GLG Partners, Inc.
Form S-1/A
December 19, 2007

Table of Contents

As filed with the Securities and Exchange Commission on December 19, 2007

Registration No. 333-147865

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GLG Partners, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**6282**	**20-5009693**
(State or Other Jurisdiction of Incorporation of Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

390 Park Avenue, 20th Floor
New York, New York 10022
(212) 224-7200
(Address, including zip code, and telephone number including area code, of registrant s principal executive offices)

Alejandro R. San Miguel, Esq.
General Counsel and Corporate Secretary
390 Park Avenue, 20th Floor
New York, New York 10022
(212) 224-7200
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Sey-Hyo Lee, Esq.
Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, New York 10112
(212) 408-5100

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement is declared effective.

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

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

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

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

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

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

Subject to Completion Dated December 19, 2007

GLG Partners, Inc.

84,150,406 Shares of Common Stock, par value $0.0001 per share
21,500,003 Warrants to purchase Common Stock

This prospectus relates to the issuance by us of 67,150,403 shares of our common stock, par value $0.0001 per share, of which:

45,650,400 shares are issuable upon the exercise of outstanding warrants originally issued in our initial public offering pursuant to a prospectus dated December 21, 2006; and

21,500,003 shares are issuable upon the exercise of outstanding warrants issued in private placements to our founders and sponsors.

This prospectus also relates to the resale by selling stockholders of up to (1) 17,000,003 shares of our common stock and 17,000,003 warrants underlying outstanding units and an additional 4,500,000 warrants, in each case issued in private placements to our founders and sponsors, and (2) 21,500,003 shares of our common stock issued on exercise by selling stockholders of such privately placed warrants.

Each warrant entitles the holder to purchase one share of our common stock. In order to obtain the shares, the holders of the warrants must pay an exercise price of $7.50 per share. We will receive proceeds from the exercise of the warrants but not from the sale of the underlying common stock.

Each unit consists of one share of our common stock and one warrant. We will not receive any proceeds from the resale of any shares of common stock or warrants sold by selling stockholders.

Our common stock, warrants and units are listed on the New York Stock Exchange and trade under the symbols GLG , GLG WS and GLG.U , respectively. On December 18, 2007, the closing sale prices of the common stock, warrants and units were $13.58 per share, $6.00 per warrant and $20.09 per unit, respectively.

Investing in our securities involves a high degree of risk. See Risk Factors beginning on page 7 of this prospectus for a discussion of information that should be considered before buying shares of our common stock or our warrants.

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

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different.

The information contained in this prospectus is correct as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock. You should be aware that some of this information may have changed by the time this document is delivered to you.

The date of this prospectus is , 2007.

TABLE OF CONTENTS

Table of Contents

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus summary. Unless the context indicates otherwise, the terms the Company , we , us and our refer to the combined company, which has been renam GLG Partners, Inc., in connection with the acquisition by Freedom Acquisition Holdings, Inc. and its then consolidated subsidiaries (Freedom) of GLG Partners LP and certain of its affiliated entities (collectively, GLG) by means of a reverse acquisition transaction, and its subsidiaries.

Our Company

We are the largest independent alternative asset manager in Europe and the eleventh largest globally, offering our base of long-standing prestigious clients a diverse range of investment products and account management services. Our focus is on preserving clients capital and achieving consistent, superior absolute returns with low volatility and low correlations to both the equity and fixed income markets. Since our inception in 1995, we have built on the roots of our founders in the private wealth management industry to develop into one of the world s largest and most recognized alternative investment managers, while maintaining our tradition of client-focused product development and customer service.

We use a multi-strategy approach across the funds we manage, offering approximately 40 funds across equity, credit, convertible and emerging markets products. We refer to these funds as the GLG Funds. As of September 30, 2007, our gross assets under management, or AUM, (including assets invested from other GLG Funds) were approximately $23.6 billion, up from approximately $3.9 billion as of December 31, 2001, representing a compound annual growth rate, or CAGR, of 37%. As of September 30, 2007, our net AUM (net of assets invested from other GLG Funds) were approximately $20.5 billion, up from approximately $3.9 billion as of December 31, 2001, representing a CAGR of 33%. During the three months ended September 30, 2007, on a dollar-weighted basis, the net returns of the GLG Funds decreased less than 0.5% and managed account inflows and gross fund-based inflows of AUM (net of redemptions) exceeded $1.7 billion.

