

BROADPOINT SECURITIES GROUP, INC.

Form 10-Q

May 15, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**☐ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2008**

- or -

**○ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from** **to**  
**Commission file number 014140**  
**BROADPOINT SECURITIES GROUP, I N C.**  
(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**

**10119**

(Address of principal executive offices)

(Zip Code)

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ○  
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

69,636,555 shares of Common Stock were outstanding as of the close of business on April 21, 2008

**BROADPOINT SECURITIES GROUP, INC. AND SUBSIDIARIES**  
**FORM 10-Q**  
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BROADPOINT SECURITIES GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)

**Part I Financial Information*****Item 1. Financial Statements***

<i>(In thousands of dollars, except for per share amounts and shares outstanding)</i>	March 31	December 31
As of	2008	2007
<i>Assets</i>		
Cash and cash equivalents	\$ 8,894	\$ 31,747
Cash and securities segregated for regulatory purposes	1,200	1,650
Receivables from:		
Related party receivable	375	
Brokers, dealers and clearing agencies	1,946	2,921
Customers		3,239
Others	3,355	4,917
Securities owned	277,144	190,456
Investments	16,860	16,913
Office equipment and leasehold improvements, net	2,291	2,292
Intangible assets, including goodwill	18,336	17,809
Other assets	6,946	2,239
<b>Total Assets</b>	<b>\$ 337,347</b>	<b>\$ 274,183</b>
<i>Liabilities and Stockholders Equity</i>		
<i>Liabilities</i>		
Payables to:		
Brokers, dealers and clearing agencies	\$ 128,046	\$ 88,565
Customers	264	23
Others	3,083	2,937
Securities sold, but not yet purchased	89,124	75,180
Accounts payable	3,094	2,918
Accrued compensation	10,243	13,214
Accrued expenses	6,312	5,882
Income taxes payable	131	131
<b>Total Liabilities</b>	<b>240,297</b>	<b>188,850</b>
<i>Commitments and Contingencies</i>		
Temporary capital	104	104
Subordinated debt	2,962	2,962
<i>Stockholders Equity</i>		
Preferred stock; \$1.00 par value; authorized 1,500,000 shares; none issued		
Common stock; \$.01 par value; authorized 100,000,000 shares; issued 71,333,303 and 59,655,940 respectively	713	596
Additional paid-in capital	224,501	203,653

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Deferred compensation	1,583	1,583
Accumulated deficit	(129,943)	(120,700)
Treasury stock, at cost (1,696,747 shares and 1,757,681 shares respectively)	(2,870)	(2,865)
Total Stockholders Equity	93,984	82,267
Total Liabilities and Stockholders Equity	\$ 337,347	\$ 274,183

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

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BROADPOINT SECURITIES GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended March 31	
<i>(In thousands of dollars except for per share amounts and shares outstanding)</i>	2008	2007
<i>Revenues:</i>		
Commissions	\$ 280	\$ 1,748
Principal transactions	13,938	5,712
Investment banking	295	2,558
Investment banking revenue from affiliate	375	
Investment gains	75	239
Interest	4,675	1,378
Fees and other	524	449
 Total revenues	 20,162	 12,084
Interest expense	2,819	1,062
 Net revenues	 17,343	 11,022
<i>Expenses (excluding interest):</i>		
Compensation and benefits	17,304	9,866
Clearing, settlement and brokerage costs	387	1,214
Communications and data processing	1,660	2,196
Occupancy and depreciation	1,557	1,623
Selling	1,071	957
Restructuring	1,194	
Other	2,645	1,581
 Total expenses (excluding interest)	 25,818	 17,437
 Loss before income taxes	 (8,475)	 (6,415)
 Income tax expense/benefit	 773	 (357)
 Loss from continuing operations	 (9,248)	 (6,058)
Income from discontinued operations, net of taxes (see Discontinued Operations note)	5	1,596
 Net loss	 \$ (9,243)	 \$ (4,462)
 Per share data:		
Basic earnings:		
Continuing operations	\$ (0.15)	\$ (0.39)
Discontinued operations	0.00	0.10

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Net loss per share	\$	(0.15)	\$	(0.29)
Diluted earnings:				
Continuing operations	\$	(0.15)	\$	(0.39)
Discontinued operations		0.00		0.10
Net loss per share	\$	(0.15)	\$	(0.29)
Weighted average common and common equivalent shares outstanding:				
Basic		61,981,848		15,505,922
Dilutive		61,981,848		15,505,922

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

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BROADPOINT SECURITIES GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three months Ended March 31	
<i>(In thousands of dollars)</i>	2008	2007
<i>Cash flows from operating activities:</i>		
Net loss	\$ (9,243)	\$ (4,462)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	407	486
Deferred compensation		82
Unrealized investment gains	(1)	(372)
Realized gain on sale of investments	(74)	133
Services provided in exchange for common stock	1,475	1,435
<i>Changes in operating assets and liabilities, net of effects from purchase of the Debt Capital Markets Group:</i>		
Cash and securities segregated for regulatory purposes	450	(1,500)
Securities purchased under agreement to resell		(1,827)
Net receivables from customers	3,480	1,474
Receivables from affiliate	(375)	
Securities owned, net	(72,744)	(1,357)
Other assets	(4,624)	(1,364)
Net payable to brokers, dealers and clearing agencies	40,456	(13,065)
Net payables to others	1,567	(51)
Accounts payable and accrued expenses	(2,407)	(24,238)
Income taxes payable, net		(131)
Net cash used in operating activities	(41,633)	(44,757)
<i>Cash flows from investing activities:</i>		
Purchases of office equipment and leasehold improvements	(73)	(152)
Payment for purchase of Debt Capital Markets Group	(901)	
Proceeds from sale of investments	75	62
Net cash (used in) provided by investing activities	(899)	(90)
<i>Cash flows from financing activities:</i>		
Proceeds of short-term bank loans, net		44,312
Payments of notes payable		(715)
Payments of obligations under capitalized leases		(374)
Proceeds from issuance of common stock	19,685	
Payment of expenses for issuance of common stock	(200)	
Net increase in drafts payable	194	1,409
Net cash provided by financing activities	19,679	44,632
Decrease in cash	(22,853)	(215)



Cash at beginning of the period	31,747	4,192
Cash at the end of the period	\$ 8,894	\$ 3,977

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

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BROADPOINT SECURITIES GROUP, INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

**1. Basis of Presentation**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal, recurring adjustments necessary for a fair statement of results for such periods. The results for any interim period are not necessarily indicative of those for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2007.

**2. Earnings Per Common Share**

The Company calculates its basic and diluted earnings per share 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 the basic computation 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, unexercised options and any contingently issued shares (see *Temporary Capital* note). The weighted-average shares outstanding as calculated are as follows:

	Three Months Ended March 31	
	2008	2007
Weighted average shares for basic earnings per share	61,981,848	15,505,922
Effect of dilutive common equivalent shares		
Weighted average shares and dilutive common stock equivalents for dilutive earnings per share	61,981,848	15,505,922

For the three months ended March 31, 2008 and 2007, the Company excluded approximately 0.2 million and 0.3 million common stock equivalents, respectively, in its computation of dilutive earnings per share because they were anti-dilutive. In addition, at March 31, 2008 and March 31, 2007, approximately 0.1 million and 1.1 million shares of restricted stock awards (see *Benefit Plans* note), which are included in shares outstanding, are not included in the basic earnings per share computation because they were not vested as of March 31, 2008 and March 31, 2007, respectively.

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**3. Receivables from and Payables to Brokers, Dealers and Clearing Agencies**

Amounts receivable from and payable to brokers, dealers and clearing agencies consist of the following:

<i>(In thousands of dollars)</i>	March 31 2008	December 31 2007
Adjustment to record securities owned on a trade date basis, net Securities borrowed	\$ 191	\$ 88
Securities failed-to-deliver	284	142
Commissions receivable	160	939
Receivable from clearing organizations	1,311	1,752
<b>Total receivables</b>	<b>\$ 1,946</b>	<b>\$ 2,921</b>
Adjustment to record securities owned on a trade date basis, net Payable to clearing organizations	\$ 128,036	\$ 84,696
Securities failed-to-receive	10	3,869
<b>Total payables</b>	<b>\$ 128,046</b>	<b>\$ 88,565</b>

Proprietary securities transactions are recorded on 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 unaudited condensed consolidated statements of financial condition.

