

BROADPOINT SECURITIES GROUP, INC.  
Form 10-K/A  
April 11, 2008

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, 2007

- 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)

22-2655804  
(I.R.S. Employer Identification No.)

One Penn Plaza, New York, New York  
(Address of principal executive offices)

10119  
(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 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.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer  ( Do not check if a smaller reporting company) 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, 2007 which was \$1.67 was \$21,002,491.

As of March 12, 2008, 69,474,573 shares of common stock, par value \$0.01 per share, were outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission are incorporated by reference into Part III.

---

BROADPOINT SECURITIES GROUP, INC.

Explanatory Note

Broadpoint Securities Group, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-K/A in order to correct a clerical omission of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (the “Form 10-K”). The conformed signature of PriceWaterhouseCoopers LLP was inadvertently omitted from the Report of Independent Registered Public Accounting Firm contained at pages 43-44 of Form 10-K. In addition, a paragraph describing certain litigation involving the Company was inadvertently omitted from Note 12 of the Company’s Consolidated Financial Statements. The Company is, thus, amending Item 8 of the Form 10-K solely for the purpose of including the aforementioned conformed signature and paragraph.

No other changes are being made to the Financial Statements or other information in Item 8. In addition, no changes are being made pursuant to this amendment to any other item of our Form 10-K other than updating of the Exhibits to include the updated Consent of PriceWaterhouseCoopers LLP and updated Certifications of the Chief Executive and Chief Financial Officers. In accordance with the SEC’s rules applicable to the filing of amendments to Annual Reports on Form 10-K, we are including in this amendment the complete text of Item 8.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements and Supplementary Data	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	2-3
FINANCIAL STATEMENTS:	
Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006 and 2005	4
Consolidated Statements of Financial Condition as of December 31, 2007 and 2006	5
Consolidated Statements of Changes in Stockholders’ Equity and Temporary Capital for the Years Ended December 31, 2007, 2006, and 2005	6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005	7-8
Notes to Consolidated Financial Statements	9-39
SUPPLEMENTARY DATA:	
Selected Quarterly Financial Data (Unaudited)	48

BROADPOINT SECURITIES GROUP, INC.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Broadpoint Securities Group, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a) (1) present fairly, in all material respects, the financial position of Broadpoint Securities Group, Inc. at December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in item 9a. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As disclosed in footnote 15 to the consolidated financial statements, in 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 - Accounting for Uncertainty in Income Taxes.

As disclosed in footnote 16 to the consolidated financial statements, in 2006, the Company adopted Financial Accounting Standards Board Statement No. 123(R) - Share Based Payments.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

BROADPOINT SECURITIES GROUP, INC.

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

Albany, New York

March 24, 2008

3

---

CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands of dollars, except per share amounts)

	Years ended December 31		
	2007	2006	2005
Revenues			
Commissions	\$ 4,666	\$ 11,386	\$ 17,254
Principal transactions	21,229	40,605	40,209
Investment banking	8,127	26,643	19,309
Investment gains (losses)	2,594	(7,602)	21,591
Interest income	8,639	8,295	9,750
Fees and others	1,856	1,978	3,561
Total revenues	47,111	81,305	111,674
Interest expense	7,027	8,417	6,423
Net revenues	40,084	72,888	105,251
Expenses (excluding interest)			
Compensation and benefits	41,286	76,351	73,241
Clearing, settlement and brokerage costs	3,127	5,833	8,310
Communications and data processing	7,827	9,273	9,855
Occupancy and depreciation	6,559	9,154	9,178
Selling	4,157	4,013	4,981
Impairment	-	7,886	-
Restructuring	2,698	-	-
Other	6,055	7,819	5,636
Total expenses (excluding interest)	71,709	120,329	111,201
Loss before income taxes, discontinued operations and cumulative effect of an accounting change	(31,625)	(47,441)	(5,950)
Income tax (benefit) expense	(4,703)	(828)	7,512
Loss from continuing operations	(26,922)	(46,613)	(13,462)
Income from discontinued operations (including a pre-tax gain on sale of \$7,944) (net of taxes) (see Note 22)	7,460	2,205	3,245
Loss before cumulative effect of an accounting change	(19,462)	(44,408)	(10,217)
Cumulative effect of an accounting change (net of taxes \$0 in 2006) (see "Benefit Plans" note)	-	427	-
Net loss	\$ (19,462)	\$ (43,981)	\$ (10,217)
Basic earnings per share:			
Continuing operations	\$ (0.98)	\$ (3.08)	\$ (0.97)
Discontinued operations	0.27	0.15	0.23
Cumulative effect of an accounting change	-	0.03	-
Loss per share	\$ (0.71)	\$ (2.90)	\$ (0.74)
Diluted earnings per share:			
Continuing operations	\$ (0.98)	\$ (3.08)	\$ (0.97)
Discontinued operations	0.27	0.15	0.23
Cumulative effect of an accounting change	-	0.03	-
Loss per share	\$ (0.71)	\$ (2.90)	\$ (0.74)



The accompanying notes are an integral part  
of these consolidated financial statements.

## BROADPOINT SECURITIES GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(In thousands of dollars, except shares and per share amounts)

	December 31 2007	December 31 2006
As of		
Assets		
Cash and cash equivalents	\$ 31,747	\$ 4,192
Cash and securities segregated under federal regulations	1,650	5,200
Securities purchased under agreement to resell	-	14,083
Receivables from:		
Brokers, dealers and clearing agencies	2,921	10,626
Customers, net	3,239	2,898
Others	4,917	6,933
Securities owned	190,456	276,167
Investments	16,913	12,250
Office equipment and leasehold improvements, net	2,292	4,516
Intangible assets	17,809	17,862
Other assets	2,239	2,391
Total Assets	\$ 274,183	\$ 357,118
Liabilities and Stockholders' Equity		
Liabilities		
Short-term bank loans	\$ -	\$ 128,525
Payables to:		
Brokers, dealers and clearing agencies	88,565	49,065
Customers	23	1,151
Others	2,937	8,996
Securities sold, but not yet purchased	75,180	52,120
Accounts payable	2,918	4,118
Accrued compensation	13,214	32,445
Accrued expenses	5,882	8,273
Income taxes payable	131	131
Notes payable	-	12,667
Obligations under capitalized leases	-	3,522
Total Liabilities	188,850	301,013
Temporary capital	104	104
Subordinated debt	2,962	4,424
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock; \$1.00 par value; authorized 1,500,000 shares as of December 31, 2007; none issued		
Common stock; \$.01 par value; authorized 100,000,000 shares as of December 31, 2007, 50,000,000 shares as of December 31, 2006; issued 59,655,940 and 17,613,827 shares,	596	176

respectively

Additional paid-in capital	203,653	152,573
Deferred compensation	1,583	2,647
Accumulated deficit	(120,700)	(100,605)
Treasury stock, at cost (1,757,681 shares as of December 31, 2007 and 1,168,748 as of December 31, 2006)	(2,865)	(3,214)
Total Stockholders' Equity	82,267	51,577
Total Liabilities and Stockholders' Equity	\$ 274,183	\$ 357,118

The accompanying notes are an integral part  
of these consolidated financial statements.

## BROADPOINT SECURITIES GROUP, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND TEMPORARY CAPITAL

For the Years Ended December 31, 2007, 2006 and 2005

(In thousands of dollars except for number of shares)

	Temporary Capital	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Unearned Compensation	Deferred Compensation	Accumulated Deficit	Other Comprehensive Income, Net	Treasury Stock Shares	Treasury Stock Amount
Balance December 31, 2004	\$ 3,374	15,467,181	\$ 155	\$ 147,059	\$ (15,061)	\$ 3,704	\$ (45,575)	-	(619,883)	\$(4,197)
Amortization of unearned compensation	-	-	-	-	9,894	-	-	-	-	-
Issuance of restricted stock, net of forfeitures	-	1,289,592	13	9,039	(8,715)	-	-	-	(274,640)	66
Cash dividends paid	-	-	-	-	-	-	(832)	-	-	-
Options exercised	-	33,988	-	213	-	-	-	-	57,103	122
Options expense recognized	-	-	-	263	-	-	-	-	-	-
Treasury stock purchased	-	-	-	-	-	-	-	-	(20,300)	(186)
Employee stock trust	-	34,449	-	283	-	(256)	-	-	48,900	334
Issuance of shares, Descap acquisition	-	304,439	3	1,613	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	(10,217)	-	-	-
Balance December 31, 2005	\$ 3,374	17,129,649	\$ 171	\$ 158,470	\$ (13,882)	\$ 3,448	\$ (56,624)	-	(808,820)	\$(3,861)
Amortization of unearned compensation	-	-	-	-	7,821	-	-	-	-	-
Issuance of restricted	-	446,472	5	745	(968)	-	-	-	110,751	184

Edgar Filing: BROADPOINT SECURITIES GROUP, INC. - Form 10-K/A

stock, net of forfeitures										
Cash dividends paid	-	-	-	-	-	-	-	-	-	-
Options exercised	-	4,668	-	49	-	-	-	-	4,800	5
Options expense recognized	-	-	-	118	-	-	-	-	-	-
Treasury stock purchased	-	-	-	-	-	-	-	-	(83,086)	(368)
Employee stock trust	-	33,038	-	220	-	(801)	-	-	140,091	826
Repurchase of shares, Descap acquisition	(3,270)	-	-	-	-	-	-	-	(532,484)	-
Reclass unearned compensation	-	-	-	(7,029)	7,029	-	-	-	-	-
Net loss	-	-	-	-	-	-	(43,981)	-	-	-
Balance December 31, 2006	\$ 104	17,613,827	\$ 176	\$ 152,573	\$ -	\$ 2,647	\$ (100,605)	\$ -	(1,168,748)	\$ (3,214)
Amortization of unearned compensation	-	-	-	-	5,933	-	-	-	-	-
Restricted stock forfeitures	-	-	-	(2,579)	2,278	-	-	-	(552,442)	(601)
Issuance of restricted stock units	-	-	-	8,894	(8,894)	-	-	-	-	-
Issuance of common stock	-	41,986,303	420	45,382	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	-	-	-
Options exercised	-	-	-	122	-	-	-	-	-	-
Options expense recognized	-	-	-	16	-	-	-	-	-	-
Treasury stock purchased	-	-	-	(94)	-	-	-	-	(95,931)	(94)
Employee stock trust	-	55,810	-	22	-	(1,064)	-	-	59,440	1,044
FIN 48 adoption	-	-	-	-	-	-	(633)	-	-	-
	-	-	-	(683)	683	-	-	-	-	-

Reclass unearned compensation											
Net loss	-	-	-	-	-	-	(19,462)	-	-	-	-
Balance											
December 31, 2007	\$ 104	59,655,940	\$ 596	\$ 203,653	\$ -	\$ 1,583	\$(120,700)	\$ -	(1,757,681)	\$(2,865)	

The accompanying notes are an integral part  
of these consolidated financial statements.

## BROADPOINT SECURITIES GROUP, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

	For the years ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net loss	\$ (19,462)	\$ (43,981)	\$ (10,217)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,224	2,475	3,666
Amortization of warrants	-	498	199
Intangible asset impairment (see "Intangible Asset" note)	-	9,485	-
Deferred compensation	(22)	245	362
Deferred income taxes	-	-	8,510
Unrealized investment (gains) loss	(2,715)	36,674	(15,924)
Realized (gains) losses on sale of investments	121	(29,072)	(5,667)
(Gain) loss on fixed assets	-	(21)	(70)
Services provided in exchange for common stock	4,969	7,905	10,371
Changes in operating assets and liabilities:			
Cash and securities segregated under federal regulations	3,550	1,900	(7,100)
Securities purchased under agreement to resell	14,083	13,741	7,204
Net receivable/payable from customers	(1,469)	336	(375)
Securities owned, net	108,824	(10,698)	(51,087)
Other assets	152	1,134	1,003
Net payable to brokers, dealers, and clearing agencies	47,205	24,065	43,868
Net payable to others	1,904	1,136	1,840
Accounts payable and accrued expenses	(23,384)	4,003	(10,131)
Income taxes payable, net	-	131	-
Net cash provided by (used in) operating activities	135,980	19,956	(23,548)
Cash flows from investing activities:			
Purchases of office equipment and leasehold improvements	(388)	(2,897)	(1,216)
Sales of office equipment and leasehold improvements	500	5,051	118
Purchase of Broadpoint Securities, Inc., net of cash acquired	-	(3,720)	(538)
Purchase of Noddings, net of cash acquired	-	-	(125)
Purchases of investments	(2,512)	(4,819)	(4,478)
Proceeds from sale of investments	212	35,803	16,199
Net cash (used in) provided by investing activities	(2,188)	29,418	9,960
Cash flows from financing activities:			
(Payments) proceeds of short-term bank loans, net	(128,525)	(21,550)	10,200
Proceeds of notes payable	-	9,025	5,164
Payments of notes payable	(12,667)	(26,883)	(7,564)
Payments of obligations under capitalized leases	(3,522)	(2,239)	(1,509)
Proceeds from obligations under capitalized leases	-	-	219
Purchases of common stock	-	(367)	(186)
Proceeds from subordinated debt	-	160	-

Edgar Filing: BROADPOINT SECURITIES GROUP, INC. - Form 10-K/A

Payments on subordinated debt	(1,462)	(1,288)	-
Proceeds from issuance of common stock under stock option plans	-	55	522
Proceeds from issuance of common stock	50,000	-	-
Payments of expenses related to issuance of common stock	(4,198)	-	-
Purchase of treasury stock	(94)	-	-
Net (decrease) increase in drafts payable	(5,769)	(4,021)	8,215
Dividends paid	-	-	(832)
Net cash (used in) provided by financing activities	\$ (106,237)	\$ (47,108)	\$ 14,229

The accompanying notes are an integral part  
of these consolidated financial statements.



## BROADPOINT SECURITIES GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands of dollars)  
(continued)

	For the years ended December 31,		
	2007	2006	2005
Increase in cash and cash equivalents	\$ 27,555	\$ 2,266	\$ 641
Cash and cash equivalents at beginning of the year	4,192	1,926	1,285
Cash and cash equivalents at the end of the year	\$ 31,747	\$ 4,192	\$ 1,926
 <b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>			
Income tax payments	\$ 319	\$ 144	\$ 950
Interest payments	\$ 14,470	\$ 16,057	\$ 12,491

## NON CASH INVESTING AND FINANCING ACTIVITIES

In 2007, 2006 and 2005, the Company entered into capital leases for office and computer equipment totaling approximately \$0.0 million, \$0.2 million and \$4.0 million, respectively.

During the years ended December 31, 2007, 2006 and 2005, the Company converted \$0.0 million, \$0.2 and \$1.6 million, respectively of accrued compensation to subordinated debt.

During the years ended December 31, 2006 and 2005, Intangible assets increased \$1.0 million and \$2.2 million, respectively, due to additional consideration payable at December 31, 2006 and December 31, 2005 to the sellers of Descap Securities, Inc. Up to 75% of this payable may be satisfied with the Company's stock.

