GLEACHER & COMPANY, INC.
Form 10-K
March 20, 2012

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Item 8. Financial Statements and Supplementary Data

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ý **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended December 31, 2011

or

o **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

GLEACHER & COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-2655804**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1290 Avenue of the Americas, New York, New York	**10104**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	**Name of each exchange on which registered**
Common stock, par value $.01 per share	The NASDAQ Global Market

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

None
(Title of class)

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

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

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 ý No o

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

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

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

Large Accelerated Filer o	Accelerated Filer ý	Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

The aggregate market value of the shares of common stock of the Registrant held by non-affiliates based upon the closing price of Registrant's shares as reported on The NASDAQ Global Market on June 30, 2011, which was $2.04 per share, was $142,112,614. This calculation is based on the number of shares of the Registrant's common stock outstanding as of June 30, 2011, excluding shares of the Registrant's common stock held by any officer or director of the Company or by any person known by the Company to own 5% or more of the Registrant's outstanding shares of common stock. Exclusion of shares held by any person should not be construed as a conclusion by the Company, or an admission by any such person, that such person is an "affiliate" of the Company, as defined by applicable securities laws.

As of February 29, 2012, 127,365,531 shares of common stock, par value $0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the 2012 annual meeting of stockholders to be filed with the Securities and Exchange Commission are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

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PART I

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. All statements other than statements of historical information contained herein are forward-looking statements. These statements may contain projections relating to revenues, earnings, operations, other financial measures, economic conditions, trends and known uncertainties, and may include statements regarding our future performance, strategies and objectives. Our forward-looking statements are not meant as, and should not be considered to be, guarantees of future performance or events. Rather, they reflect management's expectations, beliefs or judgments, based on management's review, consideration and analysis of available facts and other information regarding the subject matter of the forward-looking statements. Our actual results may differ materially from those described in our forward-looking statements. You should review the "Risk Factors" section of this Report for a discussion of the important factors that could cause actual results to differ materially from those described in or implied by the forward-looking statements contained in this Report. Because of the inherent uncertainty associated with our forward-looking statements, readers are cautioned not to place undue reliance on them. We undertake no obligation to update these forward-looking statements, or any other information in this report, to reflect events or circumstances that arise after the date hereof.

As used herein, the terms "Company," "Gleacher," "we," "us," or "our" refer to Gleacher & Company, Inc., and its subsidiaries.

Item 1. Business

Overview

Gleacher & Company, Inc. (the "Parent," and together with its subsidiaries, the "Company") is an independent investment bank that provides corporate and institutional clients with strategic and financial advisory services, including merger and acquisition, restructuring, recapitalization, and strategic alternative analysis. The Company also provides capital raising, research-based investment analysis, and securities brokerage services, and, through the Company's ClearPoint Funding, Inc. subsidiary ("ClearPoint"), engages in residential mortgage lending. The Company offers a diverse range of products through its Investment Banking, Mortgage Backed/Asset Backed & Rates ("MBS/ABS & Rates"), Corporate Credit and ClearPoint divisions. As of December 31, 2011, the Company had 453 employees. The Company is incorporated under the laws of the State of Delaware and its common stock is traded on The NASDAQ Global Market ("NASDAQ") under the symbol "GLCH."

The Company's Gleacher & Company Securities, Inc. ("Gleacher Securities") and Gleacher Partners, LLC ("Gleacher Partners") subsidiaries are registered as broker-dealers with the Securities and Exchange Commission ("SEC") and are members of the Financial Industry Regulatory Authority, Inc. ("FINRA") and various exchanges. Gleacher Securities is also a member of the National Futures Association ("NFA"). ClearPoint is under the regulatory oversight of the Department of Housing and Urban Development ("HUD"), as well as various regulatory bodies in the states in which it conducts business.

The Company's headquarters is located at 1290 Avenue of the Americas, New York, NY 10104. The telephone number at that address is (212) 273-7100, and our internet address is www.gleacher.com.

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Business Segments

We currently operate through the following four business segments:

MBS/ABS & Rates

This division provides sales, trading, research and advisory services on a wide range of mortgage and asset-backed securities, U.S. Treasury and government agency securities, structured products such as collateralized loan obligations ("CLOs") and collateralized debt obligations ("CDOs"), whole loans, and other securities. Revenues are generated from spreads on principal transactions executed to facilitate trades for clients. Revenues are also generated from changes in fair value and interest income on securities held in inventory.

Corporate Credit

This division provides analysis, sales and trading on a wide range of debt securities including bank debt and loans, investment grade debt, high-yield debt, treasuries, convertibles, distressed debt, preferred debt, emerging market debt and reorganization equities to corporate and institutional investor clients. The division also provides trade execution services, liability management, corporate debt repurchase programs and new issue distributions. Revenues are generated primarily from spreads on riskless principal transactions, and to a lesser extent, principal trading and commissions on trades executed on behalf of clients. In addition, revenues are also generated on a smaller scale from interest income on securities held in inventory.

Investment Banking
This division provides financial advisory and capital raising services in connection with mergers, acquisitions and other strategic matters. The division is being reorganized around existing M&A expertise, expanded capital markets capabilities and key industry verticals, including real estate, financial services, aerospace and defense, technology, media and telecom, general industrial and financial sponsor coverage.

ClearPoint
This division originates, processes and underwrites single and multi-family residential mortgage loans in 43 states. The loans are underwritten using standards prescribed by conventional mortgage lenders and loan buyers such as the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. Revenues are generated primarily from the sale of the residential mortgage loans with loan servicing rights released. We acquired these operations in January 2011. As discussed below under "Management's Discussion and Analysis of Financial Condition and Results of Operations," ClearPoint has experienced recent liquidity issues. ClearPoint's management, with the assistance of the Parent, has designed and is implementing a plan to address these issues.

Other Activities

The Company also recognizes investment gains/(losses) and earns fees related to the Company's investment in and management of FA Technology Ventures L.P. ("FATV" or "the Partnership") which includes interests primarily in privately held companies. The Company's results also include expenses not directly associated with specific reportable segments, including impairment of goodwill and amortization of intangible assets from business acquisitions and costs related to corporate overhead and support, such as various fees associated with financing, legal and settlement expenses.

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Sources of Revenues

Set forth in the table below is information regarding the amount and percentage of net revenues from each of our principal revenue sources for the periods indicated (excluding discontinued operations):

For the years ended December 31, (Dollars in thousands)	2011 Amount	2011 Percent	2010 Amount	2010 Percent	2009 Amount	2009 Percent
Principal transactions*	$ 89,108	34.1%	$ 79,433	32.0%	$ 108,276	34.0%
Commissions*	71,347	27.3%	76,817	30.9%	122,878	38.6%
Investment banking	33,069	12.7%	43,400	17.5%	36,577	11.5%
Investment banking revenues from related party		0.0%	1,947	0.8%	9,579	3.0%
Investment gains, net	2,996	1.1%	7	0.0%	5,698	1.8%
Interest income	66,194	25.3%	57,292	23.0%	46,362	14.5%
Gain from bargain purchase ClearPoint Funding, Inc. acquisition	2,330	0.9%		0.0%		0.0%
Fees and other	8,041	3.1%	1,004	0.4%	1,769	0.5%
Total revenues	$ 273,085	104.6%	$ 259,900	104.6%	$ 331,139	103.9%
Interest expense	11,913	4.6%	11,318	4.6%	12,523	3.9%
Net revenues	$ 261,172	100%	$ 248,582	100.0%	$ 318,616	100.0%

* Revenues earned on riskless principal transactions in the amount of $70.0 million for the year ended December 31, 2011 has been reported as commission income in order to distinguish such revenues (commission equivalents) from revenues earned on financial instruments held in inventory. Riskless principal transaction revenues earned in the prior periods of $75.1 million and $121.7 million for the years ended December 31, 2010 and 2009, respectively, have been reclassified from principal transactions to commission revenues to conform to 2011 presentation.

For information regarding the Company's reportable segments, refer to Note 27 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.

Principal Transactions

Principal transactions revenues are generated primarily by the Company's MBS/ABS & Rates and ClearPoint divisions. The MBS/ABS & Rates division generates revenues from spreads on customer trading activities and changes in fair value on financial instruments held in inventory, including agency mortgage-backed securities, debt issued by U.S. Government and federal agency obligations, commercial mortgage-backed debt, residential mortgage-backed debt, other debt obligations, CDOs, corporate debt securities, equity securities, preferred stock and derivatives. The Company's ClearPoint division originates mortgage loans and enters into related hedging instruments in connection with its residential mortgage lending activities. Changes in the fair value of such loans and hedging are also reflected in principal transactions.

Commissions

Commission income is primarily comprised of commission equivalents earned on riskless principal transactions.

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Investment Banking

Investment banking fees are generated from a broad range of financial advisory services in regards to mergers and acquisitions, restructurings and recapitalizations and debt and equity capital raising solutions.

Set forth in the table below is information regarding investment banking revenues by area for the periods indicated:

	For the years ended December 31,		
(In thousands)	**2011**	**2010**	**2009**
Investment banking transactions			
Advisory services	$ 24,341	$ 32,383	$ 33,316
Capital markets	8,728	12,964	12,840
Total Investment banking revenues	$ 33,069	$ 45,347	$ 46,156

Investment gains (losses)

Investment gains (losses) primarily represent the changes in fair value of the Company's investment in FATV, which is comprised of 22 holdings primarily in privately held companies. (Refer to Note 10 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.)

Interest Income & Expense

Interest income is recognized principally within the Company's MBS/ABS & Rates division on its portfolio of fixed income securities. The Company incurs interest expense primarily as a result of funding its trading portfolio through its clearing broker and, to a lesser extent, through the repurchase markets. The MBS/ABS & Rates division also recognizes net interest income on its matched-book repurchase activities. The Company's ClearPoint division recognizes interest income in connection with its residential mortgage lending activities and incurs interest expense on its short term secured mortgage warehouse lines of credit. The increase in net interest income year-over-year is primarily due to increasing inventory levels.

Fees and Other

Fees and other revenues relate primarily to miscellaneous fees earned in connection with ClearPoint's residential mortgage lending activities and investment management fees earned by FA Technology Ventures Corporation.

Bargain Purchase Gain

The Company recorded a bargain purchase gain during the year ended December 31, 2011 related to its acquisition of ClearPoint on January 3, 2011.

Operations

The Company's broker-dealer subsidiaries clear customers' securities transactions through third parties under clearing agreements. Under these agreements, the clearing agents settle customer securities transactions, collect margin receivables related to these transactions, monitor the credit standing and required margin levels related to these customers and, pursuant to margin guidelines, require the customer to deposit additional collateral with them or to reduce positions, if necessary. In November 2010, Gleacher Securities began self-clearing its trading activities in U.S. government securities (the "Rates business") and as a result became a member of the Depository Trust and

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Clearing Corporation, Government Securities Clearing Corporation and Fixed Income Securities Clearing Corporation ("FICC").

Discontinued Operations

The Company has classified the results of the Equities division as discontinued operations due to its decision to exit this business on August 22, 2011.

Competition

As an investment bank, all aspects of the Company's business are intensely competitive. The Company competes with other investment banks, commercial banks or bank holding companies, brokerage firms, merchant banks and financial advisory firms. The Company competes with firms nationally as well as on a regional, product or business line basis. Many of the Company's competitors have substantially greater capital and resources and offer a broader range of financial products. To the extent we expand into new business areas and new geographic regions, we will face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market. The Company believes that the principal factors affecting competition in its businesses include client relationships, reputation, quality and price of our products and services, market focus and the ability of our professionals. Competition is intense for the recruitment and retention of qualified professionals. The Company's ability to continue to compete effectively in its businesses will depend upon its continued ability to retain and motivate its existing professionals and attract new professionals.

Regulation

The securities industry in the United States is subject to extensive regulation under federal and state laws. The SEC is the federal agency charged with administration of the federal securities laws. Much of the direct oversight of broker-dealers, however, has been delegated to self-regulatory organizations, principally FINRA, NFA and the U.S. securities exchanges. These self-regulatory organizations adopt rules (subject to approval by the SEC) that govern the securities industry and conduct periodic examinations of member broker-dealers. Securities firms are also subject to substantial regulation by state securities authorities in the U.S. jurisdictions in which they are registered. The Company's subsidiaries, Gleacher Securities and Gleacher Partners, are registered as broker-dealers in all 50 states, the District of Columbia and Puerto Rico. Gleacher Securities is also registered in the U.S. Virgin Islands.

The U.S. regulations to which broker-dealers are subject cover many aspects of the securities business, including sales and trading practices and financial responsibility, the safekeeping of customers' funds and securities, the capital structure of securities firms, books and record keeping, and the conduct of associated persons. Salespeople, traders, investment bankers and others are required to pass examinations administered by FINRA and all principal exchanges as well as state securities authorities in order to both obtain and maintain their securities license registrations. Certain employees of our broker-dealer subsidiaries are required to be registered with FINRA and to participate annually in the firm's continuing education program.

As a mortgage originator, ClearPoint is licensed and authorized to conduct lending activities in 43 states. Its activities include the origination, processing and underwriting of single and multi-family mortgage loans. ClearPoint is under the regulatory oversight of the HUD, as well as various regulatory bodies in the states in which it conducts business.

Regulatory scrutiny of the financial services industry has increased in recent years, including through the passing of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") which was signed into law in July 2010. Dodd-Frank was passed to address (i) the

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perceived insufficient oversight and regulation of the U.S. financial system, (ii) the unregulated over-the-counter derivatives market and (iii) the lack of a consumer protection authority. Dodd-Frank covers a broad spectrum of reforms aimed at bringing accountability to the U.S. financial system and limiting those risks considered to have contributed to the economic crisis of 2008-2009. This legislation, as well as other federal and state laws, changes in rules promulgated by the SEC and by self-regulatory organizations as well as changes by state securities authorities, and/or changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. The SEC, self-regulatory organizations, and state securities regulators have broad authority to conduct examinations and inspections and to initiate administrative proceedings which can result in censure, fine, suspension, or expulsion of a broker-dealer, its officers, or employees. The principal purpose of U.S. broker-dealer regulation is the protection of customers and the securities markets rather than protection of stockholders of broker-dealers.

Regulatory Requirements

The Company's broker-dealer subsidiaries, Gleacher Securities and Gleacher Partners, are subject to the net capital requirements of Rule 15c3-1 promulgated under the Exchange Act. Gleacher Securities is also subject to the net capital requirements promulgated under the Commodity Futures Trading Commissions (Regulation 1.16). These net capital rules are designed to measure the general financial condition and liquidity of a broker-dealer, and they impose a required minimum amount of net capital deemed necessary to meet a broker-dealer's continuing commitments to its customers.

Compliance with these net capital rules may limit those operations that require the use of capital, such as trading in securities and underwriting securities. Net capital changes from day to day, based in part on the Company's inventory positions and the portion of the inventory value that the net capital rules require the firm to exclude from its capital. (Refer to Note 22 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.)

At December 31, 2011, net capital and excess net capital of the Company's broker-dealer subsidiaries were as follows:

(In millions)	Net Capital	Excess Net Capital
Gleacher Securities	$ 76.4	$ 76.1
Gleacher Partners	$ 0.8	$ 0.5

ClearPoint is subject to net worth requirements mandated by HUD. At December 31, 2011, minimum net worth required and adjusted net worth of ClearPoint was as follows:

(In millions)	Net Worth	Net Worth above amount Required
ClearPoint	$ 18.6	$ 17.6

Business Continuity

The Company maintains a Business Continuity Plan ("BCP") to allow for an effective response to a significant business disruption, either internal or external, in order to (i) safeguard our employees' lives and Company property, (ii) make a financial and operational assessment and quickly recover and resume operations, (iii) protect the Company's books and records, and (iv) allow our customers to continue to transact business. The BCP provides for the following:

- alternative physical locations for employees,
- internal and external communication channels,

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customers' access to trade execution, funds and securities,

Company access to liquidity, and

recovery of books and records.

In addition, many of the Company's mission-critical systems, which are those that ensure prompt and accurate processing of securities transactions, are external. These include systems through which the Company clears its customers securities transactions and our contracts with these clearing firms provide that they also maintain a business continuity plan.

The Company reviews the BCP at least annually and updates it whenever there is a material change to our operations, structure and /or business.

Available Information

The Company files with the SEC current, annual and quarterly reports, proxy statements and other information as required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You may read and copy any document we file with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov from which interested persons can electronically access the Company's SEC filings.

The Company will make available free of charge, through its internet site www.gleacher.com, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information. These filings and information will become available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

The Company also makes available, on the Corporate Governance page of its website, its (i) Corporate Governance Guidelines, (ii) Code of Business Conduct and Ethics, (iii) the charters of the Audit, Executive Compensation, and Directors and Corporate Governance Committees of its Board of Directors, and (iv) the Procedures for Reporting Violations of Compliance Standards. These documents are also available in print without charge to any person who requests them by writing or telephoning: Gleacher & Company, Inc., 1290 Avenue of the Americas, New York, NY 10104, U.S.A., Attn: Investor Relations, telephone number (212) 273-7100.

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Item 1A. Risk Factors

Our business and operations face a variety of serious risks and uncertainties. You should carefully consider the risk factors described below and in our other public reports. If any of the following risks actually occur, or if our underlying assumptions prove to be incorrect, our actual results may vary from what we projected and our financial condition or results of operations could be materially and adversely affected. These risk factors are intended to highlight factors that may affect our business, financial condition and results of operations and are not meant to be an exhaustive discussion. Additional risks and uncertainties of which we are currently unaware or that we currently believe to be immaterial may also adversely affect us.

We have organized the risk factor discussion below around certain categories, although there is some overlap of specific risk factor disclosure between categories. The order of the categories set forth below, and the order of particular risk factors within each category, is not necessarily indicative of the likelihood of the occurrence of any of the risks described below or the magnitude of the effect on us in the event any such risks should occur.

Risks Common to Companies in the Financial Services Industry

Operating in the financial services industry exposes us to particular risks unlike those attendant to operating in other segments of the economy. We summarize the most significant of these risks below.

Difficult market conditions have adversely affected and may continue to adversely affect our business in many ways. Our businesses, by their nature, do not produce predictable earnings and are materially affected by conditions in the financial markets and economic and geopolitical conditions generally, both in the U.S. and around the world. Recent events relating to the European debt crisis and the debt ceiling debates in Congress, combined with ongoing uncertainties about the global economic outlook, have led to volatile global markets and challenging economic conditions. Market volatility can lead to unanticipated, severe and rapid depreciation in asset values accompanied by a reduction in asset liquidity. Market uncertainty and unfavorable economic conditions may also cause clients to curtail their investment activities or even cease doing business. Such adverse conditions could also negatively affect our ability to retain our clients and attract new clients. It is impossible to predict the long-term impact of this market and economic environment, whether it will persist or recur, or the extent to which our markets, products and businesses will be adversely affected.

The passing and implementation of Dodd-Frank has and will continue to result in various programs, initiatives and actions being implemented in the U.S. and other markets in order to stabilize the markets, increase liquidity and restore investor confidence. It is unclear whether such initiatives will in fact be positive or negative for the financial markets over either the short or long-term. If the economic recovery remains unstable, our operations, including sales and trading and investment banking could be negatively impacted by a reduction of trading volumes, continued tightening of spreads, fewer completed investment banking transactions, a reduced backlog and decreased size of transactions, and our diminished role in these businesses, resulting in reduced principal transactions and investment banking revenues. In the event of extreme market events, such as a recurrence of the global credit crisis, we could incur substantial loss on the value of our securities due to market volatility. In addition, the activities related to our residential mortgage banking initiative associated with our acquisition of ClearPoint, a residential non-depository mortgage lender, may also be impacted as a result of the influence of Dodd-Frank in re-shaping the mortgage origination industry.

Our business is also significantly affected by interest rates, which can change suddenly and unexpectedly. The Federal Reserve ("Fed") continues to implement programs designed to further stimulate the economy by keeping interest rates low. However, the long-term impact of such programs remains uncertain. These programs, as well as other possible changes to the Fed's monetary policy, could significantly impact interest rates. An increase in interest rates could decrease the level of customer activity, increase our cost of funding, likely decrease new issues in the debt capital markets,

decrease the value of securities owned by us and create a business environment in which mergers and acquisitions activity decreases. In addition, an increase in interest rates could also result in lower mortgage loan origination volumes in our residential mortgage loan origination business.

