

# Broker-Dealer Focus

## Freeman & Co. LLC

### Post Labor Day: Back to School, Hopefully not Schooled!

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#### Indices at September 14, 2007

DJIA	13,443
NASDAQ	2,602
S&P 500	1,484
FTSE 100	6,289
10-yr U.S. T-Bond	4.46%
USD per GBP	\$2.01
USD per Euro	\$1.38

#### Selected Recent Advisory Roles:

- **Leerink Swann's** sale of a minority interest to Lovell Minnick and the March Group (7/07)
- **ESP Technologies'** private equity capital raise from Bear Stearns, Credit Suisse and Susquehanna affiliates (5/07)
- **MatlinPatterson's** investment in **First Albany** (5/07)
- **First Albany's** sale of its Municipal Capital Markets division to Depfa Bank (3/07)
- **Panmure Gordon's** acquisition of ThinkEquity Partners (2/07)
- **Carlin Financial Group's** sale to RBC Capital Markets (10/06)
- **GTCR's** investment in BNY ConvergEx, a combination of BNY Securities Group and Eze Castle Software (6/06)

**Bold** indicates Freeman & Co. advisory clients

Over the last year there has been record setting mergers and acquisition (M&A) activity within the financial services sector fueled by the boom in alternative investment funds, highly liquid credit markets and cash reserves built up over several years of industry wide growth. However, by the end of August the market has begun to shift away from the unsustainable level of M&A activity as credit woes in the sub-prime mortgage market have triggered a re-pricing of risk, sapping liquidity in the leverage loan market and driving up volatility in the broader markets. Strategic acquisition interest remains strong but further losses in the fixed income or proprietary trading areas could drain the ability of many financial institutions to complete their strategic plans. In the second half of 2007 we expect to see winners and losers emerge as the broker-dealer industry refocuses on innovative ways to generate revenue in a changed market cycle.

#### Several trends have characterized the industry over the 12 months ending this June:

1. **Record M&A activity** involving broker-dealer firms during the last 12 months became a global phenomenon with 252 acquisitions from July '06 to June '07 compared to 152 acquisitions over the comparable prior 12 month period
2. **A focus on entering the middle market** through acquisitions by large financial institutions and global boutiques of middle market investment banks, driven by a bid to expand the suite of offerings to mid-market companies and establish market share
3. **Sovereign Wealth Funds (SWFs) extended their reach** through a number of ground breaking investments including Blackstone and Barclays. Look for continued investments by SWFs in the broker-dealer industry
4. **Continued exchange consolidation** as seen in acquisitions of Borsa Italiana, ISE, CBOT and NYBOT by LSE, Deutsche Bourse, CME and ICE respectively

#### In the third quarter, market turbulence has brought several new trends to the fore:

1. **A destabilization of financial institutions** as the market's reassessment of risk has forced an adjustment in the fundamental value drivers of M&A activity
2. **The lack of CLO new issuance** has eliminated significant underpinnings of the leveraged loan new issue market
3. **Volatility has increased trading volumes** benefiting brokers, exchanges and alternative trading systems (ATS), many of which are likely to show strong third quarter results
4. **Lack of available financing for leveraged acquisitions** already in the pipeline will create new opportunities for willing investors and hard choices for underwriters and private equity firms

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## Looking Forward...

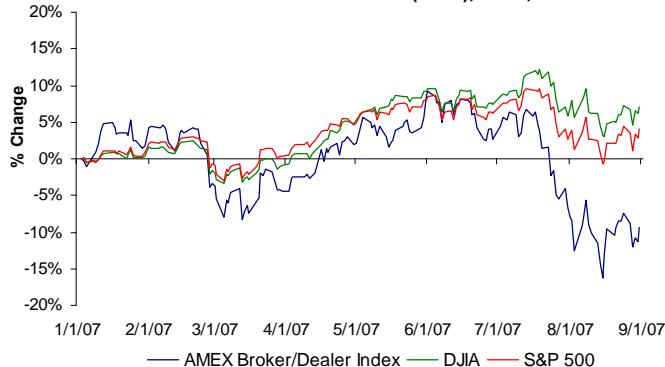
This last July and August have changed the climate for broker-dealers in a number of ways. The spike in volatility to levels not seen since March 2003 and a re-pricing of risk, particularly in the mortgage and high yield credit markets will create both pain and opportunity. M&A activity in the second half of 2007 may take a significant step back compared to the first half of the year if private equity transactions continue to be suppressed. While some announced transactions have begun to unravel, overall, it's not time to run for the hills, especially for strategic acquirers. The new fundamentals will lead to a pause, not an end.

### Major themes to watch in the near term include:

- **A reassessment of risk and deal structures** as the dislocation in the credit markets requires financial sponsors and brokers to determine the best way forward on re-pricing credit risk and determining the optimal mix of equity and debt in financing transactions. A central question is what institutional buyers will potentially step forward to replace the new issuing buying power the CLO's previously provided
- **A resurgence of the strategic acquirer** as the credit markets continue to dampen the bids of financial sponsors. We expect a greater fraction of completed transactions to be from strategic acquisitions. Stripping out the direct effects of the mortgage markets over the last several months, corporate earnings have been strong and many companies have significant excess cash to deploy especially from foreign operations with their strengthened local currencies
- **Pressure on money center banks** that have not been able to syndicate their leveraged loan commitments. With estimates putting the figure as high as over \$300 billion of LBO debt in the pipeline, all eyes will be on what strategic decisions will be made to weather the storm. The Money Center/Large Regional Banks that thought of credit quality decisions first and potential distribution fees second, will be rewarded
- **High volatility has driven record trading volumes** in July and August. These high volumes have been a boon for commission revenues, particularly for firms with a large proportion of hedge fund clientele
- **IPO volume will temporarily dry up.** IPO volume, often the first to go, dipped from \$35 billion in July to \$8 billion in August. While we expect to see that volume pick up again, it will likely have at least one conspicuous absence for a while, namely that of alternative asset managers

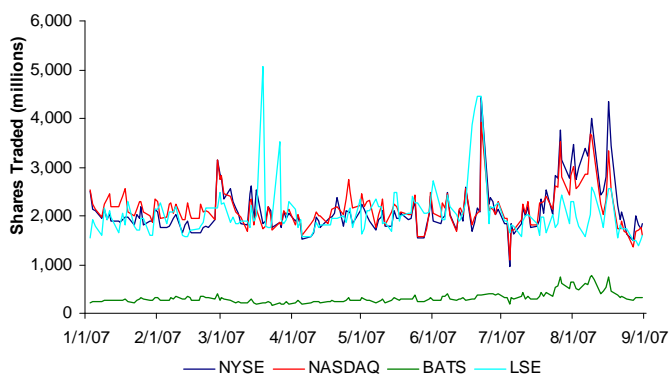
### Index Performance:

AMEX Broker/Dealer Index (XBD), DJIA, S&P 500



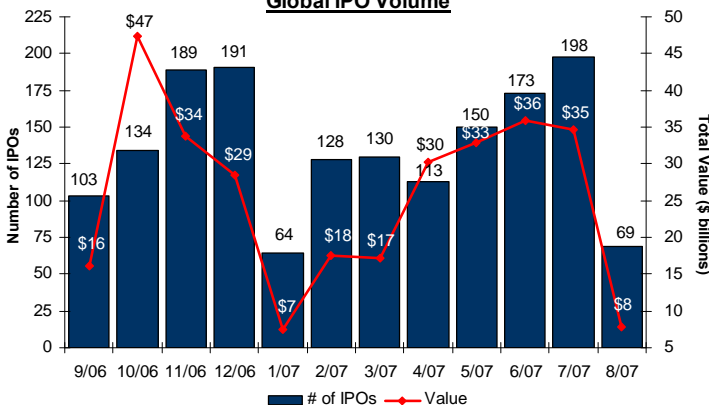
Source: AMEX, Dow Jones, S&P

### Share Volume: NYSE<sup>(1)</sup>, NASDAQ, BATS, LSE



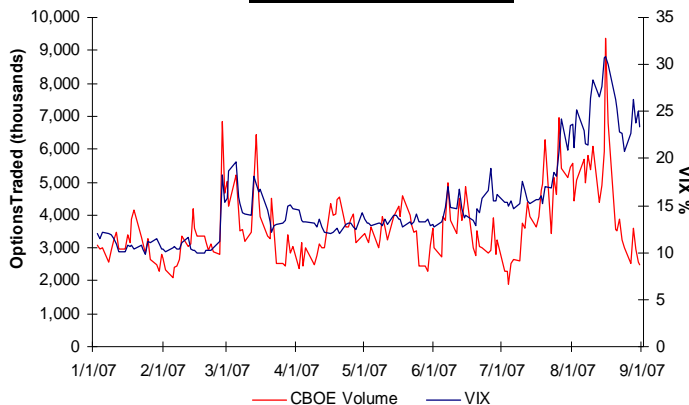
Source: NYSE, NASDAQ, BATS, LSE

### Global IPO Volume



Source: Thomson Financial

### CBOE Option Volume & VIX



Source: CBOE

(1) NYSE Daily Share Volume includes NYSE volume in all issues traded at the NYSE executed by NYSE. NYSE Group Daily Share Volume in NYSE Listed Issues volume includes volume in NYSE Listed Issues executed by NYSE and NYSE Arca

## North American Broker-Dealer M&A Activity

In the first six months of 2007, North American broker-dealer acquisition volume was on record pace. The total number of transactions in the first half of 2007 at 49 almost topped full year 2006 at 55. M&A activity within the Investment Banking sector skyrocketed, accounting for the largest component of deal flow with 22 total transactions compared to 15 deals in full year 2006.

Wachovia's \$6.8 billion acquisition of AG Edwards led the pack. The acquisition is set to create the second largest retail brokerage by registered brokers with \$1.1 trillion in client assets and 14,784 registered brokers, ranking it behind Merrill Lynch and ahead of third ranked Citigroup.

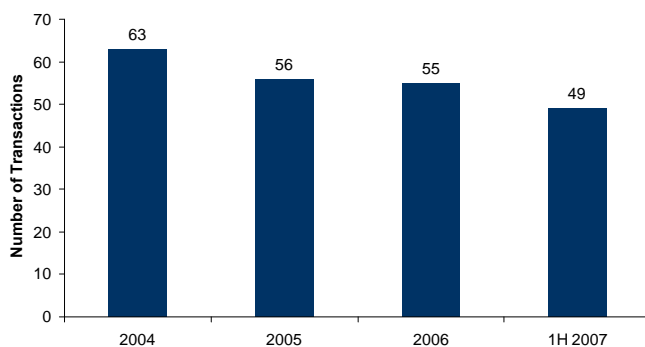
The transaction is the largest acquisition of a retail brokerage since UBS bought PaineWebber in 2000 for approximately \$10.8 billion in cash and stock. Increasing client demand for a wider suite of products at regional brokers to meet the future growth opportunities of the baby boom generation were drivers of the transaction.

The announcement by Wachovia and AG Edwards triggered significant speculation that other regional brokers such as Raymond James with approximately \$36.1 billion in client assets and 4,453 registered brokers and Stifel Financial with approximately \$4.4 billion in client assets and 956 registered brokers would become acquisition targets. The drive to provide services to the retiring baby boomer generation will continue to generate strategic activity in the sector.

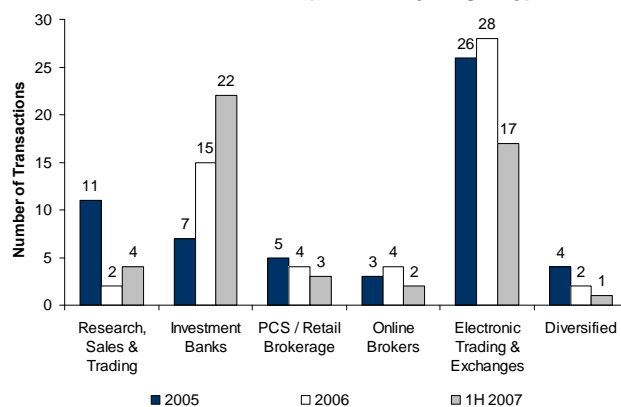
The electronic trading and exchange space has benefited from record trading volume over the summer of 2007. A notable transaction is the pending acquisition of electronic market maker, Automated Trading Desk (ATD), by Citigroup. ATD trades over 6% of all volume on the NASDAQ and NYSE, handling, on average, over 200 million shares a day. The acquisition highlights the arms race in the electronic trading sector to provide the fastest and best trading technology for clients, particularly hedge funds, who have seized on the opportunities in high frequency trading strategies. ATD is also well positioned to take advantage of increased electronic trading in the options markets through the recent launch of an electronic options market-making system along side established competitors such as Interactive Brokers and Citadel.

Major transactions continue to change the exchange landscape including the Chicago Mercantile Exchange's pending acquisition of the Chicago Board of Trade and Intercontinental Exchange's pending acquisition of New York Board of Trade. Potential deals for OMX and the London Stock Exchange stake owned by NASDAQ could further consolidate the major players in the global exchange marketplace.