As of December 31, 2007, 2006 and 2005, the Company acquired \$0.1 million, \$0.0 million and \$3.1 million in office equipment and leasehold improvements where the obligation related to this acquisition is included in accounts payable.

During the years ended December 31, 2007, 2006 and 2005, the Company distributed \$1.0 million, \$1.0 million and \$0.6 million, respectively, of the Company's stock from the employee stock trust to satisfy deferred compensation liabilities payable to employees (see Note 14).

During the year ended December 31, 2006, the Company reversed a \$1.5 million rent accrual related to the surrender of one of its office leases.

Refer to Note 16 for non-cash financing activities related to restricted stock.

Refer to Note 6 for non-cash investing activities related to the Employee Investment Fund.

The accompanying notes are an integral part  
of these consolidated financial statements.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE  
1. Significant Accounting Policies

Organization and Nature of Business

The consolidated financial statements include the accounts of Broadpoint Securities Group, Inc., its wholly owned subsidiaries (the “Company”), and Employee Investment Funds (see Note 6). Broadpoint Capital Inc. (“Broadpoint Capital”) is registered with the Securities and Exchange Commission (“SEC”) and is a member of various exchanges and the Financial Industry Regulatory Authority. Broadpoint Securities, Inc. (“Broadpoint Securities”), which was acquired by the Company in 2004, is a broker-dealer registered with the SEC and is a member of the Financial Industry Regulatory Authority. The Company’s primary business is investment banking and securities brokerage for institutional customers primarily in the United States. The Company also provides investment-banking services to corporate and public clients, and engages in market making and trading of corporate, government and asset backed securities primarily in the United States. Another of the Company’s subsidiaries is FA Technology Ventures Corporation (“FATV”) which manages private equity funds, which provides venture financing to emerging growth companies primarily in the United States. All significant inter-company balances and transactions have been eliminated in consolidation.

Liquidity and Net Capital

On September 14, 2007, the Company completed the asset sale to DEPFA Bank Plc (“DEPFA”) pursuant to which DEPFA acquired the Municipal Capital Markets Group of the Company’s subsidiary, Broadpoint Capital, in connection with which the Company recognized a pre-tax gain on sale in the amount of \$7.9 million. At December 31, 2007 the Municipal Capital Markets Group is included in discontinued operations. (see Note 22) On September 21, 2007, the Company also closed the investment from an affiliate of MatlinPatterson Global Opportunities Partners II, L.P. (“MatlinPatterson”) in which the Company received net proceeds from the sale of the Company’s common stock of \$45.8 million. Pursuant to the Investment Agreement, MatlinPatterson purchased 41.5 million newly issued shares and two co-investors received a total of 0.5 million newly issued shares which represented approximately 71.7 percent and 0.8 percent, respectively, of the issued and outstanding voting power of the Company immediately following the closing on the investment transaction.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers’ securities transactions are reported on a settlement date basis with related commission

income and expenses reported on a trade date basis.

Equity securities owned and equity securities sold, buy not yet purchased are comprised of United States equity securities and are valued at market value based on quoted market prices.

Fixed Income securities owned and fixed income securities sold, but not yet purchased, generally are valued on the basis of prices furnished by a pricing service when the Company believes such prices accurately reflect the fair value of such securities. A pricing service utilizes electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading units of debt securities without regard to sale or bid prices. If the Company decides that a price provided by the pricing service does not accurately reflect the fair value of the securities, when prices are not readily available from a pricing service, or when restricted or illiquid securities are being valued, securities are valued at fair value as determined in good faith by the Company.

Broadpoint Securities Group, Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Investment Banking

Investment banking revenues include gains, losses and fees, net of transaction related expenses, arising from securities offerings in which the Company acts as an underwriter. Investment banking management fees are recorded on offering date, sales concessions on trade date, and underwriting fees at the time the income is reasonably determinable. Investment banking revenues also include fees earned from providing merger, acquisition and financial advisory services and are recognized as services are provided.

### Resale and Repurchase Agreements

Transactions involving purchases of securities under agreements to resell or sales of securities under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts plus accrued interest. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. The Company no longer engages in these transactions.

At December 31, 2007, the Company had no resale agreements. At December 31, 2006, resale agreements were carried at \$14.1 million. For the year ended December 31, 2006, the collateral held by the Company consisted of government bonds and was equal to the approximate principal amount loaned to Mizuho Securities USA and First Tennessee.

### Securities-Borrowing Activities

Securities borrowed are generally reported as collateralized financings and are recorded at the amount of cash collateral advanced. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. The Company monitors the market value of securities borrowed on a daily basis, with additional collateral obtained or refunded as necessary. The Company no longer engages in securities borrowing transactions.

### Collateral

The Company receives collateral in connection with resale agreements and securities borrowed transactions. Under many agreements, the Company is permitted to sell or repledge these securities held as collateral and use the securities to secure repurchase agreements or to deliver to counterparties to cover short positions. The Company continues to report assets it has pledged as collateral in secured borrowing transactions and other arrangements when the secured party cannot sell or repledge the assets and does not report assets received as collateral in secured lending transactions and other arrangements because the debtor typically has the right to redeem the collateral on short notice.

### Intangible Assets

The Company amortizes customer related intangible assets over their estimate useful life, which is the period over which the assets are expect to contribute directly or indirectly to the future cash flows of the Company. Goodwill is not amortized; instead, it is reviewed on an annual basis for impairment. Goodwill is impaired when the carrying

amount of the reporting unit exceeds the implied fair value of the reporting unit. A reporting unit is defined by the Company as an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. In addition to annual testing, Goodwill is also tested for impairment at the time of a triggering event requiring a re-evaluation, if one were to occur.

#### Drafts Payable

The Company maintains a group of “zero-balance” bank accounts which are included in payables to others on the Statements of Financial Condition. The balances in the “zero-balance” accounts represent outstanding checks that have not yet been presented for payment at the bank. The Company has sufficient funds on deposit to clear these checks, and these funds will be transferred to the “zero-balance” accounts upon presentment.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than 90 days that are not segregated under federal regulations or held for sale in the ordinary course of business.

Comprehensive Income

The Company has no components of other comprehensive income; therefore, comprehensive income equals net income.

Fair Value of Financial Instruments

The financial instruments of the Company are reported on the Statements of Financial Condition at market or fair value, or at carrying amounts that approximate fair values, because of the short maturity of the instruments, except subordinated debt. The estimated fair value of subordinated debt at December 31, 2007, approximates its carrying value based on current rates available (see Note 11).

Office Equipment and Leasehold Improvements

Office equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization of \$27.0 million at December 31, 2007 and \$26.7 million at December 31, 2006. Depreciation and amortization is provided on a straight-line basis over the shorter of the estimated useful life of the asset (2 to 5 years) or the initial term of the lease. Depreciation and amortization expense for the years ended December 31, 2007, 2006 and 2005 was \$2.2 million, \$2.5 million and \$3.7 million, respectively.

Securities Issued for Services

On January 1, 2006, the Company adopted FAS 123(R) "Share Based Payments". In adopting FAS 123(R), the Company applied the modified prospective application transition method. Under the modified prospective application method, prior period financial statements are not adjusted. Instead, the Company will apply FAS 123(R) for new awards granted after December 31, 2005, any portion of awards that were granted after January 1, 1995 and have not vested by December 31, 2005 and any outstanding liability awards. The impact of applying the nominal vesting period approach for awards with vesting upon retirement eligibility and the non-substantive approach was immaterial. Upon adoption of FAS 123(R) on January 1, 2006, the Company recognized an after-tax gain of approximately \$0.4 million as the cumulative effect of a change in accounting principle, primarily attributable to the requirement to estimate forfeitures at the date of grant instead of as incurred. The estimated forfeiture rate for 2007 was 4% (see Note 16).

Legal Fees

The Company accrues legal fees as they are incurred.

## Income Taxes

Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between the financial statement basis and tax basis of existing assets and liabilities. The effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date.

On January 1, 2007, the Company adopted FASB Interpretation ("FIN") No. 48 Accounting for Uncertainty in Income Taxes ("FIN 48"). The Company recognizes tax benefits from uncertain tax positions only when tax positions meet the minimum probability threshold, as defined by FIN 48, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority.



Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reclassification

Certain 2006 and 2005 amounts on the Consolidated Statements of Operations have been reclassified to conform to the 2007 presentation due to the Company discontinuing its Fixed Income Middle Markets and Municipal Capital Markets Groups (see Note 22).

Certain amounts in the Consolidated Statements of Cash Flows have been reclassified related to deferred compensation, \$0.6 million was reclassified in 2005 to deferred compensation from services provided in exchange for common stock.

Earnings per Common Share

The Company calculates its basic and diluted earnings per shares in accordance with Statement of Financial Accounting Standards No. 128, Earnings per share. Basic earnings per share are computed based upon weighted-average shares outstanding. Dilutive earnings per share is computed consistently with basic while giving effect to all dilutive potential common shares that were outstanding during the period. The Company uses the treasury stock method to reflect the potential dilutive effect of unvested stock awards, warrants, unexercised options and any contingently issued shares (see Note 13). The weighted-average shares outstanding were calculated as follows at December 31:

(In thousands of shares)	2007	2006	2005
Weighted average shares for basic earnings per share	27,555	15,155	13,824
Effect of dilutive common equivalent shares	-	-	-
Weighted average shares and dilutive common equivalent shares for dilutive earnings per share	27,555	15,155	13,824

As a result of net losses in 2007, 2006, and 2005, the Company excluded approximately 0.3 million, 0.3 million, and 0.9 million common equivalent shares in 2007, 2006 and 2005 respectively, in its computation of dilutive earnings per share because they were anti-dilutive. In addition, at December 31, 2007, approximately 0.1 million shares of restricted stock awards, (see Note 16) which are included in shares outstanding, are not included in the basic earnings per share computation because they are not vested as of December 31, 2007.

On September 21, 2007, the Company closed the investment from an affiliate of MatlinPatterson Global Opportunities Partners II, L.P. ("MatlinPatterson") in which the Company received net proceeds from the sale of common stock of \$45.8 million. Pursuant to the Investment Agreement, MatlinPatterson, received 41.5 million newly issued shares and two co-investors received a total of 0.5 million newly issued shares which represent approximately 71.7 percent and 0.8 percent, respectively, of the issued and outstanding voting power of the Company immediately following the closing on the investment transactions. The number of shares issued to MatlinPatterson and its co-investors were subject to upward adjustment within 60 days of the Closing in accordance with the terms of the Investment Agreement based on final calculations of the Company's net tangible book value per share. Additional shares of common stock of the Company were issued pursuant to the upward adjustment in the amount of 3.6 million, of which approximately 3.59 million shares are allocated to Matlin Patterson and approximately 0.04 million shares are allocated to the co-investors.

NOTE

2. Cash and Securities Segregated under Federal Regulations

At December 31, 2007 and 2006, the Company segregated cash of \$1.7 million and \$5.2 million respectively, in a special reserve bank account for the exclusive benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

Broadpoint Securities Group, Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE  
3. Receivables From and Payables To Brokers, Dealers, and Clearing Agencies

Amounts receivable from and payable to brokers, dealers and clearing agencies consists of the following at December 31:

(In thousands of dollars)	2007	2006
Adjustment to record securities owned on a trade date basis, net	\$ 88	\$ -
Securities borrowed	-	455
Commissions receivable	939	2,146
Securities failed to deliver	142	3,841
Good faith deposits	-	225
Receivable from clearing organizations	1,752	3,959
Total receivables	\$ 2,921	\$ 10,626
Adjustment to record securities owned on a trade date basis, net	\$ -	\$ 2,173
Payable to clearing organizations	84,696	43,807
Securities failed to receive	3,869	3,085
Total payables	\$ 88,565	\$ 49,065

Proprietary securities transactions are recorded on a trade date, as if they had settled. The related amounts receivable and payable for unsettled securities transactions are recorded net in receivables or payables to brokers, dealers and clearing agencies on the Statements of Financial Condition.

One of the Company's affiliate's, Broadpoint Securities, customers' securities transactions are cleared through a third party under a clearing agreement. Under this agreement, the clearing agent executes and settles customer securities transactions, collects margin receivables related to these transactions, monitors the credit standing and required margin levels related to these customers and, pursuant to margin guidelines, requires the customer to deposit additional collateral with them or to reduce positions, if necessary.

NOTE  
4. Receivables From and Payables To Customers

At December 31, 2007, receivables from customers are mainly comprised of the purchase of securities by institutional clients. Delivery of these securities is made simultaneously with the receipt of the funds from the institutional clients.

The majority of the Company's non-institutional customers securities transactions, including those of officers, directors, employees and related individuals, are cleared through a third party under a clearing agreement. Under this agreement, the clearing agent executes and settles customer securities transactions, collects margin receivables related to these transactions, monitors the credit standing and required margin levels related to these customers and, pursuant to margin guidelines, requires the customer to deposit additional collateral with them or to reduce positions, if necessary. In the event the customer is unable to fulfill its contractual obligations, the clearing agent may purchase or sell the financial instrument underlying the contract, and as a result may incur a loss.

If the clearing agent incurs a loss, it has the right to pass the loss through to the Company which exposes the Company to off-balance-sheet risk. The Company has retained the right to pursue collection or performance from customers who do not perform under their contractual obligations and monitors customer balances on a daily basis along with the credit standing of the clearing agent. As the potential amount of losses during the term of this contract has no maximum, the Company believes there is no maximum amount assignable to this indemnification. At December 31, 2007, substantially all customer obligations were fully collateralized and the Company has not recorded a liability related to the clearing agent's right to pass losses through to the Company.

Broadpoint Securities Group, Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE  
5. Securities Owned and Sold, but Not Yet Purchased

Securities owned and sold, but not yet purchased consisted of the following at December 31:

(In thousands of dollars)	2007		2006	
	Owned	Sold, but not yet Purchased	Owned	Sold, but not yet Purchased
Marketable Securities				
U.S. Government and federal agency obligations	137,771	75,081	90,652	51,393
	\$	\$	\$	\$
State and municipal bonds	6	1	139,811	26
Corporate obligations	48,481	-	31,146	84
Corporate stocks	3,249	98	12,989	456
Options	-	-	258	161
Not Readily Marketable Securities				
Investment securities with no publicly quoted market	659	-	1,008	-
Investment securities subject to restrictions	290	-	303	-
Total	\$ 190,456	\$ 75,180	\$ 276,167	\$ 52,120

Securities not readily marketable include investment securities (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions or conditions applicable to the securities or to the Company.

