

GLG Partners, Inc.  
Form 10-Q  
November 09, 2009

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended September 30, 2009**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 001-33217**

**GLG PARTNERS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-5009693**

(I.R.S. Employer Identification No.)

**399 Park Avenue, 38th Floor**

**New York, New York 10022**

(Address of principal executive offices) (Zip code)

**(212) 224-7200**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated  
filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller reporting company)

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

As of November 6, 2009, there were 250,384,657 shares of the registrant's common stock outstanding.



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**FORWARD-LOOKING STATEMENTS**

In addition to historical information, this Quarterly Report on Form 10-Q contains statements relating to our future results (including certain projections and business trends) that are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the safe harbor created by such section. Our actual results may differ materially from those projected as a result of certain risks and uncertainties. Our forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipates, believe, continue, could, estimate, expect, may, might, plan, possible, potential, predict, project, should, would and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us and speak only as of the date of such statement. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under Part II, Item 1A, Risk Factors of this Quarterly Report on Form 10-Q and the following:

the volatility in the financial markets;

our financial performance;

market conditions for the investment funds we manage, which we refer to as the GLG Funds;

performance of GLG Funds, the related performance fees and the associated impacts on revenues, net income, cash flows and fund inflows and outflows;

the impact of net inflows on our mix of assets under management and the associated impacts on revenues;

the cost of retaining our key investment and other personnel or the loss of such key personnel;

risks associated with the expansion of our business in size and geographically;

operational risk, including counterparty risk;

litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on our resources; and

risks associated with the use of leverage, investment in derivatives, availability of credit, interest rates and currency fluctuations,

as well as other risks and uncertainties, including those set forth herein and those detailed from time to time in our other Securities and Exchange Commission (SEC) filings. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

**Available Information**

We maintain a website at [www.glgpartners.com](http://www.glgpartners.com) and routinely post important information on our website for investors. Effective on or after February 1, 2010, we intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD promulgated by the

SEC. These disclosures will be included on our website under the heading Investor Relations Overview Recent News . Accordingly, investors should monitor this portion of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

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**GLG PARTNERS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(US Dollars in thousands, except per share amounts)

|   | September 30,<br>2009 | December 31,<br>2008 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |
| <b>Current Assets</b>   |                       |                      |
| Cash and cash equivalents   | \$ 274,431            | \$ 316,195           |
| Restricted cash   | 13,395                | 13,315               |
| Fees receivable   | 39,224                | 42,106               |
| Prepaid expenses and other assets   | 60,987                | 32,751               |
| <b>Total Current Assets</b>   | <b>388,037</b>        | <b>404,367</b>       |
| <b>Non-Current Assets</b>   |                       |                      |
| Investments at fair value   | 21,834                | 65,484               |
| Goodwill  | 587                   | 587                  |
| Intangible assets (net of amortization of \$1,834 and \$0, respectively)  | 34,739                |                      |
| Property and equipment (net of accumulated depreciation and amortization of \$14,544 and \$11,505 respectively) | 12,562                | 14,076               |
| Other non-current assets  | 8,821                 | 3,868                |
| <b>Total Non-Current Assets</b>   | <b>78,543</b>         | <b>84,015</b>        |
| <b>Total Assets</b>   | <b>\$ 466,580</b>     | <b>\$ 488,382</b>    |
| <b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>   |                       |                      |
| <b>Current Liabilities</b>  |                       |                      |
| Rebates and sub-administration fees payable   | \$ 22,864             | \$ 26,234            |
| Accrued compensation, benefits and profit share   | 65,801                | 148,531              |
| Income taxes payable  | 17,353                | 15,633               |
| Distributions payable   | 9,679                 | 7,592                |
| Accounts payable and other accruals   | 67,973                | 47,176               |
| Revolving credit facility   | 12,281                | 40,000               |
| Other liabilities   | 23,759                | 50,765               |
| <b>Total Current Liabilities</b>  | <b>219,710</b>        | <b>335,931</b>       |
| <b>Non-Current Liabilities</b>  |                       |                      |
| Loan payable (including unamortized gain on modification of \$22,287 and \$0, respectively)                     | 295,506               | 530,000              |
| Convertible notes   | 228,500               |                      |
| <b>Total Non-Current Liabilities</b>  | <b>524,006</b>        | <b>530,000</b>       |
| <b>Total Liabilities</b>  | <b>743,716</b>        | <b>865,931</b>       |

**Stockholders Deficit:**

|   |                   |                   |
|---|-------------------|-------------------|
| Common stock, \$.0001 par value per share; 1,000,000,000 authorized, 2009: 249,625,633 issued and outstanding (2008: 245,784,390 issued and outstanding)                | 24                | 24                |
| Series A voting preferred stock, \$.0001 par value per share; 150,000,000 authorized, 2009: 58,904,993 issued and outstanding (2008: 58,904,993 issued and outstanding) | 6                 | 6                 |
| Additional paid in capital  | 1,423,300         | 1,176,054         |
| Treasury stock, 2009: 17,433,220 shares of common stock (2008: 21,418,568)  | (238,834)         | (293,434)         |
| Accumulated other comprehensive income  | 7,413             | (17,141)          |
| Accumulated deficit   | (1,486,711)       | (1,243,058)       |
| <b>Total Controlling Stockholders Deficit</b>   | <b>(294,802)</b>  | <b>(377,549)</b>  |
| Non-controlling interest  | 17,666            |                   |
| <b>Total Stockholders Deficit</b>   | <b>(277,136)</b>  | <b>(377,549)</b>  |
| <b>Total Liabilities and Stockholders Deficit</b>   | <b>\$ 466,580</b> | <b>\$ 488,382</b> |

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



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**GLG PARTNERS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED**  
**STATEMENTS OF OPERATIONS**  
(US Dollars in thousands, except per share amounts)

|   | <b>Three Months Ended</b> |                     | <b>Nine Months Ended</b> |                     |
|---|---------------------------|---------------------|--------------------------|---------------------|
|   | <b>September 30,</b>      |                     | <b>September 30,</b>     |                     |
|   | <b>2009</b>               | <b>2008</b>         | <b>2009</b>              | <b>2008</b>         |
| <b>Net revenues and other income</b>                      |                           |                     |                          |                     |
| Management fees, net                                      | \$ 39,543                 | \$ 80,307           | \$ 110,001               | \$ 269,663          |
| Performance fees, net                                     | 1,945                     | 6,833               | 50,704                   | 89,762              |
| Administration, service, and distribution fees, net       | 6,407                     | 17,751              | 17,817                   | 60,448              |
| Other   | 326                       | (2,796)             | 7,555                    | 2,412               |
| <b>Total net revenues and other income</b>                | <b>48,221</b>             | <b>102,095</b>      | <b>186,077</b>           | <b>422,285</b>      |
| <b>Expenses</b>   |                           |                     |                          |                     |
| Compensation, benefits and profit share                   | (136,631)                 | (227,387)           | (455,217)                | (777,130)           |
| General, administrative and other                         | (23,709)                  | (30,283)            | (71,452)                 | (90,816)            |
| Amortization of intangible assets                         | (1,001)                   |                     | (1,834)                  |                     |
| Third party distribution, administration and service fees | (935)                     |                     | (1,600)                  |                     |
| <b>Total expenses</b>                                     | <b>(162,276)</b>          | <b>(257,670)</b>    | <b>(530,103)</b>         | <b>(867,946)</b>    |
| <b>Loss from operations</b>                               | <b>(114,055)</b>          | <b>(155,575)</b>    | <b>(344,026)</b>         | <b>(445,661)</b>    |
| Realized gain / (loss) on available-for-sale investments  | 1,029                     |                     | (20,188)                 |                     |
| Gain on debt extinguishment                               |                           |                     | 84,821                   |                     |
| Gain on business combination negative goodwill            |                           |                     | 21,122                   |                     |
| Interest income   | 196                       | 2,043               | 845                      | 6,685               |
| Interest expense  | (3,051)                   | (6,028)             | (9,618)                  | (18,795)            |
| <b>Loss before income taxes</b>                           | <b>(115,881)</b>          | <b>(159,560)</b>    | <b>(267,044)</b>         | <b>(457,771)</b>    |
| Income tax benefit/(expense)                              | 1,300                     | (3,160)             | (1,252)                  | (12,656)            |
| <b>Net loss</b>   | <b>(114,581)</b>          | <b>(162,720)</b>    | <b>(268,296)</b>         | <b>(470,427)</b>    |
| <b>Less non-controlling interests:</b>                    |                           |                     |                          |                     |
| Share of loss   | 15,634                    |                     | 35,861                   |                     |
| Cumulative dividends on exchangeable shares               | (71)                      | (2,896)             | (11,218)                 | (12,194)            |
| Exchangeable shares dividend                              |                           | (1,472)             |                          | (4,418)             |
| <b>Net loss attributable to common stockholders</b>       | <b>\$ (99,018)</b>        | <b>\$ (167,088)</b> | <b>\$ (243,653)</b>      | <b>\$ (487,039)</b> |
| Net loss per share basic and diluted                      | \$ (0.45)                 | \$ (0.79)           | \$ (1.12)                | \$ (2.30)           |

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Weighted average common stock

|             |                                  |         |         |         |         |
|-------------|----------------------------------|---------|---------|---------|---------|
| outstanding | basic and diluted (in thousands) | 220,614 | 211,417 | 218,078 | 211,357 |
|-------------|----------------------------------|---------|---------|---------|---------|

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

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**GLG PARTNERS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT**  
**(US Dollars in thousands)**

|   | Treasury<br>Stock | Common<br>Stock | Additional<br>Paid in Preferred<br>Capital | Other<br>Income/(Deficit)<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Income/(Deficit)<br>** | Accumulated<br>Income/(Deficit) | Non-controlling<br>Interest | Total<br>Shareholders<br>Equity/(Deficit) |
|---|-------------------|-----------------|--|------------------------------------|---|---------------------------------|-----------------------------|---|
| <b>Balance as of<br/>December 31, 2008</b>  | \$ (293,434)      | \$ 24           | \$ 1,176,054                               | \$ 6                               | \$ (17,141)   | \$ (1,241,758)                  | \$                          | \$ (376,249)                              |
| Effect of adoption of<br>FAS 141(R) (primarily<br>codified into FASB<br>ASC Topic 805) (note<br>2)                                    |                   |                 |  |                                    |   | (1,300)                         |                             | (1,300)                                   |
| <b>Balance as of<br/>December 31, 2008<br/>restated</b>   | \$ (293,434)      | \$ 24           | \$ 1,176,054                               | \$ 6                               | \$ (17,141)   | \$ (1,243,058)                  | \$                          | \$ (377,549)                              |
| Comprehensive loss  |                   |                 |  |                                    |   |                                 |                             |   |
| Net loss  |                   |                 |  |                                    |   | (243,653)                       | (35,861)                    | (279,514)                                 |
| Unrealized gains on<br>cash flow hedges (nil<br>tax applicable)   |                   |                 |  |                                    | 513   |                                 | 123                         | 636                                       |
| Unrealized gain on<br>available-for-sale<br>investments (nil tax<br>applicable)   |                   |                 |  |                                    | 1,475   |                                 |                             | 1,475                                     |
| Transfer to realized<br>loss on<br>available-for-sale<br>investments on<br>disposal (nil tax<br>applicable)                           |                   |                 |  |                                    | 9,368   |                                 |                             | 9,368                                     |
| Transfer to realized<br>loss on<br>available-for-sale<br>investments on other<br>than temporary<br>impairment (nil tax<br>applicable) |                   |                 |  |                                    | 10,872  |                                 |                             | 10,872                                    |
| Foreign currency<br>translation (nil tax<br>applicable)   |                   |                 |  |                                    | 2,326   |                                 | 556                         | 2,882                                     |

|  |                     |              |                     |             |                 |                       |                  |                     |
|--|---------------------|--------------|---------------------|-------------|-----------------|-----------------------|------------------|---------------------|
| Total comprehensive loss                                   |                     |              | 24,554              | (243,653)   | (35,182)        | (254,281)             |                  |                     |
| Share based compensation (net of non-controlling interest) | 54,600              | 250,131      |                     |             | 52,833          | 357,564               |                  |                     |
| Capital contributions                                      |                     | (91)         |                     |             | 15              | (76)                  |                  |                     |
| Issue of new shares  |                     | 64,220       |                     |             |                 | 64,220                |                  |                     |
| Shares repurchased   |                     | (67,014)     |                     |             |                 | (67,014)              |                  |                     |
| <b>Balance as of September 30, 2009</b>                    | <b>\$ (238,834)</b> | <b>\$ 24</b> | <b>\$ 1,423,300</b> | <b>\$ 6</b> | <b>\$ 7,413</b> | <b>\$ (1,486,711)</b> | <b>\$ 17,666</b> | <b>\$ (277,136)</b> |

\*\* Comprised of: unrealized gain/(loss) on available-for-sale investments of \$920 at September 30, 2009 and of \$(20,795) at December 31, 2008; foreign currency translation of \$5,980 at September 30, 2009 and of \$3,654 at December 31, 2008; unrealized gains on cashflow hedges of \$513 at September 30, 2009 and of \$0 at December 31, 2008.

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

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**GLG PARTNERS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**  
**(US Dollars in thousands)**

|   | <b>Nine Months Ended</b> |                |
|---|--------------------------|----------------|
|   | <b>September 30,</b>     |                |
|   | <b>2009</b>              | <b>2008</b>    |
| <b>Cash Flows From Operating Activities</b>   |                          |                |
| Net loss  | \$(268,296)              | \$(470,427)    |
| Adjustments to reconcile net loss to net cash (used in)/provided by operating activities:     |                          |                |
| Gain on business combination negative goodwill  | (21,122)                 |                |
| Gain on debt extinguishment   | (84,821)                 |                |
| Depreciation and amortization   | 4,535                    | 2,019          |
| Share based compensation  | 357,564                  | 574,355        |
| Cumulative dividend   | (11,218)                 | (12,194)       |
| Foreign exchange movements on foreign currency bank accounts                                  | (4,294)                  | 10,786         |
| Realized loss on available-for-sale investments   | 20,188                   |                |
| Cash flows (net of assets and liabilities acquired in SGAM UK acquisition) due to changes in: |                          |                |
| Fees receivable   | 10,130                   | 348,348        |
| Prepaid expenses and other assets   | (21,393)                 | (3,625)        |
| Rebates and sub-administration fees payable   | (5,090)                  | (135)          |
| Accrued compensation, benefits and profit share   | (21,948)                 | (282,643)      |
| Income taxes payable  | 1,804                    | (16,635)       |
| Distributions payable   | 2,087                    | (27,919)       |
| Accounts payable and other accruals   | (2,724)                  | 10,492         |
| Other liabilities   | (33,151)                 | 14,488         |
| <b>Net cash (used in)/ provided by operating activities</b>                                   | <b>(77,749)</b>          | <b>146,910</b> |
| <b>Cash Flows From Investing Activities</b>   |                          |                |
| Redemption of available-for-sale securities   | 51,943                   |                |
| Purchase of trading securities  | (4,589)                  |                |
| Purchase of subsidiary  |                          | (2,500)        |
| Cash acquired (net of purchase consideration) of subsidiary                                   | 7,337                    |                |
| Transfer to restricted cash   | (80)                     | (297)          |
| Purchase of property and equipment  | (1,256)                  | (7,091)        |
| <b>Net cash provided by/(used in) investing activities</b>                                    | <b>53,355</b>            | <b>(9,888)</b> |
| <b>Cash Flows From Financing Activities</b>   |                          |                |
| Issue of convertible notes  | 228,500                  |                |
| Loan repayment  | (170,700)                |                |
| Debt issue costs  | (12,495)                 |                |
| Warrant exercises   |                          | 2,568          |
| Warrant repurchases   |                          | (37,582)       |
| Share repurchases   | (67,014)                 | (3,987)        |

|   |                   |                   |
|---|-------------------|-------------------|
| Capital contributions                             | (76)              | 525               |
| Dividends paid                                    |                   | (10,652)          |
| Acquisition-related transaction costs             |                   | (308)             |
| Distribution to principals and trustees           |                   | (118,354)         |
| <b>Net cash used in financing activities</b>      | <b>(21,785)</b>   | <b>(167,790)</b>  |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(46,179)</b>   | <b>(30,768)</b>   |
| Effect of foreign currency translation on cash    | 4,415             | (10,967)          |
| Cash and cash equivalents at beginning of period  | 316,195           | 429,422           |
| <b>Cash and cash equivalents at end of period</b> | <b>\$ 274,431</b> | <b>\$ 387,687</b> |

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

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**GLG PARTNERS, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**(US Dollars in thousands, except per share amounts)**

**1. ORGANIZATION AND BASIS OF PRESENTATION**

GLG Partners, Inc. (the Company) was incorporated in the state of Delaware on June 8, 2006 under the name Freedom Acquisition Holdings, Inc ( Freedom ). The Company was formed to acquire an operating business through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination. On November 2, 2007 the Company completed the acquisition (the Acquisition ) of GLG Partners LP and its affiliated entities (collectively, GLG ).

The Company is a U.S.-listed asset management company offering its clients a diverse range of alternative and traditional investment products and account management services. The Company's primary business is to provide investment management advisory services for various investment funds and companies (the GLG Funds ) and accounts it manages. The Company's revenues are primarily derived from management fees and administration fees charged to the GLG Funds and accounts it manages based on the value of assets in and performance of those funds and accounts. The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC ). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US generally accepted accounting principles ( US GAAP ) have been condensed or omitted pursuant to the SEC's rules and regulations.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The unaudited condensed consolidated financial statements are presented in US Dollars (\$) and prepared under US GAAP. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Company have been included. The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated.

The Company operates in one business segment, the management of global funds and accounts. The Company uses a multi-strategy approach, offering a range of funds across, among other things, equity, credit, macro, convertible and emerging markets products. The Company does not own a substantive controlling interest in any of the GLG Funds it manages and as a result none of the GLG Funds are combined or consolidated by the Company.

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**GLG PARTNERS, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

(US Dollars in thousands, except per share amounts) (cont d)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Included below are excerpts of GLG Partners Inc's significant accounting policies, including those that have been revised in 2009. For a complete listing of GLG Partners Inc's significant accounting policies, please refer to GLG Partners Inc's Annual Report on Form 10-K for the year ended December 31, 2008.

**Principals of Consolidation**

Upon consummation of the Acquisition, the GLG Entities became wholly owned subsidiaries of the Company and from that date the financial statements have been prepared on a consolidated basis and consolidate those entities over which the legal parent, the Company, has control over significant operating, financial or investing decisions.

The Company consolidates certain entities it controls through a majority voting interest or otherwise in which the Company is presumed to have control. All intercompany transactions and balances have been eliminated.

The Company has determined that majority of the GLG Funds that it manages are Variable Interest Entities in that the management contract cannot be terminated by a simple majority of unrelated investors. The Company has determined that it is not the Primary Beneficiary and so does not consolidate any of the GLG Funds. The Company earns substantially all of its revenue from the GLG Funds and managed accounts. In addition, the Acquisition related cash compensation has been invested in two GLG Funds, and the Company's results are exposed to changes in the fair value of these funds as disclosed in Note 4.

**Non-controlling Interests in Consolidated Subsidiaries**

***FA Sub 2 Limited Exchangeable Shares***

Upon consummation of the Acquisition, Noam Gottesman and the Gottesman GLG Trust received, in exchange for their interests in GLG Entities, 58,904,993 exchangeable Class B ordinary shares of FA Sub 2 Limited (the Exchangeable Shares ) and 58,904,993 shares of the Company's Series A voting preferred stock (the Series A preferred stock ), in addition to their proportionate share of the cash consideration.

The Exchangeable Shares are exchangeable for an equal number of shares of the Company's common stock at any time for no cash consideration at the holder's option. Upon exchange of the Exchangeable Shares, an equivalent number of shares of the Company's Series A preferred stock will be concurrently redeemed. The shares of Series A preferred stock are entitled to one vote per share and to vote with the common stockholders as a single class but have no economic rights. The Exchangeable Shares carry dividend rights but no voting rights except with respect to certain limited matters which will require the majority vote or written consent of the holders of Exchangeable Shares. The combined ownership of the Exchangeable Shares and the Series A preferred stock provides the holders of these shares with voting rights that are equivalent to those of the Company's common stockholders.

The holders of the Exchangeable Shares receive a cumulative dividend based on the Company's estimate of the net taxable income of FA Sub 2 Limited allocable to such holders multiplied by an assumed tax rate of 44.38%. The cumulative dividend rights of the holders of the Exchangeable Shares are in excess of those of the Company's common stockholders, and these rights are presented as an expense within non-controlling interest in the condensed consolidated statements of operations. The amount recorded in respect of the cumulative dividends for the nine months ended September 30, 2009 was \$11,218.

At the FA Sub 2 Limited level, the Exchangeable Shares have the same liquidation and income rights as other ordinary shareholders of FA Sub 2 Limited, and consequently the non-controlling interest is calculated as the Exchangeable Shareholder's proportionate share of net assets prospectively from January 1, 2009. Prior to this date, the non-controlling interest only shared in losses to the extent that they have available equity to absorb losses.



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**Revenue Recognition**

Management fees are calculated as a percentage of net assets under management based upon the contractual terms of investment advisory and related agreements and recognized as earned as the related services are performed. These fees are generally payable monthly in arrears.

Performance fees are calculated as a percentage of investment gains (which includes both realized and unrealized gains) less management and administration fees, subject in certain cases to performance hurdles, over a measurement period, generally six months. The Company has elected to not recognize performance fee revenues and related compensation until the end of the measurement period when the amounts are contractually payable, or crystallized.

The majority of the investment funds and accounts managed by the Company have contractual measurement periods that end on each of June 30 and December 31. As a result, the performance fee revenues for the first and third fiscal quarters do not reflect revenues from uncrystallized performance fees during these three-month periods and will be reflected instead at the end of the fiscal quarter in which such fees crystallize.

In certain cases, the Company may rebate a portion of its gross management and performance fees in order to compensate third-party institutional distributors for marketing its products and, in a limited number of cases, in order to incentivize clients to invest in GLG Funds managed by the Company. Such arrangements are generally priced at a portion of the Company's management and performance fees paid by the fund. The Company has recorded its revenues net of rebates.

Administration fees are calculated on a similar basis as management fees and are recognized as the related services are performed. From its gross administration fees, the Company pays sub-administration fees to third-party administrators and custodians. Administration fees are recognized net of sub-administration fees. In addition, most funds managed by the Company have share classes with distribution fees that are paid to third party institutional distributors.

Rebates and sub-administration fees on the balance sheet represent amounts payable under the rebate and sub-administration fee arrangements described above.

Where a single-manager alternative strategy fund or internal Fund of Funds ( FoF ) managed by the Company invests in an underlying single-manager alternative strategy fund managed by the Company, the investing fund is the top-level GLG Fund into which a client invests and the investee fund is the underlying GLG Fund into which the investing fund allocates funds for investment. When one of the single-manager alternative strategy funds or internal FoFs managed by the Company invests in an underlying single-manager alternative strategy fund managed by the Company:

management fees are charged at the investee fund level, except in the case of (1) an investment by the GLG Emerging Markets Fund in the GLG Emerging Markets (Special Assets) Fund where management fees are charged only at the investing fund level, (2) the GLG Multi Strategy Fund where management fees are charged at both the investee and investing fund levels and (3) the GLG Balanced Managed Fund and the GLG Stockmarket Managed Fund where management fees are charged only at the investing fund level;

performance fees are charged at the investee fund level, except in the case of (1) an investment by the GLG Emerging Markets Fund in the GLG Emerging Markets (Special Assets) Fund where performance fees are charged only at the investing fund level and (2) the GLG Global Aggressive Fund where performance fees are charged at both the investee and investing fund levels, to the extent, if any, that the performance fee charged at the investing fund level is greater than the performance fee charged at the investee fund level; and

administration fees, where applicable, are charged at both the investing and investee fund levels.

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Due to the impact of foreign currency exposures on management and performance fees, the Company has elected to utilize cash flow hedge accounting to hedge a portion of its anticipated foreign currency denominated revenue. The effective portion of the hedge is recorded as a component of other comprehensive income and is released into management or performance fee income, respectively, when the hedged revenues impact the income statement. The ineffective portion of the hedge is recorded each period as derivative gain or loss in other income or other expense, respectively. See Derivatives and Hedging below for a further discussion of the Company's foreign exchange hedging activities.

**Third Party Distribution, Administration and Service Fees**

Included in third party distribution, administration and service fees are sub-transfer agency fees that are paid to third parties for processing client share purchases and redemptions, call center support and client reporting.

**Derivatives and Hedging**

The Company is exposed to foreign exchange risks relating to performance and management fees denominated in foreign currencies and also to general, administration and other costs denominated in foreign currencies. Forward foreign exchange contracts on various foreign currencies are entered into to manage those risks. These contracts are designated as cash flow hedges, with changes in fair value attributable to changes in the relevant spot rates recorded in other comprehensive income and reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. Changes in the fair value of the hedge attributable to the spot-forward differential are recorded directly in the income statement.

For those derivatives that are designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. The document identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

The Company has hedged £12,000,000 of monthly operating expenditure from October to December 2009 with a final settlement date of January 15, 2010.

**Change in Accounting Policy**

On January 1, 2009, the provisions of Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 805, *Business Combinations*, (formerly Statement of Financial Accounting Standards ( SFAS ) No. 141R, *Business Combinations* ( SFAS 141R )), became applicable. The Company had previously recognized transaction costs relating to the acquisition of Société Générale Asset Management UK ( SGAM UK ) as a prepaid expense and other asset as at December 31, 2008. Under the new provisions, the Company is required to expense transaction costs relating to an acquisition in the period to which the cost relates.

The change in the accounting policy has the following effect on the financial statements:

|                                   | December 31,<br>2008<br>Adjusted <sup>(1)</sup> | December 31,<br>2008<br>As filed | Change    |
|-----------------------------------|---|----------------------------------|-----------|
| <b>Balance sheet</b>              |   |                                  |           |
| <b>Assets:</b>                    |   |                                  |           |
| Prepaid expenses and other assets | \$ 32,751                                       | \$ 34,051                        | \$(1,300) |
| <b>Stockholders' Deficit:</b>     |   |                                  |           |
| Accumulated deficit               | \$ (1,243,058)                                  | \$ (1,241,758)                   | \$ 1,300  |
| <b>Statement of Operations</b>    |   |                                  |           |
| Consolidated net loss             | \$ (630,997)                                    | \$ (629,697)                     | \$ 1,300  |

- (1) The December 31, 2008 amounts were adjusted for comparability purposes to adjust for acquisition costs related to the acquisition of SGAM UK which was agreed to in December 2008 and completed in April 2009. Certain acquisition related costs were incurred in 2008.

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**Recent Accounting Pronouncements**

**SFAS 141(R)/Topic 805** - In December 2007, the FASB issued SFAS No 141(R), *Business Combinations* ( FAS 141(R) ), which was primarily codified in Topic 805 in the ASC. The standard replaces SFAS No. 141 and establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. As at December 31, 2008 the Company had capitalized \$1,300 for acquisition costs arising from in-progress acquisitions. On transition to SFAS 141(R) in the period ended September 30, 2009, these costs have been retrospectively taken to the statement of operations.

**FSP FAS 107-1 and APB 28-1/Topic 825**- FASB Final Staff Position No. FAS 107-1 and APB 28-1 ( FSP FAS-107-1 and APB-28-1 ), which were primarily codified into Topic 825 *Financial Instruments* in the ASC. This standard amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* , to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. FSP FAS-107-1 and APB-28-1 also amend APB Opinion No. 28, *Interim Financial Reporting* to require those disclosures in summarized financial information at interim reporting periods. FSP FAS-107-1 and APB-28-1 was issued in April 2009 and is effective prospectively for interim reporting periods ending after June 15, 2009. The application of FSP FAS-107-1 and APB-28-1 has expanded the Company s disclosures regarding the use of fair value in interim periods.

**SFAS 165/Topic 855** - Effective June 30, 2009, the Company adopted SFAS No. 165, *Subsequent Events*, ( SFAS 165 ), which was primarily codified in Topic 855 *Subsequent Events* in the ASC. This standard is based upon the same principles that exist within the auditing standards and formally establishes accounting standards for disclosing those events occurring after the balance sheet date but before financial statements are issued or available to be issued. SFAS 165 requires public entities to evaluate subsequent events through the date that financial statements are issued, while all other entities should evaluate subsequent events through the date that financial statements are available to be issued. SFAS 165 categorizes subsequent events into recognized subsequent events (or historically Type I events) and non-recognized subsequent events (or historically Type II events). SFAS 165 also enhances disclosure requirements for subsequent events. SFAS 165 was effective upon issuance. The adoption of SFAS 165 did not have a material impact on the Company s financial position or results of operations.

**SFAS 167** - In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ( SFAS 167 ), which has not yet been codified in the ASC. SFAS 167, which amends FIN 46(R), prescribes a qualitative model for identifying whether a company has a controlling financial interest in a variable interest entity (VIE) and eliminates the quantitative model prescribed by FIN 46(R). The new model identifies two primary characteristics of a controlling financial interest: (1) provides a company with the power to direct significant activities of the VIE, and (2) obligates a company to absorb losses of and/or provides rights to receive benefits from the VIE. SFAS 167 requires a company to reassess on an ongoing basis whether it holds a controlling financial interest in a VIE. A company that holds a controlling financial interest is deemed to be the primary beneficiary of the VIE and is required to consolidate the VIE. This statement is effective for fiscal years beginning after November 15, 2009. As such, the Company plans to adopt SFAS 167 effective January 1, 2010. The Company is currently evaluating the impact of adopting this standard, which

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may result in the consolidation of a number of GLG Funds, but is not expected to have a material impact on the net income available to the Company's common stockholders.

