GLEACHER & COMPANY, INC.
Form 10-K
March 15, 2011

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number: 014140

GLEACHER & COMPANY, INC.

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code:
(212) 273-7100
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common stock, par value $.01 per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

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

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

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

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

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

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

The aggregate market value of the shares of common stock of the Registrant held by non-affiliates based upon the closing price of Registrant's shares as reported on The NASDAQ Global Market on June 30, 2010, which was $2.55 per share, was $198,618,817. This calculation is based on the number of shares of the Registrant's common stock outstanding as of June 30, 2010, excluding shares of the Registrant's common stock held by any officer or director of the Company or by any person known by the Company to own 5% or more of the Registrant's outstanding shares of common stock. Exclusion of shares held by any person should not be construed as a conclusion by the Company, or an admission by any such person, that such person is an "affiliate" of the Company, as defined by applicable securities laws.

As of February 28, 2011, 132,031,362 shares of common stock, par value $0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the 2011 annual meeting of stockholders to be filed with the Securities and Exchange Commission are incorporated by reference into Part III of this Form 10-K to the extent stated herein.

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PART I

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

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

Item 1. *Business*

Overview

Gleacher & Company, Inc. (together with its subsidiaries, the "Company") is an independent investment bank that provides corporate and institutional clients with advice and execution in the areas of advisory services, capital raising and research, sales and trading. The Company offers a diverse range of products through its Investment Banking, Mortgage Backed/Asset Backed & Rates ("MBS/ABS & Rates") (formerly known as Descap), Corporate Credit (formerly known as Debt Capital Markets) and Equities (formerly known as AmTech) divisions of Gleacher & Company Securities, Inc. ("Gleacher Securities"). The Company also has a venture capital subsidiary, FA Technology Ventures Corporation. As of December 31, 2010, the Company had 368 employees. The Company was incorporated under the laws of the State of New York in 1985 and reincorporated in Delaware in 2010. Its common stock is traded on The NASDAQ Global Market ("NASDAQ") under the symbol "GLCH."

We seek growth through (i) market share gains in our existing product and service offerings, (ii) expansion into new products and services to better serve our corporate and institutional clients and (iii) opportunistic acquisitions of attractive targets that add scale to our existing businesses, are complementary to these businesses, or diversify our revenues base.

The Company's subsidiaries, Gleacher Securities and Gleacher Partners, LLC ("Gleacher Partners"), are registered as broker-dealers with the Securities and Exchange Commission ("SEC"), are members of the Financial Industry Regulatory Authority, Inc. ("FINRA") and various exchanges. Gleacher Securities is also a member of the National Futures Association ("NFA").

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

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Business Segments

We currently operate through the five business segments described below:

MBS/ABS & Rates ***(formerly known as Descap)***

This division provides sales, trading, banking, research and advisory services on a wide range of mortgage and asset-backed securities, U.S. Treasury and government agency securities, structured products such as collateralized loan obligations ("CLOs") and collateralized debt obligations ("CDOs"), whole loans, and other securities. Revenues are generated from spreads on principal transactions executed to facilitate trades for clients. Revenues are also generated from interest income on securities held primarily for the purpose of facilitating customer trading. The division currently positions approximately $1 billion in inventory. The division consists of sales professionals who have developed strong relationships with more than 700 institutional investors including mutual funds, pension funds, insurance companies, hedge funds, investment managers and investment advisors by providing value-added investment ideas and access to execution services and capital.

Corporate Credit ***(formerly known as Debt Capital Markets)***

This division provides analysis, sales and trading on a wide range of debt securities including bank debt and loans, investment grade debt, high-yield debt, treasuries, convertibles, distressed debt, preferred debt, emerging markets debt and reorganization equities. We provide these services principally to corporate and institutional investor clients. Revenues are generated primarily from spreads on principal and riskless principal transactions, as well as, commissions on trades executed on behalf of clients. In addition, revenues are also generated on a smaller scale from interest income on securities held for the primary purpose of facilitating customer trading. Sales professionals deliver investment ideas with the support of desk analysts that monitor and analyze debt securities in a variety of industry sectors where clients have demonstrated interest. The division has desk analyst coverage in investment grade, high yield and convertible securities in the consumer, building materials, financial, gaming/leisure, healthcare, homebuilding, industrials, mining, packaging, paper/forest products, power, energy, tech/media/telecom and transportation sectors, amongst others. The division also provides trade execution services, liability management, corporate debt repurchase programs and new issue distribution for over 1,302 market participants and institutional investors, including mutual funds, pension funds, insurance companies, hedge funds, investment managers and investment advisors.

