

BROADPOINT SECURITIES GROUP, INC.
Form 10-K/A
April 30, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form 10-K/A
(Amendment No. 1)**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008
- or -
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 014140

BROADPOINT SECURITIES GROUP, INC.
(Exact name of registrant as specified in its charter)

New York
*(State or other jurisdiction of
incorporation or organization)*
**12 East 49th Street,
New York, New York**
(Address of principal executive offices)

22-2655804
*(I.R.S. Employer
Identification No.)*
10017
(Zip Code)

Registrant's telephone number, including area code:
(212) 273-7100

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, par value \$.01 per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the shares of common stock of the Registrant held by non-affiliates based upon the closing price of Registrant's shares as reported on The NASDAQ Global Market on June 30, 2008 which was \$2.00 was \$41,675,812.

As of March 5, 2009, 80,022,506 shares of common stock, par value \$0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends our Annual Report on Form 10-K for the year ended December 31, 2008 originally filed March 26, 2009 (Original Annual Report). We are filing this amendment, in part, to amend Part III of the Original Annual Report to include the information required by and not included in Part III of the Original Annual Report because we now do not intend to file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2008. In connection with the filing of this Amendment and pursuant to the rules of the Securities and Exchange Commission, we are including with this Amendment new certifications by our principal executive and principal financial officers. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications.

Except as described above, no other changes have been made to the Original Annual Report. The Original Annual Report continues to speak as of the date of the Original Annual Report, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Annual Report other than as expressly indicated in this Amendment No. 1. In this Amendment No. 1, unless the context indicates otherwise, the terms Company, we, us, and our refer to Broadpoint Securities Group, Inc. and its subsidiaries. Other defined terms used in this Amendment No. 1 but not defined herein shall have the meaning specified for such terms in the Original Annual Report.

All statements in this Amendment No. 1 that are not historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified as such because the context of the statement will include words such as may, will, intend, plans, believe, anticipates, expects, estimates, predicts, potential, continue, opportunity, goals, or should, the negative or words of similar import. Similarly, statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. These forward-looking statements are or will be, as applicable, based largely on our expectations and projections about future events and future trends affecting our business, and so are or will be, as applicable, subject to risks and uncertainties including but not limited to the risk factors discussed in the Original Annual Report, that could cause actual results to differ materially from those anticipated in the forward-looking statements. We caution investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements. Our views and the events, conditions and circumstances on which these future forward-looking statements are based, may change.

PART III

Item 10 *Directors, Executive Officers and Corporate Governance*

Directors and Executive Officers of the Company

The Class I director nominated for election whose term will expire at the annual meeting of shareholders in 2011 is as follows:

ROBERT A. GERARD, age 64, is the General Partner and Investment Manager of GFP, L.P., a private investment partnership. Since 2004, Mr. Gerard has been Chairman of the Management Committee and Chief Executive Officer of Royal Street Communications, LLC, a licensee, developer and operator of wireless telecommunications systems in Los Angeles and Central Florida. From 1974 to 1977, Mr. Gerard served in the United States Department of the Treasury, completing his service as Assistant Secretary for Capital Markets and Debt Management. From 1977 until his retirement in 1991, he held senior executive positions with the investment banking firms Morgan Stanley & Co., Dillon Read & Co. and Bear Stearns. Mr. Gerard is a member of the Board of Directors of H&R Block, Inc., serving as Chairman of the Governance and Nominating Committee and a member of the Finance Committee of such board. Mr. Gerard is Chair of the Executive Compensation Committee and a member of the Audit Committee. Mr. Gerard has been a director of the Company since April 16, 2009.

The Class II directors nominated for election whose terms will expire at the annual meeting of shareholders in 2012 are as follows:

LEE FENSTERSTOCK, age 61, has been the Chairman of the Board and Chief Executive Officer of the Company, as well as of Broadpoint Capital, Inc., since September 21, 2007. Prior to joining the Company, Mr. Fensterstock had extensive securities industry experience, including as President and Chief Operating Officer of Gruntal & Co., a regional broker dealer, and earlier as Executive Vice President, Capital Markets for PaineWebber, responsible for PaineWebber's sales and trading business worldwide. He also served as a member of the Board of Directors of PaineWebber Inc. In February 2001, Mr. Fensterstock founded and was Chairman and Co-Chief Executive Officer of Bonds Direct Securities LLC, a market maker in investment grade fixed income instruments for institutional investors, until its sale to Jefferies Group. Thereafter, from October 2004 until March 2007, Mr. Fensterstock was a Managing Director at Jefferies & Co., co-heading its fixed income division. From May 1, 2007 until June 30, 2007, Mr. Fensterstock served as a consultant to MatlinPatterson Global Advisors LLC. From July 2007 through September 21, 2007, Mr. Fensterstock served as a consultant to the Company. Mr. Fensterstock received a BA from Queens College and an MBA from the University of Rochester.