**4. Receivables from and Payables to Customers**

At March 31, 2008, receivables from customers are mainly comprised of the purchase of securities by institutional clients. Delivery of these securities is made only when the Company is in receipt of the funds from the institutional clients.

The majority of the Company's non-institutional customer 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, as a result, 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 March 31, 2008, 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.

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**5. Financial Instruments**

In September 2006 FASB issued SFAS No. 157 Fair Value Measurements (SFAS No. 157) to be implemented by firms whose fiscal year began after November 15, 2007. The company has adopted the provisions of SFAS No. 157 effective January 1, 2008.

SFAS established a framework for measuring fair value and established a fair value hierarchy based on sources of input used to measure the fair value. The fair value hierarchy gives a framework for classifying inputs based on the extent to which they are observable data. SFAS defines the inputs which are broken down into the following three levels for which the financial instruments are classified into:

Level 1: Quoted prices in active markets that the reporting entity has the ability to

access at the reporting date, for identical assets or liabilities. Prices are not adjusted for the effects, if any, of the reporting entity holding a large block relative to the overall trading volume (referred to as a blockage factor)

Level 2: Directly or indirectly observable prices in active markets for similar assets or liabilities; quoted prices for identical or similar items in markets that are not active; inputs other than quoted prices (e.g., interest rates, yield curves, credit risks, volatilities); or market corroborated inputs

Level 3: Unobservable inputs that reflect management's own assumptions about the assumptions market participants would make.

Financial instruments are valued at quoted prices where available. Values are obtained from independent pricing service providers. To the extent that the pricing service provider does not provide a value, management values the financial assets and categorizes them as Level 3.

The following table summarizes the categorization of the financial instruments within the fair value hierarchy as of March 31, 2008:

*(in thousands of dollars)*

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Cash Instruments	\$ 10,094	\$	\$	\$ 10,094
Securities Owned		157,498	119,646	277,144
Investments			16,860	16,860
<b>Total Financial Assets At Fair Value</b>	<b>\$ 10,094</b>	<b>\$ 157,498</b>	<b>\$ 136,506</b>	<b>\$ 304,098</b>

*(in thousands of dollars)*

	Liabilities at Fair Value			Total
	Level 1	Level 2	Level 3	
Securities Sold But Not Yet Purchased	\$	\$ 89,124	\$	\$ 89,124
<b>Total Financial Liabilities At Fair Value</b>	<b>\$</b>	<b>\$ 89,124</b>	<b>\$</b>	<b>\$ 89,124</b>

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For certain financial assets that the company owned at March 31, 2008, the pricing service that the Company subscribes to, did not provide a value. These financial assets have been classified as Level 3 since they were valued by the Company. Values were obtained for these financial instruments by either using bids that were received on the last day of the month, using spreads to the yield curve on similar offered financial assets, or by comparing spreads to similar financial assets that traded and had been priced through an independent pricing source.

The following table discloses the summary of changes of the Company's Level 3 financial instruments:

<i>(In thousands of dollars)</i>	Investments
Balance, December 31, 2007	\$16,913
Purchases, Sales, and Fees	(136)
Principal Paydowns	
Total Gains/(Losses) (Realized and Unrealized)	75
Increase in consolidated EIF	8
 Balance, March 31, 2008	 \$16,860

Changes in Unrealized Gains/(Losses) on Instruments Held at March 31, 2008	\$ 1
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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 was effective on January 1, 2008 for the Company. The Company did not make any elections for fair value treatment under SFAS No. 159.

**6. Securities Owned and Sold, but Not Yet Purchased**

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

<i>(In thousands of dollars)</i>	March 31, 2008		December 31, 2007	
	Owned	Sold, but not yet Purchased	Owned	Sold, but not yet Purchased
<i>Marketable Securities</i>				
U.S. Government and federal agency obligations	\$178,006	\$84,421	\$137,771	\$75,081
State and municipal bonds	6	1	6	1
Corporate obligations	97,131	4,700	48,481	
Corporate stocks	1,027	2	3,249	98
<i>Options</i>				
<i>Not Readily Marketable Securities</i>				
Securities with no publicly quoted market	672		659	
Securities subject to restrictions	302		290	
 Total	 \$277,144	 \$89,124	 \$190,456	 \$75,180

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.

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**7. Intangible Assets, Including Goodwill**

<i>(In thousands of dollars)</i>	March 31 2008	December 31 2007
Intangible assets		
Customer related (amortizable):		
Broadpoint Securities, Inc. Acquisition	\$ 641	\$ 641
Accumulated amortization	(210)	(196)
Broadpoint Debt Capital Markets Acquisition	550	
Accumulated amortization	(9)	
Total Customer related (amortizable)	972	445
Goodwill (unamortizable):		
Broadpoint Securities, Inc. Acquisition	17,364	17,364
Total Intangible Assets	\$18,336	\$17,809

Customer related intangible assets are being amortized over 5 and 12 years. Future amortization expense is estimated as follows:

*(In thousands of dollars)*

2008 (remaining)	\$122
2009	163
2010	163
2011	163
2012	163
2013	71
Thereafter	127
Total	\$972

**8. Investments**

The Company's investment portfolio includes interests in privately held companies. Information regarding these investments has been aggregated and is presented below.

<i>(In thousands of dollars)</i>	March 31 2008	December 31 2007
Carrying Value		
Privately held companies	\$15,375	\$15,436
Consolidation of Employee Investment Funds, net of Company's ownership interest	1,485	1,477

Total carrying value	\$16,860	\$16,913
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Investment gains were comprised of the following:

<i>(In thousands of dollars)</i>	Three Months Ended March 31	
	2008	2007
Privately held companies (net realized and unrealized gains and losses)	\$75	\$239
Investment gains	\$75	\$239

Investments in privately held companies include an investment of \$14.9 million in FA Technology Ventures L.P. (the Partnership ), which represented the Company s maximum exposure to loss in the Partnership at March 31, 2008. The Partnership s primary purpose is to provide investment returns consistent with the risk of investing in



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BROADPOINT SECURITIES GROUP, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

venture capital. At March 31, 2008, total Partnership capital for all investors in the Partnership equaled \$58.9 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 only recorded the fair value of its investment. FA Technology Ventures Corporation ( FATV ), a wholly-owned subsidiary, is the investment advisor to the Partnership. Revenues derived from the management of this investment and the Employee Investment Funds (as defined below) for the three-month period ended March 31, 2008 and 2007 were \$0.2 million and \$0.3 million in consolidation, respectively.

The Company has consolidated its Employee Investment Funds (EIF). The EIF are limited liability companies, established by the Company for the purpose of having select employees invest in private equity securities. The EIF is managed by Broadpoint Management Corp., a wholly-owned subsidiary, 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 the EIF is \$0.1 million excluding the effects of consolidation. The Company has outstanding loans of \$0.3 million from 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 \$0.1 million, decrease Receivable from Others by \$1.5 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.

**9. Payables to Others**

Amounts payable to others consisted of the following at:

<i>(In thousands of dollars)</i>	March 31 2008	December 31 2007
Drafts payable	\$ 367	\$ 173
Payable to Employees for the Employee Investment Funds (see Investments footnote)	1,205	1,158
Payable to Sellers of Descap Securities, Inc. (see Commitments and Contingencies footnote)	1,036	1,036
Others	475	570
Total	\$3,083	\$ 2,937

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.

**10. Commitments and Contingencies**

**Commitments:** As of March 31, 2008, 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.

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(Unaudited)

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 March 31, 2008, the Company had an additional commitment to invest up to \$0.1 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.

**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. Broadpoint Securities, a New York-based broker-dealer and investment bank. Per the stock purchase agreement, the sellers can receive future contingent consideration based on the following: For each of the three years ending May 31, 2005, May 31, 2006 and May 31, 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 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.

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. Pursuant to the asset purchase agreement, 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 provided that the Company was to 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 failed to vacate the portion of the Surrender Premises on the applicable surrender dates, it would owe the Landlord \$1,667 for each day of such failure. The Company failed to vacate 1,398 square feet of the surrender premises by April 1, 2008 and as a result began to incur the daily fee on such date. The Company vacated such portion of the surrender premises on April 25, 2008 for which the Company will pay the Landlord approximately \$42,000. 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, all of which have been paid as of March 31, 2008.

