with the peaks during the credit crisis which had the all-time record for daily volume of U.S. equities in the month of March of 2009 with an average of 12.3 billion shares traded per day⁽¹⁾. Comparatively the average daily volume in August 2011 was 10.4 billion shares a day⁽¹⁾. Not only can volume bounces based on negative volatility be difficult to maintain, but it can also lead to lower revenue capture for broker dealers, due to tighter margins and the decreased asset values of client accounts.

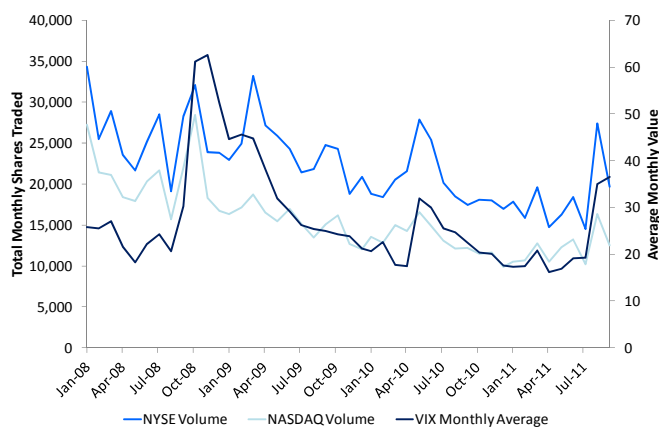
US Bond Market Average Daily Trading Volume



The fixed income trading volume story has differed slightly from the equity markets, with a 10% increase in U.S. fixed-income trading from 2010 to 2011⁽³⁾. This increase has primarily been driven by the 20% increase in U.S. Treasury trading volume. In this same time frame the top five U.S. fixed-income broker dealers saw their market share of institutional trading volumes decrease by 2.8%⁽⁴⁾. Smaller and mid-sized firms continue to compete for – and in certain cases win – fixed-income market share, reducing transaction fees and reacting to market dynamics by offering high-value and in-demand services.

Many of the broker dealers that emerged during the rapid influx of small, independent firms into the market during the tumultuous years of 2008 and 2009, have found their business plans lacking as bulge brackets re-enter the market with revived balance sheets. In equities, as commissions decrease with volume, and as HFT comprises an increasing portion of total trading volume, traditional boutique broker dealers will be forced to look for liquidity in unique places. While recent volatility has given broker dealers a much needed boost from lack luster trading volumes in 2010 and the first half of 2011, permeating economic uncertainty cannot support high volumes for an extended period of time, and boutique broker dealers must offer enhanced programs – like quality research – in order to solidify and capture market share.

Trading Volume and VIX Monthly Average



(1) Rosenblatt Securities
 (2) New York Times, “As Trade Volumes Soar, Exchanges Cash In”
 (3) SIFMA
 (4) Greenwich Associates, “U.S. Fixed Income: Best of Times for Institutional Investors”

US Broker-Dealer Trends

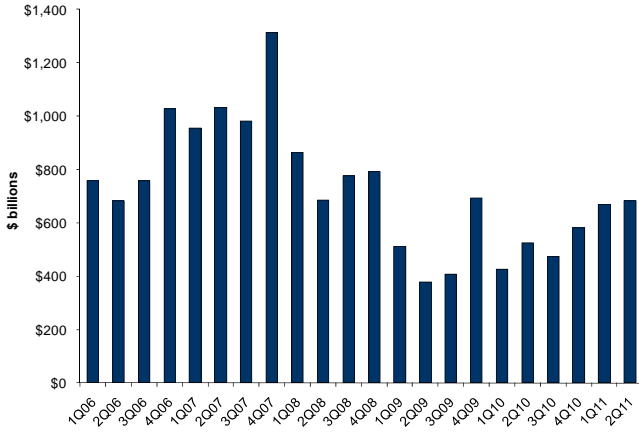
- Total Revenue for all NASD and NYSE Broker Dealers has decreased 46% between 2007 and 2010 dropping from \$474 billion in 2007 to \$255 billion in 2010
- However, we felt that Freeman & Co.'s market survey⁽¹⁾ indicates that revenues have bottomed at a stabilized level, slightly above the period from 2000-2004 and should potentially now trend positively
- Net Revenue during that same period increased 14% from \$204 billion in 2007 to \$233 billion in 2010
- Total net capital increased 49% between 2005 and 2010 from \$101 billion to \$151 billion (primarily due to regulation changes); during that same time period the total number of firms decreased by 9%
- Between 2005 and 2010, the number of income producing personnel decreased by 1%, the number of other personnel decreased by 8% and the total number of personnel decreased by 5%
 - We expect headcount figures to continue to trend negatively

Total NASD and NYSE Broker-Dealers – Income Statement and Selected Items (\$ in millions)