**SFAS 168/Topic 105** - In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS 168), which was primarily codified into Topic 105 *Generally Accepted Accounting Standards*. SFAS 168 establishes the FASB Accounting Standards Codification (The Codification), which was officially launched on July 1, 2009, and became the primary source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under the authority of Federal securities laws are also sources of authoritative GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As the Codification is neither expected nor intended to change GAAP, the adoption of SFAS 168 did not have a material impact on the Company's consolidated financial statements.

### 3. BUSINESS COMBINATION

On April 3, 2009, the Company completed the acquisition of 100% of SGAM UK's long-only asset management business for £4,500,000 (\$6,450) in cash. The asset purchase was accounted for as an acquisition of a business. The following table summarizes the fair values of the assets and liabilities acquired at closing. The purchase price allocations were:

|   |           |
|---|-----------|
| Intangible asset – customer-related management contracts (10 year life) | \$ 33,338 |
| Cash  | 13,787    |
| Investments   | 2,016     |
| Fixed assets  | 164       |
| Deferred tax liability  | (9,334)   |
| Other net liabilities   | (12,399)  |
| Fair Value of Net Assets acquired                                       | \$ 27,572 |

The excess of the fair value of net assets acquired over consideration price was recognized in the six months ended June 30, 2009 statement of operations as a separate line item. The Company has considered the recognition of the gain as a bargain purchase as being reflective of industry conditions at the time of the negotiation of the acquisition and the business strategy of the seller. The Company expects to achieve synergies in respect of ongoing operating costs and expansion of its distribution channels.

Intangible assets have been recognized in respect of acquired management contracts. To arrive at a fair value, management determined that the highest and best use of the management contracts was to value them as part of a going concern business. This valuation method presumes the continued utilization of the assets as a component of the business in connection with all other assets. This concept is known as value in use. This value is not intended to represent the amount that might be realized from piecemeal disposition of the assets or from some other use of the assets.

In connection with post-acquisition restructuring, the Company has recorded approximately \$3,300 in employment termination costs. The costs were substantially incurred in the second quarter of 2009.

<sup>1</sup> Management considers the management contracts to have an expected

average useful  
life of 10 years  
and  
consequently  
the contracts  
will be  
amortized on a  
straight line  
basis over the  
remaining  
average useful  
life. The  
expected  
amortization  
amount for the  
year ending  
December 31,  
2009 is \$2,499  
and \$3,334 for  
each of the  
years ending  
December 31,  
2010, 2011,  
2012 and 2013.

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**4. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company utilizes ASC Topic 820, *Fair Value Measurements and Disclosures*, in relation to accounting for assets and liabilities carried at fair value. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimates.

*a) Assets and Liabilities measured at fair value on a recurring basis:*

The following table presents fair value measurements for major categories of the Company's financial assets and liabilities measured at fair value on a recurring basis:

|  | September 30, 2009 |         |           | December 31, 2008 |            |           |
|--|--------------------|---------|-----------|-------------------|------------|-----------|
|  | Level<br>1         | Level 2 | Level 3   | Level<br>1        | Level<br>2 | Level 3   |
| Foreign exchange derivatives<br>(presented in other assets)      | \$                 | \$ 970  | \$        | \$                | \$ 42      | \$        |
| Trading investments  |                    |         | 4,589     |                   |            |           |
| Available-for-sale<br>investments                                |                    |         | 17,245    |                   |            | 65,484    |
| Foreign exchange derivatives<br>(presented in other liabilities) |                    | (242)   |           |                   |            |           |
|  | \$                 | \$ 728  | \$ 21,834 | \$                | \$ 42      | \$ 65,484 |

*Foreign exchange derivatives*

Other assets and other liabilities include the fair value of foreign exchange derivatives, which are valued at quoted forward prices from foreign exchange counterparties and discounted to present value using prevailing risk free rates for the Company's functional currency.

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*Investments*

Investments at fair value include available-for-sale and trading securities held in the following GLG Funds:

|  |                    |
|--|--------------------|
| GLG Multi-Strategy Coupon Fund               | Available-for-sale |
| GLG Global Opportunity (Special Assets) Fund | Available-for-sale |
| GLG Treasury Fund                            | Available-for-sale |
| GLG European Opportunity (Lehman Recovery)   | Trading            |
| GLG Technology (Lehman Recovery)             | Trading            |

These investments are valued at the final Net Asset Value ( NAV ) as calculated by the GLG Funds administrator. As these funds have limited liquidity, the Company has determined its investments in these GLG Funds to be Level 3 assets. These NAVs, and the associated fair values of underlying investments, have been reviewed by the GLG Funds Independent Pricing Committee.

A reconciliation of the movements in Level 3 assets is presented below:

|   | Fair Value Measurements   |   |  |
|---|---|---|--|
|   | Quoted<br>Prices<br>in<br>Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level<br>1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Movements in Level 3 assets for the nine-month period were as follows:</b> |   |   |  |
| Investments in GLG Funds  |   |   |  |
| Opening Balance January 1, 2009   |   |   | \$ 65,484  |
| Change in fair value recorded in other income                                 |   |   | (6)  |
| Change in fair value recorded in other comprehensive income                   |   |   |  |
| currency translation adjustment   |   |   | 219  |
| Change in unrealized losses recorded in other comprehensive income            |   |   | 1,475  |
| Investments acquired in business combination                                  |   |   | 2,016  |
| Purchase of investments   |   |   | 4,589  |
| Redemption proceeds   |   |   | (51,943)   |
| Closing Balance September 30, 2009  |   |   | \$ 21,834  |
| Total unrealized gains in investments   |   |   | \$ 920   |

During the quarter ended March 31, 2009, the Company redeemed a portion of its investment in the GLG Global Opportunity Fund, realizing a loss on disposal of \$10,345. At March 31, 2009 the Company had impairments of \$6,025 in the GLG Global Opportunity Fund (through its successor, the GLG Global Opportunity (Special Assets) Fund) and \$4,847 in the GLG Multi-Strategy Fund. Due to a change arising in that quarter in management's ability and intent to hold the equity investments for a sufficient period to recover the impairment, \$10,872 was realized as an



other than temporary impairment to the statement of operations. Both the realized loss on disposal and other than temporary impairment charge of \$10,872 have been recorded in the statement of operations as a realized loss on available-for-sale investments of \$21,217 in the three months ended March 31, 2009.

During the quarter ended September 30, 2009, the Company redeemed \$5,322 of its investment in the GLG Global Opportunity (Special Assets) Fund and \$12,581 of its investments in the GLG Multi-Strategy Fund, realizing a

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total gain on disposal of \$977. The Company also transferred its remaining underlying assets in the GLG Multi-Strategy Fund to the GLG Multi-Strategy Coupon Fund.

In August and September 2009, the Company purchased investments totaling \$4,589 in the GLG European Opportunity (Lehman Recovery) and the GLG Technology (Lehman Recovery) Funds which are being accounted for at fair value.

*b) Fair value measurements of Other financial instruments recorded at other than fair value:*

*Loan payable*

There are no active or inactive markets for the Company's term loan or quoted prices for similar liabilities traded as assets in markets that are active. To arrive at a fair value for the loan payable, the Company has adopted a market based approach based on the amount the Company would receive if it were to enter into an identical liability at the reporting date. The Company considers that this is reflected in the par value of the loan.

*Convertible notes*

There are no active markets for the Company's convertible notes. The Company has determined the fair value of the convertible note to \$282,000 by comparing inactive market broker quotes to internal models.

*c) Fair value measurements of Other assets and liabilities recorded at other than fair value:*

The carrying value of other financial assets and liabilities approximates fair value.

**5. CONCENTRATION OF CREDIT RISK**

The Company's receivables relate to investment management, administration and performance fees receivable from GLG Funds and managed accounts. These fees are due upon determination by the administrator, and the fees are in preference to other creditors in the event of liquidation. Consequently, the Company does not have any material concentrations of credit risk.

**6. DERIVATIVES AND HEDGING**

The Company is exposed to foreign exchange risks relating to performance and management fees denominated in foreign currencies and also general, administration and other costs denominated in foreign currencies. Forward foreign exchange contracts on various foreign currencies are entered into to manage those risks. These contracts are designated as cash flow hedges with changes in fair value attributable to changes in the relevant spot rates recorded in other comprehensive income and reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. Changes in the fair value of the hedge attributable to the spot-forward differential are recorded directly in the income statement.

For those derivatives that are designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. The document identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the reporting period for which they were designated.

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For the three months and nine months ended September 30, 2009, the fair value of financial instruments has been recorded as follows:

|  | Three months<br>ended<br>September 30,<br>2009 | Nine months<br>ended<br>September 30,<br>2009 |
|--|--|---|
| Total Fair Value of Derivative Financial Instruments (included in Other Assets)  | \$ 970   | \$ 970  |
| Total Fair Value of Derivative Financial Instruments (included in Other Liabilities)   | (242)  | (242)   |
| <b>Total Fair Value of Derivative Financial Instruments at September 30, 2009</b>  |  |   |
| (all designated in a cash flow hedge)  | \$ 728   | \$ 728  |
| Less: Fair value of Derivative Financial Instruments at start of period  | (2,856)  | (42)  |
| <br>   |  |   |
| Movement in Fair Value of Derivative Financial Instruments during the period   | \$ (2,128)                                     | \$ 686  |
| <br>   |  |   |
| Changes in Fair Values are allocated as follows:   |  |   |
| <b>Statement of Changes in Equity:</b>   |  |   |
| (Loss) / gain recorded in other comprehensive income in period cash flow hedges  | \$ (948)                                       | \$ 2,937                                      |
| Gain reclassified from other comprehensive income to income  | (805)  | (2,301)                                       |
| <b>Total (loss)/gain in Other Comprehensive Income</b>   | <b>\$ (1,753)</b>                              | <b>\$ 636</b>                                 |
| <br>   |  |   |
| <b>Statement of Operations:</b>  |  |   |
| Decrease in General, Administrative & Other expenses effective portion of hedge reclassified from other comprehensive income | \$ 817   | \$ 1,612                                      |
| Decrease in Compensation, benefits and profit share effective portion of hedge reclassified from other comprehensive income  | 673  | 1,423   |
| Decrease in Management Fees effective portion of hedge reclassified from other comprehensive income                          | (686)  | (734)   |
| Decrease in Other income (ineffective portion of hedge and excluded from effectiveness assessment)                           | (1,179)  | (2,251)                                       |
| <b>Total impact on Statement of Operations</b>   | <b>\$ (375)</b>                                | <b>\$ 50</b>                                  |
| <b>Total impact on Comprehensive Income</b>  | <b>\$ (2,128)</b>                              | <b>\$ 686</b>                                 |



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**7. DEBT**

|                                  | Average<br>interest<br>rate | September<br>30,<br>2009 | December<br>31,<br>2008 |
|----------------------------------|-----------------------------|--------------------------|-------------------------|
| <b>Revolving credit facility</b> | 2.29%                       | \$ 12,281                | \$ 40,000               |
| <b>Term loans</b>                | 2.29%                       | 295,506                  | 530,000                 |
| <b>Convertible Note</b>          | 5.00%                       | 228,500                  |                         |
| <b>Total Debt</b>                |                             | \$ 536,287               | \$ 570,000              |

**Restructuring of debt**

On May 15, 2009, the Company restructured its syndicated term loan and revolving loan facilities, with \$284,500 (\$27,720 of the revolving credit facility and \$256,780 of the term loan) being repurchased by a consolidated subsidiary at 60% of par value.

The discount of \$113,800 arising from the restructuring, together with the unamortized costs from the original Acquisition financing of \$4,778 and the direct finance costs relating to the refinancing of \$5,967 were allocated to each syndicate lender. The loan and revolving credit facility for each lender was evaluated under ASC Topic 470-50, *Modifications and Extinguishments*, as to whether the loan or facility had been extinguished, reduced or remained unchanged.

The outcome of the evaluation of the revolving credit facility and term loan was that \$84,821 of the discount on repurchase was recognized in the statement of operations as a gain on extinguishment, \$26,467 was added to the amortized cost of the continuing term loan, to be amortized against interest expense over the remaining period of the loan under the effective yield basis (\$22,287 remaining at September 30, 2009), and \$6,910 remaining costs were deferred and will be amortized over the term of the debt.

**Amendment of the credit agreement**

In connection with the debt restructuring, the terms of the existing credit agreement were amended. The amendments included the cancellation of the financial covenants (minimum AUM and average ratio), the spread payable over LIBOR was amended to 250 basis points from the previous matrix (based on a trailing twelve month leverage ratio) and the principal repayment provisions were accelerated based on excess cash flow as defined in the amended credit agreement.

**Issuance of Convertible Notes**

On May 15, 2009 in connection with the restructuring of the credit agreement, the Company issued \$214,000 principal amount of convertible notes, due 2014, in a private offering to qualified institutional buyers under SEC Rule 144A. On June 8, 2009 a further \$14,500 principal amount of convertible notes were issued in respect of an over-allotment option. The convertible notes were issued at par and carry an interest rate of 5.00% per annum. Interest is payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2009.

Subject to restrictions on ownership of common stock, holders may convert their notes into shares of common stock at any time on or prior to the business day immediately preceding the maturity date of the notes. The initial conversion rate for the notes is 268.8172 shares of common stock per \$1 initial principal amount of notes (which represents an initial conversion price of approximately \$3.72 per share).

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Upon conversion of a note, a holder will not receive any cash payment of interest and the conversion rate will not be adjusted for accrued or unpaid interest. Delivery of common stock is deemed to satisfy all obligations with respect to notes tendered for conversion. Notes can only be converted in denominations of \$1 and multiples thereof. Cash will be paid in lieu of any fractional shares only.

Conversion rate adjustments will be made if there is an event which dilutes the value of common stock (e.g., Share split, issuing common stock as a dividend or share combination). The conversion rate will be increased if there is a designated event which is a change of control or in connection with the conversion of notes at a time when the Company is in default of its obligations to file, have declared effective or maintain the effectiveness of a shelf registration statement for the resale of the notes.

If at any time after the third anniversary of the original issuance date of the notes the volume-weighted average price of the Company's common stock exceeds 150% of the conversion price on at least 20 of the 30 consecutive trading days, the conversion rights may be withdrawn upon notice given between 30 and 60 days prior to the withdrawal.

The holders of notes have the option to require the Company to repurchase the notes if there is a designated event. A designated event is if the Company's common stock ceases to be listed on the securities exchange or there is a change of control involving the Company.

In the event of a written request from holders of notes representing at least 10% of the then outstanding principal amount of the notes, the Company will use commercially reasonable efforts to file a shelf registration statement relating to resales of the notes and shares of common stock issuable on conversion of the notes.

The notes are subordinated in right of payment to the prior payment of senior indebtedness, currently consisting of the revolving credit facility and the term loan discussed above.

The Company incurred \$6,524 of direct costs in connection with the issuance of the notes. These have been deferred and will be recognized over the term of the notes as an adjustment to interest expense.

**8. INCOME TAXES**

The Company calculates its effective tax rate on profit before tax and certain non-tax deductible expenses and non-taxable income. For the three months ended September 30, 2009, \$110,115 of the Company's compensation expense related to acquisition-related share based compensation, \$102,974 of which is not tax deductible, compared to \$188,005 for the three months ended September 30, 2008, \$180,833 of which was non tax deductible. For the third quarter of 2009, the Company also recognized amortization of intangibles of \$1,001 which is non-tax deductible and a realized gain on available-for-sale investments of \$1,029 which is non-taxable. The Company's (loss) /profit before tax and before these expenses was \$(12,935) and \$21,273 for the three months ended September 30, 2009 and 2008, respectively. The Company's effective tax rate based on this measure was 10.1% and 14.9% for the three months ended September 30, 2009 and 2008, respectively. These rates differ from the U.S. Federal rate of tax of 35% as the Company's profits are predominantly earned outside the United States where lower rates of tax apply.

For the first nine months of 2009, \$365,703 of the Company's compensation expense related to acquisition-related share based compensation, \$339,540 of which is not tax deductible, compared to \$588,508 for the nine months ended September 30, 2008, \$541,398 of which was non-tax deductible. For the first nine months of 2009, the Company also recognized amortization of intangibles of \$1,834 and a realized loss on available-for-sale investments of \$20,188, which are both non-tax deductible and negative goodwill arising on business combination of \$21,122 which is non-taxable. The Company's profit before tax and before these expenses was \$73,395 and \$83,628 for the nine months ended September 30, 2009 and 2008, respectively. The Company's effective tax rate based on this measure was 1.7% and 15.1% for the nine months ended September 30, 2009 and 2008, respectively. These rates differ from the U.S. Federal rate of tax of 35% as the Company's profits are predominantly earned outside the United States where lower rates of tax apply.



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**9. STOCKHOLDERS DEFICIT**

The following transactions occurred in the common stock of the Company during the first nine months of 2009:

|   | <b>Number of<br/>Shares</b> |
|---|-----------------------------|
| <b>Common stock outstanding at December 31, 2008</b>                      | <b>245,784,390</b>          |
| Shares issued as compensation   | 28,290,535                  |
| Shares repurchased  | (28,991,258)                |
| Shares issued under share plan awards                                     | 5,195,216                   |
| Stock forfeited and cancelled under share-based compensation arrangements | (653,250)                   |
| <br><b>Common Stock outstanding at September 30, 2009</b>                 | <br><b>249,625,633</b>      |

No dividends have been declared in 2009. On October 26, 2008 a dividend of \$0.025 per share of common stock was declared payable on October 21, 2008 to holders of record on October 10, 2008. A dividend of \$0.025 per share was also declared payable on October 21, 2008 to holders of the FA Sub 2 Limited Exchangeable Shares.

**10. NET LOSS PER SHARE OF COMMON STOCK**

The Company calculates net income per share of common stock in accordance with ASC Topic 260, *Earnings Per Share*. The Company calculated diluted earnings per share for all periods using the if-converted method for all participating securities. For the nine months ended September 30, 2009 and 2008 the FA Sub 2 Limited Exchangeable Shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

The Company applied the two-class method for determining basic earnings per share for the post-Acquisition period. The Exchangeable Shares and the unvested shares issued in connection with share-based compensation, and determined to be participating securities, were excluded from the calculation as their inclusion would be anti-dilutive. In addition, the holders of the Exchangeable Shares participate equally with ordinary shareholders in the liquidation preferences of FA Sub 2 Limited, but have neither a liquidation interest in GLG Partners, Inc. nor any obligation to fund losses in either FA Sub 2 Limited or GLG Partners, Inc. Consequently, the Company believes it is appropriate to exclude the Exchangeable Shares from the calculation of basic earnings per share. Undistributed earnings have not been allocated to the unvested shares as they do not have a contractual obligation to fund the losses of the Company.

|  | <b>Three Months Ended</b> |              | <b>Nine Months Ended</b> |              |
|--|---------------------------|--------------|--------------------------|--------------|
|  | <b>September 30,</b>      |              | <b>September 30,</b>     |              |
|  | <b>2009</b>               | <b>2008</b>  | <b>2009</b>              | <b>2008</b>  |
| Net loss applicable to common stockholders                                 | \$ (99,018)               | \$ (167,088) | \$ (243,653)             | \$ (487,039) |
| Weighted-average common stock outstanding (in thousands) basic and diluted | 220,614                   | 211,417      | 218,078                  | 211,357      |
| Net loss per share applicable to common stockholders basic and diluted     | \$ (0.45)                 | \$ (0.79)    | \$ (1.12)                | \$ (2.30)    |

The following common stock equivalents have been excluded from the computation of the weighted-average stock outstanding used for computing diluted earnings per share as of September 30, 2009 and 2008 as they would have been anti-dilutive (in thousands):



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|   | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|---|---------------------------|-------------|--------------------------|-------------|
|   | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|   | <b>2009</b>               | <b>2008</b> | <b>2009</b>              | <b>2008</b> |
| Common stock held in Treasury   | 18,509                    | 25,382      | 20,438                   | 25,382      |
| FA Sub 2 Limited Exchangeable Shares  | 58,905                    | 58,905      | 58,905                   | 58,905      |
| Convertible Notes   | 61,425                    |             | 30,707                   |             |
| Common stock awarded in connection with share-based compensation arrangements | 10,493                    | 8,882       | 10,493                   | 8,882       |
| Public warrants   | 32,985                    | 32,985      | 32,985                   | 32,985      |
| Co-investment warrants  | 5,000                     | 5,000       | 5,000                    | 5,000       |
| Sponsors warrants   | 4,500                     | 4,500       | 4,500                    | 4,500       |
|   | 191,817                   | 135,654     | 163,028                  | 135,654     |

In addition to the above, there were 12,000,003 Founders warrants that are only exercisable if and when the last sales price of the Company's common stock exceeds \$14.25 per share for any 20 trading days within a 30-trading day period beginning 90 days after November 2, 2007.

**11. COMPREHENSIVE INCOME**

|   | <b>Three months ending September 30,</b> |                                      |              | <b>2008</b>                      |
|---|--|--------------------------------------|--------------|----------------------------------|
|   | <b>2009</b>                              |                                      |              |                                  |
|   | <b>Attributed to controlling</b>         | <b>Attributed to non-controlling</b> | <b>Total</b> | <b>Attributed to controlling</b> |
| Net Loss  | \$ (99,018)                              | \$ (15,634)                          | \$ (114,652) | \$ (167,088)                     |
| Gains on cash flow hedges released to statement of operations                           | (650)                                    | (155)                                | (805)        |                                  |
| Unrealized gains on cash flow hedges  | (765)                                    | (183)                                | (948)        | (9,527)                          |
| Change in unrealized gains on available-for-sale investments                            | 807                                      |                                      | 807          | (127)                            |
| Release of unrealized gain on available-for-sale investments to statement of operations | (977)                                    |                                      | (977)        |                                  |
| Foreign currency translation  | 1,713                                    | 410                                  | 2,123        | 2,490                            |
| Total comprehensive loss  | \$ (98,890)                              | \$ (15,562)                          | \$ (114,452) | \$ (174,252)                     |

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|   | Nine months ending September 30, |             |              | 2008         |
|---|----------------------------------|-------------|--------------|--------------|
|   | 2009                             |             |              |              |
|   | Attributed                       |             |              |              |
|   | to                               |             |              |              |
|   | Attributed                       | non-        | Total        | Attributed   |
|   | to                               | controlling |              | to           |
|   | controlling                      |             |              | controlling  |
| Net Loss  | \$ (243,653)                     | \$ (35,861) | \$ (279,514) | \$ (487,039) |
| Gains on cash flow hedges released to statement of operations                           | (1,857)                          | (444)       | (2,301)      |              |
| Unrealized gains on cash flow hedges  | 2,370                            | 567         | 2,937        | (13,472)     |
| Change in unrealized gains on available-for-sale investments                            | 1,475                            |             | 1,475        | 1,695        |
| Release of unrealized loss on available-for-sale investments to statement of operations | 20,240                           |             | 20,240       |              |
| Foreign currency translation  | 2,326                            | 556         | 2,882        | (259)        |
| Total comprehensive loss  | \$ (219,099)                     | \$ (35,182) | \$ (254,281) | \$ (499,075) |

**12. PROFORMA STATEMENT OF OPERATIONS IMPACT OF ADOPTION OF SFAS 160 (ASC Topic 810-10-65)**

As required under the transitional provisions of ASC Topic 810-10-65, *Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, the following pro forma statement of operations is presented to show the Company's results of operations for the three months ended September 30, 2009 and 2008 and the nine months ended September 30, 2009 and 2008 under the rules relating to non-controlling interests before the adoption of the standard.

|   | Three months ended |                | Nine months ended |                |
|---|--------------------|----------------|-------------------|----------------|
|   | September 30,      |                | September 30,     |                |
|   | 2009               | 2008           | 2009              | 2008           |
| <b>Net revenues and other income</b>                |                    |                |                   |                |
| Management fees, net                                | \$ 39,543          | \$ 80,307      | \$ 110,001        | \$ 269,663     |
| Performance fees, net                               | 1,945              | 6,833          | 50,704            | 89,762         |
| Administration, service, and distribution fees, net | 6,407              | 17,751         | 17,817            | 60,448         |
| Other   | 326                | (2,796)        | 7,555             | 2,412          |
| <b>Total net revenues and other income</b>          | <b>48,221</b>      | <b>102,095</b> | <b>186,077</b>    | <b>422,285</b> |
| <b>Expenses</b>                                     |                    |                |                   |                |
| Compensation, benefits and profit share             | (136,631)          | (227,387)      | (455,217)         | (777,130)      |
| General, administrative and other                   | (23,709)           | (30,283)       | (71,452)          | (90,816)       |
| Amortization of intangible assets                   | (1,001)            |                | (1,834)           |                |
|   | (935)              |                | (1,600)           |                |

Third party distribution, administration and  
service fees

|   |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Total expenses</b>   | <b>(162,276)</b>    | <b>(257,670)</b>    | <b>(530,103)</b>    | <b>(867,946)</b>    |
| <b>Loss from operations</b>   | <b>(114,055)</b>    | <b>(155,575)</b>    | <b>(344,026)</b>    | <b>(445,661)</b>    |
| Realized gain / (loss) on available-for-sale<br>investments                   | 1,029               |                     | (20,188)            |                     |
| Gain on debt extinguishment   |                     |                     | 84,821              |                     |
| Gain on business combination negative<br>goodwill                             |                     |                     | 21,122              |                     |
| Interest income   | 196                 | 2,043               | 845                 | 6,685               |
| Interest expense  | (3,051)             | (6,028)             | (9,618)             | (18,795)            |
| <b>Loss before income taxes</b>   | <b>(115,881)</b>    | <b>(159,560)</b>    | <b>(267,044)</b>    | <b>(457,771)</b>    |
| Income taxes  | 1,300               | (3,160)             | (1,252)             | (12,656)            |
| <b>Net loss</b>   | <b>(114,581)</b>    | <b>(162,720)</b>    | <b>(268,296)</b>    | <b>(470,427)</b>    |
| <b>Less non-controlling interests:</b>  |                     |                     |                     |                     |
| Cumulative dividends on exchangeable<br>shares                                | (71)                | (2,896)             | (11,218)            | (12,194)            |
| Exchangeable shares dividend  |                     | (1,472)             |                     | (4,418)             |
| <b>Net loss attributable to common<br/>stockholders</b>                       | <b>\$ (114,652)</b> | <b>\$ (167,088)</b> | <b>\$ (279,514)</b> | <b>\$ (487,039)</b> |
| Net loss per share basic and diluted  | \$ (0.53)           | \$ (0.79)           | (1.29)              | \$ (2.30)           |
| Weighted average common stock<br>outstanding basic and diluted (in thousands) | 220,614             | 211,417             | 218,078             | 211,357             |

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**13. COMMITMENTS AND CONTINGENCIES**

The Company, in the ordinary course, responds to a variety of regulatory inquiries. The Company and its subsidiaries are involved in the following regulatory investigations:

On January 25, 2008, the Autorité des Marchés Financiers ( AMF ) notified the Company of proceedings relating to its trading in the shares of Infogrames Entertainment ( Infogrames ) on February 8 and 9, 2006, prior to the issuance by Infogrames on February 9, 2006 of a press release announcing poor financial results. The AMF s decision to initiate an investigation into the Company s trades in Infogrames was based on a November 19, 2007 report prepared by the AMF s Department of Market Investigation and Supervision (the Infogrames Report ). According to the Infogrames Report, the trades challenged by the AMF generated an unrealized capital gain for the Company as of the opening on February 10, 2006 of 179,000. The AMF investigation relates solely to the conduct of a former employee; however, the Company was named as the respondent. If sustained, the charge against the Company could give rise to an administrative fine under French securities laws. The Company filed its response to the Infogrames Report on May 23, 2008. On September 24, 2009, the Rapporteur issued a written report, concluding that the Company did not engage in any wrongdoing and recommending that the AMF dismiss the case against the Company. A hearing before the *Commission des Sanctions* of the AMF is scheduled for November 12, 2009.

The Company has provided for the above within accounts payable and other accruals within Current Liabilities.

**Indemnifications**

In the normal course of business, the Company enters into operating contracts that contain a variety of representations and warranties and that provide general indemnifications. The Company s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of material loss to be remote.

**14. SUBSEQUENT EVENTS**

There were no subsequent events through to management s assessment on November 9, 2009, which is the date these financial statements were issued.

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

You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and the related notes included in or incorporated into Part I, Item 1 of this Quarterly Report on Form 10-Q, and our audited combined and consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2008. The information contained in this section contains forward-looking statements. Our actual results may differ significantly from the results suggested by these forward-looking statements and our historical results as a result of certain risks and uncertainties which are described in Risk Factors referred to in Part II, Item 1A of this Quarterly Report on Form 10-Q.

**General*****Our Business***

We are a U.S.-listed asset management company offering our clients a diverse range of alternative and traditional investment products and account management services. Our primary business is to provide investment management advisory services for various investment funds and companies (the "GLG Funds") and accounts we manage. We currently derive our revenues primarily from management fees and administration fees charged to the GLG Funds and accounts we manage based on the value of the assets in these funds and accounts, and performance fees charged to the GLG Funds and accounts we manage based on the performance of these funds and accounts. Substantially all of our assets under management, or AUM, are attributable to third-party investors, and the funds and accounts we manage are not consolidated into our financial statements. As of September 30, 2009, our net AUM (net of assets invested in other GLG Funds) were approximately \$21.6 billion, as compared to approximately \$19.1 billion as of June 30, 2009 and \$17.3 billion as of September 30, 2008. As of September 30, 2009, our gross AUM (including assets invested in other GLG Funds) were approximately \$24.0 billion, as compared to approximately \$21.6 billion as of June 30, 2009 and \$21.2 billion as of September 30, 2008.