Any or all of these conditions could adversely affect our financial condition and results of operations.

The financial services industry and the markets in which we operate are subject to systemic risk that could adversely affect our business and results. Participants in the financial services industry and markets increasingly are closely interrelated as a result of credit, trading, clearing, technology and other relationships. A significant adverse development with one participant (such as a bankruptcy or default) may spread to others and lead to significant concentrated or market-wide problems (such as defaults, liquidity problems or losses) for other participants. This was evident during the credit crisis of 2008-2009 and the resulting events had a negative impact on many other industry participants. While the Dodd-Frank legislation was passed with a primary purpose of avoiding another financial crisis as a result of systemic risk, it remains uncertain whether the legislation will be effective. In addition, the legislation may not be sufficient to mitigate financial market turmoil as a result of possible future unanticipated market bubbles. Systemic risk is inherently difficult to assess and quantify, and its form and magnitude can remain unknown for significant periods of time and could have a negative impact on us.

The volume of anticipated investment banking transactions may differ from actual results. Our investment banking revenues are typically earned upon the completion of a transaction. In most cases, we receive little or no payment for investment banking engagements that are not successfully completed. Furthermore, the completion of investment banking transactions in our pipeline is uncertain and beyond our control. For example, a client's transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other problems in the client's or counterparty's business. If parties fail to complete a transaction on which we are advising or an offering in which we are participating, we earn little or no revenue but may incur significant expenses (for example, travel and legal expenses) associated with the transaction. Accordingly, our business is highly dependent on market conditions as well as the decisions and actions of our clients and third parties many of which have no interest in, or are adverse to, the completion of a given transaction. The number of transactions for which we have been engaged is subject to change and is not necessarily indicative of future revenues.

Financing and advisory services engagements are singular in nature and do not generally provide for subsequent engagements. Even though we work to represent our clients at every stage of their lifecycle, we are typically retained on a short-term, engagement-by-engagement basis in connection with specific capital markets, mergers and acquisitions, or advisory engagements. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If we are unable to generate a substantial number of new engagements and generate fees from the successful completion of those transactions, our business and results of operations will likely be adversely affected.

Pricing pressures may negatively impact the revenues and profitability of our brokerage business as well as our residential mortgage lending business. In recent years, we have experienced pricing pressures on commissions and trading margins. Margins on the residential mortgage lending activities of ClearPoint also continue to compress in light of the recent challenging conditions in the mortgage industry, including litigations related to foreclosure and servicing practices brought against major participants in the market and less competition as certain of these participants have cut back or shut down their operation. The recent passing of the Dodd-Frank legislation may result in further pricing pressures and even lower margins. We believe that pricing pressures in these and other areas will continue as

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institutional investors continue to implement cost-reduction strategies, including reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions, spreads or other margins.

Increase in capital commitments in our trading, underwriting and other businesses increases the potential for significant losses. Capital commitment needs in the capital markets industry may result in larger and more frequent commitments of capital by financial services firms in many of their activities. For example, in order to win business, investment banks commit to purchase large blocks of stock of publicly-traded issuers, instead of employing the more traditional marketed underwriting process, in which marketing was typically completed before an investment bank committed to purchase securities for resale. Capital impairment of investment banks resulting from the financial dislocations experienced recently could reverse this trend. However, we cannot predict with certainty how the industry will evolve or the extent to which investment banks will continue to use their own capital as a competitive tool in winning business. Relative to many of our competitors, we have limited access to additional capital, which could put us at a competitive disadvantage. As a result, we may be forced to commit greater amounts of capital to facilitate our business activities.

Our underwriting activities may place our capital at risk. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities we purchased as an underwriter at the anticipated price levels. As an underwriter, we also are subject to heightened standards regarding liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite.

Increased competition, including from larger firms, may adversely affect our revenues and profitability. The brokerage and investment banking industries are intensely competitive, and we expect them to remain so. We compete directly with other investment firms, brokers and dealers, and commercial banks, many of which are much larger. In addition to competition from firms currently in the securities business, there has been increased competition from others offering financial services, including automated trading and other services based on technological innovations.

We compete on the basis of a number of factors, including client relationships, reputation, the abilities of our professionals, market focus and the relative quality and price of our services and products. We have experienced price competition in our MBS/ABS & Rates and Corporate Credit divisions, particularly in the form of compression in trading commissions and spreads. In addition, pricing and other competitive pressures in investment banking, have continued and could adversely affect our revenues. We believe we may experience competitive pressures in these and other areas in the future, as some of our competitors seek to obtain market share by competing on the basis of price.

Many of our competitors in the brokerage and investment banking industries have a broader range of products and services, greater financial and marketing resources, larger client bases, greater name recognition, more professionals to serve their clients' needs, greater global reach and more established relationships with clients than we have. These larger and better-capitalized competitors may be better able to respond to changes in the brokerage and investment banking industries, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. They also have the ability to support investment banking with commercial banking, insurance and other financial services in an effort to gain market share, which has resulted, and could further result, in pricing pressure in our businesses. For example, many of our larger competitors have in the past provided bridge lending and equity participation and otherwise committed their own capital to facilitate transactions. The ability to provide financing is an important advantage for some of our larger competitors, and if this trend continues, it would adversely affect us competitively because we do not regularly provide such financing. Additionally, these broader, more robust investment banking and financial services platforms may be more appealing to investment banking professionals than our business, making it more difficult for us to attract new employees and retain those we have.

If we are unable to compete effectively in our markets, our business, financial condition and results of operations will be adversely affected.

Financial services firms have been subject to increased scrutiny and enforcement activity over the last several years, increasing the risk of financial liability and reputational harm resulting from adverse regulatory actions. The financial services industry has experienced increased scrutiny and enforcement activity from a variety of regulators, including the SEC, FINRA, NYSE, NFA, NASDAQ, HUD, the state securities commission and state attorneys general. Penalties and fines sought by regulatory authorities have increased substantially over the last several years. This regulatory environment has created uncertainty with respect to a number of transactions that had historically been entered into by financial services firms and that were generally believed to be permissible and appropriate. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. We also may be adversely affected as a result of new or revised legislation or regulations imposed by Congress, individual state legislatures, the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets, such as the Dodd-Frank legislation, as well as proposals that have been made both domestically and internationally, including additional capital and liquidity requirements. For example, we could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities.

We are also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business, including, among other things, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The Company's broker-dealer subsidiaries are subject to routine audits by FINRA and the NFA. If these audits result in any adverse findings by FINRA or the NFA, we may incur fines or other censure. In the ordinary course of business, the Company and its subsidiaries receive inquiries and subpoenas from the SEC, state securities regulators and self-regulatory organizations. The Company does not always know the purpose behind these communications or the status or target of any related investigation. The responses to these communications have in the past resulted in the Company and/or its subsidiaries being cited for regulatory deficiencies, although to date these communications have not had a material adverse effect on the Company's business. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which could seriously harm our business prospects.

In addition, financial services firms are subject to numerous conflicts or perceived conflicts of interests. The SEC and other federal and state regulators have increased their scrutiny of potential conflicts of interest. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts and regularly seek to review and update our policies, controls and procedures. However, appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with conflicts of interest. Our policies and procedures to address conflicts may also result in increased costs, additional operational personnel and increased regulatory risk. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation.

Extensive regulation of public companies in the U.S. could reduce our revenues and otherwise adversely affect our business. Highly publicized financial scandals in past years have led to investor concerns over the integrity of the U.S. financial markets, and have prompted Congress and various regulatory agencies to significantly expand corporate governance, internal control over financial reporting and public disclosure requirements. In addition, the Dodd-Frank legislation is leading to more regulation of both public companies and the financial services industry. Any new corporate governance rules may divert a company's attention away from capital markets/investment banking transactions, including securities offerings and acquisition and disposition transactions. These factors, in addition to adopted or

proposed accounting and disclosure changes, may have an adverse effect on our business. In addition, we could be directly impacted, as a public company, by such changes or developments.

Our business and results of operations could be adversely affected by governmental fiscal and monetary policies. Our cost of funds for borrowing, investment activities and capital raising are affected by the fiscal and monetary policies of the U.S. and foreign governmental and banking authorities, changes to which are not within our control or wholly predictable. Such changes may also affect the value of the securities we hold.

Employee misconduct could harm us and is difficult to detect and deter. There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years. We also are exposed to the risk of employee misconduct. For example, misconduct by employees could involve the improper use or disclosure of confidential information, or inappropriate sales techniques, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be fully effective.

Risks Relating to our Liquidity and Access to Capital

The financial services industry is characterized by transacting in very large sums of money. It is typical for companies like ours to finance their operations in part through credit lines and other short-term financing arrangements. This dynamic gives rise to serious risks in the event that we or another participant in this industry loses a source of financing or otherwise is required to satisfy a substantial payment obligation at a time when adequate capital is not available to it. The risk factors below describe many of the different varieties of this risk, some specific to us and others facing most or all participants in the financial services industry. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

Limitations on our access to capital could impair our liquidity and our ability to conduct our businesses. Liquidity, or ready access to funds, is essential to financial services firms. Recent failures of financial institutions have often been directly attributable to a very sudden and unexpected need for large amounts of cash, which was not available. Liquidity is of particular importance to our trading business, and perceived liquidity issues may affect the willingness of our clients and counterparties to engage in brokerage transactions with us. Our liquidity could be impaired due to circumstances that we are unable to control, such as a general market disruption, negative views about the financial services industry generally or an operational problem that affects our trading clients, third parties or us. We currently do not have committed sources of borrowing through bank financing arrangements. We rely on cash and assets that have historically been readily convertible into cash, such as our securities held in inventory, to finance our operations generally and to maintain our margin requirements, particularly with our principal clearing firm, Pershing LLC. Our broker-dealer's inventory is financed by our clearing firm and periodically through repurchase agreements. The residential mortgage banking activities conducted by our ClearPoint subsidiary are financed through mortgage warehouse lines of credit, which include restrictive covenants that may result in limitations on such borrowings. Our ability to continue to access these and other forms of liquidity could be impaired due to circumstances beyond our control, such as a change in the value of our collateral, the willingness or ability of lenders to provide credit, and market disruptions or dislocations. Any such events could have a material adverse effect on our ability to fund our operations and operate our business.

In order to obtain funding to grow our business or fund operations in the event of future losses, we may seek to raise capital through the issuance and sale of our common stock or the incurrence of debt. The sale of equity, or securities convertible into equity, could result in significant dilution to our stockholders, given the current low market price of our common stock. The incurrence of debt may

subject us to covenants restricting our business activities. Additional funding may not be available to us on acceptable terms, or at all.

Our ClearPoint subsidiary has encountered recent liquidity constraints, and as a result we have guaranteed certain of ClearPoint's obligations. In recent months, ClearPoint has experienced liquidity constraints. These have resulted principally from the rapid expansion of ClearPoint's business coupled with an unanticipated slow-down in loan purchases made by one of ClearPoint's principal loan purchasers. These factors have combined to lengthen the period of time during which ClearPoint's loan originations have persisted on its warehouse credit lines. As further discussed under "Management's Discussion and Analysis Liquidity and Capital Resources," if ClearPoint does not sell loans it originates from funds advanced under its warehouse lines of credit within certain periods of time, the lenders can incrementally "curtail," or reduce, such advances. If and when curtailments are made, ClearPoint is required to repay the curtailed amounts to the lenders prior to receiving any proceeds from the sale of the loans. ClearPoint's recent liquidity constraints have been compounded by curtailment payments it has been required to make after its loan originations dwelled for longer periods of time on its warehouse lines.

In order to facilitate the February 2012 purchase by Citibank of approximately $56 million of loans originated by ClearPoint (thereby reducing curtailment risk and making available additional capacity under the warehouse lines), the Parent guaranteed certain of ClearPoint's obligations relating to the Citibank purchase. In general, ClearPoint may be obligated to repurchase certain loans if certain conditions regarding documentation, underwriting and similar matters are not resolved favorably within 30 days of the purchase (subject to extensions). Also, if any loan with unresolved conditions falls into borrower default (defined as any payment more than 30 days past due), Citibank may require ClearPoint to repurchase such loan. The Parent guaranteed payment to Citibank for any required repurchase if ClearPoint does not itself make such repurchase. As of March 16, 2012, the conditions relating to $12.5 million of these loans had been favorably resolved.

In addition, the Parent has guaranteed certain ClearPoint obligations relating to potential curtailment payments to two of its warehouse lenders. These guaranties, relate to two pools of loans those in the warehouse on or about February 29, 2012 (the "legacy loans"), and new loans funded by the warehouse lenders thereafter (the "new loans"). The legacy loans had an initial maximum exposure of $114 million, assuming 100% curtailment, and without giving effect to the realizable value of the loans. The curtailment obligations with respect to a loan increase incrementally based on the period of time the loan persists on the warehouse line, with 100% curtailment required if the loan has not been sold 90 days after funding. As of March 16, 2012 approximately $51.6 million of these legacy loans had been sold to third parties.

In connection with waivers provided by these lenders in March 2012 regarding defaults under their respective warehouse lines (as further discussed within Note 29 "Subsequent Events" within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form-10K), the Parent's exposure to new loans under these guaranties increased, and currently ranges from 5% to 100% of, in general, the lesser of the market value or the principal amount of such loans, depending on the length of time such loans persist on the warehouse line, with 100% curtailment of the amount advanced required 90 days after funding. Total exposure at March 16, 2012 assuming 100% curtailment and without giving effect to the realizable value of the related loans, was $49.5 million.

Loans funded by ClearPoint since its acquisition on January 3, 2011 through March 16, 2012 totaled approximately $2.1 billion. Of these loans, approximately $20.8 million (1%) experienced a full curtailment and approximately $5.3 million of these loans have not yet been sold. At March 16, 2012, there were approximately $136.0 million loans aged less than 30 days on the warehouse lines and approximately $1.9 million of loans within 10 days of full curtailment. While full curtailment is a possibility, the Parent would seek to recoup any required payments under the guaranties through the proceeds from the sale of the associated mortgage loans. However, if payments become due to the

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lenders or Citibank at a time when the related loans cannot be sold quickly for an amount approximating their full principal amount, or at all, whether as a result of a dislocation in the financial markets (especially those markets for residential mortgage loans or securities backed by residential mortgage loans), purchaser delays or otherwise, both ClearPoint and the Parent could face a liquidity shortfall and may not be able to perform as required under the agreements, and/or could incur losses from the sale of the loans at prices below the market value of the loans in order to meet these obligations. Due to the fact that Citibank must internally review ClearPoint's responses to the various conditions, we are not in complete control of the rate at which the conditions on the loans are satisfied and as a result cannot assure you that all loans will be cleared when and as required. As a result, these obligations, depending upon their magnitude, could have a material and adverse effect on the Parent's and/or its subsidiaries financial position, results of operations and/or cash flows.

See "Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" for a more detailed description of these matters.

Our residential mortgage lending business currently relies on a limited number of warehouse lines of credit, each of which expires relatively soon. As of December 31, 2011, ClearPoint had access to three warehouse lines of credit with a total capacity of $250 million and a total committed capacity of $100 million. One of these lines was scheduled to expire on March 10, 2012. The lender elected not to renew the line and agreed instead to a 120-day extension. ClearPoint may make requests for funding under this line for the first 60 days of the extension, with the available amount which ClearPoint may request decreasing, ultimately to zero at the sixtieth day. However, the lender is not committed to agree to any particular funding request. ClearPoint must repay all amounts outstanding under this line upon expiration of the line (as extended). At March 16, 2012, ClearPoint had advances of approximately $56.4 million outstanding under this line and during the period January 1, 2012 through March 16, 2012 has sold loans off this line at an average pace of $2.4 million per day. ClearPoint is currently limiting the use of this warehouse line for future fundings, but as mentioned above, does have the availability to make requests for funding under this line for the first 60 days of the extension. There can be no assurance that the rate at which ClearPoint sells loans off the line continues at the same rate as prior to March 16, 2012.

ClearPoint's two other warehouse lines expire in September 2012, and one, in the amount of $100 million, can be terminated at will by the lender on 90-days' notice. These lines are discretionary facilities and, as such neither lender under these lines is committed to fund any particular financing request. If ClearPoint is unable to replace borrowing capacity when warehouse lines expire or the lenders do not continue to fund requests, it will be required to reduce its loan origination activities, and may not be able to satisfy its unfunded loan commitments.

See "Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" for a more detailed description of these matters.

If ClearPoint is unable to sell the loans financed with the extended warehouse line, it would face a variety of potential adverse financial repercussions. Selling the loans financed under the extended warehouse line on a timely basis and at a price approximating their face value is critical to ClearPoint. If it is unable to do so, and is unable to otherwise finance its payment obligations under the extended warehouse line, it could incur significant losses, may not be able to satisfy its unfunded loan commitments, and could be in default under that warehouse line, which would cause a "cross default" under ClearPoint's other warehouse lines. This would give the lenders under those warehouse lines the right to terminate those facilities and require immediate payment of all amounts then advanced to ClearPoint. If ClearPoint is unable to satisfy its payment obligations under the extended warehouse line, it is highly unlikely that it would be able to satisfy its obligations under the other warehouse lines if the lenders require that the amounts outstanding be paid immediately.

See "Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" for a more detailed description of these matters.

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ClearPoint's warehouse credit lines contain restrictive covenants and repayment provisions that could adversely affect its business. ClearPoint's warehouse lines of credit contain various covenants, which, among other things, require ClearPoint to maintain:

- a minimum tangible net worth ratio,
- a maximum leverage ratio,
- certain levels of profits/losses, and
- a minimum level of liquid assets.

If ClearPoint fails to comply with these covenants, the lenders could declare the credit lines to be in default and require the payment of all amounts then outstanding under the lines. Also, the applicable agreements contain "cross default" provisions, so that a default under one agreement triggers a default under the others. In October 2011, ClearPoint breached certain of these covenants, for which its warehouse line lenders have provided waivers.

Concurrent with the extension of the extended warehouse line described above, the lender issued a notice of default of certain of ClearPoint's financial covenants relating to ClearPoint's liquidity from October 2011 to March 2012 and levels of profits/losses in February 2012, along with a simultaneous waiver, but required more restrictive curtailment provisions and financing terms. In February 2012, ClearPoint was also in default of covenants related to liquidity and profits/losses. These defaults resulted in cross-defaults under each other warehouse line. ClearPoint obtained waivers from each of the lenders covering these defaults and cross-defaults. In connection with waivers granted by two of the lenders, the Parent's exposure under its curtailment guaranties increased to range from 5% to 100% of the lesser of, in general, the market value or the principal amount of such loans, depending on the length of time such loans persist on the warehouse line.

As listed above, ClearPoint is required to maintain certain levels of profits/losses to remain in compliance under its warehouse lines. ClearPoint has incurred losses since its acquisition and is engaged in a remediation plan that will, at least temporarily, make it probable that ClearPoint will not achieve profitability levels that satisfy its financial covenants. Assuming ClearPoint is unable to right size its business in a manner that achieves profitability, and if it is unable to amend the profitability covenants, it will breach these covenants in future periods. If ClearPoint is unable to comply with the terms of its warehouse credit lines, these lines could be terminated, potentially resulting in the acceleration of all amounts due under the lines, as well as the incurrence of losses and/or liability for ClearPoint and the Parent (under its guaranties).

See "Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" for a more detailed description of these matters.

ClearPoint relies on a limited number of investors to purchase its loan originations. Currently, ClearPoint sells loans to a limited number of loan purchasers which exposes it to several risks, principally those related to its warehouse lines. If investors do not purchase ClearPoint loan originations at the pace anticipated, loans in the warehouse would age more than expected, potentially requiring curtailment payment obligations. Also, ClearPoint would have less borrowing capacity, which could adversely impact ClearPoint's ability to satisfy its unfunded loan commitments and/or decrease its ability to originate new loans. Either of these results could materially and adversely affect ClearPoint, and significant curtailment payments may require payments by the Parent under the guaranties described above. While significant curtailment payments are a possibility, during the period January 1, 2012 through March 16, 2012, the maximum amount of cash held by the lenders pursuant to curtailments was approximately $13.1 million (and would have been approximately $17.4 million under the terms of the current curtailment schedules).