NOTE  
6. Investments

The Company's investment portfolio includes interests in publicly and privately held companies. Information regarding these investments has been aggregated and is presented below as of and for the years ended December 31:

(In thousands of dollars)	2007	2006	2005
Carrying Value			
Public	\$ -	\$ -	\$ 40,375
Private	15,436	10,866	9,492
Consolidation of Employee Investment Funds net of Company's ownership interest, classified as			
Private Investment	1,477	1,384	2,630
Total carrying value	\$ 16,913	\$ 12,250	\$ 52,497

Investment gains and losses were comprised of the following:

(In thousands of dollars)	2007	2006	2005
Public (realized and unrealized gains and losses)	\$ -	\$ (12,865)	\$ 22,424
Private (realized and unrealized gains and losses)	2,594	5,263	(833)
Investment gains (losses)	\$ 2,594	\$ (7,602)	\$ 21,591

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

iRobot (“IRBT”) and Mechanical Technology Incorporated (“MKTY”) accounted for the entire balance of public investments owned by the Company as of December 31, 2005. During the year ended December 31, 2006, the Company sold its remaining 1,116,040 shares of MKTY for proceeds of approximately \$3.3 million. Also during the year ended December 31, 2006, the Company sold its remaining 1,116,290 shares of IRBT for proceeds of approximately \$24.2 million.

Privately held investments include an investment of \$15.0 million in FA Technology Ventures Inc., L.P. (the “Partnership”), which represented the Company’s maximum exposure to loss in the Partnership at December 31, 2007. The Partnership’s primary purpose is to provide investment returns consistent with the risk of investing in venture capital. At December 31, 2007 total Partnership capital for all investors in the Partnership equaled \$59.1 million. The Partnership is considered a variable interest entity. The Company is not the primary beneficiary, due to other investors’ level of investment in the Partnership. Accordingly, the Company has not consolidated the Partnership in these financial statements, but has recorded the value of its investment. FA Technology Ventures Corp. (“FATV”), a wholly-owned subsidiary of the Company, is the investment advisor for the Partnership. With respect to the Partnership and any parallel funds revenues derived from the management of this investment and the Employee Investment Funds for the year ended December 31, 2007 were \$0.9 million in consolidation. For the year ended December 31, 2007, there was a \$0.1 million net realized loss for private investments compared to a \$6.0 million net realized gain in 2006, which was driven by distributions of the gains from these investments to the Company.

The Company has consolidated its Employee Investment Fund (EIF). The EIF is a limited liability company, established by the Company for the purpose of having select employees invest in private equity placements. The EIF is managed by FA Management Corp., a wholly-owned subsidiary of the Company, which has contracted with FATV to act as an investment advisor with respect to funds invested in parallel with the Partnership. The Company’s carrying value of this EIF is \$0.2 million excluding the effects of consolidation. The Company has outstanding loans of \$0.3 million to the EIF and is also committed to loan an additional \$0.2 million to the EIF. The effect of consolidation was to increase Investments by \$1.5 million, decrease Receivable from Others by \$0.3 million and increase Payable to Others by \$1.2 million. The amounts in Payable to Others relates to the value of the EIF owned by employees.

NOTE  
7. Intangible Assets

(In thousands of dollars)	Gross Carrying Amount	Accumulated Amortization	Impairment Loss	Net Carrying Value
Intangible assets				
Customer related (amortizable):				
Broadpoint Securities, Inc. - Acquisition	\$ 641	\$ (196)	\$ -	445
Institutional convertible bond arbitrage group -Acquisition	1,017	(382)	(635)	-
	1,658	(578)	(635)	445
Goodwill (unamortizable):				
Broadpoint Securities, Inc. - Acquisition	25,250	-	(7,886)	17,364
Institutional convertible bond arbitrage	964	-	(964)	-

group - Acquisition

	26,214	-	(8,850)	17,364
Total Intangible Assets	\$ 27,872	\$ (578)	\$ (9,485)	\$ 17,809

15

---



Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Customer related intangible assets are being amortized over 12 years. Amortization expense for the customer related intangible assets, including the impairment discussed below, for the years ended December 31, 2007, 2006, and 2005 was \$0.1 million, \$0.8 million, and \$0.1 million, respectively. Future amortization expense is estimated as follows:

(in thousands of dollars)	
Estimated Amortization Expense (year ended December 31)	
2008	\$ 53
2009	53
2010	53
2011	53
2012	53
Thereafter	180
Total	\$ 445

The carrying amount of goodwill for the Broadpoint Securities, Inc. - Acquisition increased by \$1.5 million during the year ended December 31, 2006, related primarily to additional consideration pursuant to the acquisition agreement (see Note 12).

As a result of annual impairment testing, the goodwill related to the acquisition of Broadpoint Securities was determined to be impaired as of December 31, 2006. Fair value of the Broadpoint Securities reporting unit was determined using both the income and market approaches. The income approach determines fair value using a discounted cash flow analysis based on management's projections. The market approach analyzes and compares the operations performance and financial conditions of the reporting unit with those of a group of selected publicly-traded companies that can be used for comparison. The valuation gives equal weight to the two approaches to arrive at the fair value of the reporting unit. As a result of the valuation, as of December 31, 2006, the carrying value of goodwill was greater than its implied value resulting in a goodwill impairment loss of \$7.9 million recognized in the caption "Impairment" on the Statements of Operations for the year ended December 31, 2006. The Company performed its annual impairment testing and as a result determined the fair value of the unit exceeded the carrying value of the unit resulting in no impairment charge in 2007.

A plan approved by the Board of Directors on September 28, 2006 to discontinue operations of the Institutional Convertible Bond Arbitrage Advisory Group (the "Group") triggered an impairment test in the third quarter of 2006 in accordance with SFAS No. 142 Goodwill and Other Intangible Assets. The value of the Group was more dependent on their ability to generate earnings than on the value of the assets used in operations, therefore fair value of the Group was determined using the income approach. The income approach determines fair value using a discounted cash flow analysis based on management's projections. Based on the impairment test, a goodwill impairment loss of \$1.0 million was recognized in discontinued operations for the year ended December 31, 2006. As a result of impairment testing of the disposal group in accordance with SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived

Assets, it was determined that amortizable customer related intangibles were also impaired. An impairment loss of \$0.6 million was recognized related to amortizable intangible assets in discontinued operations for the year ended December 31, 2006. The Group ceased operations in April 2007.

NOTE  
8. Short-Term Bank Loans and Notes Payables

At December 31, 2006, short-term bank loans were made under a variety of bank lines of credit totaling \$210 million of which approximately \$129 million was outstanding. The weighted average interest rate on these loans was 5.74% at December 31, 2006. These loans bore interest at variable rate based primarily on the Federal Funds interest rate. At December 31, 2007, the Company had no outstanding short-term bank loans.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the year ended December 31, 2007, the Company paid the remaining balance of the term loan of \$12.7 million related to the acquisition of Broadpoint Securities pursuant to an agreement (the "Agreement") entered into on August 6, 2007, with the Company's lender and lessor (also see Note 9). The Agreement stated that the lender and the Company acknowledged that they did not agree on the interpretation and or enforcement of each of the parties respective rights under the Loan Agreement and or the Lease, therefore, the parties acknowledged and agreed that neither the lender nor the Company had waived or was waiving any of its rights under the Loan Agreement and/or the Lease except for the waivers and/or modifications. The Agreement also amended the Company's obligations under the Loan Agreement with respect to the DEPFA transaction and MatlinPatterson investment transaction. The Company agreed to repay, upon closing of the DEPFA transaction, Loan Agreement obligations equal to 75 percent of the net proceeds received by the Company and upon closing of the MatlinPatterson investment transaction to pay in full the remaining balance of the loan. On September 14, 2007, upon the close of the DEPFA transaction, the Company made a principal payment of \$0.8 million pursuant to the Agreement. On September 21, 2007, upon the close of the MatlinPatterson investment transaction, the Company paid the remaining \$9.8 million balance of the term loan.

NOTE  
9. Obligations Under Capitalized Leases

Pursuant to the Agreement entered into between the Company and its lessor on August 6, 2007, the Company amended its lease obligations under the lease agreements with respect to the MatlinPatterson investment transaction. On September 21, 2007, the MatlinPatterson investment transaction closed and pursuant to the Agreement all capital leases with the lender were paid in full.

NOTE  
10. Payables To Others

Amounts payable to others consisted of the following at December 31:

(In thousands of dollars)	2007	2006
Draft payables	\$ 173	\$ 5,942
Net Payable to Employees for the Employee Investment Fund (see "Investments" note)	1,158	1,039
Payable to Sellers of Descap Securities, Inc. (see "Commitments and Contingencies" footnote)	1,036	1,036
Others	570	979
Total	\$ 2,937	\$ 8,996

The Company maintains a group of "zero balance" bank accounts which are included in payable to others on the Statement of Financial Condition. Drafts payable represent the balance in these accounts related to outstanding checks that have not yet been presented for payment at the bank. The Company has sufficient funds on deposit to clear these checks, and these funds will be transferred to the "zero-balance" accounts upon presentment. The Company

maintained one “zero balance” account which was used as a cash management technique, permitted under Rule 15c3-3 of the Securities and Exchange Commission, to obtain federal funds for a fee, which is lower than prevailing interest rates, in amounts equivalent to amounts in customers’ segregated funds accounts with a bank. This cash management technique was discontinued in September 2007.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE  
11. Subordinated Debt

A select group of management and highly compensated employees are eligible to participate in the Broadpoint Securities Group, Inc. Deferred Compensation Plan for Key Employees (the "Plan"). The employees enter into subordinated loans with Broadpoint Capital to provide for the deferral of compensation and employer allocations under the Plan. The New York Stock Exchange has approved Broadpoint Capital's subordinated debt agreements related to the Plan. Pursuant to these approvals, these amounts are allowable in Broadpoint Capital's computation of net capital. The accounts of the participants of the Plan are credited with earnings and/or losses based on the performance of various investment benchmarks selected by the participants. Maturities of the subordinated debt are based on the distribution election made by each participant, which may be deferred to a later date by the participant. As of February 28, 2007, the Company no longer permits any new amounts to be deferred under this Plan. Principal debt repayment requirements, which occur on about April 15th of each year, as of December 31, 2007, are as follows:

(In thousands of dollars)	
2008	\$ 1,299
2009	465
2010	287
2011	108
2012	208
2013 to 2016	595
Total	\$ 2,962

NOTE  
12. Commitments and Contingencies

Commitments: As of December 31, 2007, the Company had a commitment to invest up to an additional \$1.3 million in FA Technology Ventures, LP (the "Partnership"). The investment period expired in July 2006, however, the General Partner may continue to make capital calls up through July 2011 for additional investments in portfolio companies and for the payment of management fees. The Company intends to fund this commitment from operating cash flow. The Partnership's primary purpose is to provide investment returns consistent with risks of investing in venture capital. In addition to the Company, certain other limited partners of the Partnership are officers or directors of the Company. The majority of the commitments to the Partnership are from non-affiliates of the Company.

The General Partner for the Partnership is FATV GP LLC. The General Partner is responsible for the management of the Partnership, including among other things, making investments for the Partnership. The members of the General Partner are George McNamee, a Director of the Company, Broadpoint Enterprise Funding, Inc., a wholly owned subsidiary of the Company, and other employees of the Company or its subsidiaries. Mr. McNamee is required under the partnership agreement to devote a majority of his business time to the conduct of the affairs of the Partnership and

any parallel funds. Subject to the terms of the partnership agreement, under certain conditions, the General Partner is entitled to share in the gains received by the Partnership in respect of its investment in a portfolio company. The General Partner has contracted with FATV to act as its investment advisor.

As of December 31, 2007, the Company had an additional commitment to invest up to \$0.2 million in funds that invest in parallel with the Partnership, which it intends to fund, at least in part, through current and future Employee Investment Funds (EIF). The investment period expired in July 2006, but the General Partner may continue to make capital calls up through July 2011 for additional investments in portfolio companies and for the payment of management fees. The Company anticipates that the portion of the commitment that is not funded by employees through the EIF will be funded by the Company through operating cash flow.

As of December 31, 2007, the Company has guaranteed compensation payments of \$4.9 million payable over the next two years related to various compensation arrangements with its employees. The Company also has \$1.4 million in restructuring payments over the next year in connection with the plan announced October 17, 2007 in which the Company determined that it will outsource certain of its administrative functions, consolidate certain of such functions

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

in its New York City location, and reduce staff in order to properly size its business consistent with its current levels of activity.

Contingent Consideration: On May 14, 2004, the Company acquired 100 percent of the outstanding common shares of Descap Securities Inc., now known as Broadpoint Securities Inc., a New York-based broker-dealer and investment bank. Per the acquisition agreement, the sellers can receive future contingent consideration based on the following: For each of the three years from the acquisition date ending June 1, 2007, if Broadpoint Securities' Pre-Tax Net Income (exclusive of certain intercompany charges, as defined) (i) is greater than \$10 million, The Company shall pay to the sellers' former shareholders an aggregate amount equal to fifty percent (50%) of Broadpoint Securities' Pre-Tax Net Income for such period or (ii) is equal to or less than \$10 million, the Company shall pay them an aggregate amount equal to forty percent (40%) of Broadpoint Securities' Pre-Tax Net Income for such period.

Pursuant to the asset purchase agreement with DEPFA, the Company was required to deliver an estimate of the accrued bonuses at closing and a final accrued bonus calculation thirty days following closing. The Company accrued the bonus consistent with the asset purchase agreement. All items arising from the sale of the Municipal Capital Markets Group were reflected in the Gain on Sale of Discontinued Operations. This includes the closing bonuses paid to employees and the reversal of restricted stock and deferred cash amortization as a result of the employees' termination of employment. On October 30, 2007, DEPFA provided the Company notice that it was exercising its option pursuant to the agreement to appoint an independent accounting firm to conduct a special audit of the final accrued bonus amount. Although there can be no assurance as to the eventual outcome of this special audit, the Company believes that it has appropriately calculated and accounted for the accrued bonus.

Leases: The Company's headquarters and sales offices, and certain office and communication equipment, are leased under non-cancelable operating leases, certain of which contain renewal options and escalation clauses, and which expire at various times through 2015. To the extent the Company is provided tenant improvement allowances funded by the lessor, they are amortized over the initial lease period and serve to reduce rent expense. To the extent the Company is provided free rent periods, the Company recognizes the rent expense over the entire lease term on a straightline basis.

On November 2, 2007, the Company entered into a Fifth Amendment to Sub-Lease Agreement (the "Amendment") with Columbia 677, L.L.C. (the "Landlord") pursuant to which the Company's Sub-lease-Agreement with the Landlord dated August 12, 2003 concerning the lease of certain space in the building located at 677 Broadway, Albany, New York (the "Albany Premises") was amended. The Amendment provides that the Company will surrender a total of 15,358 square feet (the "Surrender Premises") of the Albany Premises, a portion at a time, on or before three surrender dates: November 15, 2007, December 15, 2007 and April 1, 2008. If the Company fails to vacate the portion of the Surrender Premises on the applicable surrender dates, it will owe the Landlord \$1,667 for each day of such failure. The Company will fail to vacate 1,398 square feet of the surrender premises by April 1, 2008 and as a result will begin to incur the daily fee on such date. The Company currently expects it will vacate such portion of the surrender premises by June 30, 2008. In consideration of the Landlord agreeing to the surrender of the Surrender Premises, the Amendment provides that the Company shall pay the Landlord a surrender fee equal to \$1,050,000 payable in three installments.





Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Future minimum annual lease payments, and sublease rental income, are as follows:

(In thousands of dollars)	Future Minimum Lease Payments	Sublease Rental Income	Net Lease Payments
2008	\$ 5,110	\$ 1,307	\$ 3,803
2009	1,860	167	1,693
2010	1,779	158	1,621
2011	1,699	100	1,599
2012	1,678	100	1,578
Thereafter	2,899	92	2,807
Total	\$ 15,025	\$ 1,924	\$ 13,101

Annual rental expense, net of sublease rental income, for the years ended December 31, 2007, 2006 and 2005 approximated \$4.9 million, \$4.8 million, and \$7.2 million, respectively.

In 2007, rental expense decreased \$2.4 million due to one-time expenses incurred as part of the Company's 2005 real estate strategy in New York City and San Francisco and the reversal of rent accruals relating to the surrender of the Company's 1301 Avenue of the Americas lease.

#### Litigation

In 1998, the Company was named in lawsuits by Lawrence Group, Inc. and certain related entities (the "Lawrence Parties") in connection with a private sale of Mechanical Technology Inc. stock from the Lawrence Parties that was previously approved by the United States Bankruptcy Court for the Northern District of New York (the "Bankruptcy Court"). The Company acted as placement agent in that sale, and a number of employees and officers of the Company, who have also been named as defendants, purchased shares in the sale. The complaints alleged that the defendants did not disclose certain information to the sellers and that the price approved by the court was therefore not proper. The cases were initially filed in the Bankruptcy Court and the United States District Court for the Northern District of New York (the "District Court"), and were subsequently consolidated in the District Court. The District Court dismissed the cases, and that decision was subsequently vacated by the United States Court of Appeals for the Second Circuit, which remanded the cases for consideration of the plaintiffs' claims as motions to modify the Bankruptcy Court sale order. The plaintiffs' claims have now been referred back to the Bankruptcy Court for such consideration. Discovery is currently underway. The Company believes that it has strong defenses and intends to vigorously defend itself against the plaintiffs' claims, and believes that the claims lack merit. However, an unfavorable resolution could have a material adverse effect on the Company's financial position, results of operations and cash flows in the period resolved.

In early 2008, Broadpoint Capital hired Tim O'Connor, and 9 other individuals to form a new capitalization and restructuring group within Broadpoint Capital's Investment Banking division. Mr. O'Connor, the new Head of Broadpoint's Investment Banking Division and each of the other employees are former employees of Imperial Capital, LLC ("Imperial"). Upon Broadpoint Capital's hiring of these employees, Imperial commenced an arbitration proceeding against Broadpoint Capital, Mr. O'Connor, another employee hired by Broadpoint and a former employee of Imperial

who is not employed by Broadpoint before the Financial Industry Regulatory Authority (“FINRA”). In the arbitration, Imperial alleges various causes of action against Broadpoint Capital as well as the individuals based upon alleged violations of restrictive covenants in employee contracts relating to the non-solicitation of employees and clients. Imperial claims damages in excess of \$100 million. Concurrently with the filing of the arbitration proceeding, Imperial sought and obtained a temporary restraining order in New York State Supreme Court, pending the conclusion of the FINRA arbitration hearing, enjoining Broadpoint from disclosing or making use of any confidential information of Imperial, recruiting or hiring any employees of Imperial and seeking or accepting as a client any client of Imperial, except those clients for whom any of the hired individuals had provided services as a registered representative while employed by Imperial. Broadpoint Capital believes that it has strong defenses to and intends to vigorously defend itself against Imperial’s claims. However, an unfavorable resolution could have a material adverse effect on the Company’s financial position, results of operations and cash flows in the period resolved.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Due to the nature of our business, we are now, and likely in the future will be, involved in a variety of legal proceedings, including the matters described above. These include litigation, arbitrations and other proceedings initiated by private parties and arising from our underwriting, financial advisory or other transactional activities, client account activities and employment matters. Third parties who assert claims may do so for monetary damages that are substantial, particularly relative to our financial position. In addition, the securities industry is highly regulated. We are subject to both routine and unscheduled regulatory examinations of our business and investigations of securities industry practices by governmental agencies and self-regulatory organizations. In recent years securities firms have been subject to increased scrutiny and regulatory enforcement activity. Regulatory investigations can result in substantial fines being imposed on us. Periodically we receive inquiries and subpoenas from the SEC, state securities regulators and self-regulatory organizations. We do not always know the purpose behind these communications or the status or target of any related investigation. Our responses to these communications have in the past resulted in our being cited for regulatory deficiencies, although to date these communications have not had a material adverse effect on our business.

We have taken reserves in our financial statements with respect to legal proceedings to the extent we believe appropriate. However, accurately predicting the timing and outcome of legal proceedings, including the amounts of any settlements, judgments or fines, is inherently difficult insofar as it depends on obtaining all of the relevant facts (which is sometimes not feasible) and applying to them often-complex legal principles. Based on currently available information, we do not believe that any litigation, proceeding or other matter to which we are a party or otherwise involved will have a material adverse effect on our financial position, results of operations and cash flows although an adverse development, or an increase in associated legal fees, could be material in a particular period, depending in part on our operating results in that period.

#### Collateral

The fair value of securities received as collateral, where the Company is permitted to sell or repledge the securities at December 31, 2006 consisted of securities purchased under agreements to resell, \$14.1 million and securities borrowed of \$0.4 million. At December 31, 2006, a substantial portion of the collateral received by the Company had been sold or repledged. As of December 31, 2007, the Company has not received securities as collateral.

#### Letters of Credit

The Company is contingently liable under bank stand-by letter of credit agreements, executed in connection with office leases, totaling \$0.2 million at December 31, 2007. The letter of credit agreements were collateralized by Cash of \$0.2 million at December 31, 2007.

#### Other

The Company enters into underwriting commitments to purchase securities as part of its investment banking business. Also, the Company may purchase and sell securities on a when-issued basis. As of December 31, 2007, the Company had no outstanding underwriting commitments and had purchased \$9.9 million and sold \$65.0 million securities on a when-issued basis.

NOTE  
13. Temporary Capital

In connection with the Company's acquisition of Broadpoint Securities, the Company issued 549,476 shares of stock which provide the Sellers the right (the "put right") to require the Company to purchase back the shares issued, at a price of \$6.14 per share. Accordingly, the Company has recognized as temporary capital the amount that it may be required to pay under the agreement. If the put right is not exercised by the time it expires, the Company will reclassify the temporary capital to stockholders' equity. The Company also has the right to purchase back these shares from the Sellers at a price of \$14.46. The earnout period ended on May 31, 2007. The earnout payment has not yet been made. The put and call rights expire on the date upon which the final earnout payment is required to be made. In June 2006, certain of

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

the Sellers of Broadpoint Securities exercised their put rights and the Company repurchased 532,484 shares at \$6.14 per share for the total amount of \$3.3 million.

NOTE  
14. Stockholders' Equity

MatlinPatterson Transaction

On September 21, 2007, the Company closed the investment from an affiliate of MatlinPatterson Global Opportunities Partners II, L.P. ("MatlinPatterson") in which the Company received net proceeds from the sale of common stock of \$45.8 million. Pursuant to the Investment Agreement, MatlinPatterson, received 41.5 million newly issued shares and two co-investors received a total of 0.5 million newly issued shares which represent approximately 71.7 percent and 0.8 percent, respectively, of the issued and outstanding voting power of the Company immediately following the closing on the investment transactions. The number of shares issued to MatlinPatterson and its co-investors were subject to upward adjustment within 60 days of the Closing in accordance with the terms of the Investment Agreement based on final calculations of the Company's net tangible book value per share. Additional shares of common stock of the Company were issued pursuant to the upward adjustment in the amount 3.6 million, of which approximately 3.59 million shares are allocated to MatlinPatterson and approximately 0.04 million shares are allocated to the co-investors.

Dividends

In February 2005, the Board of Directors declared a quarterly cash dividend of \$0.05 per share payable on March 10, 2005, to shareholders of record on February 24, 2005. In May 2005, the Board of Directors suspended the \$0.05 per share dividend.

Acquisition – Broadpoint Securities, Inc.

The shares issued to the sellers of Broadpoint Securities provide the sellers the right to require the Company to purchase back these shares at a price of \$6.14 per share. The Company also has the right to purchase back these shares from the sellers at a price of \$14.46. The earnout period ended on May 31, 2007. The put and call rights expire on the date upon which the final earnout payment is required to be made. The value assigned to the shares of common stock issued (\$10.39 per share) approximated the market value of the stock on the date Broadpoint Securities was acquired (\$10.30 per share). The difference in the value assigned and the market value was due to the put and call features attached to the stock. In June 2006, certain of the sellers of Broadpoint Securities, Inc. exercised their put rights and the Company purchased 532,484 shares at \$6.14 per share for a total amount of \$3.3 million.

Rights Plan

On March 27, 1998, the Board of Directors adopted a Shareholder Rights Plan. The rights were distributed as a dividend of one right for each share of Broadpoint Securities Group, Inc common stock outstanding, with a record date of March 30, 1998. Management believes the Shareholder Rights Plan is intended to deter coercive takeover

tactics and strengthen the Company's ability to deal with an unsolicited takeover proposal.

The rights will expire on March 30, 2008. Each right will entitle the holder to buy one one-hundredth of a newly issued share of preferred stock at an exercise price of \$56.00. The rights will become exercisable at such time as any person or group acquires more than 15% of the outstanding shares of common stock of the Company (subject to certain exceptions) or within 10 days following the commencement of a tender offer that will result in any person or group owning such percentage of the outstanding voting shares.

Upon any person or group acquiring 15% of the outstanding shares of voting stock, each right will entitle its holders to buy shares of Broadpoint Securities Group, Inc. common stock (or of the stock of the acquiring company if it is the surviving entity in a business combination) having a market value equal to twice the exercise price of each right. The rights are redeemable at any time prior to their becoming exercisable.

On May 14th, 2007, in connection with the MatlinPatterson investment transaction, the Company amended the Rights Agreement. Pursuant to the Rights Amendment, the definition of an "Acquiring Person", as defined in the Rights

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Agreement, was amended to provide that MatlinPatterson, its affiliates or any group (as defined in Section 13(d) of the Exchange Act) in which it is a member would not become an Acquiring Person as a result of the execution and delivery of the Voting Agreements (as defined in the Investment Agreement) and the consummation of the transactions contemplated by the Investment Agreement. In addition, the definitions of "Distribution Date" and "Shares Acquisition Date", as defined in the Rights Agreement, were amended to provide that the execution and delivery of the Voting Agreements and the Investment Agreement and the consummation of the investment transaction contemplated by the Investment Agreement would not result in the occurrence of a Distribution Date or a Shares Acquisition Date.

Warrants

In 2003, the Company issued a Senior Note dated June 13, 2003 for \$10 million with a fixed interest rate of 8.5%, payable semiannually and maturing on June 30, 2010. After adjustments related to anti-dilutive provisions stemming from the MatlinPatterson investment there were 511,094 warrants issued to the purchasers of the Senior Note, which are exercisable between \$8.61 and \$9.86 per share through June 13, 2010. The Senior Note was paid in full in March 2006, while the warrants are still outstanding.

Deferred Compensation and Employee Stock Trust

The Company has adopted or may hereafter adopt various nonqualified deferred compensation plans (the "Plans") for the benefit of a select group of highly compensated employees who contribute significantly to the continued growth and development and future business success of the Company. Plan participants may elect under the Plans to have the value of their Plans Accounts track the performance of one or more investment benchmarks available under the Plans, including Broadpoint Securities Group Common Stock Investment Benchmark, which tracks the performance of Broadpoint Securities Group, Inc. common stock ("Company Stock"). With respect to the Broadpoint Securities Group Common Stock Investment Benchmark, the Company contributes Company Stock to a rabbi trust (the "Trust") it has established in connection with meeting its related liability under the Plans. As of February 28, 2007, the Company no longer permits any new amounts to be deferred under its current Plans.

Assets of the Trust have been consolidated with those of the Company. The value of the Company's stock at the time contributed to the Trust has been classified in stockholders' equity and generally accounted for in a manner similar to treasury stock.

The deferred compensation arrangement requires the related liability to be settled by delivery of a fixed number of shares of Company stock. Accordingly, the related liability is classified in equity under deferred compensation and changes in the fair market value of the amount owed to the participant in the Plan is not recognized.

NOTE  
15. Income Taxes

Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between the financial

statement basis and tax basis of existing assets and liabilities. The effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date.

The income tax provision was allocated as follows for the years ended December 31:

(In thousands of dollars)	2007	2006	2005
Loss from continuing operation	\$ (4,703)	\$ (828)	\$ 7,512
Income from discontinued operations	4,747	959	720
Stockholders' equity (additional paid-in capital)	(122)	-	(213)
Total	\$ (78)	\$ 131	\$ 8,019

The Company reported a benefit for federal and state income taxes on continuing operations in 2007 and 2006 despite having a valuation allowance. The Company recognized a gain in discontinued operations for the years ended December 31, 2007 and 2006 due to the sale and related discontinuance of the Municipal Capital Markets division in



Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2007. The Company had losses from continuing operations. Under the accounting for income tax rules described in FASB Statement No. 109, the Company records a benefit in continuing operations to offset tax expense recorded in discontinued operations.