On December 19, 2008, we entered into (i) an agreement with Société Générale Asset Management to acquire Société Générale Asset Management UK ("SGAM UK"), Société Générale's UK long-only asset management business, for £4.5 million (approximately \$6.5 million) in cash and (ii) a sub-advisory agreement with SGAM UK related to approximately \$3.0 billion of AUM. On April 3, 2009, we completed the acquisition of SGAM UK's operations, which had approximately \$7.0 billion of AUM as of that date, and its investment and support staff, based primarily in London, and the sub-advisory agreement terminated.

On November 2, 2007, we completed the acquisition (the "Acquisition") of GLG Partners Limited, GLG Holdings Limited, Mount Granite Limited, Albacrest Corporation, Liberty Peak Ltd., GLG Partners Services Limited, Mount Garnet Limited, Betapoint Corporation, Knox Pines Ltd., GLG Partners Asset Management Limited and GLG Partners (Cayman) Limited (each, an "Acquired Company" and collectively, the "Acquired Companies") pursuant to a Purchase Agreement dated as of June 22, 2007 (the "Purchase Agreement") among us, our wholly owned subsidiaries, FA Sub 1 Limited, FA Sub 2 Limited and FA Sub 3 Limited, Jared Bluestein, as the buyers' representative, Noam Gottesman, as the sellers' representative, and the equity holders of the Acquired Companies (the "GLG Shareowners").

Effective upon the consummation of the Acquisition, (1) each Acquired Company became a subsidiary of ours, (2) the business and assets of the Acquired Companies and certain affiliated entities (collectively, the "GLG Entities") became our only operations and (3) we changed our name to GLG Partners, Inc.

In exchange for their equity interests in the Acquired Companies, the GLG Shareowners received:

\$976,107,300 in cash;

\$23,892,700 in promissory notes in lieu of all of the cash consideration payable to electing GLG Shareowners;

230,000,000 shares of our common stock, par value \$0.0001 per share which consists of:

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138,095,007 shares of our common stock, including 10,000,000 shares of our common stock issued for the benefit of our employees, service providers and certain key personnel under our 2007 Restricted Stock Plan (the Restricted Stock Plan );

33,000,000 shares of our common stock payable by us upon exercise of certain put or call rights with respect to 33,000,000 ordinary shares issued by FA Sub 1 Limited to certain GLG Shareowners. Each of the ordinary shares issued by FA Sub 1 Limited to these GLG Shareowners has been put by the holder to us in exchange for one share of our common stock; and

58,904,993 shares of our common stock to be issued upon the exchange of 58,904,993 Exchangeable Shares (the Exchangeable Shares ) issued by FA Sub 2 Limited to certain GLG Shareowners. Each Exchangeable Share is exchangeable at any time at the election of the holder for one share of our common stock; and

58,904,993 shares of our Series A preferred stock, par value \$0.0001 per share issued with the corresponding Exchangeable Shares which carry only voting rights and nominal economic rights and which will automatically be redeemed on a share-for-share basis as Exchangeable Shares are exchanged for shares of our common stock.

The aggregate of \$1.0 billion in cash and promissory notes necessary to pay the cash portion of the purchase price to the GLG Shareowners was financed through a combination of (1) approximately \$571.1 million of proceeds raised in our initial public offering and the co-investment by the sponsors of Freedom Acquisition Holdings, Inc., Berggruen Holdings North America Ltd. and Marlin Equities II, LLC, immediately prior to the consummation of the Acquisition and (2) bank debt financing of \$530.0 million of the \$570.0 million available under the credit facilities. The remaining capacity under the credit facilities was drawn down for working capital and general corporate purposes.

The Acquisition was accounted for as a reverse acquisition. The combined group composed of the Acquired Companies has been treated as the acquiring entity and the continuing reporting entity for accounting purposes. Upon completion of the Acquisition, our assets and liabilities were recorded at historical cost and added to those of the Acquired Companies. Because we had no active business operations prior to consummation of the Acquisition, the Acquisition was accounted for as a recapitalization of the Acquired Companies.

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, references to GLG should be taken to refer to the combined business of the GLG Entities prior to November 2, 2007, and references to we, us, our and the Company shall be taken to refer to the business of GLG Partners, Inc. and its subsidiaries from and after November 2, 2007.

**Factors Affecting Our Business**

Our business and results of operations are impacted by the following factors:

*Assets under management.* Our revenues from management and administration fees are directly linked to AUM. As a result, our future performance will depend on, among other things, our ability to retain AUM, the mix of our AUM between different products and associated fee rates and to grow AUM from existing and new products.

*Fund and managed account performance.* Our revenues from performance fees are linked to the performance of the GLG Funds and accounts we manage. Performance also affects AUM because it influences investors decisions to invest assets in, or withdraw assets from, the GLG Funds and accounts managed by us.

*Currency exchange rates.* The GLG Funds typically offer share classes denominated in multiple currencies and as a result, earn fees in those currencies based on the AUM denominated in those currencies. Consequently, our fee revenues are affected by exchange rate movements.

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*Personnel, systems, controls and infrastructure.* We depend on our ability to attract, retain and motivate leading investment and other professionals. Our business requires significant investment in our fund management platform, including infrastructure and back-office personnel. We have in the past paid, and expect to continue in the future to pay, these professionals significant compensation, even during periods we are not profitable, as well as a share of our profits.

*Fee rates.* Our management and administration, service and distribution fee revenues are linked to the fee rates we charge the GLG Funds and accounts we manage as a percentage of their AUM. Our performance fees are linked to the rates we charge the GLG Funds and accounts we manage as a percentage of their performance-driven asset growth, subject to high water marks, whereby performance fees are earned by us only to the extent that the net asset value of an investors shares in a GLG Fund or the net asset value of an account we manage at the end of a measurement period exceeds the highest net asset value on a preceding measurement period end for which we earned performance fees, and/or subject, in some cases, to performance hurdles.

In addition, our business and results of operations may be affected by a number of external market factors. These include global asset allocation trends, regulatory developments and overall macroeconomic activity. Due to these and other factors, our operating results may reflect significant volatility from period to period.

We operate in only one business segment, the management of global investment funds and accounts.

**Critical Accounting Policies**

For the period from and after November 2, 2007, our accounts are presented based on the consolidated financial statements of GLG Partners, Inc. and its consolidated subsidiaries.

The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues, expenses and other income. Actual results could differ materially from these estimates. The following is a summary of our critical accounting policies that are most affected by judgments, estimates and assumptions.

***Combination and Consolidation Criteria***

Upon consummation of the Acquisition, the GLG Entities became our wholly owned subsidiaries and from that date the financial statements have been prepared on a consolidated basis and consolidate those entities over which the legal parent, GLG Partners, Inc., has control over significant operating, financial or investing decisions.

We consolidate certain entities we control through a majority voting interest or otherwise in which we are presumed to have control. All intercompany transactions and balances have been eliminated.

We have determined that the majority of GLG Funds that we manage are Variable Interest Entities in that the management contract cannot be terminated by a simple majority of unrelated investors. We have determined that we are not the Primary Beneficiary and, accordingly, we do not consolidate any of the GLG Funds. We earn substantially all of our revenue from the GLG Funds and managed accounts. In addition, the Acquisition-related cash compensation has been invested in two GLG Funds, and our results are exposed to changes in the fair value of these funds.

***Assets Under Management***

Our assets under management, AUM, are comprised of cash balances, discretionary managed accounts and fund assets. The net asset value (NAV) of AUM related to discretionary managed accounts is determined by the third party custodian of those accounts. Our related management, administration and performance fees are determined pursuant to the terms of the respective clients investment management agreement, which in turn refer to the NAV of those accounts as determined by the custodian. The NAV of fund assets in the GLG Funds is determined by the third party administrator of the GLG Funds. The administrators

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of the GLG Funds utilize the fair value methodology described below in determining the NAV of the respective fund assets.

Management, administration and performance fees depend on, among other things, the fair value of AUM. The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on closing quoted market prices at the balance sheet date. The quoted value of financial assets and liabilities not traded in an active market that are held by the funds is the current mid price based on prices from multiple broker quotes and/or prices obtained from recognized financial data service providers. When a fund holds OTC derivatives it uses mid-market prices as a basis for establishing fair values. Futures and options are valued based on closing market prices. Forward and swap contracts are valued based on current observable market inputs and/or prices obtained from recognized financial data service providers.

For investments that do not have a readily ascertainable market value, such as private placements of equity and debt securities, the most recent transaction price is utilized as the best available information related to the fair value of the investment. Events and developments related to the underlying portfolio companies are continuously monitored and carefully considered to determine if a change to the current carrying value is warranted. For investments where it is determined that the most recent transaction price is not the best indicator of fair value, fair value is determined by using a number of methodologies and procedures, including but not limited to: (1) performing comparisons with prices of comparable or similar securities; (2) obtaining valuation-related information from issuers; (3) discounted cash flow models; (4) related transactions subsequent to the acquisition of the investment; and/or (5) consulting other analytical data and indicators of value. The methodologies and processes used will be based on the specific attributes related to an investment and available market data and comparative information, depending on the most reliable information at the time.

The prospectus for each GLG Fund sets out the procedure shareholders of the GLG Funds are required to follow in order to redeem their investment, which includes the notice period. Investors are required to provide the relevant GLG Fund with written notice of a redemption request prior to the specified deadline for the requested redemption date (defined as a Dealing Day). The table below sets forth the typical range of notice periods which apply to the GLG Funds. Such redemption request is irrevocable but may, with the approval of any director of the relevant GLG Fund, be cancelled at any point prior to the business day prior to the relevant Dealing Day (defined as the Valuation Day).

| <b>Product</b>                            | <b>General Range of Redemption Request Advance Notice Periods*</b> |
|---|--|
| Single-manager alternative strategy funds | 5-60 days  |
| Long-only funds                           | 1-5 days   |
| Internal FoF                              | 1-30 days  |
| External FoF                              | 45-90 days   |

\* Days are defined in the prospectus of each GLG Fund and the definition may be business days or calendar days depending on the GLG Fund

**Revenue Recognition***Performance Fees*

Performance fee rates are calculated where applicable as a percentage of investment gains less management and administration fees, subject to high water marks and in some cases performance hurdles with a measurement period of generally six months. Funds subject to performance hurdles are: most long-only funds, four external FoFs, seven



single-manager alternative strategy funds, four 130/30 funds, and certain managed accounts.

We do not recognize performance fee revenues until the end of the measurement period when the amounts are contractually payable, or crystallized .

The majority of the GLG Funds and accounts managed by us have contractual measurement periods that end on each of June 30 and December 31. As a result, the performance fee revenues for our first fiscal quarter and third fiscal

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quarter results generally, do not reflect revenues from uncrystallized performance fees during these three-month periods. These revenues will be reflected instead at the end of the fiscal quarter in which such fees crystallize.

**Compensation and Limited Partner Profit Share**

Compensation expense related to performance fees is accrued during the period for which the related performance fee revenue is recognized and is adjusted as appropriate based on year-to-date profitability and revenues recognized on a year-to-date basis.

We also have a limited partner profit share arrangement which remunerates certain individuals through distributions of profits from two of our subsidiaries, GLG Partners LP and GLG Partners Services LP, paid either to two limited liability partnerships in which those individuals are members or directly to certain individuals who are limited partners of GLG Partners Services LP. Through these partnership interests and under the terms of services agreements between the subsidiaries and the limited liability partnerships, these individuals are entitled to priority draws and an additional discretionary share of the profits earned by the subsidiaries. These partnership draws and profit share distributions are referred to as limited partner profit shares and are discussed further under Expenses Compensation, Benefits and Partner Profit Share below. Charges related to the limited partner profit share arrangement are recognized as operating expenses as the related revenues are recognized and associated services provided.

**Equity-Based Compensation**

Prior to December 31, 2006, GLG had not granted any equity-based awards. In March 2007, GLG established the equity participation plan to provide certain key individuals, limited partnership interests in two limited partnerships, Sage Summit LP and Lavender Heights Capital LP, with the right to receive a percentage of the proceeds derived from an initial public offering relating to the Acquired Companies or a third-party sale of the Acquired Companies. Upon consummation of the Acquisition, Sage Summit LP and Lavender Heights Capital LP received collectively 15% of the total consideration of cash and our capital stock payable to the owners of the Acquired Companies in the Acquisition. The equity participation plan is subdivided into an A Sub-Plan and a B Sub-Plan. These limited partnerships distributed to A Sub-Plan limited partners an aggregate of 25% of such amounts upon consummation of the Acquisition, and the remaining 75% are distributable to the limited partners in three equal installments upon vesting over a three-year period on the first, second and third anniversaries of the consummation of the Acquisition, subject to the ability of the general partners of the limited partnerships, whose respective boards of directors consist of the Trustees, to accelerate vesting. B Sub-Plan member entitlements vest in equal installments on the first, second, third and fourth anniversaries of the consummation of the Acquisition subject to the ability of the general partners of the limited partnerships, whose respective boards of directors consist of the Trustees, to accelerate vesting. The unvested portion of such amounts will be subject to forfeiture back to Sage Summit LP and Lavender Heights Capital LP (and not to us) in the event of termination of the individual as a limited partner prior to each vesting date, unless such termination is without cause after there has been a change in control of our company or due to death or disability. To the extent awards granted under the equity participation plan are forfeited, these amounts may be reallocated by Sage Summit LP and Lavender Heights Capital LP to their then existing or future limited partners (*i.e.*, participants in the plan) subject to vesting over specified periods. Because forfeited awards are returned to the limited partnerships, and not to us, the forfeited shares remain issued and outstanding and the cash and shares held by the limited partnerships may be reallocated without further dilution to our shareholders. The equity instruments issued under this plan are recorded at their fair value on the measurement date, which date is typically upon the inception of the services that will be performed, remeasured at subsequent dates to the extent the awards are unvested, and amortized into expense over the vesting period on an accelerated basis.

Ten million shares of our common stock, which were part of the purchase price in respect of the Acquisition, were reserved for allocation under the Restricted Stock Plan. Of these shares, 9,877,000 shares were allocated to our employees, service providers and certain key personnel in November 2007. As of September 30, 2009, 2,198,000 shares under the Restricted Stock Plan were unallocated following forfeitures (net of new allocations). These awards are subject to vesting, typically over four years, which may be accelerated. In 2007, we also adopted the 2007 Long-Term Incentive Plan (the 2007 LTIP) under which we were authorized to issue up to 40,000,000 shares and which, other than with respect to outstanding awards, was terminated and replaced in its entirety by the 2009

Long-Term Incentive Plan (the 2009 LTIP ), adopted by our board of directors and approved by our shareholders on May 11, 2009. The 2009 LTIP authorizes the delivery of a maximum of 40,000,000 shares, in addition to the approximately 6,100,000 shares that

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remained available for awards under the 2007 LTIP as of May 11, 2009. In addition, to the extent that any outstanding awards under our 2007 LTIP are canceled, forfeited or otherwise lapse unexercised pursuant to the terms of that plan, the shares underlying those awards will be available for awards under the 2009 LTIP.

References herein to the LTIP shall in context be to the 2007 LTIP and the 2009 LTIP. As of September 30, 2009, there were a total of 43,293,245 shares available for awards under the LTIP. The LTIP provides for the grants of incentive and non-qualified stock options, stock appreciation rights, common stock, restricted stock, restricted stock units, performance units and performance shares to employees, service providers, non-employee directors and certain key personnel who hold direct or indirect limited partnership interests in certain GLG entities. Shares of restricted stock awarded under the Restricted Stock Plan and the LTIP are issued and outstanding shares, except in the case of awards under these plans to personnel who are members of the limited partner profit share arrangement in which case shares are issued and become outstanding only as the awards vest. Unvested awards under the LTIP and Restricted Stock Plan which are forfeited, to the extent shares are issued, are returned to us and canceled.

In addition, the Principals and the Trustees have entered into an agreement among principals and trustees which provides that, in the event a Principal voluntarily terminates his employment with us for any reason prior to the fifth anniversary of the closing of the Acquisition, a portion of the equity interests held by that Principal and his related Trustee as of the closing of the Acquisition will be forfeited to the Principals who are still employed by us and their related Trustees. The agreement provides for vesting of 17.5% on the consummation of the Acquisition, and 16.5% on each of the first through fifth anniversaries of the Acquisition.

All of these arrangements will be amortized into expense over the applicable vesting period using the accelerated method. As a result, following the completion of the Acquisition, compensation and benefits reflect the amortization of significant non-cash equity-based compensation expenses associated with the vesting of these equity-based awards, which under GAAP acts to reduce our net income and may result in net losses.

GAAP requires a company to estimate the cost of share-based payment awards based on estimated fair values. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period. For awards with performance conditions, we will make an evaluation at the grant date and future periods as to the likelihood of the performance targets being met. Compensation expense is adjusted in future periods for subsequent changes in the expected outcome of the performance conditions until the vesting date. GAAP requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

At the initial grant date of our equity awards on November 2, 2007, management made the following assumptions with respect to forfeiture rates:

The size of the awards to employees, service providers and key personnel under the equity participation plan and 2007 LTIP was considered to be a substantial retention incentive;

Incentives for the awards to employees, service providers and key personnel under the equity participation plan and 2007 LTIP were considered sufficiently large that a zero percent forfeiture rate was estimated, subject to review as actual forfeitures occur;

Disincentives for forfeiture related to the agreement among principals and trustees were considered to be so punitive that the probability of forfeiture was estimated as zero; and

For awards under the Restricted Stock Plan, we used different forfeiture rates for individual employees, service providers and key personnel.

Over the course of 2008, we revised our forfeiture assumptions with respect to forfeitures among our stock awards under the Restricted Stock Plan, equity participation plan and LTIP to an assumed rate of 10% per annum. The forfeiture assumption for the agreement among the principals and trustees remains at zero. In the third quarter of 2008, we also changed our forfeiture assumption with respect to forfeitures of the cash component of the equity participation plan to align with the equity component to an assumed rate of 10% per annum.



**Table of Contents*****Income Tax***

We earn profits through a number of subsidiaries located in a number of different jurisdictions, each of which has its own tax system.

Prior to the Acquisition, the only GLG entity earning significant profits subject to company-level income taxes was GLG Holdings Limited, which was subject to U.K. corporate income tax. Most of the balance of the profit was earned by pass-through or other entities that did not incur significant company-level income taxes.

Following the Acquisition in addition to a portion of our income being subject to U.K. taxation, U.S. taxation will be imposed on our profits earned within the United States as well as on our profits earned outside the United States that are repatriated back to the United States in the form of dividends or that are classified as Subpart F income for U.S. income tax purposes (*e.g.*, dividends and interest). We expect to repatriate some of our profits in this manner and experience U.S. taxation on those repatriated profits. In connection with the Acquisition, we recognized for U.S. income tax purposes the value of goodwill and certain other intangibles which we are amortizing and deducting for U.S. income tax purposes over a 15-year period. This amortization deduction is taken into account in determining how much of the repatriated profits and Subpart F income is subject to U.S. taxation. Depending on the amount of profits earned outside the United States, including the amount of Subpart F income, and the amount of profits repatriated, this tax amortization deduction will effectively reduce U.S. tax expense on repatriated profits and Subpart F income. Allocation of income among business activities and entities is subject to detailed and complex rules applied to facts and circumstances that generally are not readily determinable at the date financial statements are prepared. Accordingly, estimates are made of income allocations in computing financial statement effective tax rates that may differ from actual allocations determined when tax returns are prepared or after examination by tax authorities.

We account for taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established when we believe it is more likely than not that a deferred tax asset will not be realized.

***Net Revenues***

All fee revenues are presented in this Quarterly Report on Form 10-Q net of any applicable rebates or sub-administration fees.

Where a single-manager alternative strategy fund or internal FoF managed by us invests in an underlying single-manager alternative strategy fund managed by us, the investing fund is the top-level GLG Fund into which a client invests and the investee fund is the underlying GLG Fund into which the investing fund invests. For example, if the GLG European Long-Short Fund invests in the GLG Utilities Fund, the GLG European Long-Short Fund is the investing fund and the GLG Utilities Fund is the investee fund.

***Management Fees***

Our gross management fee rates to GLG Funds are set as a percentage of fund AUM. Management fee rates vary depending on the product, as set forth in the table below (subject to fee treatment of fund-in-fund reinvestments as described below):

| <b>Product</b>                             | <b>General Range of Gross Fee Rates (% of AUM)</b> |                                       |
|--|--|---------------------------------------|
|  | <b>As of September 30, 2009</b>                    |                                       |
| Single-manager alternative strategy funds* | 1.50%  | 2.50%**                               |
| Long-only funds                            | 0.30%  | 2.25%                                 |
| Internal FoF                               | 0.25%  | 1.50%** (at the investing fund level) |
| External FoF ***                           | 1.00%  | 1.95%                                 |

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\* Excludes the GLG European Long-Short (Special Assets) Fund, the GLG Emerging Markets (Special Assets) II Fund and the GLG North American Opportunity (Special Assets) Fund established during November 2008 into which certain private placements and other not readily realizable investments were contributed by the GLG European Long-Short Fund, the GLG Emerging Markets Fund and the GLG North American Opportunity Fund, respectively, for the purpose of liquidating them, where the management fee is 0.50%.

\*\* When one of the single-manager alternative strategy funds or internal FoFs managed by us invests in an underlying single-manager

alternative strategy fund managed by us, management fees are charged at the investee fund level, except in the case of (1) an investment by the GLG Emerging Markets Fund in the GLG Emerging Markets (Special Assets) Fund where management fees are charged only at the investing fund level, (2) the GLG Multi-Strategy Fund where management fees are charged at both the investee and investing fund levels and (3) the GLG Balanced Managed Fund and the GLG Stock Market Managed Fund where management fees are charged only at the investing fund level.

\*\*\* Excludes GLG Global Opportunity (Special Assets) Fund.



Management fees are generally paid monthly, one month in arrears. Most GLG Funds managed by us have share classes with distribution fees that are paid to third-party institutional distributors with no net economic impact to us. In certain cases, we may rebate a portion of our gross management fees in order to compensate third-party institutional distributors for marketing our products and, in a limited number of historical cases, in order to incentivize clients to invest in funds managed by us.

The mix of our AUM has changed significantly from September 30, 2008 through September 30, 2009. The effect of this changing mix from our higher fee yielding single-manager alternative strategy products into lower fee yielding long-only and managed account products has had the effect of reducing our management fee yields when measured as a percentage of our overall AUM. This trend continued during 2009 due to the acquisition of SGAM UK which consisted of long-only funds and managed accounts which have lower management fee yields than our single-manager alternative strategy products. The management fee yield in future periods will be dependent on specific inflows, outflows and other related factors.

***Performance Fees***

Our gross performance fees where applicable for GLG Funds are set as a percentage of fund performance, calculated as investment gains (both realized and unrealized), less management and administration fees, subject to high water marks and, in the case of most long-only funds, four external FoFs, seven single-manager alternative strategy funds, four 130/30 funds and certain managed accounts, to performance hurdles. As a result, even when a GLG Fund has positive fund performance, we may not earn a performance fee due to negative fund performance in prior measurement periods and in some cases due to a failure to reach a hurdle rate. High water marks and performance hurdles, are determined on a fund by fund and investor by investor basis and performance fees are not netted across funds, other than in the case of the special assets funds related to the GLG Emerging Markets Fund, the GLG European Long-Short Fund and the GLG North American Opportunity Fund. The special assets funds do not earn a performance fee until an investor's high water mark across both the special assets fund and its original fund is exceeded. Accordingly, any funds above high water marks and applicable performance hurdles at the end of the relevant measurement period will contribute to performance fee revenue. As of September 30, 2009, approximately two-thirds of the AUM in our long-only funds and less than half of the AUM in our single-manager alternative strategy funds subject to high-water marks were below their respective high-water marks. Fund performance through September 30, 2009 has generally reduced the additional performance necessary to reach the high-water marks for many GLG Funds, however, for some funds significant high-water marks remain. Accordingly, even if our funds that are below high water marks have positive performance in subsequent performance periods, our ability to earn performance fees during those periods will be adversely impacted due to the number of funds subject to high water marks and the amounts to be recovered.

Performance fee rates vary depending on the product, as set forth in the table below (subject to fee treatment of fund-in-fund investments as described below):

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| <b>Product</b>                            | <b>General Range of Gross Fee Rates (% of Investment Gains) As of September 30, 2009</b> |
|---|--|
| Single-manager alternative strategy funds | 10% 30%*   |
| Long-only funds                           | 0% 20% (may be subject to performance hurdle)  |
| Internal FoF                              | 0% 20%* (at the investing fund level)  |
| External FoF **                           | 5% 10% (may be subject to performance hurdle)  |

\* When one of the single-manager alternative strategy funds or internal FoFs managed by us invests in an underlying single-manager alternative strategy fund managed by us, performance fees are charged at the investee fund level, except in the case of (1) an investment by the GLG Emerging Markets Fund in the GLG Emerging Markets (Special Assets) fund where performance fees are charged only at the investing fund level and (2) the GLG Global Aggressive Fund where performance fees are charged at both the investee and investing fund levels to the

extent, if any,  
that the  
performance fee  
charged at the  
investing fund  
level is greater  
than the  
performance fee  
charged at the  
investee fund  
level.

\*\* We have  
adopted Method  
1 for  
recognizing  
performance fee  
revenues and  
under Method 1  
we do not  
recognize  
performance fee  
revenues until  
the end of the  
measurement  
period when the  
amounts are  
crystallized,  
which for the  
majority of the  
investment  
funds and  
accounts  
managed by us  
is on June 30  
and  
December 31.

Due to the impact of foreign currency exposures on management and performance fees, we have elected to utilize cash flow hedge accounting to hedge a portion of our anticipated foreign currency denominated revenue. The effective portion of the hedge is recorded as a component of other comprehensive income and is released into management or performance fee income, respectively, when the hedged revenues impact the income statement. The ineffective portion of the hedge is recorded each period as derivative gain or loss in other income or other expense, respectively. See **Quantitative and Qualitative Disclosures About Market Risk – Exchange Rate Risk** in Part I, Item 3 of this Quarterly Report for a further discussion of our foreign exchange and hedging activities.

#### **Administration Fees**

Our gross administration fee rates to GLG Funds are set as a percentage of the fund AUM. Administration fee rates vary depending on the product. From our gross administration fees, we pay sub-administration fees to third-party administrators and custodians, with the residual fees recognized as our net administration fee. Administration fees are generally paid monthly, one month in arrears.

When one of the single-manager alternative strategy funds or internal FoFs managed by us invests in an underlying single-manager alternative strategy fund managed by us, administration fees are charged at both the investing and

investee fund levels.

**Fees on Managed Accounts**

Managed account fee structures are negotiated on an account-by-account basis and may be more complex than for the GLG Funds. Across the managed account portfolio, fee rates vary according to the underlying mandate and, excluding one material managed account, in the aggregate are generally within the performance (subject, in some cases, to a performance hurdle) and management fee ranges charged with respect to comparable fund products. In October 2008, we received a new material managed account mandate which provided for a management fee at institutional rates and a performance fee based on exceeding certain benchmarks even in a scenario with negative performance. We signed a sub-advisory agreement with SGAM UK in December 2008 which earned a management fee at an institutional rate. This agreement terminated on April 3, 2009 upon completion of the acquisition of SGAM UK.

**Table of Contents****Expenses*****Compensation, Benefits and Profit Share***

To attract, retain and motivate the highest quality investment and other professionals, we provide significant remuneration through salary, discretionary bonuses, profit sharing and other benefits. We have built an experienced and highly-regarded investment management team of 132 investment professionals.

The largest component of expenses is compensation, benefits and profit share payable to our investment and other professionals. This includes significant fixed annual salary, limited partner profit share and other compensation based on individual, team and company performance and profitability.

Beginning in mid-2006, GLG entered into partnership with a number of our key personnel in recognition of their importance in creating and maintaining the long-term value of our business. These individuals ceased to be employees and either became holders of direct or indirect limited partnership interests in one of two of our subsidiaries, GLG Partners LP and GLG Partners Services LP, or formed two limited liability partnerships, Laurel Heights LLP and Lavender Heights Capital LLP (the *LLPs* ), through which they provided services to the GLG entities. Through these partnership interests, these key individuals are entitled to partnership draws as priority distributions, which are recognized in the period in which they are payable. There is an additional limited partner profit share distribution, which is recognized in the period in which the related revenues are recognized and associated services provided. This additional distribution represents a substantial majority of the limited partner profit share for the year and is typically paid at the beginning of the following year. Key personnel that are participants in the limited partner profit share arrangement do not receive any salaries or discretionary bonuses from us, except for the salary paid by GLG Partners, Inc. to our Chief Operating Officer.

Under GAAP, limited partner profit share is treated as an operating expense in the period the limited partner provides services.

Following the Acquisition, our GAAP employee compensation expense reflects share-based and other compensation recognized in respect of (a) the equity participation plan, the 10,000,000 shares allocated for the benefit of employees, service providers and certain key personnel under the Restricted Stock Plan, and the agreement among the principals and trustees (collectively, the *Acquisition-related compensation expense* ) and (b) share-based compensation recognized in respect of the shares awarded post-Acquisition under the LTIP.

Under GAAP, there is a charge to compensation expense for Acquisition-related compensation expense based on certain service conditions. However, management believes that this charge does not reflect our ongoing core business operations and compensation expense and excludes such amounts for purposes of assessing our ongoing core business performance. In the case of the Acquisition-related compensation expense associated with Sage Summit LP and Lavender Heights Capital LP, because (1) awards forfeited by participants in the equity participation plan who terminated their service with us and who are no longer limited partners are returned to Sage Summit LP and Lavender Heights Capital LP, and not us, (2) the cash and stock held by the limited partnerships may be reallocated to then existing or future participants in the plan without further dilution to our shareholders, (3) the amount of consideration received by the entities in the Acquisition was awarded prior to the Acquisition based on the contributions of the participants in the equity participation plan prior to the Acquisition and (4) the amount reduced the number of shares which would otherwise have been paid to the former GLG Shareowners in the Acquisition, management measures ongoing business performance by excluding these amounts. In the case of the Acquisition-related compensation expense associated with the Restricted Stock Plan, because the amount allocated to the Restricted Stock Plan was designed to recognize employees, service providers and key personnel for their contribution to GLG prior to the Acquisition and because the shares allocated to the Restricted Stock Plan reduced the number of shares which would otherwise have been paid to the former GLG Shareowners in the Acquisition, management measures ongoing business performance by excluding these amounts. In the case of the Acquisition-related compensation expense associated with the agreement

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among principals and trustees, because, notwithstanding the service requirement, neither the vesting nor forfeiture provisions of that agreement would be accretive or dilutive to our present or future shareholders, management measures ongoing business performance by excluding these amounts.

