

RODMAN & RENSHAW CAPITAL GROUP, INC.

Form S-1/A

September 20, 2007

As filed with the Securities and Exchange Commission on September 20, 2007

Registration No. 333-144684

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Amendment No. 1  
TO  
FORM S-1  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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RODMAN & RENSHAW CAPITAL GROUP, INC.  
f/k/a  
ENTHRUST FINANCIAL SERVICES, INC.  
(Exact name of Registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	6211 (Primary Standard Industrial Classification Code Number)	84-1374481 (I.R.S. Employer Identification No.)
Rodman & Renshaw Capital Group, Inc. 1270 Avenue of the Americas New York, New York 10020 (212) 356-0500 (212) 356-0536 Facsimile		
(Address, including zip code, and telephone number, including area code, of Registrant's executive offices)		

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Michael Lacovara  
Chief Executive Officer  
Rodman & Renshaw Capital Group, Inc.  
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New York, New York 10020  
(212) 356-0500  
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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act ), check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price (1)</b>	<b>Amount of Registration Fee</b>
Common stock	\$ 86,250,000(2 )	\$ 2,647.88(3 )

(1) Estimated solely for purposes of calculating the amount of the registration fee paid pursuant to Rule 457(o) under the Securities Act.

(2) Includes: (i) shares sold by the registrant; (ii) shares sold

by the selling  
stockholders;  
and (iii) shares  
issuable upon  
exercise of the  
underwriters  
over-allotment  
option.

- (3) Previously  
paid.

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**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED SEPTEMBER 20, 2007**

**PRELIMINARY PROSPECTUS**

**12,000,000 Shares**

**Common Stock**

We are an investment banking firm headquartered in New York City. We are offering 8,000,000 shares of our common stock and some of our existing stockholders are offering 4,000,000 shares of our common stock. We will not receive any of the proceeds from the shares sold by any of the selling stockholders. We anticipate that the offering price of the shares will be in the range of \$5.50 to \$7.00 per share.

Our common stock currently trades on the OTC Bulletin Board under the symbol RDRN.OB. We have applied to list our common stock on the NASDAQ Global Select Market under the symbol RODM.

**Investing in our common stock involves risk. Please read Risk Factors beginning on page 13 for a discussion of the factors you should consider before you make your investment decision.**

	<b>Per Share</b>	<b>Total</b>
Public offering price of common stock	\$	\$
Underwriting discounts	\$	\$
Proceeds to us (before expense) <sup>(1)</sup>	\$	\$
Proceeds to the selling stockholders	\$	\$

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(1) This amount is the total before deducting legal, accounting, printing and other offering expenses payable by us, which are

estimated at  
\$1.2  
million.

The underwriters may also purchase up to 1,800,000 additional shares from us at the public offering price set forth above, less the underwriting discount, within 30 days of the date of this prospectus to cover over-allotments.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of the disclosures in this prospectus. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares against payment in New York, New York on or about \_\_\_\_\_, 2007, subject to customary closing conditions.

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SANDLER O NEILL + PARTNERS, L.P.      FOX-PITT KELTON COCHRAN CARONIA WALLER

PAULSON INVESTMENT COMPANY, INC.  
RODMAN & RENSHAW, LLC

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**The date of this prospectus is \_\_\_\_\_, 2007**

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You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized any other person to provide you with information different than that contained in this prospectus. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information included in this prospectus is accurate as of any date other than the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. Our business, financial condition, results of operations, cash flows and/or future prospects may have changed since that date. Information contained on, or accessible through, our website is not part of this prospectus.

Neither we nor the selling stockholders or any of the underwriters are making an offer to sell these securities in any jurisdiction where such offer or sale is not permitted. Furthermore, you should not consider this prospectus to be an offer or solicitation relating to our common stock if the person making the offer or solicitation is not qualified to do so or it is unlawful for you to receive such an offer or solicitation.

In this prospectus we rely on and refer to information and statistics regarding the biotechnology sector of the U.S. economy and regarding certain types of financing transactions. We obtained this market data from independent publications or other publicly available information.

No action is being taken in any jurisdiction outside the United States to permit the public offering of our common stock or possession or distribution of this prospectus. Persons who come into possession or distribution of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

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## PROSPECTUS SUMMARY

*This summary highlights key aspects of the offering and does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including Risk Factors and our consolidated financial statements and accompanying notes included elsewhere in this prospectus, before making an investment decision. Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters do not exercise their over-allotment option and does not take into account the issuance of any common stock upon exercise of warrants or stock options.*

*Rodman & Renshaw Capital Group, Inc. is a Delaware corporation and was formerly named Enthrust Financial Services, Inc. (which we refer to herein as Enthrust). Prior to July 10, 2007, Enthrust was a shell company with no business or operations. Rodman & Renshaw Holding, LLC (which we refer to herein as Holding) is a Delaware limited liability company and the holding company for Rodman & Renshaw, LLC, a registered broker-dealer, and its other affiliates. Upon completion of the Exchange, as described below under Recent Transactions, Holding became a wholly-owned subsidiary of Enthrust, and the beneficial owners of all of the equity and debt securities of Holding became stockholders of Enthrust. In August 2007, Enthrust changed its name to Rodman & Renshaw Capital Group, Inc. All references in this prospectus to us, we, and our refer to Holding and its direct and indirect subsidiaries before the Exchange and to Rodman & Renshaw Capital Group, Inc., and its direct and indirect subsidiaries after the Exchange.*

### Overview

We are a full service investment bank dedicated to providing investment banking services to companies that have significant recurring capital needs due to their growth and development strategies, along with research and sales and trading services to institutional investor clients that focus on such companies.

Through AcumenBioFin, our division dedicated exclusively to the life science sector, we provide a broad range of investment banking services to biotechnology, specialty pharmaceutical, medical device and other companies operating in the life science sector. Our present business began in 2002 when we made the strategic decision to focus on the biotechnology sector and to build an integrated investment banking platform to service this sector. Our decision was based, in part, on our belief that the biotechnology sector was underserved by the investment banking community as a result of: (i) consolidation, beginning in the 1990s, of well-established middle market and boutique investment banks with and into large financial institutions; and (ii) the significant downturn in capital market activity in the biotechnology sector beginning in 2001.

As we continued to expand our capital raising efforts for biotechnology companies, we concluded that many of the typical biotechnology financing strategies and transaction structures in which we have developed an expertise could be equally effective in other sectors of the economy. Applying our financing know-how, understanding of the financing needs of capital intensive companies and appreciation of the goals and concerns of institutional investors that invest in such companies, we have begun to leverage our historical performance and reputation as a leading investment bank in the biotechnology sector to expand our product-based expertise and business reach to other sectors with similar financing needs.

Since 2003, we have been a leading investment banking firm to the biotechnology sector, a capital intensive market segment, as well as a leader in the PIPE (private investment in public equity) and RD (registered direct placements) transaction markets.

We were the  
number one  
investment

bank in terms of the aggregate number of PIPE and RD financing transactions completed during the first six months of 2007 and in the calendar years 2006, 2005 and 2003.

We were the number two investment bank in terms of the aggregate number of PIPE and RD financing transactions completed in the calendar year 2004.

From January  
1, 2003  
through June  
30, 2007, we  
helped raise  
more than  
15% of the  
total amount  
generated  
from PIPE and  
RD financing  
transactions in  
the U.S.  
biotechnology  
sector.

### **Market Opportunity**

Based on the factors described below, we believe a significant opportunity exists for us to grow our various lines of business, expand our service offerings, attract new clients within the biotechnology sector and expand into new sectors. We believe that the recent volatility in the U.S. capital markets presents potential opportunities for us. The recurring financing needs of our core client base generally require those clients to access the capital markets on a regular basis, not just opportunistically. Moreover, valuations and activity in the biotechnology sector, for which a large segment of our business could be seen to serve as a proxy, have been strong even through recent market volatility. Finally, we are not burdened with exposure to commercial paper or real estate risk and hold no investments in structured products or vehicles that have undergone recent revaluations. As a result, we believe that both our key market sector and our strong balance sheet leave us well positioned to drive continued growth.

### ***The Biotechnology Sector***

The U.S. biotechnology sector continues to experience significant growth, as evidenced by the following:

total market  
capitalization  
of U.S.  
biotechnology  
companies  
increased from  
\$15 billion in  
1986 to over  
\$500 billion  
today;

currently, there  
are over 330  
publicly-traded  
and 1,100  
private  
biotechnology  
companies in

the United States; and

it is estimated that, in 2006, the U.S. biotechnology sector generated more than \$60 billion in revenue.

Capital origination in the biotechnology sector has been strong over the past decade.

From 1996 through 2006, U.S. biotechnology companies raised \$149.1 billion.

From January 1, 2003 through December 31, 2006, U.S. biotechnology companies raised:

- u \$4.1 billion from initial public offerings;
- u \$15.2 billion from follow-on offerings; and
- u \$11.7 billion from PIPE and RD financing transactions.

From January 1, 2003 through

December 31,  
2006, merger  
and  
acquisition  
transaction  
value within  
the U.S.  
biotechnology  
sector totaled  
\$66.4 billion.

With additional resources to devote to the biotechnology sector, we believe we can grow our corporate finance and strategic advisory businesses as the sector continues to grow. Companies in this sector require growth capital on a regular basis and regularly evaluate their strategic alternatives. Investors in companies in this sector require investment research and brokerage services, which we believe will allow us to grow our equity research and sales and trading platforms.

***PIPE and RD Financing Transactions***

Today, PIPE and RD financing transactions represent a key source of funding for publicly- traded biotechnology companies. For example, the U.S. biotechnology sector used PIPE and RD financing transactions to raise:

\$13.8  
billion  
from  
January  
1, 2003  
through  
June 30,  
2007;

\$3.6  
billion  
in 2006;  
and

\$2.1  
billion  
in the  
first six  
months  
of 2007.

We believe that PIPE and RD financing transactions will continue to play a significant role in financing the biotechnology sector because the efficiency of these types of transactions better meets the funding needs of biotechnology companies as compared to alternative financing methods.

PIPE and RD financing transactions provide public companies across multiple sectors with effective and viable alternatives to raising capital through public follow-on offerings. The use by issuers of these financing alternatives to public follow-on offerings has grown significantly in recent years. Since 2003, when the capital markets began to recover after the Internet bubble, the number of PIPE and RD financing transactions and the amount of capital raised through such transactions have increased every year. For example, PIPE and RD financing transactions raised an aggregate of:

\$12.6 billion  
through 882  
transactions  
in 2003;

\$15.6 billion  
through  
1,270  
transactions  
in 2004;

\$20.0 billion  
through  
1,304  
transactions  
in 2005;

\$28.2 billion  
through  
1,342  
transactions  
in 2006; and

\$22.4 billion  
through 645  
transactions  
in the first  
six months  
of 2007.

We believe there is a significant opportunity for continued growth in this space given issuers' continuing desire to identify and pursue faster and less costly financing alternatives to traditional follow-on public offerings and institutional investors' continuing interest in participating in these financing transactions.

***Consolidation in the financial services industry has created an opportunity for us to grow our business***

The financial services industry has experienced substantial consolidation over the past 10 to 15 years. During this period, a number of growth-focused investment banks were acquired by larger financial institutions with broader platforms. We believe that large investment banks often under-serve clients considered to be small-cap or mid-cap companies, which has created a significant market opportunity for us to serve the specialized needs of these

companies. A significant majority of our investment banking revenues is earned from publicly-traded companies with a market capitalization below \$500 million. In addition, we believe many large investment banks have responded to margin pressure within their equity brokerage divisions by reducing research coverage, particularly for smaller companies, consolidating sales and trading services and transitioning to a more commoditized brokerage model. We will continue to work with these small-cap and mid-cap companies and aim to provide them with high quality services tailored to meet their needs for capital origination and strategic advisory services.

### **Competitive Strengths**

We expect to maintain and expand our position in our target sector by continually leveraging our principal competitive strengths, which include the following:

#### ***Sector focus***

We believe that our focus on the biotechnology sector is a competitive advantage. This focus manifests itself in the form of an integrated platform, including investment bankers, research analysts, traders and institutional sales people, all devoted to companies operating in the biotechnology sector. The team is comprised of individuals who are all knowledgeable and, in some cases, experts in this area. We believe this specialization produces a combination of financial and technical expertise, allowing us to better understand and service the strategic and financing needs of our clients and deliver differentiated advice that our clients require and appreciate when addressing complex financing issues and making important strategic decisions. As a result, we have become a leading provider of investment banking services to companies in the biotechnology sector.

Within the biotechnology sector, our strengths include:

*Focus on financing transactions.* Our investment bankers are corporate finance specialists and plan to continue to focus primarily on financing transactions, particularly PIPE and RD transactions.

*Development of innovative solutions.* Our in-depth knowledge of the biotechnology sector enables us to develop financing strategies, transaction structures and financing instruments that simultaneously address issuers' needs for capital and the investment community's need to balance risk and reward.

*Focused equity research.* Our biotechnology research team (including eight PhDs and two medical doctors) focuses on uncovering market opportunities and on developing recommendations that will enhance our clients' investment returns.

*Industry leading conferences.* Our industry-leading investment conferences dedicated to the life science sector, with particular emphasis on biotechnology companies, bring together companies, institutional investors, business development executives and experts from the life science community. Our life science conferences are an effective marketing tool for us and provide an opportunity for us to facilitate relationship building between the participating companies and investors.

#### ***Experienced professionals with deep knowledge and broad skills***

We have created an entrepreneurial, performance-oriented corporate culture that attracts professionals who share a reputation for sector expertise, strong execution skills and a history of successful transactions. We are led by a team of professionals with extensive track records of success in the biotechnology sector and with arranging and executing PIPE and RD financing transactions.

#### ***Strong client relationships***

We place great emphasis on developing and nurturing long-term relationships with both issuers and investors, including hedge funds, venture capital funds and private equity funds. This has expanded our distribution and placement capabilities, enabling us to raise significant amounts of capital for our issuer clients. We strive to build long-term relationships with our issuer clients by providing services appropriate to each stage of a company's development. We provide our clients with frequent and consistent interaction with our senior professionals, who are actively involved in all stages of our client engagements. We believe that the high levels of expertise and client trust we have developed have been significant factors contributing to our growth and have enabled us to generate significant repeat business. In 2006 and 2005, over 34% and 44%, respectively, of our investment banking transactions were executed with repeat clients. In the first six months of 2007, the percentage was 29%.

#### ***Established and respected brand***

We believe the Rodman & Renshaw® brand name is well-recognized, highly-regarded and associated with knowledge leadership, especially in the biotechnology sector and the PIPE and RD transaction markets. In particular, we believe that we are known for developing creative solutions to financial and strategic challenges and for sound execution of our clients' transactions.

#### **Growth Strategy**

Our primary business objective is to become a leading full-service investment banking firm for companies with significant and recurring capital needs across multiple sectors. We believe that, as a publicly-traded company with increased available capital, we will be better able to: (i) grow our platform by adding new products to serve our existing clients; (ii) build new teams to focus on sectors of the economy other than biotechnology that have similar



financing needs; and (iii) hire professionals to supplement our existing staff. We intend to pursue this objective through the following strategies:

***Expand our existing biotechnology sector platform***

We believe that the biotechnology sector is still a growth area for us and, with our expertise and reputation, we are well-positioned to achieve a greater share of financial and advisory engagements in this sector. First, in order to capitalize on our inherent advantages, we intend to increase our investment banking, sales and trading, and research capability in this sector by adding additional professionals to augment our existing team. Our intention is to grow our leading PIPE and RD transaction business, to pursue more follow-on offerings and initial public offerings, to expand our merger and acquisition advisory services and to increase our focus on raising capital for private companies in the biotechnology sector. Second, we intend to nurture our relationships with those companies for which we have raised capital in the past and aggressively pursue relationships with other companies in this sector. Third, we intend to continue to develop new financing products and create new transactional structures that will address the risks and rewards inherent in this sector. Finally, we intend to apply our capabilities to other areas of the life science sector in addition to biotechnology. For example, specialty pharmaceuticals, medical devices and healthcare services, represent natural areas for expansion, particularly as we broaden our product capabilities.

***Expand into new sectors***

We intend to expand opportunistically into other sectors of the economy that have particular similarities with the biotechnology sector, including significant and on-going capital needs, highly technical expertise, high risk/high return operating environment and the presence of numerous innovative small and mid-size companies among larger companies. Such sectors may include one or more of the following: mining, energy, technology and business services. During the past 18 months, we completed investment banking transactions for companies in the environmental services, business services, technology, security, oil and gas, retail and logistics sectors, in addition to continuing to grow our presence in the biotechnology sector.

***Expand our existing merchant banking and asset management businesses***

Our current merchant banking activity includes the following: (i) taking a portion of our fee in warrants in connection with finance transactions; (ii) purchasing securities in a finance transaction in which we are also acting as placement agent; and (iii) retaining equity ownership in public shell companies, *i.e.*, reporting companies that have no active trade or business and nominal assets, which we subsequently merge with operating private companies through reverse mergers or CAPs<sup>®</sup> (Collateralized Acquisition Pools<sup>®</sup>) arranged by us.

We may expand our merchant banking activities in a number of ways, including: (i) making larger investments in companies for which we are acting as placement agent in connection with a financing transaction; (ii) making direct investments on a more frequent basis; (iii) making bridge loans and providing other interim capital; (iv) financing a company ourselves or with a limited number of other institutional investors; and (v) increasing the number of shell companies that we own. We may also develop our asset management business by, for example, launching a lifescience sector focused fund. These initiatives may be carried out through in-house efforts, through the recruitment of a fund manager or by acquiring an existing asset management business.

***Strategic acquisitions***

Our growth strategy also contemplates expansion through strategic acquisitions. We may acquire teams of investment bankers or institutional salesmen and traders in one or more of the sectors that we target or we may acquire an investment bank or financial advisory firm or other company in a complementary business or sector. In addition, our expansion strategy contemplates pursuing business opportunities outside of the United States. We have already raised capital for a number of foreign companies and have business contacts in Europe, Asia, Latin America and the Middle East.



## Recent Developments

### The Exchange

On July 10, 2007 (the Exchange Date ), pursuant to an Exchange Agreement, dated as of July 10, 2007, we completed a reorganization transaction, which we refer to as the Exchange, with Enthrust, a shell company in which we indirectly held 80% of the common equity. As a result of the Exchange, Holding became a wholly-owned subsidiary of Enthrust and the beneficial owners of our outstanding debt and equity securities became stockholders of Enthrust. The Exchange consisted of the following:

- (i) Paul Revere, LLC ( Revere ), a Delaware limited liability company, which owned 70% of Holding, contributed its membership interest in Holding to Enthrust in exchange for 12,711,683 shares of Enthrust s common stock;
- (ii) the stockholders of R&R Capital Group, Inc. ( RRCG ), a Delaware S corporation, who, through their ownership of RRCG, owned 30% of Holding and 25.5% of RRPR, LLC ( RRPR ), a

Delaware  
limited  
liability  
company,  
contributed  
all of their  
RRCG  
shares to  
Enthrust in  
exchange for  
5,967,591  
shares of  
Enthrust's  
common  
stock;

- (iii) the holders  
of the 6%  
Senior  
Convertible  
Debentures  
in the  
aggregate  
principal  
amount of  
\$20 million  
(the  
Debentures )  
and warrants  
to purchase  
714,286  
shares of  
Holding  
stock at a  
price of  
\$7.70 per  
share (the  
Holding  
Warrants )  
issued by  
Holding in  
March 2007,  
contributed  
the  
Debentures  
and the  
Holding  
Warrants to  
Enthrust in  
exchange for  
5,970,099

shares of  
Enthrust s  
common  
stock and  
warrants to  
purchase  
1,355,600  
shares of  
Enthrust s  
common  
stock at a  
purchase  
price of  
\$7.00 per  
share (the  
Warrants );  
and

- (iv) options held  
by  
employees to  
purchase up  
to 2,848,370  
shares of  
Holding s  
stock at  
prices  
ranging from  
\$0.409 to  
\$8.24 per  
share were,  
by their  
terms,  
converted  
into options  
to acquire up  
to 5,278,071  
shares of  
Enthrust s  
common  
stock at  
prices  
ranging from  
\$0.22 to  
\$4.45 per  
share.

Immediately after the Exchange, 1,707,144 shares of Enthrust s common stock that were outstanding prior to the Exchange, including all of the shares held indirectly by Holding, were cancelled. Thus, the shares of Enthrust s common stock issued to Revere, the RRCG stockholders and the holders of the Debentures and the Holding Warrants pursuant to the Exchange Agreement represented 98.6% of Enthrust s issued and outstanding shares immediately after the Exchange.

On the Exchange Date, all of Enthrust's officers resigned and its then sole director, Arnold P. Kling, appointed Edward Rubin, Holding's President and a member of Holding's board of directors, as a director of Enthrust. Messrs. Kling and Rubin then appointed the officers of Holding as Enthrust's new officers. In addition, they appointed the other members of the Holdings' board of directors to Enthrust's board of directors effective as of July 22, 2007, the tenth day after Enthrust mailed an Information Statement pursuant to Rule 14f-1 of the Securities Exchange Act of 1934, as amended (the Exchange Act) to its stockholders of record. Mr. Kling then resigned as a director of Enthrust effective as of July 22, 2007. In this prospectus, we refer to our board of directors after the Exchange as the Board of Directors.

Finally, on August 31, 2007, Enthrust changed its name to Rodman & Renshaw Capital Group, Inc.

Based on the fact that: (i) prior to the consummation of the Exchange, Enthrust was not engaged in any trade or business; (ii) immediately following the Exchange, the former beneficial owners of Holding's equity and debt securities owned 98.6% of Enthrust's issued and outstanding shares of common stock; (iii) Holding's officers became the officers of Enthrust and Holding's directors became, as of July 22, 2007, the directors of Enthrust; and (iv) Enthrust changed its name to reflect Holding's corporate identity; for accounting purposes: (a) Holding is treated as the acquiror; (b) the Exchange is treated as a recapitalization of Holding; and (c) Holding's historical financial statements are treated as the historical financial statements of Enthrust.

### **New Chief Executive Officer**

In August 2007, we entered into an employment agreement with Michael Lacovara pursuant to which Mr. Lacovara became our Chief Executive Officer and a member of our Board of Directors effective September 4, 2007. Mr. Lacovara previously served as co-chief operating officer of Sandler O'Neill & Partners, L.P., the representative of the several underwriters of this offering. Mr. Lacovara replaces John J. Borer III as our Chief Executive Officer. As of September 4, 2007, Mr. Borer became a Senior Managing Director and Head of Investment Banking. For a more detailed description of the terms of Mr. Lacovara's employment, see Executive Compensation Employment Arrangements.

### **Corporate Information**

Our principal executive office is located at 1270 Avenue of the Americas, New York, New York 10020, and our telephone number is (212) 356-0500. Our corporate website address is *www.rodmanandrenshaw.com*. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on, or accessible through, our website as part of this prospectus.



## The Offering

Common stock offered by us	8,000,000 shares <sup>(1)</sup>
Common stock offered by selling stockholders	4,000,000 shares
Total shares of common stock offered	12,000,000 shares
Common stock to be outstanding after this offering	33,750,000 shares <sup>(1)(2)</sup>
Use of proceeds	<p>We estimate that the net proceeds to us from this offering will be approximately \$45.3 million based on an assumed offering price of \$6.25 per share, which is the mid-point of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and expenses payable by us. We plan to use the net proceeds we receive from this offering for general corporate purposes, which may include, among other things: (i) expanding our presence in the biotechnology sector; (ii) continue our expansion into new sectors; (iii) strategic acquisitions; and (iv) expanding our merchant banking and asset management businesses.</p> <p>We will not receive any of the proceeds from the sale of shares of our common stock offered by any selling stockholder.</p>
Dividend policy	For the foreseeable future, the Board of Directors intends to follow a policy of retaining earnings for the purpose of increasing our capital to support additional growth. Accordingly, we currently do not expect to declare or pay dividends for the foreseeable future.
Listing	We have applied to list our common stock on the NASDAQ Global Select Market under the symbol RODM.
Risk factors	See Risk Factors, Dilution and other information included in this prospectus for a discussion of certain factors that you should carefully consider before investing in our common stock.

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(1) Assumes that the underwriters do not exercise their option to purchase up to an additional 1,800,000 shares of common stock from us to cover over-allotments, if any. If the underwriters exercise this

option in full,  
35,550,000  
shares of  
common stock  
will be  
outstanding  
immediately  
after this  
offering. See  
Underwriting.

- (2) The number of  
shares of  
common stock  
outstanding  
immediately  
after this  
offering does not  
include:

5,278,071  
shares of  
common  
stock  
reserved for  
issuance  
upon the  
exercise of  
outstanding  
options  
granted  
prior to the  
adoption of  
our 2007  
Stock and  
Incentive  
Plan, at  
exercise  
prices  
ranging  
from \$0.22  
to \$4.45 per  
share,  
having a  
weighted  
average  
exercise  
price of  
\$3.74;

1,355,600  
shares of  
common  
stock  
underlying  
the  
Warrants,  
which have  
an exercise  
price of  
\$7.00 per  
share; and

4,500,000  
shares of  
common  
stock  
reserved for  
future  
issuance  
pursuant to  
grants of  
restricted  
stock and  
options  
under our  
2007 Stock  
and  
Incentive  
Plan.

**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table summarizes our selected historical consolidated financial data for the periods and at the dates indicated. You should read this information in conjunction with our audited and unaudited consolidated financial statements and related notes, Selected Unaudited Pro Forma Combined Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other financial information appearing elsewhere in this prospectus. We derived our selected historical consolidated financial data as of December 31, 2006, 2005 and 2004 and for the years ended December 31, 2006 and 2005 and for the nine months ended December 31, 2004, from our audited consolidated financial statements, which have been audited and reported upon by Marcum & Kliegman LLP, an independent registered public accounting firm. We derived our selected historical consolidated financial data for the years ended March 31, 2004 and 2003 from our unaudited consolidated financial statements not included in this prospectus. The selected historical consolidated financial data as of and for the six months ended June 30, 2007 and 2006 is derived from our unaudited interim consolidated financial statements, which includes, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the data for such periods. The results of operations for the six-month period ended June 30, 2007, do not necessarily indicate the results that may be expected for any future period or for the full year 2007.