The components of income taxes attributable to loss from continuing operations, net of valuation allowance, consisted of the following for the years ended December 31:

(In thousands of dollars)	2007	2006	2005
Federal			
Current	\$ (3,524)	\$ (501)	\$ (454)
Deferred	-	-	6,496
State and local			
Current	(861)	(327)	(587)
Deferred	(318)	-	2,057
Total income tax expense (benefit)	\$ (4,703)	\$ (828)	\$ 7,512

The expected income tax expense (benefit) using the federal statutory rate differs from income tax benefit pertaining to pretax loss from continuing operations as a result of the following for the years ended December 31:

(In thousands of dollars)	2007	2006	2005
Income taxes at federal statutory rate @ 35%	\$ (11,069)	\$ (16,604)	\$ (2,083)
Graduated tax rates	316	475	60
State and local income taxes, net of federal income taxes and state valuation allowance	(756)	(201)	971
Meals and entertainment	106	134	166
Other compensation	883	365	-
Goodwill impairment	-	2,682	-
Appreciated stock contribution	-	-	(123)
Other, including reserve adjustments	1	436	(72)
Alternative minimum tax	47	21	-
Change in federal and foreign valuation allowance	5,769	11,864	8,593
Total income tax expense (benefit)	\$ (4,703)	\$ (828)	\$ 7,512

The temporary differences that give rise to significant portions of deferred tax assets and liabilities consisted of the following at December 31:

(In thousands of dollars)	2007	2006
Securities held for investment	\$ (1,550)	\$ (209)
Fixed assets	1,685	1,540
Deferred compensation	4,460	8,700
Accrued liabilities	639	1,306
Deferred revenue	(430)	(442)
Net operating loss carryforwards	21,342	9,885

Intangible assets	83	654
Deferred tax assets under FIN 48	366	-
Other	726	332
Total net deferred tax asset before valuation allowance	27,321	21,766
Less valuation allowance	27,003	21,766
Total net deferred tax asset	\$ 318	\$ -

The Company maintains a valuation allowance at December 31, 2007 and 2006 as a result of uncertainties related to the realization of its net deferred tax asset. The valuation allowance was established as a result of weighing all positive and negative evidence, including the Company's history of cumulative losses over the past three years and the difficulty of forecasting future taxable income. The valuation allowance reflects the conclusion of management that is

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

more likely than not that the benefit of the deferred tax assets will not be realized. The Company recorded a net change in its deferred tax valuation allowance in 2007 of \$5.2 million and in 2006 of \$12.5 million

At December 31, 2007, the Company had federal net operating loss carryforwards of \$51.8 million, which expire between 2023 and 2027. At December 31, 2007, the Company had state net operating loss carryforwards for tax purposes approximating \$47.0 million, which expire between 2008 and 2027. These net operating loss carryforwards are subject to an annual limitation on their use pursuant to IRC Section 382 discussed below.

As a result of the closing of the MatlinPatterson investment transaction on September 21, 2007 the Company underwent a change in ownership within the meaning of Section 382 of the Internal Revenue Code (“IRC Section 382”). In general, IRC Section 382 places an annual limitation on the use of certain tax attributes such as net operating losses and tax credit carryovers in existence at the ownership change date. The Company has determined that the annual limitation on the use of its net operating loss carryforwards is approximately \$1.1 million per year. As a result, the Company has determined that a significant portion of its net operating loss carryforwards will expire unutilized.

The Company applies the “with and without” intra-period tax allocation approach described in the Emerging Issues Task Force (EITF) release Topic D-32 in determining the order in which tax attributes are considered. Under this approach a windfall benefit is recognized in additional paid-in capital only if an incremental benefit is provided after considering all other tax attributes presently available to the Company. The Company measures windfall tax benefits considering only the direct effects of the stock option deduction. In the current year there was no windfall tax benefits, only tax shortfalls, the tax impact of which was offset by the change in the valuation allowance.

The Company has elected to apply the alternative transition method to calculate the historical pool of windfall tax benefits available as of the date of adoption of FAS 123(R) as described in FASB Staff Position No. FAS 123(R)-3.

As of January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (“FIN 48”). As a result of the implementation of FIN 48, the Company recorded an increase in tax reserves of \$0.7 million. The increase in tax reserves had two components, \$0.6 million of which was accounted for as a reduction to the January 1, 2007 balance of retained earnings and \$0.1 million which was accounted for as a reduction to the valuation allowance. Upon adoption and at December 31, 2007, the liability for unrecognized tax benefits, including applicable interest and penalties, was \$1.0 million and \$1.1 million, respectively.

The following table summarizes the activity related to our unrecognized tax benefits:

(In thousands of dollars)	
Balance January 1, 2007	\$ 974
Gross increases related to current year tax positions	-
Gross increases related to prior years tax positions	384
Gross decreases related to prior years tax positions	-
Expiration of the statute of limitations for the assessment of taxes	(214)
Decrease related to settlements with Tax Authorities	-
Balance December 31, 2007	\$ 1,144

At adoption, the amount of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate totals \$0.6 million when the Company maintains a full valuation allowance and \$0.5 million with no valuation allowance. The corresponding amounts at December 31, 2007 are \$0.7 million with a valuation allowance and \$0.8 million without.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and local jurisdictions. As of January 1, 2007 and December 31, 2007, with few exceptions, the Company and its subsidiaries were no longer subject to U.S. federal tax or state and local income tax examinations for years before 2003 and 2004, respectively. There are no returns currently under examination. However, net operating loss carryforwards existing at January 1, 2007 and December 31, 2007 could potentially be adjusted when utilized.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company's continuing practice is to recognize interest and penalties related to income tax matters as a component of income tax. As of January 1, 2007 and December 31, 2007, the Company had accrued approximately \$0.1 million and \$0.2 million, respectively, of interest and penalties included as a component of the unrecognized tax benefit. During the year ended December 31, 2007, \$0.1 million of interest and penalties has been recognized as a component of income tax.

The unrecognized tax benefits of the Company could significantly change over the next twelve months due to the expiration of the statute of limitations on approximately \$0.8 million of unrecognized tax benefits.

NOTE  
16. Benefit Plans

The Company has established several stock incentive plans through which employees of the Company may be awarded stock options, stock appreciation rights, restricted stock/restricted stock units, which expire at various times through April 25, 2017. The following is a recap of all plans as of December 31, 2007:

Shares authorized for issuance	13,566,561
Share awards used:	
Stock options granted and outstanding	1,035,962
Restricted stock awards granted and unvested	87,882
Restricted stock units granted and unvested	4,455,000
Restricted stock units granted and vested	570,000
Restricted stock units committed not yet granted	1,500,000
Total share awards used	7,648,844
Shares available for future awards	5,917,717

For the twelve-month period ended December 31, 2007 and December 31, 2006, total compensation expense for share based payment arrangements was \$5.6 million and \$7.9 million, respectively and the related tax benefit was \$0.0 for both periods. At December 31, 2007, the total compensation expense related to non-vested awards, which are expected to vest, not yet recognized is \$7.8 million, which is expected to be recognized over the remaining weighted average vesting period of 2.7 years. At December 31, 2006, the total compensation expense related to non-vested awards not yet recognized was \$7.1 million. The amount of cash used to settle equity instruments granted under share based payment arrangements during the twelve-month period ended December 31, 2007 was \$0.0.

The Incentive Plan pursuant to which 13.6 million shares are authorized to be issued allows awards in the form of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code), nonqualified stock options,

stock appreciation rights, performance awards, or other stock based awards. The plan imposes a limit on the number of shares of our common stock that may be subject to awards. An award relating to shares may be granted if the aggregate number of shares subject to then-outstanding awards plus the number of shares subject to the award being granted do not exceed 25% of the number of shares issued and outstanding immediately prior to the grant. The number of shares issued to MatlinPatterson and its co-investors was subject to upward adjustment within 60 days of the Closing in accordance with the terms of the Investment Agreement based on final calculations of the Company's net tangible book value per share. The Company issued 3.6 million additional shares of common stock pursuant to the upward adjustment. This adjustment would increase the shares authorized for issuance under the plan based on the formula referenced above.

The restricted stock units committed but not yet granted are based on employment agreements for the Chairman and Chief Executive Officer and the President and Chief Operating Officer. The employment agreements include a set vesting schedule and performance targets yet to be determined. On February 6, 2008, the Company's Board of Directors authorized, subject to the approval of the Company's stockholders, an additional 10,675,000 shares for issuance pursuant to the Plan.

Cumulative Effect of Accounting Change: Upon adoption of FAS 123(R) Share-Based Payment on January 1, 2006, the Company recognized an after-tax gain of approximately \$0.4 million as the cumulative effect of a change in

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

accounting principle, primarily attributable to the requirement to estimate forfeitures at the date of grant instead of recognizing them as incurred.

The following table reflects the effect on net income if the fair value based method had been applied to all outstanding and unvested stock options for year ended December 31, 2005.

(In thousands of dollars)	2005
Loss, as reported	\$(10,217)
Add:	
Stock-based employee compensation expense included in reported net loss, net of tax	194
Less: Total stock-based employee compensation expense determined under fair value based method for all stock options, net of tax	(703)
Pro forma net loss	\$(10,726)
Earnings per share	
As reported	
Basic	\$ (0.74)
Diluted	\$ (0.74)
Pro forma	
Basic	\$ (0.78)
Diluted	\$ (0.78)

Options: Options granted under the plans established by the Parent have been granted at not less than fair market value, vest over a maximum of five years, and expire ten years after grant date. Unvested options are typically forfeited upon termination. Option transactions for the two year period ended December 31, 2007, under the plans

were as follows:

	Shares Subject to Option	Weighted Average Exercise Price
Balance at December 31, 2005	2,492,809	\$ 8.40
Options granted	-	-
Options exercised	(9,468)	5.77
Options forfeited	(656,515)	8.31
Balance at December 31, 2006	1,826,826	8.45
Options granted	100,000	1.64
Options exercised	-	-
Options terminated	(890,864)	7.93
Balance at December 31, 2007	1,035,962	\$ 8.24

At December 31, 2007, the stock options that were exercisable had a remaining average contractual term of 3.1 years. At December 31, 2007, 1,035,962 options outstanding had an intrinsic value of \$0. At December 31, 2007, 100,000 unvested options, which are expected to vest, had an intrinsic value of \$0.



Broadpoint Securities Group, Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes information about stock options outstanding under the plans at December 31, 2007:

Exercise Price Range	Outstanding			Exercisable	
	Shares	Average Life (years)	Average Exercise Price	Shares	Average Exercise Price
\$1.64 - \$6.44	247,565	5.42	\$ 4.03	147,564	\$ 5.66
\$6.53 - \$9.14	621,188	1.97	8.32	621,188	8.32
\$9.47 - \$13.26	10,000	5.69	13.05	10,000	13.05
\$13.35 - \$14.64	157,209	3.47	14.23	157,209	14.23
	1,035,962	3.06	\$ 8.24	935,961	\$ 8.95

At December 31, 2006, 1,804,056 options with an average exercise price of \$8.40 were exercisable; and at December 31, 2005, 2,329,671 options with an average exercise price of \$8.25 were exercisable.

The Black-Scholes option pricing model is used to determine the fair value of options granted. For the twelve-month period ended December 31, 2007, significant assumptions used to estimate the fair value of share based compensation awards include the following:

	2007	2006	2005
Expected term-option	6.00	-	5.34
Expected volatility	44%	-	41%
Expected dividends	-	-	2.97%
Risk-free interest rate	4.9%	-	3.8%

Since no options were granted during 2006, the above assumptions were not established for 2006.

**Restricted Stock Awards/Restricted Stock Units:** Restricted stock awards under the plans have been valued at the market value of the Company's common stock as of the grant date and are amortized over the period in which the restrictions are outstanding, which is typically 2-3 years. The Incentive Plan also allows for grants of restricted stock units. Restricted stock units give a participant the right to receive fully vested shares at the end of a specified deferral period. Restricted stock units are generally subject to forfeiture conditions similar to those of the Company's restricted stock awards granted under its other stock incentive plans historically. One advantage of restricted stock units, as compared to restricted stock, is that the period during which the award is deferred as to settlement can be extended past the date the award becomes non-forfeitable, allowing a participant to hold an interest tied to common stock on a tax deferred basis. Prior to settlement, restricted stock units carry no voting or dividend rights associated with the stock ownership. On September 21, 2007, the Company granted 5.0 million restricted stock units valued at the market

Edgar Filing: BROADPOINT SECURITIES GROUP, INC. - Form 10-K/A

value of the company's common stock as of the grant date. Restricted stock awards/Restricted stock units for the year ended December 31, 2007, under the plans were as follows:

	Unvested Restricted Stock Awards	Weighted Average Grant-Date Restricted Stock	Unvested Restricted Stock Units	Weighted Average Grant Date Fair Value Restricted Stock Unit
Balance at December 31, 2005	2,234,325	10.43	-	-
Granted	932,212	4.58	-	-
Vested	(1,011,993)	10.37	-	-
Forfeited	(366,480)	8.91	-	-
Balance at December 31, 2006	1,788,064	7.73	-	-
Granted			- 5,025,000	1.54
Vested	(1,051,804)	9.38	(570,000)	1.54
Forfeited	(648,378)	6.04	-	-
Balance at December 31, 2007	87,882	4.96	4,455,000	1.54

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The total fair value of awards vested, based on the market value of the stock on the vest date, during the twelve-month periods ending December 31, 2007 and 2006 was \$1.9 million and \$5.8 million, respectively.

**Stock Based Compensation Awards:** On January 20, 2007, the Company announced an offer to eligible employees of the opportunity to rescind certain restricted stock award agreements held by such eligible employees in return for an award of stock appreciation rights. On May 17, 2007, the Company announced its determination to amend and terminate this offer. Such actions, together with the termination of the Company's previously announced plan to reprice outstanding employee stock options, had been agreed to by the Company as part of the Company's agreement with MatlinPatterson FA Acquisition LLC (refer to the Note 14) pursuant to which the Company agreed to terminate the offer and its previously announced plans to reprice outstanding employee stock options. The offer terminated at 11:59 p.m. EDT, May 23, 2007. As a result of this termination, the Company did not accept any tendered eligible restricted shares and all such shares remained outstanding pursuant to their original terms and conditions, including their vesting schedule.

Other

The Company also maintains a tax deferred profit sharing plan (Internal Revenue Code Section 401(k) Plan), which permits eligible employees to defer a percentage of their compensation. Company contributions to eligible participants may be made at the discretion of the Board of Directors. The Company expensed \$0.1 million, \$0.2 million, and \$0.2 million in each of the years ended December 31, 2007, 2006, and 2005 respectively.

The Company has various other cash and benefit programs that are offered to eligible employees. Amounts awarded vest over periods ranging up to five years. Costs are amortized over the vesting period, and approximated to be \$0.6 million in 2007, \$2.6 million in 2006, and \$2.5 million in 2005. In conjunction with the sale of the Municipal Capital Markets Group, approximately \$0.01 million in deferred compensation was forfeited. Also, due to the changes in control which occurred on September 21, 2007 as a result of the MatlinPatterson investment transaction, \$0.04 million in expense was recognized as accelerated vesting under the Plans.

At December 31, 2007 and December 31, 2006, there was approximately \$2.9 million and \$4.5 million, respectively, of accrued compensation on the Statements of Financial Condition related to deferred compensation plans provided by the Company, which will be paid out between 2008 and 2016. As of February 28, 2007, the Company no longer permits any new amounts to be deferred under these plans.

NOTE  
17. Net Capital Requirements

Broadpoint Capital is subject to the net capital requirements of Rule 15c3-1 Securities and Exchange Act (the "Net Capital Rule") which requires the maintenance of a minimum net capital. Broadpoint Capital has elected to use the alternative method permitted by the rule, which requires it to maintain a minimum net capital amount of 2% of aggregate debit balances arising from customer transactions as defined or \$1 million, whichever is greater. As of December 31, 2007, Broadpoint Capital had aggregate net capital, as defined, of \$9.1 million, which equaled 278.92% of aggregate debit balances and \$8.1 million in excess of required minimum net capital.