As a result of our view on the Acquisition-related compensation expense, we present the measure non-GAAP CBP, which is a non-GAAP financial measure used to calculate adjusted net income, as described below under *Assessing Business Performance*, and which deducts Acquisition-related compensation expense from GAAP compensation, benefits and profit share expense, to show the total ongoing cost of the services provided to us by both participants in the limited partner profit share arrangement and employees in relation to services rendered during the periods under consideration.

The components of non-GAAP CBP are:

*Base compensation* contractual compensation paid to employees in the form of base salary, which is expensed as incurred.

*Variable compensation* payments that arise from the contractual entitlements of personnel to a fixed percentage of certain variable fee revenues attributable to such personnel with respect to GLG Funds and managed accounts. Variable compensation expense is recognized at the same time as the underlying fee revenue is crystallized, which may be monthly, quarterly, annually or semi-annually (on June 30 and December 31), depending on the fee revenue source.

*Discretionary compensation* payments that are determined by our management in its sole discretion and are generally linked to performance. In determining such payments, our management considers, among other factors, the ratio of total discretionary compensation to total revenues; however, this ratio may vary between periods and, in particular, significant discretionary bonuses may still be paid in a period of low performance for retention and incentivization purposes. This discretionary compensation is paid to employees in the form of a discretionary cash bonus or share-based compensation. Discretionary compensation is generally declared and paid following the end of each calendar year. However, the estimated discretionary compensation charge is adjusted as appropriate based on the year-to-date profitability and revenues recognized on a year-to-date basis. As the majority of the GLG Funds crystallize their performance fees at June 30 and December 31, the majority of discretionary compensation expense crystallizes at year end and is typically paid in January and February following the year end.

*Limited partner profit share* distributions of limited partner profit share under the limited partner profit share arrangement described below.

*Post-Acquisition LTIP* post-Acquisition share based compensation awarded to employees and limited partners under the LTIP.

***Limited Partner Profit Share***

The key personnel who are participants in the limited partner profit share arrangement, provide services to us through two limited liability partnerships, Laurel Heights LLP and Lavender Heights LLP, which are limited partners in GLG Partners LP and GLG Partners Services LP, respectively. The amount of profits (or limited partner profit share) attributable to each of the LLPs is determined at our discretion based upon the profitability of our business and our view of the contribution to revenues and profitability from the services provided by each limited partnership during that period. These profit shares are recorded as operating expenses matching the period in which the related revenues are accrued and services provided. A portion of the partnership distribution is advanced monthly as a draw against final determination of profit share. Once the final profit allocation is determined typically in January and February following each year end, it is paid to the LLPs, as limited partners, less any amounts paid as advance drawings during the year. See *Allocation of Profit Shares to Individual Members of LLPs* below for a further discussion of the allocations. In addition, as shares of restricted stock awarded under our Restricted Stock Plan or LTIP to members of the LLPs vest or as we pay cash dividends on the unvested shares of restricted stock awarded

under these plans to members of the LLPs, we allocate additional profits to the LLPs sufficient for the LLP to acquire from us the shares that are vesting or to pay

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the relevant dividend. These additional profit shares are recorded as operating expense. Other limited partners of GLG Partners Services LP who receive profit allocations include four investment professionals who are not members of Lavender Heights LLP, but whose profit distributions from GLG Partners Services LP are determined in the same manner as the allocation of profit shares to individual members of the LLP described below and included in the limited partner profit measure, as described below.

***Allocation of Profit Shares to Individual Members of LLPs***

Profit allocations made to the LLPs by GLG Partners LP and GLG Partners Services LP make up substantially all of the LLPs' net profits for each period. Members are entitled to a base limited partner profit share priority drawing, which is a fixed amount and paid as a partnership draw. Certain members are also entitled to a variable limited partner profit share priority drawing based on a fixed percentage of certain variable fee revenues attributable to such personnel with respect to GLG Funds and managed accounts, which are paid as a partnership draw. After year end, the managing members of the LLPs will declare discretionary allocations to the key personnel who participate in the limited partner profit share arrangement and who are LLP members from the remaining balance of the LLPs' net profits, after taking into account the base and variable limited partnership profit share priority drawings, based on their view of those individuals' contribution to the generation of these profits. This process will typically take into account the nature of the services provided to us by each key personnel, his or her seniority and the performance of the individual during the period. These profit shares are recorded as operating expenses matching the period in which the related revenues are recognized and associated services provided. Profit allocations, net of any amounts paid during the year as priority partnership drawings, will typically be paid to the members in January and February following each year end.

As our investment performance improves, our compensation costs and performance-related limited partner profit share distributions are expected generally to rise correspondingly. In addition, equity-based compensation costs may vary significantly from period to period depending on the market price of our common stock, among other things. In order to retain our investment professionals during periods of poor performance, we may have to pay our investment professionals significant amounts, even if we earn low or no performance fees. In these circumstances these payments may represent a larger proportion of our revenues than historically.

***Acquisition-Related Compensation Expense***

Following the Acquisition, our GAAP compensation, benefits and profit share expense reflects share-based and other compensation recognized with respect to (a) the 15% of the total consideration of cash and capital stock received collectively by Sage Summit LP and Lavender Heights Capital LP in connection with the Acquisition (including with respect to the cash portion of the awards under the equity participation plan in the aggregate amounts of \$91 million, \$45 million, and \$5 million for the three 12-month periods beginning with the consummation of the Acquisition), the 10,000,000 shares allocated for the benefit of employees, service providers and certain key personnel under the Restricted Stock Plan, and the agreement among the principals and trustees and (b) dividends paid on unvested shares that are ultimately not expected to vest.

***General and Administrative***

Our non-personnel cost base represents the expenditure required to provide an effective investment infrastructure and marketing operation. Key elements of the cost base are, among other things, professional services fees, temporary and contract employees, travel, information technology and communications, business development, marketing, occupancy, facilities and insurance.

***Assessing Business Performance***

As discussed above under Expenses Compensation, Benefits and Profit Share, we assess our personnel-related expenses based on the measure non-GAAP CBP. Non-GAAP CBP reflects GAAP compensation, benefits and profit share expense, adjusted to exclude the Acquisition-related compensation expense described above under Expenses Compensation, Benefits and Profit Share and assess our expenses based on the measure non-GAAP total expenses, which adjusts GAAP total expenses for the same Acquisition-related compensation expense as non-GAAP CBP.



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In addition, we assess the underlying performance of our business based on the measure non-GAAP adjusted net income, which adjusts GAAP net (loss)/income before non-controlling interest for Acquisition-related compensation expense, realized gain/(loss) on available-for-sale investments, gain on business combination negative goodwill, amortization of intangible assets, the related tax effects of the foregoing and cumulative dividends accrued for the holders of FA Sub 2 Limited Exchangeable Shares. See Results of Operations Adjusted Net Income for this reconciliation for the periods presented. We have added realized loss on available-for-sale investments, gain on business combination negative goodwill, amortization of intangible assets, the related tax effects of the foregoing to our definition of non-GAAP adjusted net income. We believe that excluding the impact of the above enhances the comparisons to our core results of operations with historical periods and provides a better measure of our economic income.

Non-GAAP CBP and non-GAAP total expenses are not measures of financial performance under GAAP and should not be considered as an alternative to GAAP compensation, benefits and profit share expense or GAAP total expense, respectively. Further, adjusted net income is not a measure of financial performance under GAAP and should not be considered as an alternative to GAAP net income as an indicator of our operating performance or any other measures of performance derived in accordance with GAAP.

The non-GAAP financial measures we present may be different from non-GAAP financial measures used by other companies.

We are providing these non-GAAP financial measures to enable investors, securities analysts and other interested parties to perform additional financial analysis of our personnel-related costs and our earnings from operations and because we believe that they will be helpful to investors in understanding all components of the personnel-related costs of our business. We believe that the non-GAAP financial measures also enhance comparisons of our core results of operations with historical periods. In particular, we believe that the non-GAAP adjusted net income measure better represents economic income than does GAAP net income primarily because of the adjustments described above. In addition, we use these non-GAAP financial measures in our evaluation of our core results of operations and trends between fiscal periods and believe these measures are an important component of our internal performance measurement process. We also prepare forecasts for future periods on a basis consistent with these non-GAAP financial measures. Non-GAAP adjusted net income has certain limitations in that it may overcompensate for certain costs and expenditures related to our business.

Under the agreement governing our revolving credit and term loan facilities, we were required to maintain compliance with certain financial covenants based on adjusted earnings before interest expense, provision for income taxes, depreciation and amortization, or adjusted EBITDA, which is calculated based on the non-GAAP adjusted net income measure, further adjusted to add back interest expense, provision for income taxes, depreciation and amortization. Our amended revolving credit and term loan agreements eliminated the related financial covenants.

In December 2007, the FASB issued SFAS No. 160, which was primarily codified into Topic 810, *Consolidations*, in the ASC. SFAS 160 states that accounting and reporting for minority interests will be recharacterized as non-controlling interests and classified as a component of equity. SFAS 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS 160 is effective prospectively, except for certain presentation disclosure requirements, for fiscal years beginning after December 15, 2008. As described above, the primary impact of the statement was the reclassification of minority interests from liabilities to stockholders equity and their re-labeling as non-controlling interests. In addition, under ARB No. 51, non-controlling interests only shared in losses to the extent that they had available equity to absorb losses. Under SFAS 160 the non-controlling interests prospectively fully share in losses as well as profits, even if there is no contractual obligation to fund losses.

**Assets Under Management**

The mix of our AUM has changed significantly from September 30, 2008 through September 30, 2009. The effect of this changing mix from our higher fee yielding single-manager alternative strategy products into lower fee yielding long-only and managed account products has had the effect of reducing our management fee yields when measured as a percentage of our overall AUM. This trend continued during 2009 due to the acquisition of SGAM UK



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which consisted of long-only funds and managed accounts that have lower management fee yields than our single-manager alternative strategy products. The management fee yield in future periods will be dependent on specific inflows, outflows and other related factors.

**Assets Under Management**

**Change in AUM between September 30, 2009, June 30, 2009, December 31, 2008 and September 30, 2008**  
(U.S. Dollars in millions)

|   | As of<br>Sept.<br>30, 2009 | As of<br>Jun.<br>30, 2009 | 3-Month<br>Change | As of<br>Dec.<br>31, 2008 | 9-Month<br>Change | As of<br>Sept.<br>30, 2008 | 12-Month<br>Change |
|---|----------------------------|---------------------------|-------------------|---------------------------|-------------------|----------------------------|--------------------|
| Alternative strategies<br>(1)                             | \$ 10,924                  | \$ 10,441                 | \$ 483            | \$ 12,518                 | \$ (1,594)        | \$ 16,740                  | \$ (5,816)         |
| Long-only strategies<br>(2)                               | 13,069                     | 11,131                    | 1,938             | 4,026                     | 9,043             | 4,412                      | 8,657              |
| <b>Gross AUM</b>  | <b>23,993</b>              | <b>21,572</b>             | <b>2,421</b>      | <b>16,544</b>             | <b>7,449</b>      | <b>21,152</b>              | <b>2,841</b>       |
| Less: alternative<br>strategy investments<br>in GLG Funds | (1,266)                    | (1,456)                   | 190               | (1,503)                   | 237               | (3,867)                    | 2,601              |
| Less: long only<br>strategy investments<br>in GFLG Funds  | (1,099)                    | (1,022)                   | (77)              | (2)                       | (1,097)           | (5)                        | (1,094)            |
| <b>Net AUM</b>  | <b>\$ 21,628</b>           | <b>\$ 19,094</b>          | <b>\$ 2,534</b>   | <b>\$ 15,039</b>          | <b>\$ 6,589</b>   | <b>\$ 17,280</b>           | <b>\$ 4,348</b>    |
| Quarterly average<br>gross AUM                            | \$ 22,782                  | \$ 18,495                 |                   | \$ 18,848                 |                   | \$ 24,524                  |                    |
| Quarterly average net<br>AUM <sup>(3)</sup>               | 20,361                     | 18,840                    |                   | 16,160                    |                   | 20,474                     |                    |
| <b>Opening net AUM</b>                                    | <b>\$ 19,094</b>           | <b>\$ 14,031</b>          |                   | <b>\$ 17,280</b>          |                   | <b>\$ 23,668</b>           |                    |
| Inflows   | 3,338                      | 5,634                     |                   | 5,970                     |                   | 1,904                      |                    |
| Outflows  | (3,122)                    | (3,408)                   |                   | (5,199)                   |                   | (4,086)                    |                    |
| Inflows (net of<br>redemptions) <sup>(4)</sup>            | 216                        | 2,226                     |                   | 771                       |                   | (2,182)                    |                    |
|   | 1,883                      | 1,797                     |                   | (2,649)                   |                   | (3,139)                    |                    |

Performance (gains  
net of losses and fees)

|                                |     |       |       |         |
|--------------------------------|-----|-------|-------|---------|
| Currency translation<br>impact | 435 | 1,040 | (363) | (1,068) |
|--------------------------------|-----|-------|-------|---------|

|                        |                  |                  |                  |                  |
|------------------------|------------------|------------------|------------------|------------------|
| <b>Closing net AUM</b> | <b>\$ 21,628</b> | <b>\$ 19,094</b> | <b>\$ 15,039</b> | <b>\$ 17,280</b> |
|------------------------|------------------|------------------|------------------|------------------|

- (1) Alternative strategies includes managed accounts based on alternative strategies and 130/30 funds
- (2) Long-only strategies includes managed accounts based on long-only strategies and all SGAM UK net AUM acquired on April 3, 2009.
- (3) Quarterly average net AUM for a given period is calculated as a 2-point (quarter open and close) average. Q2 2009 average net AUM excludes the approximately \$3 billion mandated in December 2008 pursuant to a sub-

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advisory arrangement with SGAM UK which terminated upon the completion of its acquisition on April 3, 2009 and includes the approximately \$7 billion of net AUM acquired from SGAM UK as if the assets were acquired at the opening of Q2 2009.

- (4) Inflows for Q2 2009 include SGAM UK net inflows of approximately \$2.6 billion and inflows for Q4 2008 include the approximately \$3 billion mandated in December 2008 pursuant to a sub-advisory arrangement with SGAM UK which terminated upon the completion of its acquisition on April 3, 2009.

During the three months ended September 30, 2009, our net AUM increased by 13.3% to \$21.6 billion and our gross AUM increased by 11.2% to \$24.0 billion. The increase in AUM was attributable to the following:

Positive fund and managed account performance during the three months ended September 30, 2009, resulting in performance gains (net of losses and fees) of \$1.9 billion,

Inflows (net of redemptions) of \$0.2 billion in AUM for the three months ended September 30, 2009, were driven by:

Long-only strategy net inflows of \$0.5 billion, composed of subscriptions of \$1.7 billion offset by redemptions of \$1.2 billion. related primarily to the SGAM UK products and

Alternative strategy net outflows of \$0.3 billion, composed of subscriptions of \$1.6 billion offset by redemptions of \$1.9 billion.

A weakening of the U.S. dollar against other currencies in which a portion of our funds and managed accounts are denominated, resulting in positive foreign exchange impact on AUM of \$0.4 billion during the three months ended September 30, 2009.

The ratio between net and gross AUM increased during the third quarter of 2009 as compared to the second quarter of 2009, reflecting decreased relative levels of fund-in-fund investments, with respect to investments by our FoF products in certain funds managed by us and investments by certain single-manager alternative strategy funds managed by us in other single-manager alternative strategy funds managed by us.

As of September 30, 2009, approximately \$0.3 billion of AUM were in GLG Funds for which the related fund boards of directors had suspended redemptions. The funds included: The GLG MMI Enhanced II Fund, GLG Global Utilities Fund, GLG Credit Fund, GLG MMI Enhanced Fund, and GLG Event Driven Fund. We continue to receive full management and administration fees related to these funds.

On July 1, 2009, the GLG Market Neutral Fund was restructured to create a side pocket with approximately \$0.3 billion of AUM which will earn a reduced management fee of 0.5% and paid cash redemptions of approximately \$0.4 billion. The remaining AUM in the GLG Market Neutral Fund of approximately \$0.4 billion will continue to earn full management and administration fees.

In addition, as of September 30, 2009, we managed special assets funds which are principally comprised of private placement and other not readily realizable investments that have been transferred from other GLG funds totaling approximately \$1.1 billion. These special assets funds included GLG Emerging Markets (Special Assets) Fund, GLG Emerging Markets (Special Assets) II Fund, GLG European Long-Short (Special Assets) Fund, GLG North American Opportunity (Special Assets) Fund, GLG Global Opportunity (Special Assets) Fund, GLG MMI Diversified Special Assets Fund, GLG European Opportunity (Lehman Recovery) Fund, GLG Technology (Lehman Recovery) Fund, and GLG MMI Diversified (Special Assets II) Fund. The purpose of the special assets funds is to permit the orderly sale of these investments. As investments held by the special assets funds are sold, proceeds will be used to redeem investors from those funds. Other than GLG Emerging Markets (Special Assets) Fund, which has a management fee of 2.0%, all of the above funds have reduced management fees.

On September 15, 2008, Lehman Brothers Holdings Inc. (the ultimate parent company of the UK Lehman Brothers firms) filed for Chapter 11 bankruptcy in the United States and Lehman Brothers International (Europe) (LBIE), the principal European broker-dealer for the Lehman Brothers group, was placed into administration by order of the English court. Lehman Brothers prime brokerage unit in the United Kingdom was one of the business groups

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forming part of LBIE. Other Lehman Brothers entities have also filed for or commenced insolvency-related proceedings, including Lehman Brothers Inc. ( LBI ), Lehman Brothers U.S. broker-dealer.

Nearly all of the GLG Funds and several of the GLG institutional managed accounts at that time utilized LBIE as a prime broker. All of the GLG Funds and managed accounts at that time had LBIE, and a small number of GLG Funds and managed accounts had LBI, as a trading counterparty. In addition, all of GLG s private client managed accounts at that time used LBIE, and a small number of GLG s private clients additionally used LBI, as a custodian and broker for their accounts.

As a consequence of LBIE being in administration, the GLG Funds and, to the best of our knowledge, the managed accounts which used LBIE as a prime broker, have been unable to access their assets, including all securities and cash, deposited with LBIE. The appointment of the joint administrators in respect of LBIE triggered defaults under certain agreements between each GLG Fund and LBIE, including certain trading agreements, resulting in either (i) automatic termination of these agreements or (ii) the entitlement of the relevant GLG Fund to terminate the relevant agreement. The GLG Funds have in general elected to terminate their agreements with LBIE to quantify amounts owing to and from LBIE under trading agreements, reduce market risks, reduce exposure to a net amount, limit LBIE s rights and/or crystallize rights and obligations between the parties with a view to allowing LBIE to release assets, among other factors. In addition, in certain limited cases, GLG Funds have established side pockets or otherwise restructured to compartmentalize the potential impact of the LBIE administration on their investors.

The net direct exposure of each GLG Fund to LBIE and the other entities in the Lehman Brothers group is reflected in the net asset value of each fund and carried at fair value. The fair value of the exposure is determined on the basis of the best information available to us from time to time, legal and professional advice obtained for the purpose of determining the rights and obligations of each GLG Fund, and on the basis of a number of assumptions which we believe to be reasonable, including that:

amounts which LBIE was required to treat as client money under the rules of the U.K. Financial Services Authority and not use in the course of its business were and are, in fact, so held, and that any shortfall in recoveries of client monies will not exceed reserves established to date by the GLG Funds;

even though LBIE or its affiliates may be entitled to withhold assets to satisfy any net indebtedness owed to them, there will be no material shortfall in the recovery of assets held on trust by LBIE as a custodian, or by LBI as a sub-custodian for LBIE, or by any other sub-custodian appointed by LBIE with regard to the assets of a GLG Fund, and, to the extent there is a shortfall, GLG Funds will be able to effect setoff against and to the extent of any amount owing by a GLG Fund to LBIE;

the information we have received to date from the administrators of LBIE in relation to the re-hypothecation of GLG Fund assets by LBIE is true and accurate;

unsettled transactions between GLG Funds and LBIE at the time LBIE entered into administration proceedings will be determined on the basis of a cash settlement of those trades, in accordance with contractual agreements between the affected GLG Fund and LBIE, or cancelled, in each case, as determined by us;

the cash settlement amounts for terminated over-the-counter derivatives and other transactions will be as determined by us in accordance with contractual documentation;

the recovery on amounts estimated to be unsecured claims against LBIE will not be materially greater or lesser than currently estimated by the GLG Funds; and

there are no other facts or factors, which if known to us, would lead us to conclude that the business of LBIE was conducted otherwise than in accordance with the contractual documentation or that any of our assumptions is incorrect.





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The fair value of the exposure is reviewed regularly, including the assumptions, with the relevant GLG Funds directors, independent fund administrator and independent auditors, and updated as necessary.

In July 2009, the administrators of LBIE announced a plan for the return of assets held on trust by LBIE. The plan envisioned asking the courts in the U.K. to sanction a scheme of arrangement under the U.K. Companies Act that, if approved by the requisite majorities of trust creditors and sanctioned by the courts, would be binding on all trust creditors, even those who voted against it. The U.K. courts have determined that they would not have jurisdiction to sanction such a scheme of arrangement. Accordingly, the administrators of LBIE have proposed as an alternative to the scheme of arrangement, a voluntary contractual scheme which would be binding only on those who choose to participate in it. We expect the voluntary scheme to be formally proposed before the end of 2009. If approved by the requisite majorities of trust creditors, the voluntary scheme would crystallize claims and permit the administrators to begin to return assets during the first half of 2010. It is not possible to say with certainty if or when the voluntary scheme will be approved, whether the above assumptions will be validated, or whether the size of the GLG Funds apparent entitlement should be adjusted upwards or downwards and the extent to which the GLG Funds claims will be accepted or disputed. It is possible that, in respect of some or all of the long positions owned by GLG Funds, the GLG Funds will not receive the return of these assets from Lehman Brothers and may instead be exposed as a general creditor of one or more of the insolvent Lehman Brothers entities. Accordingly, until we are able to fully reconcile our information and assumptions with the administrators of LBIE and/or resolve any outstanding commercial and legal disagreement or uncertainties with LBIE, or until the voluntary scheme is approved, the GLG Funds claims made final and accepted, and distributions under the voluntary scheme completed, these estimates could change or the assumptions may prove to be incorrect, and the estimated exposure of the GLG Funds could be materially greater or lesser.

We are unable to estimate the exposure our institutional managed accounts have to LBIE as a prime broker because the clients in these cases maintain the relationships with their third party service providers, such as prime brokers, custodians and administrators, nor do we have access to the terms of their agreements with LBIE or know the extent of exposure these clients may have to LBIE outside of their managed account with us.

As a consequence of the administration of LBIE and the liquidation proceedings under the Securities Investor Protection Act of 1970, as amended, of LBI, our private clients have been unable to access their assets, including all securities and cash, in their respective accounts with LBIE or LBI managed by us. To the extent our private clients assets constitute securities held in custody by LBIE or LBI, we believe the clients should recover these securities to the extent these securities do not collateralize amounts owing by our clients to LBIE or LBI. To the extent our private clients assets constitute cash held by LBIE as client money, we believe the clients should recover in the same proportion as all LBIE clients recover client money, with any shortfall possibly (but we cannot say with certainty) resulting in an unsecured claim against the LBIE estate. To the extent private clients are owed amounts under trading contracts with LBIE or LBI, we believe such amounts will constitute unsecured claims against LBIE or LBI, as the case may be. Notwithstanding the foregoing, the position of any individual private client will depend on the facts and circumstances surrounding such private client's claims, as well as their particular legal rights and obligations pursuant to their agreements with LBIE or LBI.

The GLG Funds and managed accounts have, in the aggregate, recognized losses as a result of the foregoing and, the GLG Funds and managed accounts may incur additional losses if our estimates change and/or the assumptions we have made or outside opinions we have obtained prove incorrect. In any event, the GLG Funds and managed accounts will suffer substantial delay before there is a final resolution as to exposure and the ultimate recovery. If our clients, including the GLG Funds and managed accounts, do not fully recover their assets, suffer losses or substantial delays, they might redeem their investments, lose confidence in us and or make claims against us, our affiliates and/or the GLG Funds.

**Table of Contents****Results of Operations****Condensed Consolidated GAAP Statement of Operations Information**  
(U.S. dollars in thousands)

|   | <b>Three months ended</b> |                     | <b>Nine months ended</b> |                     |
|---|---------------------------|---------------------|--------------------------|---------------------|
|   | <b>September 30,</b>      |                     | <b>September 30,</b>     |                     |
|   | <b>2009</b>               | <b>2008</b>         | <b>2009</b>              | <b>2008</b>         |
| <b>Net revenues and other income</b>                      |                           |                     |                          |                     |
| Management fees, net                                      | \$ 39,543                 | \$ 80,307           | \$ 110,001               | \$ 269,663          |
| Performance fees, net                                     | 1,945                     | 6,833               | 50,704                   | 89,762              |
| Administration, service, and distribution fees, net       | 6,407                     | 17,751              | 17,817                   | 60,448              |
| Other   | 326                       | (2,796)             | 7,555                    | 2,412               |
| <b>Total net revenues and other income</b>                | <b>48,221</b>             | <b>102,095</b>      | <b>186,077</b>           | <b>422,285</b>      |
| <b>Expenses</b>   |                           |                     |                          |                     |
| Compensation, benefits and profit share                   | (136,631)                 | (227,387)           | (455,217)                | (777,130)           |
| General, administrative and other                         | (23,709)                  | (30,283)            | (71,452)                 | (90,816)            |
| Amortization of intangible assets                         | (1,001)                   |                     | (1,834)                  |                     |
| Third party distribution, administration and service fees | (935)                     |                     | (1,600)                  |                     |
| <b>Total expenses</b>                                     | <b>(162,276)</b>          | <b>(257,670)</b>    | <b>(530,103)</b>         | <b>(867,946)</b>    |
| <b>Loss from operations</b>                               | <b>(114,055)</b>          | <b>(155,575)</b>    | <b>(344,026)</b>         | <b>(445,661)</b>    |
| Realized gain/ (loss) on available-for-sale investments   | 1,029                     |                     | (20,188)                 |                     |
| Gain on debt extinguishment                               |                           |                     | 84,821                   |                     |
| Gain on business combination negative goodwill            |                           |                     | 21,122                   |                     |
| Interest income   | 196                       | 2,043               | 845                      | 6,685               |
| Interest expense  | (3,051)                   | (6,028)             | (9,618)                  | (18,795)            |
| <b>Loss before income taxes</b>                           | <b>(115,881)</b>          | <b>(159,560)</b>    | <b>(267,044)</b>         | <b>(457,771)</b>    |
| Income taxes  | 1,300                     | (3,160)             | (1,252)                  | (12,656)            |
| <b>Net loss</b>   | <b>(114,581)</b>          | <b>(162,720)</b>    | <b>(268,296)</b>         | <b>(470,427)</b>    |
| <b>Less non-controlling interests:</b>                    |                           |                     |                          |                     |
| Share of loss   | 15,634                    |                     | 35,861                   |                     |
| Cumulative dividends on exchangeable shares               | (71)                      | (2,896)             | (11,218)                 | (12,194)            |
| Exchangeable shares dividend                              |                           | (1,472)             |                          | (4,418)             |
| <b>Net loss attributable to common stockholders</b>       | <b>\$ (99,018)</b>        | <b>\$ (167,088)</b> | <b>\$ (243,653)</b>      | <b>\$ (487,039)</b> |

**Table of Contents****Net Revenues and Other Income***Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008*

**Change in GAAP Net Revenues and Other Income between  
Three Months Ended September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|  | <b>Three Months Ended<br/>September 30,</b> |                   |                    |
|--|---|-------------------|--------------------|
|  | <b>2009</b>                                 | <b>2008</b>       | <b>Change</b>      |
| <b>Net revenues and other income</b>               |   |                   |                    |
| Management fees, net                               | \$ 39,543                                   | \$ 80,307         | \$ (40,764)        |
| Performance fees, net                              | 1,945                                       | 6,833             | (4,888)            |
| Administration, service and distribution fees, net | 6,407                                       | 17,751            | (11,344)           |
| Other  | 326   | (2,796)           | 3,122              |
| <b>Total net revenues and other income</b>         | <b>\$ 48,221</b>                            | <b>\$ 102,095</b> | <b>\$ (53,874)</b> |

**Key ratios**

|  |       |       |         |
|--|-------|-------|---------|
| Total net revenues and other income/average net AUM, annualized            | 0.95% | 1.99% | (1.04)% |
| Management fees/average net AUM, annualized                                | 0.78% | 1.57% | (0.79)% |
| Administration, service, and distribution fees/average net AUM, annualized | 0.13% | 0.35% | (0.22)% |

Total net revenues and other income decreased by \$53.9 million, or 52.8%, to \$48.2 million for the three months ended September 30, 2009 versus the three months ended September 30, 2008. This decrease was driven primarily by lower management, performance and administration, service and distribution fee revenue.

