GLG Partners, Inc.
Form 10-K
March 01, 2010

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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, 2009**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-33217
GLG PARTNERS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-5009693**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
399 Park Avenue, 38th Floor	**10022**
New York, New York	*(Zip code)*
(Address of principal executive offices)	

Registrant s telephone number, including area code:
(212) 224-7200

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

Title of each class:	Name of each exchange on which registered:
Common Stock, $0.0001 Par Value Per Share	The New York Stock Exchange, Inc.
Warrants to Purchase Common Stock	The New York Stock Exchange, Inc.
Units, each consisting of one share of Common Stock and one Warrant	The New York Stock Exchange, Inc.

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

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 Section 15(d) of the 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 (§ 232.405 of this chapter) 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. (Check one):

Large accelerated filer þ	Accelerated filer o	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 Act). Yes o No þ

The aggregate market value of the registrant s voting stock held by non-affiliates of the registrant as of the end of the registrant s second fiscal quarter of 2009 (based on the closing price as reported on the New York Stock Exchange on June 30, 2009) was approximately $540 million. Shares of voting stock held by officers, directors and certain holders of more than 10% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the registrant s Common Stock as of February 22, 2010 was 253,247,552.

Documents Incorporated by Reference

Portions of the registrant s Proxy Statement for the 2010 Annual Meeting of Shareholders to be held on May 10, 2010 are incorporated by reference into Part III of this Form 10-K.

GLG PARTNERS, INC.

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PART I

Item 1. *Business*

In this Annual Report on Form 10-K, unless the context indicates otherwise, the terms the Company , we , us and our refer to GLG Partners, Inc. and its subsidiaries, following the acquisition by Freedom Acquisition Holdings, Inc. and its then consolidated subsidiaries (Freedom) of GLG Partners LP and certain of its affiliated entities (collectively, GLG) by means of a reverse acquisition transaction on November 2, 2007, and to Freedom prior to the acquisition.

Introduction

We are a global asset management company offering our clients a wide range of performance-oriented investment products and managed account services. Our primary business is to provide investment management advisory services for various investment funds and companies (the GLG Funds). We derive our revenues primarily from management fees and administration fees charged to the GLG Funds and accounts we manage based on the value of the assets in these funds and accounts, and performance fees charged to the GLG Funds and accounts we manage based on the performance of these funds and accounts. Substantially all of our assets under management, or AUM, are attributable to third-party investors, and the funds and accounts we manage are not consolidated into our financial statements. As of December 31, 2009, our net AUM (net of assets invested in other GLG Funds) were approximately $22.2 billion, as compared to approximately $21.6 billion as of September 30, 2009 and approximately $15.0 billion as of December 31, 2008. As of December 31, 2009, our gross AUM (including assets invested in other GLG Funds) were approximately $24.4 billion, as compared to approximately $24.0 billion as of September 30, 2009 and approximately $16.5 billion as of December 31, 2008.

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

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

Effective upon the consummation of the Acquisition, (1) each Acquired Company became a subsidiary of ours, (2) the business and assets of the Acquired Companies and certain affiliated entities became our only operations and (3) we changed our name to GLG Partners, Inc. Because the Acquisition was considered a reverse acquisition and recapitalization for accounting purposes, the combined historical financial statements of GLG became our historical financial statements and from the consummation of the Acquisition on November 2, 2007, our financial statements have been prepared on a consolidated basis.

Overview

We use a multi-strategy approach, offering investment funds and managed accounts across a diverse range of strategies and products. We have achieved strong and sustained absolute returns in both alternative and long-only strategies. As of December 31, 2009, our net AUM were approximately $22.2 billion, up from approximately $11.7 billion as of December 31, 2004. As of December 31, 2009, our gross AUM were approximately $24.4 billion, up from approximately $13.3 billion as of December 31, 2004. We have achieved an approximately 28.1% net dollar-weighted average return on our alternative strategies for the year ended

December 31, 2009. See Fund Performance and Structure Dollar-Weighted Average Returns for a discussion of the calculation of net dollar-weighted average returns. The chart below sets forth the growth of our net AUM since 2004, as well as the impact of the SGAM UK acquisition during 2009.

Historical Net AUM
($ in Billions)

(1) Approximately $3 billion of AUM was mandated in December 2008 pursuant to the sub-advisory arrangement with SGAM UK, which terminated upon the acquisition of SGAM UK on April 3, 2009.

We have built an experienced and highly-regarded investment management team of 130 investment professionals and supporting staff of 263 personnel, based primarily in London, representing decades of experience in the asset management industry. This team of talented and dedicated professionals includes a number of people who have worked with GLG since before 2000. For purposes of this Annual Report on Form 10-K, personnel refers to our employees and the individuals who are members of Laurel Heights LLP and Lavender Heights LLP and who provide services to us through these entities. Prior to our acquisition of GLG Holdings Inc. and GLG Inc. in January 2008, we consolidated GLG Inc. and GLG Holdings Inc. in our financial statements on the basis that they were variable interest entities in which we were the primary beneficiary.

We have built a highly scalable investment platform, infrastructure and support system, which represent a combination of world-class investment talent, cutting-edge technology and rigorous risk management and controls.

We manage a broad portfolio of GLG Funds and managed accounts, comprising both alternative and long-only strategies and earn substantially all our revenue from the management of alternative strategy, long-only and multi-strategy investment funds and managed accounts. For the years ended December 31, 2009, 2008 and 2007, revenues from the alternative strategy GLG Funds represented 60%, 87% and 87%, respectively, of our consolidated revenues and revenues from the long-only GLG Funds represented 14%, 10% and 11%, respectively, of our consolidated revenues. We earn a substantial portion of our remaining revenue from managed accounts. Managed account fee structures are negotiated on an account-by-account basis and may be more complex than for the GLG Funds. Across the managed account portfolio, fee rates vary according to the underlying mandate and in the aggregate are generally within the performance and management fee ranges charged with respect to comparable fund products.

Of the alternative strategy GLG Funds, the GLG Alpha Select Fund and the GLG European Long-Short Fund in 2009, the GLG Alpha Select Fund and the GLG Emerging Market Fund in 2008, and the GLG Market Neutral Fund, the GLG European Long-Short Fund and the GLG Emerging Markets Fund in 2007 each represented 10% or more of our consolidated revenues. These GLG Funds represented approximately, $69.8 million, $149.3 million, and $599.2 million of our consolidated revenues for the years ended December 31, 2009, 2008 and 2007, respectively.

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The charts below summarize the diversity of our overall net AUM as of December 31, 2009.

Note: Data is based on net AUM and GLG Funds as of December 31, 2009. Alternative strategies include all 130/30 or similar strategy managed accounts and 130/30 or similar strategy funds. Cash and other holdings are included under alternative strategies as Funds and Other .

Our success has been driven largely by our strong and sustained track record of investment performance. The chart below summarizes investment performance since the launch of our first fund in 1997 through December 2009 by looking at the cumulative net dollar-weighted annual returns for GLG alternative and long-only strategies (excluding funds of funds).

INVESTMENT PERFORMANCE

Note: Performance is typically measured by the longest running share class in each fund. The first GLG Fund began trading in January 1997; as a result, indices are rebased to 100 as at January 1, 1997 with monthly data points through to December 31, 2009. Annualized returns are calculated on a basis of monthly pricing data.

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The dollar-weighted average returns illustrate aggregate performance for alternative strategy, long-only strategy funds and managed accounts. Individual fund or account performance is weighted according to gross AUM, therefore a large out-performing product will carry far greater impact than a small under-performing product. AUM data for a particular month is based on official net asset values published by the fund administrator as at close of business on the last business day of that month. See Fund Performance and Structure Dollar-Weighted Average Returns for a discussion of the calculation of net dollar-weighted average returns.

History

Noam Gottesman, Pierre Lagrange and Jonathan Green, who had worked together at Goldman Sachs Private Client Services since the late 1980s, left to form GLG as a division of Lehman Brothers International (Europe), or LBIE, in September 1995, with significant managerial control. Initially, GLG managed accounts for private client investors, primarily high and ultra-high net worth individuals from many of Europe s wealthiest families, with whom the founders had pre-existing relationships. GLG began to offer fund products in early 1997.

By 1998, GLG had exceeded the five-year profitability target which had been jointly set by the founders and LBIE in 1995. In 2000, GLG s senior management wanted to grow its business as an independent company. As a result, GLG became an independent business in 2000. A subsidiary of Lehman Brothers Holdings Inc. initially held a 20% minority interest in GLG and now holds an approximate 11% equity interest in us. Mr. Green retired from GLG at the end of 2003.

Since its separation from LBIE in 2000, GLG has invested considerable resources to developing a cohesive investment management team and robust platform to allow it to participate in the strong growth of the alternative and traditional investment management industry. GLG has successfully established a fully independent infrastructure, seen overall headcount grow from approximately 55 in 2000 to 393 as of December 31, 2009, and recruited a significant number of high-quality individuals from leading financial services businesses both to expand its talent pool and management base and to support a substantial range of new product initiatives.

Emmanuel Roman, a former Partner of Goldman Sachs, joined GLG in 2005 as a non-investment manager Co-Chief Executive Officer.

Competitive Strengths

Our strength in continental Europe and the United Kingdom has given us a highly respected brand name in the industry and has enabled us to attract and retain highly talented investment professionals as well as to invest heavily in our infrastructure. We believe that we enjoy distinct advantages for attracting and retaining talent, generating investment opportunities and increasing AUM because of the strength and breadth of our franchise. By capitalizing on what we regard as our competitive strengths, we expect to extend our record of growth and strong investment performance.

Our Team and Culture

We have a team of talented and dedicated professionals. Our high-quality and well-motivated team of investment professionals is characterized by exceptional investment and product development experience and expertise. Several of our investment professionals are widely recognized leaders and pioneers in the alternative and traditional investment management industry. In addition to our 130 investment professionals, we have 263 personnel in our marketing, legal, compliance, middle office, finance, administrative, risk management, operations and technology groups. We have invested heavily in recruiting, retaining and supporting this strong and cohesive team because we believe that the quality of this team has contributed and will continue to contribute materially to the strength of our business and the results we achieve for our clients. Extensive industry experience and consistency in the senior management team provide us with considerable continuity and have served to define our professional culture.

Our management believes that a team approach, in which investment professionals managing multiple strategies and asset classes are encouraged to share investment perspectives and information (for example, equity, credit and emerging market specialists working together, or industry teams working across geographic regions), promotes the cross-fertilization of ideas, investment strategies and product development within the organization. Management views this team dynamic as a critical contributor to both our investment success and our ability to develop new product initiatives.

Long-standing Relationships with a Prestigious Client Base

We have forged long-standing relationships with many of Europe s wealthiest families and prestigious institutional asset allocators. We enjoy a balanced and diverse investor base made up of financial institutions, pension and endowment funds, high and ultra high net worth individuals, family offices, sovereign wealth funds and other sources. We have discretionary power to allocate a significant portion of the assets invested by high and ultra-high net worth individuals among our various fund products. With a foundation of firmly established relationships, some originating prior to GLG s inception in 1995, we enjoy a loyal client base. In addition to representing a high-quality source of client referrals, many of these clients have significant industry and regional knowledge, as well as experience and relationships that we are able to leverage in the investment process. Our focus on client relationship management through our marketing team and customized investment solutions places us in a strong position both to capture a greater proportion of the investable wealth of existing accounts and to attract new clients.

Differentiated Multi-Strategy Approach and Product Offerings

By offering a wide variety of investment strategies and products, in contrast to single strategy managers, we offer a broad solution, deploying client assets across a variety of investment products. By spinning-off successful strategies into new products, we have been able to expand our portfolio of separate strategies, creating growth opportunities with new and existing clients. Our multi-strategy approach provides significant advantages to our clients, most importantly the flexibility to redeploy client assets quickly among other strategies in our diversified portfolio of investment products in the face of changing market conditions. Our multi-strategy profile also can enhance the stability of our performance fee-based revenues, as fluctuations in fund performance and performance fees are modulated across the broad and diverse portfolio of investment products. In addition, our diversified investment product offerings allow us to take advantage of cross-selling opportunities with new and existing clients, thereby attracting or retaining investment capital that might otherwise go to non-GLG investment vehicles. In addition, through our managed account product, we are able to create sophisticated and highly customized solutions for our clients, providing products tailored to client requirements.

Strong and Sustained Investment Track Record

The GLG Funds have generated substantial absolute returns since inception. By focusing on our core competencies, we have achieved a 14.0% net annualized dollar-weighted average return on our alternative strategies funds since the launch of our first fund in January 1997 through December 2009. See Fund Performance and Structure Dollar-Weighted Average Returns for a discussion of the calculation of net dollar-weighted average returns.

Institutionalized Operational Processes and Infrastructure

We have invested considerable resources into developing our personnel base and establishing our infrastructure. We have developed highly institutionalized product development, investment management, risk management, operational and information technology processes and controls. Management believes that our institutionalized product platform, operational and systems infrastructure and distribution channels are highly scalable and are attractive to institutional investors who are seeking investment funds with well-developed and robust systems, operations and advanced risk management capabilities. This, in turn, enhances our ability to participate in the strong growth of the investment management industry and demand for absolute return products.

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Alignment of Interests

The interests of our management and personnel are closely aligned with those of our clients and shareholders. Currently, Messrs. Gottesman, Lagrange and Roman, referred to as the Principals, and the trustees of their respective trusts, referred to as the Trustees, our officers and directors, our key personnel, employees and service providers, and their respective affiliates, Lavender Heights Capital LP and Sage Summit LP, collectively own approximately 60% of our voting equity interest. Our management believes that ownership by these key personnel is an important contributor to our success by motivating these key personnel to provide outstanding fund performance, generate significant revenues for us through management and performance fees and thereby increase the value of their ownership interests. In this manner, our key personnel have a stake in the success of all of our products, not just those in which they work personally. These ownership interests will continue to align the interests of our Principals and key personnel with their clients, as well as with the other holders of our capital stock, encourage cooperation across strategies and create greater opportunities for our business.

In addition, the Principals, the Trustees, certain key personnel and their families and associated entities have agreed to invest in the GLG Funds at least 50% of the excess of the cash proceeds they received in the Acquisition over the aggregate amount of any taxes payable on their respective portion of the purchase price. As of December 31, 2009, they have approximately $506 million of net AUM invested in the GLG Funds and managed accounts and pay the same fees and otherwise invest on the same terms as other investors.

A significant portion of the compensation and limited partner profit share of our key personnel (other than the Principals) is based on the performance of the funds and accounts we manage. In addition, our key personnel are eligible to receive discretionary bonuses and limited partner profit share, which are based upon individual and firm-wide performance.

Growth Strategies

Extend Strong Investment Track Record

Over time, our principal goal of achieving substantial returns for our investors has remained unchanged. Since inception, we have achieved a strong and sustained investment track record. In the process, we have established ourselves as a global asset management company and have attracted an established high, ultra-high and instutional client bases.

Expand Investment Products and Strategies

We have consistently developed and added new products and strategies to our business, and intend to continue to expand selectively our products and strategies. Our multi-strategy approach allows us to offer clients a full-service solution, provides diversity and adds stability to our performance fee-based revenues. We currently offer fund products as well as managed accounts which can be customized to clients particular needs. During 2009, we successfully launched new products in the emerging market, credit, macro and restructuring strategies. We continue to emphasize the importance of innovation and responsiveness to client demands and market opportunities, and believe that the close and long-term relationships that we have established with our clients are a key source of market research helping to drive the development of new products and strategies.

Build on Success in Continental Europe and the United Kingdom to Penetrate Other Major Markets

We are focused on developing a much more significant global presence and intend to expand our client relationships and distribution capabilities in regions where we have not actively sought clients, particularly the United States, the

Middle East and Asia, and through new distribution channels and joint ventures. We believe that clients and institutions in these regions could represent a significant portion of future AUM growth. In addition, our Co-Chief Executive Officer, Noam Gottesman, relocated to the United States in 2009 to help expand upon our existing capabilities in that region.

Capitalize on Acquisition Opportunities

On April 3, 2009 we completed our acquisition of Société Générale Asset Management UK (SGAM UK), Société Générale s UK long-only asset management business. The acquisition included SGAM UK s operations, which had approximately $7.0 billion of AUM, as well as the investment and support staff, based primarily in London. In January 2009, GLG Partners LP became the investment manager of the funds and accounts managed by Pendragon Capital, whose founders joined GLG Partners LP as portfolio managers.

Products and Services

Investment Products

As of December 31, 2009, we had five major categories of products:

Alternative strategies funds: These funds represent a key investment product focus and are the primary means by which investors gain exposure to our core alternative investment strategies. As of December 31, 2009, this category comprised 29 active individual funds and four (4) special assets or side-pocket funds that were created to hold certain private placement and other not readily realizable investments, as well as two funds created to hold the claims of two other funds in the Lehman Brothers insolvency. Each of the individual funds is being managed according to distinct investment strategies, including equity long-short funds, mixed-asset long-short funds, multi-strategy arbitrage funds, convertible bond funds, macro funds and credit long-short funds and may be characterized by the use of leverage, short positions and/or derivatives. These single-manager alternative strategy funds have gross AUM of approximately $6.0 billion representing 24.6% of total gross AUM and net AUM (net of alternative fund-in-fund investments) of approximately $5.6 billion representing 25.5% of total net AUM. The largest funds in this category are: the GLG European Long-Short Fund, the GLG Market Neutral Fund, and the GLG Alpha Select Fund. These funds may also make use of fund-in-fund investments whereby one alternative strategies fund may hold exposure to another single-manager alternative strategy fund. In order to distinguish these sub-investments, management tracks AUM on both a gross and a net basis. In a gross presentation, sub-invested funds will be counted at both the investing and investee fund level. Net presentation removes the assets at the investing fund level, indicating the total external investment from clients.

Long-only strategies funds: The long-only strategies funds facilitate access to our leading market insight and performance for those clients who are seeking full (non-hedged) exposure to the equity markets across geographic and sector-based strategies, while benefiting from our investment expertise. As of December 31, 2009, we operated 33 long-only strategies funds, which have gross AUM of approximately $4.4 billion representing 18.1% of total gross AUM. The long-only strategies funds are comprised of funds tailored to the needs of institutional investor clients, as well as retail funds acquired with the acquisition of SGAM UK in April 2009. The largest funds in this category are the GLG Japan Core Alpha, the GLG Global Convertible UCITS Fund, the GLG UK Select Fund and the GLG European Equity Fund.

Funds of GLG funds (internal FoF): These funds are structured to provide broad investment exposure across our range of single-manager alternative strategy funds, as well as being a means by which investors may gain exposure to funds that are currently not being marketed. As of December 31, 2009, we managed six internal FoF funds, representing 7.1% of total gross AUM. The largest funds in this category are the GLG Balanced Managed Fund and the GLG Global Opportunity Fund. Presentation of the AUM of these funds on a net basis results in minimal AUM figures, as the vast majority of their assets are sub-invested in underlying GLG alternative strategies funds, with net AUM typically representing only small cash balances. Due to active fund management decisions regarding leverage for investment or settlement purposes and/or due to the mechanics of the process by which our internal FoFs are required to place investments into underlying alternative strategies funds, the value of the investments held by any internal FoF may not be exactly equal to the gross AUM of that fund at any point in time.

130/30 strategies: These funds allow the fund manager to hold both long and short position on different equities. Typically, they have 130% exposure to their long portfolio and 30% exposure to their short portfolio. The 130/30 funds comprised approximately $2.8 billion of total gross AUM as of December 31, 2009. These funds are made up of four institutional managed accounts and six UCITS funds.

Managed accounts: We offer managed account solutions to larger institutional clients who want exposure to our investment strategies, but are seeking a more customized approach. Typically, managed accounts would be based on an underlying alternative, long-only or 130/30 strategy. For purposes of our AUM presentation, we show managed account AUM based on an alternative strategy as Alternative Strategies AUM and AUM based on long-only strategies as Long-Only Strategies AUM. As of December 31, 2009, managed accounts represented 46.7% of total gross AUM, including accounts that were part of the SGAM UK acquisition.

We also offer multi-manager funds (external FoF), which are funds invested in funds managed by external asset management businesses.

Fund Performance and Structure

Our historical success has been driven by our strong and sustained track record of investment performance. Our investment strategies have delivered cross-cycle outperformance when compared to the equity and fixed income markets.

The table below presents historical net performance for all active GLG Funds by AUM in each of the product categories as of December 31, 2009, excluding funds which are closed and in the process of liquidating. It should be noted that the alternative strategy funds seek to deliver absolute performance across a broad range of market conditions.