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

<i>(In thousands of dollars)</i>	Future Minimum Lease Payments	Sublease Rental Income	Net Lease Payments
2008 (remaining)	\$ 4,086	\$ 844	\$ 3,242
2009	2,441	169	2,272
2010	2,280	158	2,122
2011	2,325	100	2,225
2012	2,245	100	2,145
2013	2,119	91	2,028
Thereafter	1,823	0	1,823
Total	\$ 17,319	\$ 1,462	\$ 15,857

**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 Capital'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 Capital and a former employee of Imperial who is not employed by Broadpoint Capital 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. On April 17, 2008, Broadpoint Capital, the other respondents,

and Imperial entered into a Partial Settlement whereby Imperial's claims for injunctive relief were withdrawn and it was agreed the temporary restraining order would be vacated. Imperial's remaining claim for damages will be arbitrated before FINRA at a date to be determined. The settlement provides, among other things, for the potential future payment of amounts from Broadpoint to Imperial contingent upon the successful consummation of, or receipt of fees in connection with, certain transactions. Broadpoint Capital believes that it has strong defenses to and intends to vigorously

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defend itself against Imperial's remaining 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 in which resolved. 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.

**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 March 31, 2008, the Company had no outstanding underwriting commitments and had not purchased or sold any securities on a when-issued basis.

***11. 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 put and call rights expire on the date upon which the final earnout payment is required to be made. The earnout period ended on May 31, 2007. The earnout payment has not yet been made. In June 2006, certain of 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.

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**12. 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 the Plan. Principal debt repayment requirements, which occur on about April 15<sup>th</sup> of each year, as of March 31, 2008, are as follows:

*(In thousands of dollars)*

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

**13. Stockholders' Equity***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.

*Mast Private Placement*

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 ).

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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 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 was required to file a registration statement within 30 days following March 4, 2008 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 agreed to bear all of the costs of the Mast Shelf Registration other than underwriting discounts and commissions and certain other expenses. On April 1, 2008, the Company filed a registration statement on Form S-3 for the registration resale of the Mast Shares and, on April 29, 2008, the Company's registration statement was declared effective.

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, Robert Fine, Robert 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.

***14. Income Taxes***

Income tax expense is recorded using the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between amounts reported for income tax purposes and financial statement purposes, using current tax rates. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset will not be realized.

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The Company must assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent that the Company believes that recovery is not likely, it must establish a valuation allowance. Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The Company has recorded a full valuation allowance as a result of uncertainties related to the realization of its net deferred tax assets at March 31, 2008 and December 31, 2007. The valuation allowance was established as a result of weighing all positive and negative evidence, including the Company's history of cumulative losses over at least the past three years and the difficulty of forecasting future taxable income. The valuation allowance reflects the conclusion of management that it is more likely than not that the benefit of the deferred tax assets will not be realized. In the event actual results differ from these estimates or these estimates are adjusted in future periods, the valuation allowance may require adjustment which could materially impact the Company's financial position and results of operations.

The Company reported a tax expense of approximately \$0.8 million and a tax benefit of approximately \$0.4 million for the quarters ended March 31, 2008 and 2007 respectively. Included in the first quarter 2008 tax provision are approximately \$0.8 million of increases in the gross amount of unrecognized tax benefits related to the current year that, if recognized in the future, would affect the effective tax rate. Included in the first quarter of 2007 tax provision is a \$0.4 million tax benefit due to the sale and related discontinuance of the Municipal Capital Markets division. Under the accounting for income tax rules described in FASB Statement No. 109, the Company must record a benefit in continuing operations to offset tax expense recorded in discontinued operations.

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.

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.

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**15. 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 March 31, 2008:

Shares authorized for issuance	17,393,086
Share awards used:	
Stock options granted and outstanding	4,267,277
Restricted stock awards granted and unvested	119,292
Restricted stock units granted and unvested	6,023,214
Restricted stock units granted and vested	535,000
Restricted stock units committed not yet granted	1,500,000
Total share awards used	12,444,783
Shares available for future awards	4,948,303

On January 29, 2008, the Board of Directors adopted an amendment to the 2007 Plan, subject to shareholder approval, to increase the maximum number of shares of common stock authorized for issuance under the 2007 Plan by 10,675,000 shares. The increase in shares available will enable the Company, among other things, to award restricted stock units and/or shares of restricted stock to certain new employees in connection with the Company's hiring of employees of Debt Capital Markets Fixed Group. The approval of the amendment is considered perfunctory, therefore the Company is expensing the awards granted to the employees of the Debt Capital Markets Group.

For the three-month period ended March 31, 2008, total compensation expense for share based payment arrangements was \$1.5 million and the related tax benefit was \$0. At March 31, 2008, the total compensation expense related to non-vested awards not yet recognized is \$21 million, which is expected to be recognized over the remaining weighted average vesting period of 3.7 years. The amount of cash used to settle equity instruments granted under share based payment arrangements during the three month period ended March 31, 2008 was \$0.

The 2007 Incentive Plan the plan 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 percent of the number of shares issued and outstanding immediately prior to the grant. On January 29, 2008, the Board of Directors adopted an amendment to the plan, subject to shareholder approval, to increase the maximum number of shares of common stock authorized for issuance under the plan to the sum of 10,675,000 shares, subject to adjustment, and 25 percent of the number of shares issued and outstanding immediately prior to the grant of an award.

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.

**Options:** Options granted under the plans have been granted at not less than fair market value, vest over a maximum of five years, and expire one to ten years after grant date. Unvested options are typically forfeited upon termination.

Option transactions for the three month period ended March 31, 2008, under the plans were as follows:

	Shares Subject to Option	Weighted Average Exercise Price
Balance at December 31, 2007	1,035,962	\$ 8.24
Options granted	3,750,000	1.43
Options exercised		
Options terminated	(518,685)	9.29
Balance at March 31, 2008	4,267,277	\$ 2.12

At March 31, 2008, the stock options that were exercisable had a remaining average contractual term of 3.9 years. At March 31, 2008, 4.3 million options outstanding had an intrinsic value of \$0.5 million.

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The following table summarizes information about stock options outstanding under the plans at March 31, 2008:

Exercise Price Range	Outstanding			Exercisable	
	Shares	Average Life (years)	Average Exercise Price	Shares	Average Exercise Price
\$ 1.43	3,850,000	3.99	\$ 1.44	1,250,000	\$ 1.43
\$ 1.64					
\$ 4.61	120,001	4.43	5.63	120,001	5.63
\$ 6.00					
\$ 6.73	254,571	2.61	8.63	253,738	8.64
\$13.26					
\$13.35	42,704	2.28	14.66	42,704	14.66
\$18.70					
	4,267,276	2.12	\$ 2.12	1,666,443	3.17

**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 3-5 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 value of the company's common stock as of the grant date. Restricted stock awards/Restricted stock units for the period ended March 31, 2008, under the plans were as follows:

	Unvested Restricted Stock Awards	Weighted Average Grant-Date Fair Value	Unvested Restricted Stock Units	Weighted Average Grant-Date Fair Value
Balance at December 31, 2007	87,882	\$4.96	4,455,000	1.54
Granted	47,772	1.57	1,830,714	1.70
Vested	(13,090)	4.30	(37,500)	1.69
Forfeited	(3,272)	4.30	(225,000)	1.54

Balance at March 31, 2008	119,292	\$3.21	6,023,214	\$1.59
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The total fair value of awards vested, based on the fair market value of the stock on the vest date, during the three month periods ending March 31, 2008 and 2007 was \$0.0 and \$1.0 million, respectively.

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***16. Net Capital Requirements***

Broadpoint Capital is subject to the net capital requirements of Rule 15c3-1 of the Securities and Exchange Act of 1934 as amended (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 percent of aggregate debit balances arising from customer transactions as defined or \$1 million, whichever is greater. As of March 31, 2008, Broadpoint Capital had aggregate net capital, as defined, of \$13.1 million, which equaled 5,330 percent of aggregate debit balances and \$12.1 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 provides that capital may not be withdrawn or cash dividends paid, if the resulting net capital ratio would exceed 10:1. At March 31, 2008, Broadpoint Securities had net capital, as defined, of \$21.7 million, which was \$21.3 million in excess of its required minimum net capital of \$0.3 million. Broadpoint Securities ratio of aggregate indebtedness to net capital was 0.26:1.