### North American Broker-Dealer Acquisitions



### North American Acquisitions By Target Type



### Selected North American Transactions: Q3 2006 - Q2 2007 (\$ millions)

Ann Date	Target	Target Type	Target Country	Acquirer	Acquirer Country	Ownership	Deal Value	Entity Value
5/07	AG Edwards	Retail Brokerage	U.S.	Wachovia	U.S.	100%	\$6,796	\$6,796
5/07	BGC Partners	Inter-Dealer Broker	U.S.	eSpeed	U.S.	100%	1,225	1,225
5/07	BATS Trading	ECN	U.S.	Investor Group	U.S.	100%	n/a	n/a
4/07	International Securities Exchange (ISE)	Exchange	U.S.	Eurex <sup>(1)</sup>	Germany	100%	2,817	2,817
4/07	Global Electronic Trading Co. (GETCO)	Financial Technology	U.S.	General Atlantic	U.S.	n/a	n/a	n/a
1/07	Miletus Trading	E-Finance	U.S.	Liquidnet	U.S.	100%	n/a	n/a
11/06	Instinet	Electronic Trading	U.S.	Nomura	Japan	100%	1,262	1,262
10/06	Chicago Board of Trade (CBOT)	Exchange	U.S.	Chicago Mercantile Exchange (CME)	U.S.	100%	11,011	11,011
10/06	Carlin Financial Group	Financial Technology	U.S.	RBC Capital Markets	Canada	100%	n/a	n/a
9/06	New York Board of Trade (NYBOT)	Exchange	U.S.	Intercontinental Exchange	U.S.	100%	1,067	1,067
9/06	KeyCorp's McDonald Investments	Retail Brokerage	U.S.	UBS	Switzerland	100%	280	280

<sup>(1)</sup>Jointly owned by Deutsche Bourse and SWX Swiss Exchange

Note: **Bold** indicates Freeman & Co. advised on transaction

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

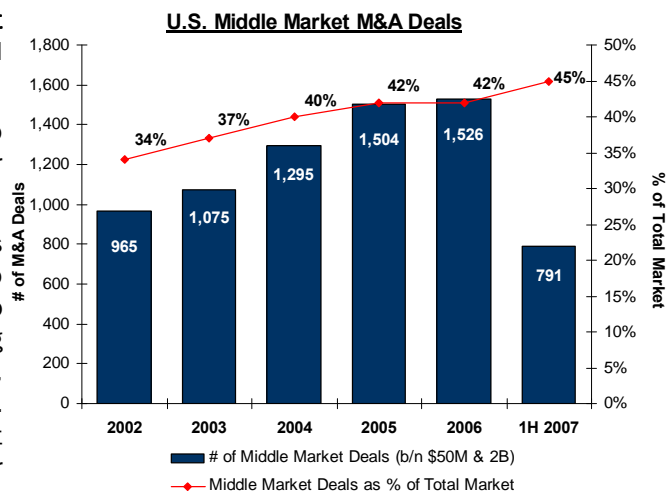
Electronic Trading & Exchanges = Stock Exchanges, ECNs, Direct Access Providers, Custodians, Clearing Operations & both Voice and Electronic Inter-Dealer Brokers  
Diversified Broker-Dealers = Broker-Dealers whose revenues are not predominantly derived from any one of the above categories

## North American Acquisition Activity: Middle Market Investment Banking

Acquisition activity of North American Middle Market M&A boutiques surged during 2006 and into first half of 2007. In the first half of 2007, there have been 20 such deals compared to 22 over the two years prior. Lazard, CIT Group and Jefferies have been recent acquirers in the space.

Drivers of increased growth in middle market M&A boutique acquisitions include the following:

- **Global firms' recognition that U.S. M&A middle market deal activity has grown** as a percentage of the total market
- **Globalization of the middle market** is contributing to cross-border M&A as financial institutions seek to offer their clients products and expertise abroad
- **Expanding the suite of products available to clients** has driven acquisition activity among boutiques seeking to offer their historical middle market client base access to a full range of capital markets expertise including investment banking, distribution, brokerage, research, wealth management and/or asset management. Approximately 30% of North American middle market investment bank transactions in 2007 were cross-border deals
- **Middle market M&A is highly fragmented**, a fact which has contributed to M&A activity among global financial institutions and boutiques, both seeking to capture market share in the sector
- **Relative stability of middle market M&A** (which have been historically less leveraged transactions) compared to large cap M&A in a market downturn provides downside protection for buyers
- **Increasing private equity activity in the mid-market space** requires financial institutions to develop greater access to middle market clients
- **Mixed results in recent middle market investment bank IPOs** is leading many middle market boutiques to explore strategic M&A transactions



### Recent Middle Market Investment Banking Transactions (\$ millions)

Ann Date	Target	Acquirer	Acquirer Country
07/07	Goldsmith Agio Helms	Lazard	U.S.
06/07	Putnam Lovell Group	Jefferies & Co.	U.S.
06/07	Edgeview Partners	CIT Group	U.S.
06/07	Cybus Capital Markets	First National Investment Banking	U.S.
06/07	Sonnenblick-Goldman	Cushman & Wakefield	U.S.
05/07	Cochran Caronia Waller	Fox-Pitt, Kelton	U.S.
05/07	Baxter Energy Partners	Houlihan Lokey Howard & Zukin	U.S.
05/07	CE Unterberg Towbin	Collins Stewart	U.K.
05/07	Shattuck Hammond Partners	Morgan Keegan & Co.	U.S.
<b>05/07</b>	<b>First Albany Company</b>	<b>MatlinPatterson</b>	<b>U.S.</b>
04/07	Sagent Advisors	Daiwa Securities Group	Japan
04/07	Miller Buckfire & Co.	Sal. Oppenheim jr. & Cie	Luxembourg
04/07	Prospect Financial Advisors	Galen Capital Group	U.S.
03/07	Blaylock & Co.	Robert Van Securities	U.S.
<b>03/07</b>	<b>First Albany (Municipal Capital Mkt Div.)</b>	<b>DEPFA Bank</b>	<b>Ireland</b>
03/07	Giuliani Capital Advisors	Macquarie Group	Australia
<b>02/07</b>	<b>ThinkEquity Partners</b>	<b>Panmure Gordon &amp; Co.</b>	<b>U.K.</b>
01/07	Capital Solutions	Chartwell Financial Advisory	U.S.
01/07	Jackson Securities	Atlanta Life Financial Group	U.S.
01/07	Executive Sounding Board	JPB Enterprises	U.S.
01/07	Ryan Beck	Stifel Financial	U.S.
11/06	Daniels & Associates	RBC Capital Markets Corporation	Canada
10/06	Chanin Capital Partners	Duff & Phelps	U.S.
<b>10/06</b>	<b>Carlin Financial Group</b>	<b>RBC Capital Markets</b>	<b>Canada</b>
10/06	Petrie Parkman & Co.	Merrill Lynch & Co.	U.S.
09/06	Jesup & Lamont Securities	Empire Financial Holding Company	U.S.
08/06	Barrington Associates	Wells Fargo Securities	U.S.
08/06	SSG Capital Advisors	NatCity Investments	U.S.

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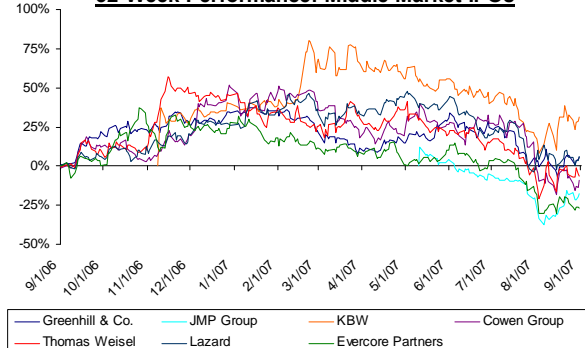
Source: Freeman & Co.