Fund	Gross AUM	Inception Date	Net Performance Since Inception	Annualized Net Return
Alternative Strategies				
GLG Alpha Select Fund*	$ 0.62bn	Sep-04	89.46%	12.72%
FTSE All Share Index			*50.01%*	*7.89%*
GLG Atlas Global Macro Fund(1)*	$ 0.12bn	Mar-09	5.75%	N/A
GLG Atlas Value & Recovery Fund(1)*	$ 0.08bn	Jun-09	62.23%	N/A
GLG Consumer Fund(1)*	$ 0.00bn	Nov-05	(15.76%)	(4.03%)
GLG Convertible Opportunity Fund(1)*	$ 0.22bn	Sep-09	5.57%	N/A
GLG Credit Fund(1)*	$ 0.04bn	Sep-02	(19.33%)	(2.88%)
GLG Emerging Currency and Fixed Income Fund(1)*	$ 0.08bn	Nov-07	75.38%	29.55%
GLG Emerging Equity Fund(1)*	$ 0.07bn	Nov-07	43.34%	18.05%
GLG Emerging Markets Fund(1)*	$ 0.25bn	Nov-05	173.54%	27.29%
GLG Emerging Markets Special Assets Fund(1)	$ 0.44bn	Jul-08	(23.09%)	(16.02%)
GLG Emerging Markets Credit Opportunity Fund(1)*	$ 0.06bn	Jan-09	25.06%	25.06%
GLG Emerging Markets Opportunities Fund(1)*	$ 0.01bn	Oct-09	1.59%	N/A
GLG Emerging Markets Special Situations Fund(1)	$ 0.34bn	Apr-07	(52.66%)	(23.74%)
GLG Esprit Fund(1)*	$ 0.01bn	Sep-06	3.51%	1.04%

GLG European Distressed Fund(1)*	$ 0.04bn	Sep-09	26.26%	N/A
GLG European Long-Short Fund*	$ 1.00bn	Oct-00	153.84%	10.59%
MSCI Europe Index			*(4.75%)*	*(0.52%)*
GLG European Long-Short Special Assets Fund(1)	$ 0.18bn	Nov-08	(41.80%)	(37.11%)
GLG European Opportunity Fund*	$ 0.17bn	Jan-02	111.23%	9.79%

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Fund	Gross AUM	Inception Date	Net Performance Since Inception	Annualized Net Return
MSCI Europe Index			*17.62%*	*2.05%*
GLG Event Driven Fund(1)*	$ 0.02bn	May-06	(45.40%)	(15.17%)
GLG Financials Fund*	$ 0.09bn	Jun-02	120.20%	10.96%
S&P Global 1200 Financial Sector Index			*(16.19%)*	*(2.30%)*
GLG Global Convertible Fund*	$ 0.31bn	Aug-97	189.78%	8.94%
Merrill Lynch Global 300 Convertible Index			*74.92%*	*4.60%*
GLG Global Equity Tactical Fund(1)*	$ 0.05bn	Dec-09	0.29%	N/A
GLG Global Mining Fund(1)*	$ 0.10bn	Jan-08	11.37%	5.52%
GLG Global Utilities Fund(1)*	$ 0.02bn	Dec-05	(2.33%)	(0.58%)
GLG Market Neutral Fund*	$ 0.89bn	Jan-98	430.79%	14.91%
MSCI World Equity Index			*62.98%*	*3.83%*
GLG North American Opportunity Fund*	$ 0.42bn	Jan-02	77.78%	7.45%
S&P 500 Index			*8.22%*	*0.99%*
GLG North American Opportunity Special Assets Fund(1)	$ 0.08bn	Dec-08	(20.98%)	(19.42%)
GLG Pendragon Event Driven Fund(1)*	$ 0.04bn	Nov-09	0.65%	N/A
GLG Select Opportunities Fund(1)*	$ 0.07bn	Jun-09	3.89%	N/A
GLG Technology Fund*	$ 0.06bn	Jun-02	108.21%	10.14%
MSCI Technology Index			*23.09%*	*2.77%*
Internal FoF				
GLG Global Aggressive Fund(1)	$ 0.00bn	Jan-00	33.65%	2.94%
GLG Global Opportunity Fund	$ 0.38bn	Feb-97	404.18%	13.25%
MSCI World Equity Index			*29.73%*	*2.04%*
GLG Global Opportunity Special Assets Fund(1)	$ 0.13bn	Feb-09	(16.69%)	N/A
GLG Multi-Strategy Fund	$ 0.32bn	Jan-03	31.67%	4.02%
MSCI World Equity Index			*44.40%*	*5.40%*
Long-Only Strategies				
GLG Balanced Fund*	$ 0.01bn	Mar-97	95.05%	5.33%
Benchmark(3)			*72.97%*	*4.35%*
GLG Capital Appreciation Fund*	$ 0.03bn	Mar-97	133.06%	6.80%
Benchmark(2)			*76.28%*	*4.50%*
GLG Capital Appreciation (Distributing) Fund*	$ 0.01bn	Apr-99	41.75%	3.30%
Benchmark(2)			*33.58%*	*2.73%*
GLG EAFE II (Institutional) Fund*	$ 0.05bn	Sep-09	0.79%	N/A
MSCI AC World Index			*3.12%*	*N/A*
GLG Environment Fund*	$ 0.02bn	Jan-07	(37.61%)	(14.51%)
MSCI Europe Index			*(17.27%)*	*(6.11%)*
GLG European Equity Fund*	$ 0.26bn	Feb-99	81.00%	5.58%
MSCI Europe Index			*22.13%*	*1.85%*
GLG European Equity (Institutional) Fund(1)*	$ 0.01bn	Dec-09	2.82%	N/A
GLG Global Convertible UCITS Fund*	$ 0.72bn	Mar-99	102.93%	6.74%
Merrill Lynch Global 300 Convertible Index			*60.22%*	*4.44%*
GLG Global Convertible UCITS (Distributing) Fund*	$ 0.01bn	Oct-05	38.25%	7.91%

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Fund	Gross AUM	Inception Date	Net Performance Since Inception	Annualized Net Return
Merrill Lynch Global 300 Convertible Index			*18.52%*	*4.07%*
GLG International Small Cap Fund*	$ 0.04bn	Jun-08	(22.15%)	(15.34%)
S&P EPAC MidSmallCap Index			*(18.34%)*	*(12.60%)*
GLG North American Equity Fund*	$ 0.00bn	Jan-04	(7.13%)	(1.22%)
S&P 500 Index			*9.07%*	*1.46%*
GLG Performance (Distributing) Fund*	$ 0.15bn	Apr-99	63.00%	4.64%
MSCI World Equity Index			*5.83%*	*0.53%*
GLG Performance Fund*	$ 0.18bn	Jan-97	164.80%	7.78%
MSCI World Equity Index			*62.98%*	*3.83%*
GLG Performance II (Institutional) Fund*	$ 0.07bn	Sep-09	3.66%	N/A
MSCI World Equity Index			*6.93%*	*N/A*
GLG UK Select Equity Fund*	$ 0.02bn	Dec-06	14.72%	4.55%
FTSE All Share Index			*(0.78%)*	*(0.25%)*
130/30 or Similar Strategies				
GLG Emerging Markets Credit Opportunity (UCITS III) Fund(1)*	$ 0.02bn	Aug-09	4.38%	N/A
GLG Emerging Markets Equity (UCITS III) Fund(1)*	$ 0.02bn	Sep-09	6.16%	N/A
GLG Emerging Markets Equity II (UCITS III) Fund(1)*	$ 0.01bn	Sep-09	5.70%	N/A
GLG Emerging Markets Fixed Income & Currency (UCITS III) Fund(1)*	$ 0.01bn	Aug-09	1.29%	N/A
GLG Emerging Markets (UCITS III) Fund(1)*	$ 0.03bn	Sep-09	0.97%	N/A
GLG Pure Alpha (UCITS III) Fund(1)*	$ 0.19bn	Jun-09	5.16%	N/A
External FoF				
GLG MMI Macro Fund(1)	$ 0.02bn	Jul-06	3.88%	1.66%
GLG MMI Diversified Fund(1)	$ 0.03bn	Oct-01	28.78%	3.77%
GLG MMI Diversified (Special Assets) Fund(1)	$ 0.02bn	May-09	6.43%	N/A
GLG MMI Diversified (Special Assets) Fund II(1)	$ 0.01bn	Aug-09	(1.31%)	N/A
GLG MMI Enhanced Fund(1)	$ 0.12bn	Dec-03	12.63%	2.33%
GLG MMI Enhanced (Special Assets) Fund(1)	$ 0.05bn	Dec-09		
GLG MMI Enhanced II Fund(1)	$ 0.00bn	Jan-07	(36.79%)	(20.50%)
GLG MMI Japanese Opportunity Fund(1)	$ 0.01bn	Jun-05	(7.31%)	(4.58%)
GLG MMI Select Fund(1)	$ 0.00bn	Feb-08	(14.50%)	(7.40%)
GLG UK (formerly SGAM UK(Long-Only Strategies)				
GLG American Growth Fund*	$ 0.21bn	Jun-01	(5.82%)	(0.70%)
Russell 1000 Index			*6.96%*	*0.79%*
GLG Asia Pacific Fund*	$ 0.12bn	May-04	115.32%	14.63%
MSCI AC Asia Pacific ex Japan Index			*119.43%*	*15.02%*
GLG Cash Fund	$ 0.04bn	May-04	6.81%	1.18%
IMS 7 Day Libid			*13.01%*	*2.20%*
GLG Core Plus Sterling Bond Fund	$ 0.08bn	May-07	(2.83%)	(1.09%)
ML Sterling Broad Index			*(7.27%)*	*(2.84%)*

GLG Esprit Continental Europe Fund*	$ 0.23bn	Jul-98	75.38%	5.02%
FTSE World Europe ex UK Index			*51.68%*	*3.70%*

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Fund	Gross AUM	Inception Date	Net Performance Since Inception	Annualized Net Return
GLG Gilt Fund	$ 0.10bn	Dec-08	11.54%	10.62%
FTSE Government All Gilts Index			*12.36%*	*11.37%*
GLG Global Corporate Bond Fund	$ 0.03bn	May-04	42.06%	6.45%
ML Global Large Cap Corporate Bond Index			*50.76%*	*7.58%*
GLG Global Emerging Market Fund*	$ 0.05bn	May-04	114.56%	14.56%
MSCI Emerging Markets Index			*169.40%*	*19.30%*
GLG Japan Core Alpha Fund*	$ 1.02bn	Jan-06	(5.23%)	(1.36%)
Topix Index			*(29.03%)*	*(8.38%)*
GLG Technology Equity Fund*	$ 0.08bn	May-98	42.56%	3.09%
FTSE Global Technology Index			*14.79%*	*1.19%*
GLG Total Return Bond Fund	$ 0.02bn	May-07	(11.61%)	(4.61%)
SIPRA Libor 3 Month			*(8.81%)*	*(3.46%)*
GLG Treasury Plus Fund	$ 0.19bn	Jun-06	(10.84%)	(3.21%)
BONY 7 day Libid			*1.20%*	*0.34%*
GLG UK Growth Fund*	$ 0.18bn	Mar-98	17.48%	1.37%
FTSE All Share Index			*41.15%*	*2.96%*
GLG UK Income Fund*	$ 0.13bn	Mar-99	21.49%	1.81%
FTSE All Share Index			*37.25%*	*2.97%*
GLG US Relative Value Fund*	$ 0.03bn	Nov-07	(18.86%)	(9.50%)
S&P 500 Index			*(20.22%)*	*(10.23%)*
GLG UK Select Fund*	$ 0.27bn	Aug-09	10.29%	N/A
FTSE All Share Index			*11.68%*	*N/A*
Funds managed by a SGAM entity and delegated to GLG UK (Long-Only Strategies)				
Ocean Fund/Equities Eastern Europe*	$ 0.08bn	Jul-08	(36.42%)	(26.75%)
MSCI EM Eastern Europe Index			*(32.84%)*	*(23.94%)*
Ocean Fund/Equities GCC Opportunities*	$ 0.18bn	Jun-08	(49.51%)	(35.94%)
MSCI GCC Countries Index			*(43.70%)*	*(31.23%)*
Ocean Fund/Equities MENA Opportunities(1)*	$ 0.27bn	Jun-07	(24.32%)	(10.43%)
SGAM Fund/Equities Concentrated Euroland*	$ 0.06bn	May-05	6.51%	1.38%
MSCI EMU Index			*24.19%*	*4.82%*
SGAM Fund/Equities Concentrated Europe*	$ 0.04bn	Jul-02	43.79%	4.96%
MSCI Europe Index			*75.67%*	*7.81%*
SGAM Fund/Equities Emerging Europe*	$ 0.06bn	May-97	187.88%	8.71%
MSCI EM Europe 10/40 Index			*196.69%*	*8.97%*
SGAM Fund/Equities Euroland*	$ 0.03bn	Jul-02	41.84%	4.77%
MSCI EMU Index			*77.01%*	*7.92%*
SGAM Fund/Equities Global Emerging Countries*	$ 0.15bn	Jul-03	124.31%	13.30%
MSCI EM Index			*226.46%*	*20.06%*
SGAM Fund/Equities Japan Core Alpha Fund*	$ 0.81bn	Nov-06	(9.49%)	(3.17%)
TOPIX Index			*(24.55%)*	*(8.71%)*
SGAM Fund/Equities MENA Fund(1)*	$ 0.05bn	May-08	(49.14%)	(33.86%)
SGAM Invest Euro Actions*	$ 0.00bn	Jan-02	45.73%	4.83%

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Fund	Gross AUM	Inception Date	Net Performance Since Inception	Annualized Net Return
MSCI EMU Index			*68.52%*	*6.76%*
SGAM Invest Europe Actions*	$ 0.02bn	Jan-02	59.97%	6.09%
MSCI Europe Index			*72.77%*	*7.12%*
SGAM Invest Global Technology*	$ 0.04bn	Feb-99	(11.23%)	(1.09%)
MSCI World IT Index			*66.96%*	*4.82%*
SGAM Opportunities/SGAM MENA Fund(1)*	$ 0.02bn	Nov-07	(35.53%)	(18.65%)
Internal FoL-OF (GLG UK (formerly SGAM UK))				
GLG Balanced Managed Fund(1)	$ 0.73bn	May-07	11.30%	4.09%
GLG Stockmarket Managed Fund(1)	$ 0.18bn	Nov-00	8.00%	0.84%
Other GLG Funds	**$ 0.16bn**			
Managed Accounts	**$ 9.55bn**			
Cash and Other Holdings	**$ 0.33bn**			
Total Gross AUM	**$ 24.37bn**			
Less GLG Funds invested in other GLG Funds				
Alternative Strategy GLG Funds invested in other GLG Funds	$ (0.34bn)			
External FoF GLG Funds invested in other GLG Funds	$ (0.02bn)			
Internal FoF GLG Funds invested in other GLG Funds	$ (0.73bn)			
Internal FoL-OF GLG Funds invested in other GLG Funds	$ (0.91bn)			
Managed Accounts (Long Only)	$ (0.19bn)			
Total GLG Funds invested in other GLG Funds	**$ (2.19bn)**			
Total Net AUM	**$ 22.18bn**			

(1) No comparable index

(2) Benchmark for GLG Capital Appreciation Fund is 65% MSCI World Index; 35% JP Morgan Government Bond Index

(3) Benchmark for GLG Balanced Fund is 33.3% MSCI World Index; 33.3% JP Morgan Government Bond Index; 33% Three Month USD LIBOR

Dollar-Weighted Average Returns

Alternative Strategies. The alternative strategy dollar-weighted average returns are calculated as the composite performance of the alternative strategies funds marked with an asterisk set forth under Alternative Strategies in the table above and funds that have closed, in addition to managed accounts managed in accordance with alternative strategies, weighted by the sum of month-end AUM and net inflows on the subsequent dealing day. The performance of certain funds, including the GLG Emerging Markets Special Situation Fund, the Special Assets funds and other funds not marked with an asterisk, are excluded from the calculation of dollar-weighted average returns.

Long-Only Strategies. The long-only strategy dollar-weighted average returns are calculated as the composite performance of the long-only strategies funds marked with an asterisk set forth under Long-Only Strategies , GLG UK (formerly SGAM UK) (Long-Only Strategies) and Funds managed by a SGAM entity and delegated to GLG UK (Long-Only Strategies) in the table above and funds that have closed, in addition to managed accounts managed in accordance with a long-only strategy (except those over which we do not exercise full control), weighted by the sum of month-end AUM and net inflows on the subsequent dealing day. The performance of certain funds not marked with an asterisk are excluded from the calculation of dollar-weighted average returns.

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130/30 or Similar Strategies. The 130/30 or similar strategy dollar-weighted average returns are calculated as the composite performance of the funds marked with an asterisk set forth under 130/30 or Similar Strategies in the table above, in addition to managed accounts managed in accordance with a 130/30 or similar strategy, weighted by the sum of month-end AUM and net inflows on the subsequent dealing day. The performance of certain funds not marked with an asterisk are excluded from the calculation of dollar-weighted average returns.

Management Fees on Funds

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

Product	General Range of Gross Fee Rates (% of AUM) As of December 31, 2009
Alternative strategies funds*	1.50% 2.50%**
Long-only strategies funds	0.30% 2.25%
130/30 strategies funds	1.25% 2.25%
Internal FoF***	0.25% 1.50%**(at the investing fund level)
External FoF****	1.00% 1.95%

* Excludes the GLG European Long-Short (Special Assets) Fund, the GLG North American Opportunity (Special Assets), the GLG European Opportunity (Lehman Recovery) Fund, the GLG Technology (Lehman Recovery) Fund, and the GLG Market Neutral Sidepocket where the management fee is 0.50%.

** When one of the alternative strategies funds or internal FoFs managed by us invests in an underlying single-alternative strategies fund managed by us, management fees are charged at the investee fund level, except in the case of (1) the GLG Multi-Strategy Fund where management fees are charged at both the investee and investing fund levels and (2) the GLG Balanced Managed Fund and the GLG Stock Market Managed Fund where management fees are charged only at the investing fund level.

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

**** Excludes the GLG MMI Diversified (Special Assets II) Fund and the GLG MMI Enhanced (Special Assets) Fund.

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

During 2009, the mix of our AUM changed from a majority of our AUM in higher fee-yielding alternative strategies products to a more balanced split of alternative strategies and lower fee-yielding long-only and managed account products. The effect of this shift reduced our management fee-yields when measured as a percentage of our overall AUM. The acquisition of SGAM UK which consisted of long-only funds and managed accounts that have lower management fee-yields than our alternative strategies products has also contributed to our lower management fee yields. We expect that the effect on our management fee yields in future periods will continue to be dependent upon specific inflows, outflows and other related factors such as these.

Performance Fees

Our gross performance fee rates where applicable for GLG Funds are set as a percentage of fund performance, calculated as investment gains (both realized and unrealized), less management and administration fees, subject to high water marks and, in the case of most long-only and 130/30 funds, four

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external FoFs, seven alternative strategies funds, and certain managed accounts, to performance hurdles. As a result, even when a GLG Fund has positive fund performance, we may not earn a performance fee due to negative fund performance in prior measurement periods and in some cases due to a failure to reach a hurdle rate. High water marks and performance hurdles, are determined on a fund by fund and investor by investor basis and performance fees are not netted across funds, other than in the case of the special assets funds related to the GLG Emerging Markets Fund, the GLG European Long-Short Fund and the GLG North American Opportunity Fund. The special assets funds do not earn a performance fee until an investor s high water mark across both the special assets fund and its original fund is exceeded. Accordingly, any funds above high water marks and applicable performance hurdles at the end of the relevant measurement period will contribute to performance fee revenue.

As of December 31, 2009 we had approximately $7.5 billion, or 60% of AUM, above water or within 5% of their respective high water marks out of a potential $12.5 billion in performance fee eligible AUM. We had another $0.8 billion or 6% of AUM, within 5% to 10% of their respective high water marks. Additionally, approximately $4.2 billion in AUM (excluding special asset vehicles and funds in the process of closing) are more than 10% below their respective high water marks. High water marks are calculated on a share class by share class for each GLG Fund and measured from the time each shareholder subscribes for each share class owned by such shareholder. Accordingly, when an investor subscriber for new or additional shares in a GLG Fund, whether as a result of providing us additional AUM or as a result of redeeming investment from one fund to subscribe to another, the subscription establishes a new high water mark for the shares received from such subscription, which is measured from the time each shareholder subscribes for each share class owned by such shareholder.

Fund performance through December 31, 2009 has generally reduced the additional performance necessary to re-achieve the high-water marks for many GLG Funds; however, for some funds significant high water marks remain. Accordingly, even if our funds that are below high water marks have positive performance in subsequent performance periods, our ability to earn performance fees during those periods will be adversely impacted due to the number of funds subject to high water marks and the amounts to be recovered.

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

Product	**General Range of Gross Fee Rates (% of Investment Gains) As of December 31, 2009**
Alternative strategies funds	10% 30%*
Long-only strategies funds	0% 20% (may be subject to performance hurdle)
130/30 strategies funds	20% (may be subject to performance hurdle)
Internal FoF	0% 20%* (at the investing fund level)
External FoF**	5% 10% (may be subject to performance hurdle)

* When one of the alternative strategies funds or internal FoFs managed by us invests in an underlying alternative strategies funds managed by us, performance fees are charged at the investee fund level, except in the case of the GLG Global Aggressive Fund where performance fees are charged at both the investee and investing fund levels to the extent, if any, that the performance fee charged at the investing fund level is greater than the performance fee charged at the investee fund level.

**

We do not recognize performance fee revenues until the end of the measurement period when the amounts are crystallized, which for the majority of the investment funds and accounts managed by us is on June 30 and December 31.

Due to the impact of foreign currency exposures on management and performance fees, we have elected to utilize cash flow hedge accounting to hedge a portion of our anticipated foreign currency denominated revenue. The effective portion of the hedge is recorded as a component of other comprehensive income and is released into management or performance fee income, respectively, when the hedged revenues impact the income statement. The ineffective portion of the hedge is recorded each period as derivative gain or loss in other income or other expense, respectively. See Quantitative and Qualitative Disclosures About Market Risk Exchange Rate Risk in Part II, Item 7A, of this Annual Report for a further discussion of our foreign exchange and hedging activities.

We typically do not recognize performance fee revenues until the period when the amounts are crystallized, which for the majority of the investment funds and accounts managed by us is on June 30 and December 31.

Additionally, various funds have significant high water marks. Until these funds either generate investment returns that overcome these high water marks, or these funds experience net inflows that carry no high-water marks and/or new funds are launched without high-water marks, performance fees may be limited.

Administration Fees

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

When one of the alternative strategies funds or internal FoFs managed by us invests in an underlying fund managed by us, administration fees are charged at both the investing and investee fund levels.

