

FIRST ALBANY COMPANIES INC

Form PRER14A

November 27, 2007

Table of Contents

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 2)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

First Albany Companies Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

[], 2007

Dear Shareholder:

We will hold a special meeting of the shareholders of First Albany Companies Inc. (the Company) at the Company's principal office at One Penn Plaza, 42nd Floor, New York, New York 10119, on [], 2007, at 10:00 a.m. (EDT).

The enclosed material includes the Notice of Special Meeting and Proxy Statement that describes the business to be transacted at the meeting, for the following purposes:

(1) To consider and act upon a proposal to amend the Company's Amended and Restated Certificate of Incorporation (the Certificate of Incorporation) to change the name of the Company to Broadpoint Securities Group, Inc.;

(2) To consider and act upon a proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent; and

(3) To transact such other business as may properly come before the meeting or any adjournment thereof. We ask that you give it your careful attention.

The First Albany Companies Inc. Board of Directors (the Board) unanimously recommends that the shareholders vote (1) FOR a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc. and (2) FOR a proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent.

We hope that you are planning to attend the special meeting personally and we look forward to seeing you. Whether or not you are able to attend in person, it is important that your shares be represented at the special meeting. Accordingly, the return of the enclosed proxy as soon as possible will be appreciated and will ensure that your shares are represented at the special meeting. In addition to using the traditional proxy card, most shareholders also have the choice of voting over the Internet or by telephone. If you do attend the special meeting, you may, of course, withdraw your proxy should you wish to vote in person.

On behalf of the Board and management of First Albany Companies Inc., I would like to thank you for your continued support and confidence.

Sincerely yours,

Lee Fensterstock
Chairman of the Board and Chief Executive Officer

Table of Contents

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD**

[], 2007

NOTICE IS HEREBY GIVEN that the special meeting of the shareholders of First Albany Companies Inc. will be held at the offices of the Company, One Penn Plaza, 42nd Floor, New York, New York 10119, on [], 2007 at 10:00 a.m. (EDT), for the following purposes:

(1) To consider and act upon a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc.;

(2) To consider and act upon a proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent; and

(3) To transact such other business as may properly come before the meeting or any adjournment thereof.

The First Albany Companies Inc. Board unanimously recommends that the shareholders vote (1) FOR a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc. and (2) FOR a proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent.

Holders of common stock of record as of the close of business on November 26, 2007 are entitled to receive notice of and vote at the special meeting of the shareholders. A list of such shareholders may be examined at the special meeting.

It is important that your shares be represented at the special meeting. For that reason we ask that you promptly sign, date, and mail the enclosed proxy card in the return envelope provided. You may also have the option of voting over the Internet or by telephone. Please refer to your proxy materials or the information forwarded by your bank, broker or other holder of record to see which voting methods are available to you. Shareholders who attend the special meeting may withdraw their proxies and vote in person.

By Order of the Board of Directors

Lee Fensterstock
Chairman and Chief Executive Officer
New York, New York
[], 2007

Table of Contents

	Page No.
<u>Questions and Answers</u>	1
<u>Summary</u>	5
<u>Special Meeting of Shareholders</u>	11
<u>Voting, Record Date and Quorum</u>	12
<u>Proposal No. 1: Amend the Certificate of Incorporation to Change the Name of the Company</u>	13
<u>Proposal No. 2: Amend the Certificate of Incorporation to Permit the Shareholders to Act by Less Than Unanimous Written Consent</u>	31
<u>Stock Ownership of Principal Owners and Management</u>	32
<u>Change in Control</u>	34
<u>Forward-Looking Statements</u>	35
<u>Other Matters</u>	35
Appendix A Asset Purchase Agreement	
Appendix B Freeman & Co. Securities LLC Fairness Opinion	
Appendix C Amendment to the Certificate of Incorporation	
Appendix D DEPFA Notice and Waiver Letter; Exhibit A, License Agreement; Exhibit B, Voting Agreement	
Appendix E Financial Statements of the Company	
Appendix F Pro Forma Financial Statements of the Company	
Appendix G Financial Statements of the Municipal Capital Markets Group	

Table of Contents

**One Penn Plaza, 42nd Floor
New York, New York 10119**

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

The following are some questions that you, as a shareholder of First Albany Companies Inc., may have regarding the name change and the other matters being considered at the special meeting of shareholders and the answers to those questions. First Albany Companies Inc. urges you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the name change and the other matters being considered at the special meeting. Additional important information is also contained in the appendices to, and the documents incorporated by reference into, this document. The words we, our, and us as used in this proxy statement refer to First Albany Companies Inc. and its subsidiaries.

Why am I receiving these materials?

We sent you this proxy statement and the enclosed proxy card because the Board of First Albany Companies Inc. (sometimes referred to as the Company or First Albany) is soliciting your proxy to vote at our special meeting of the shareholders to be held on [], 2007. You are invited to attend the special meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

We intend to mail this proxy statement and accompanying proxy card on or about [], 2007 to all shareholders of record entitled to vote at the special meeting.

What am I voting on?

There are two matters scheduled for a vote at the special meeting:

(1) To consider and act upon a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc.; and

(2) To consider and act upon a proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent.

Why is the Company seeking to change the name of the Company as described in Proposal 1?

On September 14, 2007, pursuant to the terms of the Asset Purchase Agreement dated as of March 6, 2007 (the Asset Purchase Agreement), by and among the Company, First Albany Capital Inc., a wholly-owned subsidiary of the Company that has since been renamed Broadpoint Capital, Inc. (Broadpoint Capital), and DEPFA BANK plc (DEPFA), the Company completed the sale of Broadpoint Capital's Municipal Capital Markets Group (the MCMG) to DEPFA's wholly owned U.S. broker dealer subsidiary now operating as DEPFA First Albany Securities LLC. In accordance with the terms of the Asset Purchase Agreement, DEPFA purchased certain assets of the Company and Broadpoint Capital comprising the MCMG, including the right to use the name First Albany and any derivatives thereof except for certain exceptions, for a purchase price of \$12,000,000 in cash (the Asset Sale). In connection with the transaction, DEPFA also assumed certain contractual obligations of the Company and Broadpoint Capital. Further, pursuant to the Asset Purchase Agreement, DEPFA purchased Broadpoint Capital's municipal bond inventory used in the

Table of Contents

business of the MCMG. The purchase price for the municipal bond inventory, based on Broadpoint Capital's estimate of the fair market value of each bond in inventory at the close of business on the business day prior to the closing was approximately \$48,000,000. The proceeds of the sale of the MCMG's inventory were used to repay certain loans secured by the municipal bond inventory. The Company used the proceeds from the Asset Sale, other than the proceeds from the sale of the municipal bond inventory, to retire certain loan obligations pursuant to an agreement with the Company's lender and lessor.

On July 25, 2007, prior to the completion of the Asset Sale, the Company and Broadpoint Capital entered into a Notice and Waiver Letter Agreement with DEPFA (the "DEPFA Waiver"), pursuant to which DEPFA agreed to waive the condition in the Asset Purchase Agreement requiring that the Company include, as a management proposal to be voted on by the shareholders at its next annual meeting, to be held no later than June 30, 2007, an amendment to its Certificate of Incorporation changing its corporate name to a name that does not include the words "First Albany" or "FA" or any derivatives thereof (the "Charter Amendment"). On September 14, 2007, concurrent with the completion of the Asset Sale, the Company and DEPFA entered into a license agreement (the "License Agreement") to allow the Company to continue to use the name "First Albany" in certain instances before the Charter Amendment is approved at the special meeting or in the event the Charter Amendment is not approved at the special meeting, for an annual royalty fee of fifty thousand dollars (\$50,000). The Company paid the royalty fee to DEPFA on November ____, 2007. In accordance with the terms of the DEPFA Waiver, the Company agreed to use commercially reasonable efforts to effect the Charter Amendment following the closing of the Asset Sale, and the special meeting has been called by the Board for this purpose.

Will Proposal 1 be approved?

Yes. Because the previously announced private placement transaction (the "Private Placement") with MatlinPatterson FA Acquisition LLC ("MatlinPatterson") was approved by our shareholders and completed on September 21, 2007, MatlinPatterson is the shareholder of record of a majority of our outstanding capital stock and, as previously disclosed in our annual meeting proxy statement mailed to our shareholders on or about August 31, 2007, because MatlinPatterson has entered into a voting agreement (the "Voting Agreement") with DEPFA to vote its shares in favor of Proposal 1, Proposal 1 will be approved. Please see the section "Voting Agreement" on page 28 for more information about the Voting Agreement.

Why is the Company seeking to permit the shareholders to act by less than unanimous written consent as described in Proposal 2?

Our Certificate of Incorporation does not currently contain a provision permitting the shareholders having the minimum number of votes necessary to authorize an action to do so by written consent. Our Board believes that the addition of such a provision would be in the best interests of the Company and its shareholders. It will allow us, in situations where we can obtain the requisite consent in writing, to take prompt action with respect to corporate opportunities that develop, without the delay and expense of convening a shareholder meeting for the purpose of approving the action. The Board believes that in such cases where shareholders representing the requisite number of votes necessary to authorize an action have already consented to a given action, the shareholder meeting becomes a formality that utilizes time and resources that are better spent on other corporate functions. Because MatlinPatterson is the majority shareholder of the Company, if Proposal 2 is approved, MatlinPatterson will be able to take unilateral shareholder action by written consent without a shareholder meeting for those actions requiring majority shareholder approval until such time as its ownership interest decreases to fifty percent (50%) or less.

Will Proposal 2 be approved?

Yes. MatlinPatterson is the beneficial owner of a majority of the outstanding shares of our common stock, and, as previously disclosed in our annual meeting proxy statement mailed to our shareholders on or about August 31, 2007, MatlinPatterson has indicated that it intends to vote in favor of Proposal 2.

Who can vote at the special meeting?

Only shareholders of record at the close of business on November 26, 2007 will be entitled to vote at the special meeting. At the close of business on this record date, there were 54,266,608 shares of common stock outstanding and entitled to vote.

Shareholder of Record: Shares Registered in Your Name

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If at the close of business on November 26, 2007 your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, then you are a shareholder of record. As a shareholder of record, you may vote in person at the special meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to complete and return the enclosed proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

2

Table of Contents

If at the close of business on November 26, 2007 your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting your shares at the special meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the special meeting. However, since you are the beneficial owner and not the shareholder of record, you will not be able to vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

How do I vote?

For each of the matters to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are fairly simple:

Shareholder of Record: Shares Registered in Your Name

If you are a shareholder of record, you may vote in person at the special meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

To vote by proxy, most shareholders have a choice of voting over the Internet, using a toll-free telephone number or completing the proxy card in the form enclosed and mailing it in the envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other nominee to see which options are available to you.

To vote in person, come to the special meeting, and we will give you a ballot when you arrive.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card to ensure that your vote is counted.

To vote in person at the special meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials or contact your broker or bank to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of November 26, 2007.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted (1) For the proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc. and (2) For the proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the special meeting. You may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a written notice that you are revoking your proxy to First Albany Companies Inc.'s Secretary at One Penn Plaza, 42nd Floor, New York, New York 10119.