***17. 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.

Included in the Company's Fixed Income business are the following segments: Debt Capital Markets and Broadpoint Securities, Inc.. 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 resulted 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.





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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.

Information concerning operations in these segments is as follows:

<i>(In thousands of dollars)</i>	Three Months Ended March 31	
	2008	2007
<i>Net revenue (including net interest income)</i>		
Equities	\$ 2,290	\$ 7,281
Fixed Income		
Debt Capital Markets	3,860	
Broadpoint Securities	10,774	2,628
Total Fixed Income	14,634	2,628
Other	419	1,113
Total Net Revenue	\$ 17,343	\$ 11,022
<i>Net interest income (included in total net revenue)</i>		
Equities	\$	\$ (2)
Fixed Income		
Debt Capital Markets	186	
Broadpoint Securities	1,651	(237)
Total Fixed Income	1,837	(237)
Other	19	555
Total Net Interest Income	\$ 1,856	\$ 316
<i>Income/(loss) before income taxes and discontinued operations</i>		
Equities	\$ (4,412)	\$ (2,385)
Fixed Income		
Debt Capital Markets	469	
Broadpoint Securities	4,592	(448)
Total Fixed Income	5,061	(448)
Other	(9,124)	(3,582)
Income/loss before income taxes and discontinued operations	\$ (8,475)	\$ (6,415)

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:

	Three Months Ended March 31	
<i>(In thousands of dollars)</i>	2008	2007
<i>Capital Markets (Fixed Income &amp; Equities)</i>		
<i>Net revenue</i>		
<i>Institutional Sales &amp; Trading</i>		
Equities	\$ 1,815	\$5,016
Fixed Income	12,602	2,605
Total Institutional Sales & Trading	14,417	7,621
<i>Investment Banking</i>		
Equities	475	2,252
Fixed Income	195	264
Total Investment Banking	670	2,516
Net Interest Income/Other	1,837	(228)
Total Revenues	\$16,924	\$9,909

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The Company's segments' financial policies are the same as those described in the Summary of Significant Accounting Policies note in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Asset information by segment is not reported since the Company does not produce such information. All assets are primarily located in the United States of America.

**18. Discontinued Operations**

On September 14, 2007, the Company completed the asset sale agreement with DEPFAs 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.

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

	Three Months Ended March	
	2008	2007
		31
<i>(In thousands of dollars)</i>		
Net revenues		
Municipal Capital Markets	\$ 22	\$ 7,654
Fixed Income Middle Markets		1,100
Convertible Bond Arbitrage		132
Total net revenues	22	8,886
Expenses		
Municipal Capital Markets	13	6,067
Fixed Income Middle Markets		628
Convertible Bond Arbitrage		342
Taxable Fixed Income		19
Private Client Group		10
Total expenses	13	7,066
Income before income taxes	9	1,820
Income tax expense	4	224
Net Income	\$ 5	\$ 1,596

**Municipal Capital Markets**

The revenue and expenses for the Municipal Capital Markets division for the three months ended March 31, 2007 and 2008 represents the activity of that operation during that time period. No interest has been allocated to Municipal

Capital Markets 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.

Fixed Income Middle Markets

The expense of the Fixed Income Middle Markets division for the three months ended March 31, 2007 and 2008 represents the activity of the operations during that time period. No interest has been allocated to Fixed Income Middle Markets 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.

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**Convertible Bond Arbitrage Advisory Group**

The revenues and expenses of the Institutional Convertible Bond Arbitrage Advisory Group (the Group) for the periods above reflect the activity of the operation through March 31, 2007. Prior to closing the division, the Company had allocated interest expense to the Group based on debt identified as being specifically attributed to those operations.

**Taxable Fixed Income**

The revenue and expense of the Taxable Fixed Income Corporate Bond division for the three months ended March 31, 2007 represents the activity of the operations during that time period. 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.

**Private Client Group**

The Private Client Group's expense for the three months ended March 31, 2007 relates primarily to legal matters which were related to the operations prior to its disposal. For the periods presented, interest was not allocated to the Private Client Group. In March 2007, the statute of limitations lapsed related to a tax reserve that was established when the group was sold in 2000 resulting in a \$0.1 million income tax benefit for the three months ended March 31, 2007.

***19. 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 \$1.1 million in 2008 of which \$0.7 million relates to termination benefits and \$0.4 million is related to occupancy and other expenses. The Company anticipates that it will incur additional restructuring costs related to severance and occupancy as we reduce excess office space in Albany, Boston, and San Francisco and is currently evaluating these costs. The restructuring is anticipated to be completed in 2008.

A summary of restructuring charges incurred as part of the Plan for the period ended March 31, 2008 follows:

(In thousands of dollars)

Severance	\$ 749
Exit Costs	350
Asset Impairments	94
Other	1
<b>Total Restructuring Charges</b>	<b>\$1,194</b>

***20. Subsequent Events***

On April 10, 2008, Broadpoint Securities, entered into an Amendment to its Fully Disclosed Clearing Agreement (the Ridge Amendment) with Ridge Clearing & Outsourcing Solutions, Inc. (Ridge) amending the Fully Disclosed Clearing Agreement, dated January 11, 2008, by and between Broadpoint Securities and Ridge (the Agreement). Pursuant to the Ridge Amendment, the parties agreed to (i) delete any exclusivity requirements, (ii) allow for the termination of the Agreement by Broadpoint Securities, without cause, upon at least 30 days prior notice and (iii) delete provisions related to fees associated with termination of the Agreement.

On April 10, 2008, Broadpoint Capital entered into a Termination Agreement (the Termination Agreement) with Ridge terminating the Fully Disclosed Clearing Agreement (the Broadpoint Capital Ridge Clearing

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Agreement ), dated January 11, 2008, by and between Broadpoint Capital and Ridge, whereby Ridge had agreed to provide certain execution and clearing services, on a fully disclosed basis, to Broadpoint Capital and its customers. No termination penalties were incurred by either party, and the parties released each other from any claims or liabilities arising out of or relating to the Broadpoint Capital Ridge Clearing Agreement.

On April 21, 2008, Broadpoint Securities, 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, on a fully disclosed basis, to Broadpoint Securities and its customers. Subject to the approval of the Financial Industry Regulatory Authority, the term of the Pershing Clearing Agreement commenced on April 21, 2008 and continues until its termination as provided for therein. The Pershing Clearing Agreement may be terminated by either party, including, but not limited to, without cause upon ninety days prior notice.

On April 30, 2008, the Company entered into a Transition Agreement (the Transition Agreement ) with FATV, FA Technology Holding, LLC ( NewCo ), George C. McNamee (a director of Broadpoint), and certain other employees of FATV (such individuals, collectively, the FATV Principals ), to effect a restructuring of the investment management arrangements relating to the Partnership, and the formation of FA Technology Ventures III, L.P., a new venture capital fund ( Fund II ). This restructuring will result in FATV ceasing to advise the Partnership and the creation of a new investment advisory company (NewCo). Fund III will be sponsored and managed by NewCo (which is independent of the Company and owned by certain of the FATV Principals) and its subsidiaries. Broadpoint's Audit Committee approved of the Transactions pursuant to Broadpoint's Related Party Transactions Policy.

Concurrent with the first closing of Fund III (the Trigger Date ), FATV will assign all of its rights and interest in the Investment Advisory Agreement in respect of the Partnership (the Investment Advisory Agreement ) to NewCo, and NewCo will assume all of FATV's obligations and liabilities thereunder and will indemnify Broadpoint and its affiliates (including FATV) against all claims and liabilities relating to such agreement arising in respect of matters occurring thereafter. FATV will continue to operate consistent with current practice (operations, staffing and expenses) for the purpose of performing its obligations under the Investment Advisory Agreement, and Broadpoint agrees to fund FATV for such operations, through the date that is the earlier to occur of (i) the Trigger Date and (ii) December 31, 2008.