Fees on Managed Accounts

Managed account fee structures are negotiated on an account-by-account basis and may be more complex than for the GLG Funds but typically include a management fee based on AUM and a performance fee based either on exceeding a high water mark or exceeding agreed upon benchmarks. Across the managed account portfolio, fee rates vary according to the underlying mandate and, in the aggregate are generally within the performance and management fee ranges charged with respect to comparable fund products.

Fund Structure

GLG Funds

Each of the GLG Funds, with the exception of the funds acquired as part of the acquisition of SGAM UK (the GLG UK Funds), is structured as a limited liability company, incorporated in the Cayman Islands, Ireland, United Kingdom, or Luxembourg. In general, the Cayman Islands are preferred for alternative strategy funds of non-U.S. investors, given the flexibility available to alternative strategies funds in this jurisdiction. It is also common for U.S. tax-exempt investors to invest in Cayman Islands vehicles. A limited number of our alternative strategies funds are also domiciled in Ireland. Our long-only GLG Funds are incorporated in Ireland and utilize investment strategies that comply with the regulations in Ireland and qualify for Undertakings for the Collective Investment of Transferable Securities (UCITS) status. These long-only funds also have the ability to use a limited degree of leverage and to use derivative instruments, including synthetic short exposure, in accordance with UCITS III. One of our internal FoF funds is domiciled in Luxembourg. Each GLG Fund has a board of directors and each board consists of a majority of independent directors. The prospectus or summary of terms for each fund sets out the terms and conditions upon which investors invest in the fund. Two of the GLG Funds are subject to key man provisions. Twenty funds are listed on the Irish Stock Exchange, one fund is listed on the Luxembourg Stock Exchange, one fund is listed on the Cayman Islands Stock Exchange and thirty-six funds are unlisted. Each GLG Fund has appointed a GLG entity as its manager to provide investment management, administration and distribution services to the fund pursuant to a management agreement. The provision of these services is delegated to other GLG entities and third parties. In particular, investment management is delegated to GLG Partners LP pursuant to an investment management agreement. With respect to certain GLG Funds, GLG Partners LP has sub-delegated a portion of its investment management responsibilities to GLG Inc. Because each GLG Fund is structured as a limited liability company whose owners are the investors in the fund, the manager and investment manager generally do not have an ownership interest in the fund and their sole relationship with the fund is contractual. Fund administration, custody and prime brokerage services are delegated to third-party providers pursuant to separate agreements.

The material terms of these agreements relate to the scope of services to be rendered to the fund, liabilities, remuneration and rights of termination under certain circumstances. Under each management agreement, a manager is appointed to, among other things, manage the assets of the relevant GLG Fund, administer the assets of the relevant GLG Fund, and (where applicable) distribute the assets of the relevant GLG Fund. The manager delegates each of these functions to third parties. In particular, the manager delegates the investment management functions to GLG Partners LP. Under each investment management agreement, the investment manager is responsible for identifying, purchasing, managing and disposing of investments on behalf of the relevant fund in accordance with its statement of investment policy. Each management agreement and investment management agreement is terminable on 30 days written notice by either party and provides that in the absence of negligence, willful default, fraud or bad faith, the manager and its agents will not be liable for any loss or damage arising out of the performance of their obligations under the agreement.

We do not typically hold any investments in the GLG Funds for our benefit, other than a de minimis amount of subscriber and management shares. However, we hold $12.4 million, representing the unvested portion of the cash proceeds of the Acquisition allocable to participants in the equity participation plan, which were invested in two of the GLG Funds and which are held for the benefit of the participant s in the equity participation plan. In addition, in July 2009 we purchased $6.4 million of investments in two funds created to hold the claims of two other funds in the Lehman Brothers insolvency. The subscriber and management shares are for a fixed notional amount and do not have an entitlement to participate in movements in net asset value, nor do they generate any income for us. The returns and income on the unvested portion of the cash proceeds of the Acquisition allocable to participants in the equity participation plan are allocated to those participants and not us. As a result, we do not receive any income by reason of investment on our own account in the GLG Funds.

GLG UK (formerly SGAM UK) Funds

Each of the GLG UK Funds is structured as an investment company with variable capital, incorporated in England and Wales. They are umbrella funds comprising various funds (of which there are currently 18), each of which is operated as a distinct fund with its own portfolio of investments. The GLG UK Funds are long-only strategies funds utilizing investment strategies that comply with the regulations of the U.K. Financial Services Authority (FSA). Each fund qualifies for UCITS status, except for the GLG Management Funds ICVC, which is classified as a Non-UCITS Retail scheme . Certain of the GLG UK Funds have the ability to invest in derivatives, as well as for the limited purposes of efficient portfolio management.

The GLG UK Funds have each appointed a GLG entity to act as the authorized corporate director (ACD) with responsibility for managing and administering the GLG UK Funds in compliance with the rules of the FSA. The ACD has appointed GLG Partners UK Limited (GLG UK) to provide investment management and advisory services and, with respect to certain funds, GLG UK has in turn appointed either GLG Partners LP or TCW Investment Management Company to provide such services. The Royal Bank of Scotland plc (RBS) has been appointed as the GLG UK Funds depositary, with responsibility for the safekeeping of the funds property.

The appointments of the ACD, GLG UK and RBS are provided for in agreements which clearly detail the parties termination rights and liability obligations.

The prospectus of each of the GLG UK Funds sets out the terms and conditions upon which investors may invest.

Managed Accounts Structure

Each of the managed accounts, as well as two funds created to hold claims of two other funds in the Lehman Brothers insolvency, operate under the terms of individually negotiated and customized arrangements.

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The structure is determined by the client and the structures range from limited liability companies to master feed funds and to limited partnerships. The material terms of these arrangements typically relate to the scope of the services to be provided, liabilities, remuneration and rights of termination. The termination provisions of the managed account agreements vary according to the terms negotiated by the individual clients.

Neither the Principals nor their affiliates have any investment management operations or businesses that are separate from us. All of the assets managed by us are owned by our clients, other than the $6.3 million in Lehman Recovery funds. We do have discretion over the management of these assets.

Clients and Marketing

We have a team of 33 marketing professionals which is organized by geographical regions. Our marketing effort has historically been geographically focused, with Europe accounting for the majority of marketing activity, and is built on a number of complementary and diverse distribution channels:

- marketing to high and ultra-high net worth individuals and families through a combination of existing client referrals, marketer-led relationships and banks; and

- marketing to institutional investors, including funds of funds, alternative asset management divisions of banks, pension funds, insurance companies and investment platforms, through a combination of the capital introduction groups of leading prime brokers, financial intermediaries, marketer-led relationships and banks.

In addition to the standard tasks of reporting performance and alerting clients to new fund and product launches, our marketing personnel offer broader investment advice, including assistance with overall portfolio planning, which, in some cases, may include non-GLG investment products. Although we have historically focused on Europe, we are continuing to commit resources to expanding into under-penetrated markets like the United States, the Middle East and Asia.

We also have a 32 member dedicated client service and marketing support team that facilitates investment transactions and provides analysis and reporting to clients.

Product Development

Over the last ten years, we have developed over 40 new investment products which are the result of our consistent innovation and product development skills which stem from our close relationship to our client base, our investment team s market knowledge, as well as our responsiveness to client and market demands.

We are focused on further developing our multi-strategy approach and diversified product offerings. We have continued to emphasize the importance of innovation and responsiveness to client and market demands. We believe that the close and long-term relationships that we enjoy with our clients are a key source of market research helping to drive development of successful products. Since 2005, the process of product development has been more fully formalized and is now coordinated through our non-investment manager Co-Chief Executive Officer.

Idea Generation. Product development is driven by discussions with clients, internal research, internal analysis of market trends and competitor offerings. Product development is sometimes initiated through sector-focused research from investment analysts.

Feasibility Testing. New products are initially vetted for feasibility to confirm our ability to support the new fund or strategy operationally and to highlight mitigating risks and other factors affecting feasibility. Initial due diligence is followed by relevant feasibility checks based on extensive investment experience from investment professionals and client managers.

Product Setup. Once a new product has undergone review and feasibility testing, the product development team arranges appropriate prime brokerage and counterparty relationships, and coordinates with legal counsel to set up the legal structures of any new funds or products and to develop fund or product prospectuses in conjunction with the marketing team.

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Client Management. Both investment managers and marketing professionals who serve as client relationship managers meet with existing and potential investors about each relevant new product.

Operational Processes and Infrastructure

Investment Management Process

We have a systematic investment approach which combines bottom up analysis with macroeconomic analysis and technical trading, resulting in an emphasis on both the qualitative and quantitative assessment of investment opportunities. We look at all instruments across the capital structure, from equity to subordinated loans. With extensive coordination between analysts and traders, investment ideas are scrutinized and validated at multiple stages. Our organizational structure facilitates the sharing of ideas between equity, credit and emerging markets specialists. Similarly, industry teams work across regions to develop global views and relative values strategies between investments located in different geographical areas.

Analysts. Our sector and general analysts utilize their industry expertise to generate and analyze ideas for long and short investments by meeting with corporate management and performing original analytical work. Our strong relationships in the brokerage community provide analysts with significant access to third-party and industry expertise.

Traders. Our traders confirm the short-term validity of fundamental analysis and optimize the best entry and exit points for trading ideas. Our strong relationships in the brokerage community provide traders with best execution and liquidity across asset classes.

Investment Managers. Our investment managers integrate recommendations from analysts and traders, taking into account the macroeconomic environment, portfolio construction and relevant strategies. They also manage risk and ensure that capital is adequately used. In 2008, we added a Chief Investment Strategist who works with our investment professionals on global asset allocation and on developing our global macro platform and thematic funds.

Throughout this process, we utilize an extensive risk management process, as described in the following paragraphs.

Portfolio Risk Management

Effective risk management is central to the operation of our business. We use both quantitative and qualitative assessments in an effort to offer high annual returns combined with a low level of return volatility. Risk management helps manage volatility and avoid positions that could lead to excessive losses.

Positions in the GLG Funds are actively managed, allowing for timely reallocation in response to changes in economic, business or market conditions. Investment professionals are typically authorized to trade fixed amounts of capital subject to various constraints and limitations, including, but not limited to, value-at-risk, trading losses and position concentrations.

Our Risk Committee, which includes the non-investment manager Co-Chief Executive Officer, oversees the risk management function for the GLG Funds and managed accounts. The Risk Committee is responsible for setting and ensuring adherence to risk limits, directing the development of risk management infrastructure, identifying risks to the GLG Funds and managed accounts, allocating capital, and developing fund-level hedging strategies. The Risk Committee has four members with substantial investment and risk management experience.

Risk management personnel provide daily risk reporting across the GLG Funds and managed accounts, develop risk management infrastructure, and monitor the risk and performance of individual investment professionals within the business. We use both third-party commercial risk management software and proprietary systems to analyze and monitor risk in the GLG Funds and managed accounts. Daily risk reports measure exposures, expected volatility, value-at-risk (typically using a 98% confidence level, over a one day horizon), and liquidity. These reports also include stress tests based on historical and hypothetical scenarios, measures of aggregate exposures and sensitivities, and measures of credit risk and attributes of risk by region, country, asset class and investment professional. Additional reports analyze individual liquidity exposures and idiosyncratic or specific risks relevant to individual positions or groups of trades. Customized risk reports are also prepared and distributed to both the Risk Committee and individual investment managers.

General Operational and Legal Risk Management

We believe that we have adopted an approach to minimizing operational risk that is robust and systematic. This approach to operational excellence is a high-level differentiator that enables us to continue serving the most demanding private and institutional clients.

We have separate finance, operations, middle office, risk management, technology, human resources and client support functions run by seasoned industry professionals who report either to our Chief Operating Officer or to our Chief Financial Officer. We also have separate legal and compliance and internal audit functions described below under Regulation Compliance and Internal Audit .

The Systems and Controls Committee, which includes the non-investment manager Co-Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, General Counsel, the Senior Legal Counsel and the Global Chief Compliance Officer, meets monthly to consider operational management of our business, with focus on controls, legal and regulatory matters and any other related issues.

Systems

We have developed a strong information technology department of approximately 40 experienced staff in addition to outside contractors. The department is organized into infrastructure, support and development groups. We believe the strength of our specialized in-house development group, including a dedicated quantitative development team, is a significant competitive advantage. We operate a number of key proprietary and external systems. We have focused on maintaining the scalability of our systems platform and have an ongoing review process to ensure the systems can support planned growth in both assets and trading volume. Security and resiliency have been the highest priorities in the network design. We operate data centers both at our main offices and at off-site locations. We have appointed a managed service provider that provides 24 hour/7 day support through a dedicated link from our network operations center.

In the event of an emergency affecting our London or New York offices, or London or New York City in general, that results in either access being denied to or the total loss of our London or New York offices, we will implement our disaster recovery plan to assist in the smooth transition to a temporary workplace to minimize disruption. Under this plan, our incident management, business management and business continuity teams will coordinate with each other to assess the nature of a disaster, implement an immediate plan and work together during the recovery process to mitigate the loss to our business. If our London or New York offices will not be available for some time, we have established the use of disaster recovery sites with office space available for key personnel and remote access to critical business information in both locations.

Regulation

As a publicly traded company in the United States, we are subject to the U.S. federal securities laws and regulation by the U.S. Securities and Exchange Commission (the SEC). GLG Partners LP and a number of other entities within the GLG group (the authorized firms) are authorized and regulated in the United Kingdom by the Financial Services Authority (the FSA) with whom we have a regular dialogue. Other regulators supervising specific GLG entities and funds include the Irish Financial Services Regulatory Authority (the IFSRA), the Cayman Islands Monetary Authority (CIMA) and the Commission de Surveillance du Secteur Financier in Luxembourg. In addition, certain GLG entities may become subject to regulation in Switzerland, Dubai, Hong Kong and China as the result of planned expansion in those jurisdictions. Certain of the GLG Funds are also listed on the Irish Stock Exchange, the Luxembourg Stock Exchange or the Cayman Islands Stock Exchange. GLG Inc. is subject to regulation by the SEC as a registered investment adviser, and will be subject to regulation by the FSA if its application to be authorized as an investment manager in the United Kingdom is approved.

Compliance and Internal Audit

We have made a significant investment in the infrastructure supporting controls and compliance. Our management believes that it is important to instill a culture of compliance throughout our organization. The primary functions of our compliance and internal audit team are to provide assurance to our senior management team through the implementation of a risk-based monitoring program and internal audit plan. This team also advises, educates and supports our business. The compliance and internal audit functions are performed by a dedicated team of ten professionals, including the Global Chief Compliance Officer, who reports to the Co-Chief Executive Officers and the General Counsel.

Regulatory Framework in the United Kingdom

Authorization by the FSA. The current U.K. regulatory regime is based upon the Financial Services and Markets Act 2000 (the FSMA), together with secondary legislation and other rules made under the FSMA. Under section 19 of the FSMA, it is an offense for any person to carry on regulated activities by way of business in the United Kingdom, or purport to do so, unless it is an authorized person or is exempt from the need to be authorized. The various regulated activities are set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) (the RAO). They include, among other things: advising on investments; arranging deals in investments; dealing in investments as agent; managing investments (*i.e.*, portfolio management); and the safeguarding and administration of assets (including the arranging of such safeguarding and administration) and agreeing to carry on any of these activities.

Before authorizing a firm to carry on regulated activities, the FSA must be satisfied that it meets (and will continue to meet) a number of threshold conditions set out in the FSMA. For example, firms must have adequate financial resources, not have close links of a nature that would impede the FSA s supervision of the firm and generally satisfy the FSA that they are fit and proper to be authorized.

FSA Handbook. Each authorized firm is subject to certain rules set out in the FSA Handbook, which also provides guidance on the application and interpretation of these rules. In particular, we must comply with certain conduct of business standards relating to, among other things, the advertising and marketing of financial products, treating customers fairly, advising on and selling investments, and managing conflicts of interest.

The FSA Handbook also contains rules governing our senior management arrangements, systems and controls. In particular, these require the appointment of one or more members of senior management to take responsibility for: (1) the apportionment of significant responsibilities among directors and senior managers so that it is clear who has responsibility for the different areas of the firm s business (allowing for the proper supervision and control of the firm s activities by its governing body and relevant senior managers); and (2) overseeing the establishment and maintenance of systems and controls which are appropriate to the particular business of the firm. The person with responsibility for these functions, together with any other person who performs a controlled function within GLG, is required to be approved by the FSA under its Approved Persons regime. Persons performing a controlled function include directors, the compliance officer, the money laundering reporting officer, persons carrying out significant management functions and persons dealing with clients, or with clients property, which includes portfolio managers and marketers. Approved Persons are individually regulated by the FSA, and personally accountable to it, and must meet ongoing standards of conduct and fitness and propriety.

The FSA has the power to take a wide range of disciplinary actions against regulated firms and any FSA approved persons, including private warnings, public censure, the imposition of fines, the variation, suspension or termination of the firm s authorization or the removal of approved status from individuals.

Principles for businesses. Each authorized firm is subject to the FSA s high-level principles. The principles set out the fundamental obligations of authorized firms under the regulatory regime and the standards to be met by firms day to day and are intended to ensure fairness and integrity in the provision of financial services in the United Kingdom.

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In particular, they require a firm to:

- conduct its business with integrity;
- conduct its business with due skill, care and diligence;
- take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems;
- maintain adequate financial resources;
- observe proper standards of market conduct;
- pay due regard to the interests of customers and treat them fairly;
- pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading;
- manage conflicts of interest fairly, both between itself and its customers and between a customer and another client;
- take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment;
- arrange adequate protection for clients assets when it is responsible for them; and
- deal with its regulators in an open and co-operative way, and disclose to the FSA in an appropriate manner anything relating to the firm of which the FSA would reasonably expect notice.

Restrictions on changes in control. Firms authorized by the FSA are subject to restrictions regarding persons who may act as a controller of the firm. Broadly, a controller for the purposes of the FSA s rules means a person who alone or with associates holds (directly or indirectly) 10% or more of the shares or voting rights in a regulated firm or any parent company. Under FSMA, a person who proposes to become a controller of an FSA-authorized firm, or an existing controller who proposes to increase their interest to 20% or more, 30% or more, or 50% or more must first notify and obtain the approval of the FSA, with the FSA having up to three months to approve any such proposed change in control. The FSA is permitted to approve the notice subject to conditions, or to serve a notice of objection to the acquisition of or increase in control. Breach of the notification and approval requirements is a criminal offense, although there are rights of appeal against any objection by the FSA.

A person who ceases to be a 10% controller or who reduces an existing interest below the 50%, 30% or 20% level must only provide written notice to the FSA. FSA approval is not required for reduction or cessation of control. Breach of the notification requirements is a criminal offense. Certain notification obligations are also imposed on authorized firms in relation to any changes of control they undergo.

Consumer complaints and compensation. Rules made by the FSA under FSMA have established a compensation scheme, which provides for limited compensation to be paid to certain categories of customers who suffer losses as a consequence of an authorized firm being unable to meet its liabilities.

A financial ombudsman service (FOS) has also been established under the FSMA. The FOS operates independently of the FSA and allows certain categories of customers to escalate complaints about a firm (for example in relation to mis-selling or the provision of a poor service or product by the firm) to the ombudsman.

Regulatory capital. Regulatory capital requirements form an integral part of the FSA s prudential supervision of authorized firms. The regulatory capital rules oblige firms to hold a certain amount of capital at all times (taking into account the particular risks to which the firm may be exposed given its business activities), thereby helping to ensure that firms can meet their liabilities as they fall due and safeguarding their (and their counterparties) financial stability by reducing the incentive on firms to take risk (as capital required is assessed on the basis of risk, which internalizes the costs of (failure) and by ensuring firms are better able to withstand unexpected losses and, in such circumstances, continue to operate as a going concern. The FSA

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also expects firms to take a proactive approach to monitoring and managing risks, consistent with its high level requirement for firms to have adequate financial resources.

Regulatory capital requirements exist on two levels. The first is a solo requirement aimed at individual authorized firms (with the relevant firm being required to submit periodic reports to demonstrate compliance with the relevant requirement). The second is a consolidated (or group) requirement and relates to a part of or the entire group of which an authorized firm or firms form part. The FSA s rules in relation to capital requirements were updated in 2007 to implement the recast EU Capital Requirements Directive (CRD). The CRD represents the European implementation of the Basel Committee s International Convergence of Capital Measurement and Capital Standards framework dated June 2004.

Money laundering. The U.K. Money Laundering Regulations 2007 came into force on December 15, 2007. The Regulations, which implement the Third EU Money Laundering Directive, generally require any person who carries on a financial services business in the United Kingdom to observe certain administrative procedures and checks (*e.g.*, Know Your Client) designed to minimize the scope for money laundering. Failure to maintain the necessary procedures is a criminal offense. The Terrorism Act 2000 and the Proceeds of Crime Act 2002 also contains a number of offenses in relation to money laundering.

Regulatory Framework in the European Union

We are permitted to provide cross-border services into a number of other members of the European Economic Area (EEA), under a European investment services passport. This passport derives from the pan-European regime established by the EU Markets in Financial Instruments Directive (MiFID) which regulates the provision of investment services and activities throughout the EEA.

MiFID grants investment firms which are authorized in any one EEA member state the right to provide investment services on a cross-border basis, or through the establishment of a branch, to clients located in other EEA member states (known as host member states) on the basis of their home member state authorization without the need for separate authorization by the competent authorities in the relevant host member state. This is known as passporting . In order to avail itself of the passport to provide services on a cross-border basis, a firm must simply notify its home state regulator that it intends to do so. MiFID was required to be implemented across the EEA on November 1, 2007. MiFID made substantial and important changes to the way in which investment business is conducted across the EEA. Pursuant to MiFID, the conduct of business rules of a host member state do not generally apply to a firm providing services within its territory on a cross-border basis (although host member state conduct of business rules will apply to branches). We have implemented MiFID and we believe our business is compliant with the requirements of MiFID.