### Middle Market Investment Bank IPO Performance

Company	Date	IPO			Last Price		52 Wk % Chg
		Price	High	Low	8/31/07	% Diff	
JMP Group	5/07	11.00	12.30	6.90	9.06	-18%	-18%
KBW	11/06	21.00	37.84	21.00	27.62	32%	32%
Evercore Partners	8/06	21.00	39.40	20.00	20.95	0%	-27%
Cowen Group	7/06	16.00	21.40	11.47	12.78	-20%	-9%
Thomas Weisel	2/06	15.00	23.66	11.50	13.58	-9%	-7%
Lazard	5/05	25.00	55.75	20.70	40.09	60%	6%
Greenhill & Co.	5/04	17.50	75.70	17.50	57.9	231%	5%

Source: Bloomberg

### 52-Week Performance: Middle Market IPOs



Source: Bloomberg

## European Broker-Dealer Acquisition Activity

European acquisition volume increased significantly during the first half of 2007 with a total of 44 transactions compared to 59 transactions in all of 2006. Unlike North America, where M&A activity was heavily focused on the Investment Banking and Electronic Trading & Exchanges sectors, activity in Europe was more widely distributed across the industry.

European M&A activity has been strongly fueled by cross-border transactions and increased focus on economic growth in emerging markets.

Nordic investment banks have been particularly active. Landsbanki, Straumur-Burduras and Kaupthing have all made recent acquisitions as they seek to extend their geographic reach and solidify their position within the middle market.

Landsbanki's acquisition of Bridgewater Group was its second purchase of a UK investment bank in two years. Straumur-Burduras acquired Finland's eQ Corporation and took a 50% interest in Czech Republic's Wood & Company. Kaupthing recently purchased the Dutch Bank, NIBC, in its largest acquisition in the region to date.

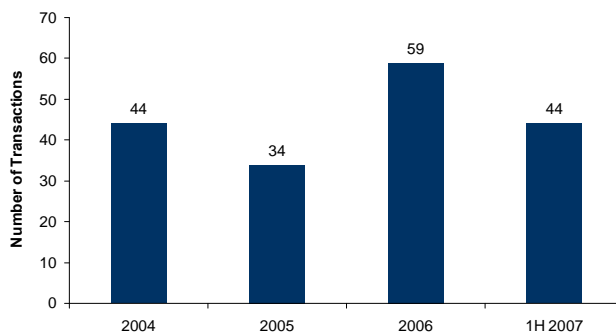
The global exchange landscape continues to consolidate with the announced and potential activity surrounding European exchanges. The LSE's \$2.2 billion acquisition of Borsa Italiana and Nasdaq and Borse Dubai's pending transaction involving the OMX and Nasdaq's stake in the LSE will continue to be the focus for the industry. Worthy of note here is the increasing reported interest of a range of Sovereign Wealth Funds in this segment.

Further, the threat posed by Project Turquoise, the new pan-European trading platform being formed by seven global banks that control more than 50% of the order flow in European equities, is getting closer to a reality with a launch anticipated in the first quarter of 2008.

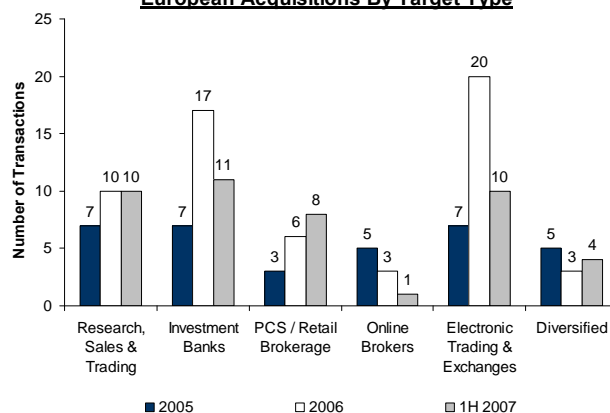
Strategic M&A activity in the European banking sector will continue as exemplified by the recently announced deal between real estate financing company Hypo Real Estate Holding AG and public financing bank Depfa Bank PLC (the cash and stock deal was announced in July 2007 and valued Depfa Bank PLC at \$7.9bn). Not all such deals will be executed from a position of mutual strength as selected businesses will find reliable and consistent sources of funding more difficult to source as a result of the recent dislocations in the credit markets.

Finally, all eyes are on the continuing struggle for ABN-AMRO, a global M&A deal for the Dutch bank. If completed, the deal will represent the largest banking transaction ever.

### European Broker-Dealer Acquisitions



### European Acquisitions By Target Type



### Selected European Transactions: Q3 2006 - Q2 2007 (\$ millions)

Ann Date	Target	Target Type	Target Country	Acquirer	Acquirer Country	Ownership	Deal Value	Entity Value
6/07	Euromobiliare SIM	Research, Sales & Trading	Italy	Investor Group	Italy	100%	\$189	\$189
6/07	Borsa Italiana	Exchange	Italy	London Stock Exchange (LSE)	U.K.	100%	2,151	2,151
6/07	WOOD & Company	Boutique Investment Bank	Czech Republic	Straumur-Burdaras	Iceland	100%	n/a	n/a
5/07	OMX	Exchange	Sweden	Nasdaq	U.S.	100%	3,719	3,719
5/07	eQ Corporation	Boutique Investment Bank	Finland	Straumur-Burdaras	Iceland	62%	214	345
5/07	Bridgewater Group	Boutique Investment Bank	England	Landsbanki	Iceland	100%	119	119
4/07	Execution	Institutional Brokerage	United Kingdom	Bank of Scotland	U.K.	10%	20	198
4/07	Absolut Bank	Diversified Financial	Russia	KBC Group	Belgium	93%	958	1,036
10/06	Aurel Leven Securities	Institutional Brokerage	France	BGC Partners	U.S.	100%	n/a	n/a
10/06	Akbank TAS	Regional Investment Bank	Turkey	Citigroup	U.S.	20%	3,100	15,500
7/06	Braveheart Financial	Boutique Investment Bank	United Kingdom	Evercore Partners	U.S.	100%	62	62

Source: Freeman & Co.

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## Asia & The Middle East

### Overview

Asian acquisition volume outpaced both North America and Europe with 51 deals in the first half of 2007 compared to 61 deals in the region in full year 2006. Both Research Sales & Trading and Electronic Trading/Exchange transactions led the deal volume growth as consolidation continued in the region.

The largest deal in Asia was Citigroup's acquisition of a majority stake in Nikko Cordial. The \$7.7 billion all-cash deal is the biggest foreign-led acquisition in Japan and raises Citigroup's stake in the brokerage firm to 61%.