For management and administration, service and distribution fee revenues, we use net fee yield as a measure of our fees generated for every dollar of our net AUM. The net management and administration fee yield is equal to the management fees and administration fees, respectively, divided by average net AUM for the applicable period.

Net management fees decreased by \$40.8 million, or 50.8%, to \$39.5 million. This decline in net management fees was driven primarily by the decrease in net AUM and by a decrease in management fee yield resulting from the changing mix of our AUM towards lower fee yielding products and the impact of the SGAM UK acquisition-related long-only assets.

Net performance fees decreased by \$4.9 million, or 71.5%, to \$1.9 million. The decrease in fees was driven by:  
The generally lower levels of performance fee eligible AUM compared to September 30, 2008;

The impact of the crystallization of performance fees in the three months ended September 30, 2008 from certain managed accounts. There was no corresponding crystallization in the three months ended September 30, 2009; and

The timing of AUM inflows and outflows from our funds, resulting in crystallized performance fees during the three months ended September 30.

Net administration, service and distribution fees decreased by \$11.3 million, or 63.9%, to \$6.4 million. This decline was primarily driven by two factors: (1) lower average net AUM balances; and (2) the effect of the AUM

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acquired through SGAM UK which does not carry an administration fee, thereby lowering administration, service, and distribution fee yields as calculated as a percentage of our AUM.

Other income increased by \$3.1 million, to \$0.3 million. This increase was primarily due to foreign exchange gains in our pound sterling denominated cash balances as well as other fees of approximately \$1.0 million derived from the funds acquired in the acquisition of SGAM UK.

*Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

**Change in GAAP Net Revenues and Other Income between  
Nine Months Ended September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|  | Nine Months Ended<br>September 30, |                   | Change              |
|--|------------------------------------|-------------------|---------------------|
|  | 2009                               | 2008              |                     |
| <b>Net revenues and other income</b>               |                                    |                   |                     |
| Management fees, net                               | \$ 110,001                         | \$ 269,663        | \$ (159,662)        |
| Performance fees, net                              | 50,704                             | 89,762            | (39,058)            |
| Administration, service and distribution fees, net | 17,817                             | 60,448            | (42,631)            |
| Other  | 7,555                              | 2,412             | 5,143               |
| <b>Total net revenues and other income</b>         | <b>\$ 186,077</b>                  | <b>\$ 422,285</b> | <b>\$ (236,208)</b> |

**Key ratios**

|  |       |       |         |
|--|-------|-------|---------|
| Total net revenues and other income/average net AUM, annualized            | 1.40% | 2.50% | (1.10)% |
| Management fees/average net AUM, annualized                                | 0.83% | 1.59% | (0.76)% |
| Administration, service, and distribution fees/average net AUM, annualized | 0.13% | 0.36% | (0.23)% |

Total net revenues and other income decreased by \$236.2 million, or 55.9%, to \$186.1 million for the nine months ended September 30, 2009 versus the nine months ended September 30, 2008. This decrease was driven primarily by lower management, performance and administration, service and distribution fee revenue.

Net management fees decreased by \$159.7 million, or 59.2%, to \$110.0 million. This decline in net management fees was driven primarily by the decrease in net AUM and by a decrease in management fee yield resulting from the changing mix of our AUM towards lower fee yielding products and the impact of the SGAM UK acquisition-related long-only assets.

Net performance fees decreased by \$39.1 million, or 43.5%, to \$50.7 million. The decrease in fees was driven by:  
The generally lower levels of performance fee eligible AUM compared to September 30, 2008; and

The impact of fewer GLG Funds able to meet their respective performance hurdle rates or high water marks since performance fees last crystallized, even if they generated positive performance during the performance fee crystallization period.

Net administration, service and distribution fees decreased by \$42.6 million, or 70.5%, to \$17.8 million. This decline was primarily driven by two factors: (1) lower average net AUM balances; and (2) the effect of the AUM

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acquired through SGAM UK which does not carry an administration fee, thereby lowering administration, service, and distribution fee yields as calculated as a percentage of our AUM.

Other income increased by \$5.1 million to \$7.6 million. This increase was primarily due to foreign exchange gains in our pound sterling denominated cash balances as well as other fees of approximately \$1.9 million derived from the funds acquired in the acquisition of SGAM UK.

**Expenses**

*Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008*

**Change in GAAP Expenses between Three Months Ended**

**September 30, 2009 and September 30, 2008**

**(U.S. dollars in thousands)**

|   | <b>Three Months Ended</b> |                     | <b>Change</b>    |
|---|---------------------------|---------------------|------------------|
|   | <b>September 30,</b>      |                     |                  |
|   | <b>2009</b>               | <b>2008</b>         |                  |
| <b>Expenses</b>   |                           |                     |                  |
| Compensation, benefits and profit share                   | \$ (136,631)              | \$ (227,387)        | \$ 90,756        |
| General, administrative and other                         | (23,709)                  | (30,283)            | 6,574            |
| Amortization of intangible assets                         | (1,001)                   |                     | (1,001)          |
| Third party distribution, administration and service fees | (935)                     |                     | (935)            |
| <b>Total expenses</b>                                     | <b>\$ (162,276)</b>       | <b>\$ (257,670)</b> | <b>\$ 95,394</b> |

**Key ratios**

|  |               |               |              |
|--|---------------|---------------|--------------|
| Compensation, benefits and profit share / total GAAP net revenues and other income | 283.3%        | 222.7%        | 60.6%        |
| General, administrative and other / total GAAP net revenues and other income       | 49.2%         | 29.7%         | 19.5%        |
| <b>Total expenses / total GAAP net revenues and other income</b>                   | <b>336.5%</b> | <b>252.4%</b> | <b>84.1%</b> |

Compensation, benefits and profit share decreased by \$90.8 million, or 39.9%, to \$136.6 million, primarily due to reduced discretionary bonuses and limited partner profit share, lower expenses related to Acquisition-related share based compensation, as well as a decrease in the Principal's salaries. In addition, approximately \$0.9 million of third party distribution, administration and service fees were recorded which represent fund administration costs, as well as cross-selling fees related to the SGAM UK funds. Additional amortization expenses of \$1.0 million related to intangible assets as part of the SGAM UK Acquisition. General, administrative and other expenses decreased by \$6.6 million, or 21.7% due to the implementation of expense management initiatives.

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*Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

**Change in GAAP Expenses between Nine Months Ended  
September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|   | <b>Nine Months Ended<br/>September 30,</b> |                     |                  |
|---|--|---------------------|------------------|
|   | <b>2009</b>                                | <b>2008</b>         | <b>Change</b>    |
| <b>Expenses</b>   |  |                     |                  |
| Compensation, benefits and profit share                   | \$ (455,217)                               | \$ (777,130)        | \$ 321,913       |
| General, administrative and other                         | (71,452)                                   | (90,816)            | 19,364           |
| Amortization of intangible assets                         | (1,834)                                    |                     | (1,834)          |
| Third party distribution, administration and service fees | (1,600)                                    |                     | (1,600)          |
| <b>Total expenses</b>                                     | <b>\$ (530,103)</b>                        | <b>\$ (867,946)</b> | <b>\$337,843</b> |

**Key ratios**

|  |               |               |              |
|--|---------------|---------------|--------------|
| Compensation, benefits and profit share / total GAAP net revenues and other income | 244.6%        | 184.0%        | 60.6%        |
| General, administrative and other / total GAAP net revenues and other income       | 38.4%         | 21.5%         | 16.9%        |
| <b>Total expenses / total GAAP net revenues and other income</b>                   | <b>284.9%</b> | <b>205.5%</b> | <b>79.4%</b> |

Compensation, benefits and profit share decreased by \$321.9 million, or 41.4%, to \$455.2 million primarily due to reduced discretionary bonuses and limited partner profit share, lower expenses related to Acquisition-related share based compensation as well as a decrease in the Principals' salaries. In addition, approximately \$1.6 million of third party distribution, administration and service fees were recorded which represent fund administration costs, as well as cross-selling fees related to the SGAM UK funds. Additional amortization expenses of \$1.8 million related to intangible assets as part of the SGAM UK Acquisition. General, administrative and other expenses decreased by \$19.4 million or 21.3% due to the implementation of expense management initiatives.

**Non-GAAP Expense Measures**

As discussed above under *Assessing Business Performance*, we present a non-GAAP compensation, benefits, and profit share measure. The table below reconciles GAAP compensation, benefits and profit share to non-GAAP CBP for the periods presented.

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*Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008*

**Change in Non-GAAP Expenses between Three Months Ended  
September 30, 2009 and September 30, 2008**

(U.S. dollars in thousands)

|   | <b>Three Months Ended<br/>September 30,</b> |                    |                  |
|---|---|--------------------|------------------|
|   | <b>2009</b>                                 | <b>2008</b>        | <b>Change</b>    |
| <b>Non-GAAP expenses</b>  |   |                    |                  |
| GAAP compensation, benefits and profit share                                    | \$ (136,631)                                | \$ (227,387)       | \$ 90,756        |
| Add back: Acquisition-related compensation expense and other compensation costs | 110,115                                     | 188,005            | (77,890)         |
| <b>Non-GAAP CBP</b>   | <b>(26,516)</b>                             | <b>(39,382)</b>    | <b>12,866</b>    |
| GAAP general, administrative and other  | (23,709)                                    | (30,283)           | 6,574            |
| Third party distribution, service and advisory                                  | (935)                                       | (935)              | (935)            |
| <b>Non-GAAP total expenses</b>  | <b>\$ (51,160)</b>                          | <b>\$ (69,665)</b> | <b>\$ 18,505</b> |
| <br><b>Key ratios (based on non-GAAP measures)</b>                              |   |                    |                  |
| Non-GAAP CBP / total GAAP net revenues and other income                         | 55.0%                                       | 38.6%              | 16.4%            |
| General, administrative and other / total GAAP net revenues and other income    | 49.2%                                       | 29.7%              | 19.5%            |
| <b>Non-GAAP total expenses / total GAAP net revenues and other income</b>       | <b>106.1%</b>                               | <b>68.3%</b>       | <b>37.8%</b>     |

Non-GAAP total expenses decreased by \$18.5 million, or 26.6%, to \$51.2 million primarily due to:

Lower non-GAAP CBP primarily due to reduced discretionary bonuses and profit share as a result of lower gross revenues; and

Lower general, administrative, and other expenses due to the implementation of expense management initiatives.

These decreases were slightly offset by approximately \$0.9 million of third party distribution, service and advisory fees which reflect fund administration costs as well as cross-selling fees related to the funds acquired as part of SGAM UK.

**Table of Contents***Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

**Change in Non-GAAP Expenses between Nine Months Ended  
September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|   | Nine Months Ended<br>September 30, |                     |                   |
|---|------------------------------------|---------------------|-------------------|
|   | 2009                               | 2008                | Change            |
| <b>Non-GAAP expenses</b>  |                                    |                     |                   |
| GAAP compensation, benefits and profit share                                    | \$ (455,217)                       | \$ (777,130)        | \$ 321,913        |
| Add back: Acquisition-related compensation expense and other compensation costs | 365,703                            | 588,508             | (222,805)         |
| <b>Non-GAAP CBP</b>   | <b>(89,514)</b>                    | <b>(188,622)</b>    | <b>99,108</b>     |
| GAAP general, administrative and other  | (71,452)                           | (90,816)            | 19,364            |
| Third party distribution, service and advisory                                  | (1,600)                            |                     | (1,600)           |
| <b>Non-GAAP total expenses</b>  | <b>\$ (162,566)</b>                | <b>\$ (279,438)</b> | <b>\$ 116,872</b> |
| <b>Key ratios (based on non-GAAP measures)</b>                                  |                                    |                     |                   |
| Non-GAAP CBP / total GAAP net revenues and other income                         | 48.1%                              | 44.7%               | 3.4%              |
| General, administrative and other / total GAAP net revenues and other income    | 38.4%                              | 21.5%               | 16.9%             |
| <b>Non-GAAP total expenses / total GAAP net revenues and other income</b>       | <b>87.4%</b>                       | <b>66.2%</b>        | <b>21.2%</b>      |

Non-GAAP total expenses decreased by \$116.9 million, or 41.8%, to \$162.6 million primarily due to:

Lower non-GAAP CBP primarily due to reduced discretionary bonuses and profit share as a result of lower gross revenues. These decreases were slightly offset by additional fixed compensation which included costs related to additional employees from the SGAM UK acquisition, as well as redundancy charges due to the restructuring of the SGAM UK acquired business during the second quarter of 2009; and

Lower general, administrative, and other expenses due to the implementation of expense management initiatives which were partially offset by additional expenses from the operations acquired with SGAM UK.

These decreases were slightly offset by approximately \$1.6 million of third party distribution, service and advisory fees which reflect fund administration costs as well as cross-selling fees related to the funds acquired as part of SGAM UK.



**Table of Contents****Net Interest Expense***Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008*

**Change in Net Interest Income/(Expense) between Three Months Ended  
September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|                             | <b>Three Months Ended<br/>September 30,</b> |                   | <b>Change</b>   |
|-----------------------------|---|-------------------|-----------------|
|                             | <b>2009</b>                                 | <b>2008</b>       |                 |
| Interest income             | \$ 196                                      | \$ 2,043          | \$ (1,847)      |
| Interest expense            | (3,051)                                     | (6,028)           | 2,977           |
| <b>Net interest expense</b> | <b>\$ (2,855)</b>                           | <b>\$ (3,985)</b> | <b>\$ 1,130</b> |

Interest income decreased by \$1.8 million, or 90.4%, to \$0.2 million. This decrease was primarily driven by:  
Lower income generating cash balances; and

A decrease in interest yields on those cash balances

Interest expense decreased by \$3.0 million, or 49.4%, to \$3.1 million. This decrease was primarily driven by:  
A decrease in LIBOR interest rates paid on our outstanding term debt;

The overall decrease in our outstanding debt related to our May 2009 debt restructuring and convertible note issuance; and

The release of deferred gain on extinguishment of debt in the third quarter of 2009 reducing our interest expense on the effective yield basis. There was no corresponding impact in the third quarter of 2008.

*Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

**Change in Net Interest Income/(Expense) between Nine Months Ended  
September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|                             | <b>Nine Months Ended<br/>September 30,</b> |                    | <b>Change</b>   |
|-----------------------------|--|--------------------|-----------------|
|                             | <b>2009</b>                                | <b>2008</b>        |                 |
| Interest income             | \$ 845                                     | \$ 6,685           | \$ (5,840)      |
| Interest expense            | (9,618)                                    | (18,795)           | 9,177           |
| <b>Net interest expense</b> | <b>\$ (8,773)</b>                          | <b>\$ (12,110)</b> | <b>\$ 3,337</b> |

Interest income decreased by \$5.8 million, or 87.4%, to \$0.8 million. This decrease was primarily driven by:  
Lower income generating cash balances; and

A decrease in interest yields on those cash balances.

Interest expense decreased by \$9.2 million, or 48.8%, to \$9.6 million. This decrease was primarily driven by:

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A decrease in LIBOR interest rates paid on our outstanding term debt;

The overall decrease in our outstanding debt related to our May 2009 debt restructuring and convertible note issuance; and

The release of deferred gain on extinguishment of debt in 2009 reducing our interest expense on the effective yield basis. There was no corresponding impact in 2008.

***Gain on business combination***

In connection with the SGAM UK acquisition completed on April 3, 2009, we recorded a bargain purchase gain of approximately \$21.1 related to negative goodwill. This gain was primarily driven by:

The recording of the fair value of net assets acquired of \$27.6 million,

Offset by the consideration of \$6.5 million paid to SGAM UK.

***Gain on extinguishment of debt***

On May 15, 2009 the Company restructured its syndicated debt and revolving loan facilities, with \$284.5 million (\$27.7 million of the revolving credit facility and \$256.8 million of the term loan) being repurchased by a consolidated subsidiary at 60% of par value.

The discount of \$113.8 million arising from the restructuring, together with the unamortized costs from the original Acquisition financing of \$4.8 million and the direct finance costs relating to the refinancing of approximately \$6.0 million were allocated to each syndicate lender. The revolving credit facility and term loans were evaluated under ASC Topic 470-50, *Modifications and Extinguishments*, as to whether the facility/loan for each lender had been extinguished, reduced or remained unchanged, and the amounts capitalized or taken to current period statement of operations accordingly.

The outcome of the evaluation of the revolving credit facilities and term loans was that \$84.8 million of the discount on repurchase was recognized in the statement of operations as a gain on extinguishment, \$26.5 million was added to the amortized cost of the continuing term loan, to be amortized against interest expense over the remaining period of the loan under the effective yield basis (\$22.3 million remaining at September 30, 2009) and \$6.9 million of the remaining costs were deferred and will be amortized over the term of the debt.

**Income Taxes**

***Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008***

We calculate our effective tax rate on profit before tax and certain non-tax deductible expenses and non-taxable income. For the three months ended September 30, 2009, \$110.1 million of our compensation expense related to acquisition-related share based compensation, \$103.0 million of which is not tax deductible, compared to \$188.0 million for the three months ended September 30, 2008, \$180.8 million of which was non-tax deductible. For the third quarter of 2009, we also recognized amortization of intangibles of \$1.0 million which is non-tax deductible and a realized gain on available-for-sale investments of \$1 million which is non-taxable. Our (loss) /profit before tax and before these expenses was a loss of \$12.9 million, and income of \$21.3 million for the three months ended September 30, 2009 and 2008, respectively. The Company's effective tax rate based on this measure was 10.1% and 14.9% for the three months ended September 30, 2009 and 2008, respectively. These rates differ from the U.S. Federal rate of tax of 35% as our profits are predominantly earned outside the United States where lower rates of tax apply.

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*Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

For the first nine months of 2009, \$365.7 million of our compensation expense related to acquisition-related share based compensation, \$339.5 million of which is not tax deductible, compared to \$588.5 million for the nine months ended September 30, 2008, \$541.4 million of which was non-tax deductible. For the first nine months of 2009, we also recognized amortization of intangibles of \$1.8 million and a realized loss on available-for-sale investments of \$20.2 million, which are both non-tax deductible and negative goodwill arising on business combination of \$21.1 million which is non-taxable. Our profit before tax and before these expenses was \$73.4 million and \$83.6 million for the nine months ended September 30, 2009 and 2008, respectively. Our effective tax rate based on this measure was 1.7% and 15.1% for the nine months ended September 30, 2009 and 2008, respectively. These rates differ from the U.S. Federal rate of tax of 35% as our profits are predominantly earned outside the United States where lower rates of tax apply.

***Non-controlling Interests***

*Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008*

Non-controlling interest increased by \$19.9 million from the third quarter of 2008 to the third quarter of 2009. The difference between the periods was due to:

\$15.6 million for the share of losses attributable to FA Sub 2 Exchangeable Shareholders under ASC Topic 810 which was adopted as of January 1, 2009;

\$2.8 million in cumulative dividends accruing to holders of FA Sub 2 Exchangeable shares; and

\$1.5 million for dividends accruing to holders of FA Sub 2 Exchangeable Shares in the prior year period.

*Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

Non-controlling interest increased by \$41.3 million from the first nine months of 2008 to the first nine months of 2009. The difference between the periods was due to:

\$35.9 million for the share of losses attributable to FA Sub 2 Exchangeable Shareholders under ASC Topic 810 which was adopted as of January 1, 2009;

\$1.0 million in cumulative dividends accruing to holders of FA Sub 2 Exchangeable shares; and

\$4.4 million for dividends accruing to holders of FA Sub 2 Exchangeable Shares in the prior year period.

***Adjusted Net (Loss)/Income***

As discussed above under *Assessing Business Performance*, we present a non-GAAP adjusted net (loss)/ income measure. The table below reconciles net income to adjusted net income for the periods presented.

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*Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008*

**Change in Non-GAAP Adjusted Net (Loss)/Income between  
Three Months Ended September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|   | <b>Three Months Ended<br/>September 30,</b> |                  |                    |
|---|---|------------------|--------------------|
|   | <b>2009</b>                                 | <b>2008</b>      | <b>Change</b>      |
| <b>Derivation of non-GAAP adjusted net (loss)/ income</b>       |   |                  |                    |
| GAAP loss before non-controlling interest                       | \$ (114,581)                                | \$ (162,720)     | \$ 48,139          |
| Add: Acquisition-related compensation expense                   | 110,115                                     | 188,005          | (77,890)           |
| Add: Amortization of intangible assets                          | 1,001                                       |                  | 1,001              |
| Deduct: Cumulative dividends                                    | (71)  | (2,896)          | 2,825              |
| Deduct: Tax effect of Acquisition-related compensation expenses | (260)                                       | (553)            | 293                |
| Deduct: Tax effect of amortization of intangible assets         | (281)                                       |                  | (281)              |
| Deduct: Realized gain on available-for-sale investments         | (1,029)                                     |                  | (1,029)            |
| <b>Non-GAAP adjusted net (loss)/income</b>                      | <b>\$ (5,106)</b>                           | <b>\$ 21,836</b> | <b>\$ (26,942)</b> |

Adjusted net income decreased by \$26.9 million, to an adjusted net loss of \$5.1 million. The difference between the periods was due to:

A decrease of \$77.9 million of Acquisition-related compensation attributable to the agreement among principals and trustees;

A reduction of \$2.8 million related to the cumulative dividends accruing to holders of FA Sub 2 Exchangeable Shares.

*Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008*

**Change in Non-GAAP Adjusted Net Income between  
Nine Months Ended September 30, 2009 and September 30, 2008  
(U.S. dollars in thousands)**

|   | <b>Nine Months Ended<br/>September 30,</b> |                  |                    |
|---|--|------------------|--------------------|
|   | <b>2009</b>                                | <b>2008</b>      | <b>Change</b>      |
| <b>Derivation of non-GAAP adjusted net income</b>               |  |                  |                    |
| GAAP loss before non-controlling interest                       | \$ (268,296)                               | \$ (470,427)     | \$ 202,131         |
| Add: Realized loss on available-for-sale investments            | 20,188                                     |                  | 20,188             |
| Add: Acquisition-related compensation expense                   | 365,703                                    | 588,508          | (222,805)          |
| Add: Amortization of intangible assets                          | 1,834                                      |                  | 1,834              |
| Deduct: Gain on business combination negative goodwill          | (21,122)                                   |                  | (21,122)           |
| Deduct: Cumulative dividends                                    | (11,218)                                   | (12,194)         | 976                |
| Deduct: Tax effect of Acquisition-related compensation expenses | (1,056)                                    | (6,010)          | 4,954              |
| Deduct: Tax effect of amortization of intangible assets         | (514)                                      |                  | (514)              |
| <b>Non-GAAP adjusted net income</b>                             | <b>\$ 85,519</b>                           | <b>\$ 99,877</b> | <b>\$ (14,358)</b> |

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Adjusted net income decreased by \$14.4 million, or 14.4%, to \$85.5 million. This decrease between the periods was primarily due to:

A decrease of \$222.8 million of Acquisition-related compensation attributable to the agreement among principals and trustees;

Approximately \$22.0 million due to the realized loss on available-for-sale investments in 2009, and amortization of intangible assets; and

A deduction of \$21.1 million for the negative goodwill write back (non-cash) attributable to the business combination related to the SGAM UK acquisition.

## **Liquidity and Capital Resources**

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, pay compensation, and satisfy other general business needs. Our primary sources of funds for liquidity consist of cash flows provided by operating activities, primarily the management fees and performance fees paid by the funds and accounts we manage.

We expect that our cash on hand and cash flows from operating activities will satisfy our liquidity needs with respect to debt obligations and operating expenses over the next twelve months. We expect to meet our long-term liquidity requirements, including the repayment of our debt obligations, with net income, if any, and through the issuance of new debt, equity and/or equity-linked securities and incurrence of loans.

On May 15, 2009, we amended our existing term loan and revolving credit facilities. Also on May 15, 2009, we completed a private offering of \$214 million aggregate principal amount of dollar denominated convertible subordinated notes due 2014. On June 8, 2009, we completed the sale of an additional \$14.5 million aggregate principal amount of notes increasing the total aggregate amount raised to \$228.5 million. We utilized a portion of the proceeds from the issuance of the convertible notes to purchase term and revolving loans under the credit facilities of \$284.5 million aggregate principal amount at 60% of par. The convertible notes were issued at par at an interest rate of 5.00% per annum. Interest is payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2009.

As a result of the credit agreement amendment, (i) the two financial covenants in the credit facility (minimum AUM and leverage ratio) were eliminated; (ii) we are required to use 50% of our excess cash flow (as defined in the amended credit agreement) annually to prepay the outstanding senior loans; and (iii) the Company will be prohibited from making dividend payments to shareholders for one year from May 15, 2009 and thereafter, dividends can only be made after the outstanding principal amount of the term and revolving loans falls below \$200 million.

Subject to restrictions on ownership of common stock, holders may convert their notes into shares of common stock at any time on or prior to the business day immediately preceding the maturity date of the notes. The initial conversion rate for the notes is 268.8172 shares of common stock per \$1,000 initial principle amount of notes (which represents an initial conversion price of approximately \$3.72 per share).

Due to our decreased AUM and our changed AUM mix (resulting from a decline in AUM in higher fee paying alternative funds, the addition of the SGAM UK funds and an increase in our managed accounts) as compared to the corresponding periods in 2008, our management and administration fees have trended lower. In addition, many of our funds continue to have high-water marks, and until these funds generate investment returns that overcome the high-water marks, or these funds experience net inflows that carry no high-water marks and/or new funds are launched without high-water marks, our ability to generate performance fees will be limited. We believe that we will be able to continue to scale down our cost infrastructure, if required, in order to maintain positive operating cash flow.

Our ability to execute our business strategy, particularly our ability to form new funds and increase our AUM, depends on our ability to raise additional investor capital within such funds. Decisions by investors to commit capital to the funds and accounts managed by us will depend upon a number of factors including, but not limited to, the financial performance of such funds and accounts, industry and market trends and performance and the relative attractiveness of alternative investment opportunities.



**Table of Contents*****Operating Activities***

Our net cash used in operating activities was \$77.7 million for the nine months ended September 30, 2009 compared to \$146.9 million provided by operating cash flows for the period ended September 30, 2008. These amounts primarily reflect cash-based fee income, less cash compensation, benefits and non-personnel costs and tax payments and distributions to limited partners.

The \$224.7 million change in operating activities between the periods was primarily attributable to the following:

*Performance Fees.* Performance fees are generally received every six months in the month following crystallization (i.e., 2009 operating cash flows will be the result of receipts of June 2009 and December 2008 performance fees). Lower performance fees contributed 358.2 million to the decrease in operating cash flows compared to the same period in 2008.

*Compensation, benefits and profit share.* The most significant component of compensation, benefits and profit share is discretionary compensation and discretionary limited partner profit share paid during the year following the year in which the related business performance is achieved (i.e, 2009 compensation cash flows are largely influenced by discretionary compensation and discretionary limited partner profit share paid in respect of 2008 business performance). Operating cash outflows from compensation, benefits and profit share were \$361.7 million lower as a result of a reduction in the level of accrued compensation.

*Management and Administration, Service and Distribution Fees.* Management and administration, service and distribution fees are largely received monthly and are driven by the average net AUM and fee rates in each fund and managed account. Management and administration, service and distribution fees contributed a decrease of \$231.9 million due to lower average net AUM.

*General and Administrative.* Cash outflow from general and administrative expenses were lower by \$4.2 million as a result of the implementation of cost management initiatives.

The mismatch in timing between receipt of largely semi-annual performance fee revenues and the annual payment of associated discretionary compensation costs, when combined with the volatility of performance fee revenues can lead to substantial volatility and differences between net income and cash flows from operations.

***Investing Activities***

Our net cash provided by investing activities was \$53.4 million for the nine months ended September 30, 2009 versus net cash used by investing activities of \$9.9 million for the nine months ended September 30, 2008.

The majority of the \$63.2 million increase was driven by the following:

*Redemption of securities.* In 2009, the redemption of securities net of securities purchased contributed \$47.3 million. There were no corresponding redemptions in 2008.

*Purchases of subsidiaries.* In 2009 and 2008 we purchased the following subsidiaries – GLG, Inc. in 2008 and SGAM UK in 2009. The purchase of GLG, Inc. in 2008, resulted in a cash usage of \$2.5 million, whereas cash (net of purchase consideration) acquired with SGAM UK contributed \$7.3 million.

*Purchase of property and equipment.* We reduced our capital expenditure on property and equipment by \$5.8 million.

***Financing Activities***

Our net cash used by financing activities were \$21.8 million and \$167.8 million for the nine months ended September 30, 2009 and September 30, 2008, respectively. The change of \$146.0 million was driven by the following:

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*Issuance of Convertible Notes.* In May and June 2009, we issued \$228.5 million aggregate principal amount of convertible notes.

*Loan Repayments.* As a result of our outstanding loans, we are required to make periodic repayments. As part of the loan restructuring in May 2009, we made loan repayments of \$170.7 million.

*Distributions to principals and trustees.* During the 2008 period, we made payments of \$118.4 million to former GLG Shareowners in connection with the Acquisition.

*Share repurchases.* During the 2009 period, we repurchased shares of common stock in the amount of \$67.0 million as opposed to repurchases in the 2008 period of \$4.0 million.

*Warrant repurchases.* During the 2008 period, we repurchased warrants for \$37.6 million. There were no corresponding repurchases during the 2009 period.

*Debt Issuance Costs.* As a result of the transaction in the 2009 period, \$12.5 million of debt issuance costs were incurred.

*Dividends paid.* Cash outflows of \$10.7 million were paid in the 2008 period for dividends paid to our shareowners. There have been no dividends paid in the 2009 period.

*Warrant exercises.* During the 2008 period there were warrant exercises which contributed \$2.6 million. There were no corresponding warrant exercises in the 2009 period.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

### **Contractual Obligations, Commitments and Contingencies**

On October 30, 2007, we entered into a credit agreement providing FA Sub 3 Limited, our wholly owned subsidiary, with: (i) a 5-year non-amortizing revolving credit facility in a principal amount of up to \$40 million; and (ii) a 5-year amortizing term loan facility in a principal amount of up to \$530 million. Proceeds of the loans were used to finance the purchase price for the Acquisition, to pay transaction costs and to repay our indebtedness and for working capital and other general corporate purposes.