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If ClearPoint is unable to satisfy its obligations under its unfunded loan commitments, it could be subject to adverse private-party and regulatory exposure. ClearPoint has no committed sources of financing. If its current warehouse line lenders refuse to accept requests by ClearPoint for funding, and it is unable to find alternative sources of financing to replace the reduced borrowing capacity upon the expiration of one of its warehouse lines, it may not be able to satisfy its unfunded loan commitments. In such an event, ClearPoint would be in breach under these commitments and could be held liable for significant damages. Moreover, failure to fund these commitments would violate consumer protection laws and regulations in the states in which ClearPoint operates, subjecting it to the risk of state-imposed fines, penalties and other censures.

ClearPoint is subject to the risk of loan putbacks. ClearPoint is subject to loan putback risk in connection with representations and warranties made to purchasers of its originated mortgage loans. ClearPoint is required to indemnify its loan purchasers under certain circumstances and may be required to repurchase the loans under others. ClearPoint is indemnified for certain mortgage lending activities arising prior to its acquisition by the Company on January 3, 2011.

Regulatory capital requirements may impede our ability to conduct our business. Gleacher Securities and Gleacher Partners, our broker-dealer subsidiaries, are subject to the net capital requirements of the SEC and various self-regulatory organizations of which they are members. These requirements typically specify the minimum level of net capital a broker-dealer must maintain. Gleacher Securities is also subject to the customer reserve requirements in connection with its self-clearing activities associated with its Rates business, which requires a certain amount of cash or qualifying securities to be maintained in a segregated bank account. In addition, ClearPoint, a wholly owned subsidiary is subject to the HUD minimum net worth requirements imposed by state and federal regulatory agencies. Any failure to comply with such regulatory requirements could impair our ability to conduct these related business activities.

We are a holding company and depend on payments from our subsidiaries. We depend on dividends, distributions and other payments from our subsidiaries to fund our obligations. Regulatory and other legal restrictions limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, our broker-dealer subsidiaries are subject to laws and regulations that authorize regulatory bodies to monitor and/or restrict the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder our ability to access funds that we may need to make payments on our obligations. ClearPoint is also limited in its ability to pay dividends or satisfy intercompany obligations under the contractual terms of its secured borrowing facilities. In addition, because our interests in the Company's subsidiaries consist of equity interests, our rights may be subordinated to the claims of the creditors of these subsidiaries.

Other Risks Specific to Our Business

In addition to the business risks described above, we are subject to a variety of risks specific to our business, as described below.

Our business is subject to significant credit risk, and the financial difficulty of another prominent financial institution could adversely affect financial markets. In the normal course of our businesses, we are involved in the execution and settlement of various customer transactions and financing of various principal securities transactions. These activities are transacted on a cash or delivery-versus-payment basis and are subject to the risk of counterparty or customer nonperformance. Although transactions are generally collateralized by the underlying security or other securities, we still face the risks associated with changes in the market value of securities that we may be obligated to purchase or have purchased in principal or riskless principal trades where a counterparty or customer fails to perform. We may also incur credit risk in our derivative transactions to the extent such transactions result in

uncollateralized credit exposure to our counterparties. We seek to control the risk associated with these transactions by establishing and periodically monitoring credit limits, collateral and transaction levels.

In addition, the creditworthiness and financial well-being of many financial institutions may be interdependent because of credit, trading, clearing or other relationships between the institutions. The financial difficulty of one company, therefore, could result in further market illiquidity or financial difficulties with other institutions and may adversely affect the clearing organizations, clearing houses, banks, exchanges and other intermediaries with which we conduct business. Such events, therefore, could adversely impact our business.

Our assets include illiquid investments in private equity funds, which we may not be able to monetize in the near term or at all. We have made principal investments in private equity funds and may make additional investments in future funds. These investments are typically made in securities that are not publicly traded and therefore are subject to an inherent liquidity risk. At December 31, 2011, $18.3 million of our total assets consisted of relatively illiquid private equity investments. (Refer to Note 10 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.) Our interests in these private equity funds are susceptible to changes in the financial condition or prospects of the portfolio companies in which investments are made, changes in national or international economic conditions or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made. It takes a substantial period of time to identify attractive investment opportunities and then to realize the cash value of the investments through resale. Even if a private equity investment proves to be profitable, it may be several years or longer before any profits can be realized in cash.

Our business may be adversely affected if we are unable to successfully implement our new strategic plan. In August 2011, we announced the implementation of a new strategic plan. Our new strategic plan is designed to maximize revenue and rationalize expenses through a number of new initiatives. We expect to achieve substantial benefit from the implementation of our new strategic plan, but we cannot guarantee that we will obtain these benefits. If we are unable to successfully execute the elements of our strategic plan, our revenues, operating results and profitability may be adversely affected. Even if we successfully implement our plan, there is no assurance that our revenues, operating results and profitability will improve.

We have incurred losses in recent periods and may incur losses in the future. We have incurred losses in recent periods. While we recorded net income for the year ended December 31, 2009, we have recorded a net loss of $82.1 million and $20.6 million for the years ended December 31, 2011 and 2010, respectively. The incurrence of losses in future periods could result in an impairment of our deferred tax assets (approximately $30.8 million at December 31, 2011) as their realization is ultimately dependent upon the Company's ability to produce sufficient future taxable income prior to expiration. In addition, if we incur additional losses and are unable to raise funds to finance those losses, our liquidity and ability to operate would be adversely affected.

We may be unable to fully capture the expected value from acquisitions and investments and personnel. To the extent that we make acquisitions or enter into business combinations, we face numerous risks and uncertainties. The acquisition or combination might not provide sufficient earnings power or other value to justify its cost. Moreover, we could experience expensive and time consuming problems integrating the relevant operations, accounting and data processing systems, management controls, relationships with clients and business partners and other systems and operations of the acquired or combined business. In addition, acquisitions may involve the issuance of shares of our common stock, which would dilute our stockholders' ownership of our firm, or we may borrow funds or use cash on hand, which may impact our funding and liquidity. Furthermore, acquisitions entail a number of risks or other problems, including the inability to maintain key pre-acquisition business relationships, increased operating costs, exposure to unanticipated liabilities and difficulties in realizing projected

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efficiencies, synergies and cost savings. If we are not able to integrate successfully our past and future acquisitions, our results of operations may be materially and adversely affected. Also, expansions or acquisitions divert our management's attention from our other operations.

During the year ended December 31, 2011, we recorded goodwill and intangible impairment charges of $80.2 million in connection with our realignment of our investment banking division and $14.3 million as a result of exiting the Equities business, which is now a discontinued operation. (Refer to Item 7 of this Annual Report on Form 10-K and Note 26 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.) These intangibles resulted from the Gleacher Partners, Inc. and American Technology Holdings, Inc. acquisitions, respectively, and the impairment charges reflect underperformance of the acquired businesses. At December 31, 2011, our remaining intangible assets and goodwill was approximately $25.4 million. If the businesses to which these assets are allocated do not perform as expected, we may need to record additional impairment charges related to these assets, which would reduce net income, possibly materially.

Our ability to hire and retain our senior professionals is critical to the success of our business. In order to operate our business successfully, we rely heavily on key professionals. Their personal reputation, judgment, business generation capabilities and project execution skills are a critical element in obtaining and executing client engagements. In our industry, it is not uncommon for large groups of professionals in a particular business unit to depart simultaneously, especially if one or more key senior members of that unit are recruited by other firms or terminated. Any loss of professionals, particularly key senior professionals or groups of related professionals, could impair our ability to secure or successfully complete engagements, result in loss of sales and trading business, materially and adversely affect our revenues and make it more difficult to operate profitably. Over the past three years, we have experienced significant turnover of senior management, including multiple chief executive and chief operating officers. Such turnover can result, and has resulted, in temporary disruptions and inefficiencies in our business as we attempt to integrate new senior management within the Company. Senior management turnover could also adversely impact our stock price, our client relationships and may make recruiting for future management positions more difficult. We encounter intense competition for qualified employees from other companies in the investment banking industry as well as from businesses outside the investment banking industry, such as hedge funds, private equity funds and venture capital funds. In the past, we have lost investment banking, brokerage, research, and other senior professionals and executives and we could lose more personnel in the future. We may also need to hire additional personnel. At that time, there could be a shortage of qualified personnel whom we could hire. This could hinder our ability to expand or cause a backlog in our ability to conduct our business, including the handling of investment banking transactions and the processing of brokerage orders. These personnel challenges could harm our business, financial condition and operating results.

Our trading in mortgage backed securities exposes us to prepayment risk. The majority of our securities owned are related to our MBS/ABS & Rates division and are primarily comprised of agency mortgage backed securities. Our holdings in these securities are subject to prepayment risk, which have resulted and may continue to result in losses or lower returns than originally anticipated. The low interest rate environment and government initiatives to help underwater homeowners refinance their mortgages subject us to prepayment risk. In addition, other industry developments such as delinquent loan buy backs at par, or modifications to mortgage loans, including those that may reduce the principal balance owed, could have an adverse impact on our trading revenues.

Certain of our businesses focus principally on specific sectors of the economy, and deterioration in the business environment in these sectors generally or decline in the market for securities of companies within these sectors could materially and adversely affect our business. Our investment banking business focuses principally on the aerospace and defense, general industrials, real estate, technology, media and

telecom, and sponsor coverage industries. Volatility in the business environment in these sectors, or in the market for securities of companies within these sectors, could substantially affect our financial results and the market value of our common stock. The market for securities in each of our target sectors may also be subject to industry-specific risks. Underwriting transactions, strategic advisory engagements and trading activities in our target sectors represent a significant portion of our business. This concentration exposes us to the risk of substantial declines in revenues in the event of downturns in these sectors of the economy. Any future downturns in our target sectors could materially and adversely affect our business and results of operations.

Our principal trading and investments expose us to risk of loss. We maintain securities trading positions primarily in our MBS/ABS & Rates division and may incur significant losses from these positions due to market fluctuations. For example, to the extent that we own securities, a downturn in the value of those securities would result in losses from a decline in value. Conversely, to the extent that we have sold securities we do not own, an upturn in value could expose us to potentially unlimited losses. We seek to minimize market risk associated with these positions by trading out of them as quickly as possible and/or through hedging strategies. Certain positions, however, may be held by us for longer periods of time while we are seeking buyers for those positions, thereby exposing us to greater risk of loss. The risk of loss is accentuated, both in terms of likelihood and amount, in times of market volatility such as experienced over the past few years. In addition, our hedging strategies may not successfully mitigate losses in our principal positions. If our hedging strategies are not successful, we could suffer significant losses.

Our financial results may fluctuate substantially from period to period, which may impact our stock price. We have experienced, and expect to experience in the future, significant periodic variations in our revenues and results of operations. The variations over the past few years are attributable to the current economic conditions, continued investment in our business to achieve desired scale, as well as our recent realignment of our investment banking division and our decision to exit the Equities business in August 2011. In addition, these variations are also attributed in part to trading activity and the fact that our investment banking revenues are typically earned upon the successful completion of a transaction, the timing of which is uncertain and beyond our control. Our business is highly dependent on market conditions and the interest in the market for the products and services we trade and offer, as well as the decisions and actions of our clients and interested third parties. This risk may be intensified by focusing on companies in specific industries or sectors. For example, our investment banking segment focuses on companies in the aerospace and defense, general industrials, real estate, technology, media and telecom, and sponsor coverage industries. Concentrating in a specific sector or industry exposes us to volatility in that area that may not affect the broader markets. In addition, our results of operations experience some seasonality, with the third quarter typically being less robust than other quarters, because of typical summer month activity slow-down in July and August of each year for our sales and trading operations, as well as the impact of the holiday season on fourth quarter activity for both our sales and trading operations and ClearPoint.

Our risk management policies and procedures may leave us exposed to unidentified or unanticipated financial risk. Our risk management strategies and techniques may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

Our risk-hedging strategies also expose us to the risk that counterparties that owe us money, securities or other assets will not perform on their obligations. These counterparties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure, breach of contract or other reasons. Although we periodically review credit exposures to specific clients and counterparties and to specific industries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other

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institutions, which in turn could adversely affect us. If any of the variety of instruments, processes and strategies we utilize to manage our exposure to various types of risk are not effective, we may incur significant losses.

Our operations and infrastructure may malfunction or fail. Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across diverse markets, and the transactions we process have become increasingly complex and involve many different types of securities with a wide variety of terms. Our financial, accounting or other data processing systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. If any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to execute transactions and to manage our exposure to risk.

In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties, including our customers, with which we conduct business, whether due to fire, other natural disaster, power or communications failure, act of terrorism or war or otherwise. Nearly all of our employees in our primary locations, including New York, NY and Roseland, NJ, work in close proximity to each other. If a disruption occurs in one location and our employees in that location are unable to communicate with or travel to other locations, our ability to service and interact with our clients may suffer and we may not be able to implement successfully contingency plans that depend on communication or travel.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this could potentially jeopardize our clients' or our counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in the operations of our clients, our counterparties or third parties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

We seek to manage these risks through our Business Continuity Plan. See Item 1 under the heading "Business Continuity" for additional information.

Our business strategy includes expansion of our business operations. We face numerous risks and uncertainties as we seek to expand. We seek growth in our business primarily from internal expansion and through opportunistic acquisitions of attractive targets. If we are successful in expanding our business, there can be no assurance that our financial controls, the level and knowledge of our personnel, our operational abilities, our legal and compliance controls, our risk management procedures and our other corporate support systems will be adequate to manage our business and our growth. For example, the rapid growth of our ClearPoint business contributed significantly to the liquidity problems

described above under "Risks Relating to our Liquidity and Access to Capital." The ineffectiveness of any of the controls or systems described above could adversely affect our business and prospects.

Our exposure to legal liability is significant, and damages that we may be required to pay and the reputational harm that could result from legal action against us could materially adversely affect our businesses. Due to the nature of the Company's business, the Company and its subsidiaries are exposed to risks associated with a variety of legal proceedings. These include litigations, arbitrations and other proceedings initiated by private parties and arising from underwriting, financial advisory, securities trading 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 the Company's financial position. We face significant legal risks in our businesses and, in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have been increasing. We have been in the past, and are currently, subject to a variety of litigation arising from our business, most of which we consider to be routine. Risks in our business include potential liability under securities or other laws for materially false or misleading statements made in connection with securities offerings and other transactions, potential liability for "fairness opinions" and other advice we provide to participants in strategic transactions and disputes over the terms and conditions of trading arrangements. We are also subject to claims by employees alleging discrimination, harassment or wrongful discharge, among other things, and seeking recoupment of compensation claimed (whether for cash or forfeited equity awards) and other damages. These risks often may be difficult to assess or quantify, and their existence and magnitude often remain unknown for substantial periods of time.

As a brokerage and investment banking firm, we depend on our reputation to help attract and retain clients. As a result, an unsatisfied client could be more damaging to us than if we operated in other industries. Moreover, our role as underwriter on underwritings or as advisor for mergers and acquisitions and other transactions involves complex analysis and the exercise of professional judgment, including rendering "fairness opinions" in connection with mergers and other transactions. Therefore, our activities may subject us to the risk of significant legal liabilities to our clients and aggrieved third parties, including stockholders of our clients who could bring securities class action lawsuits against us. As a result, we may incur significant legal and other expenses in defending against litigation and may be required to pay substantial damages for settlements and adverse judgments. Substantial legal liability or significant regulatory action against us could have a material adverse effect on our results of operations or cause significant reputational harm to us, which could seriously harm our business and prospects.

See also Item 3 "Legal Proceedings."

Risks Related to Ownership of Our Common Stock

Provisions of our Certificate of Incorporation and Bylaws, agreements to which we are a party, regulations to which we are subject and provisions of our equity incentive plans could delay or prevent a change in control of our company and entrench current management. Our charter and bylaws contain provisions whose application could have the effect of deterring a takeover or other offer for our securities. Any such actions, together with provisions of our Certificate of Incorporation and Bylaws, as well as Delaware law, could make more difficult, efforts by stockholders to change our Board of Directors or management.

Our Certificate of Incorporation and Bylaws provide:

- for limitations on the personal liability of our directors to the Company and to our stockholders to the fullest extent permitted by law, which may reduce the likelihood of derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care;

that special meetings of stockholders can be called only by our Chairman of the Board, by resolution of the Board of Directors, or by our Chief Executive Officer, President or Secretary (and do not provide our stockholders with the right to call a special meeting or to require the Board of Directors to call a special meeting); and

that subject to the rights of any series of preferred stock or any other series or class of stock set forth in our Certificate of Incorporation, any vacancy on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause or newly created directorships, may be filled only by the affirmative vote of a majority of the remaining directors, and a director can be removed from office without cause only by the affirmative vote of the holders of at least 80% of the voting power of the then outstanding voting stock, voting together as a single class.

In addition, certain of the Company's compensation arrangements provide for payments or acceleration of equity vesting under certain circumstances involving a change of control of the Company. These arrangements could make an acquisition of the Company more expensive, and therefore less attractive, to a potential acquirer.

Also, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may, unless other criteria are met, prohibit large stockholders, in particular those owning 15% or more of the voting rights of our common stock, from merging or combining with us for a prescribed period of time.

In addition, our brokerage businesses are heavily regulated, and some of our regulators require that they approve transactions, which could result in a change of control, as defined by the then-applicable rules of our regulators. The requirement that this approval be obtained may prevent or delay transactions that would result in a change of control.

Our stock price may fluctuate as a result of several factors, including but not limited to, changes in revenues and operating results. We have experienced, and expect to experience in the future, fluctuations in the market price of our common stock due to factors that relate to the nature of our business, including but not limited to changes in our revenues and operating results. Our business, by its nature, does not produce steady and predictable earnings on a quarterly basis, which causes fluctuations in our stock price that may be significant. Other factors that have affected, and may further affect, our stock price include changes in news related to economic or market events or conditions, changes in market conditions in the financial services industry, including developments in regulation affecting our business, failure to meet the expectations of market analysts, changes in recommendations or outlook by market analysts, and aggressive short selling similar to that experienced in the financial industry in 2008.

Because MatlinPatterson FA Acquisition LLC, a Delaware limited liability company ("MatlinPatterson") and Eric J. Gleacher, the Chairman of our Board of Directors, each controls a significant percentage of the voting power of our common stock, they can exert considerable influence over the Company. As of February 29, 2012, MatlinPatterson controlled approximately 28% of the voting power of our common stock and Eric J. Gleacher controlled approximately 11% of the voting power of our common stock. Either MatlinPatterson or Mr. Gleacher, acting together or alone, can exert considerable influence over corporate actions requiring stockholder approval. As a result, it may be difficult for other investors to affect the outcome of any stockholder vote.

In addition, if any of our stockholders, including MatlinPatterson and Mr. Gleacher, that in the aggregate own a majority of our common stock choose to act together, they will be able to direct the election of all of the members of our Board of Directors and determine the outcome of most matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of

any additional shares of common stock or other equity securities and the payment of dividends on common stock. These stockholders might choose to take actions that are favorable to them but not to our other stockholders.

Future sales or anticipated future sales of our common stock in the public market, by us, by MatlinPatterson, by management, by our employees or by others, could cause our stock price to decline. We may in the future issue additional shares of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of any additional shares of common stock or securities convertible into or exchangeable for common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to holders of our common stock. Such sales or offerings could result in increased dilution to our stockholders. The market price of our common stock could decline as a result of sales of, or an expectation of sales of, shares of our common stock or securities convertible into or exchangeable for common stock.

In addition, the sale or anticipated future sale of a significant number of shares of our common stock in the open market by MatlinPatterson, Mr. Gleacher or others, whether pursuant to a resale prospectus or pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), could cause the market price of our common stock to decline. Any such decline could impair our ability to raise capital through the sale of additional equity securities at a price we deem appropriate.

We have granted to certain of our stockholders, rights with respect to registration under the Securities Act of the offer and sale of our common stock. These rights include both "demand" registration rights, which require us to file a registration statement if asked by such holders, as well as incidental, or "piggyback," registration rights granting the right to such holders to be included in a registration statement filed by us. As of February 29, 2012, there were approximately 51.0 million shares of our common stock and outstanding warrants to which these rights pertain. These sales might impact the liquidity of our common stock making it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties

The Company currently leases all of its office space. The Company's lease for its current headquarters in New York, New York (approximately 84,000 square foot space) expires on April 30, 2025.