ERIC GLEACHER, age 69, is Chairman of Gleacher Partners LLC, which he founded in 1990. Previously, Mr. Gleacher founded the M&A department at Lehman Brothers in 1978 and headed global M&A at Morgan Stanley from 1985 to 1990. Mr. Gleacher is Chairman of the Institute for Sports Medicine at the Hospital for Special Surgery in New York, Chairman of the Ransome Scholarship Trust for St. Andrews University in St. Andrews, Scotland, and a member of the Board of Trustees of Northwestern University. Mr. Gleacher received an MBA from The University of Chicago Booth School of Business and a BA from Northwestern University and served as a U.S. Marine infantry officer in the 1960s.

CHRISTOPHER R. PECHOCK, age 44, has been active in the distressed securities markets for over 15 years. He has been a partner at MatlinPatterson Global Advisors LLC since its inception in July 2002. Prior to July 2002, Mr. Pechock was a member of Credit Suisse's Distressed Group which he joined in 1999. Before joining Credit Suisse, Mr. Pechock was a Portfolio Manager and Research Analyst in distressed securities at Turnberry Capital Management, L.P. (1997-1999), a Portfolio Manager in distressed securities and special situations at Eos Partners,

L.P. (1996-1997), a Vice President and high yield analyst at PaineWebber Inc. (1993-1996) and an analyst in risk arbitrage at Wortheim Schroder & Co., Incorporated (1987-1991). Mr. Pechock holds an MBA from Columbia University Graduate School of Business (1993) and a BA in Economics from the University of Pennsylvania (1987).
Mr. Pechock

serves on behalf of MatlinPatterson's Fund I on the Board of Goss International. Mr. Pechock serves on behalf of MatlinPatterson's Fund III on the Board of XL Health. He previously represented Fund I on the Boards of COMSYS IT, Compass Aerospace and Huntsman Corporation. Mr. Pechock is Chair of the Executive Compensation Committee and a member of the Committee on Directors and Corporate Governance. Mr. Pechock has been a director of the Company since September 2007.

The Class III director nominated for election whose term will expire at the annual meeting of shareholders in 2010 is as follows:

VICTOR MANDEL, age 44, is the founder and managing member of Criterion Capital Management, an investment company established in 2001. From 1999 to 2000, Mr. Mandel was Executive Vice President, Finance and Development of Snyder Communications, Inc., with operating responsibility for its publicly-traded division, Circle.com. Prior to Snyder Communications, Mr. Mandel was a Vice President in the Investment Research department at Goldman Sachs & Co. Mr. Mandel is a member of the Audit Committee and the Committee on Directors and Corporate Governance, and has been a director of the Company since October 2008.

The Class III directors whose term will expire at the annual meeting of shareholders in 2010 are as follows:

PETER J. MCNIERNEY, age 43, is President and Chief Operating Officer of the Company and Broadpoint Capital, Inc. He joined Broadpoint Capital, Inc. in 2002 as the Director of Investment Banking, and served as President and Chief Executive Officer of the Company and Broadpoint Capital, Inc. from June 2006 until September 2007. Prior to joining Broadpoint Capital, Inc., Mr. McNierney was a Managing Director of the Healthcare and Communications Services groups at Robertson Stephens. Prior to that, Mr. McNierney was a Vice President in the Healthcare Group at Smith Barney. Mr. McNierney received a BA and a JD/MBA from the University of Texas at Austin. Mr. McNierney has been a director of the Company since June 2006.

FRANK S. PLIMPTON, age 55, became a director of the Company on September 21, 2007. Mr. Plimpton is also a Director of NorthernStar Natural Gas, Inc. and Renewable BioFuels, LLC. Mr. Plimpton served as a partner of MatlinPatterson Global Advisors LLC from its inception in July 2002 through 2008. Mr. Plimpton has over 28 years of experience in reorganizations, investment banking and investing. Prior to July 2002, Mr. Plimpton was a member of the Distressed Securities Group at Credit Suisse First Boston. Mr. Plimpton holds a BA in Applied Mathematics and Economics from Harvard College (*cum laude*, 1976). Mr. Plimpton received a law degree from the University of Chicago Law School (1981), and an MBA (1980) from the University of Chicago Booth School of Business. Mr. Plimpton is Chair of the Committee on Directors and Corporate Governance and a member of the Executive Compensation Committee.

The Class I directors whose term will expire at the annual meeting of shareholders in 2011 are as follows:

MARK R. PATTERSON, age 57, is the Chairman of MatlinPatterson Global Advisors LLC which he co-founded in July 2002. Mr. Patterson has over 30 years of financial markets experience, principally in Leveraged Finance, at Credit Suisse (where he was Vice Chairman from 2000 to 2002), Scully Brothers & Foss L.P., Salomon Brothers Inc., and Bankers Trust Company. Mr. Patterson holds degrees in law (BA, 1972) and economics (BA Honors, 1974) from South Africa's Stellenbosch University and an MBA (with distinction, 1986) from New York University's Stern School of Business. Mr. Patterson also serves on the Board of Directors of Allied World Assurance in Bermuda and on the Dean's Executive Board of the NYU Stern School of Business. Mr. Patterson is fluent in Afrikaans. Mr. Patterson serves on behalf of MatlinPatterson's Fund I on the board of Polymer Group, Inc. He previously represented MatlinPatterson's Fund I on the Board of NRG Energy, Inc., Compass Aerospace, and Oxford Automotive, Inc. and MatlinPatterson's Fund II on the Board of Polymer Group, Inc. Mr. Patterson has been a director of the Company since September 2007.