Pursuant to the Transition Agreement, subject to certain conditions, Broadpoint will make a capital commitment of \$10 million to Fund III (the Broadpoint Commitment ) at the closing of Fund III at which the total commitments to Fund III (excluding the Broadpoint Commitment) exceed a threshold amount. If such threshold is not met by June 30, 2008, Broadpoint's obligation to make the Broadpoint Commitment shall terminate. Broadpoint will also receive an equity interest in the general partner of Fund III, subject to the making of the Broadpoint Commitment. In addition, Broadpoint will have the right to receive additional compensation for capital commitments made to Fund III from certain investors introduced by Broadpoint's affiliates.

It is also contemplated that, on the Trigger Date, each of the FATV Principals will resign from FATV and/or Broadpoint, as the case may be. Broadpoint has also agreed to assign to NewCo the name FA Technology.

On April 30, 2008, Broadpoint Capital sent a notice to the SEC pursuant to Rule 17(a)-11(b)(1) under the Securities Exchange Act of 1934, as amended, to report a temporary spike in the use of its regulatory capital due to higher fixed income inventory levels, and correspondingly greater capital charges, in its Debt Capital Markets division. Broadpoint Capital has since reduced such inventory positions and has taken in additional capital.

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In connection with the Transactions, Broadpoint also authorized NewCo to use (and assigns to NewCo as of the Trigger Date) the name FA Technology as part of its corporate name, subject to Broadpoint's right to terminate such right in the event of any breach by NewCo of any of its obligations under the Transition Agreement.



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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

There are included or incorporated by reference in this document statements that may constitute forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are usually preceded by words such as may, will, expect, anticipate, believe, estimate, and continue or similar words. statements other than historical information or current facts should be considered forward-looking statements. Forward-looking statements may contain projections regarding revenues, earnings, operations, and other financial projections, and may include statements of future performance, strategies and objectives. However, there may be events in the future which the Company is not able to accurately predict or control which may cause actual results to differ, possibly materially, from the expectations set forth in the Company's forward-looking statements. All forward-looking statements involve risks and uncertainties, and actual results may differ materially from those discussed as a result of various factors. Such factors include, among others, market risk, credit risk and operating risk. These and other risks are set forth in greater detail throughout this document. The Company does not intend or assume any obligation to update any forward-looking information it makes.

**Business Overview**

Broadpoint Securities Group, Inc. the Company is an independent investment bank that serves the growing institutional market and corporate middle market by providing clients with strategic, research-based investment opportunities, and financial advisory services, including merger and acquisition, restructuring, recapitalization and strategic alternative analysis services. The Company offers a diverse range of products through Broadpoint Capital, Inc.'s Equities division and its new Debt Capital Markets division, as well as Broadpoint Securities, Inc., its mortgage-backed security/asset-backed security trading subsidiary, and FA Technology Ventures Inc., its venture capital subsidiary. The Company, a New York corporation, is traded on The NASDAQ Global Market, which we refer to as NASDAQ, under the symbol BPSG. The Company changed its symbol from FACT to BPSG effective November 12, 2007. The Company operates through three primary business segments: Equities, Fixed Income and Other.

The Company's Equities segment 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, trading gains and losses from market making activities and capital committed to facilitating customer transactions and fees received for equity research. Equities Investment Banking generates revenues by providing financial advisory, capital raising, mergers and acquisitions, and restructuring services to small and mid-cap companies focusing primarily on the healthcare, energy and powertech sectors of the economy.

The Company's 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 securities transactions in the following products:

Mortgage-Backed and Asset-Backed Securities

High Grade Bonds (Investment Grade and Government Bonds)

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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 business, 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 the 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 venture capital funds.

The Company believes it has an opportunity to become one of the premier investment banking boutiques serving the middle market, which the Company believes is a largely under-served market. The Company has taken steps to divest non-core and non-growth businesses and will focus on growing its middle market position by broadening its product line through growth and investments in key personnel.

In the second quarter of 2006, the Company ceased operations in its Taxable Fixed Income division due to a changing business environment and continued revenue declines. In the third quarter of 2006, the Company determined that it would dispose of its Institutional Convertible Bond Arbitrage Advisory Group due to a continued decline in assets under management. In April 2007, the Company ceased operations of the Institutional Convertible Bond Arbitrage Advisory Group and currently expects that any ongoing costs related to the shutdown will be immaterial. In the second quarter of 2007, the Company discontinued operations in its Fixed Income Middle Markets Group following the departure of the employees from that group. In the third quarter of 2007 the Company completed the sale of its Municipal Capital Markets division to DEPFA BANK plc, an Irish public limited company.

On September 21, 2007, the Company closed the investment from 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 of the investment transaction.

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

**RESTRUCTURING**

In 2007, the Company implemented a restructuring plan to properly size the Company's infrastructure with its current level of activity. As a result, the Company incurred approximately \$1.2 million in restructuring costs during the first quarter of 2008 and incurred \$2.8 million in restructuring costs during the fourth quarter of 2007. The plan includes a reduction in IT and operations support headcount, outsourcing the Company's clearing operations and data center, and eliminating excess office space. The Company anticipates that it will incur additional restructuring costs related to severance and occupancy as we reduce excess office space in Albany, Boston, and San Francisco, and is currently evaluating these costs. The restructuring is anticipated to be completed in 2008.

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**Financial Overview**Three Months Ended March 31, 2008

Broadpoint's 2008 first quarter net revenues from continuing operations were \$17.3 million, compared to \$11.0 million for the first quarter of 2007. For the first quarter of 2008, the Company reported a loss from continuing operations before income taxes of \$8.5 million compared to \$6.4 million a year ago. The Company reported a net loss of \$9.2 million, or \$0.15 per diluted share, for the first quarter of 2008, compared to a net loss of \$4.5 million, or \$0.29 per diluted share, for the first quarter of 2007.

<i>(In thousands of dollars)</i>	Three Months Ended March 31	
	2008	2007
<i>Revenues:</i>		
Commissions	\$ 280	\$ 1,748
Principal transactions	13,938	5,712
Investment banking	295	2,558
Investment banking revenue from affiliate	375	
Investment gains (losses)	75	239
Interest	4,675	1,378
Fees and other	524	449
Total revenues	20,162	12,084
Interest expense	2,819	1,062
Net revenues	17,343	11,022
<i>Expenses (excluding interest):</i>		
Compensation and benefits	17,304	9,866
Clearing, settlement and brokerage costs	387	1,214
Communications and data processing	1,660	2,196
Occupancy and depreciation	1,557	1,623
Selling	1,071	957
Restructuring	1,194	
Other	2,645	1,581
Total expenses (excluding interest)	25,818	17,437
Loss before income taxes	(8,475)	(6,415)
Income tax (loss) benefit	773	(357)
Loss from continuing operations	(9,248)	(6,058)
Loss from discontinued operations, (net of taxes) (see Discontinued Operations note)	5	1,596

Net loss	\$ (9,243)	\$ (4,462)
Net interest income:		
Interest income	\$ 4,675	\$ 1,378
Interest expense	2,819	1,062
Net interest income expense	\$ 1,856	\$ 316

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**Net Revenue**

Net revenue increased \$6.3 million, or 57.4 percent, in the first quarter of 2008 to \$17.3 million due primarily to an increase in sales and trading related revenue of \$6.8 million, partly offset by a decline in investment banking revenue of \$2.1 million. A decrease in equity listed customer transactions resulted in an 84 percent decrease in commission revenue. Principal transaction revenue increased 144 percent compared to the first quarter 2007 as a result of increased net revenues in the Fixed Income division including the addition of the Debt Capital Markets division in March 2008.

**Non-Interest Expense**

Non-interest expense increased \$8.4 million, or 48 percent, to \$25.8 million in the first quarter of 2008.

Compensation and benefits expense increased 75 percent, or \$7.4 million, to \$17.3 million. The increase was the result of an increase in other compensation of 7.0 million offset by a reduction in salary expense of \$1.2 million. The increase in other compensation was directly related to an increase in net revenue of 57.0 percent. The decline in salary expense was the result of a reclassification of salary expense to compensation expense in the first quarter of 2008 relating to production compensation.