You may attend the special meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

How are votes counted?

3

Table of Contents

Votes will be counted by the inspector of election appointed for the special meeting, who will separately count *For* and *Against* votes, abstentions and broker non-votes. Abstentions will be counted towards a quorum and the vote total for the proposals and will have the same effect as *Against* votes. Broker non-votes will be counted towards a quorum and will have the same effect as an *Against* vote on the proposals. Please see the more detailed description of the effect of broker non-votes on the proposals in the answer to *How many votes are needed to approve the proposal?* below.

If your shares are held by your broker as your nominee (that is, in street name), you will need to obtain a proxy card from the institution that holds your shares and follow the instructions included on that proxy card regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to discretionary items but not with respect to non-discretionary items. Discretionary items are proposals considered routine under the rules of the NASDAQ Stock Market and on which your broker may vote shares held in street name in the absence of your voting instructions. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes. The proposals presented in this proxy statement will each be considered a non-discretionary item.

How many votes are needed to approve each proposal?

To be approved, Proposal 1 must receive *For* votes from the holders of a majority of the shares outstanding as of the record date. If you abstain from voting, it will have the same effect as an *Against* vote. Broker non-votes will also have the same effect as an *Against* vote.

To be approved, Proposal 2 must receive *For* votes from the holders of a majority of the shares outstanding as of the record date. If you abstain from voting, it will have the same effect as an *Against* vote. Broker non-votes will also have the same effect as an *Against* vote.

What is the quorum requirement?

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the shares outstanding and entitled to vote as of the record date are represented by shareholders present at the meeting or by proxy. On November 26, 2007, the record date, there were 54,266,608 shares outstanding and entitled to vote. As a result, 27,133,305 of these shares must be represented by shareholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum if you submit a valid proxy vote or vote at the meeting. Abstentions and broker non-votes will also be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date.

How can I find out the results of the voting at the special meeting?

Preliminary voting results will be announced at the special meeting and announced promptly following the special meeting in a press release and current report on Form 8-K. Final voting results will be published in our annual report on Form 10-K for the year ending December 31, 2007 that we are required to file with the Securities and Exchange Commission (the SEC) by March 17, 2008.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors, officers and other employees may also solicit proxies in person, by telephone or by other means of communication. Directors, officers and other employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

When are shareholder proposals due for next year's annual meeting?

The deadline for submitting a shareholder proposal for inclusion in our proxy statement and form of proxy for the 2008 annual meeting of shareholders is no earlier than 90 days before the 2008 annual meeting, and no later than the close of business on the later of either (i) the seventieth (70) day prior to the 2008 annual meeting, or (ii) the tenth day following the day the 2008 annual meeting date was first publicly announced. Shareholders are advised to review our Bylaws, which contain additional requirements with respect to advance notice of shareholder proposals and director nominations. Our current Bylaws are available at the SEC's website, www.sec.gov, or upon written request to

Investor Relations, First Albany Companies Inc., One Penn Plaza, 42nd Floor, New York, New York 10119. The proposed amendments to our Certificate of Incorporation referred to in the proposals is appended to this proxy statement as **Appendix C** and will also be available at *www.sec.gov* or upon written request to our Investor Relations department following adoption.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this document and may not contain all the information that is important to you. First Albany Companies Inc. urges you to read carefully the remainder of this document, including the attached appendices, and the other documents to which we have referred you because this section does not provide all the information that might be important to you with respect to the proposals being considered at the special meeting of shareholders. We have included page references to direct you to a more complete description of the topics presented in this summary. Unless the context otherwise requires, references to we, our and us in this document refer to First Albany Companies Inc. and its subsidiaries.

The Companies

First Albany Companies Inc.

One Penn Plaza, 42nd Floor
New York, New York 10119
(212) 273-7100

First Albany Companies Inc. is an independent investment bank that serves the institutional market and the growing corporate middle market by providing clients with strategic, research-based investment opportunities, as well as advisory and financing services. First Albany offers a diverse range of products through its Equities division, as well as Broadpoint Securities Inc., its mortgage-backed security/asset-backed security trading subsidiary, and FA Technology Ventures Inc., its venture capital division.

First Albany, a New York corporation, is traded on the NASDAQ Global Market, which we refer to as NASDAQ, under the symbol BPSG . The Company changed its symbol from FACT to BPSG effective November 12, 2007 in anticipation of changing its name following the special meeting.

Broadpoint Capital, Inc. (formerly known as First Albany Capital Inc.)

c/o First Albany Companies Inc.
One Penn Plaza, 42nd Floor
New York, New York 10119
(212) 273-7100

Broadpoint Capital, Inc., formerly known as First Albany Capital Inc. (Broadpoint Capital), an independent, institutional investment banking, sales and trading boutique, serves the growing corporate middle market by providing clients with focused expertise and strategic, research-based, innovative investment opportunities. Broadpoint Capital is a wholly-owned subsidiary of the Company.

DEPFA BANK plc

New York Branch
623 Fifth Avenue, 22nd Floor
New York, New York 10022
(212) 796-9219

DEPFA is a leading provider of financial services to public sector clients worldwide dedicated to meeting the financial needs of the public sector. DEPFA is a Aa3/A+/AA- rated (by Moody's, S&P, and Fitch, respectively) Dublin-based public limited company, incorporated under Irish law, with a network of subsidiaries and branch offices across Europe, as well as in the Americas and Asia. DEPFA's public finance capabilities cover a full spectrum of products and services, and are targeted at clients across all levels of the public sector. DEPFA finds solutions to its clients' specific needs and requirements, whether they be related to budget financing or funding of public infrastructure projects, advising on the rating process associated with the privatization of public services, debt restructuring, supporting bond placements or extending credit lines. DEPFA assigned the right to acquire the Purchased Assets (as defined in the Asset Purchase Agreement) to a wholly-owned subsidiary of DEPFA, now operating as DEPFA First Albany Securities LLC.

Table of Contents

The Special Meeting

The Special Meeting (See page 11)

The special meeting will be held at the offices of the Company, One Penn Plaza, 42nd Floor, New York, New York 10119, at 10:00 a.m. (EDT), on [], 2007. At the special meeting, our shareholders will be asked:

(1) To consider and act upon a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc.;

(2) To consider and act upon a proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent; and

(3) To transact such other business as may properly come before the meeting or any adjournment thereof.

You may vote at the First Albany special meeting if you owned shares of common stock at the close of business on November 26, 2007. On that date, there were 54,266,608 shares of common stock outstanding, approximately 73% of which were owned and entitled to be voted by the Company's directors and executive officers and their affiliates, which includes approximately 37,909,383 shares owned by MatlinPatterson for which beneficial ownership and shared voting and shared dispositive power was reported for Mark R. Patterson. We currently expect that our directors and executive officers will vote their shares in favor of the proposals. Furthermore, MatlinPatterson is the majority shareholder of the Company and owner of approximately 69.86% of the outstanding shares of the Company's common stock on the record date. MatlinPatterson has agreed with DEPFA that it will vote its shares of common stock in favor of Proposal 1 and has also indicated that it intends to vote its shares of common stock in favor of Proposal 2. You can cast one vote for each share of First Albany common stock you own. The proposals require the following percentages of votes in order to approve them:

To be approved, Proposal 1 must receive *For* votes from the holders of a majority of the shares outstanding as of the record date. If you abstain from voting, it will have the same effect as an *Against* vote. Broker non-votes will also have the same effect as an *Against* vote.

To be approved, Proposal 2 must receive *For* votes from the holders of a majority of the shares outstanding as of the record date. If you abstain from voting, it will have the same effect as an *Against* vote. Broker non-votes will also have the same effect as an *Against* vote.

Proposal No. 1: to Amend the Certificate of Incorporation to Change the Name of the Company to Broadpoint Securities Group, Inc. (See page 13)

Background of the Asset Sale (See page 14)

The Company experienced losses in several of our key segments in 2005 and 2006, including equities sales and trading, equity investment banking and fixed income sales and trading. Recognizing these losses and the need to maintain liquidity requirements, in the spring of 2006 the Board retained Freeman & Co. Securities LLC (Freeman) as its financial advisor to establish a comprehensive process to entertain both a strategic sale of, or a strategic investment in, the Company.

Throughout 2006 and early 2007, the Company had conversations with numerous potential investors but ultimately received no offers. In late 2006, DEPFA expressed interest in purchasing the Company's MCMG. The Board formed a special committee of the Board (the Special Committee) to assist in evaluating proposals from potential buyers and investors and to make recommendations to the Board regarding any issues requiring Board consideration with respect to any proposals received from such buyers and investors.

The Board engaged in discussions and consulted with the Company's financial advisors and legal counsel regarding a proposal by DEPFA involving the sale of the MCMG. The Board resolved that the DEPFA proposal was advisable and in the best interest of the Company and its shareholders. The Board also requested that Freeman deliver a fairness opinion regarding the consideration to be paid to the Company in connection with the Asset Sale.

On March 6, 2007, the Company and Broadpoint Capital entered into the Asset Purchase Agreement with DEPFA described below and attached hereto as **Appendix A**. On September 14, 2007, pursuant to the terms of the Asset Purchase Agreement, the Company completed the sale of the MCMG to DEPFA's wholly owned U.S. broker dealer subsidiary now operating as DEPFA First Albany Securities LLC. In accordance with the terms of the Asset Purchase Agreement, DEPFA purchased certain assets of the Company and Broadpoint Capital comprising the

MCMG, including the right to use the name First Albany and any derivatives thereof except for certain exceptions, for a purchase price of \$12,000,000 in cash. Further, pursuant to the Asset Purchase Agreement, DEPFA purchased Broadpoint Capital's municipal bond inventory used in the business of the MCMG. The purchase price for the municipal bond inventory was approximately \$48,000,000, based on Broadpoint Capital's estimate of the fair market value of each bond in inventory at the close of business on the business day prior to the closing. In connection with the transaction, DEPFA assumed certain contractual obligations of the Company and Broadpoint Capital and acquired the right to use the name First Albany

Table of Contents

and any derivative thereof except for certain exceptions. Please see the section **Asset Purchase Agreement** beginning on page 22 for more information about the Asset Purchase Agreement.

Reasons for the Asset Sale (See page 16)

Prior to entering into the Asset Purchase Agreement, we had experienced recurring losses. Continuing losses would adversely impact the Company's liquidity and net capital. We entered into the Asset Sale in order to obtain additional capital to pursue our strategic objectives. Upon the closing of the Asset Sale, the proceeds of the sale of the MCMG's inventory were used to pay off certain loans secured by the municipal bond inventory. The Company used the proceeds from the Asset Sale, other than the proceeds from the sale of the municipal bond inventory, to retire certain loan obligations pursuant to an agreement with the Company's lender and lessor. Because the Company is no longer required to maintain capital reserves to support certain short term bank loans financing the municipal bond inventory, the freed up capital from the sale of the municipal bond inventory and the remaining proceeds from the Asset Sale have been and will be used to pay down debt, restructure our back office and transition into a smaller and leaner organization. After considering numerous potential financing and strategic alternatives relating to the MCMG, the Special Committee and the Board determined that the Asset Sale was the best available alternative and would provide the greatest potential value for our shareholders, as well as provide capital to pursue our long-term strategic goals. The determination was the result of careful consideration by the Special Committee and the Board of a number of factors, including our belief that the Asset Sale would strengthen our financial condition and reduce our financial risk.