**Consolidated Statement of Operations Data:**

	Six Months Ended June 30,		Years Ended December 31,		Nine Months Ended December 31,		
	2007	2006	2006	2005	2004	2004	2004
	(Unaudited)		(Audited)		(Audited)		(Unaudited)
	(in thousands)						
<i>Revenues:</i>							
Private placement, underwriting and strategic advisory fees <sup>(1)</sup>	\$ 39,374	\$ 17,234	\$ 43,081	\$ 17,887	\$ 16,669	\$ 32,207	
Principal transactions, net <sup>(2)</sup>	(340 )	1,480	11,519	1,175	827	5,580	
Realized gains (loss) on securities, net <sup>(3)</sup>	3,540	5,068	1,884	6,174			
Commissions <sup>(4)</sup>	3,606	2,327	5,161	2,429	2,140	673	
Conference fees	719	749	2,093	1,488	1,112		
Other income <sup>(5)</sup>	326	81	220	102	129	555	
<b>Total Revenues</b>	<b>\$ 47,225</b>	<b>\$ 26,940</b>	<b>\$ 63,958</b>	<b>\$ 29,255</b>	<b>\$ 20,877</b>	<b>\$ 39,015</b>	
<i>Expenses:</i>							
Employee compensation	\$ 26,542	\$ 9,508	\$ 26,782	\$ 15,345	\$ 14,427	\$ 33,733	

and benefits<sup>(6)</sup>

Conference fees	2,144	1,670	4,748	3,673	2,957	876
Professional fees	2,713	2,488	6,192	1,492	1,026	765
Business development	1,434	880	1,880	765	410	356
Communication and data processing	889	628	1,452	671	282	132
Other expenses	2,084	1,373	3,319	2,423	1,482	1,336

Total Expenses	\$ 35,806	\$ 16,547	\$ 44,373	\$ 24,369	\$ 20,584	\$ 37,198
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Operating income (loss)	\$ 11,419	\$ 10,392	\$ 19,585	\$ 4,886	\$ 293	\$ 1,817
-------------------------	-----------	-----------	-----------	----------	--------	----------

Interest expense	793					
------------------	-----	--	--	--	--	--

Income (loss) before income taxes and minority interests	\$ 10,626	\$ 10,392	\$ 19,585	\$ 4,886	\$ 293	\$ 1,817
--	-----------	-----------	-----------	----------	--------	----------

Income taxes	338	349	893	395	19	392
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Minority interest in (income) loss of subsidiaries	(261 )	(1,718 )	(2,174 )	18		
--	--------	----------	----------	----	--	--

Net income (loss)	\$ 10,027	\$ 8,325	\$ 16,518	\$ 4,509	\$ 274	\$ 1,425
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Unrealized gain on investments <sup>(7)</sup>			1,002			
---	--	--	-------	--	--	--

Reclassification adjustment for realized gains on investments	\$ (1,002 )					
---	-------------	--	--	--	--	--

Comprehensive income (loss)	\$ 9,025	\$ 8,325	\$ 17,520	\$ 4,509	\$ 274	\$ 1,425
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- (1) Includes fees earned in connection with private placement and underwritten financing transactions and advisory fees earned in connection with mergers, acquisitions, divestitures and similar transactions.
- (2) Net unrealized gains and losses on publicly traded unrestricted common stock that we have the intent and ability to sell in the short term (*i.e.*, 12 months).
- (3) Net proceeds from the sale of securities in excess of or below our cost of those securities. Securities held for investment include: (i) warrants we received as compensation for acting as placement agent; (ii) securities, including

warrants, that we purchased in offerings for which we acted as placement agent; (iii) continuing interests in shell companies that we originally acquired for the purpose of facilitating financing transactions; and (iv) for the year ended December 31, 2006 and the six months ended June 30, 2007, securities held by R&R Opportunity Fund, L.P., a hedge fund that we manage and in which we have a minority equity interest.

- (4) Amounts paid by our investor clients from brokerage transactions in equity and other types of securities.
- (5) Interest and dividend income and

asset  
management  
fees.

- (6) Includes salaries, bonuses, benefits, employment taxes and other employee costs, both cash and non-cash.
- (7) Unrealized gains and losses on publicly traded unrestricted common stock that we cannot sell in the short term (*i.e.*, 12 months) due to low volume or illiquidity.

**Consolidated Balance Sheet Data:**

	<b>As of June 30, 2007 (Unaudited)</b>	<b>2006</b>	<b>As of December 31, 2005 (Audited)</b>	<b>2004</b>
	<b>(in thousands)</b>			
Cash and cash equivalents	\$ 27,740	\$ 10,387	\$ 1,946	\$ 4,716
Securities owned	\$ 9,115	\$ 19,093	\$ 2,460	\$ 1,304
Total assets	\$ 54,452	\$ 38,106	\$ 9,682	\$ 9,709
Total liabilities	\$ 16,718	\$ 10,462	\$ 1,308	\$ 5,568
Members' equity <sup>(1)</sup>	\$ 11,447	\$ 22,026	\$ 8,304	\$ 4,142



- (1) Holding is a limited liability company. The periods presented are prior to the Exchange.

**SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA**

The following selected unaudited pro forma combined financial data for the periods and at the dates indicated should be read in conjunction with our consolidated financial statements and related notes, our Pro Forma Condensed Combined Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus. The selected unaudited pro forma combined financial data is presented to show the impact of the Exchange: (i) on our historical results of operations for the six months ended June 30, 2007 and the year ended December 31, 2006 had the Exchange been consummated on January 1, 2006 and 2007, respectively; and (ii) on our historical financial condition had the Exchange been consummated on June 30, 2007. The unaudited pro forma selected combined financial information is intended for informational purposes only and is not necessarily indicative of our future financial position or future operating results or of our financial position or operating results that would have actually occurred if the Exchange had been consummated as of the dates or for the periods presented.

**Pro Forma Combined Statement of Operations Data:**

	<b>Six Months Ended June 30, 2007</b>	<b>Year Ended December 31, 2006</b>
	<b>(in thousands, except earnings per share and weighted number of shares data)</b>	
Revenues	\$ 47,283	\$ 63,958
Operating expenses	36,760	45,180
Operating income	10,523	18,778
Income tax expense (benefit)	899	6,775
Minority interest	261	2,187
Net income	9,363	9,816
Other comprehensive income (loss)	(1,002 )	1,002
Comprehensive income	\$ 8,361	\$ 10,818
Earnings per share, basic and diluted	\$ 0.37	\$ 0.39
Weighted average number of shares outstanding basic and diluted	25,000,000 <sup>(1)</sup>	25,000,000 <sup>(1)</sup>

The pro forma combined statement of operations data set forth above is derived from the historical consolidated statements of income and comprehensive income of Holding, Enthrust and RRCG. As a result of the Exchange, Holding and RRCG became our wholly-owned subsidiaries on the Exchange Date. The pro forma combined statement of operations data reflects the following adjustments:

transaction  
costs of  
approximately

\$800,000  
relating to the  
Exchange;

eliminating  
Enthrust s  
operating  
expenses of  
\$54,943 and  
\$56,798 for  
the six months  
ended June 30,  
2007 and the  
year ended  
December 31,  
2006,  
respectively,  
and Holding s  
minority  
interest in  
Enthrust s  
results of  
operations of  
\$13,266 for  
the year ended  
December 31,  
2006;

eliminating  
interest  
expense,  
amortization  
of debt  
discount and  
deferred  
financing  
costs, in the  
amount of  
\$792,861,  
relating to the  
Debentures;

applying a  
40% effective  
tax rate; and

eliminating  
RRCG s tax  
expense.

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- (1) Does not take into account 750,000 shares of restricted common stock issued in September 2007 to our new Chief Executive Officer. See Executive Compensation Employment Arrangements.
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**Pro Forma Combined Balance Sheet Data:**

	<b>As of June 30, 2007</b>	
	<b>Pro forma</b>	<b>Pro forma, as adjusted</b>
	<b>(in thousands)</b>	
Cash and cash equivalents	\$ 27,760	\$ 73,060
Securities owned	\$ 9,117	\$ 9,117
Total assets	\$ 56,630	\$ 101,930
Total liabilities	\$ 17,245	\$ 17,245
Stockholders equity	\$ 31,495	\$ 76,795

The pro forma combined balance sheet data set forth above combines the consolidated statement of financial condition of Holding, Enthrust and RRCG as of June 30, 2007. As a result of the Exchange, Holding and RRCG became wholly owned subsidiaries of Enthrust on the Exchange Date. The pro forma combined balance sheet data reflects the following:

24,649,373  
shares issued  
in the  
Exchange and  
cancellation of  
1,707,144  
shares owned  
by the  
pre-Exchange  
Enthrust  
shareholders,  
including  
1,414,286  
owned  
indirectly by  
Holding;

eliminating the  
minority  
interest in  
Enthrust, its  
assets and  
liabilities and  
corresponding  
equity  
components;

adjustments to  
reflect the  
contribution of  
the Debentures

and the  
Holding  
Warrants in  
exchange for  
shares of  
common stock  
and the  
Warrants;

adjustments to  
reflect the  
costs  
associated with  
the Exchange  
net of the  
effective tax  
rate of 40%;

recapitalization  
of Holding s  
member equity  
as a result of  
the Exchange;  
and

eliminating  
RRCG s  
investment in  
Holding and  
its  
corresponding  
equity  
components.

The pro forma, as adjusted column in the table above gives effect to all of the pro forma adjustments and the receipt of the estimated net proceeds of this offering based on the sale of            shares of common stock by us at a price of \$6.25 per share, which is the midpoint of the range set forth on the cover of this prospectus.

## RISK FACTORS

*An investment in us involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained in this prospectus, before deciding to purchase any of our securities. If any of the events or developments described below actually occur, our business, results of operations and financial condition would likely suffer. In these circumstances, you may lose all or part of your investment. In addition, it is also possible that other risks and uncertainties that affect our business may arise or become material in the future.*

### **Risks Related to Our Business**

*We derive a significant portion of our revenues from the life science sector, primarily from biotechnology companies. Adverse developments or a decline in investor interest in this sector could harm our business.*

In 2006 and 2005, 60% and 82%, respectively, of our revenues were derived from the life science sector. For the first six months of 2007, the percentage was 75%. Although we expect this percentage to decrease as our business grows and we execute our growth strategy, we anticipate that the life science sector (primarily biotechnology companies) will continue to account for the largest portion of our revenues in the foreseeable future. The life science sector is known for its volatility due to a number of factors including the following:

many  
companies in  
this sector rely  
on a single  
product or  
class of  
products;

the sector is  
highly  
regulated;

a company's  
success and  
viability  
depends on the  
results of  
clinical trials,  
which are  
unpredictable;

technological  
developments;

disposition of  
patent  
applications;

international  
respect of

patents;

product  
recalls;

general  
economic  
conditions and  
political  
developments;

global  
competition;  
and

availability of  
insurance  
coverage.

Unless we expand into new segments of the economy, our revenue and net profits will continue to be subject to the volatility of the life science sector, which could have a detrimental impact on the price of our securities.

***We expect our growth rates to decline and anticipate downward pressure on our operating margins in the future.***

In 2006 and 2005 our total revenues were \$64.0 million and \$29.3 million, respectively, an increase of 118%. Similarly, in 2006 and 2005 our net income was \$16.5 million and \$4.5 million, respectively, an increase of 267%. As our business grows and matures, it is unlikely that our growth rate can be sustained at those levels, if at all. We expect that in the future our revenue growth rate will decline and anticipate that there will also be downward pressure on our operating margins. We believe this decline and downward pressure could be the inevitable result of a number of factors, including the following:

expenses  
increasing at  
a greater  
rate than  
revenues;

increasing  
competition  
in those  
segments of  
the market  
in which we  
compete;

additional  
costs related  
to being a  
public  
reporting  
company;



our inability  
to execute  
our growth  
strategy;

our lack of  
liquidity and  
access to  
capital; and

the  
relative  
amounts  
of  
revenue  
we earn  
from our  
different  
operating  
units,  
which  
have  
different  
profit  
margins.

***If we are unable to manage our future growth successfully, we may not be able to sustain profitability. Continued growth may place significant demands on our operational, administrative and financial resources.***

Our rapid growth has caused, and if it continues, will continue to cause, significant demands on our operational, administrative and financial infrastructure and increase our expenses. If we do not effectively manage our growth, the quality of our services could suffer, which would adversely affect our operating results and our reputation. To effectively manage future growth, we will have to hire, train and manage a larger work force and improve our financial and management controls and our reporting systems and procedures. These systems enhancements and improvements will require significant capital expenditures and allocation of valuable management resources. If the improvements are not implemented successfully, our ability to manage our growth will be impaired and we may incur significant additional expenditures to address these issues, further impairing our financial condition and profitability. We cannot assure you that we will be able to manage our growth effectively and any failure to do so could adversely affect our ability to generate revenues and control expenses.

***We depend on the services of Mr. Vasinkevich, Mr. Borer and Mr. Rubin, and the loss of their services would have a material adverse effect on us.***

We depend on the efforts and reputations of Michael Vasinkevich, our Vice Chairman, John J. Borer III, formerly our Chief Executive Officer and currently a Senior Managing Director and Head of Investment Banking, and Edward Rubin, our President. Their reputations and relationships with clients and potential clients are critical elements in expanding our businesses, and we believe our historical and future performance is strongly correlated to their involvement to date and their continued involvement in our operations. We entered into employment agreements with each of Messrs. Vasinkevich, Rubin and Borer, which initially expire on February 28, 2010. Each employment agreement then renews automatically for an unlimited number of one-year periods until either party gives a 90-day non-renewal notice. If the executive's employment terminates for any reason, he is subject to a covenant that prohibits him from competing with us for a period of one year from the date of termination. We cannot assure you that one or more of Messrs. Vasinkevich, Borer and Rubin will not resign, join a competitor or form a competing company or that the non-competition provisions in their employment agreements are enforceable. The loss or reduction of the services of any of Messrs. Vasinkevich, Borer or Rubin, due to death, disability, termination of employment or regulatory restriction, could have a material adverse effect on our operations, including our ability to attract new company clients and to raise capital from institutional investors.

***Our client base and the number of products we offer are limited. Our rate of growth will be impaired unless we expand our client base and increase our investment banking revenues.***

We derive most of our revenues from investment banking engagements, including placement agent and underwriting fees and strategic advisory fees, which have the highest profit margins of any of our operating units. For the first six months of 2007 and for the years 2006 and 2005, investment banking transactions accounted for 83%, 67.4% and 61.1%, respectively, of our total revenues. In addition, most of our investment banking revenue derives from publicly-traded companies in the life science sector. From January 1, 2003 through June 30, 2007, we acted as sole or lead manager in connection with 122 financing transactions, of which 93 were or are on behalf of companies in the life science sector. Most of our investment banking clients are public companies and many of them have little or no revenue. From January 1, 2003 through June 30, 2007, our corporate finance transactions ranged from \$1.3 million to \$163.0 million.

Although our growth strategy contemplates that we will develop new sources of revenue and expand our sales and trading, strategic advisory, asset management and merchant banking capabilities, our future growth still largely depends on our ability to generate significant placement

agent and underwriting fees. To do so, we must: (i) expand into new sectors; (ii) increase the volume of corporate finance transactions in which we act as sole or lead manager; and (iii) actively solicit engagements for larger transactions. Significant factors affecting this strategy include our relatively small size, our lack of familiarity with, and visibility in, sectors other than life science and competition from larger investment banks. We cannot assure you that we will be able to compete effectively for new investment banking engagements. If we are unable to increase our investment banking revenue, our rate of growth will be adversely affected, which may cause the price of our common stock to decline.

***Our future success depends on our ability to expand our investment banking services into sectors of the economy other than life science.***

For the six months ended June 30, 2007, and for the years 2006, 2005 and 2004, revenues from non-life science companies were 25%, 40%, 18% and 15%, respectively, of our total revenues. Since we do not have any particular expertise in sectors other than life science, we rely, in part, on our relationships with institutional investors and private equity funds to introduce us to companies that need capital and on our own ability to identify opportunities to which we can apply our corporate finance know-how. We cannot assure you that we will be able to continue to receive referrals from institutional investor sources. We may hire teams of investment bankers and other professionals with expertise in a particular sector, which would, in the short-term, increase our operating costs. If these costs are not offset with increases in revenues, our profitability will be adversely affected, which may cause the price of our common stock to decline.

***PIPE transactions have been subject to intense regulatory scrutiny over the last few years. To the extent the investor interest is reduced as a result, our business will be adversely affected.***

A significant factor in our growth to date has been our leading position as placement agent in PIPE transactions. These transactions usually can be accomplished in less time and at less cost than registered public offerings. Various regulatory and governmental agencies, including the U.S. Securities and Exchange Commission (the SEC), have been reviewing PIPE transactions. Periodically, we receive requests for information from the SEC and other regulatory and governmental agencies regarding PIPEs in general or regarding specific transactions. In most cases, these communications include a request for copies of transaction documents. We always comply with these requests. If the SEC or any other regulatory agency promulgates regulations that make it more difficult or expensive to consummate PIPE transactions, investors and issuers may prefer other financing strategies, such as registered public offerings. Since underwriting registered public offerings has never been a significant source of revenue for us, any decline in the number of PIPE transactions could have a material adverse impact on our business, operations and financial condition, which may cause the price of our common stock to decline.

***Our revenue and profits are highly volatile, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our common stock to decline. In addition, the investment banking sector can be highly volatile, which could adversely impact our revenues and profits.***

We have experienced, and expect to experience in the future, significant variations from period-to-period in our revenues and results of operations. These variations may be attributed in part to the fact that our investment banking revenues, which represent the largest portion of our revenues, are typically earned when the financing or merger or acquisition transaction is consummated, the timing of which is uncertain and largely beyond our control. In most cases, we receive little or no payment for investment banking engagements that do not result in a successfully completed transaction. As a result, our business depends a great deal on market conditions as well as the decisions and actions of our clients and interested third parties. For example, a client could delay or terminate financing transactions because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, adverse market conditions or because its business is experiencing unexpected operating or financial problems. In addition, many



companies seeking a financing simultaneously explore a merger or sale option. Our investment banking revenues would be adversely affected if companies for which we are acting as placement agent or underwriter were sold and we were not also engaged as a strategic advisor. If a transaction fails to close, we will earn little or no revenue despite the fact that we may have devoted considerable resources to, and incurred significant out-of-pocket expenses in connection with, the transaction. This risk may be intensified by our focus on companies in the biotechnology sector, which is extremely volatile. As a result, our financial results will likely fluctuate from quarter to quarter based on the timing when fees are earned, which could, in turn, lead to increased volatility in the price of our common stock.

Market conditions and valuations for companies in the life science sector, as well as general market conditions, can materially affect our financial performance. The nature of our revenue generation, including the size of transactions, the timing of transaction closings and the sectors in which those transactions occur, make our future performance difficult to predict and potentially highly variable. Revenues for many of the services we provide are earned only upon the successful completion of a transaction. Accordingly, revenues and net income in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year-to-year and quarter-to-quarter depending on whether and when transactions are completed and the number, size and type of transactions completed. In particular, recent volatility in the capital markets may lead to disruptions that delay or eliminate revenue opportunities.

***Our corporate finance and strategic advisory engagements are singular in nature and do not generally provide for subsequent engagements.***

Our investment banking engagements, whether for a financing, a merger or an acquisition transaction, are usually transaction specific as opposed to long-term engagements. As such, we must continually seek new engagements even from companies that have engaged us in the past. For this reason, we believe it is important to nurture strong relationships with our clients. Although we have been successful in securing repeat engagements from clients in the past, our ability to do so on a regular basis is by no means assured. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If we are unable to generate a substantial number of new engagements that generate fees from new or existing clients, our business, results of operations and financial condition could be adversely affected.

***We may invest our own principal capital in equities that have limited liquidity and that expose us to a significant risk of capital loss.***

We use a portion of our own capital in a variety of principal investment activities, including purchasing shell companies to be used in connection with future financing transactions and purchasing securities offered in financing transactions for which we are acting as placement agent. We also hold a portfolio of equity securities, including stock and warrants that we received as part of our compensation in connection with acting as a placement agent. Principal investing involves numerous risks, including illiquidity, loss of invested capital and revaluation.

As part of our growth strategy, we intend to expand our merchant banking operating unit, which may involve purchasing securities in venture capital and other high-risk financings of early-stage, pre-public, mezzanine or turn-around companies. These securities are likely to be restricted as to resale and may, in any event, be highly illiquid. For example, in the case of investments in marketable securities, principal investments could be significant relative to the overall capitalization of the company in which we invest. Resale of a significant amount of these securities might adversely affect their market and/or sales price. Moreover, the companies in which we invest may rely on new or developing technologies or novel business models or concentrate on markets which have not yet developed and which may never develop sufficiently to support successful operations. Even if we make an appropriate investment decision based on the intrinsic value of an enterprise, we cannot assure you that general market conditions will not cause the market value of our investments to decline. For example, an increase in interest rates, currency fluctuations, a general decline in the stock markets, or other market conditions adverse to companies of the type in which



we may invest could result in a decline in the value of our investments or a total loss of our investment. This could materially and adversely impact our financial results and the price of our common stock.

We may also commit our own capital to facilitate client sales and trading activities. The number and size of these transactions may adversely affect our results of operations. To the extent that we have long positions in any of those markets, a downturn in the value of those assets or in those markets could result in losses. Conversely, to the extent that we have short positions in any of those markets an upturn in those markets could expose us to potentially large losses as we attempt to cover our short positions by acquiring assets in a rising market. These long and short positions and the movement of the market relative to these positions could further contribute to the fluctuations in our revenues and earnings, which, in turn, could contribute to volatility in the price of our common stock.

***The asset management business is intensely competitive.***

As part of our growth strategy, we plan to expand our asset management business. The asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, brand recognition and business reputation. Our asset management business will compete with a number of private equity funds, specialized investment funds, hedge funds, corporate buyers, traditional asset managers, commercial banks, investment banks and other financial institutions. A number of factors serve to increase our competitive risks. Many of our existing and potential competitors have:

greater  
financial,  
technical,  
marketing,  
human and  
other  
resources than  
we do;

recently  
raised, or are  
expected to  
raise,  
significant  
amounts of  
capital, and  
many of them  
have similar  
investment  
objectives to  
ours, which  
may create  
additional  
competition  
for investment  
opportunities  
and may  
reduce the size  
and duration  
of pricing



inefficiencies  
that many  
alternative  
investment  
strategies seek  
to exploit;

a lower cost of  
capital and  
access to  
funding  
sources that  
are not  
available to  
us, which may  
create  
competitive  
disadvantages  
for us with  
respect to  
investment  
opportunities;

higher risk  
tolerances,  
different risk  
assessments or  
lower return  
thresholds,  
which could  
allow them to  
consider a  
wider variety  
of investments  
and to bid  
more  
aggressively  
for  
investments  
that we want  
to make; and

the ability to  
achieve  
synergistic  
cost savings in  
respect of an  
investment,  
providing a  
competitive  
advantage in

bidding for an investment.

Other factors affecting the competitive landscape of the asset management business include the following:

it is relatively easy for new investment funds to enter this line of business, including a relatively low cost of entry, and the successful entry of newcomers, including major commercial and investment banks and other financial institutions, would result in increased competition;

some investors may prefer to invest with an investment manager that is not publicly traded; and

other asset managers may, from time to time, seek to recruit our investment professionals and other employees

away from  
us.

We may lose investment opportunities in the future if we do not match prices, structures and terms offered by competitors. On the other hand, we may experience decreased rates of return and increased risks of loss if we match prices, structures and terms offered by competitors. In addition, if interest rates were to rise or there were to be a prolonged bull market in sectors other than the ones in which we invest, the attractiveness of our investment funds relative to other investment options could decrease. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future investment funds, either of which would adversely impact our business, revenue, results of operations and cash flow.

Furthermore, asset management businesses have experienced a number of highly publicized regulatory inquiries concerning market timing, late trading and other activities that focus on the mutual fund industry. These inquiries have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisers and broker-dealers. Although we do not act as an investment adviser to mutual funds, regulatory scrutiny and rulemaking initiatives may result in an increase in operational and compliance costs or the assessment of significant fines or penalties against our asset management business, and may otherwise limit our ability to engage in certain activities. In addition, the SEC has conducted studies with respect to soft dollar practices in the brokerage and asset management industries. In October 2005, the SEC proposed interpretive guidance regarding the scope of permitted brokerage and research services in connection with soft dollar practices. The SEC has indicated that it is considering additional rulemaking in this area, and we cannot predict the effect that additional rulemaking may have on our business.

***We face strong competition from other investment banks that serve the biotechnology sector and that specialize in PIPE and RD financing transactions. If we fail to address the challenges posed by this competition, we could lose our leading position in these areas, causing our operating results to suffer.***

The investment banking industry is intensely competitive, and we expect it to remain so for the foreseeable future. This is true in the case of the biotechnology sector as well as in connection with PIPE and RD financing transactions, in which we specialize. We consider our principal competitors to be Banc of America Securities, LLC, C. E. Unterberg, Towbin, Canaccord Adams, Inc., CIBC World Markets, Cowen & Company, LLC, Duetsche Bank Securities, Inc., Jeffries & Company, Inc., Lazard Ltd., Leerink Swann & Co., Lehman Brothers, Inc., Merriman Curhan Ford & Company, Oppenheimer & Co., Inc., Piper Jaffray & Co., RBC Capital Markets, Inc., Roth Capital Partners, LLC, ThinkEquity Partners, LLC and Thomas Weisel Partners, LLC. In addition, as we expand our business into new sectors and new business lines, we will face competition from other firms.

We compete on the basis of a number of factors, including the scope and quality of services, price, market focus and industry knowledge, client relationships and reputation. Larger firms provide a broader range of investment banking services to their clients than we do.

We have experienced intense price competition in our various businesses. Pricing and other competitive pressures in investment banking, including the trends toward multiple book runners, co-managers and multiple financial advisors handling transactions, could adversely affect our revenues, even as the size and number of our investment banking transactions may increase. If we do not address these competitive factors successfully, we may not be able to execute our growth strategy or even maintain our existing market share. In either case, our operating results would suffer as would the price of our common stock.

***As we grow, we will likely face competition from much larger investment banking firms. In order to compete with them, we may have to increase our operating expenses significantly and/or make larger commitments of capital in our trading and underwriting business. This increases the potential for capital loss, which could adversely impact our operating results.***

We are a relatively small investment bank. Primarily because of the types of transactions in which we specialize and the relatively small size of those transactions, except in rare circumstances, we have avoided competing with larger investment banks. However, we expect this to change as we pursue investment banking opportunities with larger companies and engagements for larger transactions. Larger investment banks not only offer a broader range of products and services than we do, they also have significantly greater financial and marketing resources than we do, greater name recognition, more senior professionals to serve their clients' needs, greater global reach and may have more established relationships with clients than we have. Thus, they are better able to respond to changes in the investment banking industry, compete for skilled professionals, finance acquisitions, fund internal growth and compete for market share. For example, many of our larger competitors have the ability to support investment banking with commercial banking, insurance and



other financial services, which has resulted, and could further result, in pricing pressure in our businesses.