Regulatory Framework in Ireland

GLG Partners Asset Management Limited (GPAM) has been authorized by the IFSRA as a management company under the European Union (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (as amended) (the UCITS Regulations). As a manager authorized by the IFSRA, GPAM is subject to the supervision of the IFSRA. These supervisory requirements include:

GPAM must maintain a minimum capital requirement as prescribed by the IFSRA;

GPAM may not be replaced as manager of a fund without the approval of the IFSRA;

appointments of directors to GPAM require the prior approval of the IFSRA and the IFSRA must be notified immediately of resignations;

a minimum of two directors of GPAM must be Irish residents;

approval of the IFSRA is required for any change in ownership or in significant shareholdings of GPAM. A significant shareholding is defined as a direct or indirect holding of shares or other interest in a management company which represents 10% or more of the capital or voting rights, or any direct or indirect holding of less than 10% which, in the opinion of the IFSRA, makes it possible to exercise a significant influence over the management company;

half-yearly financial and annual audited accounts of GPAM must be filed with the IFSRA. Annual audited accounts of the corporate shareholder(s) of GPAM must also be submitted;

GPAM is obliged to satisfy the IFSRA on a continuing basis that it has sufficient management resources to effectively conduct its business; and

GPAM is required to consult with the IFSRA prior to engaging in significant new activities.

GLG Partners LP has been approved by the IFSRA to act as promoter and investment manager of Irish authorized collective investment schemes pursuant to the UCITS Notices and the Non-UCITS Notices issued by the IFSRA.

The IFSRA will require that any change in ownership or in significant shareholdings of GLG Partners LP be approved by it. A significant shareholding is as defined above.

As of December 31, 2009, GPAM and GLG Partners LP acted as manager, promoter and investment manager, respectively of the following Irish GLG Funds: GLG Investments plc, GLG Investments IV plc, GLG Investments V plc, GLG Investments VI plc and GLG Investments VII plc (each, a UCITS fund), GLG Global Convertible Fund plc (a professional investor fund) and GLG Global Opportunity Fund plc (a qualified investor fund).

These GLG Funds are subject to the investment restrictions imposed by the IFSRA in respect of UCITS or non-UCITS funds as appropriate and as set out in the prospectus for the relevant fund. GPAM and GLG Partners LP are required to observe the terms of the prospectus in carrying out their duties.

The failure by the IFSRA to approve a change in control of GPAM and/or GLG Partners LP could result in the authorization of the above GLG Funds being withdrawn if it is not possible to appoint alternative promoters, managers and investment managers.

In addition to the GLG Funds which are listed on the Irish Stock Exchange, a large number of Cayman domiciled GLG Funds are also listed on the Irish Stock Exchange. A failure to comply with the Listing Rules for Investment Funds of the Irish Stock Exchange may result in delisting from the Irish Stock Exchange.

Regulatory Framework in Luxembourg

GLG Partners LP is the promoter, investment manager and principal sales agent of the GLG Multi-Strategy Fund SICAV, a regulated investment company with variable capital domiciled in Luxembourg and listed on the Luxembourg Stock Exchange. GLG Partners LP has been approved by the Commission de Surveillance du Secteur Financier as promoter of Luxembourg undertakings for collective investment, and as investment manager of the GLG Multi-Strategy Fund SICAV.

Regulatory Framework in the Cayman Islands

CIMA regulates GLG Partners (Cayman) Limited (GPCL) in connection with its provision of mutual fund administration services to the GLG Funds incorporated in the Cayman Islands. GPCL is the holder of an unrestricted mutual fund administrator s license issued by CIMA pursuant to the Mutual Funds Law (as amended) of the Cayman Islands (the Mutual Funds Law).

Each of GPCL, GLG Partners International (Cayman) Limited and GLG Partners Services LP is registered with CIMA as an excluded person pursuant to the Securities Investment Business Law (as amended) of the Cayman Islands (the SIB Law) in connection with their respective provision of services constituting securities investment business to various GLG Funds. None of these entities is regulated by CIMA in connection with its provision of services constituting securities investment business .

The majority of the GLG Funds which are incorporated in the Cayman Islands are registered as mutual funds with, and are regulated by, CIMA under the Mutual Funds Law. A number of the GLG Funds which are incorporated in the Cayman Islands are not so registered as they do not issue equity interests which are redeemable at the option of the investors in such funds and therefore do not constitute mutual funds as defined in the Mutual Funds Law (and therefore do not require registration or regulation thereunder). One

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GLG Fund is a single investor vehicle, which is not a mutual fund as defined in the Mutual Funds Law, and therefore is not required to be registered or regulated thereunder. A number of the Cayman Islands incorporated funds are listed on the Irish Stock Exchange, one is listed on the Cayman Islands Stock Exchange and a number are currently unlisted. Only one of the GLG Funds which are subject to the Mutual Funds Law is required to be licensed or employ a licensed mutual fund administrator (although GPCL is so licensed) since the minimum aggregate investment purchasable by a prospective investor in each of such GLG Funds is equal to or exceeds either (a) in relation to those GLG Funds which were registered with CIMA prior to November 14, 2006, $50,000 or (b) in relation to those GLG Funds which have been registered with CIMA since November 14, 2006, $100,000 or its equivalent in any other currency. The GLG Fund which is subject to the Mutual Funds Law and has a minimum aggregate investment of less than the specified level falls within a different regulatory regime from the others and has appointed GPCL to provide its principal office in the Cayman Islands. As regulated mutual funds, the GLG Funds which are incorporated in the Cayman Islands and which are registered under the Mutual Funds Law are subject to supervision by CIMA. The GLG Funds must file their offering documents and/or details of any changes that materially affect any information in such documents with CIMA. They must also file annually with CIMA accounts approved by an approved auditor, together with a return containing particulars specified by CIMA, within six months of their financial year end or within such extension of that period as CIMA may allow.

The Mutual Funds Law provides that a licensed mutual fund administrator such as GPCL may not issue shares and that a person owning or having an interest in shares or the transfer of shares in such licensed mutual fund administrator may not transfer or otherwise dispose of or deal in those shares or that interest, unless CIMA has given its approval to the issue, transfer, disposal or dealing, as the case may be, and any conditions of the approval are complied with. This restriction applies to all levels of ownership in a licensed mutual fund administrator, including the ultimate parent, and therefore, unless the waiver described below is obtained and maintained, may have a potential impact on the trading of our shares.

The Mutual Funds Law provides that CIMA may, in respect of a licensed mutual fund administrator or its ultimate parent whose shares are publicly traded on a stock exchange recognized by CIMA (including the New York Stock Exchange), waive the obligation to obtain such approval, subject to certain conditions. We applied for and obtained such waiver from CIMA in relation to GPCL and trading in shares of the Company, as the ultimate parent, listed on the New York Stock Exchange. The waiver is subject to a condition that GPCL, as a licensed mutual fund administrator, will, as soon as reasonably practicable, notify CIMA of:

- any change in control of GPCL;
- the acquisition by any person or group of persons of shares representing more than 10% of the issued share capital or total voting rights of GPCL; or
- the acquisition by any person or group of persons of shares representing more than 10% of the issued share capital or total voting rights of the Company, as the ultimate parent of GPCL.

In addition, any waiver is subject to a condition that GPCL will, as soon as reasonably practicable, provide such information to CIMA, and within such period of time, as CIMA may require for the purpose of enabling an assessment as to whether persons acquiring direct or indirect control or ownership of GPCL in the circumstances set out above are fit and proper persons to have such control or ownership.

Regulatory Framework in the United States

GLG Inc. is a registered investment adviser under the Investment Advisers Act, and is subject to the jurisdiction of the SEC and the federal securities laws of the United States.

Information regarding GLG Inc. is included in GLG Inc. s Form ADV Part I, which is on file with the SEC and publicly available at the SEC s website, www.sec.gov.

Investment advisers registered with the SEC are subject to many important regulations, including, but not limited to, the following:

the requirement that an investment adviser must have a compliance program;

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the requirement to provide clients and prospective clients with written disclosure statements;

the requirement to have a code of ethics and to implement certain insider trading detection and prevention procedures; and

the requirement to maintain certain books and records.

In addition, registered investment advisers may be examined by the SEC staff.

Accounts for all of our U.S. advisory clients are managed pursuant to investment management agreements with GLG Inc. GLG Partners LP may, from time to time, make available to GLG Inc. certain personnel to perform investment advisory and related services with respect to the accounts of such U.S. advisory clients.

Pursuant to an Investment Advisory and Services Agreement, effective June 1, 2009, GLG Partners LP appointed GLG Inc. as a discretionary investment manager with respect to a portion of the assets of certain GLG Funds which are structured as non-U.S. investment vehicles and certain non-U.S. separately managed accounts.

Certain GLG Funds that are structured as non-U.S. investment vehicles may offer shares to U.S. persons. Offerings to U.S. persons are made in private placements in accordance with Rule 506 of Regulation D under the Securities Act of 1933, as amended, or the Securities Act, and in reliance on Section 3(c)(7) of the Investment Company Act of 1940, as amended, or the Investment Company Act. Accordingly, U.S. persons investing in such GLG Funds generally must be accredited investors and qualified purchasers as defined under U.S. federal securities laws.

Other

In addition, we are subject to securities and exchange regulations in the jurisdictions in which we trade securities.

Competition

The asset management industry is intensely competitive, and we expect it to remain so. We compete on a regional, industry and niche basis. We face competition in the pursuit of investors for our funds and managed accounts primarily from specialized investment funds, hedge funds and financial institutions. Many of these competitors are substantially larger and may have considerably greater financial, technical and marketing resources than will be available to us. In the current market environment, the barriers to entry for competitors in the asset management industry have increased.

We also compete with specialized investment funds, hedge funds, financial institutions, corporate buyers and others in acquiring positions in attractive investment opportunities for the GLG Funds and managed accounts. Several of these competitors have similar investment objectives to the GLG Funds and managed accounts, which may result in direct competition for investment opportunities and investors. Some of these competitors may also have 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. In addition, some of these competitors may have 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 than us for investments that we want to make for the GLG Funds and managed accounts.

Even in a consolidating industry environment, competition for the attraction and retention of qualified personnel can be intense. Our ability to compete effectively in our business will depend upon our ability to attract new personnel and retain and motivate our existing personnel.

Personnel

Our personnel consist of 393 individuals as of December 31, 2009, including 43 individuals in New York. Our institutionalized team-based investment process is driven by 130 investment professionals. A key feature of our organizational structure is that approximately one-third of our personnel are directly involved in the process of investment management and revenue generation. By optimizing our administrative functions, we maintain an efficient back- and middle-office operation and, as a result, a reduced cost base.

Available Information

We maintain an Internet website at www.glgpartners.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, along with our annual report to shareholders and other information related to our company, are available free of charge on this site as soon as reasonably practicable after we electronically file or furnish these reports with the SEC. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K. The inclusion of our Internet website address in this report does not include or incorporate by reference into this report any information on our Internet website.

We routinely post important information on our website for investors. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD promulgated by the SEC. These disclosures will be included on our website under the heading Investor Relations Overview Recent News . Accordingly, investors should monitor this portion of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

The certifications of our Co-Chief Executive Officers and our Chief Financial Officer required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are included as Exhibits to this Annual Report on Form 10-K. Our Co-Chief Executive Officers certified to the New York Stock Exchange (the NYSE) on June 10, 2009 pursuant to Section 303A.12 of the NYSE s listing standards, that they were not aware of any violation by the Company of the NYSE s corporate governance listing standards as of that date.

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FORWARD-LOOKING STATEMENTS

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

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

- the volatility in the financial markets;
- our financial performance;
- market conditions for the investment funds and managed accounts we manage;
- performance of the investment funds and managed accounts we manage, the related performance fees and the associated impacts on revenues, net income, cash flows and fund inflows/outflows;
- the impact of net inflows on our mix of assets under management and the associated impacts on revenues;
- the cost of retaining our key investment and other personnel or the loss of such key personnel;
- risks associated with the expansion of our business in size and geographically;
- operational risk, including counterparty risk;
- litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on our resources;
- risks associated with the use of leverage, investment in derivatives, availability of credit, interest rates and currency fluctuations,

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

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Item 1A. Risk Factors

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

Risks Related to Our Business

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

Our business is materially affected by conditions in the global financial markets and economic conditions throughout the world that are outside our control, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation, regulation of hedge funds and trading in securities), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). Global credit and other financial markets recently suffered and may in the future suffer substantial stress, volatility, illiquidity and disruption. Loss of investor confidence in the financial system or our sector, a lack of liquidity, decline in asset values, the instability of financial institutions and volatile commodity prices and foreign exchange rates could contribute to recessionary economic conditions globally and deterioration in consumer and corporate confidence, further exacerbating the overall market disruptions and risks to market participants, including the GLG Funds and managed accounts. These market conditions may affect the level and volatility of securities prices and the liquidity and the value of investments in the GLG Funds and managed accounts.. We may also be adversely affected by fixed costs and the possibility that we would be unable to or may choose not to scale back other costs within a time frame sufficient to match any decreases in revenue.

Our revenues from management and administration fees depend on our AUM and our revenues from performance fees depend upon positive performance in excess of high water marks or benchmarks. If these conditions recur, they may impact our ability to consistently generate non-volatile investment performance, retain AUM, and attract new AUM, and may result in higher levels of redemptions from the GLG Funds and managed accounts.

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

Our revenue, net income and cash flow are all highly variable, primarily due to the fact that performance fees can vary significantly from period to period, in part, because performance fees are recognized as revenue only when contractually payable, or crystallized , from the GLG Funds and managed accounts to which they relate, generally on June 30 and December 31 of each year for the majority of the GLG Funds. Such variability may lead to volatility in the trading price of our common stock and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a semi-annual basis, which could in turn lead to large adverse movements in the price of our common stock or increased volatility in our stock price generally.

Performance fees have historically comprised a substantial portion of our revenues. Our revenue, net income and cash flow are dependent upon performance fees which require positive investment performance in excess of high water marks or benchmarks. With a few exceptions, the GLG Funds and managed accounts have high water marks , and/or benchmarks whereby performance fees are earned only to the extent that the net asset value of a GLG Fund (on a share by share basis), or managed account at the end of a semi-annual period exceeds the highest net asset value on the last date on which a performance fee was earned or to the extent performance exceeds agreed upon benchmarks over the relevant measurement period. To the extent any of the GLG Funds and managed accounts generate negative investment performance or generate positive performance less than the applicable high water mark or benchmark, in either case, or for any reason we would not earn performance fees for that GLG Fund or managed account until the high water mark is re-achieved or the benchmark exceeded. Certain of the GLG Funds and managed accounts also have LIBOR hurdles whereby performance fees are not earned during a particular period until the returns of such funds surpass the LIBOR rate. If we do not generate positive investment performance sufficient to earn performance fees, our revenues and net income will be lower and our business results of operations, and financial condition could be materially adversely affected. Failure to generate performance fees could materially adversely affect our business, results of operations, and financial condition.

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

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

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

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

Investors in the GLG Funds and investors with managed accounts may generally redeem their investments with only short periods of notice. Investors may reduce all or any portion of their investments, or transfer their investments to other asset managers, for any number of reasons, including poor investment performance, fee rates, changes in investment management personnel, actual or perceived reputational risk, a reduction of investments in certain asset classes by investors, for reasons not connected performance or the asset manager, or for no reason. The redemption of investments in the GLG Funds or in managed accounts could adversely affect our revenues, especially management and administration fees which are substantially dependent upon the AUM in the GLG Funds and managed accounts. A decline in revenues due to redemptions could have a material adverse effect on our business, results of operations or financial condition.

Increased rates of redemptions could make it difficult to manage the liquidity levels of the GLG Funds and managed accounts, reduce AUM and adversely affect our revenues.

If the level of redemption activity increases to above normal levels, it could become more difficult to manage the liquidity requirements of the GLG Funds, making it more difficult or more costly for the GLG Funds to liquidate positions rapidly to meet margin calls, redemption requests or otherwise. This could result in the GLG Funds being forced to sell investments at distressed prices and/or to exercise their rights to restrict redemptions in order to manage liquidity. These difficulties may be exacerbated during periods of increased market disruptions, when asset managers, including the GLG Funds, are forced to liquidate to meet liquidity requirements, which could further contribute to market disruptions. In addition to the impact on AUM, the illiquidity and volatility of the global financial markets may negatively affect our ability to manage inflows and outflows from the GLG Funds. Our ability to attract new capital to existing GLG Funds and managed accounts or to prevent redemptions in the GLG Funds or managed accounts, or to develop investment platforms may be limited during periods of increased redemption activity. Under the terms of the prospectuses for the GLG Funds, the respective boards of directors of the GLG Funds have the right to restrict redemptions from the GLG Funds for certain periods in the event of exceptional circumstances. We have recommended and may in the future recommend that the boards of directors of certain of the GLG Funds exercise the available rights to restrict redemptions. The exercise of these rights may have an adverse effect on the ability of the GLG Funds to attract additional AUM. Although redemptions have returned to more normal levels, there can be no assurance that market disruptions or other economic conditions which would cause increased rates of redemption may not recur.

Fluctuations in currency exchange rates could materially affect our business, results of operations and financial condition.

We use U.S. dollars as our reporting currency. Our clients invest in GLG Funds and managed accounts in different currencies, including Pounds Sterling and Euros. To the extent that our fee revenues are based on AUM denominated in such foreign currencies, our reported fee revenues may be significantly affected by the exchange rate of the U.S. dollar against these currencies. Typically, an increase in the exchange rate between U.S. dollars and these currencies will reduce the impact of revenues denominated in these currencies in our financial statements. For example, management fee revenues derived from each Euro of AUM denominated in Euros will decline in U.S. dollar terms if the value of the U.S. dollar appreciates against the Euro. In addition, the calculation of the amount of our AUM is effected by exchange rate movements as AUM denominated in currencies other than the U.S. dollar are converted to U.S. dollars. We also incur a significant portion of our expenditures in currencies other than U.S. dollars. As a result, our business is subject to the effects of exchange rate fluctuations with respect to any currency conversions. Our failure to hedge these risks correctly, the cost of such hedging and/or our decision not to hedge could negatively impact our business, results of operations and financial condition.

We are dependent on the continued services of our Principals and other key personnel. The loss of key personnel could have a material adverse effect on us.

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

The market for experienced asset management professionals is extremely competitive and can be characterized by frequent movement of personnel among firms. Due to the competitive market for asset management professionals and the success achieved by some of our key personnel, the costs to attract and retain key personnel are significant and could increase over time. In particular, if we lose any of our Principals or other key personnel, there is a risk that we may also experience outflows from AUM or fail to obtain new business. The inability to attract or retain the necessary highly skilled key personnel could have a material adverse effect on our business, results of operations or financial condition.

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

Since we operate our business internationally, we are subject to many different employment, labor, benefit and tax laws in each country in which we operate, including laws and regulations affecting employment practices and our relations with the Principals and some of our key personnel who participate in the limited partner profit share arrangement. If we are required to comply with new regulations or new or different interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected, or the cost of compliance may make it difficult to expand into new international markets, or we may be liable for additional costs, such as social security or social insurance,

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which may be substantial. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or that favor or require local ownership.

If we experience rapid growth, whether through attracting new investments, acquiring other asset management businesses, expanding our client and product bases or otherwise, it may place significant demands on our administrative, operational and financial resources and increase our exposure to liability.

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

- in maintaining adequate financial, business and risk management controls;
- in implementing new or updated information and financial systems and procedures; and
- in training, managing and appropriately sizing our work force and other components of our business on a timely and cost-effective basis.

We have and may continue to grow through the acquisition of other asset management businesses and the addition of portfolio managers. For example, in April 2009, we completed the acquisition of SGAM UK, Société Générale s UK long-only asset management business, and in March 2009, we became investment managers of the funds and accounts previously managed by Pendragon Capital, whose founders joined us as portfolio managers. Integrating these new portfolio managers and their teams, operations, funds and accounts may be expensive, time-consuming and a further strain on our resources and may not be successful. The diversion of management s attention and any delays or difficulties encountered in connection with these acquisitions and the integration of these portfolio managers, operations, funds and accounts may have an adverse effect on our business, results of operations or financial condition.

In addition, we are expanding our product and client base to include investments from pension and retirement funds and retail investors, as well as expanding our UCITs business, which may be subject to higher standards of care than for our alternative strategies fund or managed account clients and products. As the AUM from these clients and products increase, we may be subject to significant liabilities resulting from breaches of those standards, which may not be fully covered by insurance.

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

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

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

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

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

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

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

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

restricting redemptions from certain GLG Funds. The GLG Funds have the right to restrict redemptions from the GLG Funds for certain periods in the event of exceptional circumstances. The exercise of these rights to restrict redemptions may be perceived as a weakness and fund investors may suffer a reduced ability to withdraw their original investments in the affected GLG Funds, resulting in significant reputational damage and could lead to a reduction in investments in the GLG Funds and hinder our ability to attract new investments. In addition, it may prompt fund investors to redeem their existing investments in other GLG Funds that have not elected to exercise these rights;

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

allegations or claims relating to any of the foregoing or other factors even if they are ultimately disproved, dismissed or withdrawn.

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

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

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

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

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

Operational risks may disrupt our business, result in losses or limit our growth.