In its review of the Asset Sale, the Special Committee and the Board also considered a number of potentially negative factors, including (i) that we would no longer be able to operate under the name First Albany or any derivative thereof, (ii) the costs involved in adopting a new name and seeking shareholder approval to amend our Certificate of Incorporation, and (iii) completion of the Asset Sale was conditioned upon, among other things, the receipt of all material consents and approvals of certain third parties, governmental authorities and self-regulatory organizations which could delay or prevent the completion of the Asset Sale. The Special Committee and the Board recognized that there could be no assurance that we would be able to achieve all or significantly all of each anticipated benefit or advantage or that it had identified and accurately assessed each risk and negative factor. However the Special Committee and the Board concluded that the potential benefits and advantages of the Asset Sale significantly outweighed the risks and negative factors that it had identified.

Recommendations of the Board of Directors (See page 30)

After careful consideration and review, the Board, including the members of the Special Committee, unanimously approved the Asset Purchase Agreement on March 6, 2007, which included an agreement to change the name of the Company. For the factors considered by the Board in reaching its decision to approve the Asset Purchase Agreement and the name change, see the section entitled **Proposal No. 1: To Amend the Company's Certificate of Incorporation to Change the Name of the Company to Broadpoint Securities Group, Inc.** beginning on page 13. **The First Albany Board unanimously recommends that the First Albany shareholders vote *For* the proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc.**

Opinion of our Independent Financial Advisor Regarding the Asset Sale (See page 17)

On March 6, 2007, First Albany's financial advisor, Freeman, delivered to the Board its opinion that, as of the date of the opinion and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the consideration to be paid to Broadpoint Capital in the Asset Sale was fair to the Company from a financial point of view. A copy of Freeman's written opinion is attached to this proxy statement as **Appendix B**.

First Albany encourages you to read carefully both the section entitled **Proposal No. 1: To Amend the Company's Certificate of Incorporation to Change the Name of the Company to Broadpoint Securities Group, Inc. Opinion of Our Financial Advisor** beginning on page 17 and Freeman's written opinion in its entirety for a description of the assumptions made, matters considered and limits on the scope of review undertaken by Freeman. Freeman's opinion was intended for the use and benefit of the Board, does not address the merits of the underlying decision by the Company to enter into the Asset Purchase Agreement or any of the transactions contemplated thereby, including the Asset Sale, and does not constitute a recommendation as to how any holder of common stock should

vote on, or take any action with respect to, the Asset Sale or any related matter.

Financial Projections (See page 20)

The Company's senior management provided financial forecasts to DEPFA in connection with their consideration of a possible transaction with the Company. These projections were also provided to our Board and to Freeman. We have included a summary of these projections in this proxy statement to give our shareholders access to certain nonpublic information deemed material by our Board at the time it was considering and evaluating the Asset Sale. The inclusion of these projections should not be regarded as an indication that management, our Board, DEPFA, Freeman, or any other recipient of this information considered, or now considers, these projections to be a reliable prediction of future results, and they should not be relied on as such. In addition, as we have only included a summary of the projections in this proxy statement and because the information is now outdated, you are

Table of Contents

cautioned not to rely on this information as complete or now appropriate in making a decision whether to vote in favor of amending the Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc.

The projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond the Company's control. The projections are also subject to significant uncertainties in connection with changes to the Company's business and its financial condition and results of operation. In addition, the projections reflect projected information without regard to the Asset Purchase Agreement with DEPFA, which may cause actual results to materially differ as well. As a result, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than those contained in the projections; it is expected that there will be differences between actual and projected results. Since the projections cover multiple years, such information by its nature becomes less reliable with each successive year.

Financial Statements (See page 22)

The Company's audited financial statements as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 are appended to this proxy statement as **Appendix E**. The Company's unaudited financial statements as of September 30, 2007 and for the three and nine months ended September 30, 2007 and 2006 are also appended to this proxy statement as **Appendix E**. As previously disclosed in our Form 10-Q for the period ended September 30, 2006, we have sold the Municipal Capital Markets Group and met the criteria for reporting it as discontinued operations. Under generally accepted accounting principles, we are required to reclassify previously reported prior period financial statements to reflect the discontinued operations on a basis comparable to the current presentation and require our financial statements that were included in our 2006 Annual Report on Form 10-K for the year ended December 31, 2006 (the Annual Report) to be updated for discontinued operations. As a result, the following items from the Annual Report have been updated to reflect these changes: Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 8, Financial Statements and Supplementary Data. This proxy statement and the appendices hereto update the information presented in the Annual Report only to the extent this information is impacted by the revised classification. The information in this proxy statement that updates the Annual Report is presented as of December 31, 2006 and other than as indicated above, has not been updated to reflect financial results subsequent to that date or any other changes since the date of the Annual Report. This updated information should be read in connection with the portions of the Annual Report that have not been updated, as well as in connection with the Company's quarterly reports on Form 10-Q for the periods ending September 30, 2007, June 30, 2007 and March 31, 2007 and other current reports on Form 8-K filed by the Company with the SEC after the Annual Report.

The Company's unaudited pro forma financial statements as of September 30, 2007 and for the nine months then ended and for the years ended December 31, 2006, 2005 and 2004 are appended to this proxy statement as **Appendix F**. The unaudited pro forma financial statements (the Pro Forma Financial Information) give effect to the Asset Sale. The pro forma statements of operations for the nine months ended September 30, 2007 and for the fiscal years ended December 31, 2006, 2005 and 2004 present our consolidated results of operations, assuming that the sale of the MCMG occurred as of the beginning of the periods presented. The Pro Forma Financial Information should be read in conjunction with this proxy statement and our audited and unaudited financial statements and related notes provided in Appendix E. The Pro Forma Financial Information presented is for informational purposes only and is not intended to be indicative of the results of operations that would have occurred had the sale been consummated as of the beginning of the periods presented, nor is it intended to be indicative of our future results of operations or financial position. Future results may vary significantly from the results reflected because of various factors.

The Municipal Capital Markets Group's unaudited financial statements as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 are appended to this proxy statement as **Appendix G**. The Municipal Capital Markets Group's unaudited financial statements as of June 30, 2007 and for the three and six months ended June 30, 2007 and 2006 are also appended to this proxy statement as **Appendix G**.

Terms of the Asset Sale (See page 22)

The following is a summary of the terms of the Asset Sale that was completed on September 14, 2007 and the provisions of the Asset Purchase Agreement, the Bonus Letter Agreements, the DEPFA Waiver and Consent, the

License Agreement, the First Albany Waiver and Consent, and the Voting Agreement referred to below.

THIS SUMMARY OF THE TERMS OF THE ASSET SALE IS INTENDED TO PROVIDE YOU WITH BASIC INFORMATION CONCERNING THE TRANSACTION WHICH WAS COMPLETED ON SEPTEMBER 14, 2007. IT IS NOT A SUBSTITUTE FOR REVIEWING THE ASSET PURCHASE AGREEMENT APPENDED TO THIS PROXY STATEMENT AS APPENDIX A. YOU SHOULD READ THIS SUMMARY IN CONJUNCTION WITH THE AGREEMENTS APPENDED HERETO AS APPENDIX A AND APPENDIX D.

Asset Purchase Agreement (See page 22)

Table of Contents

On March 6, 2007, the Company and Broadpoint Capital entered into an Asset Purchase Agreement with DEPFA. On September 14, 2007, upon the closing of the Asset Sale and in accordance with the terms of the Asset Purchase Agreement, DEPFA purchased the assets comprising the MCMG for a purchase price of \$12 million in cash. Further, pursuant to the Asset Purchase Agreement, DEPFA purchased Broadpoint Capital's municipal bond inventory used in the business of the MCMG. The purchase price for the municipal bond inventory was approximately \$48,000,000, based on Broadpoint Capital's estimate of the fair market value of each bond in inventory at the close of business on the business day prior to the closing. The proceeds of the sale of the MCMG's inventory were used to pay off certain loans secured by the municipal bond inventory. The Company used the proceeds from the Asset Sale, other than the proceeds from the sale of the municipal bond inventory, to retire certain loan obligations pursuant to an agreement with the Company's lender and lessor.

In connection with the transaction, DEPFA assumed certain contractual obligations of the Company and Broadpoint Capital and acquired the right to use the name First Albany and any derivative thereof except for certain exceptions.

Under the terms of the Asset Purchase Agreement the Company and Broadpoint Capital also agreed not to compete with the Municipal Capital Markets Group for 10 years following the closing, subject to certain exceptions, including Broadpoint Capital's ability to continue to operate its Fixed Income Middle Markets Group (the FIMM). On June 22, 2007, the Company announced the closure of the Fixed Income Middle Markets Group and the sale of the inventory positions managed by the FIMM to C.L. King & Associates at market values in the aggregate amount of approximately \$34 million, the proceeds of which were used to repay short term bank loans used to finance the FIMM and other firm inventory.

The summary above of the Asset Purchase Agreement does not purport to be complete and is qualified in its entirety by the more detailed description contained herein as well as the full text of such agreement, a copy of which is attached in **Appendix A** hereto.

The Asset Purchase Agreement contains representations and warranties of the Company, Broadpoint Capital and DEPFA made to each other. The statements embodied in those representations and warranties were qualified by information in confidential disclosure schedules that the Company, Broadpoint Capital and DEPFA exchanged in connection with signing the Asset Purchase Agreement. The Company, Broadpoint Capital and DEPFA do not consider the information contained in the disclosure schedules to be information that is required to be disclosed pursuant to federal securities law. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Asset Purchase Agreement. Moreover, certain representations and warranties were used for the purpose of allocating risk between the Company and DEPFA rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties in the Asset Purchase Agreement (or the summaries contained herein) as characterizations of the actual state of facts about the Company because they are modified by such disclosure schedules.

Bonus Letter Agreements (See page 27)

In connection with the Asset Sale, the Company entered into bonus letter agreements (Bonus Agreements), dated March 5, 2007, with six key employees of the MCMG, which required them to remain employed by the Company through the closing of the transaction and to use their best efforts to help facilitate the consummation of the transaction. Under the Bonus Agreements, four of the six employees received a bonus payment of \$250,000, and one of the remaining two received a bonus payment of \$500,000 (respectively, the Bonus Payment), at the closing of the transaction. If any of the five employees who received a Bonus Payment terminates employment voluntarily for whatever reason or is terminated for cause by DEPFA during the one year period following the closing of the transaction, such employee is required to repay to DEPFA his/her respective Bonus Payment.