Clearing, settlement, and brokerage costs of \$0.4 million represented a 68 percent decline versus the first quarter of 2007. A decrease in electronic communications network ( ECN ) expense, SEC transaction fee expense and floor brokerage expense in Equities due to lower trading volumes by both the NASDAQ and listed desks drove the variance.

Communications and data processing costs decreased \$0.5 million or 24 percent to \$1.7 million due to a decrease in data processing costs which is the result of lower trading volumes and more favorable pricing from the firm's back office vendor, partially offset by increased market data services costs.

Occupancy and depreciation expense decreased 4 percent, or \$0.1 million to \$1.6 million due to decreases depreciation of \$0.1 million.

Selling expense increased 12 percent, to \$1.1 million in the first quarter of 2008 due mainly to an increase in travel and entertainment expense and dues and fees expenses.

Other expense increased \$1.1 million, or 67 percent, in the first quarter of 2008 due to an increase in legal expense associated with the formation of a new capitalization and restructuring group within the Company's Investment Banking division.

The Company reported a tax expense of approximately \$0.8 million and a tax benefit of approximately \$0.4 million for the quarters ended March 31, 2008 and 2007 respectively. Included in the first quarter 2008 tax provision are approximately \$0.8 million of increases in the gross amount of unrecognized tax benefits related to the current year that, if recognized in the future, would affect the effective tax rate. Included in the first quarter of 2007 tax provision is a \$0.4 million tax benefit due to the sale and related discontinuance of the Municipal Capital Markets division. Under the accounting for income tax rules described in FASB Statement No. 109, the Company must record a benefit in continuing operations to offset tax expense recorded in discontinued operations.

The Company maintains a full valuation allowance against its net deferred tax asset position. The valuation allowance was recorded as a result of uncertainties as to the realization of the deferred tax asset after weighing all positive and negative evidence, including the Company's history of cumulative losses over at least the past three years and the difficulty of forecasting future taxable income.

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**Product Highlights**

For presentation purposes, net revenue within each of the businesses is classified as sales and trading, investment banking, investment gains (losses), 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, and 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.

<i>Equities</i>	Three Months Ended March 31,		
	2008	2007	2008 V 2007
<i>(In thousands of dollars)</i>			
<i>Net revenue</i>			
Sales and Trading	\$ 1,815	\$ 5,016	(64)%
Investment Banking	475	2,252	(79)%
Net Interest / Other		13	(100)%
Total Net Revenue	\$ 2,290	\$ 7,281	(69)%
Pre-Tax Contribution	\$(4,412)	\$(2,385)	(85)%

**Q1 2008 vs. Q1 2007**

Net revenues in Equities decreased \$5.0 million, or 68 percent, to \$2.3 million in the first quarter of 2008. In the first quarter 2008, Equities represented 13 percent of consolidated net revenue, excluding the impact of investment gains and losses, compared to 86 percent in the same period in 2007. In Equity Sales and Trading, NASDAQ net revenue was down to \$1.5 million and listed net revenue was down to \$0.2 million. Both the NASDAQ and listed trading desks continue to experience declines in commission revenue due to declines in customer trading volumes and trading losses from market making activities and the facilitation of customer transactions. Equity Investment Banking net revenues decreased 78.9 percent or \$1.8 million versus the same period in the prior year. Advisory and private placement revenue decreased \$1.7 million to \$0.4 million. Investment Banking had no transactions which were completed in the first quarter 2008 compared to eight transactions in the first quarter of 2007. Profitability was negatively impacted primarily by the decrease in net revenues of \$5.0 million, mitigated to a certain extent by decreases in compensation and benefits costs of \$0.4 million, clearing, settlement and brokerage charges of \$0.2 million, and communication and data processing costs of \$1.5 million.

<i>Fixed Income</i>	Three Months Ended March 31,		
	2008	2007	2008 V 2007
<i>(In thousands of dollars)</i>			
<i>Net revenue</i>			
Sales and Trading	\$12,602	\$2,605	384%
Investment Banking	195	264	(26)%

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Net Interest / Other	1,837	(241)	862%
Total Net Revenue	\$14,634	\$2,628	457%
Pre-Tax Contribution	\$ 5,061	\$ (448)	1230%

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Q1 2008 vs. Q1 2007

Fixed Income net revenue increased 457 percent or \$11.8 million, to \$14.6 million in the first quarter of 2008. Increases in sales and trading revenue of \$10.0 million and net interest/other of \$2.1 million overshadowed a decrease in investment banking revenue of \$0.1 million. Sales and Trading net revenue increased 384 percent to \$12.6 million primarily as a result of increases in net revenue of \$3.9 million from the Debt Capital Markets division, which began trading in March 2007, and an increase in Broadpoint Securities sales and trading revenues of \$8.1 million. Fixed Income Investment Banking net revenue decreased \$0.1 million compared to the same period in 2007 due to a decrease in underwriting activity at Broadpoint Securities. The increase in net revenues led to a positive impact on profitability in pre-tax contribution, which increased \$5.5 million compared to the same period in 2007.

<i>Other</i>	Three Months Ended March 31,		
<i>(In thousands of dollars)</i>	2008	2007	2008 V 2007
<i>Net revenue</i>			
Investment Gains / (Losses)	\$ 75	\$ 239	(69)%
Net Interest / Other	344	873	(61)%
 Total Net Revenue	 \$ 419	 \$ 1,112	 (62)%
 Pre-Tax Contribution	 \$(9,124)	 \$(3,582)	 (155)%

Q1 2008 vs. Q1 2007

Other net revenue decreased \$0.7 million for the first quarter of 2008 compared to the same period in 2007 due primarily to a decrease of \$0.5 million in net interest/other related to a decrease in investment advisory fees and a decline in investment gains (losses) of \$0.2 million. Profitability was negatively impacted primarily by costs associated with the previously announced restructuring plan and an increase in compensation and benefit expense associated with payments to a former employee under a previously disclosed employment agreement.

**Liquidity and Capital Resources**

A substantial portion of the Company's assets, similar to other brokerage and investment banking firms, are liquid, consisting of cash and assets readily convertible into cash. These assets are financed primarily by the Company's payables to brokers and dealers, bank lines of credit and customer payables. The level of assets and liabilities will fluctuate as a result of the changes in the level of positions held to facilitate customer transactions and changes in market conditions.

For the year ended December 31, 2007, the Company was able to substantially improve its liquidity and capital position as a result of the sale of the Municipal Capital Markets Group, the discontinuation of the Fixed Income Middle Markets Group, and the investment by MatlinPatterson. As of March 31, 2008, the Company had cash and cash equivalents of approximately \$8.9 million.

On September 14, 2007, the Company completed the asset sale to DEPFA of the Municipal Capital Markets Group in connection with which the Company recognized a pre-tax gain on the sale in the amount of \$7.9 million. On September 21, 2007, the Company also closed the investment from 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 represented approximately 71.7 percent and 0.8 percent, respectively of the issued and outstanding voting power of the Company immediately following the closing of the investment transaction.

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

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In 2007, the Company implemented a restructuring plan designed to properly size the Company's infrastructure with its current levels of activity. As a result, the Company incurred approximately \$1.1 million in restructuring costs during the first quarter of 2008, of an estimated \$4.6 to \$4.8 million in total restructuring costs. The plan includes a reduction in support headcount of approximately 50 percent, outsourcing the Company's clearing operations and data center management, and reducing non-compensation expenses. The Company anticipates that it will incur additional restructuring costs related to severance and occupancy as we reduce excess office space in Albany, Boston, and San Francisco, and is currently evaluating these costs. The restructuring is anticipated to be completed in 2008.

In connection with the restructuring, 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 failed to vacate the portion of the Surrender Premises on the applicable surrender dates, it would owe the Landlord \$1,667 for each day of such failure. The Company failed to vacate 1,398 square feet of the surrender premises by April 1, 2008 and as a result began to incur the daily fee on such date. The Company vacated such portion of the surrender premises on April 25, 2008 for which the Company will pay the Landlord approximately \$42,000. 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, these installments had all been paid as of March 31, 2008.