In addition, financial services firms have begun to make larger and more frequent commitments of capital in many of their activities. In order to win business, they are increasingly committing to purchase large blocks of stock from publicly traded issuers or significant stockholders, instead of the more traditional marketed underwriting process in which marketing is typically completed before an investment bank commits to purchase securities for resale. They are willing to provide debt financing out of internal funds, often giving them a significant competitive advantage. Because we do not have the resources to match these investment banking firms, we may be unable to compete as effectively for larger clients and larger transactions. In that case, we may not be able to execute that part of our growth strategy, which could have an adverse impact on our operations and financial condition.

***Our ability to retain our senior professionals and recruit additional professionals is critical to our growth strategy and our failure to do so may adversely affect our reputation, business, results of operations and financial condition.***

Our people are our most valuable resource. Our future success depends to a substantial degree on our ability to retain and recruit qualified personnel, particularly senior managing directors. We anticipate that it will be necessary for us to add financial professionals as we pursue our growth strategy. However, we may not be successful in our efforts to recruit and retain the required personnel as the market for qualified financial professionals is extremely competitive. We cannot assure you that our compensation arrangements and non-competition and non-solicitation agreements with our key employees are broad or effective enough to deter or prevent employees from resigning, joining or forming competitors or soliciting our clients. Further, we cannot assure you that we could successfully enforce our rights under those agreements.

Our ability to obtain and successfully execute the transactions that generate a significant portion of our revenues depends upon the reputation, judgment, business generation capabilities and project execution skills of our senior professionals from investment banking, sales and trading and research. The reputations and relationships of our senior professionals with our clients are a critical element in obtaining and executing client engagements. Accordingly, retaining these particular employees is critical to our future success and growth. Turnover in the investment banking industry is high and we encounter intense competition for qualified employees from other companies in the investment banking industry as well as from businesses outside the investment banking industry, such as hedge funds and private equity funds. We have experienced departures of investment banking and other professionals in the past and losses of key employees may occur in the future. As a result of such departures, we may not be able to retain valuable relationships and some of our clients could choose to use the services of a competitor instead of our services. If we are unable to retain our senior professionals and/or recruit additional professionals, our reputation, business, results of operations and financial condition will be adversely affected.

***Our transition to a corporate structure may adversely affect our ability to recruit, retain and motivate our senior managing directors and other key employees, which in turn could adversely affect our ability to compete effectively and to grow our business.***

In connection with our transition to a corporate structure, our senior executives and managing directors may experience significant reductions in their cash compensation or even their overall compensation. Once we are listed on the NASDAQ Global Select Market or any other exchange, we intend to use equity, equity-based incentives and other employee benefits rather than pure cash compensation to motivate and retain our key employees, including our senior executives and managing directors. Our compensation mechanisms as a public company may not be effective, especially if the market price of our common stock declines. In addition, beginning with the current fiscal year, we have agreed to target our total compensation and benefits expense, excluding insurance premiums paid in respect of key-man life insurance policies for our benefit and equity-based compensation attributable to awards granted prior to September 30, 2007, to approximately 55% of revenues each year. Although we may increase this percentage for years subsequent to 2007,



this agreement could adversely impact the overall compensation our key employees, including our senior executive officers and managing directors, may receive. Our senior executives and managing directors may receive less compensation under this formula than they otherwise would have received before it was adopted and may receive less compensation than they otherwise would receive at other firms. Such a reduction in compensation (or the belief that a reduction may occur) could make it more difficult to retain our key employees, including our senior executives and managing directors. In addition, current or potential managing directors and other employees may be more attracted to the benefits of working at a private partnership and the prospects of becoming a partner at such a firm, or at one of our larger competitors.

***Limitations on our access to capital could impair our ability to expand our underwriting businesses.***

Liquidity, or ready access to funds, is essential to financial services firms, including ours. Rodman & Remshaw, LLC ( R&R ), our broker-dealer subsidiary, is subject to the net capital requirements of the SEC, the Financial Industry Regulatory Authority, Inc. ( FINRA ), formerly known as the National Association of Securities Dealers Inc. (the NASD ), and various self-regulatory organizations of which it is a member. These requirements typically specify the minimum level of net capital a broker-dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. Any failure to comply with these net capital requirements could impair our ability to expand our underwriting business. Furthermore, there are laws that authorize regulatory bodies to block or reduce R&R s ability to distribute funds to us. As a result, regulatory actions could impede our access to funds that we need to make payments on obligations or dividend payments. In addition, because we hold equity interests in our subsidiaries, our rights as an equity holder to the assets of these subsidiaries may not materialize, if at all, until the claims of the creditors of these subsidiaries are satisfied.

***Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risks.***

Our risk management strategies and techniques may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure, and breach of contract or other reasons. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances, and, as a result, default risks may arise from events or circumstances that are difficult to detect, foresee or reasonably guard against. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. If any of the variety of processes and strategies we utilize to manage our exposure to various types of risk are not effective, we may incur losses.

***Our operations and infrastructure and those of the service providers upon which we rely may malfunction or fail.***

We outsource certain aspects of our technology infrastructure, including data centers, disaster recovery systems, and wide area networks, as well as some trading applications. We depend on our technology providers to manage and monitor those functions. A disruption of any of the outsourced services would be out of our control and could negatively impact our business. We have experienced disruptions on occasion, none of which has been material to our operations or results. However, we cannot guarantee that future disruptions with these providers will not occur or that their impact would not be material.

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



In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure, including electrical, communications, transportation and other services, that support our businesses and the area in which we are located. This may affect, among other things, our financial, accounting or other data processing systems. Nearly all of our employees work in close proximity to each other. Although we have a formal disaster recovery plan in place, if a disruption occurs and our employees are unable to communicate with or travel to other locations, our ability to service and interact with our clients may suffer, and we may not be able to implement contingency plans that depend on communication or travel.

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

***Strategic investments or acquisitions and joint ventures, or our entry into new business areas, may result in additional risks and uncertainties in our business.***

Our growth strategy contemplates strategic investments, acquisitions and joint ventures, which involve numerous risks and uncertainties, including the following:

problems with the effective integration of operations and systems;

the inability to maintain key pre-acquisition business relationships and integrate new relationships;

increased operating costs;

conflicts or disagreements among principals;

risk of misconduct by

employees not  
subject to our  
control;

difficulties in  
realizing  
projected  
efficiencies,  
synergies and  
cost savings;  
and

exposure to  
new or  
unknown  
liabilities.

Any future growth of our business, such as the further expansion of our principal investment activities, may require significant resources and/or result in significant unanticipated losses, costs or liabilities. In addition, expansions, acquisitions or joint ventures may require significant managerial attention, which may be diverted from our other operations. These capital, equity and managerial commitments may impair the operation of our businesses. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of our common stock, which may dilute the ownership interest of our existing stockholders.

***The demands of running a public company could result in additional costs and require our senior management to devote more time to regulatory and other requirements.***

As a public reporting company, we expect to incur an additional \$1.0 million to \$2.0 million in operating costs annually. These additional costs include the cost to comply with the significant regulatory and reporting requirements under the Exchange Act and other federal and state securities laws, listing and corporate governance requirements of the exchanges on which our common stock may be listed and the compliance obligations of the Sarbanes-Oxley Act of 2002 ( "S-Ox" ). Although we are currently listed on the OTC Bulletin Board, we have applied to list our common stock on the NASDAQ Global Select Market. In addition, we intend to hire additional financial reporting, internal control and compliance staff in order to develop and implement appropriate internal

controls and reporting procedures. Our historical consolidated financial information does not reflect the added costs that we expect to incur as a public company or the resulting changes that will have occurred in our capital structure and operations.

Under Section 404 of S-Ox, we will be required to furnish a report assessing our internal controls over financial reporting by March 31, 2008, the last date on which we can file our annual report with the SEC for the fiscal year ending December 31, 2007, and our auditors will be required to deliver a report on the effectiveness of our controls over financial reporting by March 31, 2009, the last date on which we can file our annual report with the SEC for the fiscal year ending December 31, 2008. Our assessment must include disclosure of any material weakness in our internal controls over financial reporting. We are not presently in compliance with S-Ox's internal control requirements. We are reviewing the adequacy of our financial controls and reporting systems and procedures. While we intend to make all necessary changes, it will take a substantial effort on our part to complete the documentation of our internal control and information systems and financial processes, assess their design, remediate any control deficiencies identified in these efforts and test of the design and operation of internal controls. We anticipate that we will need to hire additional accounting and finance staff to achieve appropriate segregation of duties. We cannot assure you that we will be able to complete the required assessment by our reporting deadline or that we can satisfy any applicable standards in subsequent years. An inability to complete and document this assessment or to comply in subsequent years could cause investors to lose confidence in the accuracy or completeness of our financial reports, which could adversely impact the price of our stock. Additionally, ineffective internal controls over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to delisting by any exchange on which our securities are listed.

In addition, our senior managers do not have experience as officers of a publicly-traded company. Since inception, our senior management has been actively involved in the revenue generating activities of our operations. As the senior executives of a public reporting company, they will now be required to devote more of their time to compliance issues and to develop and implement the internal controls and reporting procedures required by S-Ox, which means they will have less time to devote to business and operational matters and to developing new business. If our senior management is required to devote more time to the additional requirements of managing a public company, and we are unable to successfully transition some or all of the revenue generating responsibilities of our senior management to other suitable professionals, our reputation, business, results of operations and financial condition may be harmed. Also, if we are unable to comply with S-Ox's internal controls requirements, we may not be able to obtain the independent accountant certifications that S-Ox requires publicly-traded companies to obtain.

***Evaluating our prospects in light of our limited operating history and fluctuations in our operating results is difficult.***

We have a limited operating history upon which you can evaluate our business and prospects. Also, because our business is relatively young and is still evolving, our historical operating results may not be useful in predicting our future operating results. As a relatively young enterprise, we face numerous risks and uncertainties, including those relating to our ability to attract and retain clients on a cost-effective basis, expand and enhance our service and product offerings, raise additional capital and respond to competitive market conditions. We may not be able to address these risks adequately, and our failure to do so may harm our business and the value of your investment in our common stock.

In addition, our operating results may fluctuate because of a number of factors, many of which are outside our control. For this reason, comparing our results on a period-to-period basis may not be meaningful and you should not rely on our past results as an indication of future performance. Our quarterly and annual expenses as a percentage of revenues may be significantly different from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these results could cause the price of our common stock to decline. Our short operating history and rapid growth do not accurately reflect the cyclical nature of the investment



banking business. As our growth slows, we expect this cyclicity may become more apparent and may lead to further fluctuations in our performance and in the price of our common stock.

***Our historical and unaudited pro forma financial information may not permit you to predict our costs of operations.***

The historical consolidated financial information in this prospectus does not reflect the added costs that we expect to incur as a public company or the resulting changes that have occurred in our capital structure and operations as a result of the Exchange. For example, because we historically operated through partnerships and limited liability companies, our profits were only taxed at the owner level. In addition, our pro forma combined financial information does not make any adjustment to our operating expenses in light of our transition to a publicly-traded company. For example, in preparing our unaudited pro forma combined financial information, we deducted and charged to earnings estimated statutory income taxes based on a blended federal, state and local tax rate, which may be different from our actual tax rate in the future. Thus, neither our historical financial nor our unaudited pro forma combined financial information may be indicative of our actual experience as a public corporation.

***We may be required to make substantial payments under certain indemnification agreements.***

In connection with our conversion to corporate form, we entered into agreements that provide for the indemnification of our former members against certain tax liabilities relating to periods before the Exchange Date. We may be required to make substantial payments under these indemnification agreements, which could adversely affect our financial condition.

## **Risks Related to Our Industry**

***Difficult market conditions can adversely affect our business in many ways, which could materially reduce our revenue or income.***

Our business is materially affected by conditions in the global financial markets and economic conditions throughout the world. The future market and economic climate may deteriorate because of many factors beyond our control, including rising interest rates, the rate of inflation, currency exchange rates, changes in the regulatory environment, wars, acts of terrorism or political uncertainty. Difficult market and economic conditions, the level and volatility of interest rates, investor sentiment and political events have in the past adversely affected and may in the future adversely affect our business and profitability in many ways. For example, our revenues are directly related to the volume and value of investment banking transactions in which we are involved. During periods of unfavorable market or economic conditions, the volume and size of these transactions may decrease, thereby reducing the demand for our services and increasing price competition among financial services companies seeking those engagements. Our results of operations would be adversely affected by any reduction in the volume or size of corporate finance transactions. Similarly, weakness in equity markets and diminished trading volume of securities could adversely impact our sales and trading business. Finally, a general decline in the value of securities would adversely impact our investment portfolio. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions.

***Significantly expanded corporate governance and public disclosure requirements may result in fewer public offerings and discourage companies from engaging in capital market transactions, which may reduce the number of investment banking opportunities available for us to pursue.***

Highly-publicized financial scandals in recent years have led to investor concerns over the integrity of the U.S. financial markets, and have prompted the U.S. Congress, the SEC, the New York Stock Exchange ( NYSE ) and NASDAQ to significantly expand corporate governance and public disclosure requirements. To the extent that private

companies, in order to avoid becoming

subject to these new requirements, decide to forego public offerings or elect to be listed on foreign markets, our underwriting business may be adversely affected. In addition, provisions of S-Ox and the corporate governance rules imposed by self-regulatory organizations and stock exchanges have diverted the attention of many companies away from capital market transactions, including securities offerings and acquisition and disposition transactions. In particular, companies that either are or are planning to become public companies are incurring significant expenses in complying with the SEC reporting requirements relating to internal controls over financial reporting, and companies that disclose material weaknesses in such controls under the new standards may have greater difficulty accessing the capital markets. These factors, in addition to adopted or proposed accounting and disclosure changes, may have an adverse effect on our business.

***Financial services firms have been subject to increased scrutiny over the last several years, increasing the risk of financial liability and reputational harm resulting from adverse regulatory actions.***

The financial services industry has experienced increased scrutiny from a variety of regulators, including the SEC, the NYSE, FINRA and state attorney generals. Penalties and fines sought by regulatory authorities have increased substantially over the last several years. This regulatory and enforcement environment has created uncertainty with respect to a number of transactions that had historically been entered into by financial services firms and that were generally believed to be permissible and appropriate. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including, but not limited to, the authority to fine us and to grant, cancel, restrict or otherwise impose conditions on the right to carry on particular businesses. For example, a failure to comply with the obligations imposed by the Exchange Act on broker-dealers and the Investment Advisers Act on investment advisers, including record-keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, or by the Investment Company Act of 1940, could result in investigations, sanctions and reputational damage. We also may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities, FINRA or other self-regulatory organizations that supervise the financial markets. Substantial legal liability or significant regulatory action against us could have adverse financial effects on us or harm our reputation, which could harm our business prospects.

Financial services firms are subject to numerous conflicts of interests or perceived conflicts. The SEC and other federal and state regulators have increased their scrutiny of potential conflicts of interest. We have adopted, and regularly review and update, various policies, controls and procedures to address or limit actual or perceived conflicts. However, appropriately addressing conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to appropriately address conflicts of interest. Our policies and procedures to address or limit actual or perceived conflicts may also result in increased costs and additional operational personnel. Failure to adhere to these policies and procedures may result in regulatory sanctions or litigation against us. For example, the research operations of investment banks have been and remain the subject of heightened regulatory scrutiny which has led to increased restrictions on the interaction between equity research analysts and investment banking professionals at securities firms. Several securities firms in the United States reached a global settlement in 2003 and 2004 with certain federal and state securities regulators and self-regulatory organizations to resolve investigations into the alleged conflicts of interest of research analysts, which resulted in rules that have imposed additional costs and limitations on the conduct of our business.

***Our exposure to legal liability is significant, and damages and other costs that we may be required to pay in connection with litigation and regulatory inquiries, and the reputational harm that could result from legal action against us, could adversely affect our businesses.***

We face significant legal risks in our businesses and, in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have been increasing. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with securities offerings and other transactions, employment claims, potential liability for fairness opinions and other advice we provide to participants in strategic transactions and disputes over the terms and conditions of complex trading arrangements.

As an investment banking firm, we depend to a large extent on our reputation for integrity and professionalism to attract and retain clients. As a result, if a client is not satisfied with our services, it may be more damaging to our business than to other businesses. Moreover, our role as advisor to our clients on important underwriting or mergers and acquisitions transactions involves complex analysis and the exercise of professional judgment, including rendering fairness opinions in connection with mergers and acquisitions and other transactions. Therefore, our activities may subject us to the risk of significant legal liabilities to our clients and aggrieved third parties, including our clients' stockholders who could bring securities class action suits against us. Our investment banking engagements typically include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services. However, there can be no assurance that these provisions will protect us or be enforceable in all cases. As a result, we may incur significant legal and other expenses in defending against litigation and may be required to pay substantial damages for settlements and adverse judgments. Substantial legal liability or significant regulatory action against us could harm our results of operations or harm our reputation, which could adversely affect our business and prospects.

***Employee misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.***

Recently, there have been a number of highly-publicized cases involving fraud or other misconduct by employees in the financial services industry, and there is a risk that our employees could engage in misconduct that adversely affects our business. For example, we often deal with confidential matters of great significance to our clients. If our employees were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. We are also subject to a number of obligations and standards arising from our investment management business and our authority over the assets managed by our investment management business. The violation of these obligations and standards by any of our employees would adversely affect us and our clients. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If our employees engage in misconduct, our business could be adversely affected.

***Our sales and trading business may be adversely affected by potential changes in industry practices.***

Historically, our clients have paid us for equity research through commissions on trades. Recently, Fidelity Investments, a large fund manager, entered into arrangements with financial institutions of which it is a client, pursuant to which Fidelity agreed to pay separately for trading and research services, a process known as unbundling. As a result, the financial institutions will reduce their commission on trades but will charge Fidelity separately for research that they provide. It is uncertain whether unbundling arrangements will become an industry trend and, if so, to what extent. Furthermore, if it does become the industry norm, we cannot predict the consequences it will have on our operations in general, or on our sales and trading and research businesses in particular.



*If we were deemed an investment company under the Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business as contemplated and could have an adverse effect on our business.*

We are not an investment company under the Investment Company Act of 1940 and we intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the Investment Company Act of 1940, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and would harm our business and the price of our common stock.

### **Risks Related to Our Common Stock**

*Currently there is a limited public market for our common stock. We cannot assure you that an active trading market for our common stock will ever develop.*

Our common stock is currently listed on the OTC Bulletin Board under the symbol RDRN.OB. Trading activity on the OTC Bulletin Board may lack the depth, liquidity and orderliness necessary to maintain a liquid market. Although we have applied to list our common stock on the NASDAQ Global Select Market under the symbol RODM, an established and liquid trading market may not develop or continue if it does develop, and, after completion of this offering, our common stock may not trade at or above the public offering price set forth on the cover of this prospectus. Accordingly, investors should consider the potential lack of liquidity and the long-term nature of an investment in our common stock prior to investing. Investors may not be able to sell their shares at or above the public offering price set forth on the cover of this prospectus.

*If securities analysts do not publish research or reports about our business or if they downgrade us or our sector, the price of our common stock could decline.*

The trading market for our common stock will depend in part on research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who cover us downgrades us or the industry in which we operate or the stock of any of our competitors, the price of our common stock will probably decline. If one or more of these analysts ceases coverage altogether, we could lose visibility, which could also lead to a decline in the price of our common stock.

*The market price and trading volume of our common stock may be volatile.*

The market price of our common stock could be subject to significant fluctuations due to factors such as:

actual or  
anticipated  
fluctuations  
in our  
financial  
condition or  
results of  
operations;

the success  
or failure of  
our  
operating

strategies  
and our  
perceived  
prospects  
and those of  
the financial  
services  
industry in  
general;

realization of  
any of the  
risks  
described in  
this section;

failure to be  
covered by  
securities  
analysts or  
failure to  
meet the  
expectations  
of securities  
analysts;

a decline in  
the stock  
prices of  
peer  
companies;  
and

a discount in  
the trading  
multiple of  
our common  
stock  
relative to  
that of  
common  
stock of  
certain of  
our peer  
companies  
due to  
perceived  
risks  
associated  
with our  
smaller size.

As a result, shares of our common stock may trade at prices significantly below the price you paid to acquire them. Furthermore, declines in the price of our common stock may adversely affect our ability to conduct future offerings or to recruit and retain key employees, including our managing directors and other key professional employees.

***Purchasers of our common stock will experience immediate dilution.***

If you purchase shares of our common stock in this offering, you will experience immediate dilution of approximately 64.5% in the book value of your investment, in that our net tangible book value per share will be approximately \$2.22, compared with an assumed offering price of \$6.25 (the mid-point of the price range set forth on the cover page of this prospectus). Additionally, as of the date of the final prospectus, we will have outstanding options, held by employees, to purchase 6,028,071 shares of common stock (of which 750,000 shares underly options granted pursuant to our 2007 Stock and Incentive Plan) at a weighted average exercise price of \$4.06 per share and the Warrants to purchase 1,355,600 shares of common stock at \$7.00 per share. The issuance of shares upon the exercise of those options or Warrants will result in dilution of your ownership of our common stock. See Shares Eligible for Future Sale.

***Future sales of our common stock could cause our stock price to decline and your interest may be diluted if we issue additional shares of common stock.***

Sales of substantial amounts of common stock by our executives, employees and other stockholders, or the possibility of such sales, may adversely affect the price of our common stock and impede our ability to raise capital through the issuance of equity securities. Upon completion of this offering, there will be 33,750,000 shares of common stock outstanding, of which 12,350,627 shares of common stock are freely transferable without restriction or further registration under the Securities Act of 1933, as amended (the Securities Act). Subject to certain exceptions, the remaining 21,399,373 shares of common stock are available for future sale subject to timing and volume limitations under Rule 144, upon the expiration or the waiver of transfer restrictions or in accordance with registration rights. Of these shares, 4,843,299 shares will be covered by a separate selling stockholder prospectus.

In addition, we may issue additional shares of capital stock or rights or options to acquire such shares in the future in order to raise capital, to consummate an acquisition, to pay for products or services or to attract or retain key employees. Stockholders do not have preemptive rights to any common stock issued by us in the future. Therefore, stockholders may experience dilution of their equity investment if we issue additional shares of common stock in the future, including shares issuable under equity incentive plans, or if we issue securities that are convertible into shares of our common stock.

In July 2007, the SEC announced proposed revisions to Rule 144. If the proposed changes to Rule 144 are approved, the holding period for restricted shares of our common stock after the completion of this offering may be reduced to six months under specified circumstances, the restrictions on the sale of restricted shares of our common stock held by our affiliates may be reduced, and certain other restrictions on resale of the shares of our common stock under Rule 144 may be modified to make it easier for our stockholders, under specified circumstances, to sell their shares upon the expiration of the lock-up agreements, beginning 180 days after the date of this prospectus. We do not know whether these proposed revisions to Rule 144 will be adopted as proposed or in a modified form, if at all.

***Provisions of our organizational documents may discourage an acquisition of us, which could adversely impact the price of our common stock.***

Our organizational documents may contain provisions that will impede the removal of directors and may discourage a third party from making a proposal to acquire us. The Board of Directors may have the ability to take defensive measures that could impede or thwart a takeover such as, under certain circumstances, adopting a poison pill or causing us to issue preferred stock that has greater voting rights than our common stock. If a change of control or change in management that our stockholders might otherwise consider to be favorable is prevented or delayed, the market price of our common stock could decline.

***We have no current plan to pay dividends on our common stock and investors may lose the entire amount of their investment.***

We have no current plans to pay dividends on our common stock. Therefore, investors will not receive any funds absent a sale of their shares. We cannot assure investors of a positive return on their investment when they sell their shares nor can we assure that investors will not lose the entire amount of their investment.

***After this offering we will be controlled by a limited number of stockholders whose interests may differ from those of our other stockholders.***

After this offering, Revere, our largest stockholder, will own 31.9% of our outstanding common stock. Revere is owned one-third by our President and two-thirds by a trust, the beneficiaries of which are the wife and children of our Vice Chairman. In addition, our other senior executive officers will collectively own 9.8% of our common stock after this offering. As a result, our public stockholders have limited influence over the election of directors, management, company policies or major corporate decisions that require the consent of stockholders owning a majority of our issued and outstanding shares of common stock, such as mergers, consolidations and the sale of all or substantially all of our assets. This could adversely impact the market value of our common stock.

**CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect the current view about future events and financial performance based on certain assumptions. They include opinions, forecasts, projections, assumptions, guidance, expectations, beliefs or other statements that are not statements of historical fact. In some cases, forward-looking statements can be identified by words such as may, can, will, should, could, expects, hopes, believes, plans, anticipates, estimates, predicts, projects, approximates or the negative or other variation of such terms and other comparable expressions. Forward-looking statements in this prospectus may include statements about:

future financial  
and operating  
results, including  
projections of  
revenues,  
income,  
expenditures,  
cash balances  
and other  
financial items;

our capital  
requirements  
and the need for  
additional  
financing;

our ability to  
secure new  
client  
engagements;

our ability to  
successfully  
consummate  
financing and  
merger and  
acquisition  
transactions on  
behalf of our  
clients;

our ability to  
protect our  
intellectual  
property rights  
and secure the  
right to use other  
intellectual

property that we  
deem to be  
essential to the  
conduct of our  
business;

the outcome of  
various  
regulatory and  
legal  
proceedings in  
which we are  
currently  
involved;

the performance  
of any of our  
financial  
products and  
their potential to  
generate  
revenues;

development of  
new financial  
products;

our ability to  
execute our  
growth,  
expansion and  
acquisition  
strategies;

current and  
future economic  
and political  
conditions;

overall industry  
and market  
performance and  
trends;

competition;

management's  
goals and plans  
for future  
operations;

the impact of  
increased  
regulatory  
scrutiny on  
future  
operations;

the revenue and  
profit volatility  
stemming from  
our operations;

the performance  
of service  
providers upon  
which our  
operations rely;

the additional  
risks and  
uncertainties  
stemming from  
entry into new  
businesses;

the impact of  
expanded  
corporate  
governance on  
the number of  
available  
business  
opportunities;

the impact of  
legal liability on  
future  
operations;

the impact of  
employee  
misconduct on  
future  
operations;

the increased  
risk of financial  
liability and  
reputational  
harm resulting  
from adverse



regulatory  
action;

the impact of the  
Investment  
Company Act of  
1940 on future  
operations; and

other  
assumptions  
described in this  
prospectus  
underlying or  
relating to any  
forward-looking  
statements.

The forward-looking statements in this prospectus are only predictions. Actual results could, and likely will, differ materially from these forward-looking statements for many reasons, including the risks described under Risk Factors and elsewhere in this prospectus. No guarantee about future results, performance or achievements can be made. 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.