A list of office locations as of December 31, 2011 is as follows:

Albany, NY
Boston, MA
Charlotte, NC
Charlottesville, VA
Chicago, IL
Encino, CA
Freeport, ME
Ft Lauderdale, FL
Greenwich, CT
Howell, MI
Hilton Head Island, SC
Montgomery, AL
Newton, PA
New York, NY
Roseland, NJ
San Francisco, CA
San Rafael, CA
Stamford, CT
Tucson, AZ
Woodland Hills, CA
Waltham, MA
Westborough, MA

Item 3. Legal Proceedings

The Company is not a party to any legal proceeding required to be disclosed in this Annual Report on Form 10-K per applicable SEC regulations. Moreover, based on currently available information, the Company does not believe that any current litigation, proceeding or other matter to which it is a party or otherwise involved will have a material adverse effect on its 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 the Company's operating results in that period.

Refer to Note 19 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.

Item 4. Mine Safety Disclosures

None

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PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock trades on The NASDAQ Global Market under the symbol "GLCH." As of February 29, 2012 there were approximately 3,000 holders of record of the Company's common stock. No dividends have been declared or paid on our common stock since February 2005. We do not anticipate that we will pay any cash dividends on our common stock in the foreseeable future.

The following table sets forth the high and low sales prices for the common stock during each quarter for the fiscal years ended.

	Quarter Ended			
	Mar 31	Jun 30	Sep 30	Dec 31
2011				
Stock Price Range				
High	$ 2.58	$ 2.47	$ 2.15	$ 1.72
Low	1.64	1.74	0.99	1.00
2010				
Stock Price Range				
High	$ 4.79	$ 4.62	$ 3.06	$ 2.91
Low	3.22	2.54	1.50	1.54

Information relating to compensation plans under which our common stock is authorized for issuance will be set forth in our definitive proxy statement for our annual meeting of stockholders to be held on May 24, 2012 and is incorporated herein by reference.

Issuance of Unregistered Securities

All undisclosed issuances of unregistered equity securities during 2011 have been previously disclosed in a previously filed Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

Issuer Purchases of Equity Securities

On September 14, 2011, the Company announced the commencement of a modified "Dutch auction" tender offer, which was modified on November 3, 2011. Under the amended terms, the Company offered to purchase up to 6,000,000 shares of its outstanding common stock at a price of not less than $1.25 and not more than $1.35 per share. On November 29, 2011, the Company accepted for purchase 6,601,313 shares of its common stock at a purchase price of $1.25 per share (approximately $8.3 million in the aggregate). Included within the shares accepted for purchase were 601,313 additional common shares that the Company elected to purchase pursuant to its option to increase the size of the offering by 2% of the outstanding shares of common stock. The shares purchased represented 5.17% of the shares outstanding immediately prior to the consummation of the tender offer.

On October 27, 2010, the Company announced that its Board of Directors approved a stock repurchase program, whereby the Company is authorized to purchase shares of its common stock for up to $25 million. The authorization under this program terminated on February 9, 2012, the date on which the Company publicly released its results of operations for the year ending December 31, 2011.

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The following table reflects purchases made by the Company under this program during the fourth quarter of 2011.

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)
October 1, 2011 - October 31, 2011		$		$ 14,666,569
November 1, 2011 - November 30, 2011	6,601,313(3)	1.25		14,666,569
December 1, 2011 - December 31, 2011	225,000	1.39	225,000	14,353,759
Total	6,826,313	$ 1.25	5,334,200	$ 14,353,759

(1) Pursuant to a stock repurchase program announced on October 27, 2010, whereby the Company is authorized to repurchase up to $25.0 million of its common stock.

(2) Maximum dollar value of $25.0 million authorized under the Company's stock repurchase program.

(3) On November 29, 2011, the Company completed its modified "Dutch Auction" tender offer and repurchased 6,601,313 shares of its common stock at $1.25 per share. This tender offer was announced on September 14, 2011 and does not impact the previously announced repurchase authorization referred to in footnote 1 above.

Refer to Note 29 within the footnotes to the consolidated financial statements contained within Item 8 of this Annual Report on Form 10-K for information regarding the renewal of this share repurchase program and any repurchases of our common stock in the first quarter of 2012.

Stockholder Return Performance Presentation

Set forth below are line graphs comparing the yearly change in cumulative total stockholder return on our common stock against cumulative total return of the Standard & Poor's 500 and Standard & Poor's 500 Financials Indices, assuming an investment of $100 on December 31, 2006.

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The following table has been included for the period of five fiscal years, commencing December 31, 2006 and ending December 31, 2011:

Shareholder Returns (5 years)

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Item 6. Selected Financial Data

The following selected financial data has been derived from the consolidated financial statements of the Company. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included within Item 8 of this Annual Report on Form 10-K.

For the years ended December 31, **(In thousands, except for per share amounts)**	**2011**	**2010**	**2009**	**2008**	**2007**
Statement of Operations Data:					
Total revenues	$ 273,085	$ 259,900	$ 331,139	$ 134,472	$ 35,113
Interest expense	11,913	11,318	12,523	10,712	7,027
Net revenues	261,172	248,582	318,616	123,760	28,086
Expenses (excluding interest)	323,049	274,365	257,260	129,352	46,905
(Loss)/income before income taxes, discontinued operations	(61,877)	(25,783)	61,356	(5,592)	(18,819)
Income tax (benefit)/expense	2,207	(9,778)	6,757	665	(2,759)
(Loss)/income from continuing operations	(64,084)	(16,005)	54,599	(6,257)	(16,060)
(Loss)/income from discontinued operations, net of taxes	(18,040)	(4,616)	321	(11,105)	(3,402)
Net (loss)/income	$ (82,124)	$ (20,621)	$ 54,920	$ (17,362)	$ (19,462)
Basic (loss)/earnings per share:					
Continuing operations	$ (0.52)	$ (0.13)	$ 0.56	$ (0.09)	$ (0.58)
Discontinued operations	(0.15)	(0.04)	0.00	(0.16)	(0.12)
Net (loss)/income per share	$ (0.67)	$ (0.17)	$ 0.57	$ (0.25)	$ (0.71)
Diluted (loss)/earnings per share:					
Continuing operations	$ (0.52)	$ (0.13)	$ 0.52	$ (0.09)	$ (0.58)
Discontinued operations	(0.15)	(0.04)	0.00	(0.16)	(0.12)
Diluted (loss)/earnings per share	$ (0.67)	$ (0.17)	$ 0.53	$ (0.25)	$ (0.71)

December 31, **(In thousands)**	**2011**	**2010**	**2009**	**2008**	**2007**
Balance Sheet Data:					
Total assets	$ 3,303,556	$ 1,657,932	$ 1,216,163	$ 694,271	$ 269,517
Mandatorily redeemable preferred stock			24,419	24,187	
Temporary capital					104
Subordinated debt	801	909	1,197	1,662	2,962
Stockholders' equity	259,123	346,159	328,985	98,290	82,267
Other data:					
Cash dividend per share					
Book value per share	2.14	2.65	2.65	1.23	1.42

Reclassification

Certain amounts in operating results for 2007 through 2010 have been reclassified to conform to the 2011 presentation with no impact to previously reported net (loss) / income or stockholders' equity. This includes the prior period results of the Equities division, which is now reported as discontinued operations. Refer to Note 26 contained in Item 8 of this Annual Report on Form 10-K for additional information.

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Discontinued Operations and Business Combinations

During the past several years, the Company has restructured certain components of its operations. As previously mentioned, the Company exited the Equities business in August 2011. Prior to that, in September 2007, the Company completed the sale of its Municipal Capital Markets Group to a subsidiary of DEPFA BANK plc., and in June 2007, the Company closed its Fixed Income Middle Markets Group. The results of these operations are reported within Discontinued operations within the Selected Financial Data.

During the years ended December 31, 2011, 2009 and 2008, the Company completed certain acquisitions. As previously mentioned, in January 2011, the Company acquired ClearPoint. In June 2009, the Company acquired Gleacher Partners, Inc., a financial advisory boutique. In October 2008, the Company acquired American Technology Research, Inc., a broker-dealer specializing in institutional research, sales and trading in the information technology, clean tech and defense areas which expanded the breadth and depth of the Company's former Equities division (now reported as a component of discontinued operations). In March 2008, the Company hired the employees of the Fixed Income Division of BNY Capital Markets, Inc. and acquired certain related assets, which gave the Company a greater distribution capability, particularly in high yield and convertible bonds.

As a result of these discontinued operations and business combinations, period-to-period comparisons of the Company's financial results may not, in any given case, be meaningful.

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GLEACHER & COMPANY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This document contains or incorporates by reference "forward-looking statements." These statements are not historical facts but instead represent the Company's belief or plans regarding future events, many of which, by their nature, are inherently uncertain and outside of the Company's control. The Company often, but not always, identifies forward-looking statements by using words or phrases such as "anticipate," "estimate," "plan," "project," "target," "expect," "continuing," "ongoing," "believe" and "intend." These statements may contain projections relating to revenues, earnings, operations, other financial measures, economic conditions, trends and known uncertainties, and may include statements regarding the Company's future performance, strategies and objectives. The Company's forward-looking statements are based on facts as the Company understands them at the time the Company makes any such statement as well as estimates and judgments based on these facts, and speak only as of the date on which they are made. The Company's forward-looking statements are not intended to be guarantees and may turn out to be inaccurate for a variety of reasons, many of which are outside of its control. Factors that could render the Company's forward-looking statements subsequently inaccurate include the conditions of the securities markets, generally, and demand for the Company's services within those markets, the risk of further credit rating downgrades of the U.S. government by major credit rating agencies, the impact of international and domestic sovereign debt uncertainties, the possibilities of localized or global economic recession, ClearPoint's ability to maintain compliance with the covenants and other terms of its warehouse lines of credit, the Company's ability to satisfy its obligations under the guarantees issued to the warehouse line lenders in the event one or more guarantees is enforced, ClearPoint's ability to effectively implement the remediation plan that the Company and ClearPoint have developed to address issues with agend loans, curtailment payments and related matters and other risks and factors identified from time to time in the Company's filings with the Securities and Exchange Commission. Moreover, the Company is implementing a strategic plan designed to improve its operating results, and this plan may not be successful. It is possible that future events will differ materially from those suggested by the Company's forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update any of its forward-looking statements.

Any forward-looking statement should be read and interpreted together with these documents, including the following:

- the description of our business contained in this report under Item 1 "Business,"
- the risk factors contained in this report under Item 1A "Risk Factors,"
- the discussion of our legal proceedings contained in this report under Item 3 "Legal Proceedings,"
- the discussion of our analysis of financial condition and results of operations contained in this report under this Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations,"
- the discussion of market, credit, operational and other risks impacting our business contained in this report under Item 7A "Quantitative and Qualitative Disclosures about Market Risk,"
- the notes to the consolidated financial statements contained in this report under Item 8 "Financial Statements and Supplementary Data," and
- cautionary statements we make in our public documents, reports and announcements.

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As used herein, the terms "Company," "Gleacher," "we," "us," or "our," refer to Gleacher & Company, Inc. and its subsidiaries.

Business Overview

The Company is an independent investment bank that provides corporate and institutional clients with strategic and financial advisory services, including merger and acquisition, restructuring, and strategic alternative analysis, as well as capital raising, research-based investment analysis, and securities brokerage services, and engages in residential mortgage lending.

The Company's recent timeline began in September 2007, when the Company closed a $45.8 million capital infusion from an affiliate of MatlinPatterson Global Opportunities Partners II. Following this recapitalization, the Company implemented a restructuring plan to properly size the Company's infrastructure, including a reduction in headcount within IT and operations, the outsourcing of our clearing operations and the elimination of excess office space.

In early 2008, the Company hired the employees of the Fixed Income Division of BNY Capital Markets, Inc. and acquired certain related assets. These employees and related assets are included in our Corporate Credit division. This acquisition gave the Company greater distribution capabilities, particularly in high yield and convertible bonds, which enabled the Company to expand its investment banking practice and better serve our corporate clients.

The Company completed its acquisition of American Technology Research, Inc. ("AmTech") in October 2008, which encompassed our Equities division (a discontinued operation as of August 2011). The division specialized in institutional research, sales and trading in the technology, aerospace, defense, clean tech, healthcare and REIT areas.

In June 2009, the Company acquired Gleacher Partners, Inc., a financial advisory boutique specializing in advising middle market companies in mergers and acquisitions. This acquisition significantly expanded our investment banking capabilities and provided us with the ability to offer a full suite of advisory and financing products to our corporate client base.

In the third quarter of 2009, the Company sold 16 million shares of common stock in a public offering, generating net proceeds to the Company of $93.3 million. This additional capital was raised to fund expansion of our business generally and potential acquisitions as well as for working capital and general corporate purposes.

In the first quarter of 2011, the Company launched its residential mortgage banking initiative through its acquisition of ClearPoint Funding, Inc., a residential non-depository mortgage lender. This acquisition provided the Company with an initial platform from which to build and execute a national mortgage origination strategy and is a logical extension of the Company's existing secondary mortgage and asset-backed trading business.

In the second quarter of 2011, the Company appointed a new Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") with a mandate to engage in a comprehensive review of the Company's business operations, its resources and competitive landscape. The focus of this review included:

- an assessment of each of the Company's business segments in order to determine how to best take advantage of the opportunities in the market and produce the best return for its stockholders;

- a reduction in the Company's overall compensation to revenue ratio; and

- an evaluation of the proportion of stock-based compensation paid to the Company's revenue generators and management relative to total compensation to assure they are optimally incented.

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In August, 2011, the Company announced the implementation of a new strategic plan. The plan includes the continued service to clients through the fixed income business and the realignment and investment in the core investment banking practice.

The strategic plan has been designed to maximize revenue and rationalize expenses by:

- leveraging the expertise and execution capabilities of the Company's fixed income businesses, including capitalizing on opportunities in the mortgage-backed securities and credit markets;

- realigning the Company's investment banking practice to enhance the Company's position as a leading advisor and to deliver the capital-raising capabilities of its fixed income business to corporate clients;

- reorganizing its services around key industry verticals, including real estate, financial services, aerospace and defense, technology, media and telecom, general industrial, and financial sponsor coverage;

- opportunistically adding new businesses that are synergistic with the Company's core competencies and the needs of its clients; and

- continuing to build out the Company's mortgage origination platform.

As part of this strategic plan, the Company exited the Equities business, effective August 22, 2011 impacting 62 employees. (Refer to Notes 25 and 26 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.) The plan also included the termination of 32 investment banking employees as well as certain administrative positions. Annual run rate operating expenses estimated to be saved were approximately $40 million, which included savings related to compensation and benefits, anticipated settlements of leases and other contractual obligations. The expected effects of these savings on future earnings and cash flows will be partially offset by reduced revenues associated with the impacted businesses.

Currently, we operate through the following four business segments:

- *MBS/ABS & Rates* This division provides sales, trading, research and advisory services on a wide range of mortgage and asset-backed securities, U.S. Treasury and government agency securities, structured products such as CLOs and CDOs, whole loans, and other securities. Revenues are generated from spreads on principal transactions executed to facilitate trades for clients. Revenues are also generated from interest income on securities held in inventory.

- *Corporate Credit* This division provides analysis, sales and trading on a wide range of debt securities including bank debt and loans, investment grade debt, high-yield debt, treasuries, convertibles, distressed debt, preferred debt, emerging market debt and reorganization equities to corporate and institutional investor clients. The division also provides trade execution services, liability management, corporate debt repurchase programs and new issue distributions. Revenues are generated primarily from spreads on principal and riskless principal transactions, as well as commissions on trades executed on behalf of clients. In addition, revenues are also generated on a smaller scale from interest income on securities held in inventory.

- *Investment Banking* As mentioned above, this division was realigned on August 22, 2011 to enhance the Company's position as a leading advisor and to deliver capital raising capabilities of its fixed income businesses to corporate clients. The division is being reorganized around existing M&A expertise, expanded capital markets capabilities and key industry verticals, including real estate, financial services, aerospace and defense, technology, media and telecom, general industrial and financial sponsor coverage.

- *ClearPoint* This division originates, processes and underwrites single and multi-family residential mortgage loans in 43 states. The loans are underwritten using standards prescribed by

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conventional mortgage lenders and loan buyers such as the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. Revenues are generated primarily from the sale of the residential mortgage loans with servicing released.

ClearPoint has experienced recent liquidity issues. ClearPoint's management, with the assistance of the Parent, has designed and is implementing a plan to address these issues. In light of these developments, the nature and extent of ClearPoint's future contributions to the Company's consolidated operating results is uncertain. See " Liquidity and Capital Resources ClearPoint and Related Matters."

The Company also recognizes investment gains/(losses) and earns fees related to the Company's investment in and management of FA Technology Ventures L.P. ("FATV" or "the Partnership") which includes interests primarily in privately held companies. The Company's results also include expenses not directly associated with specific reportable segments, including amortization of intangible assets from business acquisitions, goodwill impairment and costs related to corporate overhead and support, such as various fees associated with financing, legal and settlement expenses.

At December 31, 2011, we held over $1 billion of financial instruments in inventory which are primarily highly liquid securities and are sensitive to market movements. We do not have any significant direct exposure to the sub-prime markets or any exposure to the European sovereign debt markets, but we are subject to market fluctuations resulting from news and corporate events in such markets, associated write-downs by other financial services firms and interest rate and prepayment speed fluctuations.

The Company had no material open commitments to fund FATV's portfolio at December 31, 2011 and 2010. The fair value of the Company's investment at December 31, 2011 and 2010 was approximately $15.9 million and $16.8 million, respectively with gains/(losses) of $2.1 million and ($0.3) million, respectively.

Our business is dependent on our ability to attract, develop and retain highly skilled employees who are motivated and committed to providing the highest quality service and guidance to our clients. We continue to focus on unifying our brand, integrating our operations, expanding our business through internal growth and selective hiring, and identifying and completing consolidation opportunities. The Company is well capitalized, with no significant long-term debt, which should allow for continued growth through the hiring of experienced investment banking and sales and trading professionals and/or growth through opportunistic acquisition of attractive targets.

Business Environment and Impact on Us

Unfavorable or uncertain economic and market conditions impact our results and can be caused by a number of factors, including declines in economic growth, business activity or investor confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation, interest rates, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in the capital markets, or a combination of these or other factors. Such factors influence levels of debt and equity security issuance and merger and acquisition activity, which affects our investment banking business. The same factors also affect trading volumes and valuations in secondary financial markets, which affect our sales and trading businesses. Commission rates, market volatility and other factors also affect our sales and trading revenues and may cause these revenues to vary from period to period.

Ongoing uncertainties about the global economic outlook including the European debt crisis, debt ceiling debates in the U.S. Congress, continued weakness in the housing markets and high levels of unemployment have led to volatile global markets and challenging economic conditions. The continued lingering effects of these macroeconomic headwinds has led to a risk averse market environment,

resulting in spread compression and lower trading volumes, as well as continued pressures on investment banking activities.

We have no exposure to European sovereign debt. The majority of our financial instruments owned are agency mortgage-backed securities which are susceptible to prepayment and interest rate risk. Housing-rescue efforts including programs aimed at helping struggling homeowners refinance their homes, coupled with the low interest rate environment, has caused these securities to experience a high level of prepayments and thus put pressure on the valuation of these securities. We also hold to a lesser extent, non-agency mortgage backed securities positions whose valuations have also come under pressure due to concerns about supplies in excess of demand as well as continued defaults.

A substantial portion of our revenues are derived from trading in agency mortgage-backed securities within our MBS/ABS & Rates division and riskless principal trading in fixed income within our Corporate Credit divisions. These divisions have experienced lower volumes and tighter spreads due to the challenging market conditions, resulting in revenue declines year over year.

M&A advisory and new issue underwriting activities continued to be adversely impacted by the global economic environment as these uncertainties limited the desire for companies to pursue growth through acquisitions. Although the year started strong, the total dollar volume of deals for 2011 fell slightly below 2010 volumes. These trends have continued into 2012.

ClearPoint's business activities have benefitted from the current low interest rate environment, and the high level of residential mortgage refinancing. ClearPoint and the Parent believe the ClearPoint platform is positioned to service the needs of residential home buyers regardless of the level of interest rates. However, the current market environment has posed challenges to both the growth of ClearPoint and the benefits ClearPoint can provide to the Parent. Relevant market factors include: litigations related to foreclosure and servicing practices brought against major participants in the market, fewer aggregators of residential mortgage loan product, and margin compression as a result of fewer aggregators. These factors may delay, reduce or eliminate the potential benefits that the ClearPoint business can provide to the Parent.