DEPFA Waiver and Consent (See page 27)

On July 25, 2007, the Company and Broadpoint Capital entered into a Notice and Waiver Letter Agreement with DEPFA, pursuant to which DEPFA waived the condition in the Asset Purchase Agreement requiring that the Company include the Charter Amendment, in connection with the sale of the name First Albany, amending its Certificate of Incorporation to change its corporate name to a name that does not include the words First Albany or FA or any derivatives thereof as a management proposal to be voted on by the shareholders at its next annual meeting, to

be held no later than June 30, 2007. This waiver allowed the Company to hold its annual meeting of shareholders after June 30, 2007, without including the Charter Amendment. In accordance with the terms of the DEPFA Waiver, the Company agreed to use commercially reasonable efforts to effect the Charter Amendment following the closing of the Asset Sale, and the special meeting has been called by the Board for this purpose.

The foregoing summary of the provisions of the DEPFA Waiver is qualified in its entirety by the full text of the DEPFA Waiver included in **Appendix D** and incorporated by reference herein.

License Agreement (See page 28)

On September 14, 2007, concurrent with the closing of the Asset Sale, and as required by the DEPFA Waiver, DEPFA and

Table of Contents

the Company entered into the License Agreement to allow the Company to operate under a trade name but continue to use the name First Albany in certain instances before the Charter Amendment is approved at the special meeting or in the event the Charter Amendment is not approved at the special meeting. The License Agreement allows the Company to use the name First Albany in the Company's official corporate name as required by applicable law and in the Company's ordinary conduct of its business, including in correspondence and contracts, for an annual royalty fee of fifty thousand dollars (\$50,000), which the Company paid to DEPFA on November ___, 2007. The Company will continue to operate its business under the Broadpoint trade name until such time as its Certificate of Incorporation is amended to change the name of the Company to Broadpoint Securities Group, Inc. and the License Agreement is terminated.

The foregoing summary of the provisions of the License Agreement is qualified in its entirety by the full text of the License Agreement included in **Exhibit A of Appendix D** and incorporated by reference herein.

Voting Agreement (See page 28)

As a condition to the DEPFA Waiver, DEPFA and MatlinPatterson entered into the Voting Agreement as of June 29, 2007. The MatlinPatterson transaction closed on September 21, 2007. Pursuant to the terms of the Investment Agreement dated as of May 14, 2007 between the Company and MatlinPatterson, MatlinPatterson purchased 37,909,383 newly-issued shares of the Company's common stock, subject to upward adjustment based on the adjustment provisions of the Investment Agreement, for a purchase price of \$49,420,000. The Company estimates that MatlinPatterson will own between approximately 70% and 75% of the outstanding common stock of the Company (between 60% and 65% on a fully-diluted basis) following this adjustment. The 37,909,383 shares of common stock held by MatlinPatterson as of the record date represent approximately 69.86% of the issued and outstanding voting power of the Company on the record date. Pursuant to the Voting Agreement, at the special meeting, MatlinPatterson will vote its shares of the Company's common stock in favor of Proposal 1 and will not solicit, encourage or recommend to other shareholders of the Company that they vote their shares of common stock in any contrary manner or they not vote their shares of common stock at all.

The foregoing summary of the provisions of the Voting Agreement is qualified in its entirety by the full text of the Voting Agreement included in **Exhibit B of Appendix D** and incorporated by reference herein.

No Appraisal Rights (See page 28)

The shareholders are not entitled to appraisal rights with respect to Proposal No. 1, and we will not independently provide the shareholders with any such rights.

Proposal No. 2: to Amend the Certificate of Incorporation to

Permit the Shareholders to Act by Less Than Unanimous Written Consent (See page 31)

Our Certificate of Incorporation does not currently contain a provision permitting the shareholders having the minimum number of votes necessary to authorize an action to do so by written consent. Our Board believes that the addition of such a provision would be in the best interests of the Company and its shareholders. It will allow us, in situations where we can obtain the requisite consent in writing, to take prompt action with respect to corporate opportunities that develop, without the delay and expense of convening a shareholder meeting for the purpose of approving the action. The Board believes that in such cases where a majority in interest of the shareholders have already consented to a given action, the shareholder meeting becomes a formality that utilizes time and resources that are better spent on other corporate functions. Upon the closing of the previously announced Private Placement on September 21, 2007, MatlinPatterson became the holder of a majority of our outstanding capital stock. As previously disclosed in the Company's annual meeting proxy statement, MatlinPatterson has indicated its intention to vote in favor of Proposal 2 and therefore Proposal 2 will be approved. Accordingly, upon approval of Proposal 2, MatlinPatterson will be able to determine matters submitted to a vote of shareholders, such as approval of significant corporate transactions, unilaterally by written consent and without a shareholder meeting until such time as its ownership interest decreases to less than fifty percent (50%).

Table of Contents

SPECIAL MEETING OF SHAREHOLDERS

[], 2007

This proxy statement is being furnished to the shareholders of First Albany in connection with the solicitation by the Board of proxies for use at the special meeting to be held at the offices of the Company, One Penn Plaza, 42nd Floor, New York, New York 10119 on [], 2007 at 10:00 a.m. (EDT), and any postponements or adjournments thereof. The mailing address of the principal office of the Company is One Penn Plaza, 42nd Floor, New York, New York 10119 and its telephone number is (212) 273-7100.

At the special meeting, the shareholders of the Company will be asked (1) to consider and act upon the proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc. and (2) to consider and act upon the proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent.

Proxy Solicitation

This proxy statement and the enclosed form of proxy are expected to be mailed on or about [], 2007. All expenses of the Company in connection with this solicitation of proxies will be borne by the Company. Proxies may be solicited by directors, officers and other employees of the Company in person or by mail, telephone, facsimile or e-mail, without additional compensation. The Company will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares held of record by such persons and will reimburse such persons and the Company's transfer agent for their reasonable out-of-pocket expenses in forwarding such materials but these individuals will receive no additional compensation for these solicitation services.

Voting by Mail, Internet or Telephone

Shareholders who cannot attend the special meeting in person can be represented by proxy. Most shareholders have a choice of voting over the Internet, using a toll-free telephone number or completing the proxy card in the form enclosed and mailing it in the envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other nominee to see which options are available to you.

A proxy may be revoked at any time before it is exercised by giving notice of revocation to the Secretary of the Company, by executing a later-dated proxy (including an Internet or telephone vote) or by attending and voting in person at the special meeting. The execution of a proxy will not affect a shareholder's right to attend the special meeting and vote in person, but attendance at the special meeting will not, by itself, revoke a proxy. Proxies properly completed and received prior to the special meeting and not revoked will be voted at the special meeting.

Table of Contents

VOTING, RECORD DATE AND QUORUM

Proxies will be voted as specified or, if no direction is indicated on a proxy, will be voted (1) *For* the proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc. and (2) *For* the proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent.

As to any other matter or business which may be brought before the special meeting, including any adjournment(s) or postponement(s) thereof, a vote may be cast pursuant to the proxy in accordance with the judgment of the person or persons voting the same. As of the date hereof, the Board does not know of any such other matter or business.

The close of business on November 26, 2007 has been fixed as the record date for the determination of shareholders entitled to vote at the special meeting. 54,266,608 shares of common stock were outstanding as of the record date. Each shareholder will be entitled to cast one vote, in person or by proxy, for each share of common stock held. There are no other shares of voting stock of the Company outstanding. The presence, in person or by proxy, of the holders of at least a majority of the shares of common stock entitled to vote at the special meeting is necessary to constitute a quorum at the special meeting. Abstentions and broker non-votes (as described below) and votes to withhold authority are counted in determining whether a quorum has been reached on a particular matter. Votes to withhold authority are treated the same as abstentions for purposes of the voting requirements described below.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to certain matters. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Your broker **will not** be permitted to exercise voting discretion with respect to Proposal 1 or Proposal 2.

You can cast one vote for each share of First Albany common stock you own. The proposals require the following percentages of votes in order to approve them:

To be approved, Proposal 1 must receive *For* votes from the holders of a majority of the shares outstanding as of the record date. If you abstain from voting, it will have the same effect as an *Against* vote. Broker non-votes will also have the same effect as an *Against* vote.

To be approved, Proposal 2 must receive *For* votes from the holders of a majority of the shares outstanding as of the record date. If you abstain from voting, it will have the same effect as an *Against* vote. Broker non-votes will also have the same effect as an *Against* vote.

The Board unanimously recommends that the shareholders vote (1) *For* the proposal to amend the Company's Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc. and (2) *For* the proposal to amend the Company's Certificate of Incorporation to permit the shareholders to act by less than unanimous written consent.

Table of Contents

**PROPOSAL NO. 1:
TO AMEND THE COMPANY S CERTIFICATE OF INCORPORATION TO
CHANGE THE NAME OF THE COMPANY TO BROADPOINT SECURITIES GROUP, INC.**

On March 6, 2007, the Company and Broadpoint Capital entered into the Asset Purchase Agreement with DEPFA. Pursuant to the Asset Purchase Agreement, DEPFA agreed to purchase the MCMG, which consists primarily of the Company s Municipal Capital Markets segment and certain assets of the Company and Broadpoint Capital related thereto, including the municipal bond inventory used in the business of the MCMG and the right to use the name First Albany and any derivative thereof except for certain exceptions, as described in the Asset Purchase Agreement.

On September 14, 2007, following the satisfaction or waiver of the closing conditions set forth in the Asset Purchase Agreement, the sale of the MCMG to DEPFA was completed. Following the closing on September 24, 2007, the Company announced the launch of its new corporate brand, Broadpoint . Accordingly, the Board is proposing that Article FIRST of our Certificate of Incorporation be amended to change the name of the Company to Broadpoint Securities Group, Inc. The full text of Article FIRST of the Certificate of Incorporation, as proposed to be amended, is as follows:

FIRST, The name of the Corporation shall be Broadpoint Securities Group, Inc., and the name under which it was formed was First Albany Companies Inc.

On the closing and in accordance with the terms of the Asset Purchase Agreement, DEPFA purchased certain assets of the Company and Broadpoint Capital comprising the MCMG for a purchase price of \$12,000,000 in cash. Further, pursuant to the Asset Purchase Agreement, DEPFA purchased Broadpoint Capital s municipal bond inventory used in the business of the MCMG. The purchase price for the municipal bond inventory was approximately \$48,000,000, based on Broadpoint Capital s estimate of the fair market value of each bond in inventory at the close of business on the business day prior to the closing. The proceeds of the sale of the MCMG s inventory were used to pay off certain loans secured by the municipal bond inventory. The Company used the proceeds from the Asset Sale, other than the proceeds from the sale of the municipal bond inventory, to retire certain loan obligations pursuant to an agreement with the Company s lender and lessor. Because the Company is no longer required to maintain capital reserves to support certain short term bank loans financing the municipal bond inventory, the freed up capital from the sale of the municipal bond inventory and the remaining proceeds from the Asset Sale have been and will be used to pay down debt, restructure our back office and transition into a smaller and leaner organization. In connection with the transaction, DEPFA assumed certain contractual obligations of the Company and Broadpoint Capital and acquired the right to use the name First Albany and any derivative thereof except for certain exceptions.