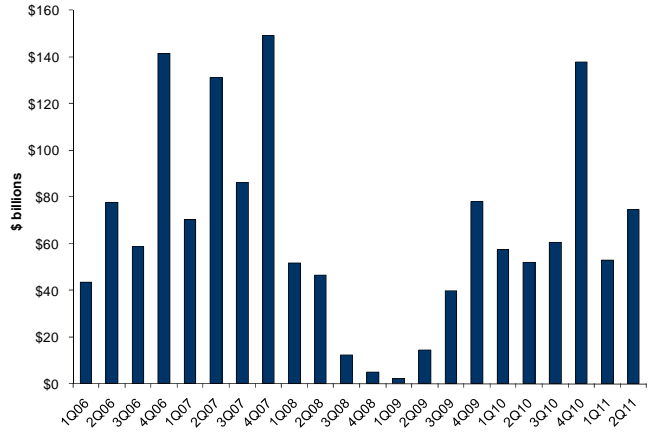
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUE:										
Commissions	44,023	44,471	45,061	47,141	46,145	48,908	54,541	58,068	48,631	46,757
Trading Gain (Loss)	32,288	19,163	30,740	23,501	23,310	43,050	(5,979)	(64,977)	38,391	23,785
Investment Account Gain (Loss)	1,585	1,106	3,020	2,669	2,856	5,537	3,976	(1,760)	1,436	1,022
Underwriting Revenue	17,016	14,712	17,204	19,124	19,988	23,630	26,526	18,789	22,570	24,431
Margin Interest	13,788	6,478	5,231	6,950	13,257	23,827	32,282	18,414	4,529	4,977
Mutual Fund Sale Revenue	16,647	15,830	16,197	18,656	20,657	22,999	25,806	22,854	17,156	18,802
Fees, Asset Management	19,025	18,187	17,938	20,847	23,276	27,891	33,089	32,891	27,716	32,618
Research Revenue	197	158	172	211	137	222	80	81	84	105
Other Revenue	30,974	25,326	24,726	28,498	44,355	47,555	67,144	59,386	53,408	42,148
Other	123,260	89,473	79,021	96,118	170,898	241,298	302,122	200,864	115,043	100,182
TOTAL REVENUE	273,169	215,726	212,726	236,704	321,767	436,796	474,193	290,529	278,936	254,752
EXPENSES:										
Total Compensation	82,723	74,123	76,729	83,165	88,380	101,881	104,685	96,764	94,623	101,533
Total Floor Costs	13,323	14,305	15,611	16,749	18,039	21,188	25,484	25,753	22,010	22,892
Communications Expense	5,922	5,000	4,376	4,674	4,996	5,542	5,999	6,099	5,751	5,709
Occupancy & Equipment Costs	8,424	7,260	6,793	6,474	6,340	6,389	6,604	6,928	6,904	6,903
Promotional Costs	2,957	2,488	2,035	2,340	2,445	2,505	2,678	2,520	1,818	2,106
Interest Expense	98,834	56,733	43,273	58,413	136,147	215,673	270,159	124,504	21,409	22,015
Bad Debt Expense	699	512	356	333	369	390	227	1,286		296
Data Processing Costs	3,679	3,275	3,035	3,227	3,506	3,707	3,765	3,588	3,110	3,199
Regulatory Fees & Expenses	1,337	1,206	1,297	1,458	1,552	1,611	1,759	2,004	1,821	1,880
Non-Recurring Charges	268	728	274	681	284	125	119	723	139	74
Other Expenses	38,988	38,005	34,894	38,471	42,132	44,702	51,935	54,487	49,113	53,356
TOTAL EXPENSES	257,153	203,633	188,672	215,986	304,190	403,712	473,414	324,655	206,697	219,963
PRE-TAX NET INCOME	16,016	12,092	24,054	20,719	17,577	33,084	779	(34,126)	72,239	34,789
TOTAL ASSETS	3,268,581	3,094,511	3,771,810	4,623,589	5,039,209	5,876,931	6,363,382	4,391,632	4,226,666	4,638,142
TOTAL LIABILITIES	3,136,364	2,970,466	3,639,483	4,477,400	4,890,918	5,712,672	6,195,834	4,209,171	4,023,948	4,418,034
TOTAL OWNERSHIP EQUITY	132,218	124,045	132,327	146,189	148,291	164,260	167,548	182,462	202,718	220,108
TOTAL NET CAPITAL	78,679	78,914	78,420	87,127	101,334	102,969	128,244	155,468	155,972	151,113
NUMBER OF FIRMS IN CATEGORY	5,502	5,388	5,287	5,219	5,134	5,052	4,969	4,923	4,779	4,679
PERSONNEL - INCOME PRODUCING	205,503	188,648	185,849	197,680	190,767	188,685	203,436	221,982	205,622	188,521
PERSONNEL - ALL OTHER	217,842	197,415	188,647	198,557	192,514	198,690	210,608	202,596	173,215	177,003
PERSONNEL - TOTAL	423,345	386,063	374,496	396,237	383,281	387,375	414,044	424,578	378,837	365,524