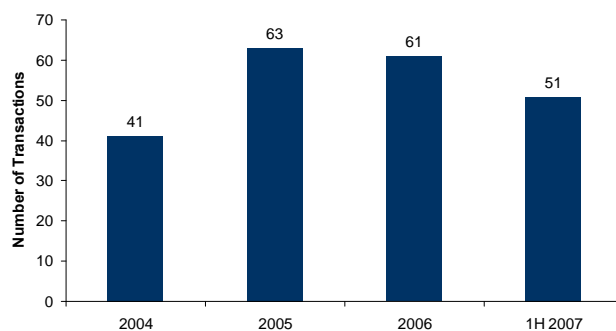
### Sovereign Wealth Funds

In 2007, Sovereign Wealth Funds (SWFs) have been a significant force in M&A within the broker-dealer industry. In May, China announced a \$3 billion investment in Blackstone followed in July by the China Development Bank and Singapore's Temasek announcing a \$13.4 billion investment in Barclays. Dubai's recent participation in a bid for OMX is a continuation of this trend. Financial institutions may become less aggressive in a down market, while SWFs seem poised to continue investing.

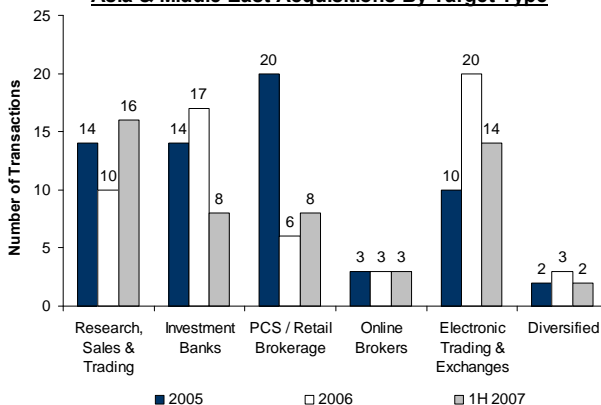
SWFs, with large capital resources to deploy, are shifting focus toward investments that provide for better returns across a broad array of industries. However, the specific investments in the broker-dealer landscape point to a larger effort of gaining greater access and expertise in sourcing and developing investment opportunities.

Beyond the search for higher returns, the investments in Barclays and Blackstone are investments in global financial expertise. China's investing arm will need to source deal flow, so who better than existing global players to provide the opportunities? The recent news about Dubai's plans to open an investment bank in 2008 highlight developing interest in the region. In the near term, while financial institutions continue to assess future growth opportunities, look for the SWFs to have meaningful participation in the broker-dealer industry.

### Asia & Middle East Broker-Dealer Acquisitions



### Asia & Middle East Acquisitions By Target Type



### Sovereign Wealth Funds Estimated Assets

Country	Assets (billions)	Inception Year
UAE	\$875	1976
Singapore	330	1981
Saudi Arabia	300	n/a
Norway	300	1996
China	300	2007
Singapore	100	1974
Kuwait	70	1953
Australia	40	2004
US (Alaska)	35	1976
Russia	32	2003
Brunei	30	1983
South Korea	20	2006
<b>Global Total</b>	<b>\$2,500</b>	

Source: Morgan Stanley, March 2007

### Selected Asian & Middle East Transactions: Q3 2006 - Q2 2007 (\$ millions)

Ann Date	Target	Target Type	Target Country	Acquirer	Acquirer Country	Ownership	Deal Value	Entity Value
6/07	SHUAA Capital	Investment Bank	UAE	Dubai Banking Group	UAE	32%	\$409	\$1,277
6/07	Singapore Exchange	Exchange	Singapore	Tokyo Stock Exchange	Japan	5%	303	6,072
4/07	Nikko Cordial	Diversified Financial	Japan	Citigroup	U.S.	61%	7,700	12,623
3/07	Shinko Securities	Diversified Financial	Japan	Mizuho Securities	Japan	100%	6,500	6,500
3/07	Capital Group	Regional Investment Bank	Saudi Arabia	Morgan Stanley	U.S.	n/a	n/a	n/a
3/07	National Commodity Derivatives Exchange	Exchange	India	Intercontinental Exchange	U.S.	8%	n/a	n/a
2/07	eTrade Australia	E-Finance	Australia	ANZ Banking Group	Australia	66%	236	359
2/07	Bumiputra-Commerce Holdings	Global Investment Bank	Malaysia	Bank of Tokyo-Mitsubishi UFJ	Japan	3%	382	11,231
1/07	Grange Securities	Research, Sales & Trading	Australia	Lehman Brothers	U.S.	100%	120	120
1/07	National Stock Exchange of India	Exchange	India	Investor Group	U.S.	20%	500	2,500
11/06	Citic Group	Diversified Financial	China	BBVA	Spain	20%	1,270	6,350

Source: Freeman & Co.

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Online Brokers = Online Brokers

Electronic Trading & Exchanges = Stock Exchanges, ECNs, Direct Access Providers, Custodians, Clearing Operations & both Voice and Electronic Inter-Dealer Brokers  
Diversified Broker-Dealers = Broker-Dealers whose revenues are not predominantly derived from any one of the above categories

# Global Acquisition & Market Data

## Global Acquisitions

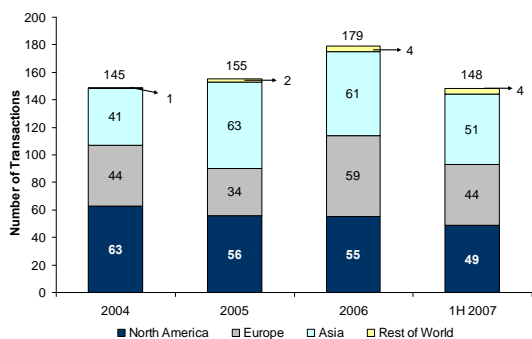
M&A activity in the broker-dealer space climbed to significantly higher levels in the first half of 2007, during which there were a total of 148 acquisitions involving broker-dealer firms, compared to 179 for all of 2006.

In North America, there were a total of 49 deals, led by an increase in transactions involving investment banks. In Europe, there were a total of 44 deals, led by strong growth in the Research, Sales & Trading and PCS/Retail Brokerage sectors. In Asia, there were a total of 51 deals, the result of consolidation and foreign firms seeking access to robust growth in the region's financial sector.

## Markets

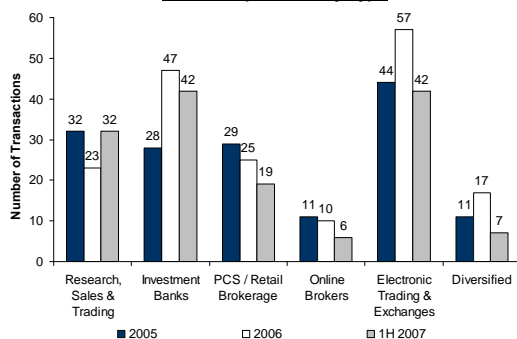
Equity volumes in the first half of 2007 are off to a solid start. Taking into account high volumes this year in a typically sleepier August, 2007 looks like it will become the fifth straight year of volume expansion. On a simple annualized basis both NYSE and NASDAQ trading volumes are already expected to come in at over 500 billion and 530 billion shares, respectively, in 2007. While exchanges will likely hit record volumes this year, they will only tell part of the story. The rapid rise of alternative trading systems, particularly ECNs such as BATS and dark pools which are estimated to have grown in number to over 40, represent sources of significant volume growth.