Investment Banking

This division provides a broad range of financial advisory services in regards to mergers and acquisitions, restructurings and recapitalizations and capital markets-related matters. The division provides focused, tailored advice and services to companies considering the sale or acquisition of a division, certain assets or the entire company and also offers expertise on matters such as corporate defense takeover advisory and other special situations. In addition, the division provides debt and equity capital raising solutions for corporate clients which take into consideration the overall impact of such solutions on the client, including with respect to capital structure, corporate strategic initiatives and investor base.

Equities

This division provides timely and focused research in a select number of industry sectors. The division identifies value-added investment ideas through in-depth primary research on sectors and individual securities with a focus on providing money-making as well as money-saving ideas to over 300 institutional clients. Revenues are generated primarily through cash commissions on customer trades in equity securities and hard-dollar fees for research. In addition, revenues are generated on riskless principal transactions through the division's recently commenced market making activities in certain equity securities. The division has research analyst coverage in aerospace & defense, industrials, technology, healthcare and REIT sectors, among others.

Other

The Company's Other division includes investment gains/(losses) and fees related to the Company's investment in and management of FA Technology Ventures L.P. ("FATV" or the "Partnership"), a venture capital limited partnership which provides early stage growth capital to companies in the information and new energy technology sectors. In addition, its results also include amortization of intangible assets from business acquisitions and costs related to corporate overhead and support, including various fees associated with financing, legal and settlement expenses.

Sources of Revenues

Illustrated below is a breakdown of the amount and percentage of net revenues from each principal source for the periods indicated (excluding discontinued operations):

For the years ended December 31,	2010 Amount	2010 Percent	2009 Amount	2009 Percent	2008 Amount	2008 Percent
(in thousands of dollars)						
Principal transactions	$ 154,820	57.2%	$ 230,011	67.3%	$ 97,032	72.2%
Commissions	19,438	7.2%	19,745	5.8%	6,529	4.9%
Investment banking	43,400	16.0%	36,577	10.7%	8,296	6.2%
Investment banking revenues from related party	1,947	0.7%	9,579	2.8%	8,400	6.3%
Investment gains/(losses), net	7	0.0%	5,698	1.7%	(1,115)	(0.8)%
Interest	57,304	21.2%	46,390	13.6%	21,946	16.3%
Fees and other	5,311	2.0%	6,368	1.9%	3,925	2.9%
Total revenues	$ 282,227	104.2%	$ 354,368	103.7%	$ 145,013	108.0%
Interest expense	11,343	4.2%	12,523	3.7%	10,712	8.0%
Net revenues	$ 270,884	100.0%	$ 341,845	100.0%	$ 134,301	100.0%

For information regarding the Company's reportable segments, refer to Note 21 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K.

Principal Transactions

The Company's MBS/ABS & Rates and, to a lesser extent, Corporate Credit and Equities divisions maintain inventories of agency mortgage-backed securities, debt issued by U.S. Government and federal agency obligations, commercial mortgage-backed debt, residential mortgage-backed debt, other debt obligations, CDOs, corporate debt securities, equity securities, preferred stock and derivatives, for the primary purpose of facilitating its customer trading activities. These divisions combined, comprised approximately 73%, 76%, and 80% of the Company's net revenues for the years ending December 31, 2010, 2009, and 2008, respectively.

The Company's trading activities require the commitment of capital. As a result, the Company exposes its own capital to the risk of fluctuations in market value of these holdings. All inventory positions are marked-to-market to their fair value price on a daily basis. The following table sets forth the highest, lowest, and average month-end inventories (representing securities owned and securities

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sold, but not yet purchased, less securities not readily marketable) for the year ended December 31, 2010, by securities category.

(In thousands of dollars)	Highest Inventory, Net	Lowest Inventory, Net	Average Inventory, Net
Agency mortgage-backed securities	$ 1,085,382	$ 656,397	$ 858,608
Debt securities issued by U.S. Government and federal agency obligations	(20,078)	(89,505)	(54,618)
Commercial mortgage-backed securities	67,438	24,176	43,645
Residential mortgage-backed securities	33,604	4,980	14,092
Other debt obligations	29,954	2,059	17,183
Collateralized debt obligations	27,448	1,770	15,406
Corporate debt securities	18,020	(12,067)	5,494
Equity securities	2,788	(1,285)	1,008
Preferred stock	40,630	(12,263)	7,978
Derivatives	493	(2,546)	(449)

Commissions

A portion of the Company's revenues are derived from customer commissions on brokerage transactions for the Company's institutional clients, such as investment advisors, mutual funds, hedge funds, and pension and profit sharing plans, for which the Company is not acting as a market maker.