ROBERT S. YINGLING, age 47, is currently a consultant to technology companies. Previously, Mr. Yingling was Vice President and Chief Financial Officer of WRC Media Inc. from September 2004 to March 2008. Previously, he was Chief Financial Officer of Duncan Capital Group LLC, a New York

City based merchant bank from March through July 2004. From March 2003 until February 2004, he was Director of Finance of Smiths Group plc, a diversified UK engineering company, in Pine Brook, NJ. Prior to that he was Chief Financial Officer of BigStar Entertainment, Inc., a New York City based on-line marketer of filmed entertainment, where he led their Initial Public Offering, and a manager in the Audit and Business Advisory Division of Arthur Andersen and Director of Finance at Standard Microsystems Corporation, a designer and manufacturer of integrated circuits and networking products, as well as Chief Financial Officer of GDC International, Inc., an importer, manufacturer and distributor of industrial wirecloth products. Mr. Yingling served as a director of SA International, which provides software solutions for the sign making and digital printing industries from April 2004 through December 2008. Mr. Yingling received an MBA from the Columbia Business School and graduated from Lehigh University with a BS in Accounting. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the New York State Society of CPAs. Mr. Yingling is Chair of the Audit Committee and has been a director of the Company since September 2007.

The following executive officers do not serve as directors and are not nominated for election as directors:

PATRICIA A. ARCIERO-CRAIG, age 41, joined the Company in 1997. She has been General Counsel and Secretary of the Company and Broadpoint Capital, Inc. since 2007. From 2003 to 2007, Ms. Arciero-Craig served as Deputy General Counsel of Broadpoint Capital and, prior to 2003, she served as Associate General Counsel. Prior to joining Broadpoint Capital in 1997, she was an attorney with the law firm of Harris Beach PLLC, where she practiced in the fields of commercial litigation, bankruptcy and restructuring. Ms. Arciero-Craig received a JD from Albany Law School of Union University and a Bachelor of Arts degree from Fairfield University. Ms. Arciero-Craig is a member of various Securities Industry and Financial Markets Association committees.

ROBERT I. TURNER, age 56, has been the Chief Financial Officer of the Company since March 31, 2008. Mr. Turner has over 20 years of experience in the securities and financial services industries. From 1995 to 2003, Mr. Turner served as Executive Vice President, Chief Financial Officer and Treasurer of Knight Capital Group, Inc. (formerly known as Knight Trading Group, Inc.) a NASDAQ listed trade execution company for on-line broker-dealers. From 2003 to 2004, Mr. Turner was at Crown Financial Group, a publicly traded market maker, first as Chair of their Audit Committee and then as Vice Chairman, Chief Financial Officer and Treasurer. In 2005, Mr. Turner acted as a general contractor on a condominium project in Naples, Florida. From 2006 until recently, Mr. Turner worked in the commercial real estate and business brokerage industry with Coldwell Banker Commercial and in residential real estate with Downing Frye Realty. Prior to joining Knight Capital Group, Inc., Mr. Turner was a Corporate Vice President at PaineWebber Incorporated, serving in a variety of financial management positions in the fixed income, finance, merchant banking and commodities trading divisions and a Vice President at Citibank in the treasury and investment banking divisions. Mr. Turner practiced at the accounting firm of PriceWaterhouseCoopers, and is a Certified Public Accountant. Mr. Turner received his B.A. from the State University of New York at Binghamton and his M.S.B.A. from the University of Massachusetts at Amherst.

Section 16(a) Beneficial Ownership Reporting Compliance

Based on the Company's review of reports filed by directors, executive officers and 10% shareholders of the Company on Forms 3, 4 and 5 pursuant to Section 16(a) of the Exchange Act, the Company believes that all such reports were filed on a timely basis during fiscal year 2008, or were previously reported.

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics applies to all directors, officers and employees, including our Chief Executive Officer, our Chief Financial Officer and Principal Accounting Officer. You can find our Code of Business Conduct and Ethics on our internet site, www.bpsg.com. We will post any amendments to the Code of Business

Conduct and Ethics and waivers that are required to be disclosed by the rules of either the SEC or The NASDAQ Global Market on our internet site.