Global Investment Banking Trends

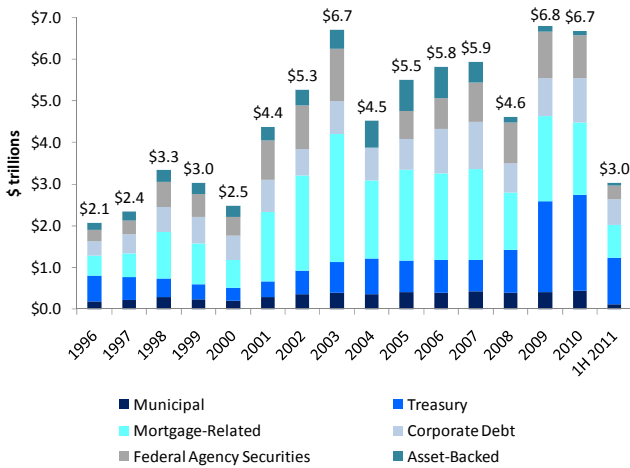
Global M&A Volume



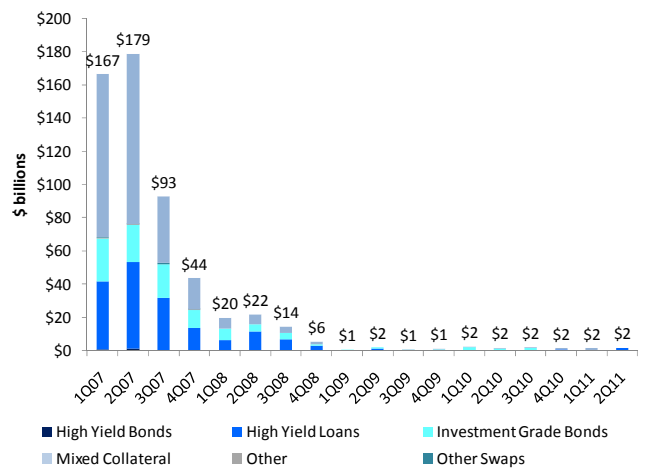
Global IPO Volume



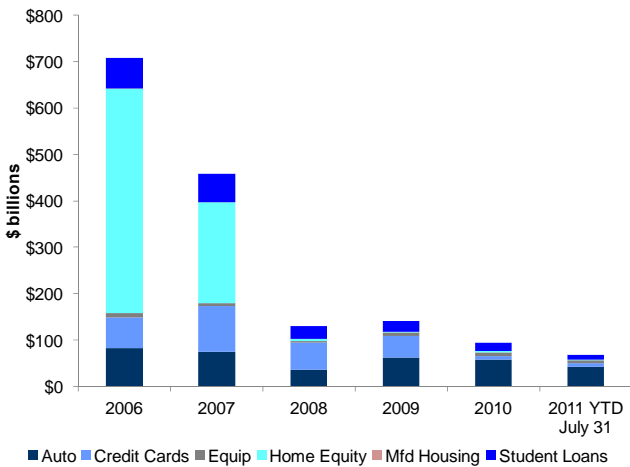
U.S. Bond Issuance by Collateral



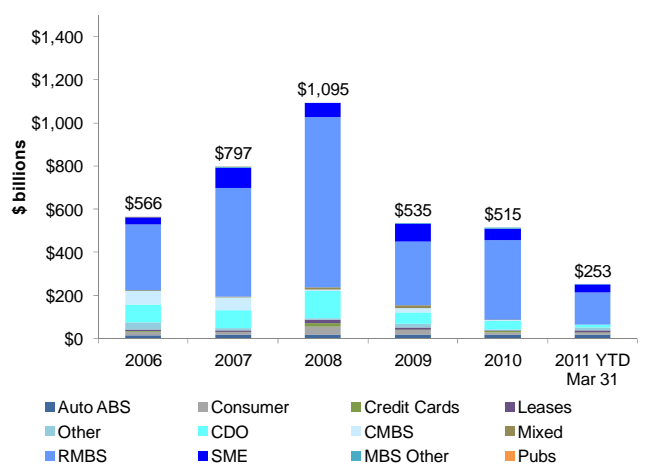
CDO Issuance By Collateral



U.S. ABS Issuance by Collateral



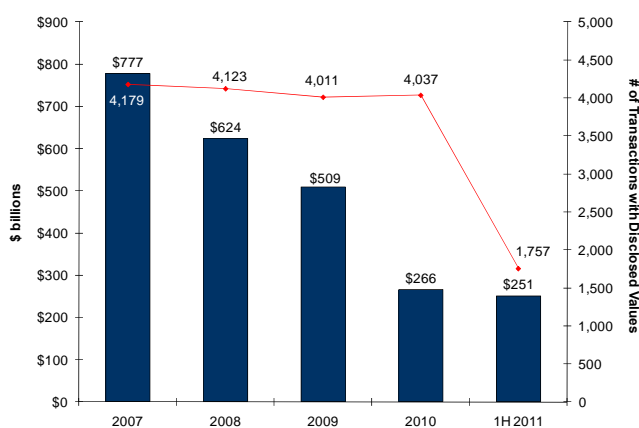
European Structured Finance Issuance by Collateral



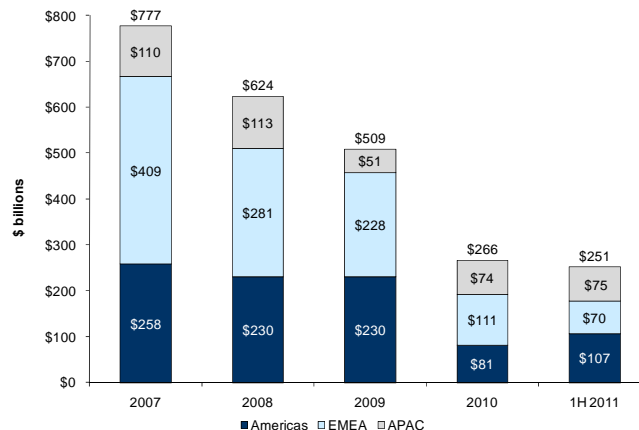
Financial Institutions and Broker-Dealer Trends

- While the number of global financial industry acquisitions with disclosed deal values decreased from 4,037 for full-year 2010 to 3,514 on an annualized basis (based off of 1H 2011), the value of acquisitions increased from \$266 billion in 2010 to \$502 billion (on an annualized basis)
- In 2011 the regional composition of financial services acquisitions shifted slightly as American acquisitions went from representing 30% of total financial services acquisitions in 2010 to 43% of total financial services acquisitions in 1H 2011
- The total number of broker-dealer deals with transaction values decreased from 343 in 2010 to 204 in the first nine months of 2011 and the value of broker-dealer transactions decreased more dramatically from \$53 billion in 2010 to \$10 billion in the first nine months of 2011, due to several large deals in Asia and Europe toward the end of 2010
- While we anticipate that more deals for Q3 2011 will come to light, Q3 2011 had 52 broker dealer transactions while Q2 2011 had 102 transactions and Q1 2011 had 50 broker dealer transactions

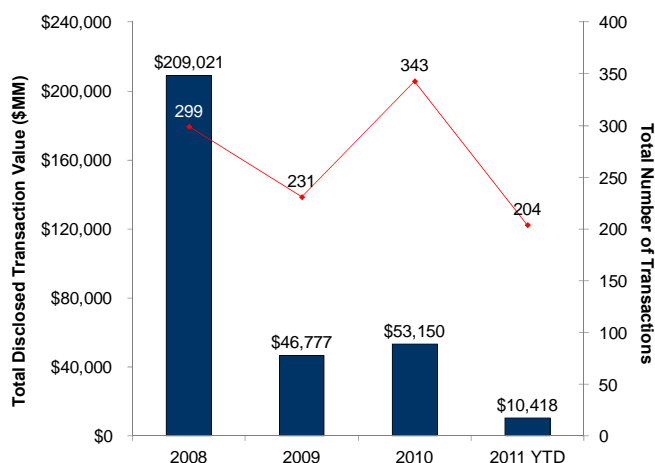
Global Financial Industry Acquisitions



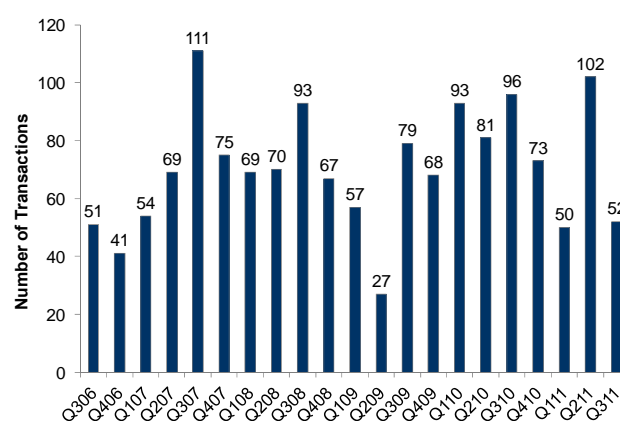
Financial Services Acquisitions by Region



Broker-Dealer Transactions (1)



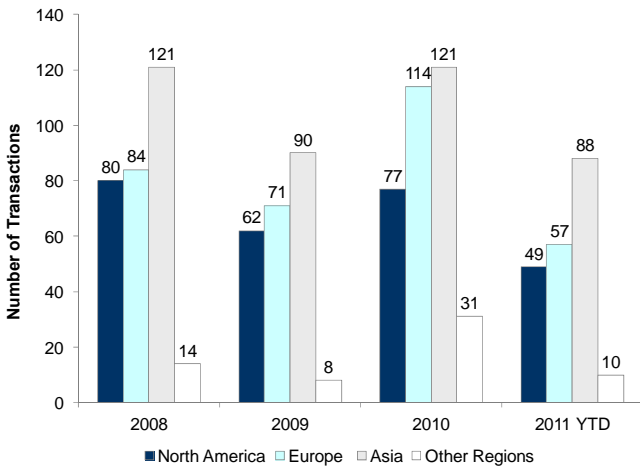
Broker-Dealer Transactions By Quarter



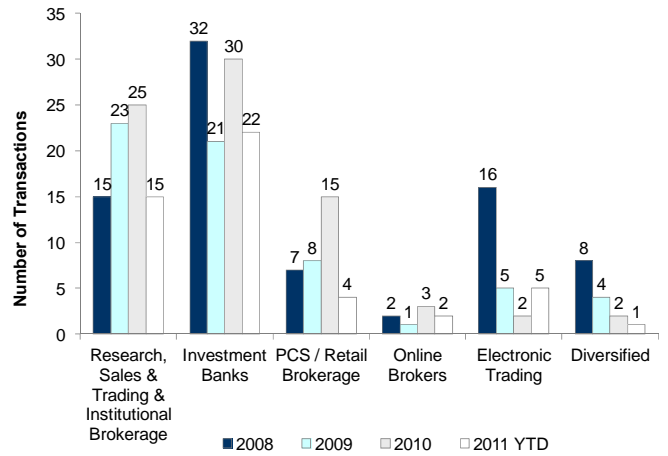
(1) YTD as of 9/30/2011

Broker-Dealer Trends (continued)