On May 15, 2009, we completed a private offering of \$214 million aggregate principal amount of our 5.00% dollar-denominated convertible subordinated notes due May 15, 2014. On June 8, 2009, we issued a further \$14.5 million aggregate principal amount of notes in connection with the exercise of an over-allotment option.

A portion of the proceeds of the offering were used to acquire approximately \$285 million of \$570 million principal amount of loans outstanding under the credit facility at 60% of par value (the Purchased Loans). Any proceeds not used to acquire its outstanding indebtedness will be used by us for general corporate purposes to the extent permitted under the credit agreement.

Concurrent with the acquisition of the Purchased Loans, the Credit Agreement was amended to provide as follows: (1) mandatory prepayments of term loans and revolving loans (with term loans being prepaid first) will be required to be made from 50% of excess cash flow (determined on a consolidated basis) minus the aggregate amount of repurchase prepayments for such fiscal year; (2) payments in respect of the Purchased Loans and cash interest expenses in respect of repurchase prepayments will not be deducted when determining excess cash flow; and (3) mandatory prepayments will be applied to prepay loans (other than Purchased Loans), and will not be applied to prepay Purchased Loans until all other loans have been paid in full.

In addition, under the amended Credit Agreement, the applicable margin added to the interest rate for term loans and revolving loans under the Credit Agreement is (i) 1.50% when interest is determined by reference to Citibank's



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base rate, the adjusted certificate of deposit rate or the federal funds effective rate and (ii) 2.50% when interest is determined by reference to LIBOR, and will no longer be based on the financial ratios applicable to us and our consolidated subsidiaries

Scheduled future principal payments (other than mandatory prepayments based on excess cash flow described above) for long-term borrowings at September 30, 2009 are as follows:

**Future Loan Principal Payments**

| <b>Year Ended December 31,</b> |             |             |             |             |                   |              |
|--------------------------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| <b>2009</b>                    | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>Thereafter</b> | <b>Total</b> |
| <b>(Dollars in thousands)</b>  |             |             |             |             |                   |              |
| \$                             | \$          | \$ 142,750  | \$ 142,750  | \$          | \$ 228,500        | \$ 514,000   |

Scheduled future interest payments for long-term borrowings based on the weighted-average interest rate of 1.55% at December 31, 2008 are as follows:

**Future Loan Interest Payments**

| <b>Year Ended December 31,</b> |             |             |             |             |                   |              |
|--------------------------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| <b>2009</b>                    | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>Thereafter</b> | <b>Total</b> |
| <b>(Dollars in thousands)</b>  |             |             |             |             |                   |              |
| \$8,334                        | \$ 17,795   | \$ 16,610   | \$ 13,335   | \$ 11,425   | \$ 4,284          | \$ 71,964    |

In the normal course of business, we enter into operating contracts that contain a variety of representations and warranties and that provide general indemnifications. Our maximum exposure under these arrangements is unknown as this would involve future claims that may be made against us that have not yet occurred. However, based on experience, we expect the risk of material loss to be remote.

**Table of Contents****Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our predominant exposure to market risk is related to our role as investment manager for the GLG Funds and accounts we manage for clients and the impact of movements in the fair value of their underlying investments. Changes in value of assets managed will impact the level of management, administration and performance fee revenues.

The broad range of investment strategies that are employed across the GLG Funds and the managed accounts mean that they are subject to varying degrees and types of market risk. In addition, as the GLG Funds and managed accounts are managed independently of each other and risk is managed at a strategy and fund level, it is unlikely that any market event would impact all GLG Funds and managed accounts in the same manner or to the same extent. Moreover, there is no netting of performance fees across funds as these fees are calculated at the fund level.

The management of market risk on behalf of clients, and through the impact on fees to us, is a significant focus for us and we use a variety of risk measurement techniques to identify and manage market risk. Such techniques include Monte Carlo Value at Risk, stress testing, exposure management and sensitivities, and limits are set on these measures to ensure the market risk taken is commensurate with the publicized risk profile of each GLG Fund and in compliance with risk limits.

In order to provide a quantitative indication of the possible impact of market risk factors on our future performance, the following sets forth the potential financial impact of scenarios involving a 10% increase or decrease in the fair value of all investments in the GLG Funds and managed accounts. While these scenarios are for illustrative purposes only and do not reflect our management's expectations regarding future performance of the GLG Funds and managed accounts, they represent hypothetical changes that illustrate the potential impact of such events.

**Impact on Management Fees**

Our management fees are based on the AUM of the various GLG Funds and accounts that we manage, and, as a result, are impacted by changes in market risk factors. These management fees will be increased or reduced in direct proportion to the impact of changes in market risk factors on AUM in the related GLG Funds and accounts managed by us. A 10% change in the fair values of all of the investments held by the GLG Funds and managed accounts as of September 30, 2009 would impact future net management fees in the following four fiscal quarters by an aggregate of \$15.4 million, assuming that there is no subsequent change to the investments held by the GLG Funds and managed accounts in those four following fiscal quarters.

**Impact on Performance Fees**

Our performance fees are generally based on a percentage of profits of the various GLG Funds and accounts that we manage, and, as a result, are impacted by changes in market risk factors. Our performance fees will therefore generally increase given an increase in the market value of the investments in the relevant GLG Funds and managed accounts and decrease given a decrease in the market value of the investments in the relevant GLG Funds and managed accounts. However, it should be noted that we are not required to refund historically crystallized performance fees to the GLG Funds and managed accounts. The calculation of the performance fee includes in certain cases performance hurdles and "high-water marks", and as a result, the impact on performance fees of a 10% change in the fair values of the investments in the GLG Funds and managed accounts cannot be readily predicted or estimated.

**Impact on Administration Fees**

Our administration fees are generally based on the AUM of the GLG Funds and managed accounts to which they relate and, as a result, are impacted by changes in market risk factors. Our administration fees will generally increase given an increase in the market value of the investments in the relevant GLG Funds and managed accounts and decrease given a decrease in the market value of the investments in the relevant GLG Funds and managed accounts. A 10% increase/(decrease) in the fair values of all of the investments held by the GLG Funds and managed accounts as of September 30, 2009 would impact future net administration fees in the following four fiscal quarters by an aggregate of \$3.8/(\$3.4) million, respectively, assuming there is no subsequent change to the investments held by the GLG Funds and managed accounts in those four following fiscal quarters

**Table of Contents****Market Risk**

The GLG Funds and accounts managed by us hold investments that are reported at fair value as of the reporting date. Our AUM is a measure of the estimated fair values of the investments in the GLG Funds and managed accounts. Our AUM will therefore increase (or decrease) in direct proportion to changes in the market value of the total investments across all of the GLG Funds and managed accounts. A 10% change in the fair values of all of the investments held by the GLG Funds and managed accounts as of September 30, 2009 would impact our gross AUM by \$2.4 billion and net AUM by \$2.2 billion as of such date. This change will consequently affect our management fees, performance fees and administration fees as described above.

**Exchange Rate Risk**

The GLG Funds and the accounts managed by us hold investments that are denominated in foreign currencies. The GLG Funds and the managed accounts may employ currency hedging to help mitigate the risks of currency fluctuations.

Furthermore, share classes may be issued in the GLG Funds denominated in foreign currencies, whose value against the currency of the underlying investments, or against our reporting currency, may fluctuate. As a result, the calculation of our U.S. dollar AUM based on AUM denominated in foreign currencies is affected by exchange rate movements. In addition, foreign currency movements may impact the U.S. dollar value of our management fees, performance fees and administration fees. For example, management fee revenues derived from AUM denominated in a foreign currency will accrue in that currency and their value may increase or decline in U.S. dollar terms if the value of the U.S. dollar changes against that foreign currency.

We utilize derivative instruments in an effort to manage our foreign currency exposures. Management and performance fees that are calculated on share classes denominated in currencies other than U.S. dollars are exposed to changes in the value of the U.S. dollar versus those currencies as they are translated back into U.S. dollars. The majority of our foreign currency exposure related to management and performance fees is to the Euro, with smaller exposures to the British Pound and Japanese Yen. We have elected to utilize cash flow hedge accounting to hedge a portion of our anticipated foreign currency revenue. The effective portion of the hedge is recorded as a component of other comprehensive income and is released into management and performance fee income, respectively, when the hedged revenues impact the income statement. The ineffective portion of the hedge is recorded each period as derivative gain or loss in other income or other expense. We carefully analyze our hedging counterparties and only utilize those with credit ratings of AA or better.

**Interest Rate Risk**

The GLG Funds and accounts managed by us hold positions in debt obligations and derivatives thereof, some of which accrue interest at variable rates and whose value is impacted by reference to changes in interest rates. Interest rate changes may therefore directly impact the AUM valuation of these GLG Funds and managed accounts, which may affect our management fees and performance fees as described above. Our long-term debt consists of our outstanding revolving and term loan credit facilities. Interest on the outstanding principal amounts is currently based on 1-month LIBOR plus the applicable margin of 2.50%, which is reset periodically and is 2.74% until November 13, 2009. A 10% change in the 1-month LIBOR would impact our interest expense by approximately \$0.01 million for the 1-month period. The convertible subordinated debt was issued at a fixed interest rate of 5.00%.

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**Item 4. Controls and Procedures**

Under the supervision and with the participation of our management, including our co-principal executive officers and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on this evaluation, our co-principal executive officers and our principal financial officer concluded that our disclosure controls and procedures were effective.

There have not been any changes in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

On January 25, 2008, the Autorité des Marchés Financiers ( AMF ) notified us of proceedings relating to our trading in the shares of Infogrames Entertainment ( Infogrames ) on February 8 and 9, 2006, prior to the issuance by Infogrames on February 9, 2006 of a press release announcing poor financial results. The AMF 's decision to initiate an investigation into our trades in Infogrames was based on a November 19, 2007 report prepared by the AMF 's Department of Market Investigation and Supervision (the Infogrames Report ). According to the Infogrames Report, the trades challenged by the AMF generated an unrealized capital gain for us as of the opening on February 10, 2006 of 179,000. The AMF investigation relates solely to the conduct of a former employee; however, we were named as the respondent. If sustained, the charge against us could give rise to an administrative fine under French securities laws. We filed our response to the Infogrames Report on May 23, 2008. On September 24, 2009, the Rapporteur issued a written report concluding that we did not engage in any wrongdoing and recommending that the AMF dismiss the case against us. A hearing before the *Commission des Sanctions* of the AMF is scheduled for November 12, 2009.

We are also subject to various claims and assessments and regulatory inquiries and investigations in the normal course of our business. While it is not possible at this time to predict the outcome of any legal and regulatory proceedings with certainty and while some investigations, lawsuits, claims or proceedings may be disposed of unfavorably to us, based on our evaluation of matters that are pending or asserted our management believes the disposition of such matters will not have a material adverse effect on our business, financial condition or results of operations. An unfavorable ruling could include money damages or injunctive relief.

**Item 1A. Risk Factors.**

Our business, financial condition and results of operations can be impacted by a number of risk factors, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. Any of these risks could materially and adversely affect our business, financial condition and results of operations, which in turn could materially and adversely affect the price of our common stock or other securities.

**Risks Related to Our Business**

***Difficult market conditions, market disruptions and volatility have adversely affected and may in the future continue to adversely affect our business in many ways, each of which could materially reduce our revenue and cash flow and adversely affect our business, results of operations or financial condition.***

Our business is materially affected by conditions in the global financial markets and economic conditions throughout the world that are outside our control, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation, regulation of hedge funds and trading in securities), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). Recently, global credit and other financial markets have suffered and continue to suffer substantial stress, volatility, illiquidity and disruption. Market turbulence reached unprecedented levels during the second half of 2008 and the first quarter of 2009, as loss of investor confidence in the financial system resulted in an historically unprecedented lack of liquidity, decline in asset values, and the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions. These factors, combined with volatile commodity prices and foreign exchange rates, contributed to recessionary economic conditions globally and a deterioration in consumer and corporate confidence and could further exacerbate the overall market disruptions and risks to market participants, including the GLG Funds and managed accounts. These market conditions may affect the level and volatility of securities prices and the liquidity and the value of investments in the GLG Funds and managed accounts, and we may not be able to or may choose not to manage our exposure to these market conditions.

Our profitability may also be adversely affected by fixed costs and the possibility that we would be unable to or may choose not to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions.

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Global market conditions are inherently outside of our control and cannot be predicted. If these conditions continue, they may impact our ability to consistently generate non-volatile investment performance and attract new AUM, and may result in higher levels of redemptions from the GLG Funds and managed accounts than they have historically experienced prior to the third quarter of 2008. These factors may reduce our revenue growth, income and our ability to pay dividends on our shares of common stock and may slow or reduce the growth of our business or may contract our business. In particular, we may face the following heightened risks:

The investment performance of the GLG Funds and managed accounts may be negatively impacted. Negative fund performance reduces AUM, which decreases the management fees, administration fees and performance fees we earn. Lower revenues may result in lower adjusted net income and, therefore, reduced amounts available for dividends on our shares of common stock or increased risk that we will be unable to comply with financial covenants in our credit facility.

Performance fees, which historically have comprised a substantial portion of our annual revenues, are largely contingent on the GLG Funds and managed accounts generating positive annual investment performance in excess of high water marks or generating investment performance in excess of certain benchmarks. We may be unable to reach profitability in the future without substantial growth in performance fees.

***Our revenue, net income and cash flow are dependent upon performance fees, which may make it difficult for us to achieve steady earnings growth on a semi-annual basis.***

Our revenue, net income and cash flow are all highly variable, primarily due to the fact that performance fees can vary significantly from period to period, in part, because performance fees are recognized as revenue only when contractually payable, or crystallized, from the GLG Funds and managed accounts to which they relate, generally on June 30 and December 31 of each year for the majority of the GLG Funds. Although prior to 2008 we have historically had low inter-group correlations across asset classes, we may also experience fluctuations in our results from period to period due to a number of other factors, including changes in the values of the GLG Funds investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of our common stock and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a semi-annual basis, which could in turn lead to large adverse movements in the price of our common stock or increased volatility in our stock price generally.

With a few exceptions, the GLG Funds and managed accounts have high water marks, whereby performance fees are earned by us only to the extent that the net asset value of a GLG Fund or managed account at the end of a semi-annual period exceeds the highest net asset value on the last date on which a performance fee was earned. To the extent any of the GLG Funds and managed accounts generate negative investment performance or generate positive performance less than the applicable high water mark or benchmark, we would not earn performance fees for that GLG Fund or managed account until the high water mark is re-achieved or the benchmark exceeded. Certain of the GLG Funds and managed accounts also have LIBOR hurdles whereby performance fees are not earned during a particular period until the returns of such funds surpass the LIBOR rate. The performance fees we earn are therefore dependent on the net asset value of the GLG Funds and managed accounts, which could lead to significant volatility in our semi-annual results. Because our revenue, net income and cash flow can be highly variable from period to period, we plan not to provide any guidance regarding our expected semi-annual and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in our stock price. ***Fluctuations in currency exchange rates could materially affect our business, results of operations and financial condition.***

We use U.S. dollars as our reporting currency. Our clients invest in GLG Funds and managed accounts in different currencies, including Pounds Sterling and Euros. In addition, GLG Funds and managed accounts hold investments denominated in many foreign currencies. To the extent that our fee revenues are based on AUM denominated in such foreign currencies, our reported fee revenues may be significantly affected by the exchange rate of



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the U.S. dollar against these currencies. Typically, an increase in the exchange rate between U.S. dollars and these currencies will reduce the impact of revenues denominated in these currencies in our financial statements. For example, management fee revenues derived from each Euro of AUM denominated in Euros will decline in U.S. dollar terms if the value of the U.S. dollar appreciates against the Euro. In addition, the calculation of the amount of our AUM is effected by exchange rate movements as AUM denominated in currencies other than the U.S. dollar are converted to U.S. dollars. We also incur a significant portion of our expenditures in currencies other than U.S. dollars. As a result, our business is subject to the effects of exchange rate fluctuations with respect to any currency conversions and our ability to hedge these risks and the cost of such hedging or our decision not to hedge could impact the performance of the GLG Funds and our business, results of operations and financial condition.

***In order to retain our investment professionals during periods of poor performance, we may have to pay our investment professionals a significant amount, even if we earn low or no performance fees, which could have an adverse impact on our business, results of operations or financial condition.***

Competition for investment professionals in the asset management industry is intense. We have set compensation at levels that we believe are competitive against compensation offered by other alternative asset managers and leading investment banks against whom we compete for senior management and other key personnel, principally those located in London, while taking into account the performance of the GLG Funds and managed accounts. We believe these forms of remuneration are important to align the interests of our senior management and key personnel with those of investors in the GLG Funds. However, even if we earn low or no performance fees, we may be required to pay significant compensation and limited partner profit share to retain our key personnel. In these circumstances, these amounts may represent a greater percentage of our revenues than they have historically.

We pay a substantial portion of our compensation expense in the form of annual bonuses and limited partner profit share, which are variable and discretionary. Typically, the performance fees we earn fund a significant amount of the cash bonuses and limited partner profit share that we pay. In periods where we earn little or no performance fees, our ability to pay cash bonuses and limited partner profit share will be reduced. This may affect our ability to retain and attract investment professionals and other key personnel.

***Investors in the GLG Funds and investors with managed accounts can generally redeem investments with only short periods of notice and the rate of redemptions could accelerate if the GLG Funds and managed accounts underperform, which could make it more difficult to manage the liquidity levels of the GLG Funds and managed accounts, reduce AUM and adversely affect our revenues.***

Investors in the GLG Funds and investors with managed accounts may generally redeem their investments with only short periods of notice. Investors may reduce the aggregate amount of their investments, or transfer their investments to other funds or asset managers with different fee rate arrangements, for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance, or for no reason. If interest rates are rising and/or stock markets are declining, the pace of fund and managed account redemptions could accelerate. Redemptions of investments in the GLG Funds could also take place more quickly than assets may be sold on account of those funds to meet the price of such redemptions, which could result in the relevant funds and/or our being in breach of applicable legal, regulatory and contractual requirements in relation to such redemptions, resulting in possible regulatory and stockholder actions against us and/or the GLG Funds. Any such action could potentially cause further redemptions and/or make it more difficult to attract new investors. The redemption of investments in the GLG Funds or in managed accounts could adversely affect our revenues, which are substantially dependent upon the AUM in the GLG Funds. If redemptions of investments cause our revenues to decline, they could have a material adverse effect on our business, results of operations or financial condition.

As a result of the recent market developments and the potential for increased and continuing disruptions and the resulting uncertainty during the second half of 2008, we experienced an increase in the level of redemptions from the GLG Funds and managed accounts. Redemption rates may stay elevated globally while market conditions remain unsettled. If the level of redemption activity persists at above normal levels, it could become more difficult to manage the liquidity requirements of the GLG Funds, making it more difficult or more costly for the GLG Funds to liquidate positions rapidly to meet margin calls, redemption requests or otherwise. In addition to the impact on the market value of AUM, the illiquidity and volatility of the global financial markets have negatively affected our ability to manage



inflows and outflows from the GLG Funds. Our ability to attract new capital to existing GLG Funds or to develop investment

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platforms may be limited during this period. The temporary closures of securities exchanges in certain foreign markets, such as Brazil and Russia, could further negatively impact the liquidity of the GLG Funds that invest in those markets. The respective boards of directors of the GLG Funds have the right to restrict redemptions from the GLG Funds for certain periods in the event of certain limited circumstances, as specified in the prospectuses for the respective GLG Funds. Several alternative asset managers, including us, have in the past exercised similar rights with respect to the funds they manage and we have and may in the future recommend that the boards of directors of certain of the GLG Funds exercise the rights available to them. The exercise of these rights may have an adverse effect on the ability of the GLG Funds to attract additional AUM.

If the GLG Funds or managed accounts underperform, existing fund investors may decide to reduce or redeem their investments or transfer asset management responsibility to other asset managers and we may be unable to obtain new asset management business. Poor performance relative to other asset management firms may result in reduced investments in the GLG Funds and managed accounts and increased redemptions from the GLG Funds and managed accounts. As a result, investment underperformance could have a material adverse effect on our business, results of operations or financial condition.

***We may face further redemptions from the GLG Funds and managed accounts for reasons not specifically related to investment performance, which may further reduce AUM or adversely impact our ability to attract new investments, resulting in a material adverse effect on our business, results of operations or financial condition.***

Investors worldwide have reduced or eliminated their investments in many asset classes as confidence in the global financial system has eroded. These actions have resulted in increased redemptions for the asset management industry worldwide, including hedge funds. Redemption rates may stay elevated globally while market conditions remain unsettled. The GLG Funds and managed accounts are not immune to this trend and significant, additional redemptions from the GLG Funds and managed accounts that are not specifically related to investment performance may occur, which would reduce our AUM, net revenues and net income. For example, to the extent the GLG Funds have fund of hedge fund investments from aggregators who are themselves faced with client redemptions, those aggregators may choose to or be forced to redeem from the GLG Funds to obtain liquidity for their redeeming clients. In addition, our ability to attract new capital to existing GLG Funds or developing investment platforms may be limited during this period.

***We are dependent on the continued services of Noam Gottesman, Pierre Lagrange and Emmanuel Roman (the Principals ) and other key personnel. The loss of key personnel could have a material adverse effect on us.***

Our Principals and other key personnel have contributed to the growth and success of our business. We are dependent on the continued services of Messrs. Gottesman, Roman and Lagrange and other key personnel for our future success. The loss of any Principal or other key personnel may have a significant effect on our business, results of operations or financial condition.

The market for experienced asset management professionals is extremely competitive and can be characterized by frequent movement of employees among firms. Due to the competitive market for asset management professionals and the success achieved by some of our key personnel, the costs to attract and retain key personnel are significant and could increase over time. In particular, if we lose any of our Principals or other key personnel, there is a risk that we may also experience outflows from AUM or fail to obtain new business. For example, the April 2008 announcement of the departure of the previous portfolio manager of the GLG Emerging Markets Fund and three other emerging markets funds in October 2008 contributed to the decline in our net AUM and, together with the performance of these funds, resulted in the redemption of approximately \$4.4 billion from these GLG Funds during 2008. The inability to attract or retain the necessary highly skilled key personnel could have a material adverse effect on our business, results of operations or financial condition.

***The cost of compliance with international employment, labor, benefits and tax regulations may adversely increase our costs, affect our revenue and impede our ability to expand internationally.***

Since we operate our business internationally, we are subject to many different employment, labor, benefit and tax laws in each country in which we operate, including laws and regulations affecting employment practices and our relations with the Principals and some of our key personnel who participate in the limited partner profit share



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arrangement. If we are required to comply with new regulations or new or different interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected, or the cost of compliance may make it difficult to expand into new international markets, or we may be liable for additional costs, such as social security or social insurance, which may be substantial. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or that favor or require local ownership.

***If we experience rapid growth, whether through attracting new investments, acquiring other asset management businesses or otherwise, it may place significant demands on our administrative, operational and financial resources.***

Rapid growth may cause significant demands on our legal, accounting, technology and operational infrastructure and increased expenses. The complexity of these demands, and the expense required to address them, may be a function not only of the amount by which our AUM have grown, but of significant differences in the investing strategies of our different funds. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting and regulatory developments. Our future growth depends, among other things, on our ability to maintain an operating platform and management system sufficient to address our growth and requires us to incur significant additional expenses and commit additional senior management and operational resources. As a result, we face significant challenges:

in maintaining adequate financial and business controls;

in implementing new or updated information and financial systems and procedures; and

in training, managing and appropriately sizing our work force and other components of our business on a timely and cost-effective basis.

During 2008, we added a number of new portfolio managers for the GLG Funds, including for the emerging markets, macro, distressed debt and special situations strategies. On April 3, 2009, we completed the acquisition of Société Générale Asset Management UK ( SGAM UK ), Société Générale s UK long-only asset management business. The acquisition includes SGAM UK s operations, which had approximately \$6.8 billion of AUM as of March 31, 2009, and its investment and support staff, based primarily in London. In March 2009, GLG Partners LP became the investment manager of the funds and accounts managed by Pendragon Capital, whose founders have joined us as portfolio managers. Integrating these new portfolio managers and their teams, operations, funds and accounts may be expensive, time-consuming and a further strain on our resources and may not be successful. The diversion of management s attention and any delays or difficulties encountered in connection with these acquisitions and the integration of these portfolio managers, operations, funds and accounts may have an adverse effect on our business, results of operations or financial condition.

There can be no assurance that we will be able to manage our growth, acquisitions or expanding operations effectively or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

***There can be no assurance that our expansion into the United States or other markets will be successful.***

While we are currently in the process of developing distribution capability in the United States, the Middle East and Asia, expanding our operations into the United States or other markets will be difficult due to a number of factors, including the fact that several of these markets are well-developed, with established competitors and different regulatory regimes. Our failure to continue to grow our revenues (whether or not as a result of a failure to increase AUM), expand our business or control our cost base could have a material adverse effect on our business, results of operations or financial condition.

***Damage to our reputation, including as a result of personnel misconduct, failure to manage inside information, fraud, restricting redemptions from certain GLG Funds or side-pocketing certain illiquid private placement investments, could have a material adverse effect on our business.***



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Our reputation is one of our most important assets. Our relationships with individual and institutional investors and other significant market participants are very important to our business. Any deterioration in our reputation held by one or more of these market participants could lead to a loss of business or a failure to win new fund mandates. For example, we are exposed to the risk that litigation, regulatory action, misconduct, operational failures, negative publicity or press speculation, whether or not valid, could harm our reputation. Factors that could adversely affect our reputation include but are not limited to:

fraud, misconduct or improper practice by any of our personnel, including failure to comply with applicable regulations or non-adherence by a portfolio manager to the investment guidelines applicable to each GLG Fund. Such actions can be particularly detrimental in the provision of financial services and could involve, for example, fraudulent transactions entered into for a client's account, diversion of funds, the intentional or inadvertent release of confidential information or failure to follow internal procedures. Such actions could expose us to financial losses resulting from the need to reimburse customers or other business partners or as a result of fines or other regulatory sanctions, and may significantly damage our reputation;

failure to manage inside information. We frequently trade in multiple securities of the same issuer. In the course of transactions involving these securities, we may receive inside information in relation to certain issuers. If we do not sufficiently control the use of this inside information or any other inside information we receive, we and/or our employees could be subject to investigation and criminal or civil liability;

failure to manage conflicts of interest. As we have expanded the scope of our business and client base, we have been increasingly exposed to potential conflicts of interest. If we fail, or appear to fail, to deal appropriately with conflicts of interest, we could face significant damage to our reputation, litigation or regulatory proceedings or penalties;

restricting redemptions from certain GLG Funds. The GLG Funds have the right to restrict redemptions from the GLG Funds for certain periods in the event of certain limited circumstances as specified in the prospectuses for the respective GLG Funds. The exercise of these rights to restrict redemptions may be perceived as a weakness and fund investors may suffer a reduced ability to withdraw their original investments in the affected GLG Funds, resulting in significant reputational damage and could lead to a reduction in investments in the GLG Funds and hinder our ability to attract new investments. In addition, it may prompt fund investors to redeem their existing investments in other GLG Funds that have not elected to exercise these rights. As of December 31, 2008, approximately \$1.5 billion of AUM were in GLG Funds for which the related fund boards of directors had suspended redemptions, which had decreased to approximately \$0.3 billion of AUM as of September 30, 2009. The funds included: The GLG MMI Enhanced II Fund, GLG Global Utilities Fund, GLG Credit Fund, GLG MMI Enhanced Fund, and GLG Event Driven Fund. We continue to receive full management and administration fees related to these funds; and

side-pocketing certain illiquid private placement and other not readily realizable investments, including claims to recover assets, cash or receivables from LBIS. Certain GLG Funds have and may in the future side-pocket certain private placement and other not readily realizable investments into separate special asset vehicles, providing investors with illiquid interests in the new special asset vehicles in lieu of returning their invested capital. As fund investors suffer a reduced ability to withdraw their original investments from the GLG Funds due to this side pocketing, our reputation may be subject to substantial damage. This reputational harm may hinder our ability to obtain new investments and may prompt investors to redeem their existing investments in other GLG Funds or managed accounts.

Damage to our reputation as a result of these or other factors could have a material adverse effect on our business, results of operations or financial condition.

**Table of Contents*****Operational risks may disrupt our business, result in losses or limit our growth.***

We rely heavily on our financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our business, liability to the GLG Funds, regulatory intervention or reputational damage.

In addition, we operate in a business that is highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on us.

Furthermore, we depend on our office in London, where most of our personnel are located, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct our business, or directly affecting our London office, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Through outsourcing arrangements, we and the GLG Funds rely on third-party administrators and other providers of middle-and back-office support and development functions, such as prime brokers, custodians, market data providers and certain risk system, portfolio and management and telecommunications system providers. Any interruption in our ability to rely on the services of these third parties or deterioration in their performance could impair the quality (including the timing) of our services. Furthermore, if the contracts with any of these third-party providers are terminated, we may not find alternative outsource service providers on a timely basis or on equivalent terms. The occurrence of any of these events could have a material adverse effect on our business, results of operations or financial condition.

***Our business may suffer as a result of loss of business from key private and institutional investors.***

We generate a significant proportion of our revenue from a small number of our top clients. As of September 30, 2009, the assets of our top individual client accounted for approximately 4% of our net AUM. As of September 30, 2009, our largest institutional investor account represented approximately 11% of our net AUM, with the top ten accounts collectively contributing approximately 47% of our net AUM. The loss of all or a substantial portion of the business provided by one or more of these clients would have a material impact on the income we derive from management and performance fees and consequently have a material adverse effect on our business, results of operations or financial condition. We may be subject to regulatory investigation or enforcement action or a change in regulation in the jurisdictions in which we operate.