The Audit Committee

The Audit Committee operates pursuant to a written charter that the Committee and the Board reviews each year to assess its adequacy. The charter was amended and restated in December 2007. Among the primary purposes of the Audit Committee are assisting the Board of Directors in its oversight of the integrity of the Company's financial reporting process; the Company's systems of internal accounting and financial controls; the annual independent audit of the Company's financial statements; the independent auditor's qualifications and independence; the Company's compliance with legal and regulatory requirements; and the Company's management of market, credit, liquidity and other financial and operational risks. In addition, the Audit Committee decides whether to appoint, retain or terminate the Company's independent auditors and pre-approves all audit, audit-related, tax and other services, if any, to be provided by the independent registered public accounting firm. The Audit Committee also prepares the Audit Committee report required by the rules of the SEC for inclusion in the Company's annual proxy statement.

Until October 14, 2008, the Audit Committee was comprised of Mr. Yingling, who served as Chair, and Messrs. Kutnick and Nesmith. Mr. Nesmith resigned from the Board effective October 14, 2008. Currently, this committee is comprised of Messrs. Yingling (who serves as Chair), Gerard (as of April 16, 2009), Kutnick and Mandel. Each member of the Audit Committee is an independent director as defined in the NASDAQ Stock Market listing standards, and is independent within the meaning of Rule 10A-3 under the Exchange Act and the Company's Corporate Governance Guidelines. The Board has determined that all Audit Committee members are financially literate in accordance with the NASDAQ Stock Market listing standards. Messrs. Yingling, Kutnick and Mandel are each qualified as an audit committee financial expert within the meaning of Item 401(h) of Regulation S-K under the Exchange Act, and the Board has determined that they have accounting and related financial management expertise within the meaning of the NASDAQ Stock Market listing standards. The Audit Committee met 15 times during 2008. The term of Mr. Kutnick expires at this Annual Meeting and the Board has chosen not to nominate him for re-election.

Item 11 *Executive Compensation*

Compensation Discussion & Analysis

This Compensation Discussion and Analysis describes and analyzes the objectives, practices, policies and decisions relating to compensation awards to the Company's executive officers who are named in the tables below and who are referred to as our named executive officers or NEOs. The Executive Compensation Committee is responsible for approving all compensation awarded to our NEOs.

Compensation Philosophy. Fiscal year 2008 was a historically difficult year for the U.S. and global economy, characterized by a major lack of liquidity, substantially volatile and decreased asset values in nearly all asset classes, and a significant reduction in consumer and investor confidence; 2008 was also a challenging year for the Company, but in many different ways. The Company accomplished an enormous amount in 2008, while repositioning itself for the future. The Company's overall compensation philosophy of pay for performance has not changed, and the Company's compensation practice continues to evolve to reflect the realities of the marketplace and the Company's position in the markets it serves.

Objectives of the Compensation Program. In an effort to correlate executive compensation to the performance of the Company, the Executive Compensation Committee considers a number of different objectives it believes contribute to the financial well-being of the Company. In particular, the Executive Compensation Committee may reward executives for continued improvement in some or all of the following Company-wide performance measures, among others, by:

paying for Company and individual performance;

providing for long-term incentives and retention;

aligning executive interests with shareholders' interests; and

competing effectively for key talent.

In addition, the Executive Compensation Committee recognizes that individual performance and contributions made by the NEOs in connection with implementing the Company's strategic plan may not always be reflected in the objectives described above. The Executive Compensation Committee, therefore, also examines the growth and development of the business in relation to the Company's strategic plan and seeks to reward executives who contribute to improvements in relation thereto and, consequently, to the performance of the Company as a whole.

The compensation program for the NEOs is designed to attract, retain and reward talented executives who have the experience and ability to contribute materially to the Company's long-term success and thereby build value for its shareholders. The program is intended to provide competitive base salaries as well as short- and long-term incentives which align management and shareholder objectives and provide the opportunity for NEOs to participate in the success of the Company. In 2008, the Company attempted to meet these objectives during a period of unprecedented challenges, including a U.S. and global economic recession.

The Company had the additional challenge of meeting these objectives during a period of tremendous transformation for the Company. This transformation began on May 14, 2007, when the Company announced that the Board had unanimously approved an agreement to recapitalize and receive an equity investment from MatlinPatterson. This transaction (the "Recapitalization") closed on September 21, 2007 and, pursuant to this transaction, MatlinPatterson acquired approximately 61% of the Company's common stock outstanding at the time of the closing of the transaction (approximately 54% of the Company's common stock as of the Record Date). In connection with the Recapitalization, the Company's Board of Directors was substantially reconstituted and the Company appointed Lee Fensterstock as our Chairman of the Board and Chief Executive Officer and named Peter McNierney our President and Chief Operating Officer. Since that time, management created a new strategic vision for the Company and implemented it through a series of acquisitions and financing transactions that have served to dramatically transform the Company and resulted in a return to profitability in the 4th Quarter of 2008. These included:

In March 2008, the Company and Broadpoint Capital completed its hiring of 47 employees of the New Jersey-based Fixed Income division of BNY Capital Markets, Inc. and subsequently formed its new Debt Capital Markets group with the new employees, which provides sales and trading on a wide range of debt securities including bank debt, investment grade debt, high-yield debt, treasuries, convertibles, distressed debt, preferred debt and re-org equity securities (the "BNY Acquisition").