Broadpoint Securities is also subject to the Net Capital Rule which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to the net capital, both as defined, shall not exceed 15:1. The rule also provided that capital may not be withdrawn or cash dividends paid, if the resulting net capital ratio would exceed 10:1. At December 31, 2007, Broadpoint Securities had net capital of \$21.1 million, which was \$20.8 million in excess of its required minimum net capital of \$0.3 million. Broadpoint Securities ratio of aggregate indebtedness to net capital was 0.24:1.

NOTE  
18. Trading Activities

As part of its trading activities, the Company provides brokerage and underwriting services to institutional clients. While trading activities are primarily generated by client order flow, the Company also takes proprietary positions based on expectations of future market movements and conditions and to facilitate institutional client transactions.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Interest revenue and expense are integral components of trading activities. In assessing the profitability of trading activities, the Company views net interest and principal transactions revenues in the aggregate. Certain trading activities expose the Company to market and credit risks.

Market Risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest rates, equity prices, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded.

As of December 31, 2007, the Company had approximately \$0.1 million of securities owned which were considered non-investment grade. Non-investment grade securities are defined as debt and preferred equity securities rated as BB+ or lower or equivalent ratings by recognized credit rating agencies. These securities have different risks than investment grade rated investments because the companies are typically more highly leveraged and therefore more sensitive to adverse economic conditions and the securities may be more thinly traded or not traded at all.

The following describes the types of market risk faced by the Company:

**Interest Rate Risk:** Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

**Equity Price Risk:** Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities.

The Company also has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at December 31, 2007 at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2007.

Concentrations of Credit Risk

The Company's exposure to credit risk associated with its trading and other activities is measured on an individual counter party basis, as well as by groups of counter parties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. The Company's most significant industry credit concentration is with financial institutions. Financial institutions include other brokers and dealers, commercial banks, finance companies, insurance companies and investment companies. This concentration arises in the normal course of the Company's brokerage, trading, financing, and underwriting activities. To reduce the potential for concentration of risk, credit limits are established and monitored in light of changing counter party and market conditions. The Company also purchases securities and may have significant positions in its inventory subject to market and credit risk. Should the Company find it necessary to sell such a security, it may not be able to realize the full carrying value of the security due to the significance of the position sold.

One of the Company's affiliates, Broadpoint Securities, customers' securities transactions are cleared through a third party under a clearing agreement. Under this agreement, the clearing agent executes and settles customer securities

transactions, collects margin receivables related to these transactions, monitors the credit standing and required margin levels related to these customers and, pursuant to margin guidelines, requires the customer to deposit additional collateral with them or to reduce positions, if necessary.

In the normal course of business Broadpoint Securities guarantees certain service providers, such as clearing and custody agents, trustees, and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including subcustodians and third-party transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE  
19. Derivative Financial Instruments

The Company does not engage in the proprietary trading of derivative securities. In 2006, the Company traded in highly liquid treasury and municipal index futures contracts and options. These index futures contracts and options were used primarily to hedge securities positions in the Municipal Capital Markets and Fixed Income Middle Markets inventory which was discontinued in September and June of 2007, respectively.

Open equity in the futures contracts in the amount of \$0.0 million and \$2.4 million at December 31, 2007 and 2006, respectively, are recorded as other assets.

NOTE  
20. Segment Analysis

The Company is organized around products and operates through three segments: Equities, Fixed Income and Other. The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

The Company's Equities business is comprised of equity sales and trading and equities investment banking services. Equities sales and trading provides equity trade execution to institutional investors and generates revenues primarily through commissions and sales credits earned on executing equity transactions. Equities investment banking generates revenues by providing financial advisory, capital raising, mergers and acquisitions, and restructuring services to small and mid-cap companies.

The Fixed Income business consists of fixed income sales and trading and fixed income investment banking. Fixed Income sales and trading provides trade execution to institutional investors and generates revenues primarily through commissions and sales credits earned on executing fixed income transactions in the following products:

- Mortgage-Backed and Asset-Backed Securities
- High Grade Bonds (Investment Grade and Government Bonds)

Fixed Income investment banking generates revenues by providing financial advisory and capital raising services in structuring asset-backed securities.

The Company's Other segment includes the results from the Company's investment portfolio, venture capital, and costs related to corporate overhead and support. The Company's investment portfolio generates revenue from unrealized gains and losses as a result of changes in value of the firm's investments and realized gains and losses as a result of sales of equity holdings. The Company's venture capital business generates revenue through the management of and investment in FA Technology Ventures Inc. and other venture capital funds. Restructuring expenses result from the Company's plan announced on October 17, 2007 whereby the Company determined that it will outsource certain of its administrative functions, consolidate certain of such functions in its New York City location, and reduce staff in order to properly size its business consistent with its current level of activity.

During 2007, the Company discontinued its Municipal Capital Markets and Taxable Municipal groups, which were previously included in the fixed income segment. Also in 2007 the Company discontinued the Fixed Income Middle Markets group, which was previously included in the Fixed Income Other segment.

During 2006, the Company discontinued its Taxable Fixed Income corporate bond segment and its Institutional Convertible Bond Arbitrage Advisory Group subsidiary which was previously included in the "Other" segment (see Note 22). 2006 and 2005 amounts have been reclassified to conform to the 2007 presentation.

Intersegment revenue has been eliminated for purposes of presenting net revenue so that all net revenue presented is from external sources. Interest Income is allocated to the operating segments and is presented net of interest expense for purposes of assessing the performance of the segment.



Broadpoint Securities Group, Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Information concerning operations in these segments is as follows for the years ended December 31:

(In thousands of dollars)	2007	2006	2005
Net revenue (including net interest income)			
Equities	\$ 19,324	\$ 60,472	\$ 60,936
Fixed Income	15,263	17,560	18,198
Other	5,497	(5,144)	26,117
Total Net Revenue	\$ 40,084	\$ 72,888	\$ 105,251
Net interest income (included in total net revenue)			
Equities	\$ 3	\$ (7)	\$ 13
Fixed Income	136	(794)	1,972
Other	1,473	679	1,342
Total Net Interest Income	\$ 1,612	\$ (122)	\$ 3,327
Income/(loss) before income taxes, discontinued operations and cumulative effect of an accounting change			
Equities	\$ (13,677)	\$ 3,559	\$ (957)
Fixed Income	2,757	(922)	(3,097)
Other	(20,705)	(50,078)	(1,896)
Income/loss before income taxes, discontinued operations and cumulative effect of an accounting change	\$ (31,625)	\$ (47,441)	\$ (5,950)

For presentation purposes, net revenue within each of the businesses is classified as sales and trading, investment banking, or net interest / other. Sales and trading net revenue includes commissions and principal transactions. Investment banking includes revenue related to underwritings and other investment banking transactions. Investment gains (losses) reflects gains and losses on the Company's investment portfolio. Net interest / other includes interest income, interest expense, fees and other revenue. Net revenue presented within each category may differ from that presented in the financial statements as a result of differences in categorizing revenue within each of the revenue line items listed below for purposes of reviewing key business performance.

The following table reflects revenues for the Company's major products and services:

(In thousands of dollars)	2007	2006	2005
Net revenues:			
Institutional Sales & Trading			
Equities	\$ 11,285	\$ 32,994	\$ 40,749
Fixed Income	14,373	18,145	15,868
Total Institutional Sales & Trading	25,658	51,139	56,617
Investment Banking			
Equities	7,427	27,065	19,899
Fixed Income	730	223	369
Total Investment Banking	8,157	27,288	20,268
Net Interest/Other	772	(395)	2,248
Total Net Revenues	\$ 34,587	\$ 78,032	\$ 79,133

The Company's segments financial policies are the same as those described in Note 21. Asset information by segment is not reported since the Company does not produce such information. All assets are located in the United States of America. Prior periods' financial information has been reclassified to conform to the current presentation.

NOTE  
21. New Accounting Standards

In May 2007, the FASB issued FASB Staff Position ("FSP") FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48" (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective retroactively to January 1, 2007. The implementation of this standard did not have a material impact on the Company's consolidated statement of financial condition or results of operations.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In September 2006, the FASB issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements” (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007.

In February 2008, the FASB issued FSP 157-2 “Partial Deferral of the Effective Date of Statement 157” (FSP 157-2). FSP 157-2 delays the effective date of SFAS No. 157, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The Company is currently assessing the impact of SFAS No. 157-2 on the Company’s consolidated statement of financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities” (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on the Company’s consolidated statement of financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 141(revised 2007), “Business Combinations” (SFAS No. 141R). SFAS No. 141R provides revised guidance on how acquirers recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, noncontrolling interests, and goodwill acquired in a business combination. SFAS No. 141R also expands required disclosures surrounding the nature and financial effects of business combinations. SFAS No. 141R is effective, on a prospective basis, for fiscal years beginning after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (SFAS No. 160). SFAS No. 160 establishes requirements for ownership interests in subsidiaries held by parties other than the Company (sometimes called “minority interests”) be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent’s equity. All changes in the parent’s ownership interests are required to be accounted for consistently as equity transactions and any noncontrolling equity investments in deconsolidated subsidiaries must be measured initially at fair value. SFAS No. 160 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. However, presentation and disclosure requirements must be retrospectively applied to comparative financial statements. The Company is currently assessing the impact of SFAS No. 160 on the consolidated statement of financial condition and results of operations.

NOTE  
22. Discontinued Operations

On September 14, 2007, the Company completed the asset sale agreement with DEPFA Bank plc (“DEPFA”) for the sale of the Municipal Capital Markets Group of the Company’s subsidiary, Broadpoint Capital in connection with which the Company recognized a pre-tax gain on sale in the amount of \$7.9 million. In June 2007, the Company closed its Fixed Income Middle Markets group following the departure of the employees of the group. In April 2007, the Company closed its Institutional Convertible Bond Arbitrage Advisory Group after committing to a plan to

dispose of the group in September 2006.

Additionally, in May 2006, the Company closed its Taxable Fixed Income corporate bond division. In February 2005, the Company sold its asset management operations, other than its institutional convertible arbitrage group, and, in 2000 sold its Private Client Group. The Company continues to report the receipt and settlement of pending contractual obligations related to these transactions as discontinued operations.

Broadpoint Securities Group, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amounts reflected in the Consolidated Statements of Operations are presented in the following table:

(In thousands of dollars)	Years Ended December 31		
	2007	2006	2005
Net revenues			
Municipal Capital Markets	\$ 22,259	\$ 36,724	\$ 41,546
Gain on Sale of Municipal Capital Markets	7,944	-	-
Fixed Income Middle Markets	1,160	5,175	4,734
Convertible Bond Arbitrage	128	444	589
Taxable Fixed Income	94	3,083	14,029
Asset Management Business	-	-	162
Private Client Group	-	-	49
Total net revenues	31,585	45,426	61,109
Expenses			
Municipal Capital Markets	17,717	30,837	32,050
Fixed Income Middle Markets	955	2,892	2,578
Convertible Bond Arbitrage	523	1,315	1,237
Convertible Bond Arbitrage-Impairment Loss	-	1,534	-
Taxable Fixed Income	103	5,586	20,031
Asset Management Business	-	14	499
Private Client Group	80	84	749
Total expenses	19,378	42,262	57,144
Income before income taxes	12,207	3,164	3,965
Income tax expense	4,747	959	720
Net Income	\$ 7,460	\$ 2,205	\$ 3,245

#### Municipal Capital Markets

The revenue and expenses for the Municipal Capital Markets division of the periods above reflect the activity of that operation thru September 14, 2007. On September 14, 2007, the Municipal Bond Inventory Purchase Price was approximately \$48.0 million. The carrying value of assets of the division at December 31, 2006 and 2005 were approximately \$156 million and \$169 million respectively. The Company allocated interest expense to the division for the years ended December 31, 2007, 2006, and 2005, based on the level of securities owned, attributable to this division. The Company had allocated interest expense to this division in the amounts of \$5.5 million, \$7.5 million and \$6.2 million for the years ended December 31, 2007, 2006, and 2005, respectively based on the debt identified as being specifically attributed to these operations.

#### Fixed Income Middle Markets

The revenues and expenses for the Fixed Income Middle Market division reflect the activity of that operation through June 22, 2007. The Company allocated interest expense to the division for the years ended December 31, 2007, 2006 and 2005, based on the level of securities owned, attributable to this division. The Company had allocated interest

expense to this division in the amounts of \$1.3 million, \$2.9 million and \$2.2 million for the years ended December 31, 2007, 2006 and 2005, respectively, based on debt identified as being specifically attributed to those operations. Such amounts are included net of interest income and included in total net revenues.

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Convertible Bond Arbitrage Advisory Group

The revenues and expenses for the Institutional Convertible Bond Arbitrage Advisory Group (the “Group”) reflect the activity of that operation prior to being disposed of in April 2007. The Company had allocated interest expense to the Group operation in the amounts of \$0.0 million, \$0.1 million and \$0.2 million for the years ended December 31, 2007, 2006 and 2005, respectively, based on debt identified as being specifically attributed to those operations. For information on the impairment loss for the year ended December 31, 2006 related to the disposition of the group, see the Note 7. Interest is allocated primarily based on intercompany receivable/payables.

Taxable Fixed Income

The revenue and expense of the Taxable Fixed Income Corporate Bond division for the year ended December 31, 2005, represents the activity of the operations during that time period. The revenues and expenses of the Taxable Fixed Income Corporate Bond division for the year ended December 31, 2007 and 2006, include the activity of the operation, including \$1.7 million of costs related to closing of this division, all of which was paid prior to December 31, 2006, as well as other various residual activity in 2007 and 2006. No interest has been allocated to Taxable Fixed Income since this division was closed. Prior to closing this division, interest was allocated primarily based on the level of securities owned attributable to this division.

Asset Management Operations

The revenue and expense of the Asset Management operations reflect the activity of that operation through February 2005, when it was sold, while the 2007 and 2006 activity reflects write-downs of receivables related to this operation following its sale. The Company had allocated interest expense to the asset management. Interest is allocated primarily based on intercompany receivables/payables.

Private Client Group

The Private Client Group’s expense for the year ended December 31, 2007 and 2006 relates primarily to legal matters which were related to the operations prior to its disposal offset by the reversal of \$0.3 million in costs related to previously impaired space which was put into service. The revenue and expense of the Private Client Group for the year ended December 31, 2005, related primarily to certain legal matters which were related to the operation prior to its disposal. For the periods presented, interest was not allocated to the Private Client Group.

NOTE  
23. Restructuring

On October 17, 2007, the Company announced a plan whereby the Company determined that it will outsource certain of its administrative functions, consolidate certain of such functions in its New York City location, and reduce staff in order to properly size its business consistent with its current levels of activity. In connection with the plan, the Company recognized approximately \$2.7 million in 2007 of which \$1.1 million relates to termination benefits and \$1.6 million is related to occupancy and other expenses. The Company currently expects to complete the plan in the

second quarter 2008 and expects to incur \$1.9 million to \$2.1 million in additional restructuring costs.