Under the terms of the Asset Purchase Agreement the Company and Broadpoint Capital also agreed not to compete with the Municipal Capital Markets Group for 10 years following the closing, subject to certain carve-outs, including Broadpoint Capital s ability to continue to operate its Fixed Income Middle Market Group. This non-competition covenant will not be binding on the successors and assigns of either party in the event of the sale, merger or other disposition of either the Company or Broadpoint Capital following the closing date other than if such disposition occurs prior to the third anniversary of the closing date and the successor or acquiring person is not engaged in the business of underwriting, advisory services, sales and trading of U.S. municipal bonds or other similar securities, in which case such successor or acquiror will be bound by the non-competition covenant until the third anniversary of the closing date. On June 22, 2007, the Company announced the closure of the Fixed Income Middle Markets Group and the sale of the inventory positions managed by the FIMM to C.L. King & Associates at market values in the aggregate amount of approximately \$34 million, the proceeds of which were used to repay short term bank loans used to finance the FIMM and other firm inventory.

The Asset Purchase Agreement provides that the Company and Broadpoint Capital will be obligated to indemnify DEPFA and certain related parties for a period of eighteen (18) months following the closing, or until March 14, 2009, subject to certain exceptions, for losses incurred in connection with (i) breaches by the Company and Broadpoint Capital of their respective representations, warranties and covenants, (ii) excluded liabilities and (iii) non-compliance with applicable bulk sale transfer laws. The indemnification obligations of the Company and Broadpoint Capital are limited, with certain exceptions, to losses that, in the aggregate, exceed \$500,000, subject to a

cap of \$3 million. Pursuant to the Asset Purchase Agreement, losses incurred in connection with excluded liabilities and breaches of representations and warranties relating to Broadpoint Capital having good and marketable title to, and the power to transfer free and clear, the municipal bond inventory of Broadpoint Capital to be transferred to DEPFA at closing, are not subject to the cap of \$3 million.

The Asset Purchase Agreement also provides that DEPFA will be obligated to indemnify the Company and Broadpoint Capital and certain related parties for a period of eighteen (18) months following the closing, or until March 14, 2009, subject to certain exceptions, for losses incurred in connection with (i) breaches by DEPFA of its representations, warranties and covenants, (ii) employment-related obligations incurred following the closing with respect to employees of the Municipal Capital Markets Group who accept employment with DEPFA and (iii) assumed liabilities. The indemnification obligations of DEPFA are limited, with certain exceptions, to losses that, in the aggregate, exceed \$500,000, subject to a cap of \$3 million. Pursuant to the Asset Purchase

Table of Contents

Agreement, losses incurred in connection with assumed liabilities are not subject to the cap of \$3 million.

Background of the Asset Sale

The Company experienced losses in several of our key segments in 2005 and 2006, including equities sales and trading, equity investment banking and fixed income sales and trading.

Recognizing these losses and the need to maintain liquidity requirements, in the spring of 2006 the Board retained Freeman & Co. Securities LLC (Freeman) as its financial advisor to establish a comprehensive process to entertain both a strategic sale of, or a strategic investment in, the Company. The Company began to work immediately on preparing materials for potential investors, and in the spring and summer of 2006 a broad target list of over thirty names was developed, which led to focused discussions with twenty-two parties. After discussions and preliminary due diligence, three potential investors emerged. The first of these formally withdrew without providing a letter of intent or a term sheet and while both the second and third gave verbal indications of interest at a valuation of approximately tangible book value, neither provided a written letter of intent or term sheet, and the process concluded unsuccessfully.

The Board's conclusions from the formal process were that (1) there was apparent potential market interest to buy the entire Company for tangible book value, but no written offers were received, (2) the process was beginning to have a negative effect upon employee retention and (3) the Company should focus on its strategy to repair the financials of the Company that was begun in June 2006 and suspend the formal process while still selectively entertaining or soliciting interest in a sale or investment.

During the December 22, 2006 meeting of the Board, Peter McNierney, the Company's CEO, provided the Board with an update on the financial performance of the Company. He noted that the results were below budget projections by \$3-4 million and stated that although the Company could continue to survive as a stand-alone entity, this would not be the preferred course of action. Mr. McNierney then presented an analysis and comparison of potential transactions the Company might undertake including a merger, an acquisition or an investment by a third party. Mr. McNierney described several investment offers to the Board, one of which was an offer from DEPFA to purchase the Company's Municipal Capital Markets Group, including the MCMG's assets and the rights to the First Albany name.

In December 2006, DEPFA delivered a draft letter of intent (the Letter of Intent) to the Board. It contemplated a purchase of the MCMG at approximately 1.8 times book value of the MCMG and approximately 0.9 times its net revenues. At the meeting on December 22, 2006, the Board discussed various valuation metrics with management. In addition, it was noted that in connection with the proposed transaction, DEPFA would need time to apply for and obtain a U.S. broker-dealer license, which could delay the consummation of the transaction. The Board also discussed the value of the First Albany name and the implications of the sale of the name for the rest of the Company. Mr. McNierney stated that he believed the name had limited value to the rest of the Company. Moreover, Mr. McNierney reported that the DEPFA proposal received support from the MCMG, including Kenneth D. Gibbs, Managing Director of the MCMG, Broadpoint Capital. In response to questions from directors, Brian Coad, the Company's CFO, reported the planned stock awards for the MCMG employees for 2006 end of year compensation as well as current stock holdings by such employees.

The Board then discussed each of the potential offers and the possible timing or sequencing of the deals in order to maximize shareholder value. In particular, the Board discussed whether it was advantageous to seek the sale of the MCMG separately from the Company and its other divisions and the possibility of improving a bid for the Company by first concluding the sale of the MCMG. It was believed that the Company may have had greater value in the market if divisions were sold separately rather than as a whole. The Board reasoned that it may be able to gain a stronger negotiating position with respect to other potential buyers if the Company sold the MCMG first.

Mr. McNierney also reported his continuing concern regarding retention of the MCMG employees following the February bonus payments. The Board observed that by pursuing the DEPFA offer first, it would eliminate the risk of losing key employees of the MCMG without the benefit of a sale. It was noted that the risk had been repeatedly mentioned to the Board by management.

Accordingly, the directors agreed that it would be in the best interest of the Company and its shareholders to pursue the DEPFA offer and elicit offers to purchase the remainder of the Company. There was some discussion as to

whether the Company should pursue serial purchase negotiations or parallel negotiations, in which case DEPFA would have to agree to limit its exclusive right to negotiate with the Company to only the purchase of the MCMG. The Board also considered whether pursuing parallel negotiations would cause DEPFA to lose interest and therefore frustrate the Company's plan to improve its overall negotiating position with other interested parties by selling the MCMG. The majority of the Board supported the serial negotiations alternative. The Board resolved to authorize Mr. McNierney to negotiate and execute a letter of intent with DEPFA for the purchase and sale of the MCMG of Broadpoint Capital with a limited exclusivity clause.

Throughout December 2006 and January 2007, DEPFA and its financial and legal advisors and the Company and its financial advisor, Freeman, and legal advisor, Dewey & LeBoeuf LLP (Dewey), conducted their due diligence reviews and participated in discussions through in-person meetings, telephone conferences and exchange and review of various documents and information

Table of Contents

relating to the two companies.

On January 3, 2007, the Board met to discuss concerns raised by directors in connection with the proposed Letter of Intent. Ms. O'Brien requested that the Company's legal counsel, Cahill/Wink LLP, review the duties of directors, particularly the directors' duties of care and loyalty with emphasis on the changing nature of those duties as a result of selling significant assets of the Company and in the context of selling the Company itself.

Representatives of Freeman then reported on their attempts to identify interested parties in connection with their engagement by the Company. The deterioration of the financial results of the Company led to no real alternatives after months of seeking a strategic partner, investor or purchaser. However, Freeman's representatives provided an update regarding DEPFA's extensive due diligence review of the Company and DEPFA's strong balance sheet. In addition, Freeman's representatives stated that it believed the price offered by DEPFA was fair, that there was a high probability of consummation of the transaction and that they would be able to issue a fairness opinion to the Board based on the current terms of the proposed transaction with DEPFA. Freeman then discussed the impact of the proposed transaction with DEPFA on the strategic position of the Company. Freeman believed that the proposed transaction would provide temporary stability and enable the Company to focus on returning its remaining divisions to profitability, and, as a result, the Company could elicit higher multiples in the market in a potential transaction for the remaining divisions. The Board then resolved that the Company should execute the Letter of Intent.

In addition, a special committee of the Board (the Special Committee), comprised of Nicholas A. Gravante, Jr., Carl P. Carlucci, Dale Kutnick and Ms. O'Brien, was formed to assist in evaluating proposals from potential investors and to make recommendations to the Board regarding any issues requiring Board consideration with respect to any proposals received from such investors. Bingham McCutchen LLP was later retained as legal counsel for the Special Committee.

On January 12, 2007, at a meeting of the Special Committee, representatives of Freeman discussed the current status of the DEPFA proposal. The Special Committee also instructed management to develop its own stand-alone plan, so that the Board could ultimately consider several alternatives upon the expiration of DEPFA's exclusivity period, including DEPFA's offer to acquire the MCMG assets, any offers for the other assets of the Company, the Company's stand-alone business plan in the absence of any offers, and any other strategic alternatives for consideration.

In January 2007, DEPFA's legal counsel, Sidley Austin LLP, delivered a proposed asset purchase agreement, and during January and February 2007, DEPFA and the Company, together with their respective financial and legal advisors, continued to negotiate and finalize the terms of the Asset Purchase Agreement and related transaction documents, while finalizing their mutual financial, legal and other customary due diligence reviews and discussions.

At the Board meeting on February 5, 2007, Mr. McNierney asked Freeman to provide an update on the potential transaction with DEPFA. Freeman led the Board through a discussion of issues that the Company has faced since engaging Freeman in the spring of 2006. Freeman also provided an update on the current market cap for small-cap broker-dealers and an outlook on the competition the Company faced. Freeman also discussed the potential for transactions with strategic investors or other purchasers subsequent to the DEPFA transaction.

At the Board meeting on February 6, 2007, Mr. Coad updated the Board regarding the status of the DEPFA transaction. He provided a pro forma financial statement without the inclusion of the MCMG and discussed the wind down of administrative support for the MCMG. The Board discussed the anticipated cash remaining on the balance sheet and the anticipated capital requirements following the transaction. Mr. Coad also provided an overview of the Company both prior and subsequent to the proposed DEPFA transaction. Management recommended that it continue to review this decision during the period up to and through the DEPFA closing.

Throughout February 2007 and early March 2007, DEPFA and its financial and legal advisors and the Company and its financial advisor, Freeman, and legal advisor, Dewey, continued their due diligence reviews and participated in discussions through in-person meetings, telephone conferences and exchange and review of transaction documents with respect to the Asset Sale.