## USE OF PROCEEDS

In this offering we are selling 8,000,000 shares of common stock and selling stockholders are selling 4,000,000 shares of common stock. We estimate that we will receive net proceeds of \$45.3 million from this offering, assuming a public offering price of \$6.25 per share, the mid-point of the price range set forth on the cover page of this prospectus, after deducting estimated offering expenses and underwriting discounts and commissions. We will not receive any proceeds from the sale of shares of common stock offered by any selling stockholder. A \$1.00 increase (or decrease) in the assumed offering price of \$6.25 per share would increase (or decrease) net proceeds to us from this offering by \$7.4 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the assumed underwriting discounts and commissions. If the underwriters' over-allotment option is exercised in full, we estimate that net proceeds we receive will be approximately \$55.8 million after deducting offering expenses and underwriting discounts and commissions.

We plan to use the net proceeds we receive from this offering for general corporate purposes, which may include, among other things: (i) expanding our presence in the biotechnology sector; (ii) continue our expansion into new sectors; (iii) strategic acquisitions; and (iv) expanding our merchant banking and asset management businesses.

The precise amount and timing of the application of the net proceeds we receive from this offering will depend on many factors, including, but not limited to, the amount of any such proceeds and our actual funding requirements. Until the proceeds are used, we may invest the proceeds, depending on our cash flow requirements, in short and long-term investments including, but not limited to, treasury bills, commercial paper, certificates of deposit, securities issued by U.S. government agencies, money market funds, repurchase agreements and other similar investments.

## OUR DIVIDEND POLICY

As a stockholder of a Delaware corporation, you are entitled to receive dividends and other distributions when, as and if declared from time to time by the Board of Directors out of funds legally available for distributions to stockholders. As a holding company, our ability to pay dividends depends upon our receipt of distributions from our operating subsidiaries, including our broker-dealer affiliate, which is subject to regulatory restrictions on dividends and other distributions to its members or stockholders. For the foreseeable future, the Board of Directors intends to follow a policy of retaining earnings for the purpose of increasing our capital to support additional growth.

Prior to the Exchange Date, we operated as a partnership for income tax purposes and our policy was to make distributions to our members in an amount not less than the tax they owed on their portion of our taxable income. As a corporation, we now will be required to pay federal, state and local income taxes on our income and our stockholders (including our former members or their respective members and/or stockholders) are no longer taxed on their proportional share of our income. For these reasons, any dividends we may pay after the offering will be less than the distributions we made historically. As discussed above, we do not currently intend to pay dividends. Any future determination relating to the payment of dividends will be made at the discretion of the Board of Directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects and other factors that the Board of Directors may deem relevant.

### MARKET PRICE OF OUR COMMON STOCK

Our common stock is currently listed on the OTC Bulletin Board under the symbol RDRN.OB. In connection with this offering, we have applied to list our common stock on the NASDAQ Global Select Market under the symbol RODM. We currently have 10 market makers in our stock.

At the close of business on September 19, 2007, there were 25,750,000 shares of our common stock outstanding. The following table sets forth for the periods indicated the high and low bid prices per share of our common stock as reported by the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not represent actual transactions.

The information in the table below may not be indicative of future trading prices of our shares for a number of reasons, including the following:

from August  
5, 2005  
through and  
including  
July 10,  
2007, the  
Exchange  
Date,  
Enthrust  
Financial  
Services was  
a shell  
company  
and was not  
engaged in  
any trade or  
business and  
had limited  
assets; and

of the  
25,750,000  
shares of  
common  
stock  
currently  
outstanding,  
only  
350,627  
shares  
currently are  
unrestricted  
and  
available to  
be freely  
traded.

**Price Range of Common Stock**

	<b>Bid Prices</b>	
	<b>High</b>	<b>Low</b>
<b>2005</b>		
First Quarter	\$ 22.40	\$ 1.40
Second Quarter	\$ 8.40	\$ 2.52
Third Quarter	\$ 8.40	\$ 2.80
Fourth Quarter	\$ 3.36	\$ 1.68
<b>2006</b>		
First Quarter	\$ 5.32	\$ 1.12
Second Quarter	\$ 4.20	\$ 2.80
Third Quarter <sup>(1)</sup>	\$ 3.08	\$ 0.34
Fourth Quarter	\$ 1.01	\$ 0.51
<b>2007</b>		
First Quarter	\$ 0.51	\$ 0.51
Second Quarter	\$ 1.50	\$ 0.26
Third Quarter (through September 18) <sup>(2)</sup>	\$ 9.50	\$ 0.35

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- (1) A 1-for-28 reverse-stock split was effected on September 18, 2006. All prices prior to the reverse split have been adjusted to give retroactive effect to the reverse split.
- (2) July 10, 2007, the last trading day before the Exchange was consummated, the high and low bid prices were each \$0.35. On July

11, 2007, the first trading day after the Exchange was consummated the high and low bid prices were \$6.00 and \$0.55, respectively.

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On September 19, 2007, the last trade in our common stock, as reported on the OTC Bulletin Board, was \$8.00 per share.

**DILUTION**

If you invest in our common stock, you will suffer dilution to the extent the public offering price per share of our common stock in this offering exceeds the pro forma tangible book value per share of our common stock immediately after this offering. The pro forma tangible book value of our common stock as of June 30, 2007, after giving effect to the Exchange and the issuance of 750,000 restricted shares of common stock in September 2007, was approximately \$29.6 million, or \$1.15 per share. The pro forma tangible book value represents pro forma stockholders' equity, less goodwill, divided by the number of shares of common stock outstanding. The pro forma tangible book value does not take into account any distributions made pursuant to the Distribution Agreement dated as of July 9, 2007 (see "Certain Relationships and Related Transactions - Distributions").

Dilution in pro forma tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the pro forma tangible book value per share of our common stock immediately after the offering. After giving effect to the issuance and sale by us of 8,000,000 shares of our common stock in this offering and our receipt of approximately \$45.3 million in net proceeds from such sale, based on an assumed offering price of \$6.25 per share (the mid-point of the price range shown on the cover page of this prospectus), not including the issuance of an additional 1,800,000 shares pursuant to the underwriters' over-allotment option, and after deducting the underwriters' discounts and commissions and the estimated expenses of the offering, our adjusted pro forma tangible book value as of June 30, 2007 would have been approximately \$74.9 million, or \$2.22 per share. This amount represents an immediate increase in pro forma tangible book value per share of \$1.07 to existing stockholders and an immediate dilution of \$4.03 per share to purchasers of our common stock in this offering.

The following table illustrates the per share dilution to the new investors as of June 30, 2007:

	<b>Per Share</b>
Assumed public offering price per share	\$ 6.25
Pro forma tangible book value per share as of June 30, 2007	\$ 1.15
Increase per share attributable to new investors	\$ 1.07
Adjusted pro forma tangible book value per share after the offering	\$ 2.22
Dilution per share to new investors	\$ 4.03

A \$1.00 increase (or decrease) in the assumed offering price of \$6.25 per share, which is the mid-point of the price range set forth on the cover page of this prospectus, would increase (or decrease) the pro forma as adjusted tangible book value as of June 30, 2007 by \$7.4 million, or \$0.22 per share, and increase (or decrease) the dilution per share to new investors by \$0.78, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions.

The following table summarizes on a pro forma basis, as of June 30, 2007, the total number of shares of common stock issued by us, and the total consideration paid to us for our common stock, by our named executive officers and directors, other existing stockholders and new investors before deducting underwriting discounts and commissions and estimated offering expenses, and the average price per share paid by our named executive officers and directors, other existing stockholders and by new investors who purchase shares of common stock in this offering at the assumed public offering price of \$6.25 per share (the mid-point of the price range shown on the cover page of this prospectus). The shares of common stock outstanding exclude: (i) 4,500,000 shares of common stock reserved for future issuance under our 2007 Stock and Incentive Plan; and (ii) 6,633,671 shares underlying the Warrants and

options granted prior to the adoption of our 2007 Stock and Incentive Plan. To the extent that the Warrants and/or options are exercised or other share awards are made, there will be further dilution to new investors.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Named executive officers and directors	16,478,839	48.8 %	\$ 9,328,268	11.5 %	\$ 0.57
Other stockholders as of June 30, 2007	9,271,161	27.5	22,166,455	27.2	\$ 2.39
New investors in this offering	8,000,000	23.7	50,000,000	61.3	\$ 6.25
Total	33,750,000	100.0 %	\$ 81,494,723	100.0 %	

A \$1.00 increase (or decrease) in the assumed public offering price of \$6.25 per share, the mid-point of the price range set forth on the cover page of this prospectus, would increase (or decrease) the total consideration paid by new investors to us, total consideration paid by all stockholders to us and average price per share paid by all stockholders to us by \$8.0 million, \$8.0 million and \$0.24, respectively, assuming the number of shares offered by us, as set forth on the cover page, remains the same.

### CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2007:

on an actual basis;

on a pro forma basis to give effect to the Exchange and the issuance of 750,000 shares of restricted common stock in September 2007; and

on a pro forma as adjusted basis to also give effect to our issuance and sale of 8,000,000 shares of common stock in this offering,



assuming that the underwriters over-allotment is not exercised, at the assumed public offering price of \$6.25 per share, the mid-point of the price range set forth on the cover page of this prospectus.

	As of June 30, 2007		
	Actual	Pro forma	Pro forma, as adjusted
	(dollars in thousands)		
Convertible debentures	\$ 18,398 <sup>(1)</sup>	\$	\$
Members' equity	11,447 <sup>(2)</sup>		
Stockholders' equity:			
Preferred stock, par value \$.001 per share; 1,000,000 shares authorized; none issued or outstanding			
Common stock, par value \$.001 per share; 100,000,000 shares authorized; 9,800,000 shares issued and outstanding actual; 25,750,000 shares issued and outstanding pro forma; and 33,750,000 shares issued and outstanding pro forma, as adjusted		26	34
Paid in capital		31,469	76,761
Retained earnings			
Total stockholders' equity		31,495	76,795
Total capitalization	\$ 29,845	\$ 31,495	\$ 76,795

You should read this table in conjunction with the sections of this prospectus captioned "Use of Proceeds," "Selected Historical Consolidated Financial Data," "Selected Unaudited Pro Forma Combined Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our consolidated financial statements and related notes included elsewhere in this prospectus.

(1) \$20 million aggregate

principal  
amount net  
of the  
unamortized  
portion of  
the discount  
attributable  
to the  
Warrants  
and the  
beneficial  
conversion  
feature plus  
accrued  
interest  
through June  
30, 2007.

- (2) Holdings of  
members  
equity at  
June 30,  
2007 without  
giving effect  
to the  
Exchange.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the major elements of our balance sheets and statements of income. This section should be read in conjunction with our consolidated financial statements and accompanying notes and other detailed information included in this prospectus.*

### Overview

We are a full service investment bank dedicated to providing investment banking services to companies that have significant recurring capital needs due to their growth and development strategies. We also provide research and sales and trading services to institutional investor clients that focus on those types of companies. Since 2003, we have been a leading investment banking firm to the biotechnology sector, a capital intensive market segment, as well as a leader in the PIPE and RD transaction markets.

Through AcumenBioFin, our division dedicated exclusively to the life science sector, we provide a broad range of investment banking services to biotechnology, specialty pharmaceutical, medical device and other companies operating in the life science sector. Our current business began in 2002 when we made the strategic decision to focus on the biotechnology sector and to build an integrated investment banking platform to service this sector. This was based, in part, on our belief that the biotechnology sector was underserved by the investment banking community as a result of: (i) consolidation, beginning in the 1990s, of well-established middle market and boutique investment banks with and into larger financial institutions; and (ii) a significant downturn in capital market activity in the biotechnology sector beginning in 2001.

In furtherance of our strategy, we recruited investment bankers, research analysts, traders and institutional sales people with expertise in the biotechnology sector from other investment banks, from academia and from companies that operate in this sector. As a result, many members of our biotechnology team have PhDs or other advanced medical or scientific degrees. With this expertise, we have been able to better understand the potential performance of the products under development by, and the regulatory environment impacting, biotechnology companies and to evaluate general economic and business trends affecting those companies. We believe the experience and talent of our professionals enable us to deliver the specialized advice and differentiated services our clients demand, which has resulted in a significant amount of repeat business.

As we continued to expand our capital raising efforts for biotechnology companies, we concluded that many of the financing strategies and transaction structures that we have developed for companies in the biotechnology sector could be equally effective for companies operating in other sectors of the economy. Applying our financing know-how, understanding of the financing needs of capital intensive companies and appreciation of the concerns and goals of institutional investors that invest in such companies, we have begun to leverage our performance and reputation as a leading investment bank in the biotechnology sector to expand our product-based expertise and business reach to other sectors with similar financing needs. During the past 18 months, we completed investment banking transactions for companies in the environmental services, business services, technology, security, oil and gas, retail and logistics sectors, in addition to continuing to grow our presence in the biotechnology sector.

Our activities as an investment banking firm constitute a single business segment, with the following principal sources of revenue:

investment  
banking  
fees, which  
are derived

from  
corporate  
finance  
activities  
and strategic  
advisory  
services;

realized and  
unrealized  
gains with  
respect to  
securities  
held for our  
own  
account;

commissions  
on sales and  
trading  
activities;

conference  
fees; and

other  
miscellaneous  
sources of  
revenues, such  
as asset  
management  
fees  
(eliminated  
upon  
consolidation  
in 2007 and  
2006), interest  
and dividends.

While we have multiple sources of revenue, most of our revenues are derived from our investment banking services and consist of private placement, underwriting and strategic advisory fees earned upon the successful completion of financing or other types of corporate transactions, such as mergers, acquisitions and dispositions. We do not separately prepare, report or analyze financial data or operating results, such as operating expenses, profit and loss or assets, for our various operating units. For example, our sales and trading unit generates commission revenues and incurs various expenses specifically related to their activities, such as execution and clearing charges. Similarly, our life science conferences generate fees from attendees and presenters but also have expenses related to facility usage, food and beverage, and entertainment.

## **Business Environment**

Market conditions and valuations for companies in the life science sector, as well as general market conditions, can materially affect our financial performance. While we have experienced significant revenue growth over recent periods, the nature of our revenue generation, including the size of transactions, the timing of transaction closings and the sectors in which those transactions occur, make future performance difficult to predict and potentially highly variable. Revenues for many of the services we provide are earned only upon the successful completion of a transaction. Accordingly, revenues and net income in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year-to-year and quarter-to-quarter depending on whether and when transactions are completed and the number, size and type of transactions completed.

Historically, the first and fourth quarters are our highest revenue-generating periods, although we cannot be certain that this trend will continue. The second quarter of 2007 was quite strong and revenue for that quarter exceeded revenue for the second quarter of 2006 by more than 300%. This increase is due primarily to our execution of larger and more profitable transactions, which, we believe is a direct result of increases in the staffing of our investment banking group and our increasing visibility and credibility with both issuers and institutional investors, which has enabled us to seek and secure larger engagements. Recent volatility in the capital markets, however, may lead to disruptions that delay or eliminate revenue opportunities during the remainder of the fiscal year.

Consistent with historical trends for both us and the industry generally, we expect third quarter revenues for 2007 to be significantly lower than revenues for either the first or second quarter of 2007. We expect that our third quarter revenues for the current year will exceed revenues from the third quarter of 2006. However, we incurred significant non-recurring expenses in the third quarter of 2007 that were directly related to the Exchange. Most of these expenses were non-cash charges. They include a write-off of the unamortized portion of the debt discount and beneficial conversion feature on the Debentures and charges relating to the accelerated vesting of certain employee stock

options. As a result, we are likely to report a loss for the quarter.

## **Revenues**

Our principal sources of revenues are: (i) investment banking revenues, which include placement agent, underwriting and strategic advisory fees; (ii) principal transactions, which consists of unrealized gains and losses on securities held for investment; (iii) gains and losses realized from the sale of securities held for investment; (iv) commissions; (v) conference fees; and (vi) asset management fees (eliminated upon consolidation in 2007 and 2006), interest and dividends.

### ***Investment banking***

Investment banking revenues include fees earned in connection with private placement and underwritten financing transactions and advisory fees earned in connection with mergers, acquisitions, divestitures and similar transactions. We operate in a highly competitive environment in

which there rarely are long-term contracted sources of revenue and each revenue-generating engagement, which typically relates to a single transaction, is separately awarded and negotiated. We gain new clients each year through our business development initiatives, including our life science conferences, and through referrals from current and former clients, directors, attorneys and other parties with whom we have relationships. We also obtain new engagements from previous clients and from the movement of their senior management to other companies.

Our investment banking revenues depend, to a large extent, on the successful completion of financing, merger, acquisition, divestiture or similar transactions. A transaction may fail to be completed for many reasons, including changes in market and/or general economic conditions, business reversals or setbacks, failure of the parties to agree upon final terms, failure to secure necessary board or stockholder approvals, failure to secure necessary financing, and failure to receive necessary regulatory approvals. In addition, an engagement initially undertaken for a particular type of transaction, such as a financing, may not generate revenue because the client decides to consummate a different transaction for which we are not entitled to a fee. Although we internally track placement agent, underwriting and strategic advisory fees separately, we do not treat them as separate lines of business and we do not track the related expenses separately.

### ***Principal transactions and realized gains and losses***

Revenues described as principal transactions constitute net unrealized gains and losses on publicly traded unrestricted common stock that we have the ability to sell in the short term (*i.e.*, 12 months). Unrealized gains and losses on publicly traded unrestricted common stock that we cannot sell in the short term due to low volume or illiquidity are reported separately under other comprehensive income/loss.

Realized gains and losses reflect the net proceeds from the sale of securities in excess of or below our cost of those securities. Securities held for investment include: (i) warrants we received as compensation for acting as placement agent; (ii) securities, including warrants, that we purchased in offerings for which we acted as placement agent; (iii) continuing interests in shell companies that we originally acquired for the purpose of facilitating financing transactions; and (iv) beginning January 1, 2006, securities held by the R&R Opportunity Fund, L.P. (the Fund ), a value-focused hedge fund, which we manage through Rodman & Renshaw Fund Management, LLC (the Fund Manager ), and in which we owned a 6.8% equity interest as of June 30, 2007. Principal transaction revenues and gains realized will vary from period-to-period and year-to-year, based on general market conditions and the performance of the companies in which we own securities and the amount of our compensation received in the form of warrants or securities rather than cash. The decision to hold or liquidate securities depends on a variety of factors, including market conditions, our assessment of the prospects of the issuer and our need for capital.

### ***Commissions***

Commissions constitute amounts paid by our investor clients from brokerage transactions in equity securities. Our commissions may vary from period-to-period depending, in part, on commission rates, trading volume and number of customers. The introduction of decimalization in securities trading since 2000 and the ability to execute trades electronically, through the Internet and through other alternative trading systems, have resulted in reductions in trading commissions and spreads generally. We expect this trend toward alternative trading systems and resulting pricing pressures on our brokerage business commissions to continue.

Trading commissions to some extent represent compensation for the value of our equity research and other value added services that we deliver to our clients. These bundled commission practices have been the subject of discussion among regulators, the investment banking community and brokerage clients. Some institutional investors have recently announced agreements with brokerage firms under which they will pay for research directly in cash instead of compensating these firms through trading commissions. Depending on the extent to which this practice is adopted, this trend could reduce our commission revenues by negatively affecting both trading volumes and commission rates.





### ***Conference fees and other revenues***

Revenues from conference fees have increased over the years as more companies have participated in our two annual life science sector conferences and we have increased the fees charged for participation. However, conference revenues do not cover the entire cost directly associated with the conferences, such as facility usage costs, travel, entertainment and dining. We believe that the conferences are an important part of our marketing strategy and have contributed to our overall revenue growth. Interest and dividend income primarily consists of interest earned on our cash and short term investments.

We also earn asset management fees through the Fund Manager, although these fees are eliminated in consolidation in 2006 and 2007. The Fund Manager is managed by John J. Borer III, formerly our Chief Executive Officer and currently a Senior Managing Director and Head of Investment Banking. Mr. Borer and members of his family constitute a majority of the investors in the Fund and have contributed most of the Fund's capital.

### **Operating Expenses**

We view our operating expenses as falling into one of two categories: (i) employee compensation and benefits or (ii) other operating expenses.

#### ***Employee compensation and benefits***

Employee compensation and benefits is our largest category of expense, generally constituting more than 50% of our total expenses. Employee compensation and benefits include salaries, bonuses, benefits, employment taxes and other employee costs. It includes both cash and non-cash expenses. We generally pay our employees semi-monthly salaries during the year. We also pay discretionary bonuses based on a combination of the individual and the firm's performance, which, particularly for our senior professionals, makes up the largest portion of their total compensation. In some cases, discretionary bonuses are paid quarterly in arrears and, in other cases, annually, in arrears. Prior to the Exchange, we operated as a limited liability company, which was taxed as a partnership for federal and state income tax purposes. As a result, historically, we distributed a significant portion of our profits to our senior executive officers. For example, from January 1, 2007 through the Exchange Date, July 10, 2007, we distributed \$17.5 million of profits to our members in their capacities as such. A significant portion of this amount went to our senior executives. From and after the Exchange Date, we have operated as a C corporation. Generally, distributions from a C corporation are taxable as compensation, dividends or capital gain. In addition, beginning with the current fiscal year, we are targeting our total compensation and benefits expense, excluding equity-based compensation granted prior to September 30, 2007 and insurance premiums paid in respect of key-man life insurance policies for our benefit, at approximately 55% of total consolidated revenues each year.

#### ***Other operating expenses***

Other operating expenses include all operating expenses other than those constituting employee compensation and benefits, such as fees, costs and expenses relating to the life science conferences, facility usage fees and travel, entertainment and dining expenses, business development costs, office supplies, subscription fees, occupancy and rental costs, brokerage and trade execution costs, professional fees, communications, data processing and information services, travel and entertainment, depreciation and amortization, recruiting and insurance. Clearance and execution charges are directly related to the revenues of our trading unit. Other operating expenses have been relatively modest in proportion to revenues as a result of the relatively small number of staff and related costs (including travel, office space, communications, broker/dealer costs, depreciation and professional services) that we incur. Other operating expenses as a percentage of revenues vary as a result of a variety of factors, including fluctuation in quarterly revenues, the amount of recruiting and business development activity and the amount and timing of reimbursement of engagement-related expenses by clients. Accordingly, other operating expenses as a percentage of revenues in any particular quarter may not be indicative of those expenses as a percentage of revenues in any



future period. We monitor these expenses carefully and expect that they will increase after the Exchange as a result of additional auditing, legal, insurance, printing and other expenses related to being a publicly-traded reporting company.

## Results of Operations

The following table sets forth our revenues, expenses, net income or loss and comprehensive income or loss for the six-month periods ended June 30, 2007 and 2006, the years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004. In April 2004, we changed our fiscal year-end from March 31 to December 31. As a result, our 2004 financial information reflects only nine months of operations. The financial information below, to the extent it relates to the years ended December 31, 2006 and 2005 and the nine months ended December 31, 2004, are derived from our audited consolidated financial statements included elsewhere in this prospectus. The financial information for the six-month periods ended June 30, 2007 and 2006 is derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,		Nine Months Ended December 31,
	2007	2006	2006	2005	2004
	(Unaudited)		(Audited)		
	(in thousands)				
Revenues:					
Private placement, underwriting and strategic advisory fees	\$ 39,374	\$ 17,234	\$ 43,081	\$ 17,887	\$ 16,669
<i>As a percentage of total revenues</i>	83.4 %	64.0 %	67.4 %	61.1 %	79.8 %
Principal transactions, net	(340 )	1,480	11,519	1,175	827
<i>As a percentage of total revenues</i>	(0.7 )%	5.5 %	18.0 %	4.0 %	4.0 %
Realized gains on securities, net	3,540	5,068	1,884	6,174	
<i>As a percentage of total revenues</i>	7.5 %	18.8 %	2.9 %	21.1 %	0.0 %
Commissions	3,606	2,327	5,161	2,429	2,140
<i>As a percentage of total revenues</i>	7.6 %	8.6 %	8.1 %	8.3 %	10.3 %
	719	749	2,093	1,488	1,112

Conference fees					
<i>As a percentage of total revenues</i>	<i>1.5 %</i>	<i>2.8 %</i>	<i>3.3 %</i>	<i>5.1 %</i>	<i>5.3 %</i>
Other revenues	326	82	220	102	129
<i>As a percentage of total revenues</i>	<i>0.7 %</i>	<i>.3 %</i>	<i>0.3 %</i>	<i>0.3 %</i>	<i>0.6 %</i>
Total Revenues	\$ 47,225	\$ 26,940	\$ 63,958	\$ 29,255	\$ 20,877
Expenses:					
Employee compensation and benefits	\$ 26,542	\$ 9,508	\$ 26,782	\$ 15,345	\$ 14,427
<i>As a percentage of total revenues</i>	<i>56.2 %</i>	<i>35.3 %</i>	<i>41.9 %</i>	<i>52.5 %</i>	<i>69.1 %</i>
Conference fees	2,144	1,670	4,748	3,673	2,957
<i>As a percentage of total revenues</i>	<i>4.5 %</i>	<i>6.2 %</i>	<i>7.4 %</i>	<i>12.6 %</i>	<i>14.2 %</i>
Professional fees	2,713	2,488	6,192	1,492	1,026
<i>As a percentage of total revenues</i>	<i>5.7 %</i>	<i>9.2 %</i>	<i>9.7 %</i>	<i>5.1 %</i>	<i>4.9 %</i>
Business development	1,434	880	1,880	765	410
<i>As a percentage of total revenues</i>	<i>3.0 %</i>	<i>3.3 %</i>	<i>2.9 %</i>	<i>2.6 %</i>	<i>2.0 %</i>
Communication and data processing	889	628	1,452	671	282
<i>As a percentage of total revenues</i>	<i>1.9 %</i>	<i>2.3 %</i>	<i>2.3 %</i>	<i>2.3 %</i>	<i>1.4 %</i>
Other expenses	2,084	1,374	3,319	2,423	1,482
<i>As a percentage of total revenues</i>	<i>4.4 %</i>	<i>5.1 %</i>	<i>5.2 %</i>	<i>8.3 %</i>	<i>7.1 %</i>
Total Expenses	\$ 35,806	\$ 16,548	\$ 44,373	\$ 24,369	\$ 20,584
<i>As a percentage of total revenues</i>	<i>75.8 %</i>	<i>61.4 %</i>	<i>69.4 %</i>	<i>83.3 %</i>	<i>98.6 %</i>

Operating income	\$ 11,419	\$ 10,392	\$ 19,585	\$ 4,886	\$ 293
<i>As a percentage of revenues</i>	24.2 %	38.6 %	30.6 %	16.7 %	1.4 %
Interest expense	793		38		

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	Six Months Ended June 30,		Year Ended December 31,		Nine Months Ended December 31,
	2007	2006	2006	2005	2004
	(Unaudited)		(Audited)		
(in thousands)					
Income before income taxes and minority interests	\$ 10,626	\$ 10,392	\$ 19,585	\$ 4,886	\$ 293
<i>As a percentage of total revenues</i>	22.5 %	38.6 %	30.6 %	16.7 %	1.4 %
Income taxes (expense) benefit	(338 )	(349 )	(893 )	(395 )	19
Minority interest in (income) loss of subsidiaries	(261 )	(1,718 )	(2,174 )	18	
Net income	\$ 10,027	\$ 8,325	\$ 16,518	\$ 4,509	\$ 274
<i>As a percentage of total revenues</i>	21.2 %	30.9 %	25.8 %	15.4 %	1.3 %
Unrealized gains on investments			1,002		
Reclassification adjustment for realized gains on investments	(1,002 )				
Comprehensive income	\$ 9,025	\$ 8,325	\$ 17,520	\$ 4,509	\$ 274
<i>As a percentage of total revenues</i>	19.1 %	30.9 %	27.4 %	15.4 %	1.3 %

**June 30, 2007 compared to June 30, 2006****Net Income**

Net income for the six months ended June 30, 2007 was \$10.0 million compared to \$8.3 million for the comparable 2006 period, representing an increase of \$1.7 million, or 20.5%. This increase was attributable to a \$20.3 million increase in total revenue, offset in part by a \$20.1 million increase in total expenses. The largest contributor to this increase in expenses was compensation and benefits, which increased by \$17.0 million. In addition, 2006 net income was adversely impacted by a minority interest charge relating to the Fund of \$1.7 million compared to a minority interest charge of \$0.3 million for the 2007 period.