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

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

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

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

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

We generate a significant proportion of our revenue from a small number of our top clients. As of December 31, 2009, the assets of our top individual client accounted for approximately 4% of our net AUM. As of December 31, 2009, our largest institutional investor account represented approximately 12% of our net AUM, with the top ten accounts collectively representing approximately 47% of our net AUM. The loss of all or a substantial portion of the business provided by one or more of these clients would have a material impact on the income we derive from management and performance fees and consequently have a material adverse effect on our business, results of operations or financial condition.

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

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

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

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

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

Institutional and individual clients, and firms and agencies with which we have strategic alliances, can terminate their relationships with us for various reasons, including unsatisfactory investment performance, interest rate changes and financial market performance, or no reason. Termination of these relationships could have a material adverse effect on our business, results of operations and financial condition. Each of the GLG

Funds has appointed either GPCL (in the case of Cayman Islands funds and the Luxembourg fund) or GPAM (in the case of the Irish funds) as the manager under the terms of a management agreement, which is terminable on 30 days written notice by either party (*i.e.,* the fund or the manager). The articles of association of each GLG Fund provide that the fund cannot terminate the management agreement unless holders of not less than 50% of the outstanding issued share capital have previously voted in favor of the termination at a general meeting of the fund. For each GLG Fund, the manager has appointed GLG Partners LP as investment manager under the terms of an investment management agreement, which is terminable on 30 days written notice by either party (*i.e.,* the manager or the investment manager).

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

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

Our insurance arrangements may not be adequate to protect us.

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

We have incurred a substantial amount of indebtedness to finance our business, which exposes us to substantial risks and limitations, including repayment and refinancing risk, interest rate risk, limitations on our ability to fund general corporate requirements and obtain additional financing, limitations on our flexibility in responding to business opportunities and competitive developments and increased vulnerability to adverse economic and industry conditions.

We have used a significant amount of borrowings to finance our business operations as a public company, including for the provision of working capital, warrant and share repurchases, making minimum tax distributions and limited partner profit share distributions, acquisition financing and general business purposes. As of December 31, 2009, we had an aggregate of $533.7 million of indebtedness outstanding, including $55.5 million held by affiliates of ours. This indebtedness consists of floating rate revolving and term loans with an aggregate principal amount outstanding of $305.2 million and fixed rate convertible notes with an aggregate amount outstanding of $228.5 million. When these term loan facilities begin to amortize principal in May 2011 and notes mature on May 15, 2014, we will be required to refinance them by entering into new credit facilities or issuing debt securities, which could result in higher borrowing costs, or issuing equity, which would dilute existing stockholders. We could also repay some or all of the loan facilities and notes by using cash on hand or cash from the sale of our assets, provided that sufficient cash and/or assets are available for such purposes. No assurance can be given that we will be able to enter into new credit facilities or issue debt or equity securities in the future on attractive terms, or at all, or that we will have sufficient cash on hand to repay the revolving credit and term loan facilities and notes. In addition, our interest expense on the floating rate debt is subject to fluctuation, which may adversely affect our earnings and liquidity.

As a result of the substantial fixed costs associated with these debt obligations, we expect that:

- a decrease in revenues will result in a disproportionately greater percentage decrease in earnings;

- we may not have sufficient liquidity to fund all of these fixed costs if our revenues decline or costs increase;
- we may have to use our working capital to fund these fixed costs instead of funding general corporate requirements, including compensation, benefits and profit share; and
- we may not have sufficient liquidity to respond to business opportunities, competitive developments and adverse economic conditions.

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

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

A person will generally be deemed to be an investment company for purposes of the Investment Company Act, if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

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

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

In early 2009, legislation was proposed in the U.S. that would subject hedge funds and private investment funds to increased SEC regulation and oversight by removing the exceptions from the definition of investment company typically relied upon by hedge funds to avoid any of the requirements of the Investment Company Act and instead replacing them with exemptions from certain of the requirements of the Investment Company Act. As a result, these hedge funds and private investment funds would be investment companies for purposes of the Investment Company Act. The proposed legislation would require that hedge funds or private investment funds that are investment companies with at least $50 million in assets or AUM must meet certain additional conditions in order to maintain the exemption under the Investment Company Act, including registration, reporting and other requirements.

Although no further action has been taken on this proposed legislation, it is possible that parts of the legislation, or similar legislation, could be proposed and enacted in the United States. Should this or similar legislation be enacted, the GLG Funds may become subject to these additional registration, reporting and other requirements. As a result, our compliance costs and burdens may increase and the additional restrictions and requirements may constrain our ability to conduct our business as currently conducted, which may adversely affect our business, results of operations or financial condition.

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

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

Our business is subject to regulation by various regulatory authorities that are charged with protecting the interests of our customers. The activities of the Company and certain subsidiaries are regulated primarily by the FSA in the United Kingdom and by the SEC in the United States. In addition, our business is subject to regulation in the various other jurisdictions in which it operates, including the IFSRA, the CIMA and the Commission de Surveillance du Secteur Financier in Luxembourg and we may become subject to regulation in Switzerland, Dubai, Hong Kong and China as the result of planned expansion in those jurisdictions. In addition, the GLG Funds are subject to regulation in the jurisdictions in which they are organized, and may be subject to regulation in the jurisdictions in which their investors are resident. These and other regulators in these jurisdictions have broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to make inquiries of companies regarding compliance with applicable regulations, to grant and in specific circumstances to vary or cancel permits and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. We are also subject to applicable anti-money laundering regulations and net worth requirements in the jurisdictions in which we operate.

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

In 2009, the European Commission submitted a proposal for a Directive on Alternative Investment Fund Managers (AIFMs) to the European Council and the European Parliament. The proposed Directive will apply to all managers located in Europe whose regular business is to manage non-UCITS funds (AIFs) (irrespective of where the AIF is located or its legal structure) and would, if enacted regulate the activities of such managers and, indirectly, the structure, strategies and operations of all AIFs. Any entities not authorized under the proposed Directive (or exempt from it) would, if enacted be prohibited from acting as the manager of any AIF located in Europe, or marketing the shares of any AIF (wherever located) in Europe unless done in accordance with the local law of any member state. Once authorized, however, the relevant AIFM would, if enacted be able to market its funds throughout Europe to professional investors. As well as requiring each AIFM to seek authorization, the proposed Directive would, if enacted also have an impact on: capital requirements; conduct of business obligations (including around conflicts of interest, risk management, liquidity management and investment in securitized loans); organizational obligations (including in respect of valuations, depositaries and delegations); and also includes obligations specific to leveraged AIFs and AIFs which acquire a controlling influence in companies. Amendments to the proposed Directive are currently being discussed at the European level and its final form is not yet clear. If enacted in something approaching its current form, however, the regulatory burden upon the authorized firms will increase, and the way in which they conduct their business is likely to need to change. These may adversely affect our business, results of operation or financial condition.

In late 2009, the U.S. House of Representatives passed the Wall Street Reform and Consumer Protection Act which, if ultimately enacted, would require a registered investment adviser to a hedge fund or private equity fund to maintain much more detailed records concerning the fund than are currently required, and to report the information to the SEC. In addition, under the proposed legislation, regulators would be able to identify various financial companies, which could include hedge funds, private equity funds and their investment advisers, as systemically important, resulting in such financial companies being treated as if they were a bank holding company, and could restrict such companies activities and investments, including, among other things, requiring minimum capital requirements, restricting leverage and restricting certain types of trading activity. The proposed legislation also includes other provisions affecting hedge funds, private equity funds and their investment advisers, including new risk management standards, daily reporting of short sales and possible liquidity requirements, concentration limits and prohibitions on proprietary trading. Similar legislation has been proposed in the U.S. Senate. Whether all or any party of the proposed legislation will be enacted, and the extent of the impact of any new legislation if enacted is unclear. However, should the legislation be enacted, we and the GLG Funds could become subject to significantly increased compliance burdens, and potentially subject to restrictions that could severely restrict our ability and the ability of the GLG Funds to conduct our business as currently conducted, which may adversely affect our business, results of operation or financial condition.

Risks Related to the GLG Funds

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

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

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

The GLG Funds and managed accounts are subject to investment risks related to their specific investment strategies.

Certain GLG Funds and managed accounts pursue investment strategies that may expose them to particular investment risks which may make their investment objectives more difficult to achieve and their investment performance more volatile. In addition to risks resulting from the investment strategies themselves, investor risk aversion to certain investment strategies and/or markets can have a significant adverse affect on the value and/or liquidity of investments made pursuant to such strategies or exposed to such markets and can accentuate any downward movement in the actual or anticipated value of such investments.

For example, the GLG Funds and managed accounts that invest in sovereign debt issues by emerging market countries as well as in debt and equity investments of companies and other entities in emerging markets are subject to unique risks related to the relative economic, political and financial instability of many of these emerging markets. GLG Funds that invest a portion of their asserts in the equity, debt, loans or other securities of foreign countries and issuers located outside of the United States and the United Kingdom are exposed to foreign exchange, political, social and economic uncertainties and risks. GLG Funds may also invest in high yield and distressed debt which subject them to abrupt and erratic market movements, price volatility and delayed realization of value. Full information as to the condition of distressed or financially troubled obligors and issuers the GLG Funds invest in may be difficult to obtain. In addition, some of the investments held by the GLG Funds may not be widely traded, and depending on the investment profile of a particular GLG Fund, that fund s exposure to such investments may be substantial in relation to the market for those investments.

While the GLG Funds will take their unique risks into consideration in making investment decisions, including when hedging positions, no assurance can be given that the GLG Funds will be able to fully avoid these risks or generate sufficient risk-adjusted returns. Often, we seek to take advantage of market imperfections to achieve investment performance for the GLG Funds and managed accounts, but we cannot guarantee that will be able do so in the future. A failure to do so could have a material adverse effect on our business, revenues, results of operations and/or financial condition.

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

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

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

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

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have a material adverse effect on the return achieved by GLG Funds, and consequently it could have a material adverse affect on our business, results of operations and financial condition.

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

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

Certain GLG Funds comprised of special asset vehicles may not be able to obtain credit and contain a high proportion of illiquid assets for which a readily obtainable market value may not be available.

The special assets vehicles into which certain private placement and other not readily realizable investments in the portfolios of several of the GLG Funds were contributed may not be able to obtain credit to implement hedging strategies with regard to these investments to the same extent as when these investments formed part of the portfolios of the main GLG Funds. The inability to hedge these investments could negatively impact the investment returns obtained by the special assets vehicles. In addition, these investments are by their nature illiquid making it uncertain as to the ultimate timing of realization. Moreover, because there is no ready market for these investments, the valuations are subjective and the inputs to the valuations may contain significant management estimates.

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

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

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

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

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

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

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

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

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

Nearly all of the GLG Funds and several of the GLG institutional managed accounts existing at that time utilized LBIE as a prime broker. All of the GLG Funds and managed accounts existing at that time had LBIE, and a small number of GLG Funds and managed accounts had LBI, as a trading counterparty. In addition, all of GLG s private client managed accounts at that time used LBIE, and a small number of GLG s private clients additionally used LBI, as a custodian and broker for their accounts. As a consequence of LBIE being in administration, the GLG Funds and, to the best of our knowledge, the managed accounts which used LBIE as a prime broker, have been unable to access their assets, including all securities and cash, deposited with LBIE.

On December 29, 2009, the administrators of LBIE announced that the conditions to effectiveness of the Claims Resolution Agreement (the CRA), a voluntary contractual scheme binding upon LBIE and those clients of LBIE party to it had been satisfied and the CRA became effective on January 21, 2010. All of the relevant GLG Funds became signatories to the CRA. The CRA provides a framework pursuant to which signatories trust asset and other claims against LBIE will be resolved resulting in, among other things, the return of trust assets, the determination and discharge of amounts owing to and from LBIE, the implementation of setoff rights and the crystallization of an admitted unsecured claim against LBIE.

The net direct exposure of each effected GLG Fund to LBIE and the other entities in the Lehman Brothers group is reflected in the net asset value of each fund and carried by the fund at fair value. The fair value of the exposure is determined on the basis of the best information available to us from time to time, including information received from LBIE, that the claims of the GLG Funds which are signatories to the CRA will be determined as provided in the CRA and on the basis of legal and professional advice obtained for the purpose of determining the rights and obligations of each relevant GLG Fund. Fair value is also determined on the basis of certain assumptions which we believe to be reasonable, including with respect to the level of shortfalls in the recovery of trust assets, the level of recovery from LBI, the level of recovery on client money claims and the ultimate recovery on unsecured claims. The fair value of the exposure is reviewed regularly, including the assumptions, with the relevant GLG Fund s directors, independent fund administrator and independent auditors, as necessary.

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

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

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

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

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

In the event of the insolvency of any counterparty or any prime broker or custodian, the GLG Funds and managed accounts may only rank as unsecured creditors in respect of sums due to them, may be exposed to the under-segregation of assets, fraud or other factors which may result in the recovery of less than all of the property of the GLG Funds or managed accounts than was held in custody or safekeeping or may be subject to significant delays in the recovery and access to assets and funds held by such counterparties. Any losses will be borne by the GLG Funds and managed accounts and there could be a substantial delay in recovering these assets which could lead to restrictions on redemptions, special asset vehicles or other actions that could have a material adverse affect on our business. In addition, cash held by the GLG Funds and managed accounts with a prime broker or custodian may not be segregated from the prime broker s or administrator s own cash, and the GLG Funds and managed accounts may therefore rank as unsecured creditors in relation thereto (even if the prime broker or custodian was required by contract or law to do so). Defaults by, or even rumors or questions about, the solvency of counterparties with which we execute transactions on behalf of the GLG Funds and managed accounts may increase operational risks or transaction costs, which may result in lower investment performance by the GLG Funds and managed accounts.

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

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

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

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

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

GLG Fund investments are subject to numerous additional risks.

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

- certain of the GLG Funds are newly established funds without any operating history or are managed by management companies or general partners who do not have a significant track record as an independent manager;
- generally, there are few limitations on the execution of the GLG Funds investment strategies, which are subject to the sole discretion of the management company of such funds;

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

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

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

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

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

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

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

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

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

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

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

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

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

In organizing our affairs such that we are able to meet the IME conditions, we will take account of a statement of practice published by the U.K. tax authorities on July 20, 2007 that sets out their interpretation of the law.

Risks Related to Our Organization and Structure

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

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

- tariffs and trade barriers;
- regulations related to customs and import/export matters;
- tax issues, such as tax law changes and variations in tax laws as compared to the United States;
- cultural differences; and
- foreign exchange controls.

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

Our Principals, their Trustees and certain other stockholders who have entered into a voting agreement beneficially own shares of our common stock and Series A voting preferred stock which collectively represent approximately 51% of our voting power. Accordingly, they have the ability to elect our board of directors and thereby control our management and affairs. Therefore, we are a controlled company for purposes of Section 303(A) of the NYSE Listed Company Manual.

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

Because of their ownership of approximately 51% of our voting power, our Principals, their Trustees and certain other stockholders are also able to determine the outcome of all matters requiring stockholder approval (other than those requiring a super-majority vote) and may be able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and may be able to preclude any unsolicited acquisition of our company. In addition, because they collectively may determine the outcome of a stockholder vote, they could deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of our company, and that voting control could ultimately affect the market price of our common stock.

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

Provisions in our organizational documents make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. For example, our organizational documents require advance notice for proposals by stockholders and nominations, place limitations on convening stockholder meetings and authorize the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. In addition, our organizational documents require the affirmative vote of at least 662/3% of the combined voting power of all outstanding shares of our capital stock entitled to vote generally, voting together as a single class, to adopt, alter, amend or repeal our by-laws; remove a director (other than directors elected by a series of our preferred stock, if any, entitled to elect a class of directors) from office, with or without cause; and amend, alter or repeal certain provisions of our certificate of incorporation which require a stockholder vote higher than a majority vote, including the amendment provision itself, or to adopt any provision inconsistent with those provisions.

Because of their ownership of approximately 51% of the our voting power, the Principals, their Trustees and certain other stockholders may be able to determine the outcome of all matters requiring stockholder approval (other than those requiring a super-majority vote) and may be able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and may be able to preclude any unsolicited acquisition of our company. Certain provisions of Delaware law may also delay or prevent a transaction that could cause a change in our control. The market price of our shares could be adversely affected to the extent that the Principals control over us, as well as provisions of our organizational documents, discourage potential takeover attempts that our stockholders may favor.

An active market for our common stock may not be sustained.

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

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

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

- variations in our quarterly operating results or dividends;
- failure to meet analysts earnings estimates or failure to meet, or the lowering of, our own earnings guidance;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our shares;
- additions or departures of the Principals and other key personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by stockholders;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;
- adverse publicity about the asset management industry generally or individual scandals, specifically; and
- general market and economic conditions, including the substantial volatility experienced in the financial markets in September 2008 and following months.

If prevailing market and business conditions or similar ones continue to exist or worsen, we could experience continuing or adverse effects on our business, results of operations or financial condition.

We may not be able to pay dividends on our common stock.

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

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

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

Fulfilling our obligations as a public company will be expensive and time consuming.

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

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

As a result of the $506 million of net AUM that the Principals, the Trustees and certain key personnel have invested in the GLG Funds and managed accounts as of December 31, 2009, other investors in the GLG Funds may perceive conflicts of interest regarding investments in the GLG Funds in which the Principals, the Trustees and other key personnel are personally invested. Actual or perceived conflicts of interests could give rise to investor dissatisfaction or litigation and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with these conflicts of interest. Investor dissatisfaction or litigation in connection with conflicts of interest could materially adversely affect our reputation and our business in a number of ways, including as a result of redemptions by investors from the GLG Funds and a reluctance of counterparties do business with us.

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

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

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

Excluding 12,000,003 warrants beneficially owned by our founders and their affiliates, which are not currently exercisable, as of February 26, 2010, there were 42,484,674 outstanding warrants to purchase shares of common stock, which were exercisable beginning on December 21, 2007. These warrants would only be exercised if the $7.50 per share exercise price is below the market price of our common stock. To the extent they are exercised, additional shares of our common stock will be issued, which will result in dilution to our stockholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our shares.

Risks Related to Taxation

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

There can be no assurance that we will continue to have a low effective income tax rate. We are a U.S. corporation that is subject to the U.S. corporate income tax on its taxable income. Our low effective tax rate is primarily attributable to the asset basis step-up resulting from the acquisition of GLG and the associated 15-year goodwill amortization deduction for U.S. tax purposes. Going forward, our effective income tax rate will be a function of our overall earnings, the income tax rates in the jurisdictions in which our entities do business, the type and relative amount of income earned by our entities in these jurisdictions and the timing and amount of repatriation of profits back to the United States in the form of dividends. We expect that our effective income tax rate may increase as our business expands into countries with higher tax rates. In addition, allocation of income among business activities and entities is subject to detailed and complex rules and depends on the facts and circumstances. No assurance can be given that the facts and circumstances or the

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rules will not change from year to year or that taxing authorities will not be able to successfully challenge such allocations.

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our principal executive offices are located in 2,515 square feet of leased office space at 399 Park Avenue, 38th floor, New York, New York. We also lease approximately 10,000 square feet of office space at 390 Park Avenue, 20th Floor, New York, New York, a total of approximately 50,343 square feet of office space at One Curzon Street, London, England, approximately 1,185 square feet of office space in George Town, Grand Cayman, Cayman Islands, and approximately 1,453 square feet of office space in Geneva, Switzerland. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our business.

Item 3. Legal Proceedings

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

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

Item 3A. Executive Officers of the Registrant

The following table sets forth certain information concerning each of our executive officers:

Name	Age	Position
Noam Gottesman	48	Chairman of the Board and Co-Chief Executive Officer
Emmanuel Roman	46	Co-Chief Executive Officer
Pierre Lagrange	47	Senior Managing Director of GLG Partners LP

Simon White	51	Chief Operating Officer
Jeffrey Rojek	40	Chief Financial Officer
Alejandro San Miguel	41	General Counsel and Corporate Secretary

Noam Gottesman has been our Chairman of the Board and Co-Chief Executive Officer since November 2007. He has been a Managing Director of GLG since he co-founded GLG Partners LP as a division of LBIE in 1995. He has also served as GLG s Co-Chief Executive Officer since September 2005 and served as its Chief Executive Officer from September 2000 until September 2005. Prior to 1995, Mr. Gottesman was an Executive Director of Goldman Sachs International, where he managed global equity portfolios in the private client group. Mr. Gottesman obtained a B.A. from Columbia University.

Emmanuel Roman has been our Co-Chief Executive Officer and a Director since November 2007. He has been a Managing Director and a Co-Chief Executive Officer of GLG since September 2005. From 2000 to April 2005, Mr. Roman served as a co-head of Worldwide Global Securities Services of Goldman Sachs International Limited. In 2003, Mr. Roman also became co-head of the European Equities Division and a member of the European Management Committee, a position he held until April 2005. In 1998, Mr. Roman was elected a partner of Goldman Sachs after two years as a Managing Director. Mr. Roman also served as co-head of Worldwide Equity Derivatives at Goldman Sachs from 1996 to 2000. Mr. Roman obtained an M.B.A. in Finance and Econometrics from the University of Chicago and a bachelor s degree from the University of Paris.

Pierre Lagrange has been a co-founder and Senior Managing Director of GLG Partners LP since its formation in September 2000 and was a co-founder of the GLG Partners division of LBIE in 1995. He has also been a Director since February 2009. He has overall responsibility for a number of our global equity products, including the GLG European Equity Fund, the GLG Environment Fund, the GLG EAFE (Institutional) Fund and our flagship GLG European Long-Short Fund. Prior to 1995, Mr. Lagrange worked at Goldman Sachs managing global equity portfolios and at JP Morgan in government bond trading. He has an M.A. in Engineering from the Solvay Business School in Brussels.