On March 5, 2007, at a meeting of the Board, Freeman presented its analysis and verbally rendered to the Board its opinion that, based on and subject to the matters described in the fairness opinion (the Fairness Opinion), the consideration to be received by Broadpoint Capital in the Asset Sale is fair to the Company from a financial point of

view. Freeman's presentation included a summary of the purchase price consideration and the employee related retention/deferred obligations settlement to be made under the Asset Purchase Agreement, analyses of the 2006 financials of the MCMG and the Company and related transaction multiples, an update of the current market capitalization for small-cap broker-dealers in the public market, and an update of current market cap for small-cap broker-dealers in strategic acquisitions. Dewey led the Board through a discussion of the terms of the Asset Purchase Agreement, including a discussion of the purchase price, significant representations and warranties, conditions to closing, potential adjustments to the purchase price, the operating and indemnification covenants. The Board resolved that the Asset Purchase Agreement and the ancillary agreements and transactions contemplated thereby were advisable and in the best interest of the Company and its shareholders. The Board also resolved to approve the Asset Purchase Agreement.

Table of Contents

On March 6, 2007, the Company and Broadpoint Capital entered into the Asset Purchase Agreement with DEPFA described below and attached hereto as **Appendix A**. The DEPFA transaction closed on September 14, 2007, and pursuant to the Asset Purchase Agreement, DEPFA purchased the MCMG for a purchase price of \$12 million in cash. Further, pursuant to the Asset Purchase Agreement, DEPFA purchased Broadpoint Capital's municipal bond inventory used in the business of the Municipal Capital Markets Group. The purchase price for the municipal bond inventory was approximately \$48,000,000, based on Broadpoint Capital's estimate of the fair market value of each bond in inventory at the close of business on the business day prior to the closing. It was anticipated that the fair market value sale of the municipal bond inventory would also free up capital because the Company would no longer be required to maintain capital reserves to support certain short term bank loans financing the inventory, and that the freed up capital could be used, in addition to the proceeds from the sale of the MCMG, to grow our business, to seek to acquire other securities or advisory businesses, to focus on our core investment products and service strengths and to better meet the needs of our clients. The Company used the proceeds from the Asset Sale to retire certain loan obligations pursuant to an agreement with the Company's lender and lessor and the freed up capital from the sale of the municipal bond inventory and the remaining proceeds from the Asset Sale have been and will be used to pay down debt, restructure our back office and transition into a smaller and leaner organization. Please see the section "Asset Purchase Agreement" below for more information about the Asset Purchase Agreement. Freeman issued its written Fairness Opinion on March 6, 2007 in connection with the execution of the Asset Purchase Agreement, described below and attached hereto as **Appendix B**. Please see the section "Opinion of Our Independent Financial Advisor" below for information on the Fairness Opinion.

Reasons for the Asset Sale

We undertook the Asset Sale in order to obtain additional capital to more effectively pursue our strategic objectives. After considering numerous potential financing and strategic objectives, including alternate financing structures relating to the MCMG, the Special Committee and the Board determined that the Asset Sale was the best available alternative and would provide the greatest potential value for the shareholders, as well as provide additional capital to pursue our long-term strategic goals.

In making its determination to approve the Asset Sale, the Board formed an independent Special Committee to assist management in evaluating various aspects of the transaction, and to make recommendations to the Board regarding any issues requiring Board consideration with respect to the transaction. As part of that process, the Special Committee and the Board consulted with our officers with respect to strategic and operational matters. The Special Committee and the Board also consulted with Freeman regarding financial matters and Dewey regarding legal matters, including the Asset Purchase Agreement and related documents. The determination to approve the Asset Sale was the result of careful consideration by the Special Committee and the Board of a number of factors, including the following positive factors:

We believed the Asset Sale would provide additional funding, which is important because the continued operation of our business is costly and capital intensive and our capital resources were limited.

We believed the Asset Sale would enable us to focus on strengthening our other businesses, rather than diverting our attention to the MCMG business.

After conducting an extensive review of our financial condition, results of operations and business and earning prospects, focusing on our MCMG business would not be reasonably likely to create greater value for our shareholders as compared to the prospects presented by the Asset Sale and our future business plan.

We believed the Asset Sale would result in the positive treatment of many of our employees through possible employment by DEPFA following the closing.

Our prior market check process only led to verbal indications of interest for transactions that we believed were less favorable to our shareholders than the Asset Sale and the Board believed that, with the severe risks of further key employee turnover combined with the absence of any written or formal current offers at the

previous market check level, the DEPFA transaction was financially attractive. Please see a more detailed description of the previous market check in the sections entitled *Background of the Asset Sale* on page 14 and *Opinion of Our Independent Financial Advisor* on page 17.

The Asset Sale would strengthen our financial condition and we believed it would reduce our financial risk.

We received the opinion of Freeman that the consideration to be received by Broadpoint Capital in the Asset Sale would be fair to us from a financial point of view. Please see the section entitled *Opinion of Our Independent Financial Advisor* on page 17 for further information.

When contemplating the Asset Sale, the Special Committee and the Board also considered a number of potentially negative factors, including the following:

Table of Contents

the risks and uncertainties of our ability to execute our strategic plan and to enhance shareholder value;

the loss of use of the name First Albany;

the costs involved in adopting a new name and seeking shareholder approval to amend our Certificate of Incorporation;

the risk that all or some of the potential benefits of the Asset Sale may not be realized;

the risk of employee disruption associated with the Asset Sale; and

the risks and potential delay associated with DEPFA obtaining broker-dealer registration with the SEC and the NASD.

The Special Committee and the Board conducted an overall analysis of the Asset Sale in which it weighed the benefits and advantages against the risks and negative factors described above. The Special Committee and the Board did not view any of the factors as determinative or assign any rank or relative weight to the factors. Throughout the process, the Board continued to consider alternatives to the Asset Sale, including alternate financing structures, the sale of the Company or its merger with another entity, and the liquidation of the Company. The Board recognized that there can be no assurance that it would be able to achieve all or significantly all of each anticipated benefit or advantage or that it had identified and accurately assessed each risk and negative factor. However the Board concluded that the potential benefits and advantages of the Asset Sale significantly outweighed the risks and negative factors.

The Board, by unanimous action of all members, (i) approved the Asset Purchase Agreement and the transactions contemplated thereby, (ii) determined that the Asset Purchase Agreement and the Asset Sale are advisable, fair to, and in the best interests of the shareholders of the Company, and (iii) determined to recommend that the Company's shareholders approve the amendment to the Company's Certificate of Incorporation in connection with the Asset Sale.

In reaching these determinations, the Board considered a variety of business, financial and market factors and the financial presentation of Freeman, including the opinion of Freeman as to the fairness to the Company, from a financial point of view, of the consideration to be received by Broadpoint Capital pursuant to the Asset Purchase Agreement, subject to the assumptions, qualifications and limitations stated in its opinion

This information has been provided to you in connection with your consideration of the amendment to the Certificate of Incorporation changing the name of the Company in accordance with the terms of the Asset Purchase Agreement governing the completed Asset Sale. For the reasons described above, the Board recommends that the Company's shareholders approve the amendment to the Company's Certificate of Incorporation changing the name of the Company to Broadpoint Securities Group, Inc. in connection with the launch of our new brand Broadpoint and so that we may terminate the License Agreement and relieve the Company of any future royalty payment to DEPFA.

Opinion of Our Independent Financial Advisor

The Board retained Freeman to render an opinion as to the fairness, from a financial point of view, to the Company of the consideration to be paid to Broadpoint Capital, a wholly-owned subsidiary of the Company, pursuant to the terms of the Asset Purchase Agreement. The opinion, which we sometimes refer to in this proxy statement as the Fairness Opinion, was prepared at the request of the Board to assist them in evaluating the Asset Sale. The full text of Freeman's written opinion, dated March 6, 2007, is attached to this proxy statement as **Appendix B** and this summary is qualified in its entirety by reference to the full text of the opinion. You are encouraged to read the Fairness Opinion carefully in its entirety for a description of the assumptions made, matters considered and limitations on the review undertaken.

On March 10, 2006 we engaged Freeman to establish a comprehensive process to entertain both a strategic sale of, or strategic investment in, the Company. Freeman received a \$100,000 retainer in conjunction with the engagement in the spring of 2006 which was paid in 2006. This 2006 retainer will be subtracted from a fee of

\$1,125,000 which is payable to Freeman only upon the closing of the Asset Sale. Incorporated as a subset of the March 10, 2006 engagement letter is an implied value of approximately \$250,000 for providing the Fairness Opinion. We also paid Freeman additional compensation for its delivery of a fairness opinion in connection with the previously announced MatlinPatterson transaction. Freeman and its affiliates in the ordinary course of business may in the future provide strategic consulting and investment banking services to the Company and receive fees for the rendering of such services.

Freeman, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and valuations for corporate and other purposes.

Table of Contents

At the March 5, 2007 meeting of the Board, Freeman presented its analysis and verbally rendered to the Board its opinion that, based on and subject to the matters described in the Fairness Opinion, the consideration to be received by Broadpoint Capital in the Asset Sale is fair to the Company from a financial point of view. Freeman issued its written opinion on March 6, 2007 in connection with the execution of the Asset Purchase Agreement.

No limitations were imposed upon Freeman by the Board with respect to the investigations made or procedures followed by Freeman in rendering its opinion. Freeman has not been requested and does not intend to update, revise or reaffirm its Fairness Opinion, including, but not limited to, to reflect any circumstances or events that have occurred since March 6, 2007. You should understand that the Fairness Opinion speaks only as of its date. Events that could affect the fairness to the Company of the consideration received by Broadpoint Capital in the Asset Sale from a financial point of view include adverse changes in industry performance or changes in market conditions and changes to our business, financial condition and results of operations.

Freeman made such reviews, analyses and inquiries as it deemed necessary to assess the fairness, from a financial point of view, to the Company of the consideration to be received by the Broadpoint Capital in the Asset Sale. In arriving at its Fairness Opinion, Freeman reviewed and considered such financial and other matters as it deemed relevant, including, among other things:

the Asset Purchase Agreement and the financial terms of the transactions contemplated thereby;

certain publicly available information for the Company and certain other relevant financial and operating data furnished to Freeman by the Company management;

certain internal financial analyses, financial forecasts, reports and other information concerning the Company and the MCMG, prepared by the managements of the Company and the MCMG;

discussions Freeman had with certain members of the management of the Company and the MCMG concerning the historical and current business operations, financial conditions and prospects of the Company and the MCMG, including key employee retention and such other matters Freeman deemed relevant;

certain operating results, the reported price and/or trading histories of the shares of the common stock of the Company as compared to operating results, the reported price and trading histories of certain publicly traded companies Freeman deemed relevant;

certain financial terms of the transactions contemplated by the Asset Purchase Agreement as compared to the financial terms of certain selected business combinations Freeman deemed relevant;

certain pro forma financial effects of the transactions contemplated by the Asset Purchase Agreement on an accretion/dilution basis including pro forma operating cost reductions; and

such other information, financial studies, analyses and investigations and such other factors that Freeman deemed relevant for the purposes of its opinion.

Freeman used several methodologies to assess the fairness to the Company, from a financial point of view, of the consideration to be received by Broadpoint Capital in connection with the Asset Sale. The following is a summary of the material financial analyses undertaken by Freeman in connection with providing its opinion. This summary is qualified in its entirety by reference to the full text of the Fairness Opinion.