**Revenues**

Investment banking revenues for the six months ended June 30, 2007 were \$39.4 million compared to \$17.2 million for the six months ended June 30, 2006, representing an increase of \$22.2 million, or 129.1%. The increase in our investment banking revenues was primarily attributable to larger and more profitable financing transactions. In the

2007 period, we were the sole or lead manager in connection with 19 financing transactions, which generated investment banking revenues of \$23.4 million. In the comparable 2006 period, we were the sole or lead manager in connection with 23 financing transactions, which generated investment banking revenues of \$13.4 million. We earned investment banking revenues from 63 different clients in the six months ended June 30, 2007 as compared to 37 clients in the comparable 2006 period. For the six months ended June 30, 2007, \$36.6 million of investment banking revenues constituted placement agent or underwriting fees and \$2.8 million constituted strategic advisory fees as compared to \$16.9 million of investment banking revenues or underwriting fees and \$0.3 million of strategic advisory fees during the 2006 period. For the first six months of 2007, 74.6% of our investment banking revenues was derived from clients in the life science sector compared to 67.0% in the comparable 2006 period.

For the six months ended June 30, 2007, principal transaction revenues were negative \$0.3 million reflecting unrealized losses in our investment portfolio. In comparison, principal transaction revenues for the six months ended June 30, 2006 were \$1.5 million for the six months ended June 30, 2006, reflecting unrealized gains in our investment portfolio. For the 2007 period, realized gains were \$3.5 million compared to \$5.1 million for the 2006 period. The realized gains during the six months ended June 30, 2006 was primarily the result of two warrant positions having been exercised and sold for an aggregate gain of approximately \$3.6 million. In the 2007 period, gains relating to the exercise and sale of warrant positions were \$2.2 million. In the 2007 period, the Fund had unrealized losses of \$0.1 million and net realized gains of \$0.5 million compared to unrealized gains of \$0.8 million and net realized gains of \$1.2 million generated during the 2006 period. Also,

during the first six months of 2007, we recorded \$1.0 million of realized gains on publicly traded unrestricted common stock that we cannot sell in the short-term (*i.e.*, 12 months), representing a reclassification of the unrealized gains recorded as other comprehensive income in 2006.

In March 2007, we distributed 85% of the beneficial interests in certain equity securities, including stock and warrants, which we held in 62 companies, to our members; we distributed a 59.5% interest to Revere and a 25.5% interest to RRCG. We retained the remaining 15% interest in these securities. We then, together with Revere and RRCG, contributed our interests in these securities to RRPR in exchange for membership interests in RRPR that mirrored our respective direct interests in these securities. As a result of the Exchange, we own 40.5% of RRPR, 15.0% directly and 25.5% through our ownership of RRCG. Because we no longer own 100% of these securities, principal transaction revenues in future periods will be lower than it would have been if we continued to hold a 100% interest in these securities.

We earned commissions of \$3.6 million for the six months ended June 30, 2007 compared to \$2.3 million for the six months ended June 30, 2006, an increase of \$1.3 million, or 56.5%. The increase was primarily attributable to an increase in the volume of shares traded for our customers, which, in turn, is attributable to a number of factors, including the overall strength of the capital markets, an increase in the number of traders and institutional sales personnel and increasing investor interest in our research products.

Conference fees and other revenues for the six months ended June 30, 2007 totaled \$1.0 million, compared to \$0.8 million for the six months ended June 30, 2006, an increase of \$0.2 million. Conference fees for the six months ended June 30, 2007 and 2006 were each \$0.7 million. These fees are related to our spring Global Healthcare conference and include fees paid by participants and presenters. Other revenues for the six months ended June 30, 2007 and 2006 consisted primarily of interest and dividend income.

***Expenses (including interest expense)***

Total operating expenses for the six months ended June 30, 2007 were \$35.8 million compared to \$16.5 million for the comparable 2006 period, an increase of \$19.3 million, or 117.0%. For the 2007 period total expenses constituted 75.8% of revenues compared to 61.4% for the 2006 period. The increase in expenses generally reflects an expansion in personnel and related costs as we continue to focus on growth.

Employee compensation and benefits for the six months ended June 30, 2007 was \$26.5 million compared to \$9.5 million for the 2006 period, an increase of \$17.0 million, or 178.9%. These amounts do not include profit distributions to members, which totaled \$12.5 million for the 2007 period and \$4.2 million for the 2006 period. Employee compensation and benefits for the 2007 period constituted 56.2% of revenues compared to a 35.3% for the comparable 2006 period. The overall increase in employee compensation and benefits and the higher ratio is due primarily to: (i) an overall increase in personnel and related expenses; and (ii) payouts to senior managing directors hired in 2006. For the current year, we have targeted employee compensation and benefits expense at 55% of total revenues, excluding equity awards granted prior to September 30, 2007 and insurance premiums paid in respect of key-man life insurance policies for our benefit.

For the six months ended June 30, 2007, other operating and interest expenses were \$10.1 million compared to \$7.0 million for the comparable 2006 period, an increase of \$3.1 million, or 44.3%. The key components of this increase were: (i) interest expense of \$0.8 million related to the issuance of senior convertible debentures on March 1, 2007, consisting of accrued interest and amortization of debt discount and deferred financing costs; (ii) conference expenses, which increased by \$0.5 million; (iii) business development expenses, which increased by \$0.6 million; (iv) occupancy and equipment expenses, which increased by \$0.4 million; and (v) professional fees, which increased by \$0.2 million. Interest expense, amortization of debt discount and deferred financing costs all relate to the Debentures, which had been issued by Holding in March 2007 and which were contributed to us in connection with the Exchange. As a result, after the Exchange Date, we no longer incurred any interest expense in connection with the Debentures.



Also, the unamortized

balance of the debt discount and deferred financing costs at June 30, 2007, of \$2,002,299 and \$1,944,152, respectively, will be charged as an expense in third quarter of 2007.

In addition, for the six months ended June 30, 2007, we had a net interest expense of \$0.8 million, representing accrued interest on the debentures and amortization of the discount attributable to the Warrants and the beneficial conversion feature on the Debentures. We had no interest expense for the 2006 period.

## **2006 compared to 2005**

### *Net Income*

Net income for the year ended December 31, 2006 was \$16.5 million compared to \$4.5 million for the year ended December 31, 2005, representing an increase of \$12.0 million, or 266%. This increase was due primarily to a \$34.7 million increase in revenues offset by a \$20.0 million increase in operating expenses, a \$0.4 million increase in tax expense for the New York State and City Unincorporated Business Tax ( UBT ) and a \$2.2 million charge for minority interest in the Fund, in which we have a 5.0% interest but which we were required to consolidate in 2006 under U.S. generally applicable accounting principles. As a percentage of revenues, 2006 net income was 27.4% compared to 15.4% for 2005.

### *Revenues*

Revenues in 2006 increased by \$34.7 million, or 118%, to \$64.0 million from \$29.3 million in 2005. We believe this increase in revenues is based on the fact that we are a young company operating in a business environment that presents many opportunities for growth and expansion. In 2006 we added a number of senior managing directors and other professionals, including investment bankers, sales traders and institutional sales people, to help us identify and exploit these opportunities. In addition, we believe that our marketing efforts, particularly the life science conferences and some of our other investments in branding and intellectual property, have helped us generate new business opportunities. We believe these factors will continue to impact our growth.

Investment banking revenues for the year ended December 31, 2006 were \$43.0 million compared to \$17.9 million for the year ended December 31, 2005, representing an increase of \$25.1 million, or 141%. In 2006, \$42.2 million of investment banking revenues constituted placement agent or underwriting fees and \$0.8 million constituted strategic advisory fees. In 2005, \$17.8 million of investment banking revenues constituted placement agent or underwriting fees and \$0.1 million constituted strategic advisory fees. In 2006, we were the sole or lead manager in connection with 41 financing transactions, which raised an aggregate of \$921 million. In 2005, we were the sole or lead manager in connection with 18 financing transactions, which raised an aggregate of \$250 million. In 2006, our ten largest fee-paying clients constituted 55% of our investment banking revenues and we had one client that individually constituted 16% of our investment banking revenues. In 2005, our ten largest fee-paying clients constituted 71% of our investment banking revenues and we had one client that individually constituted 18% of our investment banking revenues.

The increase in investment banking revenues was attributable to both an increase in the number of financing transactions in 2006 compared to 2005 and an increase in the size of those transactions. In 2006, we earned investment banking revenues from 75 different clients compared to 34 clients in 2005; 63 of the 2006 clients did not produce any fees for us in 2005. In addition, in 2006 we successfully expanded our investment banking platform to other industry sectors. For 2006, 60.0% of our investment banking revenues was derived from clients in the life science sector compared to 82.0% in 2005.

Principal transaction revenues for the year ended December 31, 2006 were \$11.5 million compared to \$1.2 million for the year ended December 31, 2005, an increase of \$10.3 million. This increase is due in part to the fact that the operations of the Fund were consolidated with our operations in 2006 but not in 2005. Of the \$11.5 million in

principal transaction revenues, \$2.7 million was attributable to the Fund. The balance of the increase reflects our revenue growth, since a portion of our placement agent fee is in the form of securities, and the increase in the value of

securities held at the beginning of the year. At December 31, 2006 and 2005, we held \$19.1 million and \$2.5 million, respectively, of marketable and non-marketable securities. Of the \$19.1 million of securities held at December 31, 2006, \$4.9 million was held by the Fund.

Gain realized from the sale of securities in 2006 was \$1.9 million compared to \$6.2 million in 2005. 87.0% of the gain realized in 2005 was attributable to the liquidation of our position in a company for which we had previously acted as placement agent in connection with an \$8.0 million financing transaction.

We earned commissions of \$5.2 million for the year ended December 31, 2006 compared to \$2.4 million for the year ended December 31, 2005, an increase of \$2.8 million, or 117%. The increase is attributable to the performance of newly hired employees, the strength of the capital markets and higher trading volume, which is due in part to increasing investor interest in our research products. Commission revenue was offset in part by clearance and execution charges of \$0.2 million in 2006 and \$0.3 million in 2005.

Conference fees and other revenues for the year ended December 31, 2006 totaled \$2.3 million compared to \$1.6 million for the year ended December 31, 2005, an increase of \$0.7 million, or 43.0%. Conference fees in 2006 were \$2.1 million and other revenue, interest and dividends, was \$0.2 million. For 2005, conference fees were \$1.5 million and other revenue was \$0.1 million. The increase in conference revenue is attributable to the increase in the number of companies presenting at our conferences and an increase in the fee we charge presenters.

### *Expenses*

Total expenses for 2006 were \$44.4 million compared to \$24.4 million for 2005, an increase of \$20.0 million, or 82.0%. For 2006, total expenses constituted 69.4% of revenues compared to 83.3% for 2005. This decrease generally reflects the leverage we have extracted from an expansion of our operating platform as we continue to focus on growth.

Employee compensation and benefits for the year ended December 31, 2006 totaled \$26.8 million compared to \$15.3 million for the year ended December 31, 2005, an increase of \$11.5 million, or 75%. For 2006, the ratio of employee compensation and benefits, as reported, to total revenues was 41.9% compared to 52.5% for 2005. The 2006 amount does not take into account \$7.7 million representing prior year's profits distributed to three of our senior executives, Michael Vasinkevich, John J. Borer III, and Edward Rubin, in 2007 in their capacity as members of Holding. The increase in employee compensation and benefits is due primarily to larger payout commitments to senior managing directors hired in 2006 and is directly related to the 118.6% increase in revenues from 2005 to 2006. The 2006 amount also reflects \$0.4 million of non-cash employee compensation and benefits related to the grant of options to those senior managing directors. Finally, the increase is also attributable to an increase in the number of employees. At December 31, 2006, we employed a total of 95 people compared to 58 at December 31, 2005.

For the year ended December 31, 2006, other operating expenses totaled \$17.6 million compared to \$9.0 million for 2005, an increase of \$8.6 million or 96.0%. Other operating expenses as a percentage of revenues for the year ended December 31, 2006 was 27.5% compared to 30.8% in 2005. The increase in other operating expenses was primarily attributable to significant increases in professional fees and costs related to our conferences, communications and information services, advertising and brokerage and trade execution. In the case of professional fees, which increased to \$6.2 million from \$1.5 million, \$2.0 million is allocable to legal fees relating to litigation with a former employee and the related regulatory investigations. In addition, a portion of the increase is attributable to legal fees associated with the increased number of transactions. Conference expenses for 2006 were \$4.7 million compared to \$3.7 million in 2005. Business development expenses in 2006 were \$1.9 million in 2006 compared to \$0.8 million in 2005. We believe that both our conferences and our other business development activities have had a positive effect on our revenue growth. Communication and data processing expenses in 2006 were \$1.5 million compared to \$0.7 million in 2005. Occupancy and equipment leasing expenses in 2006 were \$0.8 million compared to \$0.4 million in 2005. Finally, depreciation expense in 2006 was \$0.5 million compared to \$0.2 million in 2005.



## **2005 compared to 2004**

In April 2004, we changed our fiscal year from March 31 to December 31. As a result, our financial statements for fiscal 2004 only reflect nine months of operations from April 1, 2004 through December 31, 2004.

### ***Net Income***

Net income for the year ended December 31, 2005 was \$4.5 million after taking into account a charge of \$0.4 million for the UBT and \$0.02 million for minority interest. In comparison, net income for the nine months ended December 31, 2004 was \$0.3 million. This increase was attributable to an increase in revenues of \$8.4 million offset by an increase in expenses of \$3.8 million. As a percentage of revenue, net income in 2005 was 15.4% compared to 1.3% for 2004.

### ***Revenues***

Revenues increased by \$8.4 million, or 40.2%, to \$29.3 million in 2005 from \$20.9 million for the nine months ended December 31, 2004. We believe that the increase in revenues in 2005 reflects our increased marketing efforts, particularly the life science conferences, and some of our other investments in branding and intellectual property in 2004 and 2003.

Investment banking revenues for the year ended December 31, 2005 were \$17.9 million compared to \$16.7 million for the nine months ended December 31, 2004, representing an increase of \$1.2 million, or 7.2%. For 2005 and 2004, investment banking revenues represented 61.1% and 79.8%, respectively, of total revenues. In 2005, \$17.8 million of investment banking revenues constituted placement agent or underwriting fees and \$0.1 million constituted strategic advisory fees. In the 2004 period, \$16.5 million of investment banking revenues constituted placement agent or underwriting fees and \$0.2 million constituted strategic advisory fees. In 2005, we were the sole or lead manager in connection with 18 financing transactions, which raised an aggregate of \$250.0 million. In the 2004 period, we were the sole or lead manager in connection with 21 financing transactions, which raised an aggregate of \$262.0 million. We earned investment banking revenues from 34 clients in 2005, compared to 38 clients in the 2004 period; 26 of the 2005 clients did not produce any fees for us in the 2004 period. In 2005, our ten largest fee-paying clients constituted 71% of our investment banking revenues and one client individually represented 18% of our investment banking revenues. In the 2004 period, our ten largest fee-paying clients constituted 61% of our investment banking revenues and one client individually represented 10% of our investment banking revenues. For 2005, 82.0% of our investment banking revenues was derived from clients in the life science sector compared to 78.0% in 2004.

Principal transaction revenues for the year ended December 31, 2005 were \$1.2 million compared to \$0.8 million for the nine month period ended December 31, 2004 reflecting an increase in the value of the warrants received in prior periods as compensation. For 2005, gains realized on sales of securities was \$6.2 million. We had no such revenues in the 2004 period.

We earned commissions of \$2.4 million for the year ended December 31, 2005 compared to \$2.1 million for the year ended December 31, 2004, an increase of \$0.3 million, or 14.3%. The increase in 2005 was primarily attributable to an increase in the volume of shares traded for our customers. Clearance and execution charges, which are directly related to trading activity, were \$0.3 million in both 2005 and 2004.

Conference fees and other revenues for the year ended December 31, 2005 totaled \$1.6 million compared to \$1.2 million for the nine month period ended December 31, 2004, an increase of \$0.4 million, or 33.0%. Conference fees in 2004 were \$1.1 million and other revenues, interest and dividends, was \$0.1 million. The increase in conference revenue is attributable to the increase in the number of companies presenting at the conferences and an increase in the fee we charge the presenters.



**Expenses**

Total expenses for 2005 were \$24.4 million compared to \$20.6 million for the nine month period ended December 31, 2004, an increase of \$3.8 million, or 18.4%. For 2005, total expenses constituted 83.3% of total revenues compared to 98.6% for the nine months ended December 31, 2004.

Employee compensation and benefits for the year ended December 31, 2005 totaled \$15.3 million compared to \$14.4 million for the year ended December 31, 2004, an increase of \$0.9 million, or 6.3%. However, as a percentage of total revenue, employee compensation and benefits in 2005 was 52.5% while in the 2004 period it was 69.1%. The 2005 percentage was lower because we had \$6.2 million in realized gains, which had no associated compensation expense. In addition, the 2004 amount includes the entire amount of bonuses paid to our administrative staff for calendar year 2004 and a special distribution of profits in the amount of \$4.2 million paid to our three senior executive officers. Excluding that special distribution, employee compensation and benefits for 2004 was 49.0% of total revenues. Also, the increase in employee compensation and benefits was driven, in part by the increase in number of employees from 40 at December 31, 2004, to 58 at December 31, 2005.

For the year ended December 31, 2005, other operating expenses totaled \$9.0 million compared to \$6.2 million for 2004, an increase of \$2.8 million, or 45%. As a percentage of total revenues, other operating expenses for 2005 were 30.8% compared to 29.5%. Other operating expenses for the 2004 period include conference expenses of \$3.0 million and professional fees of \$1.0 million.

**Pro Forma Information**

Prior to the Exchange, Revere and RRCG owned 70% and 30%, respectively, of Holding and Holding, through an affiliate, owned 80% of Enthrust. As a result of the Exchange, RRCG became a wholly-owned subsidiary of Enthrust and Enthrust owns 70% of Holding directly and the other 30% through RRCG. Giving retroactive effect to the Exchange, on a pro forma combined basis, combining the operations of Holding, Enthrust and RRCG, our statement of income and comprehensive income is as follows:

	<b>Six Months Ended June 30, 2007</b>	<b>Year Ended December 31, 2006</b>
	<b>(in thousands, except earnings per share and weighted number of shares data)</b>	
Revenues	\$ 47,283	\$ 63,958
Operating expenses	36,760	45,180
Operating income	10,523	18,778
Income taxes expense	899	6,775
Minority interest	261	2,187
Net income	9,363	9,816
Other comprehensive income	(1,002 )	1,002
Comprehensive income	\$ 8,361	\$ 10,818



Earnings per share, basic and diluted	\$	0.37	\$	0.39
Weighted number of shares outstanding basic and diluted		25,000,000 <sup>(1)</sup>		25,000,000 <sup>(1)</sup>

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(1) Does not take into account 750,000 shares of restricted common stock issued in September 2007.

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The information in the table above reflects the following adjustments:

transaction costs of \$800,000 relating to the Exchange;

eliminating Enthrust's operating expenses of \$54,943 for the six month period ended June 30, 2007 and \$56,798 for the year ended December 31, 2006, and our minority

interest in

Enthrust s  
results of  
operations, in  
the amount  
of \$13,266  
for the year  
ended  
December  
31, 2006;

eliminating  
\$792,861 of  
interest  
expense,  
amortization  
of debt  
discount and  
deferred  
financing  
costs relating  
to the  
Debentures  
in the six  
month period  
ended June  
30, 2007;

applying a  
40%  
effective tax  
rate resulting  
in an income  
tax expense  
of \$0.9  
million and  
\$6.8 million  
for the six  
month period  
ended June  
30, 2007 and  
for the year  
ended  
December  
31, 2006,  
respectively;  
and

eliminating  
RRCG s  
income taxes  
benefit of

\$24,229 for  
the six month  
period ended  
June 30,  
2007 and  
\$268,000 for  
the year  
ended  
December  
31, 2006.

Until the Exchange, we operated as a limited liability company, which is taxed as a partnership for federal and state income tax purposes. As such, we were not subject to federal or state income taxes, other than the UBT, and our members, Revere and RRCG, reported their allocable share of our income, gains, losses (if any) and deductions on their federal and state income tax returns in accordance with the Internal Revenue Code and the regulations promulgated thereunder as well as applicable state tax statutes and rules. In addition, RRCG elected to be taxed under subchapter S of the Internal Revenue Code as a result of which, it too was generally not subject to federal and state corporate income taxes. As a result of the Exchange we now operate as a C corporation and, as such, we are subject to federal and state corporate income taxes. Assuming the Exchange was consummated on January 1, 2006 and an effective tax rate of 40%, we would have recorded a tax expense of \$6.8 million and net income and comprehensive income of \$9.8 million and \$10.8 million, respectively, for the year ended December 31, 2006. Assuming the Exchange was consummated on January 1, 2007 and an effective tax rate of 40%, we would have recorded a tax expense of \$0.9 million and net income and comprehensive income of \$9.4 million and \$8.4 million, respectively, for the six month period ended June 30, 2007.

Our historical results do not reflect any costs associated with operating as a public company. We expect to incur increases in our operating costs associated with the regulatory and reporting requirements imposed by the SEC, the stock exchange on which our common stock is listed and for complying with the requirements of Section 404 of S-Ox. These costs include legal and accounting fees, consulting fees, stock exchange listing fees, printing and mailing costs, insurance and additional costs associated with hiring new financial, administrative and compliance personnel. We estimate that these additional costs will range from \$1.0 million to \$2.0 million per year.

### **Liquidity and Capital Resources**

We have historically satisfied our capital and liquidity requirements through internally generated cash from operations. In addition, in March 2007, we completed a \$20 million private placement to accredited investors (the Private Placement ).

At June 30, 2007, we had liquid assets, consisting of cash and cash equivalents and due from clearing broker, of \$33.2 million and working capital of \$32.1 million. At December 31, 2006, we had liquid assets of \$12.8 million and working capital of \$24.2 million.

The timing of bonus and retention compensation payments to our employees and dividends to our stockholders may significantly affect our cash position and liquidity from period-to-period. While our employees are generally paid salaries on a semi-monthly basis during the year, bonus payments, which make up a significantly larger portion of total compensation, are generally paid quarterly, although in some cases are paid annually.

As a registered securities broker-dealer, we are subject to the net capital requirements of the SEC uniform net capital requirement rule described elsewhere in this prospectus. SEC regulations also provide that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. At June 30, 2007 and December 31, 2006, we had excess net capital of \$9.1 million and \$1.0 million, respectively. Regulatory net capital requirements change based on investment and underwriting activities.



Because of the nature of settlement transactions in our investment banking and brokerage business, we regularly monitor our liquidity position, including our cash and net capital positions. We believe that our current level of equity capital, combined with funds anticipated to be provided by operating activities will be adequate to meet our liquidity and regulatory capital requirements for at least the next 12 months.

### Cash Flows

**June 30, 2007.** For the six months ended June 30, 2007, we had a net increase in cash and cash equivalents of \$17.4 million. Operating activities provided cash of \$9.0 million and financing activities provided cash of \$8.5 million. The primary components of cash provided by operations were: (i) net income of \$10.0 million; and (ii) an increase in operating payables of approximately \$6.3 million, offset by: (i) a realized gain on available for sale investments of \$1.0 million; and (ii) an increase in due from clearing broker and private placement and other fees receivables of approximately \$6.4 million. Cash provided by financing activity constituted \$20.0 million of gross proceeds from the Private Placement and a \$2.0 million contribution by minority owners of subsidiary offset by \$12.5 million of distributions to members and \$1.0 million of deferred financing costs related to the Private Placement. Our cash and cash equivalents were \$27.7 million at June 30, 2007.

**December 31, 2006.** For the year ended December 31, 2006, we had a net increase in cash and cash equivalents of \$8.4 million. This increase was attributable to operating activities, which provided cash of \$13.6 million, offset by cash used in investing activities of \$0.8 million and cash used in financing activities of \$4.4 million. The primary components of cash provided by operating activities included: (a) net income of \$16.5 million, depreciation of \$0.5 million, minority interest of \$2.2 million, deferred tax expense of \$0.3 million and stock-based compensation of \$0.4 million; (b) a decrease in prepaid expenses of \$0.6 million; and (c) increases in accrued compensation expense payable of \$6.5 million, accounts payable and accrued expenses of \$2.0 million, and income taxes payable of \$0.4 million; offset by (d) increases in securities owned of \$2.5 million, private placement fees receivable of \$1.9 million and due from clearing broker of \$1.8 million; and (e) a decrease in conference deposits of \$0.1 million. Cash used in investing activities included \$0.7 million for purchases of property and equipment and \$0.06 million to purchase a non-operating reporting company for use in connection with a future financing transaction. Cash used in financing activities included distributions to owners. Our cash and cash equivalents at year-end were \$10.4 million.

**December 31, 2005.** For the year ended December 31, 2005, we had a net decrease in cash and cash equivalents of \$2.8 million. This decrease was attributable to operating activities, which used cash of \$0.4 million, investing activities, which used cash of \$2.0 million, and financing activities, which used cash of \$0.3 million. The primary components of cash used in operating activities included: (a) net income of \$4.5 million and depreciation of \$0.2 million; (b) an increase in conference deposits of \$0.3 million; and (c) a decrease in private placement and other fees receivable of \$1.6 million; offset by (d) increases in securities owned of \$1.2 million, prepaid expenses of \$0.7 million, due from clearing broker of \$0.4 million; and (e) decreases in accrued compensation expense payable of \$4.3 million, and accounts payable and accrued expenses of \$0.3 million. Cash used in investing activities included \$1.2 million for purchases of property and equipment and \$0.8 to purchase two non-operating reporting companies for use in connection with future financing transactions. Cash used in financing activities included distributions to owners. Our cash and cash equivalents at year-end were \$2.0 million.