*Regulatory*

As of March 31, 2008, Broadpoint Capital and Broadpoint Securities, were in compliance with the net capital requirements of the Securities and Exchange Commission. The net capital rules restrict the amount of a broker-dealer's net assets that may be distributed. Also, a significant operating loss or extraordinary charge against net capital may adversely affect the ability of the Company's broker-dealer subsidiaries to expand or even maintain their present levels of business and the ability to support the obligations or requirements of the Company. As of March 31, 2008, Broadpoint Capital had net capital of \$13.1 million, which exceeded minimum net capital requirements by \$12.1 million, while Broadpoint Securities had net capital of \$21.7 million, which exceeded minimum net capital requirements by \$21.3 million. Broadpoint Capital is currently reporting the level of its net capital to its FINRA representative on a weekly basis, and has provided these interim reports over the last several years.

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 March 31, 2008, the Company had no outstanding underwriting commitments and had not purchased or sold any securities on a when-issued basis.

*Investments and Commitments*

As of March 31, 2008, the Company had a commitment to invest up to an additional \$1.3 million in the Partnership. The initial 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 its working capital. 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 serve as 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 G.P, LLC (the General Partner). 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

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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 March 31, 2008, the Company had an additional commitment to invest up to \$0.1 million in 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 from working capital.

Over the last several years the Company funded much of its operating losses through the sale of its publicly held investments. The Company's current investment portfolio consists almost entirely of its interest in the Partnership, the General Partner, and the EIF. Such investments are illiquid and the Company may not realize any return on these investments for some time or at all.

*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, a New York-based broker-dealer and investment bank. Per the stock purchase agreement, the sellers can receive future contingent consideration ( Earnout Payment ) based on the following: for each of the years ending May 31, 2005, May 31, 2006 and May 31, 2007, if Broadpoint Securities' Pre-Tax Net Income (as defined) (i) is greater than \$10 million, the Company shall pay to the Sellers 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 to the Sellers an aggregate amount equal to forty percent (40%) of Broadpoint Securities' Pre-Tax Net Income for such period. Each Earnout Payment shall be paid in cash, provided that Buyer shall have the right to pay up to seventy-five percent (75%) of each Earnout Payment in the form of shares of Company Stock. The amount of any Earnout Payment that the Company elects to pay in the form of Company stock shall not exceed \$3.0 million for any Earnout Period and in no event shall such amounts exceed \$6.0 million in the aggregate for all Earnout Payments. Based upon Broadpoint Securities' Pre-Tax Net Income from June 1, 2004 through May 31, 2005, \$2.2 million of contingent consideration was paid to the Sellers and from June 1, 2005 through May 31, 2006, \$1.0 million of contingent consideration has been accrued at March 31, 2008. Based upon Broadpoint Securities' Pre-Tax Net Income from June 1, 2006 to May 31, 2007, no contingent consideration is payable to the sellers for this period. See Note 9 of the Consolidated Financial Statements.

*Contingent Liabilities*

Pursuant to the asset purchase agreement relating to the sale of the Company's Municipal Capital Markets Group to 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 bonuses consistent with the asset purchase agreement. All items arising from the sale of the business 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 bonuses.

*Legal Proceedings*

From time to time the Company and its subsidiaries are involved in legal proceedings or disputes. (See Part I - Item 3 Legal Proceedings). An adverse result or development in respect of these matters, whether in settlement or as a result of litigation or arbitration, could materially adversely affect the Company's consolidated financial condition, results of

operations, cash flows and liquidity.

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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.

*Intangible Assets*

Intangible assets consist predominantly of customer related intangibles and goodwill related to the acquisitions of Broadpoint Securities and the Debt Capital Markets Group. These intangible assets were allocated to the reporting units within Broadpoint Securities Group, Inc. pursuant to SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. In accordance with SFAS No. 142, indefinite-life intangible assets and goodwill are not amortized. The Company reviews its goodwill in order to determine whether its value is impaired on an annual basis. In addition to annual testing, goodwill is also tested for impairment at the time of a triggering event requiring re-evaluation, if one were to occur. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. When available, the Company uses recent, comparable transactions to estimate the fair value of the respective reporting units. The Company calculates an estimated fair value based on multiples of revenues, earnings and book value of comparable transactions. However, when such comparable transactions are not available or have become outdated, the Company uses Income and Market approaches to determine fair value of the reporting unit. The Income approach applies a discounted cash flow analysis based on management's projections, while the Market approach analyzes and compares the operating performance and financial condition of the reporting unit with those of a group of selected publicly-traded companies that can be used for comparison. However, changes in current circumstances or business conditions could result in an impairment of goodwill. As required the Company will continue to perform impairment testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

As of March 31, 2008, \$18.3 million of goodwill and \$1.0 million of amortizable customer intangibles have been recorded on Broadpoint Securities Group, Inc.'s financial statements. As a result of annual impairment testing at December 31, 2007, the goodwill related to the acquisition of Broadpoint Securities Inc. was determined not to be impaired.

*Tax Valuation Allowance*

At March 31, 2008, the Company has valuation allowance against its 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 at least the past three years and the difficulty of forecasting future taxable income. As a result, the Company does not anticipate that the payment of future taxes will have a significant negative impact on its liquidity and capital resources.

**OFF-BALANCE SHEET ARRANGMENTS**

Information concerning the Company's off balance sheet arrangements are included in the Contractual Obligations section which follows. Except as set forth in such section, the Company has no off-balance sheet arrangements.

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**CONTRACTUAL OBLIGATIONS**

The following table sets forth these contractual obligations by fiscal year:

<i>(In thousands of dollars)</i>	<b>Total</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Thereafter</b>	<b>All Others</b>
Operating leases (net of sublease rental income)(1)	15,857	3,242	2,272	2,122	2,225	2,145	3,851	
Guaranteed compensation payments (2)	2,150	1,145	1,005					
Restructuring compensation payments (3)	1,319	1,319						
Partnership and employee investment funds commitments (4)	1,400	1,400						
Subordinated debt (5)	2,962	1,299	465	287	108	208	595	
Liabilities from unrecognized tax benefits (6)	1,921							1,921
<b>Total</b>	<b>\$25,609</b>	<b>\$8,405</b>	<b>\$3,742</b>	<b>\$2,409</b>	<b>\$2,333</b>	<b>\$2,353</b>	<b>\$4,446</b>	<b>\$1,921</b>

(1) The Company's headquarters and sales offices, and certain office and communication equipment, are leased under non-cancelable operating leases, certain of which contain escalation clauses and which expire at various times through 2015 (see Notes to the

unaudited  
Condensed  
Consolidated  
Financial  
Statements.

- (2) Guaranteed compensation payments primarily include various employment and consulting compensation arrangements.
- (3) Restructuring compensation payments are comprised of various severance agreements.
- (4) The Company has a commitment to invest in FA Technology Ventures L.P. (the Partnership ) and an additional commitment to invest in funds that invest in parallel with the Partnership (see Notes to the Consolidated Financial Statements ).
- (5) 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 subordinate  
loans with the  
Company to  
provide for the  
deferral of  
compensation  
and employer  
allocations  
under the Plan.  
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  
the Plan.

(6)

At March 31, 2008, the Company has a reserve for unrecognized tax benefits including related interest of \$1.9 million. The Company is unable at this time to estimate the periods in which potential cash outflows relating to these liabilities would occur because the timing of the cash flows are dependant upon audit by the relevant taxing authorities. The Company does not currently have any tax returns under examination.

**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

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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.

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 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.

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161 expands quarterly disclosure requirements in SFAS No. 133 about an entity's derivative instruments and hedging activities. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company is currently assessing the impact of SFAS No. 161 on the consolidated statement of financial condition and results of operations.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

**MARKET RISK**

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest rates and equity prices, changes in the implied volatility of interest rates and equity prices and also changes in the credit ratings of either the issuer or its related country of origin. Market risk is inherent to both derivative and non-derivative financial instruments, and accordingly, the scope of the Company's market risk management procedures extends beyond derivatives to include all market-risk-sensitive financial instruments. The Company's exposure to market risk is directly related to its role as a financial intermediary in customer-related transactions and to its proprietary trading.

The Company trades U.S. Treasury bills, notes, and bonds; U.S. Government agency notes and bonds; mortgage-backed securities, and corporate obligations. The Company is also an active market maker in the NASDAQ equity markets. In connection with these activities, the Company may be required to maintain inventories in order to facilitate customer transactions.