Freeman's presentation included a summary of the purchase price consideration and employee related retention/deferred obligations settlement to be made under the Asset Purchase Agreement, analyses of the 2006 financials of the MCMG and the Company and related multiples, an update of the current market capitalization for small-cap broker-dealers in the public market, and an update of the current market cap for small-cap broker-dealers in strategic acquisitions.

Purchase Price Consideration and Employee Related Retention/Deferred Obligations Settlement

Freeman's analysis of the purchase price consideration to be received by Broadpoint Capital under the Asset Purchase Agreement included a cash payment of \$12.1 million, relief from certain deferred compensation obligations of \$1.6 million, and freed up capital from the sale of the municipal bond inventory estimated at \$14 million and \$18 million, with the capital amount to be finalized based on actual purchased inventory at the closing. Total purchase price consideration estimates based on the above were \$27.7 million and \$31.7 million, respectively. The cash payment was later reduced to \$12.0 million. Please see the section Summary of Terms of the Asset Sale beginning on page 22 for more information about the consideration to be paid in the Asset Sale.

Freeman's analysis of the employee related retention/deferred obligations settlement found that as a result of the transaction, the total extinguished deferred obligations would be \$1.6 million, based on existing deferred compensation obligations of \$3.9 million,

Table of Contents

less forgiveness by the Company of promissory notes payable of \$0.8 million, less the bonus payments by the Company of \$1.5 million.

Analysis of 2006 Financials of the MCMG and the Company and Related Multiples

Freeman reviewed the 2006 financials of the MCMG with the Board. The financials showed net revenues of the MCMG for 2006 of \$36.7 million, less total direct expenses of \$30.8 million, contribution to the Company of \$5.9 million, less pro forma allocated general and administration overhead of \$4.3 million (based on a pro forma allocation of 23% of total firm general and administrative overhead), resulting in a pre-tax income of \$1.6 million.

Freeman calculated that, based on freed up capital of \$14 million from the sale of the municipal bond inventory, the multiples of the MCMG were price to book value of 1.98, price to revenue of 0.75, and price to pre-tax income of 17.31. Based on freed up capital of \$18 million, Freeman calculated the multiples to be 1.76, 0.86, and 19.81, respectively. Freeman compared these multiples to the median public market trading multiples for small-cap broker-dealers it calculated of price to book value of 2.0, price to revenue of 1.9, and price to pre-tax income of 11.4.

Freeman then reviewed the 2006 financials of the Company as a whole with the Board. The financials showed total market capitalization at March 2, 2007 of \$27.7 million, book value of \$51.6 million, net revenue of \$114.8 million over the trailing 12 month period, and a pre-tax loss of \$31.4 million over the trailing 12 month period (before \$7.9 million asset writedown for impairments). Freeman calculated the Company's trading multiples to be price to book value of 0.54 and price to revenue of 0.24.

Update of the Current Market Capitalization for Small-Cap Broker-Dealers in the Public Market

Freeman reviewed the financials of a number of comparable publicly-traded small-cap investment banks and calculated the median price to book value multiple of these companies to be 2.0, the median price to tangible book value multiple to be 2.2, and the median price to pre-tax income multiple to be 11.4. Similarly, Freeman calculated the average price to book value multiple of these companies to be 2.3, the average price to tangible book value multiple to be 2.4, and the average price to pre-tax income multiple to be 11.2.

Freeman also discussed how well the public market treated profitable broker-dealers in 2006 and identified a number of publicly-traded small cap investment banks that had initial public offerings in 2006, all of which were profitable, and presented their strong trading multiples, as well as their current book value and revenue multiples. Freeman speculated a positive public market existed for the Company if the Company took actions to return to profitability.

Update of the Current Market Capitalization for Small-Cap Broker-Dealers in the Strategic Acquisitions

Freeman identified a number of historical and current regional investment bank and brokerage transactions comparable to the proposed DEPFA transaction. Based on its calculations, Freeman determined that the median entity value to book value multiple was 2.1, the median entity value to revenue multiple was 1.0, and the median entity value to pre-tax income multiple was 11.1. Freeman also calculated the average entity value to book value multiple to be 3.8, the average entity value to revenue multiple to be 1.1, and the average entity value to pre-tax income multiple to be 11.0.

Freeman also focused on two recent and comparable strategic transactions involving publicly-traded small-cap broker dealers, their similarities to the proposed DEPFA transaction and the key reasons underlying these transactions.

Conclusion

Based on the analyses described above (which should be read in conjunction with the full text of the Fairness Opinion), and with consideration to the various assumptions and limitations set forth in the Fairness Opinion, Freeman determined that, as of the date of the Fairness Opinion, the consideration to be received by Broadpoint Capital in connection with the Asset Sale is fair to the Company from a financial point of view.

In conducting its review and arriving at its opinion, Freeman, with the Company's consent, assumed and relied, without independent investigation, upon the accuracy and completeness of all financial and other information provided by the Company and the MCMG, or which is publicly available. While Freeman did meet with the management of the Company to review and discuss the analyses and forecasts provided by management, Freeman's assumption as to the accuracy and completeness of such analyses and forecasts was based on contractual provisions in its engagement letter with the Company, pursuant to which Freeman was entitled to rely upon the accuracy and completeness of all information furnished by the Company. In addition, Freeman did not conduct nor assume any

obligation to conduct any physical inspection of the properties or facilities of the MCMG. Freeman relied upon the assurance of the management of the Company that it was unaware of any facts that would make the information provided to Freeman incomplete or misleading in any respect. Freeman, with the Company's consent, assumed that the financial forecasts which they examined were reasonably prepared by the management of the Company and the MCMG on bases reflecting the best currently available estimates and good faith judgments of such managements as to the future performance of the Company and the MCMG.

Table of Contents

The Board reviewed the financial forecasts prepared by the Company and posed questions regarding their accuracy and completeness at the February 6, 2007 Board meeting, and, based on its review, the Board determined that Freeman's reliance upon these forecasts was reasonable at that time.

Freeman did not make or obtain any independent evaluations, valuations or appraisals of the assets or liabilities of the Company or the MCMG, nor was it furnished with such materials. With respect to all legal matters relating to the Company and the MCMG, Freeman relied on the advice of legal counsel to the Company. Freeman's services to the Company in connection with the transactions contemplated by the Asset Purchase Agreement have been to bring both potential investors and acquirers to the Company, assist management in those negotiations and render an opinion from a financial point of view with respect to the consideration offered in the Asset Sale. Freeman's opinion is necessarily based upon economic and market conditions and other circumstances as they existed on March 6, 2007. It should be understood that although subsequent developments may affect Freeman's opinion, Freeman does not have any obligation to update, revise or reaffirm its opinion and expressly disclaims any responsibility to do so.

For purposes of rendering its opinion Freeman assumed in all respects material to its analysis that the representations and warranties of each party contained in the Asset Purchase Agreement were true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Asset Purchase Agreement and that all conditions to the consummation of the transactions contemplated in the Asset Purchase Agreement will be satisfied without waiver thereof. Freeman also assumed that all governmental, regulatory and other consents and approvals contemplated by the Asset Purchase Agreement will be obtained and that in the course of obtaining those consents no restrictions will be imposed or waivers made that would have an adverse effect on the contemplated benefits of the Asset Sale.

Freeman's opinion does not constitute a recommendation to any shareholder of the Company to take any action in connection with the transactions contemplated by the Asset Purchase Agreement or otherwise. Freeman has not been requested to opine as to, and its opinion does not in any manner address, the Company's underlying business decision to effect the transactions contemplated by the Asset Purchase Agreement.

Financial Projections

The Company does not as a matter of course make public projections as to future performance or earnings and is especially wary of making projections for extended earnings periods due to the unpredictability of the underlying assumptions and estimates. However, senior management did provide financial forecasts to DEPFA in November of 2006 in connection with their consideration of a possible transaction with the Company. These projections were also provided to our Board and to Freeman. We have included a summary of these projections in this proxy statement to give our shareholders access to certain nonpublic information deemed material by our Board at the time it was considering and evaluating the Asset Sale. The inclusion of these projections should not be regarded as an indication that management, our Board, DEPFA, Freeman, or any other recipient of this information considered, or now considers, these projections to be a reliable prediction of future results, and they should not be relied on as such. In addition, as we have only included a summary of the projections in this proxy statement and because the information is now outdated, you are cautioned not to rely on this information as complete or now appropriate in making a decision whether to vote in favor of amending the Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc.

We believe the assumptions the Company's management used as a basis for the projections were reasonable at the time the projections were prepared, given the information management had at the time. However, the projections do not take into account any circumstances or events occurring after the date they were prepared and you should not assume that the projections will continue to be accurate or reflective of management's view at the time you consider whether to vote for the amendment to the Certificate of Incorporation changing the name of the Company. The Company advised the recipients of the projections that its internal financial forecasts, upon which the projections were based, are subjective in many respects and thus susceptible to various interpretations.

The projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond the Company's control. The projections are also subject to significant uncertainties in connection with changes to the Company's business and its financial condition and results of operation. In addition, the

projections reflect projected information without regard to the Asset Purchase Agreement with DEPFA, which may cause actual results to materially differ as well. As a result, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than those contained in the projections; it is expected that there will be differences between actual and projected results. Since the projections cover multiple years, such information by its nature becomes less reliable with each successive year.

The financial projections, which are the responsibility of the Company's management, were prepared for internal use and for our Board, to assist DEPFA with their due diligence investigations of the Company and the MCMG and for use by Freeman in its financial analysis and not with a view toward public disclosure or toward complying with United States generally accepted accounting principles, the published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. PricewaterhouseCoopers LLP has

Table of Contents

neither examined, compiled, nor performed any procedures with respect to the accompanying financial projections. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in this proxy statement relates to the Company's historical financial information. It does not extend to the financial projections and should not be read to do so.

Readers of this proxy statement are cautioned not to place undue reliance on the specific portions of the financial projections set forth below. No one has made or makes any representation to any person regarding the validity, reasonableness, accuracy or completeness of the information included in these projections or the ultimate performance of the Company compared to such information.