On March 4, 2008, the Company closed a \$20 million private placement whereby investors purchased approximately 11.6 million shares of common stock from the Company at \$1.70 per share. A fund managed by MAST Capital Management, LLC ("Mast"), a Boston-based investment manager that focuses on special situations debt and equity investment opportunities, led the investment and purchased 7.1 million of the approximately 11.6 million shares issued (the "Mast Private Placement").

On June 27, 2008, the Company issued and sold to a fund managed by Mast 1,000,000 newly-issued unregistered shares of Series B Mandatory Redeemable Preferred Stock of the Company, par value \$1.00 per share, along with warrants to purchase 1,000,000 shares of the Company's common stock, for an aggregate cash purchase price of \$25 million (the "Mast Preferred Stock Transaction").

In October 2008, the Company completed the acquisition of American Technology Research Holdings, Inc., the parent of American Technology Research, Inc., a broker-dealer specializing in institutional research, sales and trading in the information technology, cleantech and defense areas (the "AmTech Acquisition"). The Company also shut down its legacy Equity division in the 3rd Quarter, in anticipation of this acquisition.

In addition, during this period the Company implemented several initiatives to restructure its operations. In 2007, the Company began a restructuring plan to properly size the Company's infrastructure with its then current level of activity. The plan included a reduction in IT and operations support headcount, outsourcing the Company's clearing operations, and eliminating excess office space. The Company completed this restructuring plan in the 3rd Quarter of 2008. Also, on October 16, 2008, the Company completed the merger of two of its principal broker-dealer subsidiaries, Broadpoint Capital and Broadpoint Securities, Inc for the purpose of

increasing efficiencies by enhancing the integration of services and processes across the firm's business lines. The two firms were merged into a single broker-dealer under the name Broadpoint Capital, Inc. Finally, the firm completed its rebranding process and moved its headquarters to New York City.

Peer Group Companies. As part of its analysis, the Executive Compensation Committee compares the NEOs compensation to the compensation of executive officers performing similar functions among a peer group of other publicly traded investment banks. This comparison takes into account the performance of the Company relative to the other companies, the executives' comparative roles, responsibilities and performance at such companies, and the market size and composition data for such comparable companies. The Executive Compensation Committee reviews such companies' compensation for comparison purposes but this review is not the determining factor as it is only one of many factors that are considered by the Executive Compensation Committee in setting compensation.

The peer group companies reviewed by the Executive Compensation Committee during the year included: Piper Jaffray Companies, Rodman & Renshaw Capital Group, Inc., JMP Group Inc., Stifel Financial Corp. and Cowen Group Inc. The peer group companies are all publicly traded investment banking companies that compete with the Company.

Relationship of Compensation Rewards to Objectives. Each element of compensation described below is designed to reward different results as summarized below:

Compensation Element	Designed to Reward	Relationship to the Objectives
Base Salary	Experience, knowledge of the industry, duties and scope of responsibility	Provides a minimum, fixed level of cash compensation to attract and retain talented executives to the Company
Annual Cash Bonus	Successful performance of objectives over the course of the applicable fiscal year	Motivate and reward executives for achieving objectives
Long-term Incentive Compensation	Continued excellence and attainment of objectives over time Success in long-term growth and development	Motivate and reward executives to achieve long-term objectives Align the executives' interests with long-term stockholder interests in order to increase overall stockholder value Provide competitive compensation to attract and retain talented executives

Compensation Elements. In the financial services industry, base salaries tend to be a relatively modest portion of the total compensation of a company's employees, including its executive officers, as compared to annual cash bonuses and equity-related grants. Base salaries at the Company are typically set at levels that the Executive Compensation Committee believes are generally competitive with those of executives in similar positions at comparable financial services companies. A significant portion of the total compensation has been historically paid in the form of annual cash bonuses. This practice is intended to maximize the portion of an individual's compensation that is subject to fluctuation each year based upon corporate and individual performance. Equity-related grants make up the other important component of total compensation and focus on longer-term company objectives. As a result, the predominant portion of our executive officers' compensation is directly related to short- and long-term corporate performance.

We continue to believe that the compensation of our executive officers should be structured to link the executives financial reward directly to the performance of the business unit they lead or, as the case may be, to the performance of the Company as a whole as well as to their individual performance. Each element of compensation paid to the Company s executive officers is designed to support one or more of the objectives described above.

Performance Targets. Pursuant to the respective employment agreements of Messrs. Fensterstock and McNierney, performance targets for each such executive are to be determined by the Board of Directors in good faith consultation with the applicable executive. The Executive Compensation Committee discussed the performance targets of each executive and the successful completion of key components of the Company's strategic business plan for 2008, including the BNY Acquisition, Mast Private Placement, Mast Preferred Stock Transaction and the AmTech Acquisition. Based on the respective achievements of Messrs. Fensterstock and McNierney, the Executive Compensation Committee determined that each such executive successfully attained his applicable performance targets. Pursuant to the Fensterstock Employment Agreement, 250,000 restricted stock units were granted to Mr. Fensterstock as a result of his achievement of such performance targets. Pursuant to the McNierney Employment Agreement, 125,000 restricted stock units were granted to Mr. McNierney as a result of his achievement of such performance targets.