**December 31, 2004.** For the nine months ended December 31, 2004, we had a net decrease in cash and cash equivalents of \$1.4 million. This decrease was attributable to operating activities, which used cash of \$0.9 million and investing activities, which used cash of \$0.4 million. The primary components of cash used in operating activities included: (a) net income of \$0.3 million; (b) increases in accounts payable and accrued expenses of \$0.5 million and accrued compensation expense payable of \$0.6 million; (c) a decrease in amounts due from clearing broker of \$0.5 million; offset by (d) increases in securities owned of \$0.6 million, private placement fees receivable of \$1.0 million; and (e) decreases in distributions due to members of \$0.7 million, securities sold but not yet



purchased of \$0.2 million and conference deposits of \$0.3 million. Cash used in investing activities included \$0.2 million for purchases of property and equipment and \$0.3 million to purchase other assets, including intellectual property. Cash used in financing activities included distributions to owners. Our cash and cash equivalents at year-end were \$4.7 million.

### Contractual Obligations

Our commitments and contingencies include: (i) a real property lease; (ii) employment agreements; and (iii) equipment leases. Our principal offices are located at 1270 Avenue of the Americas, New York, New York where we lease the entire 16th floor. The lease expires in July 2008. We are exploring options for leasing new office space in New York City.

The following table sets forth information relating to our contractual obligations as of June 30, 2007:

	Payment Due by Period				
	After	2009	2008	2007	Total
	(in thousands)				
Operating lease obligations	\$	\$ 31.8	\$ 234.2	\$ 192.7	\$ 458.7
Other	4.2	8.2	8.8	9.8	31.0
<b>Total</b>	<b>\$ 4.2</b>	<b>\$ 40.0</b>	<b>\$ 243.0</b>	<b>\$ 202.5</b>	<b>\$ 489.7</b>

The following table sets forth information relating to our contractual obligations as of December 31, 2006:

	Payment Due by Period				
	After	2009	2008	2007	Total
	(in thousands)				
Operating lease obligations	\$	\$ 31.8	\$ 234.2	\$ 749.4	\$ 1,015.4
Other	4.2	8.2	8.8	16.8	38.0
<b>Total</b>	<b>\$ 4.2</b>	<b>\$ 40.0</b>	<b>\$ 243.0</b>	<b>\$ 766.2</b>	<b>\$ 1,053.4</b>

### Market Risk

Market risk represents the risk of loss that may result from the change in value of a financial instrument due to fluctuations in its market price. Market risk is inherent in all financial instruments. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid offer spreads. Our exposure to market risk is directly related to our role as a financial intermediary in customer trading and to our market-making and investment activities.

We trade in equity securities as an active participant in both listed and OTC equity markets. We maintain securities in inventory to facilitate our market-making activities and customer order flow. Although we do not engage in proprietary trading, we may use a variety of risk management techniques and hedging strategies in the ordinary course of our trading business, including establishing position limits by product type and industry sector, closely monitoring inventory turnover, maintaining long and short positions in related securities, and using exchange traded equity options



and other derivative instruments. We do not use derivatives for speculative purposes.

In connection with our trading business, management also reviews reports appropriate to the risk profile of specific trading activities. Typically, market conditions are evaluated and transaction details and securities positions are reviewed. These activities seek to ensure that trading strategies are within acceptable risk tolerance parameters, particularly when we commit our own capital to facilitate client trading. Our accounting department is actively involved in ensuring the integrity and clarity of the daily profit and loss statements, to the extent that we maintain trading positions for a period longer than one day. Activities include price verification procedures, position reconciliation and review of transaction booking. We believe that these procedures, which stress timely communications between our traders and senior management, are important elements of the risk management process.

### **Equity Price Risk**

Equity price risk represents the potential loss in value due to adverse changes in the level or volatility of equity prices. We are exposed to equity price risk through our trading activities in both listed and OTC equity markets as well as our investment portfolio. We attempt to reduce the risk of loss inherent in our inventory of equity securities by establishing position limits and monitoring inventory turnover to mitigate our market risk profile.

### **Interest Rate Risk**

Interest rate risk represents the potential loss from adverse changes in market interest rates. As we may hold U.S. Treasury securities and other fixed income securities as well as convertible debt securities and incur interest-sensitive liabilities from time to time, we are exposed to interest rate risk arising from changes in the level and volatility of interest rates and in the shape of the yield curve. Interest rate risk is managed through the use of short positions in U.S. government and corporate debt securities and other instruments.

### **Credit Risk**

Our broker-dealer subsidiary places and executes customer orders. The orders are then settled by an unrelated clearing organization that maintains custody of customers' securities and provides financing to customers.

Through indemnification provisions in our agreement with our clearing organization, customer activities may expose us to off-balance-sheet credit risk. We may be required to purchase or sell financial instruments at prevailing market prices in the event a customer fails to settle a trade on its original terms or in the event cash and securities in customer margin accounts are not sufficient to fully cover customer obligations. We seek to control the risks associated with brokerage services for our customers through customer screening and selection procedures as well as through requirements that customers maintain margin collateral in compliance with governmental and self-regulatory organization regulations and clearing organization policies.

Most of our cash is held in two depository institutions. Our accounts are insured by the U.S. government but only up to a maximum of \$100,000 per account. Our cash balances vary from time to time based on a variety of factors but in most cases are significantly in excess of the insurable limit. As a result, we have exposure on these accounts in the event these financial institutions become insolvent.

### **Significant Accounting Policies**

Our consolidated financial statements include the accounts of all of our wholly-owned and majority-owned subsidiaries. The consolidated financial statements also include the accounts of a limited partnership, *i.e.*, the Fund, for which we are the general partner beginning January 1, 2006, in accordance with Emerging Issues Task Force Issue No. 04-5 *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. In accordance with Statement of Financial Accounting Standards No. 94, *Consolidation of All Majority-owned Subsidiaries* an amendment of ARB No. 51, with related amendments of APB Opinion No. 18 and ARB No. 43, Chapter 12, all majority-owned subsidiaries have been consolidated beginning on the date the respective interest was acquired.

### ***Interim Financial Statements***

Our unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position and the results of its operations and the changes in members' equity and cash flows.



### ***Comprehensive Income***

SFAS No. 130, Reporting Comprehensive Income, establishes standards for the reporting and presentation of comprehensive income and its components in the consolidated financial statements.

### ***Valuation of Securities Owned Marketable and Non-Marketable***

Marketable securities consist of: (i) publicly traded unrestricted common stocks, which we have the intent and the ability to sell in the short term ( trading securities ); and (ii) publicly traded unrestricted common stocks, which we have the intent but not the ability to sell in the short term due to low volume or illiquidity ( available for sale securities ). Trading securities are valued at the closing price on the valuation date, with any realized and unrealized holding gains or losses reflected in the consolidated statements of income as realized gains on securities, net and principal transactions, net, respectively. Available for sale securities are valued at the closing price on the valuation date, with any unrealized holding gains or losses reflected as a component of accumulated other comprehensive income in the consolidated statements of members equity, and any realized gains or losses are reflected in the consolidated statements of income as realized gains on securities, net.

Non-marketable securities consist of: (i) non-tradable warrants exercisable into common stock of public companies ( non-tradable warrants ); (ii) restricted common stock in publicly held companies ( restricted securities ); (iii) common stock and preferred stock in privately held companies and interests in partnerships, where we have less than a 20% voting interest and no significant influence ( securities in privately-held entities ); and (iv) convertible notes and notes receivables in privately held companies ( debt securities in privately-held companies ). Non-tradable warrants are valued at intrinsic value based on the closing price at the date of the valuation, as we have the intent and the ability to exercise and sell in the short term, at the closing price. Restricted securities, securities in privately-held entities and debt securities in privately-held companies are carried at cost. Any realized and unrealized holding gains or losses derived from non-marketable securities are reflected in the consolidated statements of income as realized gains on securities, net and principal transactions, net, respectively. Interest on debt securities in privately-held companies is included in the consolidated statements of income and comprehensive income as other income. We account for gains and losses on the sale of marketable and non-marketable securities under the specific identification method.

### ***Investment in Affiliate***

Investment in affiliate in which we own less than 20% of the voting rights but have significant influence is accounted under the equity method in accordance with APB Opinion No. 18. We record our share of the equity and income of the affiliate in the condensed consolidated financial statements.

### ***Securities Transactions and Revenue Recognition***

Proprietary securities transactions, gains and losses from the sale of securities owned, commission revenue and commission expense are recorded on a trade-date basis. Profit and loss arising from all securities transactions entered into for our account and for which we are at risk, are recorded on a trade-date basis.

Private placement fees arising from securities offerings in which R&R, our broker-dealer affiliate, acts as an underwriter or agent, along with fees earned from providing financial advisory services are recognized at the time the transaction is consummated. We recognize advisory fee revenue ratably over the terms of the related contracts.

### ***Conference Revenue and Expenses***

We receive conference deposits from presenters, which are recorded as a liability and then recognized as revenue when the conference is conducted. We also make advance payments for conference facilities, entertainment, and related costs which are recorded as prepaid expenses and then recognized when the conference is conducted.



### ***Debt with Equity Instruments***

We account for debt with equity instruments in accordance with the guidance provided by EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments. Accordingly, the aggregate purchase price is allocated to the debt and equity instruments based on their relative fair market values with an amount attributable to the relative fair value of the warrants being recorded as a debt discount on the debt instruments, such that the debt instruments are recorded on the consolidated statement of financial condition at a value, which is net of the value assigned to the equity instruments. The debt discount, which is credited to members' equity, is accreted over the life of the debt instruments.

The fair value of the warrants is determined based on the Black-Scholes valuation model, which requires the input of highly subjective assumptions, including the expected share price volatility. Given the fact that Holding's equity was not publicly traded, Holding developed an expected volatility figure based on a review of the historical volatilities, over a period of time equivalent to the expected life of these warrants, of similarly positioned publicly traded companies within its industry, during the early stages of their life as a publicly traded company.

In addition, based on the intrinsic value method, we recorded an additional debt discount, related to the beneficial conversion feature of the debt instruments, after taking into account the value of the equity instruments issued. This discount is accreted over the life of the debt instruments.

### ***Income Taxes***

Prior to the Exchange, Holding filed consolidated federal and combined New York State and New York City UBT returns. The members of Holding, PR and RRCG, were taxed on Holding's federal and state taxable income. Accordingly, no provision or liability for federal or state income taxes has been included in Holding's consolidated financial statements, except for the UBT.

Deferred tax assets and liabilities are determined based on the difference between the consolidated financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect for UBT purposes in the years in which the differences are expected to reverse. In addition, we also recognize deferred tax assets for future tax benefits, to the extent that realization of such benefits is more likely than not to occur.

In June 2006, the FASB issued Interpretation No. 48, Accounting of Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (FIN-48). This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 31, 2006. We adopted FIN-48 effective with our 2007 fiscal year. FIN-48 currently has no effect on our consolidated financial statements.

### ***Use of Estimates***

The preparation of financial statements is in conformity with U.S. generally accepted accounting principles, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### ***Stock-Based Compensation***

Until January 1, 2006, we accounted for grants using the intrinsic value method, under which compensation cost related to grants of stock options and restricted stock is recorded to the extent that the exercise price of the option or the purchase price for the stock was less than the market value of the underlying shares on the date of grant. Any such

compensation expense would have been recorded over the service or vesting period.

Effective January 1, 2006, we adopted the modified prospective method set forth in SFAS 123R for valuing stock-based compensation. Under the provisions of SFAS 123R, stock-based compensation cost is measured at the grant date based on the fair value of the award and the expense is recognized over the requisite service period which generally is the vesting period stipulated in the grant for all employees. Under the modified prospective method, compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date.

### ***Registration Payment Arrangements***

In December 2006, the FASB issued a Staff Position on EITF 00-19-2 Accounting for Registration Payment Arrangements ( FSP 00-19-2 ). FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, Accounting for Contingencies ( SFAS 5 ). If the transfer of consideration under a registration payment arrangement is probable and can be reasonably estimated at inception, the contingent liability under the registration payment arrangement is included in the allocation of proceeds from the related financing transaction (or recorded subsequent to the inception of a prior financing transaction) using the measurement guidance in SFAS 5. FSP 00-19-2 was effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the issuance of FSP 00-19-2. For prior arrangements, FSP 00-19-2 is effective for financial statements issued for fiscal years beginning after December 15, 2006 and interim periods within those years. We adopted FSP 00-19-2 effective with our 2007 fiscal year. FSP 00-19-2 currently has no effect on our consolidated financial statements.

### ***Recent Accounting Pronouncements***

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements but does not require any new fair value measurements. SFAS No. 157 will become effective for us in 2008. We are in the process of evaluating the effect that the adoption of this standard will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities ( SFAS 159 ). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are in the process of evaluating the effect that the adoption of this standard will have on our consolidated financial statements.



## BUSINESS

### Overview

We are a full service investment bank dedicated to providing investment banking services to companies that have significant recurring capital needs due to their growth and development strategies. We also provide research and sales and trading services to institutional investor clients that focus on those types of companies. Since 2003, we have been a leading investment banking firm to the biotechnology sector, a capital intensive market segment, as well as a leader in the PIPE (private investment in public equity) and RD (registered direct placements) transaction markets.

Through *AcumenBioFin*, our division dedicated exclusively to the life science sector, we provide a broad range of investment banking services to biotechnology, specialty pharmaceutical, medical device and other companies operating in the life science sector. Our current business began in 2002 when we made the strategic decision to focus on the biotechnology sector and to build an integrated investment banking platform to service this sector. This was based, in part, on our belief that the biotechnology sector was underserved by the investment banking community as a result of: (i) consolidation, beginning in the 1990s, of well-established middle market and boutique investment banks with and into larger financial institutions; and (ii) a significant downturn in capital market activity in the biotechnology sector beginning in 2001.

In furtherance of our strategy, we recruited investment bankers, research analysts, traders and institutional sales people with expertise in the biotechnology sector from other investment banks, from academia and from companies that operate in that sector. As a result, many members of our biotechnology team have PhDs or other advanced medical or scientific degrees. With this expertise, we have been able to better understand the potential performance of the products under development by, and the regulatory environment impacting, biotechnology companies and to evaluate general economic and business trends affecting those companies. We believe the experience and talent of our professionals enable us to deliver the specialized advice and differentiated services our clients demand, which has resulted in a significant amount of repeat business.

As we continued to expand our capital raising efforts for biotechnology companies, we concluded that many of the financing strategies and transaction structures that we have developed for companies in the biotechnology sector could be equally effective for companies operating in other sectors of the economy. Applying our financing know-how, understanding of the financing needs of capital intensive companies and appreciation of the concerns and goals of institutional investors that invest in such companies, we have begun to leverage our performance and reputation as a leading investment bank in the biotechnology sector to expand our product-based expertise and business reach to other sectors with similar financing needs. During the past 18 months we completed investment banking transactions for companies in the environmental services, business services, technology, security, oil and gas, retail and logistics sectors, in addition to continuing to grow our presence in the biotechnology sector.

### History

The foundation for today's Rodman & Renshaw was laid in 2002 when Michael Vasinkevich and Edward Rubin joined John J. Borer III and several of his colleagues from the original Rodman firm, who had acquired the Rodman & Renshaw name and certain related assets out of liquidation in 1998. Borer and his colleagues named their new firm Rodman & Renshaw in 1999. The original Rodman firm (which was also known as Rodman & Renshaw) was in operation from 1951 to 1998 and was put into liquidation in 1998 due to the financial weakness of its foreign owners. Today's Rodman & Renshaw is a different corporate entity from the original Rodman firm and does not share any of its operating history. None of the information in this prospectus relates to any business operations conducted prior to 2002.

### Competitive Strengths

We expect to maintain and expand our position in the biotechnology sector by continually leveraging our principal competitive strengths, which include the following:

### ***Sector focus***

We believe that our focus on the biotechnology sector is a competitive advantage. This focus manifests itself in the form of an integrated platform, including investment bankers, research analysts, traders and institutional sales people, all devoted to companies operating in the biotechnology sector. The team is made up of individuals who are all knowledgeable and, in some cases, experts in this area. We believe this specialization produces a combination of financial and technical expertise, allowing us to better understand and service the strategic and financing needs of our clients and deliver differentiated advice that our clients require and appreciate when addressing complex financing issues and making important strategic decisions. As a result, we have become a leading provider of investment banking services to companies in the biotechnology sector.

The biotechnology sector is highly visible, large, complex, technical and rapidly evolving. In addition, the sector is highly volatile and capital intensive due to the high cost of research and development activities and clinical trials. Because many companies in this sector are key drivers of innovation, growth and capital investment in the United States, the institutional investor community has earmarked a significant pool of investment capital for this sector.

Within the biotechnology sector, our strengths include:

*Focus on financing transactions.* We are corporate finance specialists and plan to continue to focus primarily on financing transactions. In particular, we have developed an expertise in PIPE and RD transactions. This expertise has been gained by our professionals through years of experience at R&R and at other financial institutions.

*Development of innovative solutions.* Our in-depth knowledge of the biotechnology sector enables us to develop financing strategies, transaction structures and financing instruments that simultaneously address issuers' needs for capital and the investment community's need to balance risk and reward.

*Focused equity research.* We believe that investors are looking for investment recommendations that are timely and differentiated. Our biotechnology research team (including eight PhDs and two medical doctors) focuses on uncovering market opportunities and on developing recommendations that will enhance our clients' investment returns. We achieve this through proprietary research, including survey work, and building an extensive network of industry experts. Our investment recommendations are delivered to our institutional investor clients through our experienced sales and trading team. Our research professionals have established strong relationships with our clients through our commitment to knowledge leadership.

*Industry leading conferences.* Our investment conferences dedicated to the life science sector (with particular emphasis on biotechnology companies) are industry-leading events that bring together companies, institutional investors, business development executives and experts from the life science community. The conferences are designed to facilitate interactions of companies in the life science sector with potential investors and strategic partners. The conferences also provide an opportunity to exchange ideas and build relationships. Our life science conferences are an effective marketing tool for us and provide an opportunity for the participating companies and investors to build relationships.

### ***Experienced professionals with deep knowledge and broad skills***

We created an entrepreneurial, performance-oriented corporate culture that attracts professionals who share a reputation for sector expertise, strong execution skills and a history of successful transactions. We are led by a team of professionals with extensive track records of success in the biotechnology sector and with PIPE and RD financing transactions.

### ***Strong client relationships***

We place great emphasis on developing and nurturing long-term relationships with both issuers and investors, such as hedge funds, venture capital funds and private equity funds. This has expanded our distribution and placement capabilities, enabling us to raise significant amounts of capital for our company clients. We strive to build lasting relationships with clients by providing services appropriate to each stage of a company's development. Our investment banking

professionals have established relationships with senior executives at many of the companies and institutions that we target. We believe our strong client relationships are a result of the high level of service we provide. We provide our clients with frequent and consistent interaction with our senior professionals who are actively involved in all stages of our client engagements. This senior level of involvement enables us to apply our collective judgment and experience to achieve an optimal result in the context of a client's objectives.

***Established and respected brand***

We believe the Rodman & Renshaw® brand name is well-recognized, highly-regarded and associated with knowledge leadership, especially in the biotechnology sector and the PIPE and RD transaction markets. In particular, we believe we are known for developing creative solutions to financial and strategic challenges and for sound execution of our clients' transactions.

**Market Opportunity**

Based on the factors described below, we believe a significant opportunity exists for us to grow our various lines of business, expand our service offerings, attract new clients within the biotechnology sector and expand into new sectors.

***Our focus on the biotechnology sector allows us to benefit from significant demand for the investment banking services that we provide.***

In 2006, U.S. biotechnology companies raised over \$23 billion in financing transactions. Having focused on this sector over an extended period of time, we are well positioned to further grow our corporate finance and strategic advisory business within the U.S. biotechnology sector. With additional resources to devote to this sector, we believe we can continue to grow our corporate finance and strategic advisory businesses as the market continues to grow. Companies in this sector require new capital on a regular basis to develop and fund new products and services, leading to repeat business opportunities. They also regularly evaluate their strategic alternatives. Investors in companies in this sector require investment research and brokerage services, which we believe will allow us to grow our equity research and sales and trading platforms. Focusing our research and sales and trading expertise on this sector enables us to deliver market insights and execution strength that further establishes our reputation as a leading investment bank to companies in this sector.

From January 1, 2003 through December 31, 2006, the aggregate gross proceeds of public offerings within the U.S. biotechnology sector totaled \$4.1 billion. The aggregate gross proceeds of follow-on offerings for companies in the biotechnology sector in the United States during this period were \$15.2 billion. The aggregate gross proceeds of PIPE and RD transactions for companies in the U.S. biotechnology sector during this period were \$11.7 billion. From January 1, 2003 through December 31, 2006, merger and acquisition transaction value within the U.S. biotechnology sector totaled \$66.4 billion.

We believe these trends will continue to drive the financing needs of companies in the biotechnology sector and will result in ongoing consolidation in the form of merger and acquisition transactions. Furthermore, we believe that the recent volatility in the U.S. capital markets presents potential opportunities for us. The recurring financing needs of our core client base generally require those clients to access the capital markets on a regular basis, not just opportunistically. Moreover, valuations and activity in the biotechnology sector, for which a large segment of our business could be seen to serve as a proxy, have been strong even through recent market volatility. Finally, we are not burdened with exposure to commercial paper or real estate risk, and hold no investments in structured products or vehicles that have undergone recent revaluations. As a result, we believe that both our key market sectors and our strong balance sheet leave us well positioned to drive continued growth.



***Consolidation in the financial services industry has created an opportunity for us to grow our business.***

The financial services industry has experienced substantial consolidation over the past 10 to 15 years. During this period, a number of growth-focused investment banks were acquired by larger financial institutions with broader platforms. We believe that large investment banks often under-serve clients considered to be small-cap or mid-cap companies, which has created a significant market opportunity for us to serve the specialized needs of these companies. We continue to work with these small-cap and mid-cap companies and aim to provide them with high quality services tailored to meet their needs for capital origination and strategic advisory services.

In addition, we believe many large investment banks have responded to margin pressure within their equity brokerage divisions by reducing research coverage, particularly for smaller companies, consolidating sales and trading services, and transitioning to a more commoditized brokerage model. We continue to provide strong sales and trading and research coverage on small-cap and mid-cap companies, providing investors in these companies with highly experienced research, sales and trading professionals.

**The Biotechnology Sector**

The biotechnology sector continues to experience significant growth. The U.S. biotechnology industry alone has grown from a \$15 billion total market capitalization in 1986 to over \$500 billion today. Currently, there are over 1,100 private and 330 publicly-traded biotechnology companies in the United States. It is estimated that the U.S. biotechnology sector generated more than \$60 billion in revenue in 2006. Furthermore, projections estimate that within a decade, almost one out of every five dollars spent in the United States will be spent on healthcare. It is estimated that healthcare spending in the United States in 2006 exceeded \$2 trillion and it is projected that this figure will increase to over \$4 trillion by 2016. Today, approximately 45% of the American population has a chronic illness, which accounts for more than 75% of healthcare costs.

Currently, there are over 2,300 candidate drugs undergoing clinical trials or under review in the United States by the Food & Drug Administration. It takes approximately 10 to 15 years to bring a new drug to market from discovery, a process that has been estimated to cost, on average, \$1.2 billion per drug. Most of the more than 1,450 U.S. biotechnology companies rely primarily on investment capital to fund their product development. Many of these companies have multiple products in different stages of development, each requiring its own funding support. In our experience, lack of access to funding is the primary reason biotechnology companies cannot bring more drug candidates into clinical (human) trials. With a high failure rate of every 10,000 drugs in development, only 250 complete preclinical trials necessary to enter human testing and only one out of every five drugs that begin clinical trials eventually reaches the market drug development is a high risk process.

Capital origination in the biotechnology sector has been strong over the past decade. From 1996 to 2006, \$149.1 billion was raised by U.S. biotechnology companies. In 2006, U.S. biotechnology companies completed \$23.5 billion of financing transactions, including venture capital investments, initial public offerings, follow-on offerings, and RD and PIPE transactions. In the first half of 2007, the value of U.S. biotechnology companies financing transactions was \$10.9 billion.

The value of merger and acquisition transactions in the U.S. biotechnology sector was approximately \$18.0 billion in 2006. As established pharmaceutical firms struggle with shrinking product pipelines and patent expirations, they are expected to look increasingly to emerging biotechnology companies to fill the innovation gap. It is expected that by the end of 2007, U.S. companies will lose \$5.9 billion in current domestic drug sales to U.S. patent expirations. Internationally, it is estimated that over \$80.0 billion of global blockbuster drugs will have lost U.S. patent protection from 2002 to 2007, underscoring the need for innovative replacement medicines.

Today, PIPE and RD financing transactions represent a key source of funding for publicly traded biotechnology companies. From January 1, 2003 through June 30, 2007, \$13.8 billion was raised through PIPE and RD transactions

in the biotechnology sector. In 2006 and the first six



months of 2007, \$3.6 billion and \$2.1 billion, respectively, was raised through PIPE and RD transactions in the biotechnology sector. In recent years, we have played an important role in biotechnology financing, having helped raise more than 15% of the total amount generated from PIPE and RD financings in the biotechnology sector from January 1, 2003 to June 30, 2007. We believe that PIPE and RD financing transactions will continue to play a significant role in financing the biotechnology sector because the efficiency of these types of financings better meets the funding needs of biotechnology companies as compared to alternative financing methods.

### PIPE and RD Financing Transactions

PIPE (Private Investment in Public Equity) and RD (Registered Direct Placements) financing transactions provide public companies with effective and viable alternatives to raising capital through public follow-on offerings. In a PIPE, a public reporting company sells unregistered securities to investors in a private placement transaction and obligates itself to file, and process to effectiveness, a registration statement with the SEC covering the resale of the securities by the investors within a specified period after the financing closes. The investors cannot sell the securities until the registration statement becomes effective, or an exemption from registration is available for the resale of the securities. In a RD, a public reporting company sells directly to investors securities that are covered by what is commonly referred to as a shelf registration statement (a registration statement that was previously declared effective by the SEC) in a financing transaction commonly referred to as a shelf takedown. Since these securities are issued pursuant to an effective registration statement, the investors can immediately resell them after the completion of the transaction. We believe that both PIPE and RD financing transactions offer the advantages of greater speed, lower cost and more efficient execution over public follow-on offerings.