This plan will result in the termination of certain employees, the possible relocation of other employees and the closure of the Company's Albany, New York office. The Company currently expects to complete the plan by the second quarter, 2008. Approximately thirty percent of the workforce of the Company will be affected by the plan, with the majority of the affected employees employed by one of the Company's principal operating subsidiaries, Broadpoint Capital.



Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

A summary of restructuring charges incurred as part of the Plan for the year ended December 31, 2007 follows:

(In thousands of dollars)	
Severance	\$ 1,108
Exit Costs	1,019
Asset Impairments	538
Other	33
Total Restructuring Charges	\$ 2,698

NOTE  
24. Subsequent Events

On January 11, 2008, each of our broker-dealer subsidiaries, Broadpoint Capital, Inc. (“Broadpoint Capital”) and Broadpoint Securities, Inc. (“Broadpoint Securities” and together with Broadpoint Capital, our “Subsidiaries”), entered into a Fully Disclosed Clearing Agreement with Ridge Clearing & Outsourcing Solutions, Inc. (“Ridge”) whereby Ridge agreed to provide certain execution and clearing services, on a fully disclosed basis, to our Subsidiaries and their customers. The initial term of Broadpoint Capital’s agreement commences upon approval of the Financial Industry Regulatory Authority and continues for three (3) of the first trade at Broadpoint Capital which has not yet occurred. The initial term of Broadpoint Securities’ agreement commenced on January 11, 2008 and continues through January 11, 2011.

On February 26, 2008, Broadpoint Capital entered into a Fully Disclosed Clearing Agreement (“the Pershing Clearing Agreement”) with Pershing LLC (“Pershing”) whereby Pershing agreed to provide certain execution and clearing services to Broadpoint Capital and its customers. The initial term of the Pershing Clearing Agreement commenced on February 29, 2008. The Pershing Clearing Agreement may be terminated by either party without cause upon ninety days prior notice.

On February 29, 2008, the Company and MatlinPatterson entered into a Voting Agreement (the “Voting Agreement”) whereby MatlinPatterson agreed to vote its shares in the Company in favor of an increase in the number of authorized shares under the Company’s 2007 Incentive Compensation Plan (the “Plan”) to be submitted to shareholders at the Company’s 2008 Annual Meeting. The Voting Agreement was entered into in connection with the transaction discussed in the next paragraph for the purpose of allowing certain new employees to be awarded restricted stock units and/or shares of restricted stock under the Plan.

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 the acquisition of certain related assets. The Company has formed a new Debt Capital Markets group within our Fixed Income segment with the new employers that operates a comprehensive sales and trading platform that specializes in high yield, distressed, investment grade corporate, treasury, government agency, convertible bond, and equity securities.

On March 4, 2008 the Company entered into a stock purchase agreement (the “Stock Purchase Agreement”) with MatlinPatterson, Mast Credit Opportunities I Master Fund Limited, a Cayman Islands corporation (“Mast”) and certain Individual Investors listed on the signature pages to the Stock Purchase Agreement (the “Individual Investors”, and together with the MatlinPatterson and Mast, the “Investors”) for the issuance and sale of 11,579,592 newly-issued unregistered shares of common stock of the Company, par value \$0.01 per share (the “Common Stock”), for an aggregate cash purchase price of approximately \$19.7 million (the “Private Placement”).

In connection with the Private Placement, the Company entered into the following material agreements effective on March 4, 2008.

#### Stock Purchase Agreement

Pursuant to the terms of the Stock Purchase Agreement, the Company issued and sold 11,579,592 shares of common

Broadpoint Securities Group, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

stock of the Company (the “Shares”) to the Investors, with 7,058,824 shares being issued to Mast, 1,594,000 shares being issued to the MatlinPatterson and 2,926,768 shares issued to the Individual Investors. The Shares were sold for an aggregate purchase price of approximately \$19.7 million, with the proceeds from the sale to be used for working capital.

Registration Rights Agreement

Concurrently with the execution of the Stock Purchase Agreement, the Company entered into a Registration Rights Agreement, dated as of March 4, 2008 (the “Mast Registration Rights Agreement”), with Mast with respect to the shares that Mast purchased in the Private Placement (the “Mast Shares”). Pursuant to the Mast Registration Rights Agreement, the Company is required to file within 30 days following March 4, 2008 a registration statement with the Securities and Exchange Commission for the registration resale of the Mast Shares in an offering on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (the “Mast Shelf Registration”). The Company is required to have the registration statement declared effective as promptly as possible but in any event within 120 days after the filing thereof. The Company will bear all of the costs of the Mast Shelf Registration other than underwriting discounts and commissions and certain other expenses.

The Mast Registration Rights Agreement also contains customary indemnification provisions that obligate the Company to indemnify and hold harmless Mast, and if applicable, their controlling persons and their officers, directors, partners and employees and any underwriter for losses caused by (i) any untrue statement of material fact or omission of a material fact in the Mast Shelf Registration statement or any prospectus included therein, (ii) the violation by the Company of the Securities Act or the Exchange Act of 1934, as amended, or any rule or regulation thereunder relating to the Company’s acts or omissions in connection with the Mast Shelf Registration Statement. The Mast Registration Rights Agreement also contains other customary terms found in such agreements, including provisions concerning registration procedures and payments to Mast in the event the registration statement is not filed and declared effective by the respective dates set forth in the Mast Registration Rights Agreement.

Amendment No.1 to the Registration Rights Agreement

Concurrently with the execution of the Stock Purchase Agreement, the Company also entered into an Amendment No.1 to the Registration Rights Agreement, dated as of March 4, 2008 (“Amendment No.1”), by and among the Company, MatlinPatterson, Mr. Fine and Mr. Tirschwell (Messrs. Fine and Tirschwell collectively, the “Other Investors”) which amended the terms of the Registration Rights Agreement, dated as of September 21, 2007 (the “MatlinPatterson Registration Rights Agreement”) by and among the Company, MatlinPatterson and the Other Investors. Prior to the execution of the Stock Purchase Agreement, MatlinPatterson owned approximately 71.7% of the outstanding Common Stock of the Company. Each of the Other Investors are senior officers of Broadpoint Securities, Inc.

On March 14, 2008, the Board of Directors of the Company appointed Mr. Robert I. Turner Chief Financial Officer effective March 31, 2008. C. Brian Coad, the Company’s current Chief Financial Officer, will continue as the Company’s Chief Financial Officer until that time, at which point Mr. Coad has informed the Company that he will leave the Company.

In connection with Mr. Turner's appointment, the Company entered into a letter agreement and a non-compete and non-solicit agreement with him.

On March 14, 2008, the Company entered into a severance agreement with Mr. Coad that provides for the termination of Mr. Coad's employment with the Company on March 31, 2008.

Broadpoint Securities Group, Inc.

## SUPPLEMENTARY DATA

## SELECTED QUARTERLY FINANCIAL DATA

(Unaudited)

(In thousands of dollars, except per share data)

	2007 Quarters Ended			
	Mar 31	Jun 30	Sep 30	Dec 31
Total revenues	\$ 12,084	\$ 11,411	\$ 10,453	\$ 13,163
Interest expense	1,062	1,610	1,770	2,585
Net revenues	11,022	9,801	8,683	10,578
Total expenses (excluding interest)	17,437	15,578	18,548	20,146
Loss before income taxes	(6,415)	(5,777)	(9,865)	(9,568)
Income tax expense (benefit)	(357)	(146)	(2,966)	(1,234)
Loss from continuing operations	(6,058)	(5,631)	(6,899)	(8,334)
Income (loss) from discontinued operations, net of taxes	1,596	654	5,224	(14)
Loss before cumulative effect of an accounting change	(4,462)	(4,977)	(1,675)	(8,348)
Cumulative effect of an accounting change, net of taxes	-	-	-	-
Net loss	\$ (4,462)	\$ (4,977)	\$ (1,675)	\$ (8,348)
Net income (loss) per common and common equivalent share				
Basic				
Continuing operations	\$ (0.39)	\$ (0.36)	\$ (0.34)	\$ (0.14)
Discontinued operations	0.10	0.04	0.26	0.00
Cumulative effect of an accounting change	-	-	-	-
Net income (loss)	\$ (0.29)	\$ (0.32)	\$ (0.08)	\$ (0.14)
Dilutive				
Continuing operations	\$ (0.39)	\$ (0.36)	\$ (0.34)	\$ (0.14)
Discontinued operations	0.10	0.04	0.26	0.00
Cumulative effect of an accounting change	-	-	-	-
Net income (loss)	\$ (0.29)	\$ (0.32)	\$ (0.08)	\$ (0.14)

The sum of the quarter earnings per share amount does not always equal the full fiscal year's amount due to the effect of averaging the number of shares of common stock and common stock equivalents throughout the year.

Broadpoint Securities Group, Inc.

## SUPPLEMENTARY DATA

## SELECTED QUARTERLY FINANCIAL DATA

(Unaudited)

(In thousands of dollars, except per share data)

	2006 Quarters Ended			
	Mar 31	Jun 30	Sep 30	Dec 31
Total revenues	\$ 19,019	\$ 32,329	\$ 12,572	\$ 17,386
Interest expense	2,609	2,196	1,687	1,925
Net revenues	16,410	30,133	10,885	15,461
Total expenses (excluding interest)	29,763	35,532	24,184	30,850
Loss before income taxes	(13,353)	(5,399)	(13,299)	(15,389)
Income tax expense	(55)	53	(71)	(755)
Loss from continuing operations	(13,298)	(5,452)	(13,228)	(14,634)
Income (loss) from discontinued operations, net of taxes	653	(722)	802	1,471
Loss before cumulative effect of an accounting change	(12,645)	(6,174)	(12,426)	(13,163)
Cumulative effect of an accounting change, net of taxes	427	-	-	-
Net loss	\$ (12,218)	\$ (6,174)	\$ (12,426)	\$ (13,163)
Net income (loss) per common and common equivalent share				
Basic				
Continuing operations	\$ (0.86)	\$ (0.35)	\$ (0.89)	\$ (0.98)
Discontinued operations	0.04	(0.05)	0.06	0.10
Cumulative effect of an accounting change	0.03	-	-	-
Net income (loss)	\$ (0.79)	\$ (0.40)	\$ (0.83)	\$ (0.88)
Dilutive				
Continuing operations	\$ (0.86)	\$ (0.35)	\$ (0.89)	\$ (0.98)
Discontinued operations	0.04	(0.05)	0.06	0.10
Cumulative effect of an accounting change	0.03	-	-	-
Net income (loss)	\$ (0.79)	\$ (0.40)	\$ (0.83)	\$ (0.88)

The sum of the quarter earnings per share amount does not always equal the full fiscal year's amount due to the effect of averaging the number of shares of common stock and common stock equivalents throughout the year.

Part IV

Item 15. Exhibits, Financial Statement Schedule

(a) (1) The following financial statements are included in Part II, Item 8:

Report of Independent Registered Public Accounting Firm

Financial Statements:

Consolidated Statements of Operations for the Years  
Ended December 31, 2007, 2006 and 2005

Consolidated Statements of Financial Condition  
as of December 31, 2007 and 2006

Consolidated Statements of Changes in Stockholders' Equity  
and Temporary Capital for the Years Ended December 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows for the  
Years Ended December 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

(a) (2) The following financial statement schedule for the periods 2007, 2006 and 2005 are submitted herewith:

Schedule II-Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(a) (3) Exhibits included herein

Exhibit

Number Description

3.1\* Amended and Restated Certificate of Incorporation, as amended to date.

3.2\* Amended and Restated Bylaws.

4.1 Specimen Certificate of Common Stock, par value \$.01 per share (filed as Exhibit No. 4 to Registration Statement No. 33-1353).

4.2 Rights Agreement dated as of March 30, 1998 between First Albany Companies Inc. and American Stock Transfer & Trust Company (filed as Exhibit 1 to the Company's Registration Statement on Form 8-A12G filed March 30, 1998 and incorporated herein by reference thereto).

- 4.3 Amendment No. 1 to the Rights Agreement dated as of May 14, 2007 by and between First Albany Companies Inc. and American Stock Transfer & Trust Company (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K/A filed May 18, 2007 and incorporated herein by reference thereto).



- 4.4 Registration Rights Agreement, dated as of September 21, 2007, by and among First Albany Companies Inc., MatlinPatterson FA Acquisition LLC, Robert M. Tirschwell and Robert M. Fine. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 27, 2007 and incorporated herein by reference thereto).
- 4.5 Amendment no. 1 to Registration Rights Agreement dated as of March 4, 2008 by and among the Company, MatlinPatterson FA Acquisition LLC, Robert M. Tirschwell and Robert M. Fine (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed March 6, 2008 and incorporated herein by reference thereto).
- 4.6 Registration Rights Agreement dated March 4, 2008 by and among the Company, Mast Credit Opportunities Master Fund Limited and each person or entity that subsequently becomes party to the agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 6, 2008 and incorporated herein by reference thereto).
- 10.1† First Albany Companies Inc. 2005 Deferred Compensation Plan for Key Employees effective January 1, 2005 (filed as Exhibit 10.01 to the Company's Current Report on Form 8-K filed January 5, 2005 and incorporated herein by reference thereto).
- 10.2 Master Equipment Lease Agreement dated September 25, 1996, between First Albany Companies Inc. and KeyCorp Leasing Ltd. (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K filed March 27, 1997 and incorporated herein by reference thereto.)
- 10.3† First Albany Companies Inc. 1999 Long-Term Incentive Plan, as amended (filed as Appendix A to the Company's Proxy Statement on Schedule 14A filed March 24, 2005 and incorporated herein by reference thereto).
- 10.4† First Albany Companies Inc. Senior Management Bonus Plan effective January 1, 2003 (filed as Exhibit B to the Company's Proxy Statement on Schedule 14A filed March 28, 2003 and incorporated herein by reference thereto).
- 10.5† First Albany Companies Inc. 2001 Long Term Incentive Plan dated October 18, 2001 (filed as Exhibit 99.A to the Company's Registration Statement on form S-8 filed July 31, 2002 (File No. 333-97467) and incorporated herein by reference thereto).
- 10.6† First Albany Companies Inc. 2003 Non-Employee Directors Stock Plan effective March 10, 2003 (filed as Exhibit 10 to the Company's Registration Statement on Form S-8 filed June 2, 2003 (File No. 333-105772) to Form S-8) and incorporated herein by reference thereto).
- 10.7 First Albany Companies Inc. \$10,000,000 8.5% Senior Notes, due 2010 Note Purchase Agreement, dated June 13, 2003 (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K filed March 12, 2004 and incorporated herein by reference thereto).