Review. All of the compensation elements awarded to the NEOs were reviewed by the Executive Compensation Committee. The Compensation Committee believes that each NEO's compensation package is reasonable and appropriate and that it is aligned with the interests of the Company's shareholders.

The Company has employment agreements with Messrs. Fensterstock, McNierney and Turner, each of which are discussed below. C. Brian Coad, who served as our Chief Financial Officer until March 31, 2008, served pursuant to an employment agreement he entered into with the Company in June 2006, which was amended in May 2007. Ms. Arciero-Craig, our General Counsel, does not have an employment agreement with us.

Base Salary. Base salaries are typically set by reference to job positions within the Company with increases as a reward for superior performance or as a means to attract or retain necessary executive talent. The Executive Compensation Committee considers the Chief Executive Officer's recommendations in determining the salary of each of the other executive officers. The base salaries of Messrs. Fensterstock, McNierney, Turner and Coad for 2008 were agreed upon in their employment agreements. Ms. Arciero-Craig's salary was increased in March 2008.

Annual Cash Bonus. The Executive Compensation Committee determined that in light of the significant transformation of the Company during 2008 (including, but not limited to, the BNY Acquisition, Mast Private Placement, Mast Preferred Stock Transaction and the AmTech Acquisition), along with the Company's return to profitability in the 4th Quarter and the substantial increases in the Company's revenues and market capitalization, the senior officers of the Company would receive cash bonuses reflecting these accomplishments. The following cash bonuses were paid to the senior officers referenced below:

Officer	Cash Bonus Amount
Lee Fensterstock – Chairman and Chief Executive Officer	\$ 1,400,000
Peter J. McNierney – President	\$ 700,000
Robert I. Turner – Chief Financial Officer	\$ 350,000
Patricia Arciero-Craig – General Counsel	\$ 200,000

Each of the NEOs also received equity incentives in recognition of their efforts, as well. See *Long-Term Equity Incentives* below.

The Executive Compensation Committee noted that, in addition to the cash bonus described above with respect to Mr. Fensterstock, who became Chief Executive Officer in September 2007 upon consummation of the Recapitalization, the Executive Compensation Committee granted him a cash bonus of \$200,000 in March 2008 in recognition of his successful efforts on behalf of the Company since becoming Chief Executive Officer, including the

successful negotiation of the hiring of 47 employees of the New Jersey-based Fixed Income division of BNY Capital Markets, Inc. and the acquisition of certain related assets and the successful private placement transaction that closed in March 2008, in which the Company raised approximately \$19.7 million.

Although the Company had not paid bonuses under the Senior Management Bonus Plan for several years, it had been the Company's practice to utilize this Plan during better times. The specific bonus an executive received was determined by the Executive Compensation Committee with reference to his level of

responsibility, individual performance and the performance of his or her business unit and/or the Company. The Executive Compensation Committee evaluated levels of responsibility annually. The Executive Compensation Committee also made assessments of individual performance annually after receiving the recommendations of the Chief Executive Officer. The approved recommendations were based on a number of factors, including the achievement of pre-established individual and corporate performance targets, but also initiative, business judgment, management skills and potential contribution to the firm. At the 2008 Annual Meeting, the Plan was re-approved by shareholders since the Executive Compensation Committee wanted to reestablish this bonus practice. Please note that, in lieu of awarding bonuses under the Senior Management Bonus Plan which are paid solely in the form of cash, the Executive Compensation Committee also may award annual performance bonuses under the 2007 Incentive Compensation Plan which may be paid in the form of cash, equity awards or a combination of equity awards and cash.

Long-Term Equity Incentives.

Annual Grants. The Company had historically relied upon annual grants of stock options and then, in the last several years, restricted stock and restricted stock units to retain its executive officers and to focus them on increasing shareholder value over the long term. Historically, these grants were made in mid-February in conjunction with the payment of annual cash bonuses for the prior fiscal year and were based upon job level, and Company and individual performance during the prior fiscal year.

In March 2008, Mr. Fensterstock was awarded 125,000 restricted stock units in recognition of his accomplishments since his appointment as Chief Executive Officer in September 2007. In addition, Ms. Arciero-Craig was awarded 125,000 restricted stock units in connection with her efforts in the latter portion of 2007.

Pursuant to their respective employment agreements, on June 30, 2008, Mr. Fensterstock was awarded 250,000 restricted stock units and Mr. McNierney was awarded 125,000 restricted stock units. Pursuant to his employment agreement, Mr. Turner was awarded 450,000 restricted stock units on March 14, 2008 following the commencement of his employment.