Issuers use of these financing approaches as alternatives to public follow-on offerings has grown significantly in recent years. Since 2003 when the capital markets began to recover after the internet bubble, the number of PIPE and RD financing transactions and the amount of capital raised using them has increased every year. Sagient Research Systems, the leading provider of research, data, and analytics covering PIPE and RD financing transactions, and a widely quoted and used industry resource, publishes PlacementTracker, which aggregates PIPE and RD financing transactions together for the purposes of its league tables and other statistical data. The following statistical data related to PIPE and RD financing transactions is taken from PlacementTracker. In 2003, there were in the aggregate 882 PIPE and RD financing transactions completed raising more than \$12.6 billion in the aggregate. In 2004, there were in the aggregate 1,270 PIPE and RD financing transactions completed raising more than \$15.6 billion in the aggregate. In 2005, there were in the aggregate 1,304 PIPE and RD financing transactions completed raising more than \$20.0 billion in the aggregate. The year 2006 was a record year during which there were in the aggregate 1,342 PIPE and RD financing transactions completed raising more than \$28.2 billion in the aggregate. In the first six months of 2007, there were in the aggregate 645 PIPE and RD financing transactions completed raising more than \$22.4 billion in the aggregate. The total amount raised in 2006 represented a 41% increase over the total amount raised in 2005 and the total amount raised in the first six months of 2007 represented a 38% increase over the total amount raised during the first six months of 2006.

We completed our first PIPE and RD financing transactions in 2002 and since then have become a leader in this space. The table below sets forth the number of PIPE and RD transactions completed by us and the aggregate amount raised by us in those transactions in each of 2003, 2004, 2005 and 2006 and the first quarter of 2007. The information in the table below is derived from data published by PlacementTracker.

Period	Number of Transactions	Dollars Raised (In millions)
2003	31	>\$400
2004	38	>\$590

2005	29	>\$460
2006	45	>\$850
2007 (through 6/30)	30	>\$540

56

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According to PlacementTracker, in each of calendar years 2003, 2005 and 2006 and in the first six months of 2007, we were the leading investment bank in terms of the aggregate number of PIPE and RD financing transactions completed and, in calendar year 2004, we were the number two investment bank in terms of the aggregate number of PIPE and RD financing transactions completed.

We believe there is a significant opportunity for continued growth in this space given issuers' continuing desire to identify and pursue faster and less costly financing alternatives to traditional follow-on public offerings and institutional investors' continuing interest in participating in these financing transactions.

### **Growth Strategy**

Our primary business objective is to become a leading full-service investment banking firm for companies with significant and recurring capital needs across multiple sectors. We believe we can achieve this goal by continuing to exploit our competitive advantages—namely, our financing expertise, our reputation in, and knowledge of, the biotechnology sector, and our extensive contacts in key sectors of the investment and private equity communities. We further believe that as a public company with increased available capital, we will be better able to: (i) focus on growing our platform by adding new products to serve our existing clients; (ii) build new teams to focus on sectors of the economy, other than biotechnology that have similar financing needs; and (iii) hire professionals to supplement our existing staff. We intend to pursue this objective through the following strategies:

#### ***Expand our existing biotechnology sector platform***

We believe that the biotechnology sector will continue to be a growth area for us, and, with our expertise and reputation, we are well-positioned to achieve a greater share of this market. First, in order to capitalize on our inherent advantages, we intend to increase our investment banking, sales and trading, and research capability in this sector by adding additional professionals to augment our existing team. Our intention is to grow our leading PIPE and RD transaction business, to pursue more follow-on and initial public offerings, to expand our merger and acquisition advisory services and to increase our focus on raising capital for private companies in the biotechnology sector. Second, we intend to nurture our relationships with those companies for which we have raised capital in the past and aggressively pursue relationships with other companies in the sector. Over 34% of our investment banking transactions in 2006 were executed on behalf of repeat clients. As we continue to expand the range of products we offer, we will seek to increase our share of the investment banking business of each of our existing clients. Third, we intend to continue to develop new financing products and create new transactional structures that will address the risks and rewards inherent in the sector. Finally, we intend to apply our capabilities to areas of the life science sector in addition to biotechnology. Certain other areas within the life science sector, such as specialty pharmaceuticals, medical devices and healthcare services, represent natural areas for expansion, particularly as we broaden our product capabilities. We believe these initiatives will provide opportunities to increase our revenues and expand our expertise in the overall life science sector.

#### ***Expand into new sectors***

We intend to expand opportunistically into other sectors of the economy that have particular similarities with the biotechnology sector, including significant and on-going capital needs, highly technical expertise, high risk/high return operating environment and the presence of numerous innovative small and mid-size companies among larger companies. Such sectors may include one or more of the following: mining, energy, technology and business services.

#### ***Expand our existing merchant banking and asset management businesses***

Our current merchant banking activity is limited to the following: (i) whenever possible, we take a portion of our fee in warrants in connection with finance transactions; (ii) we occasionally



purchase securities in a finance transaction in which we are also acting as placement agent; and (iii) we obtain equity ownership in public shell companies, *i.e.*, reporting companies that have no active trade or business and nominal assets, which we subsequently merge with operating private companies through reverse mergers or CAPs® (Collateralized Acquisition Pools®) arranged by us. We may expand our merchant banking activities in a number of ways, including: (i) making larger investments in companies for which we are acting as placement agent in connection with a financing transaction; (ii) making those investments on a more frequent basis; (iii) making bridge loans and providing other interim capital; (iv) financing a company ourselves or with a limited number of other institutional investors; and (v) increasing the number of shell companies that we own.

Our asset management business is currently conducted entirely through the Fund Manager, which manages the Fund. At June 30, 2007, the Fund had a net asset value of \$8.5 million. We may increase the size of the Fund by opening it to outside investors and launch additional funds, including a life science sector focused fund. These initiatives may be carried out through in-house efforts, as in the case of the Fund, through the recruitment of a fund manager or by acquiring an existing asset management business.

### ***Strategic acquisitions***

Our growth strategy also contemplates expansion through strategic acquisitions. We may acquire teams of investment bankers or institutional salesman and traders in one or more of the sectors that we target or we may acquire an investment bank or financial advisory firm or other company in a complementary business or sector. In addition, our expansion strategy contemplates pursuing business opportunities outside of the United States. We already have raised capital for a number of foreign companies and have business contacts in Europe, Asia, Latin America and the Middle East.

In support of these strategies, we believe the following components will be critical:

### ***Attract and retain the highest quality professionals***

Our professionals are our most important asset, and it is their reputation, talent, integrity and dedication that result in our success. We offer a highly entrepreneurial culture with a strong, team-based approach that we believe is attractive to our employees. We have been successful in attracting and retaining key professionals and intend to continue to seek out top talent to further enhance and grow our business. Additionally, we believe that becoming a publicly traded company will further enable us to offer attractive performance-based incentives to talented professionals, which will aid in both our recruitment and retention of key employees.

### ***Exploit strategic relationships***

Our leading position in the biotechnology sector has enabled us to build an extensive network of relationships with venture capital funds, hedge funds and other institutional investors. In addition, through our ongoing expansion into other sectors, we have developed relationships with private equity funds. Our ability to consistently access these sources has led to increased deal flow, within and outside the biotechnology sector.

### ***Be the preferred research and trading partner in our target sectors***

We believe that our research and our sales and trading expertise can contribute to our growth. By leveraging senior research professionals who develop strong investment ideas and by dedicating highly experienced sales and trading professionals by sector, we intend to be the preferred research and trading partner in the biotechnology and other key sectors of the economy. We believe our institutional investor clients are aligning their resources by sector and are seeking to narrow the number of providers of research and trade execution. We intend to meet their specific research and trading requirements and believe that our focus and sector expertise will continue to make us a valued partner for our clients.



## **Our Business**

Our business consists of: (a) investment banking, which includes corporate finance and strategic advisory services; (b) sales and trading; (c) research; (d) merchant banking; and (e) asset management.

### ***Investment Banking***

Our investment banking professionals focus on providing corporate finance and strategic advisory services to public and private companies. As of September 18, 2007, our investment banking group consisted of 18 senior investment bankers, including senior managing directors, managing directors, directors and senior vice presidents, who focus on originating, structuring and placing transactions. A significant majority of our investment banking revenues is earned from public companies with a market capitalization below \$500 million. We believe the experience and talent of our professionals enable us to deliver the specialized advice and differentiated services our clients demand and to be innovative in our approach to addressing client needs.

Over the past five years, we established our position as one of the leading investment banks in the biotechnology sector. By devoting substantial resources to this sector, we acquired a comprehensive understanding of the challenges and demands that public and private biotechnology companies face in raising capital and completing strategic transactions. We believe the high levels of expertise and client trust we developed have been significant factors contributing to our growth and will allow us to generate significant repeat business.

Our investment bankers have been successful in establishing long-term relationships with the senior management of many companies operating in the biotechnology sector. We aim to provide these companies with capital origination services and strategic advice throughout their various stages of development. In turn, this has led to high levels of client loyalty and significant rates of repeat business. In 2006 and 2005, over 34% and 44%, respectively, of our investment banking transactions were executed with repeat clients. In the first six months of 2007 the percentage was 29%.

### ***Corporate Finance***

Our corporate finance efforts are principally focused on public and private equity products, including:

*Private  
Investment in  
Public Equity,  
or PIPE. In  
these  
transactions, a  
publicly-traded  
reporting  
company sells  
unregistered  
securities of a  
class, and/or  
convertible or  
exchangeable  
for a class, that  
is already  
publicly traded.  
Generally, the*

issuer is obligated to register the securities within a specified period after the transaction closes.

*Registered Direct Offerings*, or RD. These transactions are direct placements of securities that have been registered under a shelf registration statement and, therefore, are immediately tradeable.

*Private Placements*. These transactions involve sales of unregistered securities. In most cases the issuer is a private company, although public companies can undertake private placements as well. The securities sold may be common or preferred equity, debt, convertible debt, or



derivatives,  
such as  
warrants. The  
debt could be  
secured or  
unsecured,  
senior,  
mezzanine or  
subordinated.  
Many of these  
transactions  
involve units,  
which include  
more than one  
class of  
securities.

*Public*

*Offerings.*

These  
transactions  
involve  
securities that  
have been  
registered and  
that are listed  
or traded on an  
exchange. The  
offering may  
constitute an  
initial public  
offering by a  
private  
company or a  
follow-on  
offering by an  
existing public  
company.

Our banking professionals have developed a well-earned reputation for being responsive, creative, and effective in originating, structuring and executing these transactions. From January 1, 2003 through June 30, 2007, we completed 196 financing transactions. The aggregate amount raised in these financing transactions was \$3.7 billion. In a large majority of these transactions we were the lead investment bank and in many of them we were the only investment bank. In addition, we are a recognized industry leader in PIPE and RD financing transactions. From January 1, 2003 through

June 30, 2007, we executed over 170 PIPE and RD financing transactions in the aggregate, which raised in excess of \$3.0 billion in the aggregate.

We believe that we differentiate ourselves from our competitors by constantly striving to develop and deploy a variety of financial products and financing strategies that address the needs and concerns of both issuers and investors. For example, we coupled a PIPE financing transaction with a reverse merger of a private company into a reporting public shell company. We use this structure, successfully, as an alternative to the traditional underwritten public offering.

We have also developed a financial product that we call a Collateralized Acquisition Pool®, or CAP®, the proceeds of which are held in trust and released to the issuer upon meeting milestones or the closing of a suitable acquisition. The instrument is typically senior secured convertible debt convertible into the common equity of a publicly-traded company and carries warrant coverage. A CAP® is a flexible product that can be used to facilitate a targeted acquisition, and, as such, may function as an alternative to a Special Purpose Acquisition Corporation or it can be used as a source of working capital.

Our ongoing development of new products and financing structures provides issuers with financial flexibility, competitive cost, and increased access to capital, and enhances our reputation for presenting investors with attractive investment opportunities. We believe our innovation and creativity will continue to be a key driver in the growth of our business.

#### *Strategic Advisory Services*

We advise our clients in connection with mergers, acquisitions, dispositions and similar transactions. We are involved at each stage of these transactions, from initial structuring to final execution.

When we advise companies in connection with these types of corporate transactions, our services may include:

- identifying  
and/or  
evaluating  
potential  
acquisition  
targets or  
acquirors;

- providing  
valuation  
analyses;

- evaluating and  
proposing  
financial and  
strategic  
alternatives;

- rendering, if  
appropriate,  
fairness  
opinions;

providing  
advice  
regarding the  
timing,  
structure and  
pricing of a  
proposed  
transaction;

assisting in  
negotiating  
and closing a  
proposed  
transaction;

advising on  
the  
appropriate  
sale process;  
and

assisting in  
preparing an  
offering  
memorandum  
or other  
appropriate  
sales  
materials.

***Sales and Trading***

As of September 18, 2007, our sales and trading unit includes eight sales people, four sales traders and three traders. They focus on executing trades for institutional investor clients in the United States and Europe. Distributing proprietary research and investment ideas to institutional investor clients is a key factor in client generation. As of September 18, 2007, we were a market-maker for 215 stocks.

We believe institutional investors are becoming increasingly selective in identifying sources of investment and trading expertise. As these investors continue to realign their resources by sector, the premium they place on sector expertise is growing. As a result, we believe that the value they place on timely, focused, insightful, proprietary research and dedicated sales and trading professionals is growing.

Because of our determination to build a comprehensive investment banking platform dedicated to the biotechnology sector, we developed a level of knowledge and focus that differentiates our sales and trading capabilities from those of our competitors. Specializing in this sector enables our traders to provide strong execution because of our extensive understanding of institutional investor client interest in specific biotechnology companies. This sector expertise also allows our sales and

trading professionals to better understand and service the needs of our clients and to create and maintain strong relationships with key institutional investor clients.

Our sales professionals provide our institutional investor clients with access to the management of companies outside the context of financing transactions. These meetings, commonly referred to as non-deal road shows, are highly valued by both our company and institutional investor clients. Non-deal road shows allow our issuer clients to increase their visibility with the institutional investor community while providing our institutional investor clients with the opportunity to further educate themselves on companies and industries through meetings with management. We believe our strong relationships with company management teams and our sector-focused approach provides us with significant access to management.

We also provide investors with extensive access to corporate management teams through our conferences focused on the life science sector (with particular emphasis on biotechnology companies). At our most recent Annual Healthcare Conference held in New York City in November 2006, we had 340 presenting companies and over 2,000 attendees and at our most recent Global Healthcare Conference held in Monaco in May 2007, we had 170 presenting companies and over 600 attendees. Our healthcare conferences emphasize small-cap and mid-cap companies working on the latest scientific and medical breakthroughs for debilitating illnesses that frequently do not have effective treatments, bring together company executives, scientists, industry specialists, venture capitalists and other institutional investors and feature company presentations, panel discussions and one-on-one meetings between company managements and investors. Expert panelists who appear at our conferences are drawn from our extensive network of industry experts developed by our professional staff over the course of their careers. Our investor clients recognize that our expert networks are comprised of many of the leading professionals in their respective fields.

### ***Research***

As of September 18, 2007, our research department includes seven senior analysts: four cover the biotechnology sector, one covers specialty pharmaceuticals, one covers technology and one covers industrial services. These senior analysts are supported by ten associate analysts. As of September 18, 2007, the research department covered 127 companies.

The goal of our research professionals is to provide institutional investor clients with timely, insightful and useful research and investment strategies. We work diligently to keep our institutional investor clients current on new opportunities in the biotechnology sector, new regulatory developments and other information necessary for successful investing. We believe the best recommendations we can make to investors are not only accurate, but also differentiated from or incremental to the collective opinion of other analysts and the investment community. Our differentiated approach to research focuses our experienced analysts' efforts toward delivering specific investment ideas and de-emphasizes maintenance research, which we define as the collection and dissemination of available information without detailed analysis.

### ***Merchant Banking***

To date, our merchant banking efforts have been comprised primarily of making limited principal investments in several PIPE and RD financing transactions where we also acted as the placement agent, and obtaining equity ownership stakes in publicly-traded shell companies, *i.e.*, reporting companies that have no active trade or business and nominal assets, that were subsequently merged with operating private companies through reverse mergers or CAPs® (Collateralized Acquisition Pools®) arranged by us.

### ***Asset Management***

We operate in asset management on a limited basis through the Fund Manager, which manages the Fund. More than half of the capital invested in the Fund was contributed by John J. Borer III, formerly our Chief Executive Officer and

currently a Senior Managing Director and Head of Investment Banking, and members of his family. For the most recent five year period through June 30 2007, the Fund has shown a cumulative return, after fees and carried interest, of 145.9%

compared to returns of 97.8% and 95.6% percent, respectively, for the Russell 2000 Value Index and the S&P Small Cap 600 for the same period. The Fund's net assets were approximately \$8.5 million at June 30, 2007.

### **Risk Management and Compliance**

Risk is an inherent part of our business. Global markets, by their nature, are prone to uncertainty and expose participants to a variety of risks. The principal risks we face are credit, market, liquidity, legal, reputation and operational risks. We consider risk management to be of paramount importance in our day-to-day operations. Consequently, we devote significant resources, including investments in personnel and technology, to the measurement, analysis and management of risk. While risk cannot be eliminated, we seek to mitigate it through a strong internal control environment, with multiple overlapping and reinforcing elements. We developed policies and procedures to identify, measure and monitor the risks involved in our sales and trading and investment banking activities. We apply sound practical judgment before transactions occur to ensure appropriate risk mitigation is in place. We accomplish this objective by allocating the use of capital to each of our business units, establishing trading limits and setting credit limits for individual counterparties.

The challenge is balancing risk versus return. Our objective is to achieve adequate returns from each of our business units commensurate with the risks inherent in those units. Nonetheless, the effectiveness of our approach to managing risks can never be completely assured. For example, unexpected large or rapid movements or disruptions in one or more markets or other unforeseen developments could have an adverse effect on our results of operations and financial condition. The consequences of these developments can include losses due to adverse changes in the value of our portfolio of securities held for investment and increases in our credit exposure to customers and trading counterparties and general systemic risk.

### **Competition**

All aspects of our business are intensely competitive. Our competitors are other investment banks, brokerage firms, merchant banks and financial advisory firms. We consider our primary competitors to include the following firms:

Banc of America Securities, LLC	Lehman Brothers, Inc.
C.E. Unterberg, Towbin	Merriman Curhan Ford & Company
Canaccord Adams, Inc.	Oppenheimer & Co. Inc.
CIBC World Markets	Piper Jaffray & Co.
Cowen and Company, LLC	RBC Capital Markets, Inc.
Duetsche Bank Securities, Inc.	Roth Capital Partners, LLC
Jefferies & Company, Inc.	ThinkEquity Partners, LLC
Lazard Ltd.	Thomas Weisel Partners, LLC
Leerink Swann & Co.	

In addition, as we continue to expand into new sectors, we are likely to face competition from other firms.

We compete on a national, regional and local level as well as on product and business-line bases. Some of our competitors have teams that specifically focus on the biotechnology sector, and some of them specialize in PIPE and/or RD transactions. We do not believe that any of our competitors have the same level of expertise as we do in both the biotechnology sector and with PIPE and RD financing transactions. Many of our competitors, however, have substantially greater capital and resources than we do and offer a broader range of financial products. We believe that the principal factors affecting competition in our business include client relationships, reputation, quality and price of our products and services, market focus and the experience of our professionals.



In recent years, there has been substantial consolidation and convergence among companies in the financial services industry, including among many of our former competitors. In particular, a number of large commercial banks have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a broader range of products and services than we offer, including loans, deposit accounts, insurance and alternative investment strategies. Many of these firms also have more extensive investment banking services, which may enhance their competitive position. They also have the ability to support investment banking and securities products with commercial banking, insurance and other financial services revenue in an effort to gain market share, which could result in pricing pressure in our business. This trend toward consolidation and convergence has also significantly increased the capital base and geographic reach of our competitors.

In the investment banking industry, competition for the recruitment and retention of qualified professionals is also intense. Our ability to continue to compete effectively in our business will depend upon our continued ability to retain and motivate our existing professionals and attract new professionals.

### **Government Regulation**

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States and elsewhere. As a matter of public policy, regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of participants in those markets. In the United States, the SEC is the federal agency responsible for the administration of the federal securities laws. R&R, our wholly-owned subsidiary, is registered as a broker-dealer with the SEC and FINRA and in 23 states. Accordingly, R&R is subject to regulation and oversight by the SEC and FINRA, a self-regulatory organization, which is itself subject to oversight by the SEC and which adopts and enforces rules governing the conduct, and examines the activities, of its member firms. State securities regulators also have regulatory or oversight authority over R&R. Our business may also be subject to regulation by foreign governmental and regulatory bodies and self-regulatory authorities in other countries.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of various self-regulatory organizations, R&R is subject to the SEC's uniform net capital rule, Rule 15c3-1 of the Exchange Act, which specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of its assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital. The SEC has adopted rule amendments that establish alternative net capital requirements for broker-dealers that are part of a consolidated supervised entity. As a condition to its use of the alternative method, a broker-dealer's ultimate holding company and affiliates (referred to collectively as a consolidated supervised entity) must consent to group-wide supervision and examination by the SEC. If we elect to become subject to the SEC's group-wide supervision, we will be required to report to the SEC computations of our capital adequacy.

The research areas of investment banks have been and remain the subject of increased regulatory scrutiny. In 2002 and 2003, acting in part pursuant to a mandate contained in S-Ox, the SEC, the NYSE, NASDAQ and FINRA adopted rules imposing heightened restrictions on the interaction between equity research analysts and investment banking personnel at member securities firms. In addition, in 2003 and 2004, several securities firms in the United States reached a





settlement with certain federal and state securities regulators and self-regulatory organizations to resolve investigations into their equity research analysts' alleged conflicts of interest. Under this settlement, to which we were not a party, the firms have been subject to certain restrictions and undertakings. In addition, the settlement imposes restrictions on the interaction between research and investment banking departments, and these securities firms are required to fund the provision of independent research to their customers. In connection with the research settlement, the firms also subscribed to a voluntary initiative imposing restrictions on the allocation of shares in public offerings to executives and directors of public companies. The SEC has proposed amendments to Regulation M that would further affect the manner in which securities are distributed and allocated in registered public offerings, and FINRA has proposed similar rulemaking in this area. We cannot fully predict the practical effect that such restrictions or measures will have on our business. Furthermore, the SEC, the NYSE, NASDAQ and FINRA may, in the future, adopt additional and more stringent rules with respect to offering procedures and the management of conflicts of interest in the future.

The SEC has conducted studies with respect to soft dollar practices in the brokerage and asset management industries. In October 2005, the SEC proposed interpretive guidance regarding the scope of permitted brokerage and research services in connection with soft dollar practices. The SEC has indicated that it is considering additional rulemaking in this area, and we cannot predict the effect that additional rulemaking may have on our business.

The effort to combat money laundering and terrorist financing is a priority in government policy with respect to financial institutions. The USA PATRIOT Act of 2001 contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to broker-dealers and other financial services companies, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Through these and other provisions, the USA PATRIOT Act of 2001 seeks to promote the identification of parties that may be involved in terrorism or money laundering. Anti-money laundering laws outside the United States contain some similar provisions. The obligation of financial institutions, including us, to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures and controls which have increased, and may continue to increase, our costs, and any failure with respect to our programs in this area could subject us to serious regulatory consequences, including substantial fines and, potentially, other liabilities.

Certain of our businesses are subject to compliance with laws and regulations of the United States, state governments, foreign governments and their respective agencies and/or various self-regulatory organizations or exchanges relating to the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage.

Additional legislation, changes in rules promulgated by the SEC and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect the mode of our operation and profitability.

The United States and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

Since March 2004, we have received inquiries, subpoenas and requests for production of documents from the SEC, FINRA and the Attorney General of the State of New York ( AG ) with respect to individual PIPE transactions in which we acted as placement agent. We have responded to each such inquiry, subpoena and request, and, to our best knowledge, our responses have been to the satisfaction of the inquiring party. We have never been advised by the SEC, FINRA or the AG that we are, or have been, a target in connection with any such inquiry or investigation in connection with our PIPE business, and we have no reason to believe that we are currently a target in connection with

any such inquiry or investigation. We believe that these inquiries and

investigations are consistent with the general regulatory scrutiny that PIPE transactions have been the subject of during this period.

During 2006 and 2007, we have received ongoing inquiries from FINRA relating to our participation in resale registration offerings that register securities placed in private placement financing transactions in which we acted as placement agent. The inquiries have focused on whether the offerings contemplated by such resale registration statements are subject to the filing requirements set forth in Rule 2710 of FINRA Conduct Rules ( Rule 2710 ) and FINRA Notice to Members 88-101. A Rule 2710 filing seeks approval from FINRA as to the fairness of the compensation received, or to be received, by a member in a financing transaction covered by the rule. The rule generally covers a member that is participating in a public offering, the definition of which is currently the subject of industry discussion and debate. We have responded to each such inquiry, and to our best knowledge, such responses have been to the satisfaction of the inquiring party. We expect that FINRA may seek further information from us. We have never been advised by FINRA that we are, or were, a target in connection with any inquiry or investigation relating to Rule 2710.

### **Properties**

Our corporate headquarters are located in New York City on the 16th floor at 1270 Avenue of the Americas, where we lease 16,700 square feet under a lease that expires in July 2008. We are exploring our options for leasing new office space in New York City. We also have offices in Boston, Massachusetts, and Great Neck, New York.

### **Employees**

As of September 18, 2007, we had a total of 103 employees, of which all but four are based in our principal offices in New York City. All of our employees are full-time. We are not a party to any collective bargaining agreements and we have not had any work stoppages. We consider our relations with our employees to be good.

### **Legal Proceedings**

We face significant legal risks in our businesses and, in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against investment banking firms have been increasing. These risks include potential liability under federal securities and other laws in connection with securities offerings and other transactions, as well as advice and opinions we may provide concerning strategic transactions. In addition, like most investment banking firms, we could be the subject of claims made by current and former employees arising out of their employment or termination of employment with us. These claims often relate to dissatisfaction with an employee's bonus or separation payment, or involve allegations that the employee was the subject of some form of discrimination, retaliation or other unlawful employment practice.

The following constitute our material pending legal proceedings as of the date of this prospectus:

On or about October 18, 2006, we, as claimant, filed a statement of claim with FINRA against Matthew N. Murray ( Murray ), a former research analyst whom we terminated on March 2, 2006 for engaging in unprofessional conduct (*Rodman & Renshaw, LLC v. Mathew N. Murray*, FINRA Dispute Resolution Arbitration No. 06 04643). The petition at that time asserted claims for defamation, tortious interference with business relations, breach of fiduciary duty, conversion, breach of contract, and prima facie tort. In that proceeding, we seek compensatory damages against Murray of at least \$10,000,000, plus punitive damages of at least \$15,000,000, together with certain injunctive relief. The claims relate to wrongful activities allegedly undertaken by Murray.