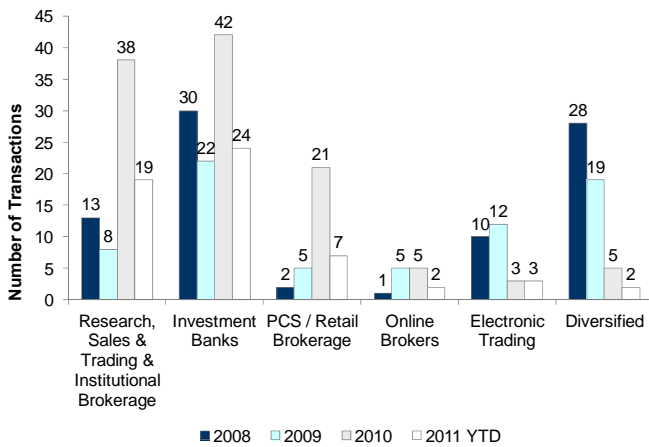
Broker-Dealer Transactions by Region⁽⁴⁾



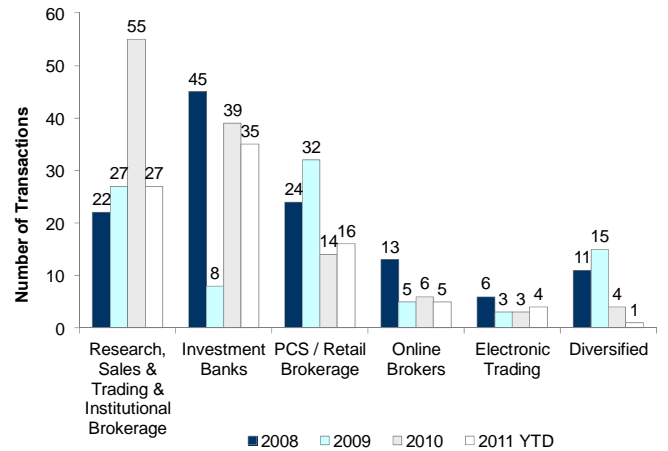
Broker-Dealer Transactions: North America^(1,4)



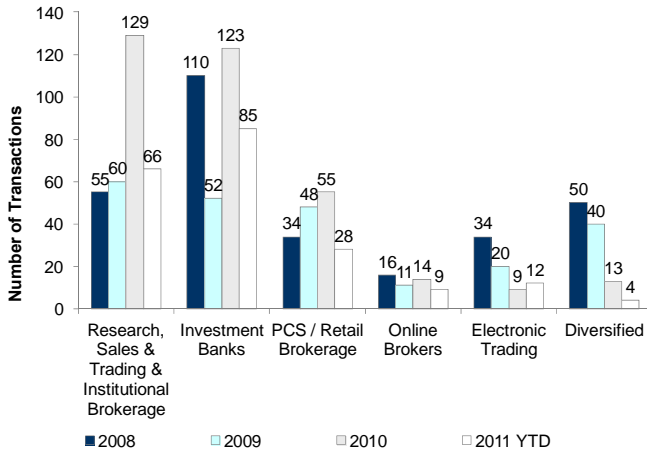
Broker-Dealer Transactions: Europe^(2,4)



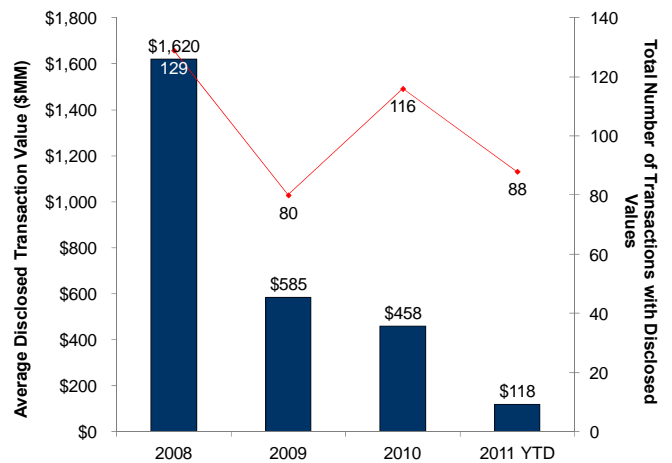
Broker-Dealer Transactions: Asia^(3,4)



Broker-Dealer Acquisitions by Type⁽⁴⁾



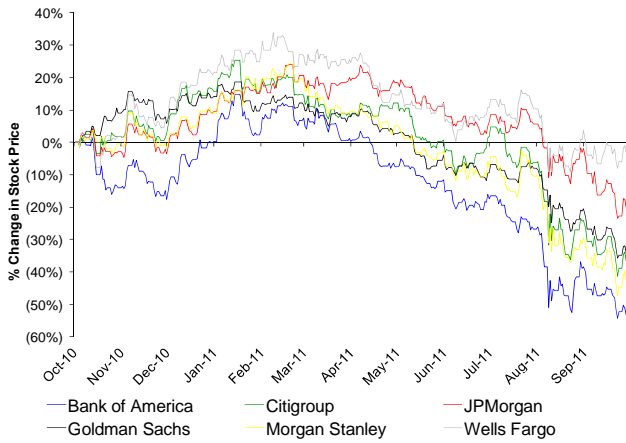
Broker-Dealer Acquisitions by Average Deal Value⁽⁴⁾