At the end of 2008, a year of significant accomplishment, the Executive Compensation Committee determined to make an additional award of stock options designed to further incentivize certain senior executives and other business unit leaders to increase shareholder value to at least certain specified levels. The option awards were broken into two tranches, one with a \$3 per share strike price (approximately 13.67% above the then market price for the Company's common stock) and the other with a \$4 per share strike price (approximately 35.25% above the then market price for the Company's common stock). On December 18, 2008, Mr. Fensterstock was awarded options to purchase 1,000,000 shares of the Company's common stock at \$3 per share and 1,000,000 shares of the Company's common stock at \$4 per share. On the same date, Mr. McNierney was awarded options to purchase 300,000 shares of the Company's common stock at \$3 per share and 300,000 shares of the Company's common stock at \$4 per share.

Deferred Compensation Plans. Historically, the Company offered its employees, including its executive officers, tax planning opportunities through nonqualified deferred compensation plans. It first adopted the Deferred Compensation Plan for Key Employees and the Deferred Compensation Plans for Professional and Other Highly Compensated Employees (the Predecessor Plans). It then froze these plans in 2005 and adopted new plans (the 2005 Deferred Compensation Plan for Key Employees (Key Plan) and the 2005 Deferred Compensation Plan for Professional and Other Highly Compensated Employees (Professional Plan) (collectively, the 2005 Plans)) as a result of changes in the tax laws. However, the Company has decided to freeze the 2005 Plans as well. As a result of declining participation, the costs of administrating the 2005 Plans were determined to outweigh the benefits of maintaining them.

Equity-Based Awards Policy. The Executive Compensation Committee makes specific stock option, restricted stock and other equity-based awards (the Equity-Based Awards) to employees of the Company. The Board of Directors also

approves all Equity- Based Awards made to executive officers. Management of the Company provides recommendations to the Executive Compensation Committee with respect to the Equity-Based Awards and the Executive Compensation Committee meets as necessary to consider such awards

on a timely basis. Equity-Based Awards approved by the Executive Compensation Committee were generally granted as of the date of approval, and the exercise price of any Equity-Based Awards (as applicable) awarded was fixed as of the closing price on the date of grant.

Termination of Employment; Change in Control. The Company does not have a severance plan or change in control plan in place for its employees or its executive officers generally. Under their employment agreements, Messrs. McNierney and Coad would receive severance payments upon their termination of employment by the Company without cause or for good reason. Mr. Coad's employment agreement, as amended in May 2007, provided that he would be entitled to a lump-sum severance payment equal to \$525,000 less the market value, as of the date of the termination of his employment, of one share of Company common stock multiplied by the number of vested restricted stock units held by him at the time of termination of employment. Mr. McNierney's employment agreement provides that he would be entitled to a lump-sum severance payment equal to \$1.8 million less the market value, as of the date of termination of his employment, of one share of Company common stock multiplied by the number of vested restricted stock units held by him at the time of termination. These terms were arrived at in arms-length negotiations with Messrs. McNierney and Coad, and the Company believed at such time that they were necessary to provide this protection to Messrs. McNierney and Coad in return for taking on responsibility for implementing the Company's strategic plan and to ensure a smooth transition through the Recapitalization. For the same reasons, the Company offered tax gross-ups to Messrs. McNierney and Coad for any excise taxes they might incur.

Mr. Coad resigned as Chief Financial Officer effective March 31, 2008 and left the Company. In connection with his termination of employment, the Company entered into a severance agreement (the "Coad Severance Agreement") with him which superseded his employment agreement except for certain sections of the employment agreement which remain in effect. In return for his general release of possible claims against the Company, Mr. Coad agreed not to solicit employees of the Company and the Company paid Mr. Coad a lump-sum amount of \$494,000 (which approximated the amount owed to Mr. Coad pursuant to his employment agreement). For further information regarding the Coad Severance Agreement see *Termination and Change in Control Payments* below.

Under Mr. Fensterstock's employment agreement, he is entitled to certain severance payments upon his termination of employment by the Company without cause or for good reason. For terminations by the Company without cause, Mr. Fensterstock's employment agreement provides that (1) he is entitled to receive (A) his salary for the twelve months following the termination of his employment (the "severance period"), (B) a pro rata bonus for the fiscal year in which the severance period ends and any other bonus earned at the time of termination but not yet paid and (C) welfare and other employee benefits through the severance period and (2) his restricted stock units will continue to vest according to schedule (subject to his execution of a settlement and release agreement). For terminations by him for good reason, Mr. Fensterstock's employment agreement provides that (1) he is entitled to receive (A) his salary through the date of his termination of his employment and any accrued benefits under the Company's benefit plans and (B) a pro rata bonus for the fiscal year in which his employment ends and any other bonus earned at the time of termination but not yet paid and (2) his restricted stock units will continue to vest according to schedule (subject to his execution of a settlement and release agreement) unless the termination is after a change-of-control in which case (i) all of his outstanding restricted stock units will vest upon termination of employment and (ii) all restricted stock units to which Mr. Fensterstock is entitled pursuant to the agreement that have not been granted as of the date of termination shall be granted on the date of termination and shall be immediately vested. Mr. Fensterstock is entitled to a tax gross-up payment for any excise tax he might incur as a result of a payment under the agreement. These terms were arrived at in arms-length negotiations with Mr. Fensterstock, and the Company believed at such time that they were necessary to provide Mr. Fensterstock with these protections in order to secure his employment as Chief Executive Officer and in light of the then state of the Company and his anticipated contributions to the future success of our Company.