Recently, these factors, coupled with the rapid expansion of ClearPoint's business, have caused ClearPoint to experience liquidity constraints. Those liquidity constraints began with the unanticipated slow-down in loan purchases by one of ClearPoint's principal loan purchasers (see " Liquidity and Capital Resources ClearPoint and Related Matters"), and they have been compounded by delays in signing new buyers, as well as the more restrictive financing terms, including the terms of the new curtailment schedules with the warehouse lenders.

ClearPoint continues to originate high quality, conforming loans, and has to date not experienced difficulty in selling these loans at par value. Working with the Parent, ClearPoint is in the process of right sizing its production so that new loan origination is aligned with current distribution capacity. Additionally, ClearPoint is pursuing new buyers and new warehouse lenders, and has implemented new operational procedures to clear loans more rapidly.

The year ended December 31, 2011 proved to be challenging, however the capital markets environment in the early part of 2012 has shown early signs of improvement. As market volatility is expected to remain high, the results of our operations, which are highly dependent on the environment in which our businesses operates, may not necessarily be indicative of what may be recognized in the future.

Recent Developments

In recent months, ClearPoint has experienced liquidity constraints initially due to the rapid expansion of ClearPoint's business, coupled with an unanticipated slow-down in loan purchases by one of ClearPoint's principal loan purchasers. ClearPoint currently finances its mortgage origination activity

through short-term, uncommitted, secured mortgage warehouse lines of credit. If ClearPoint does not sell loans it originates from funds advanced under its warehouse lines of credit within certain periods of time, the lenders can incrementally curtail, or reduce, such advances. Under these circumstances, ClearPoint is required to repay the curtailed amounts to the lenders prior to receiving any proceeds from the sale of the loans. ClearPoint's recent liquidity constraints have been compounded by curtailment payments it has been required to make. The Parent has guaranteed certain ClearPoint obligations relating to curtailment payments to certain of ClearPoint's warehouse lenders.

In order to facilitate the purchase by Citibank, of approximately $56 million of loans originated by ClearPoint (thereby reducing curtailment risk and making available capacity under the warehouse lines), the Parent guaranteed certain of ClearPoint's obligations relating to the Citibank purchase. In general, ClearPoint may be obligated to repurchase certain of these loans if certain conditions regarding documentation, underwriting and similar matters are not resolved favorably within 30 days of the purchase (subject to extensions). Also, if any loan with unresolved conditions falls into borrower default, Citibank may require ClearPoint to repurchase such loan. The Parent guaranteed payment to Citibank for any required repurchase if ClearPoint does make such repurchase. As of March 16, 2012, conditions related to $12.5 million of these loans had been favorably resolved.

In February 2012, one of ClearPoint's warehouse lenders reduced to $0 the committed capacity under its warehouse line (meaning the lender is under no obligation to fund any particular loan origination). In addition, in March 2012, the lender of ClearPoint's other committed capacity elected not to renew its line, which was scheduled to expire in March 2012. This lender agreed to a 120-day extension. ClearPoint may make requests for funding under this line for the first 60 days of the extension, with the amount which ClearPoint may request decreasing, ultimately to zero at the sixtieth day. However, the lender is not committed to agree to any particular funding request. ClearPoint must repay all amounts outstanding under this line upon expiration of the line (as extended). At March 16, 2012, ClearPoint had advances of $56.4 million outstanding under this line and during the period January 1, 2012 through March 16, 2012 has sold loans off this line at an average pace of $2.4 million per day. ClearPoint is currently limiting the use of this warehouse line for future fundings, but as mentioned above, does have the ability to make requests for funding under this line for the first 60 days of the extension. There can be no assurance that the rate at which ClearPoint sells loans off this line continues at the same rate as prior to March 16, 2012.

Concurrent with the extension of the extended warehouse line discussed above, the lender issued a notice of default of certain of ClearPoint's financial covenants relating to ClearPoint's liquidity from October 2011 to March 2012, and certain levels of profits/losses in February 2012. The lender simultaneously provided a waiver, but required more restrictive curtailment provisions and financing terms. The default notice triggered cross-defaults under ClearPoint's other two warehouse lines. In February 2012, ClearPoint was also in default of covenants related to liquidity and profits/losses. These defaults resulted in cross-defaults under each other warehouse line. ClearPoint obtained waivers from each of the lenders covering these defaults and cross-defaults. In connection with waivers granted by two of the lenders, the Parent's exposure under its curtailment guaranties increased to range from 5% to 100% of the lesser of, in general, the market value or the principal amount of such loans, depending on the length of time such loans persist on the warehouse line.

ClearPoint continues to originate high quality, conforming loans, and has to date not experienced difficulty in selling these loans at par value. While ClearPoint's loan origination volume outpaced the distribution capacity that had been arranged, the market for the loans ClearPoint originates remains large and liquid. Working with the Parent, ClearPoint has designed and is implementing a remediation plan to address its issues with origination volume, signed buyers, warehouse borrowing capacity, aged loans, curtailment payments and the Citibank matters. The plan is further described below under " Liquidity and Capital Resources ClearPoint and Related Matters."

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In the event no loans are sold before curtailment of 100% of the amounts advanced is required, ClearPoint does not have the funds required to meet such curtailment payments, and the Parent is required to make curtailment payments, the Parent would seek to recoup the amount of any required payments, through the proceeds from the sale of the associated mortgage loans. Given the highly liquid market for these loans, the particular characteristics of ClearPoint's mortgage loan inventory and ClearPoint's recent experience in selling loans at face value, the Company does not believe that any required payment under the above-described guaranties would have a material adverse effect on it. Loans funded by ClearPoint since its acquisition on January 3, 2011 through March 16, 2012 totaled approximately $2.1 billion. Of these loans, approximately $20.8 million (1%) experienced a full curtailment and $5.3 million of these loans have not yet been sold. At March 16, 2012, there were approximately $136.0 million loans aged less than 30 days on the warehouse lines and approximately $1.9 million of loans within 10 days to full curtailment. However, if payments become due to the lenders or Citibank at a time when the related loans cannot be sold quickly for an amount approximating their full principal amount, or at all, whether as a result of a dislocation in the financial markets, purchaser delays or otherwise, both ClearPoint and the Parent could face a liquidity shortfall and may not be able to perform as required under the agreements, and/or incur losses from the sale of the loans at prices below the market value of the loans in order to meet these obligations. There can be no assurance that the rate at which ClearPoint sells loans will continue at the same rate as prior to March 16, 2012. As a result, these obligations, depending upon their magnitude, could have a material and adverse effect on the Parent's and/or its subsidiaries' financial position, results of operations and cash flows.

See "Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" for a more detailed description of these warehouse lines, guaranties and related matters.

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FINANCIAL OVERVIEW

The Company prepares its consolidated financial statements using accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements are contained within Item 8 of this Annual Report on Form 10-K.

Results of Operations

	Years ended December 31,		
(In thousands of dollars)	**2011**	**2010**	**2009**
Revenues			
Principal transactions*	$ 89,108	$ 79,433	$ 108,276
Commissions*	71,347	76,817	122,878
Investment banking	33,069	43,400	36,577
Investment banking revenues from related party		1,947	9,579
Investment gains, net	2,996	7	5,698
Interest income	66,194	57,292	46,362
Gain from bargain purchase ClearPoint Funding, Inc. acquisition (Refer to Note 11 contained in Item 8 of this Annual Report on Form 10-K)	2,330		
Fees and other	8,041	1,004	1,769
Total revenues	273,085	259,900	331,139
Interest expense	11,913	11,318	12,523
Net revenues	261,172	248,582	318,616
Expenses (excluding interest)			
Compensation and benefits	162,537	222,833	220,213
Impairment of goodwill and intangible assets (Refer to Note 12 contained in Item 8 of this Annual Report on Form 10-K)	80,244		
Clearing, settlement and brokerage	35,203	4,314	3,314
Communications and data processing	13,471	11,464	8,169
Occupancy, depreciation and amortization	8,455	11,941	7,764
Business development	4,620	4,825	4,423
Loss from extinguishment of mandatorily redeemable preferred stock (Refer to Note 17 contained in Item 8 of this Annual Report on Form 10-K)		1,608	
Other	18,519	17,380	13,377
Total expenses (excluding interest)	323,049	274,365	257,260
(Loss)/income before income taxes and discontinued operations	(61,877)	(25,783)	61,356
Income tax expense/(benefit)	2,207	(9,778)	6,757
(Loss)/income from continuing operations	(64,084)	(16,005)	54,599
(Loss)/income from discontinued operations, net of taxes	(18,040)	(4,616)	321
Net (loss)/income	$ (82,124)	$ (20,621)	$ 54,920

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* Revenues earned on riskless principal transactions in the amount of $70.0 million for the year ended December 31, 2011 has been reported as commission income in order to distinguish such revenues (commission equivalents) from revenues earned on financial instruments held in inventory. Riskless principal transaction revenues earned in the prior periods of $75.1 million and

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$121.7 million for the years ended December 31, 2010 and 2009, respectively have been reclassified from principal transactions to commission revenues to conform to 2011 presentation.

Years Ended December 31, 2011 and 2010

For the year ended December 31, 2011, net revenues from continuing operations were $261.2 million, compared to $248.6 million for the year ended December 31, 2010. The 5.1% increase in net revenues was attributable to ClearPoint net revenues of $46.9 million, which commenced operations at the Company on January 3, 2011 and higher investment gains of $3.0 million, resulting primarily from the change in value of the Company's FATV investment. These increases were predominantly offset by decreased net revenues of $17.2 million in the MBS/ABS & Rates segment, $12.4 million in the Investment Banking segment and $12.2 million in the Corporate Credit segment. The year ended December 31, 2011 also included a gain from bargain purchase of approximately $2.3 million related to the acquisition of ClearPoint. Non-interest expenses for the year ended December 31, 2011 of $323.0 million increased $48.7 million, or 17.7%, compared to $274.4 million for the year ended December 31, 2010, primarily due to a goodwill and intangible asset impairment charge of $80.2 million related to the Investment Banking division, partially offset by lower compensation expense of $73.5 million, excluding ClearPoint. Non-interest expenses also include expenses related to ClearPoint of $50.6 million.

The Company reported a net loss from continuing operations for the years ended December 31, 2011 and 2010 of $64.1 million and $16.0 million, respectively. Net loss per diluted share from continuing operations for the years ended December 31, 2011 and 2010 was $0.52 and $0.13, respectively. Losses from discontinued operations, net of taxes for the years ended December 31, 2011 and 2010 were $18.0 million and $4.6 million, respectively.

Net Revenues

For the year ended December 31, 2011, net revenues from continuing operations were $261.1 million, which included the ClearPoint acquisition gain from bargain purchase of approximately $2.3 million, compared to $248.6 million for the year ended December 31, 2010. Commissions and principal transactions revenues increased $4.2 million, or 2.7%, to $160.5 million from $156.3 million primarily due to $46.9 million related to the mortgage lending activities of ClearPoint, which was partially offset by a decrease in the MBS/ABS & Rates segment of $23.1 million and $12.7 million in the Corporate Credit segment. Investment banking revenues decreased $12.3 million, or 27.1%, to $33.1 million for the year ended December 31, 2011 and is comprised of advisory fees of $24.3 million and capital markets fees of $8.7 million. Investment gains were $3.0 million for the year ended December 31, 2011 resulting primarily from the change in value of the Company's FATV investment, as well as gains from the sale of an investment security. There were no investment gains during the year ended December 31, 2010. Net interest income of $54.3 million as of December 31, 2011, increased $8.3 million, or 18%, compared to the prior year. This was due to higher average inventory levels which were partially offset by lower coupon interest received. In addition, the year ended December 31, 2010 included interest expense related to our mandatorily redeemable preferred stock which was redeemed on September 28, 2010. Fees and other revenues of $8.0 million for the year ended December 31, 2011 increased $7.0 million primarily due to fees earned in connection with the mortgage lending activities of ClearPoint.

Non-Interest Expense

Non-interest expenses for the year ended December 31, 2011 of $323.0 million increased $48.6 million, or 17.7%, compared to $274.4 million for the year ended December 31, 2010.

Compensation and benefits expense for the year ended December 31, 2011 was $162.5 million, a decrease of $60.3 million, or 27.1%, over 2010. This was primarily due to lower variable compensation

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expense as a result of lower net revenues in the MBS/ABS & Rates and Corporate Credit segments, as the Company pays many of its professional personnel with a percentage of, or otherwise based on, the net revenues generated by that professional or his or her business unit. Variable compensation expense also decreased in the Investment Banking segment as a result of the realignment which occurred in the third quarter of 2011. This action better aligned compensation as a percentage of revenue with management's goals. In addition, annual compensation expense in 2011 for members of senior management is lower when compared to the prior year and compensation expense for certain leaders of the Company's business segments is weighted more heavily toward stock-based compensation, which is recognized over the future vesting, which is generally three years. Compensation expense related to ClearPoint partially offset these decreases.

Compensation and benefits expense for the year ended December 31, 2010 of $222.8 million included approximately $13.3 million of expense related to the separations of our former CEO and our former CFO from the Company. Compensation and benefits expense was also impacted by $12.7 million related to the recognition of 100 percent of stock-based compensation expense associated with equity awards granted in connection with 2010 year-end bonuses. It was determined in the fourth quarter of 2010 that the vesting terms for those awards would exclude continued employment as a condition to vesting. Outstanding awards granted in connection with year-end bonuses for years prior to 2010 were modified to include the same vesting terms which resulted in the acceleration of expense associated with those awards.

This compensation methodology was changed in the third quarter of 2011, at the recommendation of the Company's recently hired Chief Executive Officer, with the expectation that the terms of equity awards to be granted in connection with future annual bonuses will generally provide for continued employment as a vesting condition, resulting in expensing awards over the future vesting period rather than immediately.

Also included within compensation and benefits expense for the year ended December 31, 2010 was (i) $2.3 million of non-cash compensation expense associated with a modification to a senior executive's unvested restricted stock units and options and (ii) $1.9 million from the restructuring of an employment arrangement.

The Company recorded a goodwill and intangible asset impairment charge of $80.2 million as a result of the realignment of its Investment Banking division. (Refer to Note 12 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.)

Clearing, settlement and brokerage costs of $35.2 million for the year ended December 31, 2011 increased by $30.9 million compared to the year ended December 31, 2010. This increase was due primarily to broker fees incurred related to the mortgage lending activities of ClearPoint, as ClearPoint pays originating mortgage brokers a fee, consisting of a percentage of the loan amount, when the loan closes.

Communications and data processing expense of $13.5 million for the year ended December 31, 2011 increased by $2.0 million compared to the year ended December 31, 2010. This increase was due to enhancements to our communications systems and increased market data services expense.

Occupancy, depreciation and amortization expenses of $8.5 million for the year ended December 31, 2011 decreased by $3.5 million compared to the year ended December 31, 2010 primarily due to a $3.2 million charge recorded during the year ended December 31, 2010 related to the termination of the Company's lease of its prior headquarters. Cost savings realized due to the consolidation of our offices were offset by occupancy expense related to ClearPoint.

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Business development expense of $4.6 million for the year ended December 31, 2011 decreased by $0.2 million compared to the year ended December 31, 2010, primarily due to decreases in Corporate Credit and Investment Banking related activities, partially offset by expenses related to ClearPoint.

Loss from extinguishment of mandatorily redeemable preferred stock of approximately $1.6 million is related to the Company's early redemption of its mandatorily redeemable preferred stock ("Series B Preferred Stock") on September 28, 2010. (Refer Note 17 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.)

Other expenses of $18.5 million for the year ended December 31, 2011 increased by $1.1 million compared to the year ended December 31, 2010 primarily due to expenses related to ClearPoint, partially offset by lower intangible amortization expense resulting from the impairment recorded in connection with the realignment of the Investment Banking division. Professional service fees also declined in 2011. Other expenses for the year ended December 31, 2010 also includes $0.7 million related to a partial revaluation of an indemnification receivable from the former stockholders of Gleacher Partners, Inc.

Income Taxes

The Company's effective income tax rate from continuing operations for the year ended December 31, 2011 of negative 3.6% resulted in income tax expense of approximately $2.2 million. The Company's tax rate differs from the federal statutory rate of 35% primarily due to non-deductible items primarily associated with the write-off of goodwill related to the Investment Banking segment.

The effective income tax rate from continuing operations for the year ended December 31, 2010 of 37.9% resulted in an income tax benefit of approximately $9.8 million. The effective rate differs from the federal statutory rate of 35% primarily due non-deductible Series B Preferred Stock dividends recognized through September 2010 and the related non-deductible loss on early redemption. This was partially offset by state and local income taxes and a reduction in unrecognized tax benefits which is primarily a result of settlements during the year.

No valuation allowance has been provided on the Company's net deferred tax assets at December 31, 2011 and 2010, as it is more likely than not that they will be realized. Such determination is based upon the Company's net cumulative income position, the Company's ability to carry back net operating losses, as well as the projection of future taxable income.

However, if the Company does not generate sufficient taxable income in 2012, it is possible that the Company may be in a cumulative tax loss position and may need to re-evaluate the realizability of the deferred tax asset. If warranted, the establishment of a valuation allowance could be material, depending on its magnitude, in relation to the Company's operating results during the period in which it is recorded.

In addition, a high concentration of the Company's deferred tax assets is attributable to stock-based compensation. To the extent that stock-based compensation vests at a share price less than the grant price, the related shortfall will first be applied against the cumulative windfall tax pool within additional paid-in capital, while any remaining shortfall (in excess of the cumulative windfall tax pool) will result in an increase in income tax expense.

Discontinued Operations

The Company has classified the results of the Equities division as discontinued operations as a result of its decision to exit the business on August 22, 2011. These results include a restructuring charge of approximately $7.1 million and a goodwill and intangible impairment charge of $14.3 million.

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(Refer to Notes 25 and 26 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.)

Years Ended December 31, 2010 and 2009

For the year ended December 31, 2010, net revenues from continuing operations were $248.6 million, compared to $318.6 million for the year ended December 31, 2009. The 22.0% decrease in net revenues was primarily due to decreases in revenues in the MBS/ABS & Rates and Corporate Credit segments as well as lower investment gains related to the Company's investment in FATV. Non-interest expenses for the year ended December 31, 2010 of $274.4 million increased $17.1 million, or 6.6%, compared to $257.3 million for the year ended December 31, 2009, despite the lower net revenues. This increase was primarily related to items impacting compensation and benefits and other matters which are further discussed below.

The Company reported a net loss from continuing operations for the year ended December 31, 2010 of ($16.0) million, compared to net income from continuing operations of $54.6 million for the year ended December 31, 2009. Net loss per diluted share from continuing operations for the year ended December 31, 2010 was ($0.13) compared to net income per diluted share from continuing operations of $0.52 for the year ended December 31, 2009. Results from discontinued operations, net of taxes for the year ended December 31, 2010 was a loss of ($4.6) million, compared to income of $0.3 million for the year ended December 31, 2009.

Net Revenues

For the year ended December 31, 2010, net revenues from continuing operations were $248.6 million compared to $318.6 million for the year ended December 31, 2009. Commissions and principal transactions revenues decreased $74.9 million, or 32.4%, to $156.3 million from $231.2 million primarily due to a decrease of $40.6 million in MBS/ABS & Rates segment and $34.3 million in the Corporate Credit segment. Investment banking revenues of $45.3 million, decreased $0.8 million compared to the prior year and is comprised of advisory fees of $32.4 million and capital markets fees of $12.9 million. There were no investment gains during the year ended December 31, 2010 compared to $5.7 million in the prior year which is primarily due to changes in the value of the Company's investment in FATV. Net interest income of $46.0 million increased $12.1 million, or 35.9%, compared to the prior year, primarily due to the combination of coupon interest generated on higher inventory levels within the MBS/ABS & Rates segment and lower funding costs. Fees and other revenues of $1.0 million for the year ended December 31, 2010 decreased $0.8 million primarily due to the sale of a Boston Stock Exchange seat in 2009 which generated a gain of $0.3 million, as well as other miscellaneous activity.