On October 6, 2006, we and our senior officers filed an action (the SDNY Action ) in the U.S. Federal District Court for the Southern District of New York (*Rodman & Renshaw, LLC, John Borer, Edward Rubin, Michael Vasinkevich, and Wesley K. Clark v. Mathew N. Murray*, U.S. District Court, Southern District of New York, 06 CV 8210 (WHP)),

alleging various claims for trademark

dilution, trademark infringement, cybersquatting, cyberpiracy, and false designation of origin as a result of various websites allegedly created by or at the instance of Murray using, among other things, the given names and surnames of certain of our principals and high ranking employees. The action, among other things, sought permanent injunctive relief restraining Murray from continuing the acts complained of, as well as compensatory and punitive damages, each in the amount of at least \$10,000,000. On October 6, 2006, we and the other plaintiffs moved for a temporary restraining order and preliminary injunction seeking an order enjoining Murray from continuing to maintain the offending websites and directing that the sites be taken down and the domain names transferred to us and to the other plaintiffs. Murray signed an order on October 10, 2006, effectively agreeing to all of our demands, which document was so-ordered by the Court on October 11, 2006. On or about October 17, 2006, Murray filed an answer and counterclaims, which he amended on November 14, 2006, for breach of contract, defamation, and declaratory relief, seeking at least \$1,000,000 each in compensatory damages and punitive damages in an amount to be determined at trial. Murray also alleges that he was promised an option to purchase two percent of Rodman for book value.

On or about November 17, 2006, the plaintiffs in the SDNY Action moved to sever and dismiss Murray's counterclaims and Murray moved to stay and preliminarily enjoin the FINRA proceeding or, in the alternative, to stay the SDNY Action. The court heard oral argument on the motions on December 21, 2006, and issued an order dated December 22, 2006, declining to stay the FINRA proceeding; declining to sever and dismiss Murray's counterclaims; and directing that the SDNY Action be stayed pending the full adjudication of FINRA proceeding.

On April 9, 2007, the statement of claim in the FINRA proceeding was amended to include the claims first set forth in the complaint in the SDNY Action and to include the individual plaintiffs in the SDNY Action as additional claimants in the FINRA proceeding. On May 24, 2007, Murray filed a motion to dismiss the amended statement of claim, as well as an answer and three counterclaims. Two of the counterclaims seek damages for breach of contract of at least \$1.0 million dollars; the third counterclaim seeks damages for defamation of at least \$1.0 million dollars, plus additional, but unspecified, compensatory and punitive damages, plus expungement of the Form U-5 that we filed in connection with Murray's termination. Murray also seeks a declaration concerning his rights and our conduct in connection with the allegations in his answer and counterclaims and in connection with our right to adjudicate our claims in the arbitration. On August 2, 2007, claimants filed a reply to Murray's counterclaims, an opposition to Murray's motion to dismiss claimants' amended statement of claim and a motion to dismiss two of Murray's counterclaims (the counterclaim seeking damages for breach of contract in connection with Murray's claim that he had been promised an option to purchase two percent of Rodman for book value and the counterclaim seeking damages for defamation) as well as his claims for declaratory relief. On or about August 31, 2007, Murray filed an opposition to claimants' motion to dismiss his counterclaims and claims for declaratory relief, as well as a reply in further support of his motion to dismiss the amended statement of claim. Claimants expect to file their reply in further support of their motion to dismiss two of Murray's counterclaims as well as his claims for declaratory relief by October 12, 2007. No date has been scheduled with respect to oral argument on the pending dismissal motions. The Panel has set hearing dates (for the FINRA arbitration proceeding) for May 6-8, 2008, inclusive, with additional hearing dates to be scheduled in the future.

The actions concerning Murray are at a preliminary stage, and although we believe that claimants will prevail on their claims and that they have meritorious defenses to Murray's counterclaims, we are not in a position at this stage to predict or assess the likely outcome of these proceedings.

As a result of allegations by Mr. Murray that we terminated him in violation of NASD Rule 2711 ( Rule 2711 ) and SEC Regulation AC ( Reg AC ) in retaliation for his desire to downgrade an issuer that he provided research coverage on, the Committee on Finance of the U.S. Senate ( SFC ) and the SEC commenced inquiries, the AG issued a subpoena and FINRA initiated an investigation.

The SFC, by letter dated May 25, 2006 from its former chairman, Senator Charles E. Grassley ( Grassley ), requested that our Chairman make himself available for an interview with Grassley's



staff and respond to certain questions in connection with Murray's termination. By letter of the same date, Grassley, along with Senator Max Baucus, who was at that time the ranking member of the SFC, wrote to Christopher Cox, then chairman of the SEC, asking the SEC to conduct a comprehensive and thorough examination into our termination of Murray. Both the letter to us and the letter to Cox reference possible violations of Rule 2711 and Reg AC. We responded to the letter from Grassley and our Chairman voluntarily appeared for an interview by Grassley's staff in July 2006. The last written correspondence from Grassley's offices to us with respect to this matter occurred in September 2006. Neither former chairman Grassley nor the SFC has contacted us since that date, and the SFC has not, to our knowledge, issued any subpoena in connection with its inquiry.

By letter dated March 27, 2006, the SEC advised us that it was undertaking an inquiry of us and it requested that we produce documents in connection with that inquiry. Although the letter from the SEC does not specifically reference either Rule 2711 or Reg AC, the documents they requested and our counsel's conversation with the SEC staff indicated that the focus of the inquiry was Mr. Murray's allegations. We responded to the SEC inquiry and produced responsive documents to the SEC. In addition, we produced our chief compliance officer for an interview at the SEC.

By letter dated April 18, 2007, the SEC advised us that its inquiry had been terminated and that no enforcement action had been recommended.

On or about July 7, 2006, the AG served us with a subpoena containing a number of requests for information and documents concerning, among other things, the termination of Murray. The subpoena does not specifically reference either Rule 2711 or Reg AC. We produced documents and information responsive to the subpoena (including all of the documents that we also had previously provided to the SEC). To our knowledge, the AG has not interviewed any of our employees and we have not received any communication from the AG since the end of August 2006.

By letter dated April 10, 2006, FINRA advised us that it was reviewing matters related to the circumstances surrounding the termination of Mr. Murray and requested that we produce documents in connection with that review. By letter dated April 11, 2006, FINRA withdrew its request to avoid regulatory duplication upon learning that the SEC was also reviewing the same events. By letter dated May 1, 2007, following the SEC's termination of its inquiry and in connection with its own investigation, FINRA requested the production of certain information and documentation. We have produced all information and documentation responsive to the May 1, 2007 letter. Subsequently, by letter dated July 24, 2007, FINRA requested additional information and documentation. We produced all information and documentation responsive to the July 24, 2007 letter. By letter dated August 6, 2007, FINRA requested the interviews of certain employees of R&R, our broker-dealer affiliate, and we intend to cooperate fully with FINRA, including with respect to those interviews.



## MANAGEMENT

Set forth below is information concerning our directors, director-nominees, senior executive officers and other key employees.

Name	Age	Titles
<i>Officers and Directors:</i>		
Wesley K. Clark	62	Chairman and Director
Michael Vasinkevich	40	Vice Chairman and Director
Michael Lacovara	43	Chief Executive Officer (Principal Executive Officer) and Director
Edward Rubin	40	President and Director
John J. Borer III	50	Senior Managing Director, Head of Investment Banking and Director
Thomas Pinou	47	Chief Financial Officer (Principal Accounting Officer)
Jennifer Clarke	42	Secretary and General Counsel
John W. Chambers	45	President of Acumen <i>BioFin</i> Division and Senior Managing Director    Investment Banking
Matthew Geller, Ph.D.	59	Senior Managing Director    Investment Banking
Sam Dryden	57	Director
Richard Cohen	55	Director
Winston Churchill	67	Director-nominee
Mark L. Friedman	59	Director-nominee
<i>Key Employees:</i>		
F. Alger Boyer	38	Managing Director    Institutional Sales
William A. Iommi	57	Chief Compliance Officer
Michael G. King, Jr.	46	Managing Director and Director of Research

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Executive officers are appointed by, and serve at the pleasure of, the Board of Directors. A brief biography of each director, executive officer, director-nominee and other key employee follows.

*Wesley K. Clark.* General Clark was appointed Chairman on the Exchange Date and became a director on July 22, 2007. He was appointed chairman of Holding in January 2006. He is chairman and chief executive officer of Wesley K. Clark & Associates, a strategic advisory firm he founded in March 2003. From June 2000 through March 2003, General Clark was a managing director at Stephens, Inc., an investment banking firm based in Arkansas. From June 1966 through June 2000, General Clark served in the U.S. Army where he held numerous staff and command positions and rose to the rank of 4-star general. He served as NATO Supreme Allied Commander and Commander in Chief of the U.S.-European Command from July 1997 through May 2000. In August 2000, General Clark was awarded the Presidential Medal of Freedom, the United States' highest civilian honor. General Clark graduated from the United States Military Academy at West Point in 1966. He received a Masters in Philosophy, Politics and Economics from Oxford University where he was a Rhodes Scholar from 1966 to 1968.

*Michael Vasinkevich.* Mr. Vasinkevich was appointed Vice Chairman on the Exchange Date and became a director on July 22, 2007. He was appointed vice chairman of Holding in May 2007. He joined us in July 2002 as senior managing director and was appointed a director of R&R, our broker-dealer affiliate, in 2006 and a director of Holding in 2004. From August 1999 through May 2002, Mr. Vasinkevich was a managing director at Ladenburg Thalmann &

Co. Inc., and for the last 11 months of his tenure there he was president of capital markets. From November 1998 through July 1999 he was the founder and managing director of Tandem Venture Partners, Ltd., a specialized financial advisory firm focusing on growth companies in the United States and Asia.

From June 1997 to November 1998, the firm from January 2005 through August 2007, he was the managing director of the structured finance group at Jesup & Lamont Securities Corp.

*Michael Lacovara.* Mr. Lacovara became our Chief Executive Officer, our principal executive officer, and a director in September 2007. Mr. Lacovara was a principal of Sandler O'Neill + Partners, L.P. from February 2004 through August 2007 and the co-chief operating officer of the firm from January 2005 through August 2007. Sandler O'Neill + Partners, L.P. is a full-service investment bank focused on serving financial services companies and the representatives of the several underwriters of this offering. Mr. Lacovara resigned from his positions at Sandler in anticipation of assuming his responsibilities with us. From October 1989 through December 1996, Mr. Lacovara was an associate at, and from January 1997 through January 2004 a member of, the law firm of Sullivan & Cromwell, LLP, where he represented a variety of financial services and technology firms and served as trial counsel to Microsoft Corporation in *United States v. Microsoft*. Mr. Lacovara received his bachelor's degree in 1984, *summa cum laude*, from the University of Pennsylvania, where he was elected to the Phi Beta Kappa Society. He was selected to study at Cambridge University on a Thouron Fellowship, receiving a master's degree in international relations in 1985. He also earned a law degree, *cum laude*, from Harvard Law School in 1988.

*Edward Rubin.* Mr. Rubin was appointed President and became a director on July 10, 2007. He was appointed president of Holding in May 2007. He originally joined Holding in June 2002 as a senior managing director. He has served as President of R&R from September 2006, as a director of R&R since 2006 and as a director of Holding since 2004. From August 1999 through May 2002, Mr. Rubin was a director, corporate finance with Ladenburg Thalmann & Co. Inc. From November 1998 through July 1999, he was the founder and executive vice president of Tandem Venture Partners, Ltd., a specialized financial advisory firm focusing on growth companies in the United States and Asia. From July 1998 to November 1998, he was a vice president in the structured finance group at Jesup & Lamont Securities Corp. From November 1995 through December 1997, Mr. Rubin was assistant general counsel for NCH Capital, an investment fund specializing in investments in Eastern Europe and the former Soviet Union. From September 1993 through November 1995, Mr. Rubin was an associate in two law firms in New York, Friedman & Kaplan and Coudert Brothers. Mr. Rubin received his B.A. in political science from Bernard M. Baruch College in 1989 and his J.D. from New York University School of Law in 1993.

*John J. Borer III.* Mr. Borer became a director on July 22, 2007 and a Senior Managing Director and Head of Investment Banking in September 2007 when Mr. Lacovara became Chief Executive Officer. Mr. Borer had been our Chief Executive Officer since the Exchange Date. Mr. Borer was appointed chief executive officer of Holding in May 2007. He also served as a director of Holding since April 2004 and a director of R&R since 2002. From 1998 through 2006 he was a senior managing director and the president of R&R. From 1991 through 1998, Mr. Borer was a managing director and head of investment banking at the broker-dealer affiliate of the original Rodman & Renshaw firm. From 1984 through 1991, Mr. Borer was senior vice president and investment manager in the new business development office of Security Pacific Business Credit Inc. From 1979 through 1984, he served as a vice president and business development officer with Barclays American Business Credit in its Los Angeles office. Mr. Borer received his B.S. in Agricultural Economics from the University of California at Davis in 1978 and his J.D. from Loyola Law School in Los Angeles in 1984.

*Thomas Pinou.* Mr. Pinou was appointed Chief Financial Officer, our principal accounting officer, on July 10, 2007. He was the chief financial officer of Holding since October 1998. From August 1996 to December 1997, he was the controller of the broker-dealer affiliate of the original Rodman & Renshaw firm, and in December 1997 was appointed chief financial officer of the original Rodman & Renshaw firm, a position he held until March 1998. From September 1991 to May 1996, Mr. Pinou was responsible for trading and syndicate accounting at Yamaichi Securities and Bankers Trust. Mr. Pinou received his B.B.A. from Pace University in 1982.

*Jennifer Clarke.* Ms. Clarke was appointed General Counsel and Secretary in August 2007. She had been general counsel of Rodman & Renshaw Holding, LLC and Rodman & Renshaw, LLC since May 2007. From June 2005 through May 2007, Ms. Clarke was a senior associate at the law



firm of Schulte Roth & Zabel, LLP in New York City with their business transactions group. From April 2003 through June 2005, she was self-employed and established The Law Offices of Clarke & Associates, PLLC. From September 1996 through April 2003, Ms. Clarke was an associate at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP in their M&A department. Ms. Clarke received her bachelor's degree in 1987, *cum laude*, from Wellesley College, majoring in mathematics and French literature. Ms. Clarke earned her law degree, *cum laude*, from the Boston University School of Law in 1993. She is admitted to practice with the bars of the States of New York and New Jersey.

*John W. Chambers.* Mr. Chambers joined R&R in August 2006 as a Senior Managing Director – Investment Banking and was appointed President of our AcumenBioFin division in November 2006. From May 2005 through June 2006, he served as a managing director and senior biotechnology specialist at SG Cowen. From April 2002 through May 2005, Mr. Chambers was the managing director responsible for the biotechnology sector at Lehman Brothers. From November 1999 through March 2002, Mr. Chambers spearheaded the global biotechnology sector as a managing director at UBS. Mr. Chambers received his M.B.A. from Columbia Business School in 1988 and his B.S. in Mechanical Engineering from Union College in 1984.

*Matthew Geller, PhD.* Dr. Geller joined R&R in February 2006 as a Senior Managing Director – Investment Banking. From May 1994 through November 2005, he was managing director and senior biotechnology analyst at Oppenheimer & Co. and CIBC World Markets. Dr. Geller received his B.S. in Mathematics from Yale University in 1969, a Masters in Mathematics from the University of California, San Diego in 1971 and a Ph.D. in computer sciences from the University of California, Berkeley in 1975.

*Sam Dryden.* Mr. Dryden became a director on July 22, 2007. He had been appointed to the board of directors of Holding in March 2007. Since January 1, 2007, he has served as a managing director of Wolfensohn & Company, a corporate advisory and investment firm, where he focuses on private equity investments in biofuels and other alternative energies. He is currently the chief executive officer of Emergent Genetics, LLC, a life science investment holding company, a position he has held since April 2004. From January 1997 through June 2006, he served as chairman and chief executive officer of Emergent Genetics, Inc, an international biotechnology company. He founded and held executive positions with both, Agrigenetics Corporation, now part of Dow AgroSciences, and Big Stone Inc., a private venture-investment and development company, which participated in the founding of over a dozen life science companies. Mr. Dryden is an advisor to the World Bank regarding rural development strategy and a member of the Council on Foreign Relations where he serves on its Advisory Committee on Intellectual Property and American Competitiveness. Mr. Dryden received his B.A. from Emory University in 1973.

*Richard M. Cohen.* Mr. Cohen became a director in August 2007. Since 1996, he has been the President of Richard M. Cohen Consultants, a financial services consulting company that accepts engagements from public and private companies to assist with their corporate governance and corporate finance needs. Since 2003 Mr. Cohen has served as a director of Dune Energy, Inc., a publicly traded energy company (AMEX: DNE) for which he served as chief financial officer from November 2003 to April 2005. He is also currently serving as corporate secretary of Dune. Since February 2006, Mr. Cohen has served as a director of Helix Biomedix Inc. (OTCBB: HXBM.OB) and as the Chief Financial Officer of ABC Funding Inc. (OTCBB: AFDG.OB). Since July 2007, Mr. Cohen has served as a director of Universal Travel Group (OTCBB:UTVG.OB), which provides domestic and international air ticketing, hotel reservations, tourism services and freight forwarding services across China. From 1984 through 1992, Mr. Cohen was an investment banker at Henry Ansbacher, Furman Selz, where he specialized in mergers & acquisitions, public equity offerings, and restructurings. From 1980 through 1983, Mr. Cohen was a vice president of corporate development at Macmillan, Inc. Mr. Cohen is a certified public accountant (New York State). He received a B.S. from The University of Pennsylvania (Wharton) in 1973 and an M.B.A. from Stanford University in 1975.

*Winston Churchill.* Mr. Churchill will become a director on the date of this prospectus. He has served as the chairman of the board of Vector Intersect Security Acquisition Corp.



(OTCBB:VTRQ.OB), a special purpose acquisition corporation, since May 31, 2006. Since 1996, Mr. Churchill has been the managing general partner of SCP Partners, which manages several private equity and venture capital funds. From 1993 to the present he has been the co-chairman of CIP Capital Management, Inc., which manages a small business investment company, as defined by the National Association of Small Business Investment Companies. He is currently a director of Innovative Solutions and Support, a company engaged in the design, manufacture, and sale of flight information computers, flat panel displays, and monitoring systems; Amkor Technology, Inc., a subcontractor of semiconductor packaging and test services; Griffin Land & Nurseries, a real estate and landscape nursery business; and a number of private portfolio companies. Mr. Churchill received a BS in Physics, *summa cum laude*, from Fordham University in 1962, an MA in Economics from Oxford University, where he was a Rhodes Scholar, in 1964, and a JD from Yale Law School in 1967. He is a trustee of Georgetown University, Fordham University and Immaculata University.

*Mark L. Friedman.* Mr. Friedman will become a director on the date of this prospectus. Since 2001, he has served as a managing partner of Constellation Investment Partners, LLC, a Florida based merchant-banking and special investment firm. In 2003, Mr. Friedman co-founded Onforce, Inc., an online marketplace for onsite technology services. Mr. Friedman was a partner of Shea & Gould, a national law firm, from 1982-1992 and also served as a member of its management committee. He previously served as a director of Allied Digital Technologies Corp. and of Disc Graphics, Inc., where he served as director and chairman of the audit committee. Mr. Friedman received his B.A. in history, *magna cum laude*, in 1970 and his J.D., *cum laude*, in 1973 from the University of Pennsylvania. He was elected to the Phi Beta Kappa Society and was Articles Editor of the University of Pennsylvania Law Review.

Set forth below are the biographies of our other key employees:

*F. Alger Boyer.* Mr. Boyer joined R&R in January 2006 as Managing Director Institutional Sales & Trading. From August 2001 through December 2005, Mr. Boyer was an executive director and senior relationship salesman at CIBC World Markets. From January 1998 through June 2001, Mr. Boyer was an associate director of research at U.S. Bancorp Piper Jaffrey. Mr. Boyer received his B.S. in Anthropology from U.C. Berkeley in 1992.

*William A. Iommi.* Mr. Iommi is our Chief Compliance Officer. He originally joined R&R in October 2003 as chief compliance officer and is responsible for monitoring our businesses for compliance of securities regulations. From June 2003 through October 2003, he served as compliance manager at Goldstein Law Group. From November 2002 through June 2003, he served as chief compliance officer for Eagle Ridge Securities. From June 2000 through November 2002, he served as chief compliance officer of Sands Brothers, Ltd. From June 1993 through May 2000 he served as divisional compliance director (northeast) for Citigroup Salomon Smith Barney. From May 1989 through May 1993, he served as executive director of Trading Analysis and Inquiries at the AMEX. From May 1981 through April 1989, he served as manager of market surveillance services at the NYSE.

*Michael G. King, Jr.* Mr. King joined R&R in May 2005 as a managing director and senior biotechnology analyst. In January, 2006, he also became director of research. From June 2002 through May 2005, Mr. King was a managing director and senior equity research analyst in the Health Care Group at Banc of America Securities LLC where he covered the biotechnology sector for three years. From September 1998 through June 2002, Mr. King was a managing director and senior biotechnology analyst at Robertson Stephens. He served as a senior biotechnology analyst at Vector Securities from March 1996 through September 1998, and at Dillon, Read & Co. from November 1994 to March 1996. Mr. King received his B.B.A. with honors in finance from Bernard M. Baruch College in 1985.

## **Board Composition**

Under our bylaws, the number of directors at any one time may not be less than one or more than eleven. The maximum number of directors at any one time may be increased by a vote of a majority of the directors then serving. Currently, the Board of Directors consists of seven members,





two of whom qualify as independent under the rules and regulations of the SEC and NASDAQ. In addition, we have two director-nominees who will join on the date of the final prospectus who also qualify as independent. We plan to add two additional independent directors before the date of the final prospectus.

Our charter provides for the annual election of directors. At each annual meeting of stockholders, our directors will be elected for a one-year term and serve until their respective successors have been elected and qualified. It is anticipated that the Board of Directors will meet at least quarterly.

### **Family Relationships**

None of the directors (including the prospective directors) or executive officers is related by blood, marriage or adoption.

### **Board Committees**

The Board of Directors has the authority to appoint committees to perform certain management and administrative functions. The Board of Directors has established a Compensation Committee and intends to establish an Audit Committee and a Corporate Governance and Nominating Committee before the date of this prospectus. Each of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee will have three members, all of whom will qualify as independent under the rules and regulations of the SEC and NASDAQ.

*Audit Committee.* On or before the date of the final prospectus, we expect the Board of Directors to appoint Richard Cohen as the chairman of the Audit Committee. Mr. Cohen also qualifies as an audit committee financial expert within the meaning of the rules of the SEC and NASDAQ. The Audit Committee will review and report to the Board of Directors on our internal accounting and financial controls and on the accounting principles and auditing practices and procedures to be employed in preparing and reviewing our consolidated financial statements. The Audit Committee will also be responsible for engaging and overseeing our independent public auditors, the scope of the audit to be undertaken by such auditors and the pre-approval of any audit and permitted non-audit services provided by such auditors.

*Compensation Committee.* The current members of the Compensation Committee are Richard Cohen and Sam Dryden. On or before the date of the final prospectus, we expect the Board of Directors to appoint Mark L. Friedman chairman of the Compensation Committee. The Compensation Committee will review and, as it deems appropriate, recommend to the Board of Directors policies, practices and procedures relating to the compensation of the officers and other managerial employees, including the determination in its discretion of the amount of annual bonuses, if any, for our executive officers and other professionals, and the establishment and administration of employee benefit plans. The Compensation Committee will exercise all authority under our employee equity incentive plans and will advise and consult with our senior executives as may be requested regarding managerial personnel policies.

*Corporate Governance and Nominating Committee.* On or before the date of the final prospectus, we expect the Board of Directors to appoint Winston Churchill as chairman of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will identify and recommend nominees to the Board of Directors and oversee compliance with our corporate governance guidelines.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Board of Directors or Compensation Committee.

## **Director Compensation**

Each member of the Board of Directors who is not an employee will receive as compensation for service on the Board: (i) an annual retainer of \$20,000; (ii) \$1,000 for each meeting of the Board of Directors attended either in person or telephonically; and (iii) an option to purchase 10,000 shares of common stock upon their initial election or appointment to the Board of Directors. The options will: (i) have an exercise price equal to the fair market value of a share of common stock on the date of grant; (ii) have a term of 10 years; and (iii) vest ratably in three equal annual installments beginning on the first anniversary of the date of grant. Non-employee directors will also receive \$750 for each committee meeting attended either in person or telephonically. Finally, the committee chairman will receive an additional annual retainer as follows: (i) Audit Committee \$12,500; (ii) Compensation Committee \$7,500; and (iii) Corporate Governance and Nominating Committee \$5,000. Non-employee directors may also receive additional compensation for attending special meetings of the Board of Directors and such additional compensation may not be equal among the individual non-employee directors. Such additional compensation is intended to reflect special efforts of such board members. Board members will be reimbursed for reasonable travel expenses associated with attending any board or committee meetings.

## **EXECUTIVE COMPENSATION AND OTHER MATTERS**

### **Compensation Discussion and Analysis**

#### *Overview*

Our executive compensation program is designed to incentivize our executive officers to effectively lead, manage and grow our business. Because the compensation of our executive officers plays an integral role in our success, our compensation programs are designed to attract, retain, and motivate top quality and effective executives and professionals. We refer to our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers during 2006 as our named executive officers.

A substantial portion of each named executive officer's total compensation is variable and delivered on a pay-for-performance basis. We believe this model provides the greatest incentive to motivate management to achieve our business objectives. The executive compensation program provides compensation opportunities, contingent upon performance, that are competitive with practices of other similar investment banking firms. We are committed to utilizing the executive compensation program to maintain our ownership culture and to broaden executive ownership over time. We strongly believe that the cash and equity components of our compensation plans will align the interests of our named executive officers and other key employees with our stockholders and will promote the creation of long-term stockholder value.

The Compensation Committee has set a compensation and benefits expense target for the 2007 and 2008 fiscal years at 55% excluding equity-based compensation granted prior to September 30, 2007 and insurance premiums paid in respect of key-man life insurance policies for our benefit.

#### *Determination of Compensation*

In allocating compensation to our named executive officers, the primary emphasis, in addition to our performance, is on each individual's contribution and business unit performance and on compensation recommendations of the Compensation Committee, which will have the primary responsibility and authority to determine and recommend the compensation of our named executive officers and other key employees. We may utilize third-party compensation consultants and surveys to provide industry data to better support our determination of the key elements of our named executive officer compensation programs. Compensation of our named executive officers will be determined by the Compensation Committee.