Concurrently with the execution of the Merger Agreement, the Company entered into the Gleacher Employment Agreement, effective as of the closing of the Gleacher Transaction. Under the Gleacher Employment Agreement, Mr. Gleacher is entitled to certain severance payments upon certain terminations of his employment, as described below. Equity compensation awards granted to Mr. Gleacher may also vest upon

certain terminations of his employment or a change in control of the Company pursuant to their terms. The Company believed it necessary to provide Mr. Gleacher with these protections in order to secure his employment as a senior member of the Investment Banking Division of the Company, and in light of his anticipated contributions to the future success of our Company. For further information regarding the Gleacher Employment Agreement, see *Gleacher Employment Agreement* below.

On March 14, 2008, the Board of Directors appointed Robert I. Turner as Chief Financial Officer of the Company, effective March 31, 2008. For further information regarding the employment agreement for Mr. Turner, see *Turner Employment Agreement* below.

On September 21, 2007, the Company and Ms. Arciero-Craig entered into a Non-Compete and Non-Solicit Agreement as well as an Addendum thereto of same date (collectively, the Non-Compete and Non-Solicit Agreement). Pursuant to the Non-Compete and Non-Solicit Agreement, Ms. Arciero-Craig's obligation not to compete with the Company does not apply following termination of her employment by the Company without cause, or termination by Ms. Arciero-Craig for Good Reason (in each case as defined in the Non-Compete and Non-Solicit Agreement), which includes, among other things, the occurrence of any of the following without her consent: any reduction in her base salary or failure to pay material amounts due to her; or the assignment to her of any duties inconsistent in any material respect with her position or with her authority, duties or responsibilities as General Counsel, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities. Additionally, upon such termination of employment by Ms. Arciero-Craig, all of her outstanding restricted stock units will not be forfeited and will continue to vest in accordance with their respective schedules (subject to her execution of a settlement and release agreement).

Tax and Accounting. Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the Code), places a limit on the tax deduction for compensation in excess of \$1 million paid to certain covered employees of a publicly held corporation (generally the corporation's chief executive officer and its next four most highly compensated executive officers in the year that the compensation is paid). Compensation that is considered qualified performance-based compensation generally does not count toward the Section 162(m) \$1 million deduction limit. While the Company is mindful of the limitations that Section 162(m) may have on the deductibility of compensation, the Company also determined that other reasons for compensation structure could sometimes take precedence over potential tax deductions. The Senior Management Bonus Plan is designed so that annual bonus compensation paid to our covered employees may be considered qualified performance-based compensation within the meaning of Section 162(m). Similarly, the 2007 Incentive Compensation Plan is designed so that awards may be considered performance based compensation. Nevertheless, the cash bonuses paid to executive officers in 2008 did not technically qualify as pursuant to performance-based compensation performance objectives, even though the bonuses were based on Company and individual performance. In addition, the restricted stock units awarded to executive officers in 2008 did not technically qualify as performance-based compensation under Section 162(m). In 2008, the Company could not take a deduction by reason of Section 162(m) with respect to a portion of the compensation paid to Messrs. Fensterstock and McNierney.

Summary Compensation Table for Fiscal Year 2008

The following table sets forth certain information regarding compensation of (i) each person who served as Chief Executive Officer during fiscal year 2008, (ii) each person who served as Chief Financial Officer during fiscal year 2008, (iii) the Company's three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer who were serving as executive officers as of December 31, 2008, and (iv) up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer of the Company as of December 31, 2008 (collectively referred to as the "Named Executive Officers").

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Options Awards (\$)(1)	Change in Pension Value and Nonqualified Deferred Incentive		All Other Compensation (\$)(3)	Total (\$)
						Compensation (\$)(2)	(\$)(2)		
Richard Fensterstock	2008	350,000	1,600,000	591,250	32,357				2,573,607
Richard Fensterstock Chairman and Chief Executive Officer	2007	94,231		327,769				83,000(4)	505,000
Robert J. McNierney	2008	300,000	700,000	250,000	9,707				1,259,707
Robert J. McNierney President and Chief Operating Officer	2007	227,308		1,199,164				12,400	1,438,872
Robert J. McNierney Vice President and Chief Financial Officer	2006	185,115	1,015,000	830,417				49,880	2,080,412
Robert J. McNierney Vice President and Chief Financial Officer	2008	50,000						494,000	544,000
Robert J. McNierney Vice President and Chief Financial Officer	2007	200,000		205,153				42,647	447,799
Robert J. McNierney Vice President and Chief Financial Officer*	2006	183,676	150,000	75,107	7,870		172	28,613	445,268
Robert I. Turner	2008	198,878							198,878