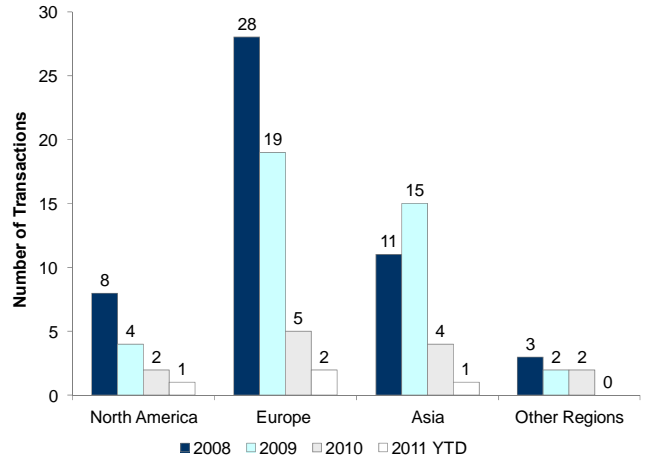
(1) Transactions where the target was a North American entity
 (2) Transactions where the target was a European entity
 (3) Transactions where the target was an Asian entity
 (4) YTD as of 9/30/2011

Sub-Sector Focus: Bank Holding Companies

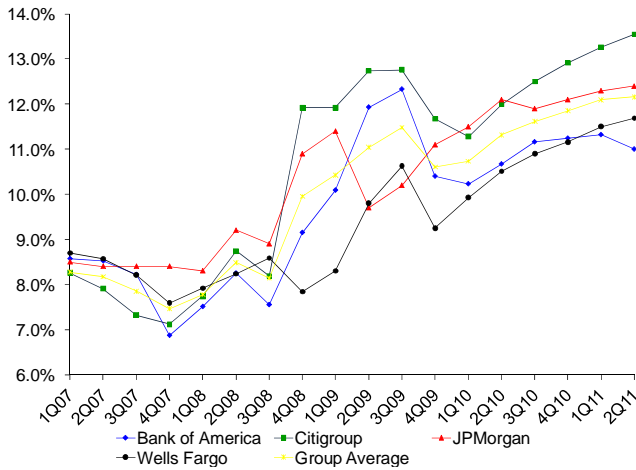
Diversified U.S. Bank Stock Performance



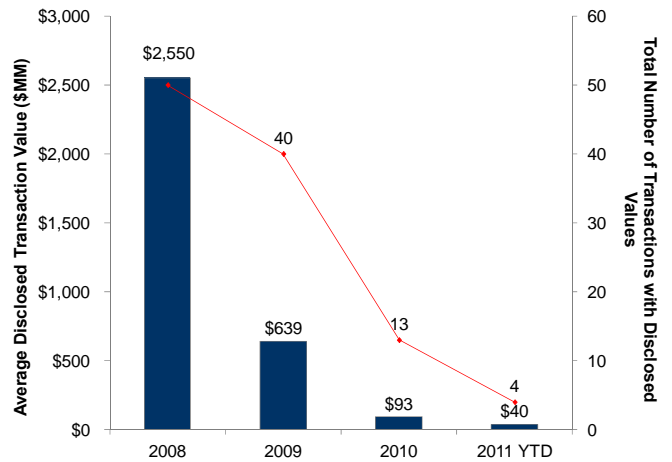
Acquisitions of Diversified Banks⁽²⁾



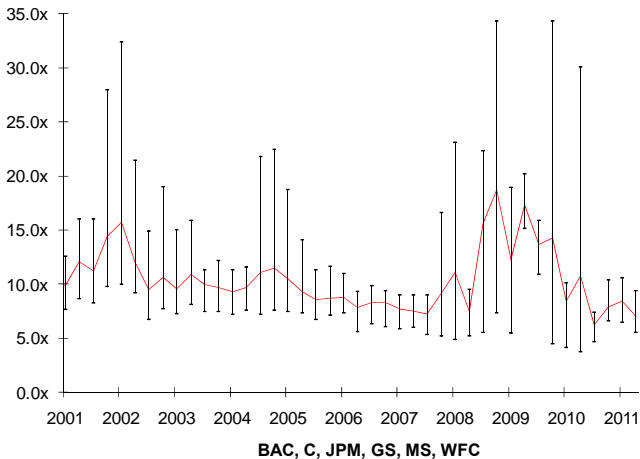
Tier 1 Capital Ratios



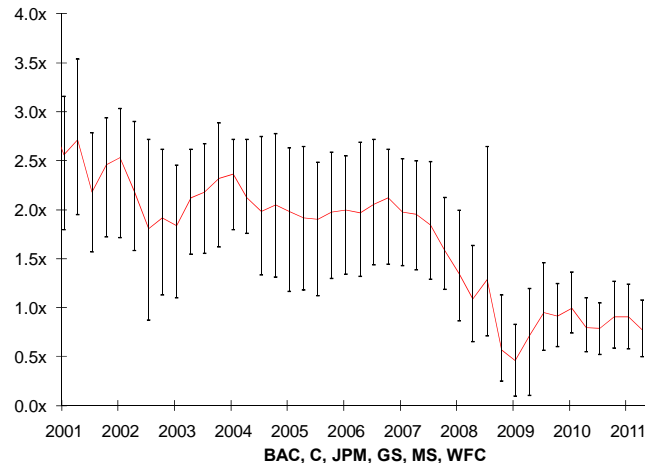
Average Deal Value⁽²⁾



Diversified Banks Market Cap / Pre-Tax Multiple Spread⁽¹⁾



Diversified Banks P / BV Multiple Spread⁽¹⁾

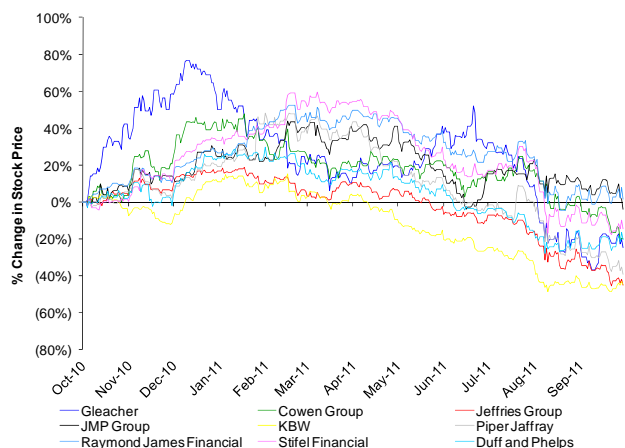


(1) As of 1H2011
 (2) YTD as of 9/30/2011

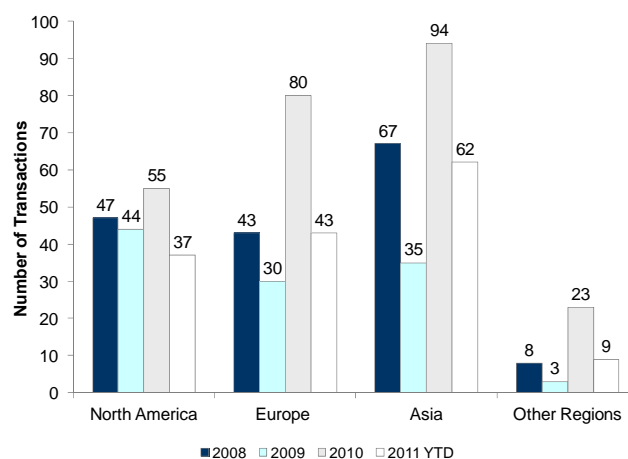
Sub-Sector Focus: Boutique & Middle Market Broker-Dealers