***We are subject to substantial litigation and regulatory enforcement risks, and we may face significant liabilities and damage to our professional reputation as a result of litigation allegations or regulatory investigations and the attendant negative publicity.***

The investment decisions we make in our asset management business subject us to the risk of regulatory investigations and enforcement actions in connection with our investment activities, as well as third-party litigation arising from investor dissatisfaction with the performance of those investment funds and a variety of other litigation claims. In general, we are exposed to risk of litigation by GLG Fund investors if a GLG Fund suffers losses resulting from the negligence, willful default, bad faith or fraud of the manager or the service providers to whom the manager has delegated responsibility for the performance of its duties. We have in the past been, and we may in the future be, the subject of investigations and enforcement actions by regulatory authorities resulting in fines and other penalties, which may be harmful to our reputation, as well as our business, results of operations or financial condition.

On January 25, 2008, the Autorité des Marchés Financiers ( AMF ), the French securities regulator, notified us of proceedings relating to GLG's trading in the shares of Infogrames Entertainment ( Infogrames ) on February 8 and 9, 2006, prior to the issuance by Infogrames on February 9, 2006 of a press release announcing poor financial results.

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AMF's decision to initiate an investigation into GLG's trades in Infogrames was based on a November 19, 2007 report prepared by the AMF's Department of Market Investigation and Supervision (the Infogrames Report). According to the Infogrames Report, the trades challenged by the AMF generated an unrealized capital gain for GLG as of the opening on February 10, 2006 of \$179,000. The AMF investigation of us relates solely to the conduct of a former employee; however, we were named as the respondent. If sustained, the charge against us could give rise to an administrative fine under French securities laws up to ten times the alleged illicit gains, as well. We filed our response to the Infogrames Report on May 23, 2008. On September 24, 2009, the Rapporteur issued a written report, concluding that we did not engage in any wrongdoing and recommending that the AMF dismiss the case against us. A hearing before the *Commission des Sanctions* of the AMF is scheduled for November 12, 2009.

As a result of regulatory actions, increased litigation in the financial services industry or other reasons, we could be subject to civil liability, criminal liability or sanctions (including revocation of the licenses of our employees or limited partners), censures fines, or temporary suspension or permanent bar from conducting business. Regulatory proceedings could also result in adverse publicity or negative perceptions regarding our business and divert management's attention from the day-to-day management of our business. Any regulatory investigations, proceedings, consequent liabilities or sanctions could have a material adverse effect on our business, results of operations or financial condition.

In addition, we are exposed to risks of litigation or investigation relating to transactions which present conflicts of interest that are not properly addressed. In such actions, we would be obligated to bear legal, settlement and other costs (which may be in excess of available insurance coverage). Although we would be indemnified by the GLG Funds, our rights to indemnification may be challenged. If we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from the GLG Funds, our results of operations, financial condition and liquidity would be materially adversely affected. Each of the GLG Funds is structured as a limited liability company or unit trust, incorporated in the Cayman Islands, Ireland or Luxembourg. The laws of these jurisdictions, particularly with respect to shareholders rights, partner rights and bankruptcy, differ from the laws of the United States and could change, possibly to the detriment of the GLG Funds and us.

***We are subject to intense competition and could lose business to our competitors.***

The asset management industry is extremely competitive. Competition includes numerous national, regional and local asset management firms and broker-dealers, commercial bank and thrift institutions, and other financial institutions. Many of these organizations offer products and services that are similar to, or compete with, those offered by us and have substantially more personnel and greater financial resources than we do. Our key areas for competition include historical investment performance, our ability to source investment opportunities, our ability to attract and retain the best investment professionals, quality of service, the level of fees generated or earned by our managers and our investment managers' stated investment strategy. We also compete for investment assets with banks, insurance companies and investment companies. Our ability to compete may be adversely affected if we underperform in comparison to relevant benchmarks or peer groups.

The competitive market environment may result in increased pressure on revenue margins (e.g., by the provision of management fee rebates). Our profit margins and earnings are dependent in part on our ability to maintain current fee levels for the products and services that we offer. In the current environment, many competitor asset managers have experienced substantial declines in investment performance, increased redemptions, or counterparty exposures which impair their businesses. Some of these asset managers have reduced their fees in an attempt to avoid additional redemptions. Competition within the alternative asset management industry could lead to pressure on us to reduce the fees that we charge our clients for products and services. A failure to compete effectively in this environment may result in the loss of existing clients and business, and of opportunities to capture new business, each of which could have a material adverse effect on our business, results of operations or financial condition.

Furthermore, consolidation in the asset management industry may accelerate, as many asset managers are unable to withstand the substantial declines in investment performance, increased redemptions, and other pressures impacting their businesses, including increased regulatory, compliance and control requirements. Some of our competitors may acquire or combine with other competitors. The combined business may have greater resources than we do and may



be able to compete more effectively against us and acquire rapidly significant market share.

**Table of Contents*****Certain of our investment management and advisory agreements are subject to termination on short notice.***

Institutional and individual clients, and firms and agencies with which we have strategic alliances, can terminate their relationships with us for various reasons, including unsatisfactory investment performance, interest rate changes and financial market performance. Termination of these relationships could have a material adverse effect on our business, results of operations and financial condition. Each of the GLG Funds has appointed either GLG Partners (Cayman) Limited (in the case of Cayman Islands funds and the Luxembourg fund) or GLG Partners Asset Management Limited (in the case of the Irish funds) as the manager under the terms of a management agreement, which is terminable on not less than 30 days' written notice by either party (i.e., the fund or the manager) or immediately in certain circumstances. For each GLG Fund, the manager has appointed GLG Partners LP as investment manager under the terms of an investment management agreement, which is terminable on not less than 30 days' written notice by either party (i.e., the manager or the investment manager) or immediately in certain circumstances. The articles of association of each GLG Fund generally provide that the fund cannot terminate the management agreement unless holders of not less than 50% of the outstanding issued share capital (or in certain GLG Funds, voting shares) have previously voted in favor of the termination at a general meeting of the fund.

***The historical returns attributable to the GLG Funds may not be indicative of our future results or of any returns expected on an investment in our common stock.***

The historical and potential future returns of the GLG Funds are not directly linked to returns on our capital. Therefore, you should not conclude that continued positive performance of the GLG Funds will necessarily result in positive returns on an investment in our common stock. However, poor performance of the GLG Funds would cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and in all likelihood the returns on an investment in our common stock.

***Our insurance arrangements may not be adequate to protect us.***

Our business entails the risk of liability related to litigation from clients or third-party vendors and actions taken by regulatory agencies. There can be no assurance that a claim or claims will be covered by insurance or, if covered, will not exceed the limits of available insurance coverage, or that any insurer will remain solvent and will meet its obligations to provide us with coverage or that insurance coverage will continue to be available with sufficient limits at a reasonable cost. Renewals of insurance policies may expose us to additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability. The future costs of maintaining insurance or meeting liabilities not covered by insurance could have a material adverse effect on our business, results of operations or financial condition.

***We use substantial amounts of leverage to finance our business, which exposes us to substantial risks.***

We have used a significant amount of borrowings to finance our business operations as a public company, including for the provision of working capital, warrant and share repurchases, making minimum tax distributions and limited partner profit share distributions, acquisition financing and general business purposes. This exposes us to the typical risks associated with the use of substantial leverage, including those discussed below under Risks Related to the GLG Funds. There are risks associated with the GLG Funds' use of leverage. These risks could result in an increase in our borrowing costs and could otherwise adversely affect our business in a material way. In addition, when our credit facilities expire, we will need to negotiate new credit facilities with our existing lenders, replace them by entering into credit facilities with new lenders or find other sources of liquidity, and there is no guarantee that we will be able to do so on attractive terms or at all, particularly given the current crisis in the credit markets. See Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 for a further discussion of our liquidity.

***An increase in our borrowing costs may adversely affect our earnings and liquidity.***

In 2007, we borrowed an aggregate of \$570.0 million under our revolving credit and term loan facilities of which approximately \$307.8 million was outstanding as of September 30, 2009. When these facilities become due on November 2, 2012, we will be required to refinance them by entering into new credit facilities or issuing debt securities,



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which could result in higher borrowing costs, or issuing equity, which would dilute existing stockholders. We could also repay some or all of the revolving credit and term loan facilities by using cash on hand or cash from the sale of our assets provided sufficient cash and/or assets are available for such purposes. No assurance can be given that we will be able to enter into new credit facilities or issue debt or equity securities in the future on attractive terms, or at all, particularly given the current crisis in the credit markets, or that we will have sufficient cash on hand to repay the revolving credit and term loan facilities.

The term loans and revolving Loans bear interest at a floating interest rate (currently 2.74%) based on 1-month LIBOR plus the applicable margin of 2.50%. Under the amended Credit Agreement, the interest rate is a base rate plus an applicable margin equal to (1) 1.50% when interest is determined by reference to Citibank's base rate, the adjusted certificate of deposit rate or the federal funds effective rate and (2) 2.50% when interest is determined by reference to LIBOR, in each case, subject to certain adjustments under the Credit Agreement. As such, the interest expense we incur will vary with changes in the applicable base rate. An increase in interest rates would adversely affect the market value of any fixed-rate debt investments and/or subject them to prepayment or extension risk, which may adversely affect our earnings and liquidity.

***If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.***

A person will generally be deemed to be an investment company for purposes of the Investment Company Act, if: it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or

absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing asset management and financial advisory services and not in the business of investing, reinvesting or trading in securities. We also believe that the primary source of income from our business will be properly characterized as income earned in exchange for the provision of services. We are an asset management and financial advisory firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an orthodox investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above. Further, we have no material assets other than our equity interests in our subsidiaries, which in turn have no material assets, other than equity interests in other subsidiaries and inter-company debt. We do not believe our equity interests in our subsidiaries or the equity interests of these subsidiaries in our subsidiaries are investment securities. Moreover, because we believe that the subscriber shares in certain GLG Funds are neither securities nor investment securities, we believe that less than 40% of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities. Accordingly, we do not believe that we are an inadvertent investment company by virtue of the 40% test in Section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit prohibited transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause us to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates (including our subsidiaries) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among us, our subsidiaries and our senior managing directors, or any combination thereof, and materially adversely affect our business, financial



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condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

Recently, legislation was proposed in the U.S. that would subject hedge funds and private investment funds to increased SEC regulation and oversight by removing the exceptions from the definition of investment company typically relied upon by hedge funds to avoid any of the requirements of the Investment Company Act and instead replacing them with exemptions from certain of the requirements of the Investment Company Act. As a result, these hedge funds and private investment funds would be investment companies for purposes of the Investment Company Act. The proposed legislation would require that hedge funds or private investment funds that are investment companies with at least \$50 million in assets or AUM must meet the following additional conditions in order to maintain the exemption under the Investment Company Act:

registration with the SEC;

maintaining books and records required by the SEC;

cooperation with SEC examination or information requests;

filing of annual public information statements which would include, among other things:

the names and addresses of beneficial owners, any company with an ownership interest in the fund and the fund's primary accountant and primary broker;

an explanation of the structure of ownership in the fund;

a statement of any minimum required investment;

the total number of limited partners, members or other investors; and

the current value of the fund's assets and AUM; and

the establishment of certain anti-money laundering programs, policies and procedures that are reasonably designed to identify non-U.S. investors and their beneficial owners.

Should this legislation be adopted, the GLG Funds may become subject to these additional registration, reporting and other requirements. As a result, our compliance costs and burdens may increase and the additional restrictions and requirements may constrain our ability to conduct our business as currently conducted, which may adversely affect our business, results of operations or financial condition.

***We and the GLG Funds may become subject to additional regulations which could increase the costs and burdens of compliance or impose additional restrictions which could have a material adverse effect on our business and the performance of the GLG Funds.***

We may need to modify our strategies, businesses or operations, face increased constraints or incur additional costs in order to satisfy new regulatory requirements or to compete in a changed business environment.

Our business is subject to regulation by various regulatory authorities that are charged with protecting the interests of our customers. The activities of certain GLG entities are regulated primarily by the Financial Services Authority ( FSA ) in the United Kingdom and are also subject to regulation in the various other jurisdictions in which it operates, including the Irish Financial Services Regulatory Authority, the Cayman Islands Monetary Authority and the Commission de Surveillance du Secteur Financier in Luxembourg. The activities of GLG Inc. are regulated by the SEC following its registration as a U.S. investment adviser in January 2008. In addition, the GLG Funds are subject to regulation in the jurisdictions in which they are organized. These and other regulators in these jurisdictions have broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to make

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inquiries of companies regarding compliance with applicable regulations, to grant and in specific circumstances to vary or cancel permits and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. We are also subject to applicable anti-money laundering regulations and net capital requirements in the jurisdictions in which we operate.

In addition, the regulatory environment in which we operate frequently changes and has seen significant increased regulation in recent years. We may be materially adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.

Our industry has been and may continue to be subject to increased regulation and public scrutiny. Such additional regulation could, among other things, increase our compliance costs or limit our ability to pursue investment opportunities. Recent rulemaking by the SEC, FSA and other regulatory authorities outside the United States and the United Kingdom, have imposed trading restrictions and reporting requirements on short selling, which have impacted certain of the investment strategies of the GLG Funds and managed accounts, and continued restrictions on or further regulations of short sales could negatively impact the performance of the GLG Funds and managed accounts.

The regulatory environment continues to be turbulent as regulators globally respond to the financial crisis. There is an extraordinary volume of regulatory discussion papers, draft directives and proposals being issued globally and these initiatives are not always coordinated. Further, while all of the major reports that analyzed the crisis in-depth, including the de Larosiere report and the Turner Review, concluded that hedge funds neither caused nor played a significant role in the crisis, we have to be aware that hedge funds are still under the spotlight and seem to be the subject of political and media rhetoric in Europe.

Currently, work is being undertaken by the G20, IOSCO and the Financial Stability Board. The European Commission has issued a draft Directive on Alternative Investment Fund Managers, recommendations on directors pay and pay for the financial services sector and proposals on packaged retail investment products. In addition, the FSA has issued a discussion paper entitled A Regulatory Response to the Global Banking Crisis (which accompanied the Turner Review) as well as undertaking an exercise to collect data to assess the systemic risk that hedge funds may or may not pose. The Bank of England is also collecting data on the systemic risk of hedge funds.

Should we or the GLG Funds become subject to such additional regulations, our business could be significantly curtailed and our performance may be adversely affected.

***Risks Related to the GLG Funds***

We currently derive our revenues from management fees and administration fees based on the value of the assets under management in the GLG Funds and the accounts managed by us, and performance fees based on the performance of the GLG Funds and the accounts managed by us. Our stockholders are not investors in the GLG Funds and the accounts managed by us, but rather stockholders of a U.S.-listed asset manager. Our revenues could be adversely affected by many factors that could reduce assets under management or negatively impact the performance of the GLG Funds and accounts managed by us.

***Valuation methodologies for certain assets in the GLG Funds can be subject to significant subjectivity.***

In calculating the net asset values of the GLG Funds, administrators of the GLG Funds may rely on methodologies for calculating the value of assets in which the GLG Funds invest that we or other third parties supply. Such methodologies are advisory only but are not verified in advance by us or any third party, and the nature of some of the funds' investments is such that the methodologies may be subject to significant subjectivity and little verification or other due diligence and may not comply with generally accepted accounting practices or other valuation principles. Any allegation or finding that such methodologies are or have become, in whole or in part, incorrect or misleading could have an adverse effect on the valuation of the relevant GLG Funds and, accordingly, on the management fees and any performance fees receivable by us in respect of such funds.

**Table of Contents*****Some of the GLG Funds and managed accounts are subject to emerging markets risks.***

Some of the GLG Funds and managed accounts invest in sovereign debt issues by emerging market countries as well as in debt and equity investments of companies and other entities in emerging markets. Many emerging markets are developing both economically and politically and may have relatively unstable governments and economies based on only a few commodities or industries. Many emerging market countries do not have firmly established product markets, and companies may lack depth of management or may be vulnerable to political or economic developments such as nationalization of key industries. Investments in companies and other entities in emerging markets and investments in emerging market sovereign debt may involve a high degree of risk and may be speculative. Risks include (1) greater risk of expropriation, confiscatory taxation, nationalization, social and political instability (including the risk of changes of government following elections or otherwise) and economic instability; (2) the relatively small current size of some of the markets for securities and other investments in emerging markets issuers and the current relatively low volume of trading, resulting in lack of liquidity and in price volatility; (3) certain national policies which may restrict a GLG Fund's or a managed account's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; (4) the absence of developed legal structures governing private or foreign investment and private property; (5) the potential for higher rates of inflation or hyper-inflation; (6) currency risk and the imposition, extension or continuation of foreign exchange controls; (7) interest rate risk; (8) credit risk; (9) lower levels of democratic accountability; (10) differences in accounting standards and auditing practices which may result in unreliable financial information; and (11) different corporate governance frameworks. The emerging markets risks described above increase counterparty risks for the GLG Funds and managed accounts investing in those markets. In addition, investor risk aversion to emerging markets can have a significant adverse affect on the value and/or liquidity of investments made in or exposed to such markets and can accentuate any downward movement in the actual or anticipated value of such investments which is caused by any of the factors described above.

Emerging markets are characterized by a number of market imperfections, analysis of which requires experience in the market and a range of complementary specialist skills. These inefficiencies include (1) the effect of politics on sovereign risk and asset price dynamics; and (2) institutional imperfections in emerging markets, such as deficiencies in formal bureaucracies, historical or cultural norms of behavior and access to information driving markets. While we seek to take advantage of these market imperfections to achieve investment performance for the GLG Funds and managed accounts, we cannot guarantee that we will be able to do so in the future. A failure to do so could have a material adverse effect on our business, growth prospects, net inflows of AUM, revenues, results of operations and/or financial condition.

***Many of the GLG Funds invest in foreign countries and securities of issuers located outside of the United States and the United Kingdom, which may involve foreign exchange, political, social and economic uncertainties and risks.***

Many of the GLG Funds invest a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States and the United Kingdom. In addition to business uncertainties, such investments may be affected by changes in exchange values as well as political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States and the United Kingdom, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly with respect to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Restrictions imposed or actions taken by foreign governments may adversely impact the value of our fund investments. Such restrictions or actions could include exchange controls, seizure or nationalization of foreign deposits and adoption of other governmental restrictions which adversely affect the prices of securities or the ability to repatriate profits on investments or the capital invested itself. Income received by the GLG Funds from sources in some countries may be reduced by withholding and other taxes. Any such taxes paid by a GLG Fund will reduce the net income or return from such investments. While the GLG Funds will take these factors into consideration in making investment decisions, including when hedging positions, no assurance can be given that the GLG Funds will be able to fully avoid these risks or generate sufficient risk-adjusted returns.





**Table of Contents*****There are risks associated with the GLG Funds' investments in high yield and distressed debt.***

The GLG Funds may invest in obligors and issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive problems, or in obligors and issuers that are involved in bankruptcy or reorganization proceedings. Among the problems involved in investments in troubled obligors and issuers is the fact that it may frequently be difficult to obtain full information as to the conditions of such obligors and issuers. The market prices of such investments are also subject to abrupt and erratic market movements and significant price volatility, and the spread between the bid and offer prices of such investments may be greater than normally expected. It may take a number of years for the market price of such investments to reflect their intrinsic value. Some of the investments held by the GLG Funds may not be widely traded, and depending on the investment profile of a particular GLG Fund, that fund's exposure to such investments may be substantial in relation to the market for those investments. In addition, there is no recognized market for some of the investments held in GLG Funds, with the result that such investments are likely to be illiquid. As a result of these factors, the investment objectives of the relevant funds may be more difficult to achieve.

***Fluctuations in interest rates may significantly affect the returns derived from the GLG Funds' investments.***

Fluctuations in interest rates may significantly affect the return derived from investments within the GLG Funds, as well as the market values of, and the corresponding levels of gains or losses on, such investments. Such fluctuations could materially adversely affect investor sentiment towards fixed income and convertible debt instruments generally and the GLG Funds in particular and consequently could have a material adverse effect on our business, results of operations or financial condition.

***The GLG Funds are subject to risks due to potential illiquidity of assets.***

The GLG Funds may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which it may be a party, and changes in industry and government regulations. It may be impossible or costly for the GLG Funds to liquidate positions rapidly in order to meet margin calls, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. Moreover, these risks may be exacerbated for the GLG Funds that are funds of hedge funds. For example, if one of these funds of hedge funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for these funds of hedge funds would be compounded.

***There are risks associated with the GLG Funds' use of leverage.***

The GLG Funds have, and may in the future, use leverage by borrowing on the account of funds on a secured and/or unsecured basis and pursuant to repurchase arrangements and/or deferred purchase agreements.

Leverage can also be employed in a variety of other ways including margining (that is, an amount of cash or securities an investor deposits with a broker when borrowing to buy investments) and the use of futures, warrants, options and other derivative products. Generally, leverage is used with the intention of increasing the overall level of investment in a fund. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as leverage can increase the fund's market exposure and volatility. For instance, a purchase or sale of a leveraged investment may result in losses in excess of the amount initially deposited as margin for the investment. This increased market exposure and volatility could have a material adverse effect on the return of the funds.

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***In the current tight credit environment, the GLG Funds and accounts we manage may not be able to obtain credit for leveraging or hedging purposes at the same level or cost as they have in the past, which could have a material adverse effect on the performance of the GLG Funds and managed accounts.***

Following the failure of Lehman Brothers and the acquisitions of Bear Stearns and Merrill Lynch, there has been a significant consolidation in the financial services industry and there are fewer prime brokers available to service hedge funds and other investment funds. The remaining prime brokers are reducing significantly the amount of credit available to such funds, including the GLG Funds and managed accounts, for leveraging or hedging purposes or imposing stricter margin and other terms on such borrowings. As a result, the GLG Funds and managed accounts may not be able to employ leveraging or hedging strategies to the same degree as in the past to increase the overall level of investments in the funds to generate higher returns or to use futures, warrants, options and other derivative products to hedge those investments. In addition, the increased financing costs of employing such leveraging or hedging strategies may partially or entirely offset any potential performance gains to be derived from the leveraging or hedging strategy employed by the GLG Funds and managed accounts. These limitations and costs could have a material adverse effect on the returns generated by the GLG Funds and managed accounts.

In addition, the special assets vehicles into which certain private placement and other not readily realizable investments in the portfolios of several of the GLG Funds were contributed may not be able to obtain credit to implement hedging strategies with regard to these investments to the same extent as when these investments formed part of the portfolios of the main GLG Funds. The inability to hedge these investments could negatively impact the investment returns obtained by the special assets vehicles. Previously, when these investments were included in the broader portfolio of a particular GLG Fund, the GLG Fund was able to borrow against those investments in order to implement its leveraging and hedging strategies.

***There are risks associated with the GLG Funds' investments in derivatives.***

The GLG Funds may make investments in derivatives. These investments are subject to a variety of risks. Examples of such risks may include, but are not limited to:

limitation of risk assessment methodologies. Decisions to enter into these derivatives and other securities contracts will be based on estimates of returns and probabilities of loss derived from our own calculations and analysis. There can be no assurance that the estimates or the methodologies, or the assumptions which underlie such estimates and methodologies, will turn out to be valid or appropriate;

risks underlying the derivative and securities contracts. A general rise in the frequency, occurrence or severity of certain non-financial risks such as accidents and/or natural catastrophes will lead to a general decrease in the returns and the possibility of returns from these derivatives and securities contracts, which will not be reflected in the methodology or assumption underlying the analysis of any specific derivative or securities contract; and

particular risks. The particular instruments in which we will invest on behalf of the GLG Funds may produce an unusually and unexpectedly high amount of losses, which will not be reflected in the methodology or assumptions underlying the analysis of any specific derivative or securities contract.

***The GLG Funds and accounts we manage are subject to risks in using prime brokers, custodians, administrators and other agents.***

All of the GLG Funds and managed accounts depend on the services of prime brokers, custodians, administrators and other agents and third parties in connection with certain securities transactions. As a result of ongoing consolidation in the financial services industry, our access to certain financial intermediaries, such as prime brokers or trading counterparties, may be reduced or eliminated. This may reduce our ability to diversify the exposures of the GLG Funds and managed accounts to these intermediaries which may increase operational risks or transaction costs, which may result in lower investment performance by the GLG Funds and managed accounts. In addition, the smaller number of service providers may result in tighter terms for transactions with the GLG Funds and managed accounts and the loss of specialized expertise with certain products used by the GLG Funds and managed accounts.

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***Following the collapse of Lehman Brothers, the GLG Funds and several GLG clients with managed accounts have claims as creditors and/or as trust asset claimants against Lehman Brothers International (Europe) ( LBIE ) and, in some cases, other Lehman Brothers entities. These claims will likely take an extended period of time to resolve and, in some cases, may remain unsatisfied. There are also a number of open factual and legal issues surrounding such claims.***

On September 15, 2008, Lehman Brothers Holdings Inc. (the ultimate parent company of the UK Lehman Brothers firms) filed for Chapter 11 bankruptcy in the United States and LBIE, the principal European broker-dealer for the Lehman Brothers group, was placed into administration by order of the English court. Lehman Brothers prime brokerage unit in the United Kingdom was one of the business groups forming part of LBIE. Other Lehman Brothers entities have also filed for or commenced insolvency-related proceedings, including Lehman Brothers Inc. ( LBI ), Lehman Brothers U.S. broker-dealer.

Nearly all of the GLG Funds and several of the GLG institutional managed accounts at that time utilized LBIE as a prime broker. All of the GLG Funds and managed accounts at that time had LBIE, and a small number of GLG Funds and managed accounts had LBI, as a trading counterparty. In addition, all of GLG s private client managed accounts at that time used LBIE, and a small number of GLG s private clients additionally used LBI, as a custodian and broker for their accounts.

As a consequence of LBIE being in administration, the GLG Funds and, to the best of our knowledge, the managed accounts which used LBIE as a prime broker, have been unable to access their assets, including all securities and cash, deposited with LBIE. The appointment of the joint administrators in respect of LBIE triggered defaults under certain agreements between each GLG Fund and LBIE, including certain trading agreements, resulting in either (i) automatic termination of these agreements or (ii) the entitlement of the relevant GLG Fund to terminate the relevant agreement. The GLG Funds have in general elected to terminate their agreements with LBIE to quantify amounts owing to and from LBIE under trading agreements, reduce market risks, reduce exposure to a net amount, limit LBIE s rights and/or crystallize rights and obligations between the parties with a view to allowing LBIE to release assets, among other factors. In addition, in certain limited cases, GLG Funds have established side pockets or otherwise restructured to compartmentalize the potential impact of the LBIE administration on their investors.

The net direct exposure of each GLG Fund to LBIE and the other entities in the Lehman Brothers group is reflected in the net asset value of each fund and carried at fair value. The fair value of the exposure is determined on the basis of the best information available to us from time to time, legal and professional advice obtained for the purpose of determining the rights and obligations of each GLG Fund, and on the basis of a number of assumptions which we believe to be reasonable, including that:

amounts which LBIE was required to treat as client money under the rules of the U.K. Financial Services Authority and not use in the course of its business were and are, in fact, so held, and that any shortfall in recoveries of client monies will not exceed reserves established to date by the GLG Funds;

even though LBIE or its affiliates may be entitled to withhold assets to satisfy any net indebtedness owed to them, there will be no material shortfall in the recovery of assets held on trust by LBIE as a custodian, or by LBI as a sub-custodian for LBIE, or by any other sub-custodian appointed by LBIE with regard to the assets of a GLG Fund, and, to the extent there is a shortfall, GLG Funds will be able to effect setoff against and to the extent of any amount owing by a GLG Fund to LBIE;

the information we have received to date from the administrators of LBIE in relation to the re-hypothecation of GLG Fund assets by LBIE is true and accurate;

unsettled transactions between GLG Funds and LBIE at the time LBIE entered into administration proceedings will be determined on the basis of a cash settlement of those trades, in accordance with contractual agreements between the affected GLG Fund and LBIE, or cancelled, in each case, as determined by us;

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the cash settlement amounts for terminated over-the-counter derivatives and other transactions will be as determined by us in accordance with contractual documentation;

the recovery on amounts estimated to be unsecured claims against LBIE will not be materially greater or lesser than currently estimated by the GLG Funds; and

there are no other facts or factors, which if known to us, would lead us to conclude that the business of LBIE was conducted otherwise than in accordance with the contractual documentation or that any of our assumptions is incorrect.

The fair value of the exposure is reviewed regularly, including the assumptions, with the relevant GLG Funds directors, independent fund administrator and independent auditors, and updated as necessary.

In July 2009, the administrators of LBIE announced a plan for the return of assets held on trust by LBIE. The plan envisioned asking the courts in the U.K. to sanction a scheme of arrangement under the U.K. Companies Act that, if approved by the requisite majorities of trust creditors and sanctioned by the courts, would be binding on all trust creditors, even those who voted against it. The U.K. courts have determined that they would not have jurisdiction to sanction such a scheme of arrangement. Accordingly, the administrators of LBIE have proposed as an alternative to the scheme of arrangement, a voluntary contractual scheme which would be binding only on those who choose to participate in it. We expect the voluntary scheme to be formally proposed before the end of 2009. If approved by the requisite majorities of trust creditors, the voluntary scheme would crystallize claims and permit the administrators to begin to return assets during the first half of 2010. It is not possible to say with certainty if or when the voluntary scheme will be approved, whether the above assumptions will be validated, or whether the size of the GLG Funds apparent entitlement should be adjusted upwards or downwards and the extent to which the GLG Funds claims will be accepted or disputed. It is possible that, in respect of some or all of the long positions owned by GLG Funds, the GLG Funds will not receive the return of these assets from Lehman Brothers and may instead be exposed as a general creditor of one or more of the insolvent Lehman Brothers entities. Accordingly, until we are able to fully reconcile our information and assumptions with the administrators of LBIE and/or resolve any outstanding commercial and legal disagreement or uncertainties with LBIE, or until the voluntary scheme is approved, the GLG Funds claims made final and accepted, and distributions under the voluntary scheme completed, these estimates could change or the assumptions may prove to be incorrect, and the estimated exposure of the GLG Funds could be materially greater or lesser.