Global Acquisitions By Region



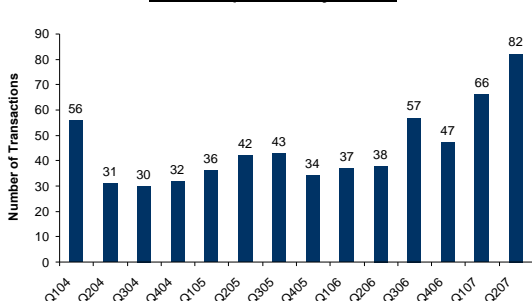
Source: Freeman & Co.

Global Acquisitions By Type



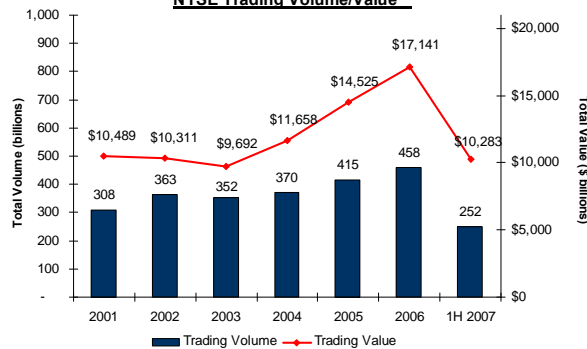
Source: Freeman & Co.

Global Acquisitions By Quarter



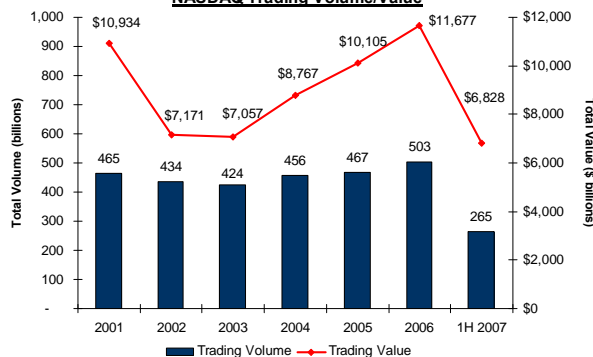
Source: Freeman & Co.

NYSE Trading Volume/Value<sup>(1)</sup>



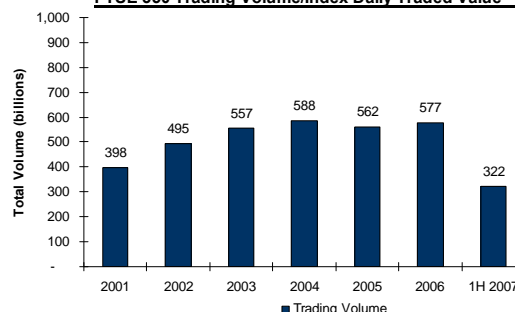
Source: NYSE

NASDAQ Trading Volume/Value



Source: NASDAQ

FTSE 350 Trading Volume/Index Daily Traded Value<sup>(2)</sup>



Source: Bloomberg

(1) NYSE Daily Share Volume includes NYSE volume in all issues traded at the NYSE executed by NYSE. NYSE Group Daily Share Volume in NYSE Listed Issues volume includes volume in NYSE Listed Issues executed by NYSE and NYSE Arca