- On average, the stock price of middle market investment banks has decreased by 23.4% from September 30, 2010 to September 30, 2011 and YTD September 30, 2011 by 39.8%
- The average stock price of M&A boutiques has decreased by 40% from September 30, 2010 to September 30, 2011
- There were 151 boutique and middle market investment bank transactions through September 2011 compared to 252 transactions in the full year 2010
- Average announced deal value for M&A boutiques and middle market investment banks decreased from \$187 million in 2010 to \$34 million through September 2011

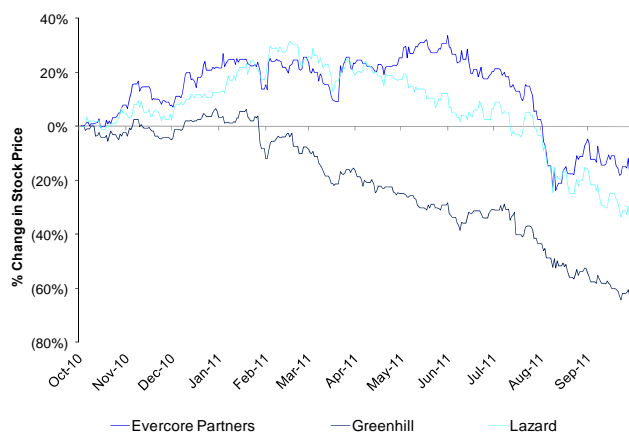
U.S. Middle Market Investment Bank Stock Performance



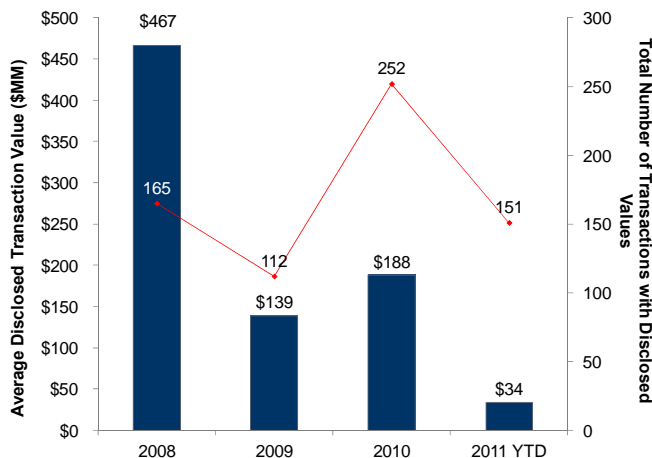
Acquisitions of Middle Market Investment Banks and M&A Boutiques⁽¹⁾



U.S. M&A Boutique Stock Performance



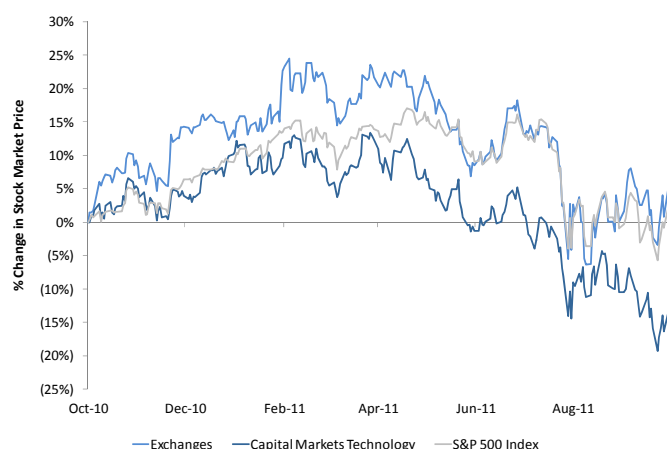
Average Middle Market Investment Bank and M&A Boutique Deal Values⁽¹⁾



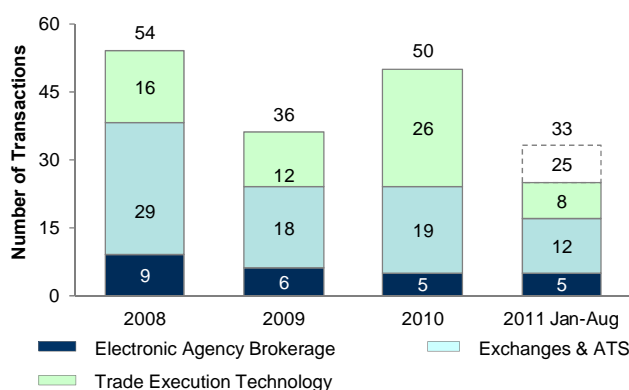
Sub-Sector Focus: Capital Markets Technology

- Exchanges continue to consolidate but regulatory approval requirements cloud closing
 - Pending: DB/NYSE and BATS/Chi-X
 - Rejected: LSE/TSX (by target) and ASX/SGX (by regulators)
- Strategic acquirers are driving transaction volume, comprising 91% of the buyers year-to-date
- Expansion into new geographies is a catalyst for more than half of the acquisitions

Capital Markets Technology Stock Performance (1)



Historical Transactions



Public Company Comparables – Capital Markets Technology

Company	10/3/2011		Price / Revenue		EV / EBITDA		Price / Earnings	
	Stock Price	Market Cap	LTM 6/30/2011	2011E	LTM 6/30/2011	2011E	LTM 6/30/2011	2011E
(\$mm)								
Capital Markets Technology								
Interactive Brokers	\$15.03	\$635	0.5 x	0.5 x	11.2 x	8.8 x	13.3 x	12.8 x
Investment Technology Group	\$11.27	\$462	0.8 x	0.8 x	5.1 x	NM	18.2 x	15.3 x
Knight Capital Group	\$12.48	\$1,238	1.1 x	0.9 x	11.1 x	8.1 x	16.9 x	12.8 x
MarketAxess	\$27.45	\$1,043	6.4 x	5.8 x	13.8 x	12.4 x	26.7 x	24.6 x
MF Global	\$5.57	\$918	0.4 x	0.9 x	NM	21.4 x	27.9 x	22.6 x
Average			2.4 x	2.2 x	11.3 x	12.1 x	20.3 x	17.3 x
Median			1.3 x	1.1 x	11.2 x	12.4 x	19.4 x	16.4 x

Public Company Comparables – U.S. Broker-Dealers

(All figures in millions except per share data; All figures have been adjusted for extraordinary and non-recurring items)