We are unable to estimate the exposure our institutional managed accounts have to LBIE as a prime broker because the clients in these cases maintain the relationships with their third party service providers, such as prime brokers, custodians and administrators, nor do we have access to the terms of their agreements with LBIE or know the extent of exposure these clients may have to LBIE outside of their managed account with us.

As a consequence of the administration of LBIE and the liquidation proceedings under the Securities Investor Protection Act of 1970, as amended, of LBI, our private clients have been unable to access their assets, including all securities and cash, in their respective accounts with LBIE or LBI managed by us. To the extent our private clients assets constitute securities held in custody by LBIE or LBI, we believe the clients should recover these securities to the extent these securities do not collateralize amounts owing by our clients to LBIE or LBI. To the extent our private clients assets constitute cash held by LBIE as client money, we believe the clients should recover in the same proportion as all LBIE clients recover client money, with any shortfall possibly (but we cannot say with certainty) resulting in an unsecured claim against the LBIE estate. To the extent private clients are owed amounts under trading contracts with LBIE or LBI, we believe such amounts will constitute unsecured claims against LBIE or LBI, as the case may be. Notwithstanding the foregoing, the position of any individual private client will depend on the facts and circumstances surrounding such private client's claims, as well as their particular legal rights and obligations pursuant to their agreements with LBIE or LBI.

The GLG Funds and managed accounts have, in the aggregate, recognized losses as a result of the foregoing and, the GLG Funds and managed accounts may incur additional losses if our estimates change and/or the assumptions we

have made or outside opinions we have obtained prove incorrect. In any event, the GLG Funds and managed accounts will suffer substantial delay before there is a final resolution as to exposure and the ultimate recovery. If our clients, including the GLG Funds and managed accounts, do not fully recover their assets, suffer losses or substantial

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delays, they might redeem their investments, lose confidence in us and or make claims against us, our affiliates and/or the GLG Funds.

***The GLG Funds and accounts we manage are subject to counterparty risk with regard to over-the-counter instruments and other swap or hedging transactions. The actual or perceived weakness of counterparties could increase the exposure of the GLG Funds and managed accounts to these counterparty and credit risks.***

In light of the recent instability of the financial markets, the GLG Funds and managed accounts also face the increased risk of potential bankruptcies or significant credit deterioration of major financial institutions, including prime brokers, custodians and other agents, some of which have substantial relationships with the GLG Funds and managed accounts, increasing exposure to the related counterparty risks. Furthermore, the combinations of financial service firms announced in the third and fourth quarters of 2008 have increased the concentration of counterparty risk for the GLG Funds and managed accounts. The credit quality of these exposures may be affected by many factors, such as economic and business conditions or deterioration in the financial condition of an individual counterparty, group of counterparties or asset classes. Difficulties of this nature affecting counterparties have the potential to result in significant exposures, whether counterparty, credit or otherwise, for the GLG Funds and managed accounts and negatively impact our business and results of operations.

In the event of the insolvency of any counterparty or any prime broker or custodian, the GLG Funds and managed accounts may only rank as unsecured creditors in respect of sums due to them or may be exposed to the under-segregation of assets, fraud or other factors which may result in the recovery of less than all of the property of the GLG Funds or managed accounts than was held in custody or safekeeping. Any losses will be borne by the GLG Funds and managed accounts and there could be a substantial delay in recovering these assets. In addition, cash held by the GLG Funds and managed accounts with a prime broker or custodian may not be segregated from the prime broker's or custodian's own cash, and the GLG Funds and managed accounts may therefore rank as unsecured creditors in relation thereto. Defaults by, or even rumors or questions about, the solvency of counterparties with which we execute transactions on behalf of the GLG Funds and managed accounts may increase operational risks or transaction costs, which may result in lower investment performance by the GLG Funds and managed accounts.

The GLG Funds and managed accounts may also enter into currency, interest rate, total return or other swaps which may be surrogates for other instruments such as currency forwards and interest rate options. The value of such instruments, which generally depends upon price movements in the underlying assets as well as counterparty risk, will influence the performance of the GLG Funds and managed accounts and, therefore, a decrease in the value of such instruments could have a material adverse effect on our business, results of operations or financial condition. In particular, certain GLG Funds frequently trade in debt securities and other obligations, either directly or on an assignment basis. Consequently, those GLG Funds will be subject to risk of default by the debtor or obligor in relation to their debt securities and other obligations, which could result in lower investment performance by those GLG Funds and have a material adverse effect on our business, results of operations or financial condition.

***The GLG Funds and managed accounts are subject to systemic risk due to the interconnectedness and recent consolidation of financial institutions as the failure of any one institution may expose the GLG Funds and managed accounts to risk of loss.***

The financial markets generally are characterized by extensive interconnections among financial institutions. These interconnections present significant risks to the GLG Funds and managed accounts as the failure or perceived weakness of any counterparties has the potential to expose the GLG Funds and managed accounts to risk of loss. Financial institutions, including banks, broker-dealers and insurance companies, have historically been the most significant counterparties of the GLG Funds and managed accounts. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This systemic risk may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the GLG Funds and managed accounts interact on a daily basis.

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***Concerns of counterparties about the financial strength of the GLG Funds and managed accounts may impact their willingness to enter into transactions with the GLG Funds and managed accounts.***

If the GLG Funds and managed accounts experience diminished financial strength or stability, actual or perceived, including due to market or regulatory developments, business developments or results of operations, counterparties may become less willing to enter into transactions with the GLG Funds and managed accounts or our ability to enter into financial transactions on behalf of the GLG Funds and managed accounts on terms acceptable to us may be materially compromised.

***GLG Fund investments are subject to numerous additional risks.***

GLG Fund investments, including investments by its external fund of hedge funds products in other hedge funds, are subject to numerous additional risks, including the following:

certain of the GLG Funds are newly established funds without any operating history or are managed by management companies or general partners who do not have a significant track record as an independent manager;

generally, there are few limitations on the execution of the GLG Funds' investment strategies, which are subject to the sole discretion of the management company of such funds;

the GLG Funds may engage in short-selling, which is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A GLG Fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the GLG Fund is otherwise unable to borrow securities that are necessary to hedge its positions;

credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This systemic risk may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the GLG Funds interact on a daily basis;

the efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. Trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the GLG Funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the GLG Funds might not be able to make such adjustment. As a result, the GLG Funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position; and

the investments held by the GLG Funds are subject to risks relating to investments in commodities, equities, bonds, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, credit market conditions, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, the assets of the GLG Funds are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing daily price fluctuation limits or daily limits, the existence of which may reduce liquidity or effectively curtail trading in particular markets.





**Table of Contents*****The due diligence process that we undertake in connection with investments by the GLG Funds may not reveal all facts that may be relevant in connection with an investment.***

Before making investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we carry out with respect to any investment opportunity may not reveal or highlight certain facts that could adversely affect the value of the investment.

***The GLG Funds make investments in companies that the GLG Funds do not control.***

Investments by most of the GLG Funds include debt instruments and equity securities of companies that the GLG Funds do not control. Such instruments and securities may be acquired by the GLG Funds through trading activities or through purchases of securities from the issuer. These investments are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by the GLG Funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

***Risk management activities may adversely affect the return on the GLG Funds investments.***

When managing their exposure to market risks, the GLG Funds may from time to time use forward contracts, options, swaps, credit default swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging or other derivative transactions generally will depend on the ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while the GLG Funds may enter into a transaction in order to reduce their exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

***The GLG Funds may be subject to U.K. tax if we do not qualify for the U.K. Investment Manager Exemption.***

Certain of the GLG Funds may, under U.K. tax legislation, be regarded as carrying on a trade in the United Kingdom through their investment manager, GLG Partners LP. It is our intention to organize our affairs such that neither the investment manager nor the group companies that are partners in the investment manager constitute a U.K. branch or permanent establishment of the GLG Funds by reason of exemptions provided by Section 127 of the Finance Act 1995 and Schedule 26 of the Finance Act 2003. These exemptions, which apply in respect of income tax and corporation tax respectively, are substantially similar and are each often referred to as the Investment Manager Exemption (IME).

We cannot assure you that the conditions of the IME will be met at all times in respect of every fund. Failure to qualify for the IME in respect of a fund could subject the fund to U.K. tax liability, which, if not paid, would become the liability of GLG Partners LP, as investment manager. This U.K. tax liability could be substantial.

In organizing our affairs such that we are able to meet the IME conditions, we will take account of a statement of practice published by the U.K. tax authorities that sets out their interpretation of the law. A revised version of this statement was published on July 20, 2007. The revised statement applies with immediate effect, but under grandfathering provisions we may follow the original statement in respect of the GLG Funds until December 31, 2009 and, therefore, the revised statement has no impact until 2010. Furthermore, we believe that the changes in practice that have been introduced will not have a material impact on our ability to meet the IME conditions in respect of the GLG Funds.

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**Risks Related to Our Organization and Structure**

***Since our principal operations are located in the United Kingdom, we may encounter risks specific to companies located outside the United States.***

Since our principal operations are located in the United Kingdom, we are exposed to additional risks that could negatively impact our future results of operations, including but not limited to:

tariffs and trade barriers;

regulations related to customs and import/export matters;

tax issues, such as tax law changes and variations in tax laws as compared to the United States;

cultural differences; and

foreign exchange controls.

***We are a controlled company within the meaning of the NYSE Listed Company Manual as of September 30, 2009 and, as a result, rely on exemptions from certain corporate governance standards, which may limit the presence of independent directors on our board of directors or board committees.***

Our Principals, the trustees of their respective trusts (the Trustees) and certain of the equity holders of the entities acquired in the Acquisition (the GLG Shareowners) who have entered into a voting agreement beneficially own shares of our common stock and Series A voting preferred stock which collectively represent approximately 50.2% of our voting power as of September 30, 2009. Accordingly, they have the ability to elect our board of directors and thereby control our management and affairs. Therefore, we are a controlled company for purposes of Section 303A of the NYSE Listed Company Manual as of September 30, 2009.

Under the NYSE rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a controlled company and is exempt from certain corporate governance requirements, including requirements that (1) a majority of the board of directors consist of independent directors, (2) compensation of officers be determined or recommended to the board of directors by a majority of its independent directors or by a compensation committee that is composed entirely of independent directors and (3) director nominees be selected or recommended for selection by a majority of the independent directors or by a nominating committee composed solely of independent directors. We currently utilize some of these exemptions. For example, we do not have a nominating committee. Accordingly, the procedures for approving significant corporate decisions can be determined by directors who have a direct or indirect interest in the matters and you do not have the same protections afforded to stockholders of other companies that are required to comply with the rules of the NYSE. In the event that the parties to the voting agreement cease to hold more than 50% of our voting power, we will cease being a controlled company and will no longer be exempt from the NYSE corporate governance requirements. Pursuant to Section 303A of the NYSE Listed Company Manual, we will need to phase in to full compliance with the NYSE corporate governance requirements, including having a fully independent nominating committee, within one year from the date our controlled company status changes.

Because of their ownership of approximately 50.2% of our voting power as of September 30, 2009, our Principals, their Trustees and certain other GLG Shareowners may also be able to determine the outcome of all matters requiring stockholder approval (other than those requiring a super-majority vote) and may be able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and could preclude any unsolicited acquisition of our company. In addition, because they collectively may determine the outcome of a stockholder vote, they could deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of our company, and that voting control could ultimately affect the market price of our common stock.

**Table of Contents*****Certain provisions in our organizational documents and Delaware law make it difficult for someone to acquire control of us.***

Provisions in our organizational documents make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. For example, our organizational documents require advance notice for proposals by stockholders and nominations, place limitations on convening stockholder meetings and authorize the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. In addition, our organizational documents require the affirmative vote of at least 66-2/3% of the combined voting power of all outstanding shares of our capital stock entitled to vote generally, voting together as a single class, to adopt, alter, amend or repeal our by-laws; remove a director (other than directors elected by a series of our preferred stock, if any, entitled to elect a class of directors) from office, with or without cause; and amend, alter or repeal certain provisions of our certificate of incorporation which require a stockholder vote higher than a majority vote, including the amendment provision itself, or to adopt any provision inconsistent with those provisions.

Because of their ownership of approximately 50.2% of our voting power as of September 30, 2009, the Principals, their Trustees and certain other GLG Shareowners may be able to determine the outcome of all matters requiring stockholder approval (other than those requiring a super-majority vote) and are able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and could preclude any unsolicited acquisition of our company. Certain provisions of Delaware law may also delay or prevent a transaction that could cause a change in our control. The market price of our shares could be adversely affected to the extent that the Principals control over us, as well as provisions of our organizational documents, discourage potential takeover attempts that our stockholders may favor.

***An active market for our common stock may not develop.***

Our common stock is currently listed on the NYSE and trades under the symbol GLG . However, we cannot assure you a regular trading market of our shares will develop on the NYSE or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot assure you of the likelihood that an active trading market for our shares will develop or be maintained, the liquidity of any trading market, your ability to sell your shares when desired, or at all, or the prices that you may obtain for your shares.

***The value of our common stock and warrants may be adversely affected by market volatility.***

Since the Acquisition, the market prices of our shares of common stock and warrants have experienced significant volatility and depreciation and they may continue to be subject to wide fluctuations or further declines. In addition, the trading volume in our shares and warrants may fluctuate and cause significant price variations to occur. If the market prices of our shares and warrants decline significantly, you may be unable to resell your shares and warrants at or above your purchase price, if at all. We cannot assure you that the market price of our shares and warrants will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our shares and warrants or result in fluctuations in the price or trading volume of our shares and warrants include:

variations in our quarterly operating results or dividends;

failure to meet analysts earnings estimates or failure to meet, or the lowering of, our own earnings guidance;

publication of research reports about us or the investment management industry or the failure of securities analysts to cover our shares;

additions or departures of the Principals and other key personnel;

adverse market reaction to any indebtedness we may incur or securities we may issue in the future;

actions by stockholders;

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changes in market valuations of similar companies;

speculation in the press or investment community;

changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;

adverse publicity about the asset management industry generally or individual scandals, specifically; and

general market and economic conditions, including the substantial volatility experienced in the financial markets in September 2008 and following months.

If prevailing market and business conditions or similar ones continue to exist or worsen, we could experience continuing or adverse effects on our business, results of operations or financial condition, which could significantly depress the trading price of our common stock.

***We have announced that we do not intend to pay, and may not be able to pay in the future, dividends on our common stock.***

As a holding company, our ability to pay dividends is subject to the ability of our subsidiaries to provide cash to us. We intend to distribute dividends to our stockholders and/or repurchase our common stock at such time and in such amounts to be determined by our board of directors. Accordingly, we expect to cause our subsidiaries to make distributions to their stockholders or partners, as applicable, in an amount sufficient to enable us to pay such dividends to our stockholders or make such repurchases, as applicable; however, no assurance can be given that such distributions or stock repurchases will or can be made. Our board can reduce or eliminate our dividend, or decide not to repurchase our common stock, at any time, in its discretion. For example, in December 2008, in light of the existing economic environment, our board determined not to continue paying a regular dividend on its common stock in order to retain capital. The board will consider re-establishing the regular quarterly dividend as well as the payment of a special dividend as and when it determines appropriate in the future. Under our amended credit agreement, we are prohibited from paying dividends to our stockholders until May 15, 2010 and thereafter, may only pay dividends if the outstanding principal amount of the revolving and term loans under our credit facility falls below \$200 million. Our subsidiaries will be required to make minimum tax distributions and intend to make limited partner profit share distributions to our key personnel pursuant to our limited partner profit share arrangement prior to distributing dividends to our stockholders or repurchasing our common stock. If our subsidiaries have insufficient funds to make these distributions, we may have to borrow funds or sell assets, which could materially adversely affect our liquidity and financial condition. In addition, our subsidiaries' earnings may be insufficient to enable them to make required minimum tax distributions or intended limited partner profit share distributions to their stockholders, partners or members, as applicable, because, among other things, our subsidiaries may not have sufficient capital surplus to pay dividends or make distributions under the laws of the relevant jurisdiction of incorporation or organization or may not satisfy regulatory requirements of capital adequacy, including the regulatory capital requirements of the FSA in the United Kingdom or the Financial Groups Directive of the European Community. We will also be restricted from paying dividends or making stock repurchases under our credit facility in the event of a default or if we are required to make mandatory prepayment of principal thereunder.

***To complete the Acquisition, we incurred a large amount of debt, which will limit our ability to fund general corporate requirements and obtain additional financing, limit our flexibility in responding to business opportunities and competitive developments and increase our vulnerability to adverse economic and industry conditions.***

We incurred \$570.0 million of indebtedness to finance the Acquisition. Following the restructuring of our credit facility and convertible note offering in May 2009, \$536.3 million of indebtedness remained outstanding as of September 30, 2009. As a result of the substantial fixed costs associated with these debt obligations, we expect that: a decrease in revenues will result in a disproportionately greater percentage decrease in earnings;

we may not have sufficient liquidity to fund all of these fixed costs if our revenues decline or costs increase;

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we may have to use our working capital to fund these fixed costs instead of funding general corporate requirements, including capital expenditures; and

we may not have sufficient liquidity to respond to business opportunities, competitive developments and adverse economic conditions.

These debt obligations may also impair our ability to obtain additional financing, if needed, and our flexibility in the conduct of our business. Moreover, the terms of our indebtedness restrict our ability to take certain actions, including the incurrence of additional indebtedness, mergers and acquisitions, investments at the parent company level and asset sales. Our ability to pay the fixed costs associated with our debt obligations depends on our operating performance and cash flow, which will in turn depend on general economic conditions. A failure to pay interest or indebtedness when due could result in a variety of adverse consequences, including the acceleration of our indebtedness. In such a situation, it is unlikely that we would be able to fulfill our obligations under or repay the accelerated indebtedness or otherwise cover our fixed costs.

***As a result of the Acquisition, we incur significant non-cash amortization charges related to equity-based compensation expense associated with the vesting of certain equity-based awards, which reduces our net income and may result in further net losses.***

Compensation and benefits post-acquisition reflect the amortization of a significant non-cash equity-based compensation expense associated with the vesting of equity-based awards over the next four years. The compensation and benefits expense relates to the 10,000,000 shares of our common stock issued for the benefit of our employees, service providers and certain key personnel under our 2007 Restricted Stock Plan; 33,000,000 shares of our common stock and \$150 million in cash and promissory notes issued for the benefit of certain of our key personnel participating in our equity participation plan; and 77,604,988 shares of common stock and 58,904,993 exchangeable Class B ordinary shares of FA Sub 2 Limited, our wholly owned subsidiary, subject to an agreement among our principals and trustees. These shares are subject to certain vesting and forfeiture provisions, and the related share-based compensation expenses are being recognized on a straight-line basis over the requisite service period. This treatment under GAAP reduces our net income and may result in further net losses in future periods.

***Fulfilling our obligations as a public company is expensive and time consuming.***

As a public company, we are required to prepare and file periodic and other reports with the SEC under applicable U.S. federal securities laws and to comply with other requirements of U.S. federal securities laws, such as establishing and maintaining disclosure controls and procedures and internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. In addition, under the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, as well as the rules of the NYSE, we are required to maintain certain corporate governance practices and to adhere to a variety of reporting requirements and accounting rules. Compliance with these obligations requires significant time and resources from our management and our finance and accounting staff, may require additional staffing and infrastructure and will make some activities more time consuming and costly. We incur significant legal, accounting, insurance and financial costs as a public company. As a result of the increased costs associated with being a public company, our operating income as a percentage of revenue is likely to be lower.

***The failure to address actual or perceived conflicts of interest that may arise as a result of the investment by the Principals and other key personnel of at least 50% of the after-tax cash proceeds they received in the Acquisition in GLG Funds, may damage our reputation and materially adversely affect our business.***

As a result of the \$321.3 million of net AUM that the Principals, the Trustees and certain key personnel have invested in the GLG Funds as of September 30, 2009, other investors in the GLG Funds may perceive conflicts of interest regarding investments in the GLG Funds in which the Principals, the Trustees and other key personnel are personally invested. Actual or perceived conflicts of interests could give rise to investor dissatisfaction or litigation and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with these conflicts of interest. Investor dissatisfaction or litigation in connection with conflicts of interest could materially adversely affect our reputation and our business in a number of ways, including as a result of redemptions by investors from the GLG Funds and a reluctance of counterparties do business with us.





**Table of Contents*****We may choose to redeem our outstanding warrants at a time that is disadvantageous to our warrant holders.***

We may redeem the warrants issued as a part of our publicly traded units and the co-investment warrants at any time beginning December 21, 2007, in whole and not in part, at a price of \$0.01 per warrant, upon a minimum of 30 days prior written notice of redemption, if and only if, the last sales price of our common stock equals or exceeds \$14.25 per share for any 20 trading days within a 30-trading day period ending three business days before we send the notice of redemption. Redemption of the warrants could force the warrant holders (1) to exercise the warrants and pay the exercise price therefor at a time when it may be disadvantageous for the holders to do so, (2) to sell the warrants at the then current market price when they might otherwise wish to hold the warrants or (3) to accept the nominal redemption price which, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants.

***Our outstanding warrants may be exercised in the future, which would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders. This might have an adverse effect on the market price of our common stock.***

Excluding 12,000,003 warrants beneficially owned by our founders and their affiliates, which are not currently exercisable, as of November 6, 2009, there were 42,484,674 outstanding warrants to purchase shares of common stock, which were exercisable beginning on December 21, 2007. These warrants would only be exercised if the \$7.50 per share exercise price is below the market price of our common stock. To the extent they are exercised, additional shares of our common stock will be issued, which will result in dilution to our stockholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our shares.

**Risks Related to Taxation*****Our effective income tax rate depends on various factors and may increase as our business expands into countries with higher tax rates or as we repatriate more profits to the U.S.***

There can be no assurance that we will continue to have a low effective income tax rate. We are a U.S. corporation that is subject to the U.S. corporate income tax on its taxable income. Our low effective tax rate is primarily attributable to the asset basis step-up resulting from the GLG acquisition and the associated 15-year goodwill amortization deduction for U.S. tax purposes. Going forward, our effective income tax rate will be a function of our overall earnings, the income tax rates in the jurisdictions in which our entities do business, the type and relative amount of income earned by our entities in these jurisdictions and the timing and amount of repatriation of profits back to the United States in the form of dividends. We expect that our effective income tax rate may increase as our business expands into countries with higher tax rates. In addition, allocation of income among business activities and entities is subject to detailed and complex rules and depends on the facts and circumstances. No assurance can be given that the facts and circumstances or the rules will not change from year to year or that taxing authorities will not be able to successfully challenge such allocations.

***U.S. persons who own 10% or more of our voting stock may be subject to higher U.S. tax rates on a sale of the stock.***

U.S. persons who hold 10% or more (actually and/or constructively) of the total combined voting power of all classes of our voting stock may on the sale of the stock be subject to U.S. tax at ordinary income tax rates (rather than at capital gain tax rates) on the portion of their taxable gain attributed to undistributed offshore earnings. This would be the result if we are treated (for U.S. federal income tax purposes) as principally availed to hold the stock of foreign corporation(s) and the stock ownership in us satisfies the stock ownership test for determining controlled foreign corporation (CFC) status (determined as if we were a foreign corporation). A foreign corporation is a CFC if, for an uninterrupted period of 30 days or more during any taxable year, more than 50% of its stock (by vote or value) is owned by 10% U.S. Shareholders. A U.S. person is a 10% U.S. Shareholder if such person owns (actually and/or constructively) 10% or more of the total combined voting power of all classes of stock entitled to vote of such corporation. As of the end of September 2009, approximately 31% of our stock is treated as directly or constructively owned by 10% U.S. Shareholders. Therefore, any U.S. person who considers acquiring (directly, indirectly and/or constructively) 10% or more of our outstanding stock should first consult with his or her tax advisor.



**Table of Contents*****Our U.K. tax liability will be higher if the interest expense incurred by our subsidiary FA Sub 3 Limited cannot be fully utilized for U.K. tax purposes.***

Our subsidiary FA Sub 3 Limited incurred debt to finance the Acquisition and is claiming a deduction for U.K. tax purposes for the interest expense incurred on such debt. If the interest expense incurred by FA Sub 3 Limited cannot be fully utilized for U.K. tax purposes against U.K. income, our U.K. tax liability might increase significantly. See also Our tax position might change as a result of a change in tax laws. below for a discussion of U.K. government legislation on interest deductibility.

***Recent changes in U.K. tax laws may impact our ability to recruit, maintain and motivate our current and future personnel working in the United Kingdom.***

As a result of recent proposed increases in the marginal rates of taxation in the United Kingdom, in order to recruit and retain future and existing personnel working in the United Kingdom, we may need to increase the level of compensation that we pay to them. This may result in an increase in our total employee compensation and benefits expense as a percentage of our total revenue and adversely affect our profitability.

***Our tax position might change as a result of a change in tax laws.***

Since we operate our business in the United Kingdom, the United States and internationally, we are subject to many different tax laws. Tax laws (and the interpretations of tax laws by taxing authorities) are subject to frequent change, sometimes retroactively. There can be no assurance that any such changes in the tax laws applicable to us will not adversely affect our tax position.

On July 21, 2009 the U.K. s Finance Act became law. This new legislation introduces a worldwide debt cap which may restrict the deductibility of interest expense incurred by U.K. resident entities. The legislation is designed to ensure that the U.K. corporation tax deductions for financing costs do not exceed the worldwide external finance costs of the group and will have effect in relation to periods of account beginning on or after January 1, 2010. No assurances can be given that the legislation will not restrict the ability of our subsidiary FA Sub 3 Limited to claim a tax deduction for the full amount of its interest expense.

The U.S. Congress is considering changes to U.S. income tax laws which would increase the U.S. income tax rate imposed on carried interest earnings and would subject to U.S. corporate income tax certain publicly held private equity firms and hedge funds structured as partnerships (for U.S. federal income tax purposes). These changes would not apply to us because the Company is already taxed in the United States as a U.S. corporation and earns fee income and does not receive a carried interest .

President Obama and the U.S. Treasury Department proposed, on May 5, 2009, changing certain of the U.S. tax rules for U.S. corporations doing business outside the United States. The proposed changes would limit the ability of U.S. corporations to deduct expenses attributable to offshore earnings, modify the foreign tax credit rules and further restrict the ability of U.S. corporations to transfer funds between foreign subsidiaries without triggering U.S. income tax. Although the scope of the proposed changes is unclear, it is possible that these or other changes in the U.S. tax laws could increase our U.S. income tax liability and adversely affect our profitability.

No assurances can be given that the U.S. Congress might not enact other tax law changes that would adversely affect us.

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

On November 2, 2007, we initiated a \$100.0 million repurchase program for shares of our common stock and warrants to purchase common stock which was approved by our Board of Directors effective through May 2, 2008. On February 4, 2008, the Board of Directors approved an increase of our repurchase program by an additional \$100.0 million and extended the program through August 31, 2008, and subsequently through February 4, 2009, August 2, 2009

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and most recently through February 3, 2010. Approximately \$42.2 million remains available under the program for the repurchase of common stock and warrants as of September 30, 2009. Our repurchase program allows management to repurchase shares and warrants at its discretion. Our repurchases of shares and warrants are subject to certain restrictions under our amended credit agreement.

The table below sets forth information with respect to purchases made on behalf of the Company of Company common stock during the three months ended September 30, 2009.

| <b>Period</b>        | <b>Total<br/>Number<br/>Shares<br/>Repurchased</b> | <b>Average<br/>Price<br/>Paid Per<br/>Share</b> | <b>Total Number<br/>of<br/>Shares<br/>Purchased as<br/>Part of Publicly<br/>Announced<br/>Plans or<br/>Programs</b> | <b>Maximum<br/>Approx.<br/>Dollar Value of<br/>Shares that may<br/>yet<br/>be Purchased<br/>Under<br/>the Plans or<br/>Programs</b> |
|----------------------|--|---|---|---|
| July 1-31, 2009      | 605,167  | \$ 4.08   | 605,167   | \$ 42,188,801   |
| August 1-31, 2009    |  |   |   | \$ 42,188,801   |
| September 1-30, 2009 |  |   |   | \$ 42,188,801   |
| <b>Total</b>         | <b>605,167</b>                                     |   | <b>605,167</b>  |   |

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**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 10.1               | Form of Restricted Stock Award Agreement for US Employees under the Company's 2009 Long-Term Incentive Plan.  |
| 10.2               | Form of Restricted Stock Award Agreement for US Non-Employee Directors under the Company's 2009 Long-Term Incentive Plan.                             |
| 10.3               | Form of Restricted Stock Award Agreement for UK Employees under the Company's 2009 Long-Term Incentive Plan.  |
| 10.4               | Form of Restricted Stock Award Agreement for UK Limited Partners under the Company's 2009 Long-Term Incentive Plan.                                   |
| 31.1               | Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act.                       |
| 31.2               | Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act.                       |
| 31.3               | Certification of Periodic Report by the Chief Financial Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act.                          |
| 32.1               | Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. |
| 32.2               | Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. |
| 32.3               | Certification of Periodic Report by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.    |

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLG PARTNERS, INC.  
(Registrant)

Date: November 9, 2009

By /s/ Noam Gottesman  
Name: Noam Gottesman  
Title: Chairman of the Board and  
Co-Chief Executive

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