Investment Banking

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

For the periods indicated, the table below provides a breakdown of the Company's investment banking revenues by area:

	For the years ended December 31,		
(in thousands of dollars)	2010	2009	2008
Investment banking transactions			
Capital markets	$ 12,964	$ 12,840	$ 4,719
Advisory services	32,383	33,316	11,977
Total Investment banking revenues	$ 45,347	$ 46,156	$ 16,696

Investment gains (losses)

Investment gains (losses) primarily represent the changes in fair value of the Company's investment in FATV, which is comprised of approximately 20-30 holdings in both privately held and publicly traded companies. (Refer to Note 8 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K).

Interest Income

Interest income is recognized principally on the Company's portfolio of fixed income securities, which is held primarily to facilitate its customer trading activities. The Company incurs interest expense primarily as a result of funding its trading portfolio through its clearing broker and, to a lesser extent, through the repurchase markets. Net interest income has increased year-over-year primarily because the Company has been able to increase its inventory levels while financing its inventory at interest rates that were lower than the coupon received on the securities financed.

Fees and Other

Fees and other revenues relate primarily to equity research fees and investment management fees earned by FA Technology Ventures Corporation.

Operations

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

Discontinued Operations

The Company continues to report the receipt and settlement of pending contractual obligations related to previously reported discontinued operations which relates to transactions consummated prior to the year beginning January 1, 2008. Since January 1, 2009, such activity has not been material.

Competition

As an investment bank, all aspects of the Company's business are intensely competitive. The Company competes with other investment banks, commercial banks or bank holding companies, brokerage firms, merchant banks and financial advisory firms. The Company competes with firms nationally as well as on a regional, product or business line basis. Many of the Company's competitors have substantially greater capital and resources and offer a broader range of financial products. To the extent we expand into new business areas and new geographic regions, we will face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market. The Company believes that the principal factors affecting competition in its businesses include client relationships, reputation, quality and price of our products and services, market focus and the ability of our professionals. Competition is intense for the recruitment and retention of qualified professionals. The Company's ability to continue to compete effectively in its businesses will depend upon its continued ability to retain and motivate its existing professionals and attract new professionals. In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. 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 wider range of products than the Company offers, including loans, deposit taking and insurance. Many of these firms also have more extensive investment banking teams and services, which may enhance their competitive position relative to the Company's. They also have the ability to support investment banking and securities products with commercial banking and other financial services revenues in an effort to gain market share, which could result in pricing pressure in the Company's businesses. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of the Company's competitors.

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Regulation

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

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

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry, including through the passing of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") which was signed into law in July 2010. The law was passed to address (i) the perceived insufficient oversight and regulation of the U.S. financial system, (ii) the unregulated over-the-counter derivatives market and (iii) the lack of a consumer protection authority. Dodd-Frank covers a broad spectrum of reforms aimed at bringing accountability to the U.S. financial system and limiting those risks considered to have been among the main causes of the economic crisis of 2008-2009. The ultimate impact of Dodd-Frank on the industry as a whole and our business specifically is not yet fully understood. This legislation, as well as other federal and state laws, changes in rules promulgated by the SEC and by self-regulatory organizations as well as changes by state securities authorities, and/or changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. The SEC, self-regulatory organizations, and state securities regulators have broad authority to conduct examinations and inspections, and initiate administrative proceedings which can result in censure, fine, suspension, or expulsion of a broker-dealer, its officers, or employees. The principal purpose of U.S. broker-dealer regulation is the protection of customers and the securities markets rather than protection of stockholders of broker-dealers.

Net Capital Requirements

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

Compliance with these net capital rules may limit those operations that require the use of capital, such as trading in securities and underwriting securities. Net capital changes from day to day, based in part on the Company's inventory positions and the portion of the inventory value that the net capital rules require the firm to exclude from its capital (Refer to Note 19 within the footnotes to the consolidated financial statements contained in Item 8 of this Annual Report on Form 10-K).