(2) Represents approximately 90% of UK equity market capitalization

# Investment Banking Public Company Comparables

## Financial Summary and Valuation Multiples

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

Company Name	Ticker	Stock Price	Equity Value	Book Value	Last Twelve Months <sup>(a)</sup>		EPS		Price / Book	Equity Value / LTM		PE Ratio			
		9/14/2007			Revenue	Pre-Tax	LTM <sup>(a)</sup>	2007E		Revenue	Pre-Tax	LTM <sup>(a)</sup>	2007E		
<b>Universal Banks</b>															
Bank of America	BAC	\$ 49.95	\$ 224,459	\$ 135,751	\$ 75,584	\$ 32,884	\$ 4.84	\$ 4.88	1.7x	3.0x	6.8x	10.3x	10.2x		
Citigroup	C	46.64	233,111	127,754	97,339	31,570	4.62	4.55	1.8	2.4	7.4	10.1	10.3		
JPMorganChase	JPM	45.54	155,660	119,211	69,137	22,595	4.46	4.66	1.3	2.3	6.9	10.2	9.8		
Wachovia	WB	49.91	96,697	69,266	32,410	13,307	4.82	4.91	1.4	3.0	7.3	10.3	10.2		
<b>TOTAL</b>			<b>\$ 708,882</b>												
										<b>HIGH</b>	1.8x	3.0x	7.4x	10.3x	10.3x
										<b>AVERAGE</b>	1.5	2.6	7.1	10.2	10.1
										<b>MEDIAN</b>	1.5	2.7	7.1	10.3	10.2
										<b>LOW</b>	1.3	2.3	6.8	10.1	9.8
<b>Global Investment Banks</b>															
Bear Stearns	BSC	\$ 117.19	\$ 14,380	\$ 13,308	\$ 9,536	\$ 3,177	\$ 13.77	\$ 11.75	1.1x	1.5x	4.5x	8.5x	10.0x		
Goldman Sachs	GS	190.59	81,790	38,459	40,145	15,665	21.45	21.93	2.1	2.0	5.2	8.9	8.7		
Lehman Brothers	LEH	59.50	32,942	21,129	19,270	6,434	7.46	7.48	1.6	1.7	5.1	8.0	8.0		
Merrill Lynch	MER	74.65	64,606	42,191	38,121	11,633	8.53	8.64	1.5	1.7	5.6	8.8	8.6		
Morgan Stanley	MS	66.11	70,971	39,511	38,952	12,979	8.58	8.05	1.8	1.8	5.5	7.7	8.2		
<b>TOTAL</b>			<b>\$ 249,238</b>												
										<b>HIGH</b>	2.1x	2.0x	5.6x	8.9x	10.0x
										<b>AVERAGE</b>	1.6	1.8	5.2	8.4	8.7
										<b>MEDIAN</b>	1.6	1.7	5.2	8.5	8.6
										<b>LOW</b>	1.1	1.5	4.5	7.7	8.0
<b>Global M&amp;A Boutiques</b>															
Evercore Partners <sup>(b)</sup>	EVR	\$21.47	\$ 569	\$ 112	\$ 280	\$ 77	\$ 2.31	\$ 1.16	5.1x	2.0x	7.4	NA	18.5x		
Greenhill	GHL	63.21	1,743	136	314	132	2.93	3.48	12.8	5.5	13.2	21.5	18.2		
Lazard Ltd.	LAZ	42.57	2,194	(144)	1,561	345	2.13	2.71	NA	1.4	6.4	20.0	15.7		
<b>TOTAL</b>			<b>\$ 4,218</b>												
										<b>HIGH</b>	12.8x	5.5x	13.2x	21.5x	18.5x
										<b>AVERAGE</b>	9.0	3.0	9.0	20.8	17.5
										<b>MEDIAN</b>	9.0	2.0	7.4	20.8	18.2
										<b>LOW</b>	5.1	1.4	6.4	20.0	15.7
<b>Regional Investment Banks / Broker - Dealers</b>															
Charles Schwab	SCHW	\$19.95	\$ 25,086	\$ 5,074	\$ 4,077	\$ 1,624	\$ 0.80	\$ 0.92	4.9x	6.2x	15.4x	24.8x	21.7x		
Raymond James Financial	RJF	33.96	4,081	1,680	2,505	376	2.02	2.12	2.4	1.6	10.9	16.8	16.1		
Stifel Financial	SF	52.73	848	388	608	89	3.43	4.09	2.2	1.4	9.5	15.4	12.9		
<b>TOTAL</b>			<b>\$ 29,706</b>												
										<b>HIGH</b>	4.9x	6.2x	15.4x	24.8x	21.7x
										<b>AVERAGE</b>	3.2	3.1	12.0	19.0	16.9
										<b>MEDIAN</b>	2.4	1.6	10.9	16.8	16.1
										<b>LOW</b>	2.2	1.4	9.5	15.4	12.9
<b>Mid Market Full Service Investment Banks</b>															
Cowen Group	COWN	\$ 13.21	\$ 211	\$ 230	\$ 302	\$ 0	\$ (0.26)	\$ 0.74	0.9x	0.7x	NM	NM	17.8x		
Jefferies Group	JEF	26.64	3,373	1,789	1,599	402	1.52	1.69	1.9	2.1	8.4	17.5	15.8		
JMP Group	JMP	8.78	193	121	89	NA	NA	0.60	1.6	2.2	NA	NA	14.6		
KBW	KBW	25.84	757	430	434	96	1.90	1.44	1.8	1.7	7.9	13.6	17.9		
Piper Jaffray	PJC	48.27	894	947	430	74	2.63	2.82	0.9	2.1	12.1	18.4	17.1		
Thomas Weisel	TWPG	14.46	371	284	283	39	1.05	0.89	1.3	1.3	9.4	13.8	16.3		
<b>TOTAL</b>			<b>\$ 5,782</b>												
										<b>HIGH</b>	1.9x	2.2x	12.1x	18.4x	17.9x
										<b>AVERAGE</b>	1.4	1.7	9.4	15.8	16.6
										<b>MEDIAN</b>	1.4	1.9	8.9	15.6	16.7
										<b>LOW</b>	0.9	0.7	7.9	13.6	14.6
<b>European Middle-Market Boutiques</b>															
Cenkos Securities	CNKS LN	£2.32	£129	£34	£33	£21	£0.16	NA	3.8x	3.9x	6.2x	14.3x	NA		
Panmure Gordon	PMR LN	£1.33	£90	£78	£58	£11	£0.14	NA	1.1	1.6	8.1	9.5	NA		
Collins Stewart	CLST LN	£1.68	£429	£254	£201	£81	£0.25	£0.18	1.7	2.1	5.3	6.8	9.1		
Shore Capital	SGR LN	£0.71	£225	£80	£47	£23	£0.05	£0.05	2.8	4.8	9.9	14.9	15.8		
HQ Bankaktiebolag	HQ SS	189 kr	5,125 kr	1,069 kr	1,058 kr	433 kr	£10.94	£13.17	4.8	4.8	11.8	17.3	14.4		
Numis	NUM LN	£2.77	£294	£104	£76	£39	£0.26	NA	2.8	3.9	7.5	10.5	NA		
Arden Partners	ARDN LN	£1.62	£40	£9	£15	£5	£0.12	£0.13	4.4	2.6	8.0	13.2	12.2		
<b>TOTAL <sup>(c)</sup></b>			<b>\$ 3,187</b>												
										<b>HIGH</b>	4.8x	4.8x	11.8x	17.3x	15.8x
										<b>AVERAGE</b>	3.1	3.4	8.1	12.3	12.9
										<b>MEDIAN</b>	2.8	3.9	8.0	13.2	13.3
										<b>LOW</b>	1.1	1.6	5.3	6.8	9.1
<b>Overall</b>	<b>TOTAL</b>		<b>\$ 1,001,014</b>												
										<b>HIGH</b>	12.8x	6.2x	15.4x	24.8x	21.7x
										<b>AVERAGE</b>	2.7	2.6	8.1	13.2	13.5
										<b>MEDIAN</b>	1.8	2.1	7.4	13.2	14.4
										<b>LOW</b>	0.9	0.7	4.5	6.8	8.0

Source: Publicly available SEC filings, Bloomberg and IBES estimates

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

(a) LTM as of second quarter of calendar year 2007

(b) Total share count includes Class A common stock, Class B common stock, exchangeable partnership units and restricted shares

(c) Total Equity Value assumes exchange rates as of 9/14/07: SEK/USD = 0.1493; GBP/USD = 2.0067



# Electronic Trading Public Company Comparables

## Financial Summary and Valuation Multiples

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

Company Name	Ticker	Stock		Book Value	Last Twelve Months		EPS		Price / Book	Equity Value / LTM		PE Ratio		
		Price 9/14/2007	Equity Value		Revenue	Pre-Tax	LTM	2007E		Revenue	Pre-Tax	LTM	2007E	
<b>Electronic-Oriented</b>														
Espeed	ESPD	\$ 8.25	\$ 477.3	\$ 249.5	\$ 159.5	\$ (4.5)	\$ 0.11	\$ 0.07	1.9x	3.0x	NM	73.7x	123.1x	
ITG	ITG	41.43	<u>1,849.3</u>	682.8	647.3	159.5	2.33	2.39	2.7	2.9	11.6	17.8	17.4	
	<b>TOTAL</b>		<b>\$ 2,326.6</b>											
									<b>HIGH</b>	2.7x	3.0x	11.6x	73.7x	123.1x
									<b>AVERAGE</b>	2.3	2.9	11.6	45.7	70.2
									<b>MEDIAN</b>	2.3	2.9	11.6	45.7	70.2
									<b>LOW</b>	1.9	2.9	11.6	17.8	17.4
<b>Voice-Oriented</b>														
Collins Stewart	CLST LN	\$ 3.37	\$ 842.8	\$ 466.0	\$ 313.4	\$ 119.9	\$ 0.37	\$ 0.43	1.8x	2.7x	7.0x	9.0x	7.8x	
ICAP	IAP LN	9.54	6,165.5	1,539.7	2,180.0	421.4	0.40	0.52	4.0	2.8	14.6	23.7	18.5	
Knight	NITE	12.42	<u>1,270.1</u>	965.0	824.9	218.3	1.05	0.99	1.3	1.5	5.8	11.8	12.6	
	<b>TOTAL</b>		<b>\$ 8,665.1</b>											
									<b>HIGH</b>	4.0x	2.8x	14.6x	23.7x	18.5x
									<b>AVERAGE</b>	2.4	2.4	9.2	14.9	12.9
									<b>MEDIAN</b>	1.8	2.7	7.0	11.8	12.6
									<b>LOW</b>	1.3	1.5	5.8	9.0	7.8
<b>Exchanges</b>														
Chicago Mercantile Exchange	CME	\$ 548.60	\$ 30,241.8	\$ 1,740.8	\$ 1,217.4	\$ 766.3	\$ 13.37	\$ 14.58	17.4x	24.8x	39.5x	41.0x	37.6x	
Deutsche Boerse AG	DB1 GY	111.11	21,566.3	3,000.7	2,842.5	1,536.7	4.73	5.50	7.2	7.6	14.0	23.5	20.2	
London Stock Exchange	LSE LN	28.04	8,101.6	NM	688.9	314.5	1.08	1.03	NM	11.8	25.8	26.0	27.2	
Nasdaq	NDAQ	34.91	4,224.4	1,603.0	1,970.7	282.1	1.14	1.32	2.6	2.1	15.0	30.7	26.4	
NYSE Group, Inc.	NYX	70.69	18,662.2	8,632.0	3,041.4	536.0	2.04	2.49	2.2	6.1	34.8	34.7	28.4	
Toronto Stock Exchange	X CN	46.42	<u>3,190.5</u>	240.5	332.3	201.3	1.75	2.15	13.3	9.6	15.9	26.5	21.6	
	<b>TOTAL</b>		<b>\$ 85,986.8</b>											
									<b>HIGH</b>	17.4x	24.8x	39.5x	41.0x	37.6x
									<b>AVERAGE</b>	8.5	10.3	24.2	30.4	26.9
									<b>MEDIAN</b>	7.2	8.6	20.8	28.6	26.8
									<b>LOW</b>	2.2	2.1	14.0	23.5	20.2
<b>Overall</b>														
	<b>TOTAL</b>		<b>\$ 96,978.5</b>											
									<b>HIGH</b>	17.4x	24.8x	39.5x	73.7x	123.1x
									<b>AVERAGE</b>	5.4	6.8	18.4	29.0	31.0
									<b>MEDIAN</b>	2.7	3.0	14.8	26.0	21.6
									<b>LOW</b>	1.3	1.5	5.8	9.0	7.8