Non-Interest Expense

Non-interest expenses for the year ended December 31, 2010 of $274.4 million increased $17.1 million, or 6.6%, compared to $257.3 million for the year ended December 31, 2009.

Compensation and benefits expense for the year ended December 31, 2010 was $222.8 million, an increase of $2.6 million, or 1.2%, compared to 2009, despite the lower net revenues. Compensation and benefits expense was higher due to the previously mentioned changes in the Company's equity compensation program which impacted the results for the year ended December 31, 2010 by approximately $12.7 million, as well as higher headcount and further investment in certain of our operating segments. In addition, the increase is also related to the previously mentioned (i) $13.3 million of expense related to the separations of the former CEO and the former CFO from the Company, (ii) $2.3 million of non-cash compensation expense associated with the modification to a senior executive's unvested restricted stock units and options and (iii) non-cash compensation recorded in the fourth quarter of 2010 of $1.9 million from the restructuring of an employment arrangement.

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These increases were partially offset by lower revenues as the Company compensates many of its professional personnel with a percentage of, or otherwise based on, the net revenues generated by that professional or his or her business unit.

Clearing, settlement and brokerage costs of $4.3 million for the year ended December 31, 2010 increased by $1.0 million compared to the year ended December 31, 2009. This increase was primarily due to an increase in the costs associated with new fixed income products traded.

Communications and data processing expense of $11.5 million for the year ended December 31, 2010 increased by $3.3 million compared to the year ended December 31, 2009 due to increased headcount across our operating segments and costs associated with improvements to our infrastructure and network in connection with moving to our new headquarters.

Occupancy, depreciation and amortization expenses of $11.9 million for the year ended December 31, 2010 increased by $4.2 million compared to the year ended December 31, 2009 primarily due to the previously mentioned $3.9 million of charges associated with terminating leases as part of the consolidation of certain of the Company's offices to its current location in New York City, related expenses associated with the relocation and an increase in our office space to accommodate the increase in personnel.

Business development expense of $4.8 million for the year ended December 31, 2010 increased by $0.4 million compared to the year ended December 31, 2009, primarily due to an increase in Investment Banking related sales activity.

Loss from extinguishment of mandatorily redeemable preferred stock of approximately $1.6 million is related to the Company's previously mentioned early redemption of its Series B Preferred Stock on September 28, 2010. (Refer to Note 17 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.)

Other expenses of $17.4 million for the year ended December 31, 2010 increased by $4.0 million compared to the year ended December 31, 2009 primarily due to an increase in professional service fees, a revaluation of an indemnification receivable and non-income based taxes.

Income Tax Expense (Benefit)

The effective income tax rate from continuing operations for the year ended December 31, 2010 of 37.9% resulted in an income tax benefit of approximately $9.8 million. The effective rate differs from the federal statutory rate of 35% primarily due non-deductible Series B Preferred Stock dividends recognized through September 2010 and the related non-deductible loss on early redemption. This was partially offset by state and local income taxes and a reduction in unrecognized tax benefits which is primarily a result of settlements during the year.

The Company's effective income tax rate from continuing operations for the year ended December 31, 2009 of 11.0% resulted in income tax expense of approximately $6.8 million. The effective rate differed from the federal statutory rate of 35% primarily due to the release of the deferred tax valuation allowance of $24.7 million, including the recognition of tax benefits from net operating losses utilized in the current year for which a valuation allowance was historically recorded. This was partially offset by state and local taxes, non-deductible Series B Preferred Stock dividends, a change in estimated state tax rates, provision to return adjustments and non-deductible share based compensation.

The Company released the valuation allowance on its net deferred tax assets during the year ended December 31, 2009 because of, among other factors, the continued trend of improved profitability, the success of the Company's secondary offering, the completion of management's

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restructuring plan and the successful integration of the AmTech and Gleacher Partners, Inc. acquisitions.

Discontinued Operations

Discontinued operations for the years ended December 31, 2010 and 2009 primarily relate to the results of the Equities division which have been reclassified as discontinued operations due to the Company's decision to exit the Equities business on August 22, 2011. (Refer to Notes 25 and 26 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.)

Segment Highlights

For presentation purposes, net revenues within each of the businesses are classified, if applicable, into commissions and principal transactions, investment banking, investment gains/(losses), net interest, and other. Commissions and principal transactions include commissions on agency trades and gains and losses from sales and trading activities. Investment banking includes revenues generated from capital raising through underwritings and private placements of equity and debt securities, and financial advisory service fees in regards to mergers and acquisitions, restructuring and corporate finance related matters. Investment gains/(losses) reflect gains and losses on the Company's FATV investment. Other revenues reflect management fees received from FATV and fees earned related to residential mortgage lending activities of ClearPoint. Net interest includes interest income net of interest expense and reflects the effect of funding rates on the Company's inventory levels.

The Equities segment results have been reclassified as a discontinued operation and are therefore no longer reported below. In connection with this development, the goodwill and intangible asset impairment and any previously reported intangible asset amortization related to the Equities reporting unit which was previously included within "Other" have also been reclassified within discontinued operations.

Refer to Note 27 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for information on assets by segment.

MBS/ABS & Rates **(In thousands)**	**2011**	**2010**	**2009**
Net revenues			
Commissions and Principal transactions	$ 53,754	$ 76,897	$ 117,518
Net interest	46,164	40,030	26,662
Other	15	217	184
Total net revenues	$ 99,933	$ 117,144	$ 144,364
Pre-tax contribution	$ 31,452	$ 32,597	$ 56,283

Years Ended December 31, 2011 vs. 2010

Net revenues of the MBS/ABS & Rates segment declined by $17.2 million to $99.9 million for the year ended December 31, 2011, compared to $117.1 million in the prior year. The decrease in net revenues was attributable to lower commission and principal transactions revenues of $23.1 million due to net revenue declines on asset-backed securities, and lower trading volumes in the current year. Net interest income increased $6.1 million due to increased inventory levels, partially offset by lower coupon interest received. Pre-tax contribution of $31.5 million decreased $1.1 million, compared to $32.6 million of pre-tax contribution for the prior year. This reduction is a direct result of the lower revenues, partially offset by lower variable compensation expense (as a result of the lower revenues).

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Pre-tax contribution for the year ended December 31, 2010 was also impacted by $5.7 million of non-cash compensation expense resulting from the previously mentioned changes in the vesting provisions to equity compensation awards to be granted in connection with 2010 year-end bonuses and the related impact of the changes to certain outstanding equity awards granted in connection with year-end bonuses for prior years.

Years Ended December 31, 2010 vs. 2009

MBS/ABS & Rates net revenues decreased 19% to $117.1 million in 2010. Commissions and principal transaction revenues decreased $40.6 million, or 35%, compared to the prior year. This was due to a narrowing of bid-ask spreads, partially offset by increased trading volumes. Net interest income increased $13.4 million due to coupon interest received on increased inventory levels as well as lower funding costs. Pre-tax contribution decreased $23.7 million, or 42%, as a result of the decrease in revenues and lower related variable compensation costs. This was partially offset by higher costs due to increased headcount and new products traded, as well as the $5.7 million of non-cash compensation resulting from the previously mentioned changes in the vesting provisions for equity compensation awards.

Corporate Credit **(In thousands)**	**2011**	**2010**	**2009**
Net revenues			
Commissions and Principal transactions	$ 66,688	$ 79,357	$ 113,647
Net interest	1,266	1,246	741
Other	567	73	
Total net revenues	$ 68,521	$ 80,676	$ 114,388
Pre-tax contribution	$ 8,532	$ 1,782	$ 14,876

Years Ended December 31, 2011 vs. 2010

Net revenues of the Corporate Credit segment declined by $12.2 million to $68.5 million for the year ended December 31, 2011, compared to $80.7 million in the prior year. The decrease in net revenues was attributable to lower commissions and principal transaction revenues of $12.7 million, primarily due to a decrease in spreads during the year, partially offset by higher volumes. Pre-tax contribution of $8.5 million for the year ended December 31, 2011 increased by $6.8 million, compared to pre-tax contribution of $1.8 million in the prior year. This increase is the result of a larger portion of compensation expense expected to be paid in stock-based compensation compared to the prior year. Pre-tax contribution for the year ended December 31, 2010 was also impacted by $4.7 million of non-cash compensation expense resulting from the previously mentioned changes in the vesting provisions to equity compensation awards to be granted in connection with 2010 year-end bonuses and the related impact of the changes to certain outstanding equity awards granted in connection with year-end bonuses for prior years.

Years Ended December 31, 2010 vs. 2009

Corporate Credit net revenues decreased $33.7 million or 29% to $80.7 million in 2010. Commissions and principal transaction revenues decreased $34.3 million, or 30%, primarily due to a decrease in volumes and a narrowing of bid-ask spreads. While net revenues declined $33.7 million, pre-tax contribution decreased $13.1 million, or 88%, primarily due to lower revenues and related variable compensation costs, partially offset by the impact of fixed compensation costs in relation to

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revenues as well as the $4.7 million of non-cash compensation resulting from the previously mentioned changes in the vesting provisions to equity compensation awards.

Investment Banking (In thousands)	**2011**	**2010**	**2009**
Net revenues			
Investment banking	$ 33,070	$ 45,347	$ 46,156
Other		90	168
Total net revenues	$ 33,070	$ 45,437	$ 46,324
Pre-tax contribution	$ 5,164	$ 2,084	$ 12,031

Years Ended December 31, 2011 vs. 2010

Net revenues of the Investment Banking segment declined by $12.4 million to $33.0 million for the year ended December 31, 2011, compared to $45.4 million in the prior year. Advisory revenues decreased $8.2 million to $24.3 million, compared to $32.5 million in the prior year. Capital Markets revenues decreased $4.2 million to $8.7 million, compared to $12.9 million in the prior year. Pre-tax contribution of $5.2 million for the year ended December 31, 2011 increased by $3.1 million, compared to pre-tax contribution of $2.1 million in the prior year. This was a result of lower compensation expense resulting from realignment of the division, which occurred in the third quarter of 2011. This action better aligned compensation expense as a percentage of revenue with management's goals. The lower compensation expense was partially offset by $2.3 million of severance and stock based compensation expense and other non-compensation expenses resulting from the termination of 32 investment banking employees in connection with the realignment. Pre-tax contribution for the year ended December 31, 2010 was also impacted by $2.3 million of non-cash compensation expense resulting from the previously mentioned changes in the vesting provisions to equity compensation awards to be granted in connection with 2010 year-end bonuses and the related impact of the changes to certain outstanding equity awards granted in connection with year-end bonuses for prior years.

Years Ended December 31, 2010 vs. 2009

Investment banking revenues for the year ended December 31, 2010 were $45.3 million and were comprised of capital markets fees of $12.9 million and advisory fees of $32.4 million, which is consistent with the prior year revenues, including the mix between capital markets and advisory fees. Pre-tax contribution decreased $9.9 million, or 83%, primarily due to higher variable compensation costs year over year, $2.3 million of non-cash compensation resulting from the previously mentioned changes in the vesting provisions to equity compensation awards, as well as $1.9 million from the restructuring of an employment arrangement.

ClearPoint (In thousands)	**2011**	**2010**	**2009**
Net revenues			
Principal transactions	$ 40,120	$	$
Net interest	519		
Other	6,285		
Total net revenues	$ 46,924	$	$
Pre-tax loss	$ (3,686)	$	$

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Year Ended December 31, 2011

ClearPoint generated $46.9 million of net revenues for the year ended December 31, 2011. Pre-tax losses for ClearPoint for the year ended December 31, 2011 was $3.7 million, primarily due to recruitment and certain other costs associated with the segment's expansion to conduct business in new states. As of December 31, 2011, ClearPoint was conducting business in 43 states, compared to 41 states as of September 30, 2011 and 19 states as of January 3, 2011.

Refer to " Liquidity and Capital Resources ClearPoint and Related Matters" for discussion on liquidity constraints recently experienced by ClearPoint and its remediation plans with respect thereto.

Other

(In thousands)	**2011**	**2010**	**2009**
Net revenues			
Commissions and Principal transactions	$ (106)	$ (4)	$ (11)
Investment gains	2,996	7	5,698
Net interest	6,330	4,698	6,436
Other	3,504	624	1,417
Total net revenues	$ 12,724	$ 5,325	$ 13,540
Pre-tax loss	$ (103,339)	$ (62,246)	$ (21,834)

Years Ended December 31, 2011 vs. 2010

Other net revenues of $12.7 million for the year ended December 31, 2011 increased by $7.4 million, compared to net revenues of $5.3 million in the prior year. This increase was attributable to higher investment gains from the change in value of the Company's investment in FATV and a gain of $0.9 million resulting from the sale of an investment security. Net revenues for the year ended December 31, 2011 also include the gain from bargain purchase of $2.3 million related to the ClearPoint acquisition. Net interest income increased by $1.6 million, primarily due to interest expense no longer being incurred on the Series B Preferred Stock, which was redeemed in September 2010. Pre-tax loss increased by $41.1 million to $103.3 million for the year ended December 31, 2011, compared to $62.2 million in the prior year. This increase was a result of a goodwill and intangible asset impairment charge related to the investment banking division of $80.2 million in connection with the realignment of the division in the third quarter of 2011 and $1.7 million of severance expense due to the resignation of the former interim CEO. These matters were partially offset by the higher net revenues, as well as lower variable compensation costs for members of senior management.

Pre-tax loss for the year ending December 31, 2010 also includes the previously mentioned (i) $13.3 million of compensation expense related to the separations of the former CEO and the former CFO from the Company during the first quarter of 2010 (ii) $3.9 million of occupancy expense related to lease terminations associated with the consolidation of certain of the Company's offices to its current location in New York City (iii) $2.3 million of non-cash compensation expense associated with the modification to a senior executive's unvested share-based compensation awards, (iv) the $1.6 million loss on extinguishment of the Series B Preferred Stock and (v) the partial revaluation of an indemnification receivable of $0.7 million.

Years Ended December 31, 2010 vs. 2009

Other net revenues of $5.3 million in 2010 decreased $8.2 million compared to $13.5 million in 2009. Investment gains decreased $5.7 million primarily due to changes in the value of the Company's investment in FATV. Net interest income was $4.7 million compared $6.4 million in 2009. The change in net interest was due to a decrease in inter-company financing of the activities of other business

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segments, primarily MBS/ABS & Rates. Pre-tax loss for the year ended December 31, 2010 of $62.2 million increased $40.4 million, or 185% compared to a pre-tax loss of $21.8 million in the prior year. Pre-tax loss for the year ended December 31, 2010 was impacted by the previously mentioned (i) $13.3 million of compensation expense related to the separations of the former CEO and the former CFO from the Company during the first quarter of 2010, (ii) $3.9 million of occupancy expense related to lease terminations associated with the consolidation of certain of the Company's offices to its current location in New York City, (iii) $2.3 million of non-cash compensation expense associated with the previously mentioned modification to a senior executive's unvested share-based compensation awards, (iv) the $1.6 million loss on extinguishment of the Series B Preferred Stock, and (v) the partial revaluation of an indemnification receivable of $0.7 million, and an increase in professional fees and non-income based taxes.

Explanation and Reconciliation of the Company's Use of Non-GAAP Financial Results

The Company has included certain financial metrics below that were not prepared in accordance with GAAP. These non-GAAP financial results, which include presentations of net revenues, compensation and benefits, non-compensation expenses, income before income taxes from continuing operations, provision for income taxes, net income from continuing operations, compensation expense ratios, pre-tax margin, return on average tangible equity and diluted earnings per share, are presented as an additional aid in understanding and analyzing the Company's financial results for the years ended December 31, 2011 and 2010. Specifically, the Company believes that the non-GAAP results provide useful information by excluding certain items that may not be indicative of the Company's core operating results or business outlook and also to emphasize information that the Company believes is important to understanding the Company's performance. These non-GAAP amounts exclude items reflected as adjustments within the "Reconciliation of GAAP to Non-GAAP Income from Continuing Operations" table below. The Company believes these non-GAAP results will allow for a better evaluation of the operating performance of the business and facilitate a meaningful comparison of the Company's results in the current period to those in prior periods and future periods. References to these non-GAAP results should not be considered a substitute for results that are presented in a manner consistent with GAAP.

A limitation of utilizing these non-GAAP financial results is that the GAAP accounting effects of these excluded items do in fact reflect the underlying financial results of the Company's business, and these effects should not be ignored in evaluating and analyzing its financial results. Therefore, the Company believes that non-GAAP results should be considered together with their corresponding GAAP results.

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Reconciliation of GAAP to Non-GAAP Income from Continuing Operations

(In thousands, except per share and ratio data)	Year Ended December 31, 2011			Year Ended December 31, 2010		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Net revenues	$ 261,172	$ (2,330)(1)	$ 258,842	$ 248,582	$	$ 248,582
Non-interest expenses:						
Compensation and benefits	162,537	(3,632)(2)	158,905	222,833	(23,184)(3)	199,649
Non-compensation expenses	160,512	(80,842)(4)	79,670	51,532	(6,130)(5)	45,402
Total non-interest expense	323,049	(84,474)	238,575	274,365	(29,314)	245,051
(Loss)/income from continuing operations before income taxes	(61,877)	82,144	20,267	(25,783)	29,314	3,531
Provision for income taxes	2,207	5,928	8,135(6)	(9,778)	13,292	3,514(7)
Net (loss)/income from continuing operations	**$ (64,084)**	**$ 76,216**	**$ 12,132**	**$ (16,005)**	**$ 16,022**	**$ 17**
Earnings per share:						
Diluted continuing operations	$ (0.52)		$ 0.09(8)	$ (0.13)		$ 0.00(9)
As a percentage of net revenues:						
Compensation and benefits	62.2%		61.4%	89.6%		80.3%
(Loss)/income from continuing operations before income taxes	(23.7)%		7.8%	(10.4)%		1.4%

(1) Represents the bargain purchase gain related to the ClearPoint acquisition in the first quarter of 2011.

(2) Represents (i) severance and stock-based compensation expense of $1.9 million related to the investment banking realignment which resulted in the termination of 32 investment banking employees and certain administrative positions and also includes (ii) $1.7 million due to the resignation of the former interim CEO in the second quarter of 2011.

(3) Includes (i) $13.3 million of severance expense related to the separations of our former CEO and former CFO from the Company recorded in the first quarter of 2010 (ii) $5.7 million in non-cash compensation resulting from a modification to the vesting terms of certain outstanding equity awards granted in connection with year-end bonuses for prior years (iii) $2.3 million related to the modification of a senior executive's unvested share based compensation awards and (iv) $1.9 million from the restructuring of an employment arrangement.

(4) Includes goodwill and intangible impairment charges of $80.2 million and other non-compensation expenses of $0.6 million as a result of the Investment Banking realignment.

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(5) Includes (i) $3.9 million of occupancy expense associated with the consolidation of certain of the Company's offices to its current location in New York City (ii) $1.6 million loss on extinguishment of the mandatorily redeemable preferred stock and (iii) $0.6 million related to the partial revaluation of the previously mentioned indemnification receivable which occurred during the third quarter of 2010.

(6) The effective income tax rate of 40.1% differs from the federal statutory rate of 35% primarily due to state and local taxes, partially offset by a change in estimate related to the limitation on net operating loss carryforwards.

(7) The effective income tax rate of 99.5% differs from the federal statutory rate of 35% primarily due to non-deductible mandatorily redeemable preferred stock dividends recognized through September 2010, provision to return adjustments, a change in estimate of the state apportioned statutory rate, and state and local taxes. This was partially offset by a reduction in income tax benefits as a result of a settlement during the year.

(8) Non-GAAP net income from continuing operations divided by 129.5 million dilutive shares.

(9) Non-GAAP net income divided by 121.3 million dilutive shares.