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The following table categorizes the Company's market risk sensitive financial instruments by type of security and maturity date, if applicable (equity securities and other investments with no maturity are being shown in the table under 2008). The amounts shown are net of long and short positions.

<i>(In thousands of dollars)</i>	2008	2009	2010	2011	2012	2013	Thereafter	Total
Fair value of securities								
Corporate bonds	\$ 16,931	\$ 5,235	\$ 3,008	\$ 930	\$ 1,682	\$ 1	\$ 5,727	\$ 33,514
State and municipal bonds	(1)	1					256	256
US Government and federal agency obligations	1	(141)	2,576	1,447	4,712	(749)	144,658	152,504
Subtotal	16,931	5,095	5,584	2,377	6,394	(748)	150,641	186,274
Equity securities	1,747							1,747
Investments	15,375							15,375
Fair value of securities	\$ 34,053	\$ 5,095	\$ 5,584	\$ 2,377	\$ 6,394	\$ (748)	\$ 150,641	\$ 203,396

The following is a discussion of the Company's primary market risk exposures as of March 31, 2008, including a discussion of how those exposures are currently managed.

*Interest Rate Risk*

Interest rate risk is a consequence of maintaining inventory positions and trading in interest-rate-sensitive financial instruments. These financial instruments include corporate debt securities, mortgage-backed and asset-backed securities, government securities and government agency securities. In connection with trading activities, the Company exposes itself to interest rate risk, arising from changes in the level or volatility of interest rates or the shape and slope of the yield curve. The Company's fixed income activities also expose it to the risk of loss related to changes in credit spreads.

A sensitivity analysis has been prepared to estimate the Company's exposure to interest rate risk of its net inventory positions. The fair market value of these securities included in the Company's inventory at March 31, 2008 was \$186.3 million and \$140.9 million at March 31, 2007. Interest rate risk is estimated as the potential loss in fair value resulting from a hypothetical one-half percent change in interest rates. At March 31, 2008, the potential change in fair value using a yield to maturity calculation and assuming this hypothetical change, was \$8.4 million and at March 31, 2007 it was \$8.9 million. The actual risks and results of such adverse effects may differ substantially.

*Equity Price Risk*

The Company is exposed to equity price risk as a consequence of making markets in equity securities. Equity price risk results from changes in the level or volatility of equity prices, which affect the value of equity securities or instruments that derive their value from a particular stock. The Company attempts to reduce the risk of loss inherent in its inventory of equity securities by monitoring those security positions throughout each day.

Marketable equity securities included in the Company's inventory, which were recorded at a fair value of \$1.7 million in securities owned at March 31, 2008 and \$11.5 million in securities owned at March 31, 2007, have exposure to equity price risk. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10 percent adverse change in prices quoted by stock exchanges and amounts to \$0.2 million at March 31, 2008 and \$1.2 million

at March 31, 2007. The Company's investment portfolio excluding the consolidation of the Employee Investment Fund (at March 31, 2008 and 2007, had a fair market value of \$15.4 million and \$10.9 million, respectively). Equity price risk is also estimated as the potential loss in fair value resulting from a hypothetical 10 percent adverse change in equity security prices or valuations and for the Company's investment portfolio excluding the consolidation of the Employee Investment Funds amounted to \$1.5 million at March 31, 2008 and \$1.1 million at March 31, 2007. There can be no assurance that the Company's actual losses due to its equity price risk will not exceed the amounts indicated above. The actual risks and results of such adverse effects may differ substantially.

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**CREDIT RISK**

The Company is engaged in various trading and brokerage activities whose counter parties primarily include broker-dealers, banks, and other financial institutions. In the event counter parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counter party or issuer of the instrument. The Company seeks to control credit risk by following an established credit approval process, monitoring credit limits, and requiring collateral where it deems appropriate.

The Company purchases debt securities and may have significant positions in its inventory subject to market and credit risk. In order to control these risks, security positions are monitored on at least a daily basis. 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 size of the position sold.

Broadpoint Securities and the Debt Capital Markets division of Broadpoint Capital, clear customers' securities transactions through a third party under a clearing agreement. Under these agreements, 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 and Broadpoint Capital guarantee 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 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.

**OPERATING RISK**

Operating risk is the potential for loss arising from limitations in the Company's financial systems and controls, deficiencies in legal documentation and the execution of legal and fiduciary responsibilities, deficiencies in technology and the risk of loss attributable to operational problems. These risks are less direct than credit and market risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In order to reduce or mitigate these risks, the Company has established and maintains an internal control environment that incorporates various control mechanisms at different levels throughout the organization and within such departments as Finance, Accounting, Operations, Legal, Compliance and Internal Audit. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that the Company's various businesses are operating within established corporate policies and limits.

**OTHER RISKS**

Other risks encountered by the Company include political, regulatory and tax risks. These risks reflect the potential impact that changes in local laws, regulatory requirements or tax statutes have on the economics and viability of current or future transactions. In an effort to mitigate these risks, the Company seeks to review new and pending regulations and legislation and their potential impact on its business.

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**Item 4. Controls and Procedures**

As of the end of the period covered by this Form 10-Q, the Company's management, with the participation of the Chief Executive Officer and the Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, the Company's management, including the Chief Executive Officer and the Principal Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no changes in the Company's internal control over financial reporting occurred during the March 31, 2008 quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents****Part II-Other Information****Item 1. Legal Proceedings**

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 persons who were employees and officers of the Company at that time, 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 which 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 Capital'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 Capital and a former employee of Imperial who is not employed by Broadpoint Capital 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. On April 17, 2008, Broadpoint Capital, the other respondents, and Imperial entered into a Partial Settlement whereby Imperial's claims for injunctive relief were withdrawn and it was agreed the temporary restraining order would be vacated. Imperial's remaining claim for damages will be arbitrated before FINRA at a date to be determined. The settlement provides, among other things, for the potential future payment of amounts from Broadpoint to Imperial contingent upon the successful consummation of, or receipt of fees in connection with, certain transactions. Broadpoint Capital believes that it has strong defenses to and intends to vigorously defend itself against Imperial's remaining 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 in which resolved.

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 litigations, 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.

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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 condition, results of operations and cash flows in the period resolved, 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.

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**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

As reported on our Current Report on Form 8-K on March 6, 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"). Pursuant to the terms of the Stock Purchase Agreement, the Company issued and sold 11,579,592 shares of common 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.

**Item 5. Other information**

None

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**Item 6. Exhibits**

(a) Exhibits

Exhibit Number	Description
10.72	Amendment to Fully Disclosed Clearing Agreement dated April 10, 2008 by and between Broadpoint Securities, Inc. and Ridge Clearing & Outsourcing Solutions, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 16, 2008 and incorporated herein by reference thereto).
10.73	Termination Agreement dated April 10, 2008 by and between Broadpoint Capital, Inc. and Ridge Clearing & Outsourcing Solutions, Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed April 16, 2008 and incorporated herein by reference thereto).
10.74	Fully Disclosed Clearing Agreement dated April 21, 2008 by and between Broadpoint Securities, Inc. and Pershing LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 25, 2008 and incorporated herein by reference thereto).
10.75	Transition Agreement, dated April 30, 2008, by and among Broadpoint Securities Group, Inc., FA Technology Ventures Corporation, FA Technology Holding, LLC, George C. McNamee, Gregory A. Hulecki, Kenneth A. Mabbs, Giri C. Sekhar, John A. Cococcia and Claire Wadlington (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 6, 2008 and incorporated herein by reference thereto).
10.76	Placement Agent Agreement, dated April 30, 2008, by and between Broadpoint Capital, Inc. and FA Technology Holding, LLC. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 6, 2008 and incorporated herein by reference thereto).
10.77	Form of Consent, Assignment and Assumption Agreement, to be entered into by FA Technology Ventures Corporation, FA Technology Holding, LLC and FATV GP LLC. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed May 6, 2008 and incorporated herein by reference thereto).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act.
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.

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SIGNATURES

Pursuant to the requirements 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.

(Registrant)

Date: May 15, 2008

/s/ Lee Fensterstock  
Lee Fensterstock  
Chief Executive Officer

Date: May 15, 2008

/s/ Robert Turner  
Robert Turner  
Chief Financial Officer  
(Principal Accounting Officer)

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