At December 31, 2010, net capital and excess net capital of the Company's broker-dealer subsidiaries were as follows:

	Net Capital	Excess Net Capital
(In thousands of dollars)		
Gleacher Securities	$ 36,497	$ 36,004
Gleacher Partners	$ 774	$ 524

Business Continuity

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

- alternative physical locations for employees,
- internal and external communication channels,
- customers' access to trade execution, funds and securities,
- Company access to liquidity, and
- recovery of books and records.

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

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

Available Information

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

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

The Company also makes available, on the Corporate Governance page of its website, its (i) Corporate Governance Guidelines, (ii) Code of Business Conduct and Ethics, (iii) the charters of the Audit, Executive Compensation, and Directors and Corporate Governance Committees of our Board of Directors, and (iv) the Procedures for Reporting Violations of Compliance Standards. These documents will also be available in print without charge to any person who requests them by writing or telephoning: Gleacher & Company, Inc., Attn: Investor Relations, 1290

Avenue of the Americas, New York, NY 10104, U.S.A., telephone number (212) 273-7100.

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Item 1A. ***Risk Factors***

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

Company Risks

Difficult market conditions have adversely affected and may continue to adversely affect our business in many ways. Our businesses, by their nature, do not produce predictable earnings and are materially affected by conditions in the financial markets and economic conditions generally, both in the U.S. and around the world. Difficult market and economic conditions and geopolitical uncertainties have in the past adversely affected and may in the future adversely affect our business and profitability in many ways. The passing of Dodd-Frank, the ultimate impact of which is not yet fully understood, will result in various programs, initiatives and actions being implemented in the U.S. and other markets in order to stabilize the markets, increase liquidity and restore investor confidence.

It is unclear whether such initiatives will in fact be positive or negative for the financial markets over either the short or long-term. If the economic recovery becomes unsustainable, our operations, including sales and trading and investment banking could be negatively impacted by a reduction of trading volumes, continued tightening of spreads, fewer completed investment banking transactions, a reduced backlog and decreased size of transactions, and our diminished role in these businesses, resulting in reduced principal transactions and investment banking revenues. In the event of extreme market events, such as a recurrence of the global credit crisis, we could incur substantial loss on the value of our securities due to market volatility. In addition, the activities related to our residential mortgage banking initiative associated with our acquisition of ClearPoint Funding, Inc. ("ClearPoint"), a residential non-depository mortgage lender, which closed in the first quarter of 2011, may also be impacted as a result of the influence of Dodd-Frank in re-shaping the mortgage origination industry.

Our business is also significantly affected by interest rates, which can change suddenly and unexpectedly. In November 2010, the Federal Reserve ("Fed") implemented a second round of quantitative easing whereby the Fed intends to purchase an additional $600 billion of U.S. treasury bonds by June 2011. This program is designed to further stimulate the economy by keeping interest rates low. However, this program is widely believed to have had little, if any, impact on interest rates to date, and its long-term impact remains uncertain. This program, as well as other possible changes to the Fed's monetary policy, could significantly impact interest rates. An increase in interest rates could decrease the level of customer activity, increase our cost of funding, likely decrease new issues in the debt capital markets, decrease the value of securities owned by us and create a business environment in which mergers and acquisitions activity decreases. In addition, an increase in interest rates could also result in lower mortgage loan origination volumes in our newly launched residential mortgage loan origination business.

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

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

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

We have incurred losses in recent periods and may incur losses in the future. We have incurred losses in recent periods. While we recorded net income for the year ending December 31, 2009, we have recorded a net loss of $20.6 million for the year ended December 31, 2010 and a net loss of $17.4 million for the year ended December 31, 2008. We may incur losses and further declines in revenues in future periods. If we incur additional losses and are unable to raise funds to finance those losses, our liquidity and ability to operate would be adversely affected.

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

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In connection with prior acquisitions, at December 31, 2010 our intangible assets and goodwill were approximately $121.3 million. If the acquired businesses do not perform as expected, we may need to record impairment charges related to these assets, which would reduce net income, possibly materially.

Our ability to hire and retain our senior professionals is critical to the success of our business. In October of 2010, we announced that Peter J. McNierney, the Company's President and Chief Operating Officer, assumed the additional role of interim Chief Executive Officer ("CEO") and that Eric J. Gleacher was continuing as Chairman of the Board of Directors, but was stepping down as the CEO to resume his full time role of supporting the Company's corporate clients on th