Company Name	Summary Financials									Valuation Metrics							
	9/30/2011			LTM ⁽¹⁾			2011 Estimates ⁽²⁾			Price / Book	Price / LTM ⁽¹⁾			Price / 2011E ⁽²⁾			
	Stock Price	Market Cap	Book Value	Revenue	Pre-Tax	EPS	Revenue	Pre-Tax	EPS		Revenue	Pre-Tax	EPS	Revenue	Pre-Tax	EPS	
Bank Holding Companies																	
Bank of America	\$6.12	\$58,374	\$205,614	\$71,617	(\$1,692)	(\$0.58)	\$93,338	\$508	\$0.98	0.3 x	0.8 x	N/M	N/M	0.6 x	N/M	6.3 x	
Citigroup	25.62	71,169	176,052	62,333	12,216	3.34	79,555	15,961	3.86	0.4 x	1.1 x	5.8 x	7.7 x	0.9 x	4.5 x	6.6 x	
Goldman Sachs	94.55	46,944	69,256	36,720	12,241	13.31	32,955	9,486	8.14	0.7 x	1.3 x	3.8 x	7.1 x	1.4 x	4.9 x	11.6 x	
JPMorganChase	30.12	117,985	175,079	92,677	34,170	5.41	100,688	29,894	4.69	0.7 x	1.3 x	3.5 x	5.6 x	1.2 x	3.9 x	6.4 x	
Morgan Stanley	13.51	27,010	58,199	31,511	3,183	0.32	32,328	5,677	1.13	0.5 x	0.9 x	8.5 x	N/M	0.8 x	4.8 x	12.0 x	
Wells Fargo	24.12	127,825	124,671	72,601	23,036	2.78	81,046	23,881	2.82	1.0 x	1.8 x	5.5 x	8.7 x	1.6 x	5.4 x	8.6 x	
										AVERAGE	0.6 x	1.2 x	5.4 x	7.3 x	1.1 x	4.7 x	8.6 x
										MEDIAN	0.6 x	1.2 x	5.5 x	7.4 x	1.0 x	4.8 x	7.6 x
M&A Boutiques																	
Evercore Partners	\$22.80	\$601	\$412	\$476	\$46	\$1.00	\$527	\$105	\$1.34	1.5 x	1.3 x	13.1 x	22.9 x	1.1 x	5.7 x	17.1 x	
Greenhill	28.59	855	316	282	44	1.18	298	73	1.61	2.7 x	3.0 x	19.6 x	24.3 x	2.9 x	11.8 x	17.8 x	
Lazard	21.10	2,452	711	1,963	320	2.02	1,981	365	2.05	3.5 x	1.2 x	7.7 x	10.4 x	1.2 x	6.7 x	10.3 x	
										AVERAGE	2.5 x	1.8 x	13.4 x	19.2 x	1.7 x	8.1 x	15.0 x
										MEDIAN	2.7 x	1.3 x	13.1 x	22.9 x	1.2 x	6.7 x	17.1 x
Middle Market Investment Banks																	
Gleacher & Co.	\$1.19	\$156	\$344	\$293	\$1	(\$0.03)	\$296	\$16	\$0.11	0.5 x	0.5 x	N/M	N/M	0.5 x	9.5 x	11.2 x	
Cowen Group	2.71	316	638	231	(74)	(0.03)	299	(1)	0.16	0.5 x	1.4 x	N/M	N/M	1.1 x	N/M	17.5 x	
Jefferies Group	12.41	2,424	3,165	2,672	473	1.42	2,659	431	1.27	0.8 x	0.9 x	5.1 x	8.7 x	0.9 x	5.6 x	9.7 x	
JMP Group	5.81	140	132	151	(2)	(0.03)	128	15	0.76	1.1 x	0.9 x	N/M	N/M	1.1 x	9.7 x	7.7 x	
KBW	13.79	449	434	345	17	0.39	348	11	0.26	1.0 x	1.3 x	N/M	35.8 x	1.3 x	N/M	N/M	
Piper Jaffray	17.93	298	842	554	76	2.25	523	61	1.92	0.4 x	0.5 x	3.9 x	8.0 x	0.6 x	4.9 x	9.4 x	
Raymond James	25.96	3,313	2,559	5,410	733	3.75	3,400	482	2.36	1.3 x	0.6 x	4.5 x	6.9 x	1.0 x	6.9 x	11.0 x	
Stifel Financial	26.56	1,389	1,296	1,467	229	2.24	1,455	190	2.07	1.1 x	0.9 x	6.1 x	11.9 x	1.0 x	7.3 x	12.8 x	
Duff & Phelps(3)	10.66	400	264	370	26	0.73	374	37	0.78	1.5 x	1.1 x	15.4 x	14.6 x	1.1 x	10.8 x	13.6 x	
										AVERAGE	0.9 x	0.9 x	7.0 x	14.3 x	0.9 x	7.8 x	11.6 x
										MEDIAN	1.0 x	0.9 x	5.1 x	10.3 x	1.0 x	7.3 x	11.1 x
Retail Brokerages																	
Ameriprise	\$39.36	\$9,013	\$10,548	\$10,405	\$1,654	\$5.06	\$10,555	\$1,800	\$5.34	0.9 x	0.9 x	5.5 x	7.8 x	0.9 x	5.0 x	7.4 x	
Charles Schwab	11.27	14,419	6,734	4,587	1,501	0.75	4,786	1,540	0.77	2.1 x	3.1 x	9.6 x	15.1 x	3.0 x	9.4 x	14.6 x	
E*TRADE	9.11	2,402	4,812	1,497	188	0.73	2,009	328	0.67	0.5 x	1.6 x	12.8 x	12.5 x	1.2 x	7.3 x	13.5 x	
Oppenheimer & Co.	16.04	206	496	985	46	0.28	N/A	N/A	N/A	0.4 x	0.2 x	4.5 x	N/M	N/A	N/A	N/A	
TD AMERITRADE	14.71	8,277	4,175	4,573	1,625	1.76	2,794	1,067	1.15	2.0 x	1.8 x	5.1 x	8.3 x	3.0 x	7.8 x	12.7 x	
										AVERAGE	1.3 x	1.7 x	8.0 x	12.0 x	2.4 x	8.1 x	13.6 x
										MEDIAN	1.2 x	1.7 x	7.3 x	12.5 x	3.0 x	7.8 x	13.5 x

(1) LTM based on calendar year ended 6/30/2011 except for Raymond James and TD Ameritrade ended 3/31/2011; SWS ended 12/31/2010; and Jefferies ended 5/30/2011

(2) Based on average consensus Bloomberg estimates as of 9/30/2011; Estimates for firms with fiscal year ends other than 12/31 (JEF, RJF and AMTD) have been calendarized