Return on Average Tangible Stockholders' Equity (Non-GAAP)

Presented below is information on the Company's annualized return on average tangible stockholders' equity (Non-GAAP):

	Twelve Months Ended December 31,	
(Dollars in thousands)	**2011**	**2010**
Net income/(loss) from continuing operations (non-GAAP)(1)	$ 12,132	$ 17
Plus: Amortization of intangibles, net of tax	1,540	2,108
Net income from continuing operations, adjusted (non-GAAP)	**$ 13,672**	**$ 2,125**
Average total stockholders' equity (GAAP)	$ 314,313	$ 344,699
Plus: non-GAAP adjustments to net income/(loss) from continuing operations	530(2)	16,022(1)
Less: Average intangible assets	(79,938)	(123,254)
Average tangible stockholders' equity (non-GAAP)	**$ 234,905**	**$ 237,467**
Annualized return on tangible stockholders' equity (non-GAAP)	**5.8%**	**0.8%**

(1) Designates non-GAAP financial results. A reconciliation of the Company's GAAP results to non-GAAP financial results is set forth above under the caption "Reconciliation of GAAP to Non-GAAP Income from Continuing Operations."

(2) Represents the adjustments to net income/(loss) from continuing operations for the year ended December 31, 2011 per the "Reconciliation of GAAP to Non-GAAP Income from Continuing Operations" table above of $76.2 million, adjusted for the impact of the goodwill and intangible impairment charges of $80.2 million (or $75.7 million on an after-tax basis).

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Return on Average Stockholders' Equity (GAAP)

Presented below is information on the Company's annualized return on average stockholders' equity, which is the most directly comparable GAAP metric to the Non-GAAP metric above:

(Dollars in thousands)	Twelve Months Ended December 31, 2011	2010
Net loss from continuing operations	$ (64,084)	$ (16,005)
Average total stockholders' equity	$ 314,313	$ 344,699
Annualized return on stockholders' equity	**(20.4)%**	**(4.6)%**

Financial Condition

The Company's financial instruments owned comprised approximately 47.1% and 77.3% of total assets at December 31, 2011 and 2010, respectively. During the year ending December 31, 2011, the Company's matched book repurchase activities expanded and comprised approximately 46.1% of total assets and 48.6% of total liabilities at December 31, 2011.

The majority of the Company's financial instruments owned are financed by the Company's clearing agents and, to a lesser extent, through secured borrowings. Payables to brokers, dealers and clearing organizations comprised approximately 36.4% and 83.9% of the Company's total liabilities at December 31, 2011 and 2010, respectively.

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

	2011		2010	
(In thousands)	Owned	Sold, but not yet Purchased	Owned	Sold, but not yet Purchased
Financial Instruments				
Agency mortgage-backed securities	$ 1,085,621	$	$ 1,085,382	$
Loans	228,226			
U.S. Government and federal agency obligations	164,563	169,855	47,581	92,971
Non-agency mortgage-backed securities	56,573		80,175	
Corporate debt securities	14,524	12,254	4,037	1,004
Preferred stock	1,617	914	12,381	2,469
Equities	1,001	2	14,272	13,148
Other debt obligations	839		37,278	
Derivatives	1,696	1,971	137	2,683
Total	$ 1,554,660	$ 184,996	$ 1,281,243	$ 112,275

Refer to Notes 1 and 8 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for further information regarding the Company's accounting policy over valuation of these financial instruments and classification of such financial instruments in accordance with ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820").

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Liquidity and Capital Resources

Liquidity is of paramount importance to the success of our operations. The Company manages its liquidity by monitoring its funding and cash flow needs daily and measuring them against available cash levels in order to maintain available cash at its clearing agents so there is liquidity available for operations and for meeting financing obligations even under stressful market conditions. The Company also maintains conservative leverage ratios and generally holds inventory that is readily convertible to cash. The majority of the Company's inventory is financed by our clearing agents and, to a lesser extent, through repurchase agreements. We use these financing sources, and periodically consider others in order to reduce funding/liquidity risk.

The Company had cash and cash equivalents of $36.7 million and $40.0 million, respectively at December 31, 2011 and 2010. In addition, the Company's securities positions in trading accounts that are readily marketable and actively traded are approximately $1.3 billion and $1.2 billion at December 31, 2011 and 2010, respectively. These financial instruments are substantially financed by the Company's payable to its clearing broker and secured borrowings. The level of assets and liabilities will fluctuate due to changing market conditions and customer demand.

The majority of the cash and readily marketable securities are assets of Gleacher Securities, a regulated broker-dealer subsidiary, which is subject to various laws and regulations including those that authorize regulatory bodies to monitor and/or restrict the flow of funds, in certain circumstances, to the parent holding company or any other affiliates. Such regulations may prevent the Company from accessing liquidity within the broker-dealer in order to conduct business activities or satisfy the obligations of the parent holding company and/or any other subsidiaries affiliated with the broker-dealer.

ClearPoint and Related Matters

ClearPoint finances its mortgage loan origination activity through short-term, secured mortgage warehouse lines of credit. At December 31, 2011, ClearPoint had access to three warehouse lines of credit with a total capacity of $250 million (of which $100 million was committed capacity). These lines carry floating rates of interest and are effectively collateralized by ClearPoint's funded but unsold loans. In February 2012, one of the lenders reduced to $0 the committed capacity under its warehouse line (meaning that lender is under no obligation to fund any particular loan origination). In addition, in March 2012, the lender of ClearPoint's remaining committed warehouse line (total capacity of $75 million) elected not to renew its line, which was scheduled to expire on March 10, 2012. Instead, this lender agreed to extend the line for 120 days. ClearPoint may make requests for funding under this line for the first 60 days of the extension, with the amount which ClearPoint may request decreasing, ultimately to zero at the sixtieth day. However, the lender is not committed to agree to any particular funding request. ClearPoint must repay all amounts outstanding under this line upon expiration of the line (as extended). At March 16, 2012, ClearPoint had advances of $56.4 million outstanding under this line and during the period January 1, 2012 through March 16, 2012 has sold loans off this line at an average pace of $2.4 million per day. ClearPoint is currently limiting the use of this warehouse line for future fundings, but as mentioned above, does have the availability to make requests for funding under this line for the first 60 days of the extension. There can be no assurance that the rate at which ClearPoint sells loans off this line continues at the same rate as prior to March 16, 2012.

ClearPoint's other two warehouse lines expire in September 2012, and one, in the amount of $100 million, can be terminated at will by the lender on 90-days' notice. If ClearPoint is unable to replace borrowing capacity when warehouse lines expire or the lenders do not continue to fund requests, ClearPoint may be required to reduce its loan origination activities and may not be able to satisfy its unfunded loan commitments.

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Outstanding borrowings on the warehouse lines were approximately $162.5 million as of March 16, 2012.

ClearPoint currently relies on a limited number of investors to purchase its originated mortgage loans. ClearPoint's ability to continue financing mortgage loans is highly dependent on ClearPoint's investors purchasing the loans, as well as the willingness of the lenders to provide financing as to any given loan origination, as the lenders have no firm financing commitment. The amount of financing extended by the lenders as to any loan can be reduced incrementally by the lender if the loan remains unsold for specified periods of times. Failure of ClearPoint's investors to continue purchasing its loans and/or a slowdown in such purchases could result in curtailment payments and adversely impact ClearPoint's liquidity.

In recent months, the rapid expansion of ClearPoint's business, coupled with an unanticipated slow-down in loan purchases by one of ClearPoint's principal loan purchasers, combined to lengthen the period of time during which ClearPoint's loan originations have persisted on the warehouse lines. The resulting increase in curtailment payments, combined with the more restrictive financing terms, including the terms of the renegotiated curtailment schedules, has compounded ClearPoint's liquidity constraints.

In order to facilitate the purchase by Citibank, of approximately $56 million of loans originated by ClearPoint (thereby reducing curtailment risk and making available capacity under the warehouse lines), in February 2012 the Parent guaranteed certain of ClearPoint's obligations relating to the Citibank purchase (the "Citibank Guaranty"). At or prior to the time of purchase, Citibank had conducted a pre-purchase review and had cleared these loans for purchase subject to the resolution of identified conditions relating to certain of the loans and regarding documentation and other similar matters. ClearPoint has 30 days from the date of purchase to favorably resolve these conditions and a minimum of 10 days to resolve any related follow-up conditions. If ClearPoint is unable to favorably resolve one or more conditions within the requisite time period, Citibank can require ClearPoint to repurchase such loan. Citibank can also require ClearPoint to repurchase any loan with unresolved conditions that falls into borrower payment default (defined as payment more than 30 days past due). As of March 16, 2012, the conditions relating to $12.5 million of these loans had been favorably resolved. Under the Citibank Guaranty, which remains in effect until March 30, 2012 (subject to extension as to any loan that had unresolved follow-up conditions), the Parent has guaranteed payment to Citibank for any required repurchase if ClearPoint does not itself make such repurchase.

Concurrently with the Citibank transactions, the Parent entered into limited guaranties (the "Curtailment Guaranties") in favor of certain of ClearPoint's lenders, which remain in effect until the termination of the related lender's warehouse line and the satisfaction of any curtailment obligations. Under the Curtailment Guaranties, the Parent has guaranteed certain of ClearPoint's obligations with respect to required curtailment payments if ClearPoint fails to make such payments. With respect to loans financed under the warehouse lines on or about February 29, 2012 (the "legacy loans"), the Parent has guaranteed ClearPoint's curtailment obligations up to the full principal amounts of the loans. The maximum potential exposure under the Curtailment Guarantees with respect to these loans is initially approximately $114 million (assuming curtailment of 100% of the amounts then advanced and without giving effect to the realizable value of the related loans). This exposure decreases as loans in the lenders' respective warehouse lines are sold to third parties. Approximately $51.6 million of such loans had been sold to third parties as of March 16, 2012. Any payments under the Curtailment Guaranties are required to be made upon three business days' prior notice following failure by ClearPoint to pay such amount. The Parent would seek to recoup payments under these guaranties from the proceeds of the sale of the related loans.

In connection with the extension of the extended warehouse line discussed above, the lender issued a notice of default of certain of ClearPoint's financial covenants relating to ClearPoint's liquidity from

October 2011 to March 2012,and certain levels of profits/losses in February 2012. The lender simultaneously provided a waiver, but required more restrictive curtailment provisions and financing terms. The default notice triggered cross defaults under ClearPoint's other warehouse lines. In February 2012, ClearPoint was also in default of covenants related to liquidity and profits/losses. These defaults resulted in cross-defaults under each other warehouse line. ClearPoint obtained waivers from each of the lenders covering these defaults and cross-defaults. In connection with waivers granted by two of the lenders, the Parent's exposure under its curtailment guaranties increased to range from 5% to 100% of the lesser of, in general, the market value or the principal amount of such loans, depending on the length of time such loans persist on the warehouse line.

With the assistance of the Parent, ClearPoint is engaged in a remediation program designed to address the curtailment and default issues it has experienced lately and generally reduce its risk profile. The program consists of the following principal elements:

- limiting new loan originations to more closely balance the rate of loans entering the warehouse with the rate of loan sales to investors, and to reflect the reduction of warehouse capacity resulting from the pending termination of one of the warehouse lines;
- employing a limit methodology to ensure compliance with the above;
- right-sizing ClearPoint's sales force based upon new loan origination limits;
- enhancing the operational infrastructure (including implementing temporary measures to address the unresolved conditions related to the Citibank purchase);
- evaluating changes to ClearPoint's management to enhance its expertise and better match talents to responsibilities;
- increasing the number of loan purchasers with which ClearPoint transacts; and
- pursuing additional warehouse line lenders.

In addition, ClearPoint is analyzing additional loan distribution channels, including becoming licensed to sell directly to Fannie Mae, Freddie Mac and other government-sponsored entities as well as collaborating with the Company's broker-dealer subsidiaries to securitize loans originated by ClearPoint. Other strategies may be pursued, as well.

ClearPoint is currently limiting its daily average loan commitments to a level that is aligned with its current distribution opportunity. ClearPoint's average daily loan commitments for the month of January 2012 were approximately $15.9 million, compared to average daily sales of approximately $8.5 million. Average daily loan commitments for the period March 1, 2012 through March 16, 2012 have been significantly reduced and were approximately $7.2 million, more closely aligned with average daily sales for this period of approximately $7.9 million. Alignment of the loan commitments with amounts sold should mitigate ClearPoint's exposure (and the Parent's as a result of the curtailment guaranties) to future curtailment payments.

In connection with addressing ClearPoint's liquidity constraints, the Parent issued the guaranties described above in order to obtain concessions from certain of ClearPoint's counterparties. While the Parent's maximum potential liability under these guaranties is substantial, the Company believes that under the most likely scenarios, the arrangements described above will not have a material adverse impact on the Parent and/or its subsidiaries. This belief is based in large part on ClearPoint's prior history of curtailment exposure, as well as ClearPoint (or the Parent) ultimately receiving the proceeds from the sale of these loans to finance, or offset, any payments made to the parties to which the

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guaranties were provided and the other factors listed below. ClearPoint's loan portfolio, as a whole, has the following characteristics:

- weighted-average FICO (that is, credit) score of 770 for conventional loans and 717 for FHA loans;
- weighted-average loan-to-value ratio of 65% for conventional loans and 93% for FHA loans; and
- a weighted-average price (mark-to-market) of $103.02.

As previously mentioned above, we do not believe that the exposures resulting from these arrangements will have a material adverse effect on our business or operations. Loans funded by ClearPoint since its acquisition on January 3, 2011 through March 16, 2012 totaled approximately $2.1 billion. Of these loans, approximately $20.8 million (1%) experienced a full curtailment and $5.3 million of these loans have not yet been sold. While significant curtailment payments are a possibility, during the period January 1, 2012 through March 16, 2012, the maximum amount of cash held by the lenders pursuant to curtailments was approximately $13.1 million (and would have been approximately $17.4 million under the terms of the current curtailment schedules).

However, in light of the risks and uncertainties mentioned, if ClearPoint, with the Parent's assistance, is unable to execute on the outlined strategies and/or other events occur which reduce our ability to obtain continued financing, it could ultimately have a material and adverse effect on the Parent and/or its subsidiaries financial position, results of operations and cash flows. See "Risk Factors Risks Relating to Liquidity and Access to Capital."

Share Repurchase

In November 2011, the Company closed its modified "Dutch auction" tender offer. The Company accepted for purchase 6,601,313 shares of its common stock at a purchase price of $1.25 per share, or approximately $8.3 million in aggregate. Included within the shares accepted for purchase were 601,313 additional common shares that the Company elected to purchase pursuant to its option to increase the size of the offering by up to 2% of the outstanding shares of common stock. The share repurchase represented 5.17% of the shares outstanding prior to the consummation of the tender offer.

In addition, as of December 31, 2011, the Company had repurchased 5.3 million shares of its common stock for approximately $10.6 million under its previously announced stock-repurchase program. In January 2012, the Board of Directors renewed this share repurchase program, authorizing up to $25 million in additional repurchases of Company common stock through the date on which the Company publicly releases its results of operations for fiscal 2012. No additional shares have been repurchased since the renewal of this program.

Restructuring and Strategic Plan

In August 2011, the Company announced the implementation of a new strategic plan, which included the closure of the Company's Equities business, effective on the date of announcement, and realignment of the Investment Banking division. This resulted in the termination of 62 employees of the Equities division and 32 employees of the Investment Banking division as well as certain administrative positions. In connection with these actions, during the year ended December 31, 2011, the Company recorded (i) a restructuring charge of approximately $7.3 million (of which approximately $1.6 million was a non-cash charge) related to the closure of the Equities business, which was reported as a component of discontinued operations and (ii) approximately $2.5 million of expenses in connection with the realignment of the Investment Banking division (of which approximately $1.0 million was a non-cash charge). The Company's remaining liability resulting from the restructuring and realignment is approximately $1.4 million as of December 31, 2011, and therefore, such actions are not expected to have a significant adverse effect on our liquidity or future sources and uses of capital.

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Series B Preferred Stock Redemption

On September 28, 2010, the Company redeemed all of the issued and outstanding shares of its Series B Preferred Stock at a redemption price of approximately $26.6 million, representing par value, plus all unpaid dividends accruing subsequent to June 30, 2010 (the last payment date), multiplied by a premium call factor of 1.035. This redemption was funded by an increase in the Company's payable to its clearing broker and will favorably impact the Company's effective income tax rate in future reporting periods as the Series B Preferred Stock dividends, which were accruing at 14% per annum, were non-deductible for tax purposes.

Regulatory

As of December 31, 2011, each of the Company's registered broker-dealer subsidiaries, Gleacher Securities and Gleacher Partners, were in compliance with the net capital requirements of FINRA and, in the case of Gleacher Securities, the NFA. 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 could compel the Company to make additional contributions to one or more of these subsidiaries or adversely affect the ability of the Company's broker-dealer subsidiaries to expand or maintain their present levels of business and the ability to support the obligations or requirements of the Company. As of December 31, 2011, Gleacher Securities had net capital of $76.4 million, which exceeded minimum net capital requirements of FINRA and the NFA by $76.1 million and Gleacher Partners had net capital of $0.8 million, which exceeded net capital requirements of FINRA by $0.5 million.

In addition, ClearPoint is subject to net worth requirements, as required by the HUD. At December 31, 2011, ClearPoint's net worth was $18.6 million, which was $17.6 million in excess of the $1.0 million required minimum net worth. ClearPoint continues to remain in compliance with this net worth requirement.

Derivatives

The Company utilizes derivatives for various economic hedging strategies to actively manage its market and liquidity exposures. In addition, the Company enters into mortgage loan interest rate lock commitments ("IRLCs") in connection with its mortgage lending activities, which could adversely impact the Company's liquidity to the extent there is insufficient capacity available on ClearPoint's mortgage warehouse lines of credit and/or ClearPoint's lender fail to provide financing on the portions of the lines which are uncommitted . Refer to Note 9, within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information.

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).

Expenses associated with investigating and defending against legal proceedings can put a strain on our cash resources. In addition, any fines, penalties, or damages assessed against us, could also impact materially our liquidity. The Company and its subsidiaries are also subject to both routine and unscheduled regulatory examinations of their respective businesses and investigations of securities industry practices by governmental agencies and self-regulatory organizations. In recent years, securities and mortgage lending firms have been subject to increased scrutiny and regulatory enforcement activity. Regulatory investigations can result in substantial fines being imposed on the Company and/or its subsidiaries. In the ordinary course of business, the Company and its subsidiaries receive inquiries and subpoenas from the SEC, FINRA, state securities regulators and other regulatory organizations. The Company does not always know the purpose behind these communications or the status or target of

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any related investigation. Some of these communications have, in the past, resulted in disciplinary actions which have sometimes included monetary sanctions, and in the Company and/or its subsidiaries being cited for regulatory deficiencies. To date, none of these communications have had a material adverse effect on the Company's business nor does the Company believe that any pending communications are likely to have such an effect. Nevertheless, there can be no assurance that any pending or future communications will not have a material adverse effect on the Company's business. In addition, the Company is also subject to claims by employees alleging discrimination, harassment or wrongful discharge, among other things, and seeking recoupment of compensation claimed (whether for cash or forfeited equity awards), and other damages.

Based on currently available information, the Company does not believe that any current litigation, proceeding or other matter to which it is a party or otherwise involved will have a material adverse effect on its financial position, results of operations, and cash flows, although an adverse development, or an increase in associated legal fees, could be material to the Company's financial results in a particular period, depending in part on the Company's operating results in that period.

Deferred Tax Assets

Liquidity also arises from the Company's ability to utilize its net deferred tax assets in order to reduce current tax obligations. The Company currently believes that it is more likely than not that its net deferred tax assets of $30.8 million will ultimately be realized, based upon the Company's net cumulative income position, the Company's ability to carry back net operating losses, as well as the projection of future taxable income.

In addition, a high concentration of the Company's deferred tax assets is attributable to stock-based compensation. To the extent that stock-based compensation vests at a share price less than the grant price, the related shortfall will first be applied against the cumulative windfall tax pool within additional paid-in capital, while any remaining shortfall (in excess of the cumulative windfall tax pool) will result in an increase in income tax expense.

The realization of the net deferred tax assets is ultimately dependent upon the Company's ability to produce sufficient future taxable income prior to their expiration and the Company's stock price.

Off-Balance Sheet Arrangements

Certain liabilities or commitments of the Company that are not recorded on the Company's Consolidated Statements of Financial Condition as of December 31, 2011 are identified or described in the "Contractual Obligations" section which follows, and within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.

In addition, refer to "Liquidity and Capital Resources ClearPoint and Related Matters" for discussion regarding the Parent's obligations under certain guaranties issued with respect to ClearPoint.