- 10.8 Stock Purchase Agreement by and among certain Shareholders of Descap Securities, Inc. and First Albany Companies Inc. dated February 18, 2004 (filed as Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q filed May 10, 2004 and incorporated herein by reference thereto).
- 10.9 Loan Agreement dated February 18, 2004 between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed May 10, 2004 and incorporated herein by reference thereto).
- 10.10 First Amendment to Loan Agreement dated May 14, 2004 between First Albany Companies Inc. and Key Bank National Association (filed as Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q filed November 9, 2004 and incorporated herein by reference thereto).
- 10.11 Second Amendment to Loan Agreement dated November 2, 2004 between First Albany Companies

Inc. and Key Bank National Association (filed as Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q filed November 9, 2004 and incorporated herein by reference thereto).

- 10.12 Third Amendment to Loan Agreement dated June 30, 2005 between First Albany Companies Inc. and Key Bank National Association (filed as Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q filed August 9, 2005 and incorporated herein by reference thereto).
- 10.13 Loan Agreement dated December 30, 2005, between First Albany Companies, Inc. and KeyBank National Association (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).
- 10.14 Promissory Note dated December 30, 2005, between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).
- 10.15 Loan Agreement dated March 14, 2006 between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).
- 10.16 Promissory Note dated March 14, 2006 between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).
- 10.17 Acceptable Securities Pledge and Security Agreement dated March 14, 2006 between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).
- 10.18 Negative Pledge agreement dated March 14, 2006 between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).
- 10.19 Pledge Agreement-Deposit Account dated March 14, 2006 between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).
- 10.20 Springing Pledge and Security Agreement dated March 14, 2006 between First Albany Companies Inc. and KeyBank National Association (filed as Exhibit 10.39 to the Company's Annual Report on Form 10-K filed March 16, 2006 and incorporated herein by reference thereto).



- 10.21 Stock Purchase Agreement by and among First Albany Companies Inc. and certain purchasers in a private placement, dated February 29, 2004 (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q filed May 10, 2004 and incorporated herein by reference thereto).
- 10.22† Form of Restricted Stock Agreement – Cliff Vesting - pursuant to the First Albany Companies Inc. 1999 Long-Term Incentive Plan (filed as Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q filed November 09, 2004 and incorporated herein by reference thereto).
- 10.23† Form of Restricted Stock Agreement – 3 Year Vesting - pursuant to the First Albany Companies Inc. 1999 Long-Term Incentive Plan (filed as Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed November 09, 2004 and incorporated herein by reference thereto).
- 10.24† Form of Restricted Stock Agreement pursuant to the First Albany Companies Inc. 1999 Long-Term Incentive Plan (filed as Exhibit 10.42 to the Company's Quarterly Report on Form 10-Q filed May 10, 2006 and incorporated herein by reference thereto).
- 10.25 Sub-Lease Agreement, dated August 12, 2007 by and between Columbia 677, L.L.C. and First Albany Companies Inc. (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K filed March 15, 2005 and incorporated herein by reference thereto).
- 10.26 Amendment to Sub-Lease Agreement dated October 11, 2004 by and between Columbia 677, L.L.C. and First Albany Companies Inc. (filed as Exhibit 10.25a to the Company's Annual Report on Form 10-K filed March 15, 2005 and incorporated herein by reference thereto).
- 10.27 Third Amendment to Sub-lease Agreement dated September 29, 2006 by and between Columbia 677, L.L.C. and First Albany Companies Inc. (filed as Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q filed October 31, 2006 and incorporated herein by reference thereto).
- 10.28† First Albany Companies Inc. 2005 Deferred Compensation Plan for Professional and Other Highly Compensated Employees effective January 1, 2005 (filed as Exhibit 4(f) to the Company's Registration Statement on Form S-8 filed January 10, 2005 (File No. 333-121928) and incorporated herein by reference thereto).
- 10.29† First Albany Companies Inc. Restricted Stock Inducement Plan for Descap Employees dated April 27, 2004 (filed as Exhibit 99.A to the Company's Registration Statement on Form S-8 filed May 05, 2005 (File No. 333-124648) and incorporated herein by reference thereto).
- 10.30 Agreement of Sublease dated April 6, 2005 between Deutsche Bank AG, New York Branch and First Albany Capital Inc. (filed as Exhibit 10.1 to the

Company's Current Report on Form 8-K filed May 23, 2005 and incorporated herein by reference thereto).

- 10.31 Amendment to Agreement of Sublease dated May 18, 2005 between Deutsche Bank AG, New York Branch and First Albany Capital Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 23, 2005 and incorporated herein by reference thereto).
- 10.32 Agreement dated April 28, 2006 between First Albany Companies Inc. and Lehman Brothers Holdings Inc. (filed as Exhibit 10.40 to the Company's Quarterly Report on Form 10-Q filed May 10, 2006 and incorporated herein by reference thereto).

- 10.33 Surrender of Sublease Agreement dated April 28, 2006 between First Albany Companies Inc. and Deutsche Bank AG. (filed as Exhibit 10.41 to the Company's Quarterly Report on Form 10-Q filed May 10, 2006 and incorporated herein by reference thereto).
- 10.34† Employment Agreement dated June 30, 2006 between First Albany Companies Inc. and Peter McNierney (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K filed June 30, 2006 and incorporated herein by reference thereto).
- 10.35† Restricted Share Award Agreement dated June 30, 2006 between First Albany Companies Inc. and Peter McNierney (filed as an Exhibit 99.4 to the Company's Current Report on Form 8-K filed June 30, 2006 and incorporated herein by reference thereto).
- 10.36† Employment Agreement dated as of June 30, 2006 between First Albany Companies Inc. and Allan P. Goldberg (filed as Exhibit 99.5 to the Company's Current Report on Form 8-K filed June 30, 2006 and incorporated herein by reference thereto).
- 10.37† Employment Agreement dated as of June 30, 2006 between First Albany Companies Inc. and Brian Coad (filed as Exhibit 99.6 to the Company's Current Report on Form 8-K filed June 30, 2006 and incorporated herein by reference thereto).
- 10.38† Restricted Share Award Agreement dated June 30, 2006 between First Albany Companies Inc. and Brian Coad (filed as Exhibit 99.7 to the Company's Current Report on Form 8-K filed June 30, 2006 and incorporated herein by reference thereto).
- 10.39† Form of Employee Retention Agreement (filed as Exhibit 10.48 to the Company's Quarterly Report on Form 10-Q filed August 4, 2006 and incorporated herein by reference thereto).
- 10.40† Form of Restricted Stock Agreement pursuant to the First Albany Companies Inc. 2003 Non-Employee Directors' Stock Plan (filed as Exhibit 10.29 to the Company's Quarterly Report on Form 10-Q filed August 4, 2006 and incorporated herein by reference thereto).
- 10.41 Asset Purchase Agreement dated as of March 6, 2007 among DEPFA BANK plc, First Albany Capital Inc., and First Albany Companies Inc. (filed as Exhibit 10.29 to the Company's Current Report on Form 10-Q filed May 10, 2007 and incorporated herein by reference thereto).
- 10.42 Investment Agreement dated as of May 14, 2007 between First Albany Companies Inc. and MatlinPatterson FA Acquisition LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 15, 2007 and incorporated herein by reference thereto).

- 10.43 Notice and Waiver Letter Agreement dated as of July 25, 2007 by and among First Albany Companies Inc., First Albany Capital Inc. and DEPFA BANK plc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 31, 2007 and incorporated herein by reference thereto).
- 10.44 Notice and Waiver Letter Agreement dated as of July 25, 2007 by and among DEPFA BANK plc, First Albany Companies Inc. and First Albany Capital Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 31, 2007 and incorporated herein by reference thereto).
- 10.45 Letter Agreement dated as of August 6, 2007 by and among KeyBank National Association, Key Equipment Finance Inc. f/k/a KeyCorp Leasing Ltd. and First Albany Companies Inc. (filed as Exhibit 10.34 to the Company's Quarterly Report on Form 10-Q filed August 8, 2007 and incorporated herein by reference thereto).



- 10.46† Non-Compete and Non-Solicit Agreement dated May 12, 2007 between First Albany Companies Inc. and C. Brian Coad (filed as exhibit 10.35 to the Company's Quarterly Report on Form 10-Q filed August 8, 2007 and incorporated herein by reference thereto).
- 10.47† Addendum dated May 13, 2007 to the Letter Agreement dated May 12, 2007 between First Albany Companies Inc. and C. Brian Coad (filed as exhibit 10.36 to the Company's Quarterly Report on Form 10-Q filed August 8, 2007 and incorporated herein by reference thereto).
- 10.48† Letter Agreement dated April 27, 2007 between MatlinPatterson Global Advisors LLC and an C. Brian Coad (filed as exhibit 10.37 to the Company's Quarterly Report on Form 10-Q filed August 8, 2007 and incorporated herein by reference thereto).
- 10.49† Employment Agreement dated as of May 15, 2007 by and between First Albany Companies Inc. and Peter McNierney (filed as exhibit 10.38 to the Company's Quarterly Report on Form 10-Q filed August 8, 2007 and incorporated herein by reference thereto).
- 10.50† First Albany Companies Inc. 2007 Incentive Compensation Plan (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed September 21, 2007 and incorporated herein by reference thereto).
- 10.51 Co-Investor Joinder Agreement dated as of September 21, 2007 by and among First Albany Companies, MatlinPatterson FA Acquisition LLC and Robert M. Tirschwell (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 27, 2007 and incorporated herein by reference thereto).
- 10.52 Co-Investor Joinder Agreement dated as of September 21, 2007 by and among First Albany Companies, MatlinPatterson FA Acquisition LLC and Robert M. Fine (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 27, 2007 and incorporated herein by reference thereto).
- 10.53† Form of Restricted Stock Unit Agreement (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed September 27, 2007 and incorporated herein by reference thereto).
- 10.54† Employment Agreement dated as of September 21, 2007 by and between First Albany Companies Inc. and Lee Fensterstock. (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed September 27, 2007 and incorporated herein by reference thereto).
- 10.55 License Agreement dated September 14, 2007 by and between DEPFA First Albany Securities LLC and First Albany Companies Inc. (filed as Appendix C to the Company's Preliminary Proxy Statement on Schedule 14A filed on October 11, 2007 and incorporated herein by reference thereto).

- 10.56 Fifth Amendment to Sub-Lease Agreement dated November 2, 2007 by and between Columbia 677, L.L.C. and First Albany Companies Inc. (filed as Exhibit 10.46 to the Company's Quarterly Report on Form 10-Q filed October 31, 2007 and incorporated herein by reference thereto).
- 10.57\* Fully Disclosed Clearing Agreement dated as of January 11, 2008 between Broadpoint Capital, Inc. and Ridge Clearing & Outsourcing Solutions, Inc.
- 10.58\* Fully Disclosed Clearing Agreement dated as of January 11, 2008, between Broadpoint Securities, Inc. and Ridge Clearing & Outsourcing Solutions, Inc.
- 10.59 Asset Purchase Agreement, dated as of January 30, 2008 by and among the Company, Broadpoint Capital, Inc. and BNY Capital Markets, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 30, 2008 and incorporated herein by

reference thereto).

- 10.60 Agreement, dated as of February 21, 2008 between Broadpoint Securities Group, Inc. and MatlinPatterson FA Acquisition LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 22, 2008 and incorporated herein by reference thereto).
- 10.61 Fully Disclosed Clearing Agreement dated February 26, 2008 by and between Broadpoint Capital, Inc. and Pershing LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 3, 2008 and incorporated herein by reference thereto).
- 10.62 Voting Agreement dated February 29, 2008 by and between the Company and MatlinPatterson FA Acquisition LLC (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 3, 2008 and incorporated herein by reference thereto).
- 10.63 Stock Purchase Agreement dated March 4, 2008 among the Company, MAST Credit Opportunities I Master Fund Limited, MatlinPatterson FA Acquisition LLC and MAST Capital Management LLC and certain individual investors (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 6, 2008 and incorporated herein by reference thereto).
- 10.64† 2007 Incentive Compensation Plan Restricted Stock Units Agreement dated as of March 4, 2008 between the Company and Lee Fensterstock (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed March 6, 2008 and incorporated herein by reference thereto).
- 10.65† Employment Agreement dated as of March 14, 2008 by and between Broadpoint Securities Group, Inc. and Robert Turner. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 14, 2008 and incorporated herein by reference thereto).
- 10.66† Non-Compete and Non-Solicit Agreement dated as of March 14, 2008 by and between Broadpoint Securities Group, Inc. and Robert Turner. (filed as exhibit 10.2 to the Company's Current Report on Form 8-K filed March 14, 2008 and incorporated herein by reference thereto).
- 10.67† Form of Restricted Stock Unit Agreement between the Company and Robert Turner (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed March 14, 2008 and incorporated herein by reference thereto).
- 10.68† Severance Agreement dated as of March 14, 2008 by and between Broadpoint Securities Group, Inc. and C. Brian Coad (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed March 14, 2008 and incorporated therein by reference thereto).
- 10.69†\* Description of Non-Employee Director Compensation As Set By Board of Directors - Effective September 21, 2007.

- 10.70†\* Non-Compete and Non-Solicit Agreement dated as of September 21, 2007 by and between First Albany Companies, Inc. and Patricia Arciero-Craig.
- 10.71†\* Addendum to Non-Compete and Non-Solicit Agreement dated as of September 21, 2007 by and between First Albany Companies, Inc. and Patricia Arciero-Craig.
- 11 Statement Re: Computation of Per Share Earnings (the calculation of per share earnings is in Part II, Item 8 and is omitted in accordance with Section (b)(11) of Item 601 of Regulation S-K).
- 14\* Amended and Restated Code of Business Conduct and Ethics.

- 21\* Subsidiaries of the Registrant.
- 23\* Consent of PriceWaterhouseCoopers LLP.
- 24\* Power of Attorney.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act filed herewith.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act filed herewith.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code filed herewith.

---

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K pursuant to Item 15(b)

\* Previously filed as Exhibits to the Company's Annual Report on Form 10-K filed on March 28, 2008

## BROADPOINT SECURITIES GROUP, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS  
PERIODS ENDED DECEMBER 31, 2007, DECEMBER 31, 2006  
AND DECEMBER 31, 2005

COL. A	COL. B	COL. C	COL. D	COL. E
Description	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Allowance for doubtful accounts – deducted from receivables from customers and receivable from others				
Calendar Year 2007	\$ 153,000	\$ -	\$ 41,000	\$ 112,000
Calendar Year 2006	\$ 11,000	\$ 153,000	\$ 11,000	\$ 153,000
Calendar Year 2005	\$ -	\$ 11,000	\$ -	\$ 11,000
Net deferred tax asset valuation allowance				
Calendar Year 2007	\$ 21,766,000	\$ 5,237,000	\$ -	\$ 27,003,000
Calendar Year 2006	\$ 9,233,000	\$ 12,533,000	\$ -	\$ 21,766,000
Calendar Year 2005	\$ -	\$ 9,233,000	\$ -	\$ 9,233,000

BROADPOINT SECURITIES GROUP, INC.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROADPOINT SECURITIES  
GROUP, INC.

Date: April 11, 2008

By: /s/ Lee Fensterstock  
LEE FENSTERSTOCK  
Chief Executive Officer