Source: Publicly available SEC filings, Bloomberg and IBES estimates

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

Note: LTM as of second quarter of calendar year 2007 where available

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# Freeman & Co. Recent Transactions

**Freeman & Co. Securities LLC**  
has completed a  
**Private Capital Raise**



**For a non-disclosed Independent  
Film Production Company**

*Closed July 31, 2007*

**Freeman & Co. Securities LLC**

*US \$8.0 billion AUM*



*has been acquired for US\$625 million by*




*The undersigned acted as financial advisor to  
Lighthouse Investment Partners, LLC  
announced July 23, 2007*

**Freeman & Co. Securities LLC**

*\$50,000,000 investment in*

**Broadpoint.**

*by*



**MatlinPatterson Global  
Opportunities Partners II, L.P.**

*The undersigned acted as financial advisor to the  
Board of Directors of First Albany Companies, Inc.  
September 21, 2007*

**Freeman & Co. Securities LLC**

*The Municipal Capital Markets Division of*

**FIRST  
ALBANY  
COMPANIES**

*has been acquired by*



*The undersigned acted as financial advisor to  
First Albany Companies, Inc.  
September 14, 2007*

**Freeman & Co. Securities LLC**

**Investment Bank**  
*has acquired*





**Reverse Mortgage Firm**

*The undersigned acted as financial advisor to  
the Investment Bank  
Unannounced; Closed August 22, 2007*

**Freeman & Co. Securities LLC**

**LEERINK SWANN**

*has sold a minority interest to*

*The undersigned acted as financial advisor to  
Leerink Swann & Company  
July 23, 2007*

**Freeman & Co. Securities LLC**



*ESP has been recapitalized and received a growth equity  
investment from*





*The undersigned acted as advisor to  
ESP Technologies, LLC  
May 17, 2007*

**Freeman & Co. Securities LLC**

*\$5.5 billion AUM*



**K2 ADVISORS**

*has sold a minority interest to*



*Acted as financial advisor to K2 Advisors LLC  
April 30, 2007*

**Freeman & Co. Securities LLC**



*has acquired*



**ThinkEquity Partners LLC**

*The undersigned acted as financial advisor to  
Panmure Gordon & Co.  
March 31, 2007*

**Freeman & Co. Securities LLC**

*\$24 billion AUM*



**CERES**

*has completed an equity recapitalization  
sponsored by an undisclosed*

**Financial Sponsor**

*as provider of financing*

*The undersigned acted as financial advisor to  
Ceres Capital Partners  
January 31, 2007*

**Freeman & Co. Securities LLC**



*has been acquired by*



*Acted as financial advisor to Carlin Financial Group  
January 2, 2007*

**Freeman & Co. Securities LLC**

*The \$2.8 billion AUM  
hedge fund of funds*

**GUGGENHEIM**

*has been acquired by*



**Bank of Ireland  
Asset Management**

*Acted as financial advisor to Guggenheim Capital  
January 31, 2006*

**Freeman & Co. Securities LLC**

*\$1.7 billion AUM*



*its holding company*




*have been acquired by*



*Acted as financial advisor to Ursa Capital  
September 14, 2006*

**Freeman & Co. Securities LLC**

**Investment Bank**  
*has acquired*



**Mortality Risk Firm**

*Acted as financial advisor to Investment Bank  
Unannounced; Closed November 17, 2006*

**Freeman & Co. Securities LLC**

*\$2.8 billion AUM*



*has acquired*



*Acted as financial advisor to The Bank of New York  
February 28, 2006*

**Freeman & Co. Securities LLC**



*have merged*



*to form*



*Acted as financial advisor to GTCR  
October 2, 2006*

**Freeman & Co. Securities LLC**

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## Recent Publications by Freeman & Co.

### Broker-Dealer Reports

- *Post Labor Day: Back to School, Hopefully not Schooled!* (September 2007)
- *Back in Black* (August 2006)
- *Landmark Deals Signal Growth of Electronic Trading Flow* (July 2005)
- *Mega Deals Return* (January 2005 Supplement)
- *2004 Provides Foundation for Expanded Deal Volumes* (January 2005)
- *Inaugural Issue: Midyear Update* (August 2004)

### Asset Management Reports

- *Robust First-Half, Uncertain Future* (September 2007)
- *Déjà vu (All Over Again)* (August 2006)
- *Size Matters* (March 2006)
- *Changing Tides II* (August 2005)
- *A Slow Year, Focused on Repositioning* (February 2005)
- *Alternatives Go Mainstream, Move Up the Charts* (August 2004)
- *Will Strong Returns Lead to Increases in Industry Activity?* (March 2004)
- *Struck by Scandal, but Buoyed by Bounce in Returns* (October 2003)
- *A Nadir or Not? Lowest Deal Levels in over 6 Years* (May 2003)

### Private Equity Focus

- *The Stampede Rumbles On* (September 2007)
- *Inaugural Issue: Buyouts Breakout* (August 2006)

### Thematic Industry Focus

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

## Freeman & Co. LLC

“Independent Financial Services Advice”

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