Simon White has been our Chief Operating Officer since March 2008 and served as our Chief Financial Officer from November 2007 to March 2008. He has been GLG Partners LP s Chief Operating Officer since September 2000. From 1997 to September 2000, he worked at LBIE as Executive Director and Branch Manager of the GLG Partners division. From 1995 to 1997, he was Chief Administrative Officer of Lehman Brothers European high net worth business. From 1993 to 1995, he was European Controller at Lehman Brothers. Prior to 1993, Mr. White worked at Credit Suisse First Boston and PaineWebber in a number of senior business and support roles in their London and New York offices. Mr. White is a chartered accountant and a fellow of the Institute of Chartered Accountants and has worked in the financial services business since 1986.

Jeffrey Rojek has been our Chief Financial Officer since March 2008. Prior to joining GLG, Mr. Rojek was an Audit and Advisory Partner at KPMG, in the firm s New York financial services practice. He joined KPMG in 1991 and over his nearly 18 year career there worked with global banking, investment banking and other related financial services clients. From 2004 to 2006, he was based in KPMG s national office advising on audit and accounting issues related to financial instruments. Prior to that, Mr. Rojek spent three years in Singapore as KPMG s Regional Lead Partner for Deutsche Bank, Citigroup and Jones Lang Lasalle. Mr. Rojek has an M.B.A. from Columbia University and a B.S. from Fordham University.

Alejandro San Miguel has been our General Counsel and Corporate Secretary since November 2007. Mr. San Miguel was a partner at the law firm of Chadbourne & Parke LLP, one of GLG s principal outside law firms, from 2001 until November 2007. He joined the law firm in 1996 from Thacher Profitt & Wood LLP where he worked since 1993. Mr. San Miguel received a J.D. from New York Law School and a B.A. from the University of Pennsylvania.

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PART II

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

Our units, common stock and warrants trade on the NYSE under the symbols GLGU , GLG and GLGWS , respectively. The following sets forth the high and low sales price of our units, common stock and warrants, as reported on the NYSE for the periods shown:

	Units		Common Stock		Warrants	
	High	Low	High	Low	High	Low
2008:						
First Quarter	$ 20.75	$ 15.70	$ 13.85	$ 10.76	$ 6.30	$ 4.05
Second Quarter	$ 17.04	$ 9.54	$ 12.25	$ 7.67	$ 4.80	$ 1.82
Third Quarter	$ 12.50	$ 5.18	$ 9.50	$ 4.51	$ 3.18	$ 0.35
Fourth Quarter	$ 6.00	$ 1.59	$ 5.95	$ 1.86	$ 0.67	$ 0.00
2009:						
First Quarter	$ 3.23	$ 1.90	$ 3.44	$ 1.94	$ 0.15	$ 0.03
Second Quarter	$ 4.39	$ 3.02	$ 4.25	$ 2.26	$ 0.37	$ 0.06
Third Quarter	$ 8.06	$ 3.86	$ 4.61	$ 3.51	$ 0.42	$ 0.18
Fourth Quarter	$ 4.49	$ 2.75	$ 4.08	$ 2.51	$ 0.33	$ 0.10

On February 26, 2010 the last reported sale price for our units, common stock and warrants on the NYSE was $3.35 per unit, $2.78 per share and $0.15 per warrant, respectively. As of December 31, 2009 there was one holder of record of our units, eight holders of record of our common stock and four holders of record of our warrants, respectively.

On November 2, 2007, we initiated a $100.0 million repurchase program for shares of our common stock and warrants to purchase common stock which was approved by our Board of Directors effective through May 2, 2008. On February 4, 2008, the Board of Directors approved an increase of our repurchase program by an additional $100.0 million and extended the program through August 31, 2008, and most recently extended the program through February 8, 2011. Approximately $41.7 million remains available under the program for the repurchase of common stock and warrants as of February 26, 2010. Our repurchase program allows management to repurchase shares and warrants at its discretion. Our repurchases of shares and warrants are subject to certain restrictions under our amended credit agreement.

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The table below sets forth information with respect to purchases made by or on behalf of the Company of warrants and shares of common stock during the year ended December 31, 2009 by month:

Issuer Repurchases of Equity Securities

Period	Total Number of Warrants or Shares Repurchased	Weighted Average Price Paid per Warrant or Share	Total Number of Warrants or Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approx. Dollar Value of Warrants or Shares that may yet be Purchased Under the Plans or Programs
January 1 31, 2009	33,468 shares	$ 2.42	33,468 shares	$ 109,299,199.49
February 1 28, 2009	28,290,535 shares	$ 2.27	28,290,535 shares	45,079,685.04
March 1 31, 2009	20,652 shares	$ 2.26	20,652 shares	45,033,011.52
Q1 Total	28,344,655 shares		28,344,655 shares	
April 1 30, 2009	1,018 shares	$ 2.84	1,018 shares	45,030,120.40
May 1 31, 2009	40,418 shares	$ 3.58	40,418 shares	44,885,242.31
June 1 30, 2009	shares		shares	44,885,242.31
Q2 Total	41,436 shares		41,436 shares	
July 1 31, 2009	605,167 shares	$ 4.08	605,167 shares	42,188,800.95
August 1 31, 2009	shares		shares	42,188,800.95
September 1 30, 2009	shares		shares	42,188,800.95
Q3 Total	605,167 shares		605,167 shares	
October 1 31, 2009	shares		shares	42,188,800.95
November 1 30, 2009	168,115 shares	$ 2.73	168,115 shares	41,729,869.93
December 1 31, 2009	shares		shares	41,729,869.93
Q4 Total	168,115 shares		168,115 shares	
2009 Total	29,159,373 shares		29,159,373 shares	

The Company declared a regular quarterly dividend of $0.025 per share of common stock in each of the first, second and third quarters of 2008 on all outstanding shares of common stock, including unvested shares of restricted stock under the Company s equity-based plans. There was no quarterly dividend declared or paid for the fourth quarter of 2008. On February 25, 2008 the first quarterly dividend was declared payable on April 21, 2008 to holders of record on April 10, 2008. On June 16, 2008 the second quarterly dividend was declared payable on July 21, 2008 to holders of record on July 10, 2008. On September 26, 2008 the third quarterly dividend was declared payable on October 21, 2008 to holders of record on October 10, 2008. On December 30, 2008, the Company announced that its Board of Directors had determined not to continue paying a regular quarterly dividend on its common stock, including for the fourth quarter of 2008. During 2009, there were no dividends paid on the Company s common stock.

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Item 6. Selected Financial Data

The following selected financial data for the five fiscal years ended December 31, 2009 was derived from the audited combined and consolidated financial statements of GLG and its subsidiaries. In November 2007, we completed the acquisition of GLG. Effective upon the consummation of the acquisition, (1) each Acquired Company became a subsidiary of ours, (2) the business and assets of GLG became our only operations and (3) we changed our name to GLG Partners, Inc. As the Acquisition was considered a reverse acquisition recapitalization for accounting purposes, the combined historical financial statements of GLG became our historical financial statements. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the combined and consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,				
	2005	2006	2007	2008	2009
	(US dollars in thousands)				
Combined and Consolidated Statement of Operations Data:					
Net revenues and other income:					
Management fees, net	$ 137,958	$ 186,273	$ 287,152	$ 317,787	$ 152,528
Performance fees, net	279,405	394,740	678,662	107,517	114,605
Administration fees, net	311	34,814	64,224	69,145	25,685
Transaction charges	184,252				
Other	1,476	5,039	10,080	542	8,056
Total net revenues and other income	603,402	620,866	1,040,118	494,991	300,874
Expenses:					
Compensation, benefits and profit share	345,918	369,836	1,211,212	952,916	637,995
General, administrative and other	64,032	68,404	108,926	123,049	90,907
Amortization of intangible assets					2,768
Third party distribution, administration and service fees					3,276
Total expenses	409,950	438,240	1,320,138	1,075,965	734,946
Income (loss) from operations	193,452	182,626	(280,020)	(580,974)	(434,072)
Realized loss on available-for-sale investments					(21,855)
Gain on debt extinguishment					84,821
Gain on business combination negative goodwill					21,122
Interest income, net	2,795	4,657	2,350	(16,613)	(11,503)
Income (loss) before income taxes	196,247	187,283	(277,670)	(597,587)	(361,487)
Income tax benefit/(expense)	(25,345)	(29,225)	(64,000)	(14,231)	2,102
Net income/(loss)	170,902	158,058	(341,670)	(611,818)	(359,385)
Net income (loss) attributable to common stockholders	$ 170,250	$ 157,876	$ (310,508)	$ (630,997)	$ (318,951)
Distributions to Principals and Trustees	$ (106,531)	$ (165,705)	$ (330,972)	$ (118,354)	

Dividend Paid				(16,210)	
Net income/(loss) per share, basic	$ 1.25	$ 1.16	$ (2.11)	$ (2.97)	$ (1.45)
Net income/(loss) per share, diluted	$ 0.87	$ 0.81	$ (2.11)	$ (2.97)	$ (1.45)

	As of December 31,				
	2005	**2006**	**2007**	**2008**	**2009**
	(US dollars in thousands)				
Combined and Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 236,261	$ 273,148	$ 429,422	$ 316,195	$ 263,782
Fees receivable	246,179	251,963	389,777	42,106	104,541
Working capital	42,387	183,388	220,583	112,304	190,907
Property and equipment, net	3,290	6,121	9,079	14,076	12,856
Total assets	495,340	557,377	984,137	488,382	500,781
Accrued compensation and benefits	247,745	289,301	467,887	148,531	138,686
Other liabilities		5,100	16,092	50,765	13,886
Loans payable, convertible notes and revolving credit facility	13,000	13,000	570,000	570,000	533,672
Total stockholders equity (deficit)	181,599	176,710	(244,230)	(377,549)	(283,569)

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

You should read the following discussion and analysis in conjunction with our combined and consolidated financial statements and the related notes included in or incorporated into Part II, Item 7 of this Annual Report on Form 10-K and the Risk Factors included in Part I, Item 1A of this Annual Report on Form 10-K, as well as other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K. The information in this section contains forward-looking statements. Our actual results may differ significantly from the results suggested by these forward-looking statements and our historical results. Some factors that may cause our results to differ are described in Risk Factors under Part I, Item 1A of this Annual Report on Form 10-K. We wish to caution you not to place undue reliance on these forward-looking statements, which speak only as of the date made.

General

Our Business

We are a global asset management company offering our clients a wide range of performance-oriented investment products and managed account services. Our primary business is to provide investment management advisory services for various investment funds and companies (the GLG Funds) and accounts we manage. We derive our revenues primarily from management fees and administration fees charged to the GLG Funds and accounts we manage based on the value of the assets in these funds and accounts, and performance fees charged to the GLG Funds and accounts we manage based on the performance of these funds and accounts. Substantially all of our assets under management, or AUM, are attributable to third-party investors, and the funds and accounts we manage are not consolidated into our financial statements. As of December 31, 2009, our net AUM (net of assets invested in other GLG Funds) were approximately $22.2 billion, as compared to approximately $21.6 billion as of September 30, 2009 and approximately $15.0 billion as of December 31, 2008. As of December 31, 2009, our gross AUM (including assets invested in other GLG Funds) were approximately $24.4 billion, as compared to approximately $24.0 billion as of September 30, 2009 and approximately $16.5 billion as of December 31, 2008.

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

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

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

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

$976,107,300 in cash;

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

- 230,000,000 shares of our common stock, par value $0.0001 per share which consists of:
  - 138,095,007 shares of our common stock, including 10,000,000 shares of our common stock issued for the benefit of our employees, service providers and certain key personnel under our 2007 Restricted Stock Plan (the Restricted Stock Plan);
  - 33,000,000 shares of our common stock payable by us upon exercise of certain put or call rights with respect to 33,000,000 ordinary shares issued by FA Sub 1 Limited to certain GLG Shareowners. Each of the ordinary shares issued by FA Sub 1 Limited to these GLG Shareowners has been put by the holder to us in exchange for one share of our common stock; and
  - 58,904,993 shares of our common stock to be issued upon the exchange of 58,904,993 Exchangeable Shares (the Exchangeable Shares) issued by FA Sub 2 Limited to certain GLG Shareowners. Each Exchangeable Share is exchangeable at any time at the election of the holder for one share of our common stock; and
- 58,904,993 shares of our Series A preferred stock, par value $0.0001 per share issued with the corresponding Exchangeable Shares which carry only voting rights and nominal economic rights and which will automatically be redeemed on a share-for-share basis as Exchangeable Shares are exchanged for shares of our common stock.

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

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

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

Factors Affecting Our Business

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

- *Assets under management.* Our revenues from management and administration fees are directly linked to AUM. As a result, our future performance will depend on, among other things, our ability to retain AUM and to grow AUM from existing and new products and the mix of our AUM between different products and associated fee rates.
- *Fund and managed account performance.* Our revenues from performance fees are linked to the performance of the GLG Funds and accounts we manage. Performance also affects AUM because it influences investors decisions to invest assets in, or withdraw assets from, the GLG Funds and accounts managed by us.

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

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

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

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

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

Critical Accounting Policies

For the period prior to November 2, 2007, our accounts are presented based upon the combined financial statements of the GLG Entities, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP, and in accordance with the criteria presented below.

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

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

Combination and Consolidation Criteria

Upon consummation of the Acquisition, the GLG Entities became our wholly owned subsidiaries and from that date the financial statements have been prepared on a consolidated basis and consolidate those entities over which the legal parent, GLG Partners, Inc., has control over significant operating, financial or investing decisions. Prior to the Acquisition and for all comparative periods, the combined financial statements presented are those of the accounting acquirer, GLG. The combined financial statements of GLG combine those entities in which the Principals and the Trustees had control over significant operating, financial or investing decisions. Equity balances have been retroactively restated to conform to the capital structure of the legal acquirer, GLG Partners, Inc.

We consolidate certain entities we control through a majority voting interest or otherwise in which we are presumed to have control.

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

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Assets Under Management

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

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

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

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

Product	**General Range of Redemption Request Advance Notice Periods***
Alternative strategies funds	5-60 days
Long-only strategies funds	1-5 days
130/30 strategies funds	1-5 days
Internal FoF	1-30 days
External FoF	45-90 days

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

Performance Fees

Performance fee rates are calculated where applicable as a percentage of investment gains less management and administration fees, subject to high water marks and in some cases performance hurdles with a measurement period of generally six months. Funds subject to performance hurdles are: most long-only (only to the extent those funds have a performance fee) and 130/30 strategies funds, four external FoFs, seven alternative strategies funds, and certain managed accounts.

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

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

Compensation and Limited Partner Profit Share

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

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

Equity-Based Compensation

Prior to December 31, 2006, GLG had not granted any equity-based awards. In March 2007, GLG established the equity participation plan to provide certain key individuals, limited partnership interests in two limited partnerships, Sage Summit LP and Lavender Heights Capital LP, with the right to receive a percentage of the proceeds derived from an initial public offering relating to the Acquired Companies or a third-party sale of the Acquired Companies. Upon consummation of the Acquisition, Sage Summit LP and Lavender Heights Capital LP received collectively 15% of the total consideration of cash and our capital stock payable to the owners of the Acquired Companies in the Acquisition. The equity participation plan is subdivided into an A Sub-Plan and a B Sub-Plan . These limited partnerships distributed to A Sub-Plan limited partners an aggregate of 25% of such amounts upon consummation of the Acquisition, and the remaining 75% are distributable to the limited partners in three equal installments upon vesting over a three-year period on the first, second and third anniversaries of the consummation of the Acquisition, subject to the ability of the general partners of the limited partnerships, whose respective boards of directors consist of the Trustees, to accelerate vesting. B Sub-Plan member entitlements vest in equal installments on the first, second, third and fourth anniversaries of the consummation of the Acquisition subject to the ability of the general partners of the limited partnerships, whose respective boards of directors consist of the Trustees, to accelerate vesting.

The unvested portion of such amounts will be subject to forfeiture back to Sage Summit LP and Lavender Heights Capital LP (and not to us) in the event of termination of the individual as a limited partner prior to each vesting date, unless such termination is without cause after there has been a change in control of our company or due to death or disability. To the extent awards granted under the equity participation plan are forfeited, these amounts may be reallocated by Sage Summit LP and Lavender Heights Capital LP to their then existing or future limited partners (*i.e.*, participants in the plan) subject to vesting over specified periods.

Because forfeited awards are returned to the limited partnerships, and not to us, the forfeited shares remain issued and outstanding and the cash and shares held by the limited partnerships may be reallocated, with or without vesting requirements, without further dilution to our shareholders. The equity instruments issued under this plan are recorded at their fair value on the measurement date, which date is typically upon the inception of the services that will be performed, remeasured at subsequent dates to the extent the awards are unvested, and amortized into expense over the vesting period on an accelerated basis.

Ten million shares of our common stock, which were part of the purchase price in respect of the Acquisition, were reserved for allocation under the Restricted Stock Plan. Of these shares, 9,877,000 shares were allocated to our employees, service providers and certain key personnel in November 2007. As of December 31, 2009, 2,196,250 shares under the Restricted Stock Plan were unallocated following forfeitures (net of new allocations). These awards are subject to vesting, typically over four years, which may be accelerated. In 2007, we also adopted the 2007 Long-Term Incentive Plan (the 2007 LTIP) under which we were authorized to issue up to 40,000,000 shares and which, other than with respect to outstanding awards, was terminated and replaced in its entirety by the 2009 Long-Term Incentive Plan (the 2009 LTIP), adopted by our board of directors and approved by our shareholders on May 11, 2009. The 2009 LTIP authorizes the delivery of a maximum of 40,000,000 shares, in addition to the approximately 6,100,000 shares that remained available for awards under the 2007 LTIP as of May 11, 2009. In addition, to the extent that any outstanding awards under our 2007 LTIP are canceled, forfeited or otherwise lapse unexercised pursuant to the terms of that plan, the shares underlying those awards will be available for awards under the 2009 LTIP.

References herein to the LTIP shall in context be to the 2007 LTIP and the 2009 LTIP. As of December 31, 2009, there were a total of 40,727,482 shares available for awards under the LTIP. The LTIP provides for the grants of incentive and non-qualified stock options, stock appreciation rights, common stock, restricted stock, restricted stock units, performance units and performance shares to employees, service providers, non-employee directors and certain key personnel who hold direct or indirect limited partnership interests in certain GLG entities. Shares of restricted stock awarded under the Restricted Stock Plan and the LTIP are issued and outstanding shares, except in the case of awards under these plans to personnel who are members of the limited partner profit share arrangement in which case shares are issued and become outstanding only as the awards vest. Unvested awards under the LTIP and Restricted Stock Plan which are forfeited, to the extent shares are issued, are returned to us and canceled.

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

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

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

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

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

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

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

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

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

Income Tax

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

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

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

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

Net Revenues

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

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

Management Fees

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

Product	**General Range of Gross Fee Rates (% of AUM) As of December 31, 2009**
Alternative strategies funds*	1.50% 2.50%**
Long-only strategies funds	0.30% 2.25%
130/30 strategies funds	1.25% 2.25%
Internal FoF***	0.25% 1.50%** (at the investing fund level)
External FoF****	1.00% 1.95%

* Excludes the GLG European Long-Short (Special Assets) Fund, the GLG North American Opportunity (Special Assets), the GLG European Opportunity (Lehman Recovery) Fund, the GLG Technology (Lehman Recovery) Fund, and the GLG Market Neutral Sidepocket where the management fee is 0.50%.

** When one of the alternative strategies funds or internal FoFs managed by us invests in an underlying single-alternative strategies fund managed by us, management fees are charged at the investee fund level, except in the case of (1) the GLG Multi-Strategy Fund where management fees are charged at both the investee and investing fund levels and (2) the GLG Balanced Managed Fund and the GLG Stock Market Managed Fund where management fees are charged only at the investing fund level.

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

**** Excludes the GLG MMI Diversified (Special Assets II) Fund and the GLG MMI Enhanced (Special Assets) Fund.

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

During 2009, the mix of our AUM changed from higher fee-yielding alternative strategies products into lower fee-yielding long-only and managed account products. The effect of this shift has reduced our management fee yields when measured as a percentage of our overall AUM. The acquisition of SGAM UK which consisted of long-only funds and managed accounts that have lower management fee yields than our alternative strategies products has also contributed to our lower management fee yields. We expect that the effect on our management fee yields in future periods will continue to be dependent upon specific inflows, outflows and other related factors such as these.

Performance Fees

Our gross performance fee rates where applicable for GLG Funds are set as a percentage of fund performance, calculated as investment gains (both realized and unrealized), less management and administration fees, subject to high water marks and, in the case of most long-only and 130/30 funds, four external FoFs, seven alternative strategies funds, and certain managed accounts, to performance hurdles. As a result, even when a GLG Fund has positive fund performance, we may not earn a performance fee due to negative fund performance in prior measurement periods and in some cases due to a failure to reach a hurdle rate. High water marks and performance hurdles, are determined on a fund by fund and investor by investor basis and performance fees are not netted across funds, other than in the case of the special assets funds related to the GLG Emerging Markets Fund, the GLG European Long-Short Fund and the GLG North American Opportunity Fund. The special assets funds do not earn a performance fee until an investor s high water mark across both the special assets fund and its original fund is exceeded. Accordingly, any funds above high water marks and applicable performance hurdles at the end of the relevant measurement period will contribute to performance fee revenue.

As of December 31, 2009 we had approximately $7.5 billion, or 60%, of AUM above water or within 5% of their respective high water marks out of a potential $12.5 billion in performance fee eligible AUM. We had another $0.8 billion, or 6%, of AUM, within 5% to 10% of their respective high water marks. Additionally, approximately $4.2 billion of AUM (excluding special asset vehicles and funds in the process of closing) are more than 10% below their high water marks. High water marks are calculated by share class for each GLG Fund.