(3) Bloomberg estimate for pre-tax income is reduced by 24% due to non-controlling interest

Selected Broker-Dealer Transactions

Date Announced	Acquiror	Target	Target Type	% Acquired	Deal Value (\$mm)
3/18/2011	Charles Schwab	OptionsXpress Inc.	Online Broker	100%	\$1,033
4/6/2011	Jefferies Group	Prudential Bache's Global Commodities Group	Commodities	100%	\$430
4/19/2011	Institutional Financial Markets, Inc.	PrinceRidge Holdings LP	Institutional Sales & Trading	70%	\$45
6/7/2011	Evercore Partners Inc	Lexicon Partners Ltd	M&A Boutique	100%	\$141
6/8/2011	CRT Capital Group LLC	Braver Stern Securities LLC ⁽¹⁾	Institutional Sales & Trading	100%	
7/25/2011	Stifel Financial Corp.	Stone & Youngberg LLC	Municipal Finance	100%	
8/24/2011	TPG Capital	Saxo Bank A/S	Online Forex Trading	30%	\$561
9/21/2011	State Street Corp.	Pulse Trading, Inc.	Electronic Agency Brokerage	100%	

[1] Institutional Sales and Trading Platform

Freeman & Co. Selected Security Firm Transactions

Broker Dealer Firms

The Institutional Sales & Trading Business of



has been acquired by



Financial advisor to Braver Stern Securities LLC
June 2011

Freeman & Co. Securities LLC




has raised \$225,000,000 from




Financial advisor to CRT Capital Group, LLC
August 2010

Freeman & Co. Securities LLC



has been acquired by



Financial advisor to Lane, Berry & Co. International, LLC
May 2009

Freeman & Co. Securities LLC



has raised an undisclosed amount of capital from



Financial advisor to Pali Capital, Inc.
August 2008

Freeman & Co. Securities LLC

\$50,000,000 investment in

Broadpoint.

by



MatlinPatterson Global Opportunities Partners II, L.P.

Financial advisor to First Albany Companies
September 2007

Freeman & Co. Securities LLC

LEERINK SWANN


has sold a minority interest to




Financial advisor to Leerink Swann & Company
July 2007

Freeman & Co. Securities LLC

The Municipal Capital Markets Division of




has been acquired by




Financial advisor to First Albany Companies,
September 2007

Freeman & Co. Securities LLC



has acquired



Financial advisor to Panmure Gordon & Co.
March 2007

Freeman & Co. Securities LLC

\$346,000,000




has acquired




Financial advisor to Charles Schwab
January 2004

Freeman & Co. Securities LLC




has been acquired by




Financial advisor to Broadview International
December 2003

Freeman & Co. Securities LLC



has been acquired by



Financial advisor to Gerard, Klauer & Mattison
July 2003

Freeman & Co. Securities LLC

\$105,000,000




has acquired




Financial advisor to ITG
September 2002

Freeman & Co. Securities LLC



has been acquired by



Financial advisor to Putnam Lovell Group
June 2002

Freeman & Co. Securities LLC




has made an investment in




Financial advisor to CRT Capital Group
February 2002


Freeman & Co. Securities LLC



has been acquired by



a member of



Financial advisor to Lebenthal & Co.
December 2001

Freeman & Co. Securities LLC

LEHMAN BROTHERS

has acquired the Private Client Group of



Initiator and financial advisor to Lehman Brothers, Inc.
October 2000

Freeman & Co. Securities LLC

\$320,000,000




has been acquired by

Wit Capital Group, Inc.

Financial advisor to SoundView Technology Group, Inc.
January 2000

Freeman & Co. Securities LLC




FOX-PITT, KELTON

has been acquired by




Financial advisor to Fox-Pitt, Kelton
March 1999

Freeman & Co. Securities LLC




has been acquired by




Financial advisor to Robertson Stephens
August 1998

Freeman & Co. Securities LLC



has been acquired by




Financial advisor to Cowen & Co.
June 1998


Freeman & Co. Securities LLC

Freeman & Co. Selected Security Firm Transactions

Electronic Trading Firms



has been acquired by



Financial advisor to TORC Financial, LLC
August 2009

Freeman & Co. Securities LLC




has been recapitalized and received a growth equity investment from






Financial advisor to ESP Technologies, LLC
May 2007

Freeman & Co. Securities LLC






has been acquired by





Financial advisor to Carlin Financial Group
January 2007


Freeman & Co. Securities LLC

have merged

to form



Financial advisor to GTCR
October 2006

Freeman & Co. Securities LLC



has been acquired by



Financial advisor to Neovest Holdings
September 2005

Freeman & Co. Securities LLC




has acquired




Financial advisor to Citigroup Inc.
August 2004

Freeman & Co. Securities LLC

Derivatives Firms



has acquired



Financial advisor to KBC Financial Products
June 9, 2007

Freeman & Co. Securities LLC



has been acquired by



CORPORATE & INVESTMENT BANKING

Financial advisor to Constellation Financial Management Company LLC, FEP Holdings LP & its affiliates
July 2003

Freeman & Co. Securities LLC

AUM of \$800 million




has been acquired by




Financial advisor to Volaris Advisors, LLC
June 2003

Freeman & Co. Securities LLC




has merged with


KBC Derivatives

Financial advisor to KBC Bank
January 2001

Freeman & Co. Securities LLC



has acquired



Financial advisor to KBC Bank
October 1999

Freeman & Co. Securities LLC

Recent Publications by Freeman & Co.

Securities Industry Reports

- *Filling the Void in the Middle Market* (January 2011)
- *Focus Shifts From Survival Mode to Strategic Mode* (October 2009)
- *Securities Industry at Major Inflection Point* (March 2009)
- *Mom, Dad, Are We There Yet?* (September 2008)
- *History Repeats, but with Many Different Flavors* (February 2008)
- *Post Labor Day: Back to School, Hopefully not Schooled!* (September 2007)
- *Back in Black* (August 2006)

Asset Management Reports

- *Slowly but Surely Coming Back* (April 2011)
- *Slogging Through the Mud* (September 2010)
- *Putting the Pieces Back Together* (April 2010)

Private Equity Focus

- *Another New Normal* (September 2011)
- *Show me the Money* (September 2010)
- *Waiting for the Turn* (September 2009)
- *Where have you gone LBO?* (September 2008)

Insurance Industry Focus

- *The Marriage of the Decade* (July 2011)
- *Damned if You Don't* (January 2011)
- *To Arms, To Arms: The Regulators are Coming!* (July 2010)
- *Back from the Brink* (January 2010)

Financial Technology Reports

- *Convergence: Servicing the Trader, PM and Back Office* (April 2011)
- *Out of the Frying Pan and into Regulatory Reform* (September 2010)
- *Happy to Have No Balance Sheet* (September 2009)

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