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Contractual Obligations

The following table sets forth the contractual obligations which require us to make future cash payments which are described below by year:

(In thousands)	Total	2012	2013	2014	2015	2016	Thereafter	All Others
Amounts related to off-balance sheet obligations								
ClearPoint loan commitments(1)	$ 176,805	$ 176,805	$	$	$	$	$	$
Operating leases (net of sublease rental income)(2)	75,768	7,260	6,897	6,053	5,835	5,326	44,397	
Employment commitment(3)	1,745	764	736	245				
Amounts related to on-balance sheet obligations								
ClearPoint secured borrowings(4)	213,611	213,611						
Working capital loan commitment(5)	4,613	4,613						
Merger agreement commitment(6)	4,968	1,432		3,536				
Liabilities from unrecognized tax benefits(7)	3,979	2,707						1,272
Subordinated debt(8)	801	208	185	320	63	25		
Total	$ 482,290	$ 407,400	$ 7,818	$ 10,154	$ 5,898	$ 5,351	$ 44,397	$ 1,272

(1) Represents the amount of ClearPoint's committed loans (of which $127.2 million are expected to fund). These commitments will be funded by ClearPoint's secured mortgage warehouse lines of credit to the extent there is available capacity and ClearPoint's lenders extend financing, as the lenders have no firm financing commitment.

(2) 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, free rent periods and escalation clauses which expire at various times through 2025. (Refer to Note 19 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.)

(3) In connection with the Company's acquisition of ClearPoint on January 3, 2011, the former stock holder of ClearPoint is entitled to receive payments consisting of no more than $2.0 million payable in installments on the first, second and third anniversaries of the closing date, contingent upon the continued employment of the former stockholder. These payments are reduced for certain matters for which the Company is indemnified, including losses resulting from any loan losses with respect to loans presented to ClearPoint or originated on or prior to January 3, 2011. As of December 31, 2011, matters for which the Company was indemnified totaled $0.4 million.

(4) Represents the amount borrowed by ClearPoint on its secured mortgage warehouse lines of credit, which is collateralized by approximately $228.2 million of loans.

(5) Represents a commitment of the Company, acting as agent, to pay funding advances to an unrelated third party. This commitment is fully collateralized by a cash deposit provided by unrelated third party lenders, which is recorded within Cash segregated under federal and other regulations within the Company's Consolidated Statements of Financial Condition contained in Item 8 of this Annual Report on Form 10-K.

(6)

In connection with the acquisition of Gleacher Partners Inc., the Company agreed to pay $10 million to the selling parties five years after closing the Transaction. During the year ended December 31, 2011, the Company made no payments with respect to this obligation. The remaining $4.9 million, which is subject to acceleration under certain circumstances and therefore may result in full or partial repayment by June 2012, is recorded within the Company's Consolidated Statements of Financial Condition contained in Item 8 of this Annual Report on Form 10-K.

(7)

At December 31, 2011, the Company had a reserve for unrecognized tax benefits including related interest of $4.0 million. We currently anticipate that total unrecognized tax benefits will decrease by an amount between $0.0 million and $2.7 million in the next twelve months.

(8)

A select group of management and highly compensated employees were eligible to participate in the Key Employee Plan. The employees entered into subordinated loans with Gleacher Securities to provide for the deferral of compensation and employer allocations under the Key Employee Plan. Maturities of the subordinated debt were based on the distribution election made by each participant, which may be deferred to a later date by the participant. The Company no longer permits any new amounts to be deferred under the Key Employee Plan.

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Critical Accounting Policies

The following is a summary of the Company's critical accounting policies. For a full description of these and other accounting policies, refer to Note 1 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.

Preparing financial statements in accordance with GAAP requires management to make estimates and assumptions. Due to their nature, estimates and assumptions involve judgments, which management makes based upon available information. In making these judgments, there is often a range of reasonable estimates or assumptions that could, appropriately, be made under GAAP. The estimates and assumptions chosen by management affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results or amounts could differ from estimates and judgments, and the difference could be material. Therefore, understanding these policies, and estimates and assumptions they require, is important in understanding the reported results of operations and the financial position of the Company.

The Company believes that accounting for the topics listed below requires the greatest amount of, and therefore is most sensitive to, estimates and assumptions made by management:

- valuation of securities and other assets,
- goodwill and intangible assets,
- contingencies,
- income taxes, and
- stock-based compensation.

Valuation of Securities and Other Assets

Substantially all of the financial instruments of the Company are reported on the Consolidated Statements of Financial Condition at fair value, or at carrying amounts that approximate fair value, because of their short term nature, with the exception of the subordinated debt. Financial instruments recorded at carrying amounts approximating fair value consist largely of Receivables from and Payables to brokers, dealer and clearing organizations, related parties and others and Securities purchased under agreements to resell and Securities sold under agreements to repurchase. The fair value of the subordinated debt at December 31, 2011 and 2010 approximated fair value based on current rates available.

Securities transactions in regular-way trades and the related profit and loss arising from such transactions are recorded on their trade date as if they had settled. Unrealized gains and losses from valuing investments at fair value, as determined by management, including the Company's investment in FATV, are included as revenues from investment gains/(losses). Commission income and expenses related to customers' securities transactions are reported on a trade date basis. Securities owned and securities sold, but not yet purchased, are recorded at fair value, which is the price that would be received upon the sale of an asset or paid upon transfer of a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. These financial instruments are primarily comprised of holdings in fixed income securities, mortgage loans originated by ClearPoint, and the Company's investment in FATV.

Fixed income securities include securities traded in active markets, such as on-the-run treasuries, federal agency obligations, agency mortgage-backed securities, corporate debt, preferred stock and certain asset and mortgage-backed securities. In determining fair value for these financial instruments, management considers benchmark yields, reported trades for comparable trade sizes, recent purchases

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or sales of the financial assets, issuer spreads, benchmark securities, bids and offers. These inputs relate either directly to the financial assets being evaluated or indirectly to a similar security (for example, another bond of the same issuer or a bond of a different issuer in the same industry with similar maturity, terms and conditions). Additionally, for certain mortgage-backed securities, management also considers various characteristics such as issuer, underlying collateral, prepayment speeds, cash flows and credit ratings.

Fixed income securities also include certain securities not traded in active markets such as certain asset and mortgage-backed securities. In determining fair value for these financial instruments, management maximizes the use of market observable inputs when available. Management utilizes factors such as bids that were received, recent purchases or sales of the financial assets, spreads to the yield curve on similar offered financial assets, or comparing spreads to similar financial assets that traded and had been priced through an independent pricing source. The Company generally does not use internally developed valuation models to determine fair value for any holdings other than commercial mortgage-backed securities positions. Management considers its valuation methodologies consistent with the assumptions made by other market participants in valuing similar financial assets.

Fair value of residential mortgage loans originated by ClearPoint are determined utilizing observable market factors and is principally based on the fair value of the "to-be-announced" ("TBA") forward securities market. For the Company's investment in FATV, which includes holdings in illiquid and privately held securities that do not have readily determinable fair values, the general partner applies certain valuation techniques, including consideration of comparable market transactions and the use of valuation models to determine the discounted value of estimated future cash flows, adjusted as appropriate for market and/or other risk factors.

Securities owned and investments include, at December 31, 2011 and 2010, $80.8 million and $136.4 million, respectively, of financial instruments whose fair value is determined predominantly by unobservable inputs that reflects management's own assumptions (i.e., Level 3 classification as defined by ASC 820).

Refer to Note 8 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for further information regarding the Company's financial instruments and classification of such financial instruments in accordance with ASC 820.

Goodwill and Intangible Assets

The Company amortizes intangible assets over their estimated useful life, which is the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Company, and tests for impairment at the time of a triggering event, if one were to occur. Goodwill is not amortized; instead, it is reviewed on an annual basis for impairment. Goodwill may be impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. A reporting unit is defined by the Company as an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. For impairment testing purposes, goodwill has been allocated to each reporting unit based upon the goodwill derived from each specific acquisition. The Company has designated its annual impairment testing dates for its MBS/ABS & Rates, Equities, and Investment Banking reporting units to be December 31, October 1, and June 1, respectively. The results of the most recent impairment tests indicated that the fair value of the MBS/ABS & Rates reporting unit exceeded its carrying value by approximately 70%.

The outcome of the goodwill impairment tests for the Equities and Investment Banking reporting units, which relies on significant unobservable inputs to determine the goodwill's fair value, resulted in approximately $75.7 million of goodwill allocated to the Investment Banking reporting unit and all of the goodwill of the Equities reporting unit (classified as part of discontinued operations) being written

off during the year ended December 31, 2011. In connection with these impairment tests, the Company evaluated the recoverability of the intangible assets allocated to these reporting units, by comparing the sum of the undiscounted cash flows expected to result from the use and eventual disposition of such assets to their carrying amounts. These outcomes resulted in the write-off of approximately $4.6 million of the intangible assets allocated to the Investment Banking reporting unit and all of the intangible assets allocated to the Equities reporting unit (classified as part of discontinued operations).

The Company uses a combination of the market and income approaches to determine the fair value of the reporting unit. Key assumptions utilized in the market approach included the use of multiples of earnings before interest and taxes and earnings before interest, taxes, depreciation and amortization based upon available comparable company market data. The income approach, which is a discounted cash flow analysis, utilized a discount rate which included an estimated cost of debt and cost of equity and capital structure based upon observable market data. There is a degree of uncertainty associated with the key assumptions utilized within the annual goodwill impairment tests. The discounted cash flow assumptions included an estimated growth rate which may not be indicative of actual future results. In addition, a downturn in the market may widen credit spreads resulting in a larger discount rate being utilized in the discounted cash flow analysis and could also have an adverse effect on the market multiples of our guideline companies. Such uncertainties may cause varying results in future periods.

Contingencies

The Company is subject to contingencies, including judicial, regulatory and arbitration proceedings, tax and other claims. The Company recognizes a liability related to legal and other claims in Accrued expenses within the Consolidated Statements of Financial Condition contained in Item 8 of this Annual Report on Form 10-K when incurrence of a loss is probable and the amount of the loss is reasonably estimable. The determination of these amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to the amount of the claim; the amount of the loss, if any, incurred by the other party; the basis and validity of the claim; the possibility of wrongdoing on the part of the Company; likely insurance coverage; previous results in similar cases; and legal precedents and case law. Each legal proceeding is reviewed with counsel in each accounting period and any reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded in the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K, and is recognized as a charge/credit to earnings in that period. The assumptions of management in determining the estimates of reserves may prove to be incorrect, which could materially affect results in the period the claims are ultimately resolved.

Income Taxes

Significant judgment is required in determining whether a valuation allowance should be provided against the Company's deferred tax assets ("DTAs"), which is provided when it is more likely than not that such DTAs will not be realized. No valuation allowance has been provided on the Company's net deferred tax assets of $30.8 million at December 31, 2011. Such determination is based upon the Company's net cumulative income position, the Company's ability to carry back net operating losses, as well as the projection of future taxable income.

However, if the Company does not generate sufficient taxable income in 2012, it is possible that the Company may be in a cumulative tax loss position and may need to re-evaluate the realizability of the deferred tax asset. If warranted, the establishment of a valuation allowance could be material, depending on its magnitude, in relation to the Company's operating results during the period in which it is recorded.

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In addition, a high concentration of the Company's deferred tax assets is attributable to stock-based compensation. To the extent that stock-based compensation vests at a share price less than the grant price, the related shortfall will first be applied against the cumulative windfall tax pool within additional paid-in capital, and any remaining shortfall (in excess of the cumulative windfall tax pool) will result in an increase in income tax expense.

The Company's effective tax rate is impacted by a variety of factors, including fluctuations in year over year actual pre-tax (loss)/income, changes in the statutory tax rates to which the Company's operations are subject, settlements or changes to uncertain tax positions, changes in the Company's valuation allowance, any recognized shortfalls related to stock-based compensation and other miscellaneous items.

Stock-Based Compensation

The cost of employee services received in exchange for a stock-based compensation award is measured based upon the grant-date fair value of the award. Option grants to employees include judgments with respect to inputs utilized to calculate grant date fair value, including volatility, expected term and related discount rate assumptions. Compensation expense for awards that contain performance conditions are recognized when it becomes probable that such performance conditions will be met. Awards that do not require future service are expensed immediately. Such awards that require future service are amortized over the relevant service period on a straight-line basis. Expected forfeitures are included in determining stock-based employee compensation expense.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-11 "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"), which requires new disclosures about balance sheet offsetting and related arrangements. For derivative financial assets and liabilities, the amendments require disclosure of gross asset and liability amounts, amounts offset on the balance sheet, and amounts subject to offsetting requirements but not offset in the balance sheet. This guidance is effective for annual reporting periods beginning on or after January 1, 2013 and is to be applied retrospectively. This guidance does not amend the existing guidance on when it is appropriate to offset, and since these amended principles require only additional disclosures, the adoption of ASU 2011-11 will not affect the Company's financial condition, results of operations or cash flows.

In September 2011, the FASB issued ASU No. 2011-08 "Intangibles Goodwill and Other: Testing Goodwill for Impairment" ("ASU 2011-08"), in order to simplify how entities test goodwill for impairment. ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in FASB Topic 350. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company does not expect the adoption of ASU 2011-08 to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"), in order to improve the comparability, consistency, and transparency of financial reporting and to increase prominence of items reported in other comprehensive income. The amendments in this ASU include the requirement that all non-owner changes in stockholders' equity be presented in a single continuous statement of comprehensive income or in two separate but consecutive statements, and eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 is effective for fiscal years, and interim

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periods within those years, beginning after December 15, 2011, except for new presentation requirements about reclassification of items out of accumulated other comprehensive income which are currently deferred indefinitely. Since the amendments primarily impact presentation of financial information, the Company does not expect the adoption of ASU 2011-05 to have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04 "Fair Value Measurements: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" ("ASU 2011-04"), in order to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards ("IFRS"). The amendments in this ASU include clarification of (i) the application of the highest and best use valuation premise concepts and specifies that such concepts are relevant only when measuring the fair value of nonfinancial assets, (ii) the requirement to measure certain instruments classified in stockholders' equity at fair value, such as equity interests issued as consideration in a business combination and (iii) disclosure requirements regarding quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy. In addition, ASU 2011-04 changes particular principles or requirements for measuring fair value or for disclosing information about fair value measurements, including (a) measuring the fair value of financial instruments that are managed within a portfolio by permitting entities to measure such financial instruments on a net basis if such entities manage such financial instruments on the basis of their net exposure, (b) clarifying that premiums or discounts related to size as a characteristic of the reporting entity's holding (specifically, a blockage factor) rather than as a characteristic of the asset or liability (for example, a control premium) are not permitted in a fair value measurement and (c) the expansion of disclosures about fair value measurements, including the valuation processes of financial instruments categorized within Level 3 of the fair value hierarchy and sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any. ASU 2011-04 is effective during interim and annual periods beginning after December 15, 2011. The Company is currently evaluating the impact of ASU 2011-04 on the Company's consolidated financial statements.

In April 2011, the FASB issued ASU No. 2011-03 "Transfers and Servicing: Reconsideration of Effective Control for Repurchase Agreements" ("ASU 2011-03"), in order to improve the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments in this ASU remove from the assessment of effective control (i) the criterion requiring the transferor to have the ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance implementation guidance related to that criterion. ASU 2011-03 is effective for the first interim or annual period beginning on or after December 15, 2011. The Company does not expect the adoption of ASU 2011-03 to have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations" ("ASU 2010-29"), in order to address diversity in practice about the interpretation of the pro forma revenues and earnings disclosure requirements for business combinations. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenues and earnings of the combined entity as though the business combination(s) that occurred during the current period had occurred as of the beginning of the comparable prior annual period only. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 31, 2010. The adoption of ASU 2010-29 did not affect the Company's financial condition, results of operations or cash flows. Refer to Note 11 within the

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footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K for additional information which includes the disclosures as required by this ASU.

In December 2010, the FASB issued ASU No. 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" ("ASU 2010-28"), in order to address questions about entities with reporting units with zero or negative carrying amounts as some entities concluded that Step 1 of the test is passed in those circumstances because the fair value of their reporting unit will generally be greater than zero. For reporting units with zero or negative carrying amounts, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists, taking into consideration any adverse qualitative factors indicating that an impairment may exist. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not expect the adoption of ASU 2010-28 to have a material impact on the Company's consolidated financial statements.

In July 2010, the FASB issued ASU No. 2010-20, "New Disclosure Requirements for Finance Receivables and Allowance for Credit Losses" ("ASU 2010-20"), in order to address concerns about the sufficiency, transparency, and robustness of credit disclosures for finance receivables and the related allowance for credit losses. ASU 2010-20 expands disclosure requirements regarding allowance, charge-off and impairment policies, information about management's credit assessment process, additional quantitative information on impaired loans and rollforward schedules of the allowance for credit losses and other disaggregated information. New disclosures are required for interim and annual periods ending after December 15, 2010, although the disclosures of reporting period activity (e.g., allowance rollforward) are required for interim and annual periods beginning after December 15, 2010. The Company's adoption of ASU 2010-20 did not materially change current disclosures, and since these amended principles require only additional disclosures, the adoption of ASU 2010-20 did not affect the Company's financial condition, results of operations or cash flows.

In March 2010, the FASB issued ASU 2010-11, "Scope Exception Related to Embedded Credit Derivatives" ("ASU 2010-11"). ASU 2010-11 clarifies and amends the accounting for credit derivatives embedded in beneficial interests in securitized financial assets and eliminates the scope exception for embedded credit derivatives (except for those that are created solely by subordination). Bifurcation and separate recognition may be required for certain beneficial interests that are not accounted for at fair value through earnings. The Company adopted ASU 2010-11 on July 1, 2010. The adoption did not have a material impact on the Company's consolidated financial statements as the majority of the Company's assets are recorded at fair value through earnings.

GLEACHER & COMPANY, INC.
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Given the amount of capital we deploy, the financial products we trade and the large number of counterparties we deal with in our daily transactions, management believes that comprehensive and effective risk management is a key component for our success.

Our risk management mission includes: (i) proactively avoiding/minimizing risk events that would have negative impact on the Company's earnings and value objectives and (ii) enabling more efficient allocation of capital and other resources based on performance and risk attribution quantification, which entails properly sizing our risk appetite/limits based upon Company-wide objectives.

These risks and our risk management processes and procedures are summarized below.

Risk and Risk Management

Senior management is responsible for the day-to-day management of risk, while the Company's Board, as a whole and through its committees, has responsibility for the oversight of risk management. Management directly participates in setting risk limits and allocating risk capital and intervenes if significant risk issues arise. Our risk oversight manager understands the products and markets and is independent of the business units, which promotes an unbiased analysis of our risk exposures.

Our risk management process sets risk capital and risk parameters for each business, approves new businesses and products, monitors daily business activities and inventory exposure and intervenes when risk issues arise. Daily risk reports are generated and distributed to trading management as well as senior management. Whenever risk issues arise, those responsible for risk oversight will initiate discussions with the business units, trading management and/or senior management.

Our risk management process measures, monitors and manages various types of risks we encounter in our business activities, including market, credit, liquidity, funding, operational, legal and reputational risks.

Market Risk

Market risk represents the risk of loss that may result from the potential change in the value of our trading or investment positions, or loans held for sale as a result of fluctuations in interest rates, prepayment speeds, credit spreads and equity prices, as well as changes in the implied volatility of interest rates and equity prices. The Company's exposure to market risk is primarily related to securities transactions in its MBS/ABS & Rates division, and to a lesser extent, loans related to the residential mortgage lending activities of ClearPoint.

The Company maintains inventory in agency mortgage-backed securities, debt securities issued by U.S. Government and federal agency obligations, non-agency mortgage-backed securities, corporate debt, listed equities and preferred stock. In addition, the Company originates residential mortgage loans for resale through ClearPoint. In order to mitigate exposure to market risk, the Company enters into derivatives including the sale of TBAs and exchange traded treasury futures contracts, or by selling short U.S. Government securities.

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The following table categorizes the Company's market risk sensitive financial instruments.

(In thousands)	Market Value (net) December 31, 2011	December 31, 2010
Trading risk		
Interest rate	$ 1,368,484	$ 1,167,673
Equity		3
Foreign exchange		
Commodity		
Total trading risk	$ 1,368,484	$ 1,167,676
Other than trading risk		
Equity	$ 19,910	$ 19,205
Interest rate	180	171
Foreign exchange		