Fund performance through December 31, 2009 has generally reduced the additional performance necessary to re-achieve the high-water marks for many GLG Funds, however, for some funds significant high water marks remain. Accordingly, even if our funds that are below high water marks have positive performance in subsequent performance periods, our ability to earn performance fees during those periods will be adversely impacted due to the number of funds subject to high water marks and the amounts to be recovered.

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

Product	**General Range of Gross Fee Rates (% of Investment Gains) As of December 31, 2009**
Alternative strategies funds	10% 30%*
Long-only strategies funds	0% 20% (may be subject to performance hurdle)
130/30 strategies funds	20% (may be subject to performance hurdle)
Internal FoF	0% 20%* (at the investing fund level)
External FoF**	5% 10% (may be subject to performance hurdle)

* When one of the alternative strategies funds or internal FoFs managed by us invests in an underlying alternative strategies funds managed by us, performance fees are charged at the investee fund level, except in the case of the GLG Global Aggressive Fund where performance fees are charged at both the investee and investing fund levels to the extent, if any, that the performance fee charged at the investing fund level is greater than the performance fee charged at the investee fund level.

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

Due to the impact of foreign currency exposures on management and performance fees, we have elected to utilize cash flow hedge accounting to hedge a portion of our anticipated foreign currency denominated revenue. The effective portion of the hedge is recorded as a component of other comprehensive income and is released into management or performance fee income, respectively, when the hedged revenues impact the income statement. The ineffective portion of the hedge is recorded each period as derivative gain or loss in other income or other expense, respectively. See Quantitative and Qualitative Disclosures About Market Risk Exchange Rate Risk in Part II, Item 7A, of this Annual Report for a further discussion of our foreign exchange and hedging activities.

We typically do not recognize performance fee revenues until the period when the amounts are crystallized, which for the majority of the investment funds and accounts managed by us is on June 30 and December 31.

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Additionally, various funds have significant high water marks. Until these funds either generate investment returns that overcome these high water marks, or these funds experience net inflows that carry no high-water marks and/or new funds are launched without high-water marks, performance fees may be limited.

Administration Fees

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

When one of the alternative strategies funds or internal FoFs managed by us invests in an underlying fund managed by us, administration fees are charged at both the investing and investee fund levels.

Fees on Managed Accounts

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

Expenses

Compensation, Benefits and Profit Share

To attract, retain and motivate the highest quality investment and other professionals, we provide significant remuneration through salary, discretionary bonuses, profit sharing and other benefits. We have built an experienced and highly-regarded investment management team of 130 investment professionals.

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

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

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

Following the Acquisition, our GAAP employee compensation expense reflects share-based and other compensation recognized in respect of (a) the equity participation plan, the 10,000,000 shares allocated for the benefit of employees, service providers and certain key personnel under the Restricted Stock Plan, approximately 250,000 shares awarded to employees and certain key personnel under the 2007 LTIP at the closing of the Acquisition, and the agreement among the principals and trustees (collectively, the Acquisition-related compensation expense) and (b) share-based compensation recognized in respect of shares awarded post-Acquisition under the LTIP.

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Under GAAP, there is a charge to compensation expense for Acquisition-related compensation expense based on certain service conditions. However, management believes that this charge does not reflect our ongoing core business operations and compensation expense and excludes such amounts for purposes of assessing our ongoing core business performance. In the case of the Acquisition-related compensation expense associated with Sage Summit LP and Lavender Heights Capital LP, because (1) awards forfeited by participants in the equity participation plan who terminated their service with us and who are no longer limited partners are returned to Sage Summit LP and Lavender Heights Capital LP, and not us, (2) the cash and stock held by the limited partnerships may be reallocated to then existing or future participants in the plan without further dilution to our shareholders, (3) the amount of consideration received by the entities in the Acquisition was awarded prior to the Acquisition based on the contributions of the participants in the equity participation plan prior to the Acquisition and (4) the amount reduced the number of shares which would otherwise have been paid to the former GLG Shareowners in the Acquisition, management measures ongoing business performance by excluding these amounts. In the case of the Acquisition-related compensation expense associated with the Restricted Stock Plan, because the amount allocated to the Restricted Stock Plan was designed to recognize employees, service providers and key personnel for their contribution to GLG prior to the Acquisition and because the shares allocated to the Restricted Stock Plan reduced the number of shares which would otherwise have been paid to the former GLG Shareowners in the Acquisition, management measures ongoing business performance by excluding these amounts. In the case of the Acquisition-related compensation expense associated with the agreement among principals and trustees, because, notwithstanding the service requirement, neither the vesting nor forfeiture provisions of that agreement would be accretive or dilutive to our present or future shareholders, management measures ongoing business performance by excluding these amounts.

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

The components of non-GAAP CBP are:

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

Variable compensation payments that arise from the contractual entitlements of personnel to a fixed percentage of certain variable fee revenues attributable to such personnel with respect to GLG Funds and managed accounts. The liability for variable compensation is a formulaic obligation calculated by reference to and payable following the crystallization of fee revenues at the end of each fee period, which may be monthly, quarterly, annually or semi-annually (on June 30 or December 31) depending on the fee source.

Discretionary compensation payments that are determined by our management in its sole discretion and are generally linked to performance. In determining such payments, our management considers, among other factors, the ratio of total discretionary compensation to total revenues; however, this ratio may vary between periods and, in particular, significant discretionary bonuses may still be paid in a period of low performance for retention and incentivization purposes. This discretionary compensation is paid to employees in the form of a discretionary cash bonus or share-based compensation. Discretionary compensation is generally declared and paid following the end of each calendar year. However, the estimated discretionary compensation charge is adjusted monthly based on the year-to-date profitability and revenues recognized on a year-to-date basis. As the majority of the GLG Funds crystallize their performance fees at June 30 and December 31, the majority of discretionary compensation expense crystallizes at year end and is typically paid in January and February following the year end. We implemented a deferred compensation program for employees and limited partners in respect of discretionary compensation for 2009. A portion of the discretionary compensation allocated to our investment and other professionals will be deferred in annual installments until the first quarter 2012.

Deferred awards given to certain investment professionals and marketers will be invested on their behalf into GLG Funds, aligning portfolio manager and marketers incentives with those of the investors in such funds and, indirectly, our shareholders. Deferred awards and any related investment earnings or losses will vest to the extent that there are no forfeitures, in two equal installments on March 31, 2011 and 2012 and will be accounted for on a straight line basis. Deferred awards for all other personnel will be issued in the form of our common stock, aligning their incentives with our shareholders. The common stock will also vest over a two year period to the extent that there are no forfeitures, in two equal installments on March 31, 2011 and 2012 and will be accounted for on an accelerated method basis.

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

Post-Acquisition LTIP post-Acquisition share based awards to employees and limited partners who are participants in the limited partner profit share arrangement under the LTIP.

Limited Partner Profit Share

The key personnel who are participants in the limited partner profit share arrangement, provide services to us through two limited liability partnerships, Laurel Heights LLP and Lavender Heights LLP, which are limited partners in GLG Partners LP and GLG Partners Services LP, respectively. The amount of profits (or limited partner profit share) attributable to each of the LLPs is determined at our discretion based upon the profitability of our business and our view of the contribution to revenues and profitability from the services provided by each limited partnership during that period. These profit shares are recorded as operating expenses matching the period in which the related revenues are accrued and services provided. A portion of the partnership distribution is advanced monthly as a draw against final determination of profit share. Once the final profit allocation is determined, typically in January following each year end, it is paid to the LLPs, as limited partners, less any amounts paid as advance drawings during the year. Other limited partners of GLG Partners Services LP who receive profit allocations include four investment professionals who are not members of Lavender Heights LLP, but whose profit distributions from GLG Partners Services LP are determined in the same manner as the allocation of profit shares to individual members of the LLP described below and included in the limited partner profit measure, as described below.

Allocation of Profit Shares to Individual Members of LLPs

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

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

We implemented a deferred compensation program for employees and limited partners in respect of discretionary compensation for 2009. A portion of the discretionary compensation allocated to our investment and other professionals will be deferred in annual installments until the first quarter 2012. Deferred awards given to certain investment professionals and marketers will be invested on their behalf into GLG Funds, aligning portfolio manager and marketers incentives with those of the investors in such funds and, indirectly, our shareholders. Deferred awards and any related investment earnings or losses will vest to the extent that there are no forfeitures, in two equal installments on March 31, 2011 and 2012 and will be accounted for on a straight line basis. Deferred awards for all other personnel will be issued in the form of our common stock, aligning their incentives with our shareholders. The common stock will also vest over a two year period to the extent that there are no forfeitures, in two equal installments on March 31, 2011 and 2012 and will be accounted for on an accelerated method basis.

Acquisition-Related Compensation Expense

Following the Acquisition, our GAAP compensation, benefits and profit share expense reflects share-based and other compensation recognized with respect to (a) the 15% of the total consideration of cash and capital stock received collectively by Sage Summit LP and Lavender Heights Capital LP in connection with the Acquisition (including with respect to the cash portion of the awards under the equity participation plan in the aggregate amounts of $91 million, $48 million and $6 million for the three 12-month periods beginning with the consummation of the Acquisition), the 10,000,000 shares allocated for the benefit of employees, service providers and certain key personnel under the Restricted Stock Plan, approximately 250,000 shares awarded to employees and certain key personnel under the 2007 LTIP at the closing of the Acquisition, and the agreement among the principals and trustees and (b) dividends paid on unvested shares that are ultimately not expected to vest.

General and Administrative

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

We previously recognized transaction costs relating to the acquisition of SGAM UK as a prepaid expense and other asset as at December 31, 2008. Due to the changes in U.S. GAAP related to business combinations, we elected to expense transaction costs relating to the acquisition in the period to which the cost relates, retrospectively restating prior period results.

Assessing Business Performance

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

In addition, we assess the underlying performance of our business based on the measure non-GAAP adjusted net income , which adjusts net loss before non-controlling interests for (1) the Acquisition-related compensation expense, (2) the tax benefit related to Acquisition-related compensation that is tax deductible for GAAP purposes, (3) any gains or losses realized from investments in GLG Funds held by equity participation plan participants in connection with the Acquisition, (4) the cumulative dividends payable to the holders of exchangeable shares of its FA Sub 2 Limited subsidiary in respect of its estimate of the net taxable income of FA Sub 2 Limited allocable to such holders multiplied by an assumed tax rate, (5) the gain on business combination arising from the purchase of SGAM UK, and (6) amortization of the intangible assets recognized in relation to the acquired management contracts of SGAM UK and its associated tax effect. See Results of Operations Adjusted Net Income for reconciliation between the periods presented.

We believe that excluding the impact of the above enhances the comparisons to our core results of operations with historical periods and provides a better measure of our economic income.

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

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performance under GAAP and should not be considered as an alternative to GAAP net income as an indicator of our operating performance or any other measures of performance derived in accordance with GAAP.

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

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

Under a change in accounting standards effective for fiscal years beginning after December 31, 2008, accounting and reporting for minority interests will be recharacterized as non-controlling interests and classified as a component of equity. The changes affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. The primary impact of the change was the reclassification of minority interests from liabilities to stockholders equity and their re-labeling as non-controlling interests . In addition, under the prior standard, non-controlling interests only shared in losses to the extent that they had available equity to absorb losses. Under the new standard the non-controlling interests prospectively fully share in losses as well as profits, even if there is no contractual obligation to fund losses.

Assets Under Management

During 2009, the mix of our AUM changed from higher fee-yielding alternative strategies products into lower fee-yielding long-only strategies and managed account products. The effect of this shift has reduced our management fee yields when measured as a percentage of our overall AUM. The acquisition of SGAM UK which consisted of long-only strategies funds and managed accounts that have lower management fee yields than our alternative strategies products has also contributed to our lower management fee yields. We expect that the effect on our management fee yields in future periods will continue to be dependent upon specific inflows, outflows and other related factors such as these.

Year Ended December 31, 2009 Compared to December 31, 2008

Change in AUM between December 31, 2009 and December 31, 2008

	As of December 31, 2009	As of December 31, 2008	Change
	(U.S. dollars in millions)		
Alternative Strategies(1)	$ 11,501	$ 12,518	$ (1,017)
Long-only Strategies(2)	12,864	4,026	8,838

Gross AUM	**$ 24,365**	**$ 16,544**	**$ 7,821**
Less: alternative strategy investments in GLG Funds	(1,088)	(1,503)	$ 415
Less: long-only strategy investments in GLG Funds	(1,103)	(2)	(1,101)
Net AUM	**$ 22,175**	**$ 15,039**	**$ 7,136**

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	Year Ended December 31, 2009	2008
Average gross AUM	$ 20,628	$ 24,763
Average net AUM	$ 18,643	$ 21,049
Opening net AUM	**$ 15,039**	**$ 24,612**
Inflows	14,567	13,608
Outflows	(11,353)	(14,881)
Inflows (net of redemptions)	3,214	(1,273)
Performance (gains net of losses and fees)	2,892	(7,605)
Currency translation impact (non-USD AUM expressed in USD)	1,030	(695)
Closing net AUM	**$ 22,175**	**$ 15,039**

(1) Alternative strategy gross AUM includes all alternative strategy funds, all 130/30 strategy funds and all managed accounts managed in accordance with alternative and 130/30 strategies.

(2) Long-only strategy gross AUM includes all long-only funds and managed accounts managed in accordance with a long-only strategy, and for 2009 all SGAM UK net AUM acquired on April 3, 2009, but for 2008 excludes the approximately $3 billion of AUM mandated in December 2008 pursuant to a sub-advisory arrangement with SGAM UK which terminated upon the acquisition of SGAM UK on April 3, 2009.

During 2009, our net AUM increased by 47.4% to $22.2 billion and our gross AUM increased by 47.3% to $24.4 billion. The increase in AUM was attributable to the following:

Positive fund and managed account performance during 2009, resulting in performance gains (net of losses and fees) of $2.9 billion.

Inflows (net of redemptions) of $3.2 billion in AUM during 2009, which were primarily driven by:

Long-only strategy net inflows of $3.4 billion, which was composed of subscriptions of $9.8 billion offset by redemptions of $6.4 billion, including inflows of $2.6 billion of subscriptions attributable to the AUM acquired with SGAM UK in the second quarter of 2009; and

Alternative strategy net outflows of $0.2 billion, which was composed of redemptions of $5.0 billion offset by subscriptions of $4.8 billion.

A weakening of the U.S. dollar against other currencies in which a portion of our funds and managed accounts are denominated, which resulted in positive foreign exchange impact on AUM of $1.0 billion during 2009.

The ratio between net and gross AUM increased during 2009 as compared to 2008, reflecting decreased relative levels of fund-in-fund investments, with respect to investments by our FoF products in certain funds managed by us and investments by certain alternative strategy funds managed by us in other alternative strategy funds managed by us.

As of December 31, 2009, approximately $0.3 billion of AUM were in GLG Funds for which the related fund boards of directors had suspended redemptions. The funds included: the GLG Credit Fund, the GLG Event Driven Fund, the GLG Global Utilities Fund, the GLG MMI Enhanced Fund, the GLG MMI Enhanced II Fund, the GLG EAFE (Institutional) Fund, the GLG Performance Fund and the GLG Loan Fund. We continue to receive full management fees for a majority of these funds.

On July 1, 2009, the GLG Market Neutral Fund was restructured to create a side pocket with approximately $0.3 billion of AUM which earns a reduced management fee of 0.5% and paid cash redemptions of approximately $0.4 billion. The remaining AUM in the GLG Market Neutral Fund of approximately $0.6 billion as of December 31, 2009 will continue to earn full management and administration fees.

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In addition, as of December 31, 2009, we managed special assets funds which are principally comprised of private placement and other not readily realizable investments that have been transferred from other GLG funds totaling approximately $1.0 billion. These special assets funds included GLG Emerging Markets (Special Assets) Fund, GLG European Long-Short (Special Assets) Fund, GLG North American Opportunity (Special Assets) Fund, GLG Global Opportunity (Special Assets) Fund, GLG MMI Diversified Special Assets Fund, GLG European Opportunity (Lehman Recovery) Fund, GLG Technology (Lehman Recovery) Fund, GLG MMI Diversified (Special Assets II) Fund, and the GLG MMI Enhanced (Special Assets) Fund. The purpose of the special assets funds is to permit the orderly sale of these investments. As investments held by the special assets funds are sold, proceeds will be used to redeem investors from those funds. Other than the GLG Emerging Markets (Special Assets) Fund, which has a management fee of 2.0%, all of the above funds have reduced management fees.

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

Nearly all of the GLG Funds and several of the GLG institutional managed accounts existing at that time utilized LBIE as a prime broker. All of the GLG Funds and managed accounts existing at that time had LBIE, and a small number of GLG Funds and managed accounts had LBI, as a trading counterparty. In addition, all of GLG s private client managed accounts at that time used LBIE, and a small number of GLG s private clients additionally used LBI, as a custodian and broker for their accounts. As a consequence of LBIE being in administration, the GLG Funds and, to the best of our knowledge, the managed accounts which used LBIE as a prime broker, have been unable to access their assets, including all securities and cash, deposited with LBIE.

On December 29, 2009, the administrators of LBIE announced that the conditions to effectiveness of the Claims Resolution Agreement (the CRA), a voluntary contractual scheme binding upon LBIE and those clients of LBIE party to it had been satisfied and the CRA became effective on January 21, 2010. All of the relevant GLG Funds became signatories to the CRA. The CRA provides a framework pursuant to which signatories trust asset and other claims against LBIE will be resolved resulting in, among other things, the return of trust assets, the determination and discharge of amounts owing to and from LBIE, the implementation of setoff rights and the crystallization of an admitted unsecured claim against LBIE.

The net direct exposure of each effected GLG Fund to LBIE and the other entities in the Lehman Brothers group is reflected in the net asset value of each fund and carried by the fund at fair value. The fair value of the exposure is determined on the basis of the best information available to us from time to time, including information received from LBIE, that the claims of the GLG Funds which are signatories to the CRA will be determined as provided in the CRA and on the basis of legal and professional advice obtained for the purpose of determining the rights and obligations of each relevant GLG Fund. Fair value is also determined on the basis of certain assumptions which we believe to be reasonable, including with respect to the level of shortfalls in the recovery of trust assets, the level of recovery from LBI, the level of recovery on client money claims and the ultimate recovery on unsecured claims. The fair value of the exposure is reviewed regularly, including the assumptions, with the relevant GLG Fund s directors, independent fund administrator and independent auditors, as necessary.

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

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

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

Year Ended December 31, 2008 Compared to December 31, 2007

Change in AUM between December 31, 2008 and December 31, 2007

	As of December 31,		
	2008	**2007**	**Change**
	(U.S. dollars in millions)		
Alternative strategies(1)	$ 12,518	$ 22,704	$ (10,186)
Long-only strategies(2)	4,026	6,382	(2,356)
Gross AUM	**16,544**	**29,086**	**(12,542)**
Less: alternative strategy investments in GLG Funds	(1,503)	(4,474)	2,971
Less: long-only strategy investments in GLG Funds	(2)		(2)
Net AUM	**$ 15,039**	**$ 24,612**	**$ (9,573)**

(1) Alternative strategy gross AUM includes all alternative strategy funds, all 130/30 strategy funds and all managed accounts managed in accordance with alternative and 130/30 strategies.

(2) Long-only strategy gross AUM includes all long-only funds and managed accounts managed in accordance with a long-only strategy, but excludes for 2008 the approximately $3 billion of AUM mandated in December 2008 pursuant to a sub-advisory arrangement with SGAM UK which terminated upon the acquisition of SGAM UK on April 3, 2009.

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	Year Ended December 31, 2008	2007
Average gross AUM	$ 24,763	$ 22,090
Average net AUM	21,049	18,981
Opening net AUM	**$ 24,612**	**$ 15,154**
Inflows	13,608	12,191
Outflows	(14,881)	(6,114)
Inflows (net of redemptions)	(1,273)	6,077
Performance (gains net of losses and fees)	(7,605)	2,383
Currency translation impact (non-USD AUM expressed in USD)	(695)	997
Closing net AUM	**$ 15,039**	**$ 24,612**

During 2008, our net AUM decreased by 38.9% to $15.0 billion and gross AUM decreased by 43.1% to $16.5 billion. The decline in AUM was attributable to the following:

Negative fund and managed account performance during 2008, resulting in performance losses (net of gains) of approximately $7.6 billion.

Net outflows of $1.3 billion of AUM for 2008, which were primarily driven by:

Net outflows from our alternative strategy funds of approximately $6.0 billion, which was composed of redemptions of $9.2 billion offset by subscriptions of $3.2 billion in 2008. The largest component of the redemptions related to approximately $4.4 billion of outflow from the GLG Emerging Markets Fund and two other related funds due to the departure of the related investment management team;

Net inflows into our managed accounts of approximately $5.0 billion, which was composed of subscriptions of $6.3 billion offset by redemptions of $1.3 billion. The largest components of the inflows were $1.6 billion and $3.0 billion related to investment mandates from Banca Fideuram and SGAM UK, respectively; and

Net outflows from our long-only strategy funds of approximately $670 million, which was composed of redemptions of $4.2 billion offset by subscriptions of $3.6 billion spread among various long-only strategy funds.

Continued strengthening of the U.S. dollar against other currencies in which a portion of our funds and managed accounts are denominated, which resulted in negative foreign exchange impact on AUM of $695 million during 2008.

An overall pause in fund inflows given the volatile market conditions present in 2008, particularly in the fourth quarter of 2008.