For the foregoing reasons, as well as the bases and assumptions on which the financial projections were compiled, the inclusion of specific portions of the financial projections in this proxy statement should not be regarded as an indication that such projections will be an accurate prediction of future events, and they should not be relied on as such. Except as required by applicable securities laws, the Company does not intend to update, or otherwise revise the financial projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

**BROADPOINT CAPITAL
MUNICIPAL CAPITAL MARKETS COMPENSATION MODEL BASE CASE
(\$000s)**

	2004A	2005A	2006F	2006 Pro forma	2007 Pro forma	2008 Target	2008 High Target
Revenue Projections							
Commissions	\$ 16,166	\$ 14,242	\$ 16,305	\$ 16,305	\$ 16,305	\$ 18,000	\$ 20,000
Trading P&L (excl Desk Mark)	379	(825)	1,268	1,268	1,268	2,000	2,000
Arb/Prop Trading/TOB							2,000
Net Interest Income	784	(687)	(906)	(906)	(906)	(250)	(250)
 Total Regular Way (Secondary)	 \$ 17,330	 \$ 12,729	 \$ 16,667	 \$ 16,667	 \$ 16,667	 \$ 19,750	 \$ 23,750
Floater	1,427	1,831	\$ 1,889	\$ 1,889	\$ 2,000	\$ 2,500	\$ 4,000
Private Placements	109	557	182	\$ 182			
Other	(253)	16	156	\$ 156			
Swaps		1,829	2,779	\$ 2,779	2,500	3,750	5,000
Financial Advisory	4,091	3,275	3,355	\$ 3,355	3,000	3,500	3,500
Underwriting (Fees and Credits)	13,306	21,309	11,400	\$ 11,400	12,000	13,000	17,000
 Total Public Finance	 \$ 18,680	 \$ 28,816	 \$ 19,761	 \$ 19,761	 \$ 19,500	 \$ 22,750	 \$ 29,500
Total Net Revenue	\$ 36,010	\$ 41,546	\$ 36,428	\$ 36,428	\$ 36,167	\$ 42,500	\$ 53,250
	2004A	2005A	2006F	2006 Pro forma	2007 Pro forma	2008 Target	2008 High Target

Income Statement

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Revenue:

Commissions	\$ 16,166	\$ 14,242	\$ 16,305	\$ 16,305	\$ 16,305	\$ 18,000	\$ 20,000
Trading P&L	379	(825)	1,268	1,268	1,268	2,000	4,000
Net Interest Income	784	(687)	(906)	(906)	(906)	(250)	(250)

Total Regular Way Underwriting Sales	\$ 17,330	\$ 12,729	\$ 16,667	\$ 16,667	\$ 16,667	\$ 19,750	\$ 23,750
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Credits	6,187	7,961	3,664	3,664	3,888	5,850	7,650
Floater	999	1,282	1,322	1,322	1,400	1,750	2,800
Swaps		274	417	417	375	563	750

Total Sales and Trading

	\$ 24,516	\$ 22,246	\$ 22,070	\$ 22,070	\$ 22,330	\$ 27,913	\$ 34,950
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Swaps		1,554	2,362	2,362	2,125	3,188	4,250
Floater	428	549	567	567	600	750	1,200
Advisory/Other	3,947	3,848	3,693	3,693	3,000	3,500	3,500
Underwriting Fees	7,119	13,348	7,736	7,736	8,112	7,150	9,350

Total Public Finance Revenue

	\$ 11,494	\$ 19,300	\$ 14,358	\$ 14,358	\$ 13,837	\$ 14,588	\$ 18,300
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Total Revenue	\$ 36,010	\$ 41,546	\$ 36,428	\$ 36,428	\$ 36,167	\$ 42,500	\$ 53,250
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Expenses:

Sales	9,538	9,142	9,300	7,189	7,269	8,971	10,401
Trading	3,253	3,173	2,855	2,980	2,741	2,741	2,640
Banking	4,956	7,292	5,406	5,406	4,786	5,835	7,320
Banking Support			1,113	1,113	808	840	915
Desk Support (all others thru 06)	2,829	3,109	806	806	686	713	713
Research			440	440	435		

Table of Contents

	2004A	2005A	2006F	2006 Pro forma	2007 Pro forma	2008 Target	2008 High Target
Mgmt	1,000	1,246	1,800	1,800	1,085	1,275	1,598
<i>Total Cash Comp</i>	<i>21,576</i>	<i>23,962</i>	<i>21,720</i>	<i>19,733</i>	<i>17,809</i>	<i>20,375</i>	<i>23,586</i>
Stock Amort	768	1,125	1,836	1,836	1,787	1,836	1,836
Notes	598	359	288	288	225	300	300
Other	232	258	466	466			
Benefits	1,582	1,432	1,635	1,485	1,341	1,601	1,682
Comp and Benefits	24,756	27,135	25,945	23,809	21,162	24,112	27,404
Clearing and Brokerage	521	357	360	360	360	410	492
Travel & Entertainment	475	392	350	350	350	362	382
Telecommunications	2,144	2,212	2,200	2,200	2,200	2,273	2,402
Occupancy & Equipment	1,559	1,666	1,700	1,700	1,700	1,756	1,856
Postage, Printing & Supp	159	120	150	150	150	155	164
Promotional	276	296	300	300	300	310	328
Other Expense	2,656	757	800	800	800	826	873
Operating Income	3,464	8,611	4,623	6,759	9,145	12,296	19,350

Financial Statements

The Company's audited financial statements as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 are appended to this proxy statement as **Appendix E**. The Company's unaudited financial statements as of September 30, 2007 and December 31, 2006 and for the three and nine months ended September 30, 2007 and 2006 are also appended to this proxy statement as **Appendix E**. As previously disclosed in our Form 10-Q for the period ended September 30, 2006, we have sold the Municipal Capital Markets Group and met the criteria for reporting it as discontinued operations. Under generally accepted accounting principles, we are required to reclassify previously reported prior period financial statements to reflect the discontinued operations on a basis comparable to the current presentation and require our financial statements that were included in our 2006 Annual Report on Form 10-K for the year ended December 31, 2006 to be updated for discontinued operations. As a result, the following items from the Annual Report have been updated to reflect these changes: Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 8, Financial Statements and Supplementary Data. This proxy statement and the appendices hereto update the information presented in the Annual Report only to the extent this information is impacted by the revised classification. The information in this proxy statement that updates the Annual Report is presented as of December 31, 2006 and other than as indicated above, has not been updated to reflect financial results subsequent to that date or any other changes since the date of the Annual Report. This updated information should be read in connection with the portions of the Annual Report that have not been updated, as well as in connection with the Company's quarterly reports on Form 10-Q for the periods ending September 30, 2007, June 30, 2007 and March 31, 2007 and other current reports on Form 8-K filed by the Company with the SEC after the Annual Report.

The Company's unaudited pro forma financial statements as of September 30, 2007 and for the nine months then ended and for the years ended December 31, 2006, 2005 and 2004 are appended to this proxy statement as **Appendix F**. The unaudited pro forma financial statements (the Pro Forma Financial Information) give effect to the

Asset Sale. The pro forma statements of operations for the nine months ended September 30, 2007 and for the fiscal years ended December 31, 2006, 2005 and 2004 present our consolidated results of operations, assuming that the sale of the MCMG occurred as of the beginning of the periods presented. The Pro Forma Financial Information should be read in conjunction with this proxy statement and our audited and unaudited financial statements and related notes provided in Appendix E. The Pro Forma Financial Information presented is for informational purposes only and is not intended to be indicative of the results of operations that would have occurred had the sale been consummated as of the beginning of the periods presented, nor is it intended to be indicative of our future results of operations or financial position. Future results may vary significantly from the results reflected because of various factors.

The Municipal Capital Markets Group's unaudited financial statements as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 are appended to this proxy statement as

Appendix G. The Municipal Capital Markets Group's unaudited financial statements as of June 30, 2007 and for the three and six months ended June 30, 2007 and 2006 are also appended to this proxy statement as **Appendix G.**

Summary of Terms of the Asset Sale

Asset Purchase Agreement

*The following summarizes material provisions of the Asset Purchase Agreement which governed the Asset Sale completed on September 14, 2007 and is provided for your review as it relates to your consideration of the proposed amendment to the Certificate of Incorporation to change the name of the Company to Broadpoint Securities Group, Inc. The Asset Purchase Agreement is attached as **Appendix A** to this document and is incorporated by reference herein. The rights and obligations of the parties including those that survive the closing of the Asset Sale on September 14, 2007 are governed by the express terms and conditions of the Asset Purchase Agreement and not by this summary or any other information contained in this proxy statement. Shareholders are urged to*

Table of Contents

read the Asset Purchase Agreement carefully and in its entirety as well as this document before deciding how to vote their shares regarding the proposed amendment to the Certificate of Incorporation changing the name of the Company. The assertions embodied in the representations and warranties contained in the Asset Purchase Agreement (and summarized below) were qualified by information in confidential disclosure schedules provided by the Company to DEPFA in connection with the signing of the Asset Purchase Agreement. The Company, Broadpoint Capital and DEPFA do not consider the information contained in the disclosure schedules to be information that is required to be disclosed pursuant to federal securities law. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Asset Purchase Agreement. Moreover, certain representations and warranties in the Asset Purchase Agreement were used for the purpose of allocating risk between First Albany and DEPFA rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties in the Asset Purchase Agreement (or the summaries contained herein) as characterizations of the actual state of facts about the Company because they are modified by such disclosure schedules.

Assets Sold

The Company caused Broadpoint Capital to sell to DEPFA, and DEPFA purchased, all of the assets of the MCMG (the Purchased Assets), which included:

the municipal bonds in the inventory of the MCMG immediately prior to the closing;

the machinery, equipment, vehicles, furniture and other personal property of the MCMG;

the copyrights, patent rights and trademarks, including all names under which Broadpoint Capital is conducting the MCMG business or has within the previous five years conducted the MCMG business, and all goodwill associated therewith;

all trade secrets and other proprietary or confidential information primarily used in or relating to the MCMG business, including any policies and procedures relating to compliance with any broker-dealer or any governmental body rules and regulations or any clearing agency with respect to the MCMG business;

the software used in the MCMG business;

the contracts relating to the MCMG business;

the MCMG employee promissory notes and all amounts actually withheld for estimated taxes with respect to such notes;

cash in the amount equal to the accrued bonuses of the MCMG employees;

copies of all books and records of Broadpoint Capital relating to the Purchased Assets and the MCMG, excluding employee information; and

all client lists, customer lists, supplier lists, mailing lists and other data owned, associated with, used or employed in or by the MCMG, including service and warranty records, operating guides and manuals, and correspondence of the MCMG.

Assumed Liabilities

DEPFA assumed the following liabilities in connection with closing of Asset Sale:

all liabilities arising out of or relating to the conduct or operation of the MCMG business or the activities of DEPFA or the ownership or use of the Purchased Assets, other than liabilities with respect to taxes, in all events after the closing date;

all liabilities under the assumed contracts and relating to events that first occur after the closing; and

all liabilities for taxes levied in respect of the Purchased Assets after the applicable assumption time.

Excluded Liabilities

Other than the assumed liabilities described above, DEPFA did not assume any liabilities relating to or arising out of, or in connection with, the excluded business or any of the Company's or Broadpoint Capital's other liabilities, which included any liabilities arising out of or in connection with the excluded assets or excluded agreements.

Table of Contents

Purchase Price

The purchase price paid by DEPFA in accordance with the Asset Purchase Agreement was \$12 million in cash, plus the fair market value of the municipal bonds of approximately \$48 million on the closing date, plus the payoff price of certain scheduled leased personal property of \$389,460 and other costs, resulting in a net purchase price of approximately \$8.4 million.

Under the Asset Purchase Agreement, DEPFA had the option to exclude municipal bonds that did not satisfy its credit requirements from the Purchased Assets but elected not to do so as all of the municipal bonds included in the Purchased Assets satisfied DEPFA's credit requirements.

Escrow

On the closing, DEPFA (1) paid to Broadpoint Capital the estimated purchase price for all the cleared and settled municipal bonds less 5% of the estimated purchase price for all the municipal bonds included in the Purchased Assets (the Adjustment Escrow Amount) and (2) deposited into escrow accounts (A) the Adjustmen