The ratio between net and gross AUM increased slightly during 2008 as compared to 2007, reflecting generally smaller relative levels of fund-in-fund investments, with respect to both investments by our FoF products in certain funds managed by us and investments by certain alternative strategy funds managed by us in other alternative strategy funds managed by us.

As of December 31, 2008, approximately $1.5 billion of AUM were in GLG Funds for which the related fund boards of directors had suspended redemptions. The funds included: the GLG Market Neutral Fund, the GLG Credit Fund, the GLG MMI Enhanced II Fund and the GLG Multi-Strategy Fund. We received full management and administration fees related to these funds.

Also as of December 31, 2008, we managed special assets funds which principally comprise private placement and other not readily realizable investments that have been transferred from other GLG Funds totaling approximately $1.1 billion. These special assets funds included the GLG Emerging Markets (Special Assets) Fund, the GLG Emerging Markets (Special Assets II) Fund, the GLG European Long-Short (Special Assets) Fund and the GLG North American Opportunity (Special Assets) Fund. The purpose of the special assets funds is to permit the orderly sale of these investments. As investments held by the special assets funds are sold, proceeds will be used to redeem investors from those funds. Other than the GLG Emerging Markets (Special Assets) Fund, which has a management fee of 2.0%, all of the above funds have reduced management fees of 0.50%.

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

Results of Operations

Condensed Combined and Consolidated GAAP Statement of Operations Information

	Year Ended December 31,		
	2009	**2008**	**2007**
	(U.S. dollars in thousands)		
Net revenues and other income			
Management fees, net	$ 152,528	$ 317,787	$ 287,152
Performance fees, net	114,605	107,517	678,662
Administration, service and distribution fees, net	25,685	69,145	64,224
Other	8,056	542	10,080
Total net revenues and other income	**$ 300,874**	**$ 494,991**	**$ 1,040,118**
Expenses			
Compensation, benefits and profit share	637,995	952,916	1,211,212
General, administrative and other	90,907	123,049	108,926
Amortization of intangible assets	2,768		
Third party distribution, administration and service fees	3,276		
Total expenses	**734,946**	**1,075,965**	**1,320,138**
Loss from operations	**(434,072)**	**(580,974)**	**(280,020)**
Realized loss on available-for-sale investments	(21,855)		
Gain on debt extinguishment	84,821		
Gain on business combination negative goodwill	21,122		
Net interest income/(expense)	(11,503)	(16,613)	2,350
Loss before income taxes	**(361,487)**	**(597,587)**	**(277,670)**
Income tax benefit/(expense)	2,102	(14,231)	(64,000)
Net Loss	**(359,385)**	**(611,818)**	**(341,670)**
Less non-controlling interests:			
Exchangeable shares dividend		(4,418)	

Share of loss	49,978		33,885
Cumulative dividends on exchangeable shares	(9,544)	(14,761)	(2,723)
Net loss attributable to common stockholders	**$ (318,951)**	**$ (630,997)**	**$ (310,508)**

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Net Revenues and Other Income

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Change in GAAP Net Revenues and Other Income between Years Ended December 31, 2009 and December 31, 2008

	Year Ended December 31, 2009	2008	Change
	(U.S. dollars in thousands)		
Net revenues and other income			
Management fees, net	$ 152,528	$ 317,787	$ (165,259)
Performance fees, net	114,605	107,517	7,088
Administration service, and distribution fees, net	25,685	69,145	(43,460)
Other	8,056	542	7,514
Total net revenues and other income	**$ 300,874**	**$ 494,991**	**$ (194,117)**
Key ratios			
Total net revenues and other income/average net AUM*	1.61%	2.43%	(0.82)%
Management fees/average net AUM*	0.82%	1.56%	(0.74)%
Administration, service and distribution fees/average net AUM*	0.14%	0.34%	(0.20)%

* Ratios calculated using 2008 average net AUM exclude the approximately $3.0 billion SGAM UK mandate in December 2008.

Total net revenues and other income decreased by $194.1 million, or 39.2%, to $300.9 million for 2009 versus 2008. This decrease was driven primarily by lower management, and administration, service and distribution fee revenue with slight offsets from performance fees and other income.

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

Net management fees decreased by $165.3 million, or 52.0%, to $152.5 million. This decline in net management fees was driven primarily by a year on year decrease in AUM managed in our higher-yielding alternative strategies funds, 2009 average alternative strategies AUM of $12.2 billion versus 2008 average alternative strategies AUM of $17.6 billion. In addition, our management fee yield declined due to the impact of the long-only funds acquired in the SGAM UK acquisition.

Net performance fees increased by $7.1 million, or 6.6%, to $114.6 million. The increase in fees was driven by:

Improved performance during 2009 as compared to 2008 for those GLG Funds and managed accounts generating performance fees;

A greater number of GLG Funds and managed accounts generating significant positive performance in 2009 as compared to 2008; and

A greater percentage of GLG Funds and managed accounts meeting or exceeding their performance hurdles or exceeding their high water marks,

which was offset by GLG Funds that generated performance fees in 2009 generally having lower AUM than those that had generated performance fees in 2008.

Net administration, service and distribution fees decreased by $43.5 million, or 62.9%, to $25.7 million. This decline was primarily driven by the effect of significantly reduced levels of AUM in our alternative strategy funds in 2009 as compared to 2008.

Other income increased by $7.5 million, to $8.1 million. This increase was primarily due to foreign exchange gains in our pound sterling denominated cash balances as well as other fees of approximately $2.9 million derived from the funds acquired in the SGAM UK acquisition.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Change in GAAP Net Revenues and Other Income between Years Ended December 31, 2008 and December 31, 2007

	Year Ended December 31, 2008	2007	Change
	(U.S. dollars in thousands)		
Net revenues and other income			
Management fees, net	$ 317,787	$ 287,152	$ 30,635
Performance fees, net	107,517	678,662	(571,145)
Administration fees, net	69,145	64,224	4,921
Other	542	10,080	(9,538)
Total net revenues and other income	**$ 494,991**	**$ 1,040,118**	**$ (545,127)**
Key ratios			
Total net revenues and other income / average net AUM*	2.43%	5.48%	(3.05%)
Management fees / average net AUM*	1.56%	1.51%	0.05%
Administration fees / average net AUM*	0.34%	0.34%	

* Ratios calculated using 2008 average net AUM exclude the approximately $3.0 billion SGAM UK mandate in December 2008.

Total net revenues and other income decreased by $545.1 million, or 52.4%, to $495.0 million. This decrease was driven primarily by significantly lower net performance fee revenue offset by slightly higher net management and administration fees in 2008.

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

Net management fees increased by $30.6 million, or 10.7%, to $317.8 million. This growth was mainly driven by two main factors:

a 7.3% higher average net AUM balance between the periods which, at constant net management fee yield, resulted in an increase in management fees of $20.9 million; and

an increase in the net management fee yield from 1.51% to 1.56%, reflecting increased management fees per unit of AUM, which, when applied to the increased net AUM base, resulted in an increase in management fees of $10.2 million.

Net performance fees decreased by $571.1 million, or 84.2%, to $107.5 million. This decline was mainly driven by:

- fewer of the GLG Funds and managed accounts generating significant positive performance in 2008 as compared to 2007;
- GLG Funds that generated performance fees in 2008 generally having lower AUM when compared to those GLG Funds that generated performance fees in 2007;
- GLG Funds that generated performance fees having lower absolute performance in 2008 when compared to 2007; and

a higher percentage of the GLG Funds unable to meet their respective performance hurdle rates or high water marks since performance fees last crystallized, even if they generated positive performance during the year.

Net administration fees increased by $4.9 million, or 7.7%, to $69.1 million. This growth was driven by two main factors:

a 7.3% higher average net AUM balance between the periods which, at constant administration fee yield, resulted in an increase in administration fees of $4.7 million; and

lower yields due to the impact of lower fee yielding AUM during the second half of 2008.

Other income decreased by $9.5 million, or 94.6%, to $0.5 million. This decrease was due to the following:

during 2007 we benefited from our exposure to significant assets being held in non-U.S. dollar currencies during a period of a weakening U.S. dollar, while in 2008 we had greater exposure to U.S. dollar assets which have no impact on other income; and

investment losses of $2.4 million on investments held during 2008.

Expenses

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Change in GAAP Expenses between
Years Ended December 31, 2009 and December 31, 2008

	Year Ended December 31,		
	2009	2008	Change
	(U.S. dollars in thousands)		
Expenses			
Compensation, benefits and profit share	$ 637,995	$ 952,916	$ (314,921)
General, administrative and other	90,907	123,049	(32,142)
Amortization of intangible assets	2,768		2,768
Third party distribution administration and service fees	3,276		3,276
Total expenses	**$ 734,946**	**$ 1,075,965**	**$ (341,019)**
Key ratios			
Compensation, benefits and profit share/total GAAP net revenues and other income	212.05%	192.51%	19.54%
General, administrative and other/total GAAP net revenues and other income	30.21%	24.86%	5.35%
Total expenses/total GAAP net revenues and other income	244.27%	217.37%	26.90%

Compensation, benefits and profit share decreased by $314.9 million, or 33.0%, to $638.0 million, primarily as a result of a reduction of $309.0 million, or 41%, in the expenses relating to Acquisition-related share based compensation.

This decrease in Acquisition-related compensation expense was primarily due to the effect of the accelerated method of amortizing the fair value of the agreement among the principals and trustees. In particular the Acquisition-related expense relating to the agreement among the principals and trustees decreased by $282.9 million, or 43%, to $370.3 million in 2009.

Other factors contributing to the decrease in compensation, benefit and profit share include the following:

a decrease in fixed compensation costs due to the headcount reduction initiatives undertaken in late 2008 as well as a reduction in the Principals salaries during 2009;

discretionary bonuses and limited partner profit share for 2009 being generally slightly lower than 2008 due to lower net revenues; and

the introduction in 2009 of a program to defer compensation and limited partner profit share subject to two year vesting as described below,

which was partially offset by:

one-time restructuring costs associated with the acquisition of SGAM UK;

strong investment performance in 2009 without the full linkage to performance fees; and

an elevated level of non-cash share-based compensation, benefits and profit share due to share awards granted in 2008 and in 2009 as part of rebuilding certain investment management teams which were reflected in 2009 expenses.

In 2009, we granted 7.8 million equity awards subject to service conditions which resulted in non-cash share-based compensation expense of $12.3 million in 2009. In 2008, we granted 2.9 million equity awards subject to service conditions which resulted in non-cash share-based compensation expense of $8.6 million in 2009 and $8.1 million in 2008. We anticipate, based on GLG s share price as at December 31, 2009 and current forfeiture estimates, that a total $11.4 million of compensation will be recognized in future periods in respect of non-vested awards, of which $8.8 million will be recognized in 2010 and a further $2.6 million will be recognized in 2011 and 2012 as the awards vest.

We implemented a deferred compensation program for employees and limited partners in respect of discretionary compensation for 2009. A portion of the discretionary compensation allocated to our investment and other professionals will be deferred in annual installments until the first quarter 2012. Deferred awards given to certain investment professionals and marketers will be invested on their behalf into GLG Funds, aligning portfolio manager and marketers incentives with those of the investors in such funds and, indirectly, our shareholders. Deferred awards and any related investment earnings or losses will vest to the extent that there are no forfeitures, in two equal installments on March 31, 2011 and 2012 and will be accounted for on a straight line basis. Deferred awards for all other personnel will be issued in the form of our common stock, aligning their incentives with our shareholders. The common stock will also vest over a two year period to the extent that there are no forfeitures, in two equal installments on March 31, 2011 and 2012 and will be accounted for on an accelerated method basis. We deferred $12.9 million of compensation under the deferred compensation program for 2009 in respect of discretionary awards, which will be recognized in earnings over 2010 and 2011.

General, administrative, and other expenses decreased $32.1 million or 26.1% due to the implementation of expense management initiatives and favorable impact of the depreciation of the pound sterling versus the U.S. dollar as a significant portion of the general, administrative and others expenses are denominated in sterling.

We previously recognized transaction costs relating to the acquisition of Société Générale Asset Management UK (SGAM UK) as a prepaid expense and other asset as at December 31, 2008. Due to the changes in U.S. GAAP related to business combinations, we elected to expense transaction costs relating to the acquisition in the period to which the cost relates, retrospectively restating prior period results.

These decreases were slightly offset by an increase of approximately $3.3 million in third party distribution, administration and service fees which reflect fund administration costs as well as cross-selling fees related to the funds acquired as part of the SGAM UK acquisition.

In addition, we had approximately $2.8 million of amortization costs related to the intangible assets as part of the SGAM UK acquisition.

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Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Change in GAAP Expenses between Years Ended December 31, 2008 and December 31, 2007

	Year Ended December 31, 2008	2007	Change
	(U.S. dollars in thousands)		
Expenses			
Compensation, benefits and profit share	$ 952,916	$ 1,211,212	$ (258,296)
General, administrative and other	123,049	108,926	14,123
Total expenses	**$ 1,075,965**	**$ 1,320,138**	**$ (244,173)**
Key ratios			
Compensation, benefits and profit share/total GAAP net revenues and other income	192.51%	116.45%	76.06%
General, administrative and other/total GAAP net revenues and other income	24.86%	10.47%	14.39%
Total expenses/total GAAP net revenues and other income	**217.37%**	**126.92%**	**90.45%**

Compensation, benefits and profit share decreased by $258.3 million, or 21.3%, to $952.9 million primarily due to a decrease of $323.0 million, or 80.6%, in limited partner profit share, offset by an increase in employee compensation and benefits of $64.7 million, or 8.0%, mostly related to the Acquisition-related compensation expense of $117.6 million due to the effect of the accelerated method of amortizing the fair value of the agreement among the principals and trustees.

General, administrative and other expenses increased $14.1 million due to a full-year of public company-related expenses in 2008 and infrastructure costs that supported net AUM of greater than $24 billion in the first half of 2008.

We previously recognized transaction costs relating to the acquisition of SGAM UK as a prepaid expense and other asset as at December 31, 2008. Due to the changes in U.S. GAAP related to business combinations, we elected to expense transaction costs relating to the acquisition in the period to which the cost relates, retrospectively restating prior period results.

Non-GAAP Expense Measures

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

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Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Change in Non-GAAP Expenses between Years Ended December 31, 2009 and December 31, 2008

	Year Ended December 31, 2009	2008	Change
	(U.S. dollars in thousands)		
Non-GAAP expenses			
GAAP compensation, benefits and profit share	$ 637,995	$ 952,916	$ (314,921)
Less: Acquisition-related compensation expense and other compensation costs	(447,610)	(756,646)	309,036
Non-GAAP CBP	**190,385**	**196,270**	**(5,885)**
Third party distribution, administration and service fees	**3,276**		**3,276**
GAAP general, administrative and other	**90,907**	**123,049**	**(32,142)**
Non-GAAP total expenses	**$ 284,568**	**$ 319,319**	**$ (34,751)**
Key ratios (based on non-GAAP measures)			
Non-GAAP CBP / total GAAP net revenues and other income	63.28%	39.65%	23.63%
General, administrative and other / total GAAP net revenues and other income	30.21%	24.86%	5.35%
Non-GAAP total expenses / total GAAP net revenues and other income	**94.58%**	**64.51%**	**30.07%**

Non-GAAP total expenses decreased by $34.8 million, or 10.9%, to $284.6 million, primarily as a result of a reduction of $32.1 million, or 26.1%, in general, administrative and other expenses.

The decrease in general, administrative and other expenses was primarily due to the implementation of expense management initiatives and favorable impact of the depreciation of the pound sterling versus the US dollar as a significant portion of the general, administrative and other expenses are denominated in sterling.

Non-GAAP CBP decreased $5.9 million, primarily driven by the following:

- a decrease in fixed compensation costs due to the headcount reduction initiatives undertaken in late 2008 as well as a reduction in the Principals , salaries during 2009;

- discretionary bonuses and limited partner profit share for 2009 being generally slightly lower than 2008 due to lower net revenues; and

- the introduction in 2009 of a program to defer compensation and limited partner profit share subject to two year vesting as described under Expenses ,

which was partially offset by:

one-time restructuring costs associated with the acquisition of SGAM UK;

strong investment performance in 2009 without the full linkage to performance fees; and

an elevated level of non-cash share based compensation, benefits and profit share due to share awards granted in 2008 and in 2009 as part of rebuilding certain investment management teams which were reflected in 2009 expenses.

We previously recognized transaction costs relating to the acquisition of SGAM UK as a prepaid expense and other asset as at December 31, 2008. Due to the changes in U.S. GAAP related to business combinations, we elected to expense transaction costs relating to the acquisition in the period to which the cost relates, retrospectively restating prior period results.

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These decreases were slightly offset by an increase of approximately $3.3 million in third party distribution, administration and service fees which reflect fund administration costs as well as cross-selling fees related to the funds acquired as part of SGAM UK acquisition.

Non-GAAP CBP in the future will be impacted as result of equity awards made in 2009 and the impact of deferral of part of the 2009 compensation that vest over the requisite service periods discussed under Expenses .

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Change in Non-GAAP Expenses between Years Ended December 31, 2008 and December 31, 2007

	Year Ended December 31, 2008	2007	Change
	(U.S. dollars in thousands)		
Non-GAAP expenses			
GAAP compensation, benefits and profit share	$ 952,916	$ 1,211,212	$ (258,296)
Less: Acquisition-related compensation expense and other compensation costs	(756,646)	(639,077)	(117,569)
Non-GAAP CBP	**196,270**	**572,135**	**(375,865)**
GAAP general, administrative and other	**123,049**	**108,926**	**14,123**
Non-GAAP total expenses	**$ 319,319**	**$ 681,061**	**$ (361,742)**
Key ratios (based on non-GAAP measures)			
Non-GAAP CBP / total GAAP net revenues and other income	39.65%	55.01%	(15.36)%
General, administrative and other / total GAAP net revenues and other income	24.86%	10.47%	14.39%
Non-GAAP total expenses / total GAAP net revenues and other income	**64.51%**	**65.48%**	**(0.97)%**

Non-GAAP CBP decreased by $375.9 million, or 65.7%, to $196.3 million. The decrease was attributable primarily to lower discretionary bonus accruals and limited partner profit share based on full year performance and an increase in Acquisition-related share-based compensation.

General, administrative and other expenses increased $14.1 million due to a full-year of public company related expenses in 2008 and infrastructure costs that supported net AUM of greater than $24 billion in the first half of 2008.

We previously recognized transaction costs relating to the acquisition of SGAM UK as a prepaid expense and other asset as at December 31, 2008. Due to changes in U.S. GAAP related to business combinations we elected to expense transaction costs relating to the acquisition in the period to which the cost relates, retrospectively restating prior period results.

Net Interest Income

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Change in Net Interest Income / (Expense) between Years Ended December 31, 2009 and December 31, 2008

	Year Ended December 31, 2009	Year Ended December 31, 2008	Change
	(U.S. dollars in thousands)		
Interest income	$ 1,226	$ 8,859	$ (7,633)
Interest expense	(12,729)	(25,472)	12,743
Net interest expense	**$ (11,503)**	**$ (16,613)**	**$ 5,110**

Interest income decreased by $7.6 million, or 86.2%, to $1.2 million. This decrease was primarily driven by:

Lower income generating cash balances; and

A decrease in interest yields on those cash balances.

Interest expense decreased by $12.7 million, or 50.0%, to $12.7 million. This decrease was primarily driven by:

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

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

The release of deferred gain on extinguishment of debt approximately $6.9 million during 2009 reducing our interest expense on the effective yield basis. There was no corresponding impact during 2008.

This decrease was offset by the interest paid on our convertible debt which carries a 5.00% fixed coupon.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Change in Net Interest Income / (Expense) between Years Ended December 31, 2008 and December 31, 2007

	Year Ended December 31, 2008	Year Ended December 31, 2007	Change
	(U.S. dollars in thousands)		
Interest income	$ 8,859	$ 8,871	$ (12)
Interest expense	(25,472)	(6,521)	(18,951)

Net interest income	**$ (16,613)**	**$ 2,350**	**$ (18,963)**

Gross interest expense increased by $19.0 million to $25.5 million, driven primarily by the full-year impact of the borrowing facilities put in place in connection with the Acquisition. Gross interest income stayed constant at $8.9 million, attributable primarily to similar average cash balances held during 2008 and 2007.

Income Tax

Prior to the Acquisition, our effective income tax rate was generally low since some of our business profits were not subject to company-level income taxes. Following the Acquisition, our U.S. profits as well as our repatriated profits are subject to U.S. taxation; however, our U.S. tax expense on repatriated profits is effectively reduced since we are amortizing over a 15-year period and deducting for U.S. income tax purposes the tax value of certain assets, such as intangibles, arising in connection with the Acquisition.

Shown in the table below is a reconciliation of income taxes computed at the standard U.K. corporation tax rate to the actual income tax expense which reflect our effective income tax rate.

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Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Change in Income Taxes between Years Ended December 31, 2009 and December 31, 2008

	Year Ended December 31, 2009	Year Ended December 31, 2008	Change
	(U.S. dollars in thousands)		
Loss before income taxes	$ (361,487)	$ (597,587)	$ 236,100
Tax credit at U.K. corporation tax rate (2009: 28%, 2008 28.5%)	101,216	170,312	(69,096)
Factors affecting charge:			
Effect of overseas tax rate differences	10,876	33,343	(8,011)
Effect of Acquisition-related compensation expense	(126,311)	(215,644)	89,333
Effect of gain on debt restructure	24,039		
Effect of tax losses for which no benefit taken	(9,584)		
Effect of other disallowables and tax adjustments	1,866	(2,242)	4,107
Tax benefit/(expense)	**$ 2,102**	**$ (14,231)**	**$ 16,333**
Effective income tax rate			