We derive revenues by charging performance fees based on the performance of the funds and accounts we manage and management and administration fees as a percentage of the AUM of the funds and accounts we manage. Unlike other typical alternative asset managers, we do not hold any ownership interests, investments or carried interests in the GLG Funds, other than a de minimis amount of subscriber and management shares. The subscriber and management shares are for a fixed notional amount and do not have an entitlement to participate in movements in net asset value, nor do they generate any income for us. As a result, we do not receive any income by reason of investment on our own account in the GLG Funds.

In addition, our principals, their related trustees and our key personnel do not have any carried interests in the GLG Funds. However, they have their own direct investments in the GLG Funds. Currently, they have invested, including certain cash proceeds from the sale of GLG, approximately $776 million of additional net AUM in the GLG Funds. Altogether, the former GLG shareowners described below (including our principals, their trustees and our key personnel) invested from their cash proceeds from the sale of GLG and from other funds approximately $877 million of additional net AUM in the GLG Funds.

We have built an experienced and highly-regarded investment management team of 95 investment professionals and supporting staff of 205 personnel, based primarily in London, representing decades of experience in the alternative asset management industry. In addition, we receive dedicated research and administrative services with respect to our U.S.-focused investment strategies from GLG Inc., an independently owned dedicated service provider based in New York with 27 personnel. In June 2007, GLG Partners LP agreed to acquire GLG Inc. subject to certain conditions, including registration by GLG Inc. and GLG Partners LP (to the extent required by applicable law) as investment advisers under the U.S. Investment Advisers Act of 1940. On December 3, 2007, GLG Inc. filed a registration statement under the Investment Advisers Act with the SEC. We have been designated by GLG Partners LP as the purchaser of GLG Inc., and we expect to complete the acquisition of GLG Inc. in 2008.

Table of Contents

Our principal executive office is located at 390 Park Avenue, 20th Floor, New York, New York 10022. Our telephone number is (212) 224-7200.

Recent Developments

On November 2, 2007, we completed the acquisition of GLG Partners Limited, GLG Holdings Limited, Mount Granite Limited, Albacrest Corporation, Liberty Peak Ltd., GLG Partners Services Limited, Mount Garnet Limited, Betapoint Corporation, Knox Pines Ltd., GLG Partners Asset Management Limited and GLG Partners (Cayman) Limited (each, an Acquired Company and collectively, the Acquired Companies) pursuant to a Purchase Agreement dated as of June 22, 2007 among us, our wholly owned subsidiaries, FA Sub 1 Limited, FA Sub 2 Limited and FA Sub 3 Limited, Jared Bluestein, as the buyers representative, Noam Gottesman, as the sellers representative, Lehman (Cayman Islands) Ltd, Noam Gottesman, Pierre Lagrange, Emmanuel Roman, Jonathan Green, Leslie J. Schreyer, in his capacity as trustee of the Gottesman GLG Trust, G&S Trustees Limited, in its capacity as trustee of the Lagrange GLG Trust, Jeffrey A. Robins, in his capacity as trustee of the Roman GLG Trust, Abacus (C.I.) Limited, in its capacity as trustee of the Green GLG Trust, Lavender Heights Capital LP, Ogier Fiduciary Services (Cayman) Limited, in its capacity as trustee of the Green Hill Trust, Sage Summit LP and Ogier Fiduciary Services (Cayman) Limited, in its capacity as trustee of the Blue Hill Trust (each, a GLG Shareowner and collectively, the GLG Shareowners). We refer to Messrs. Gottesman, Lagrange and Roman collectively as the Principals, and the trustees of the Gottesman GLG Trust, the Lagrange GLG Trust and the Roman GLG Trust collectively as the Trustees.

Effective upon the consummation of the acquisition, (1) each Acquired Company became a subsidiary of ours, (2) the business and assets of GLG became our only operations and (3) we changed our name from Freedom Acquisition Holdings, Inc. to GLG Partners, Inc.

Because the acquisition was considered a reverse acquisition recapitalization for accounting purposes, the combined historical financial statements of GLG became our historical financial statements.

On October 30, 2007, we and our wholly owned subsidiaries entered into a credit agreement with a syndicate of banks arranged and led by Citigroup Global Markets, Inc. providing our subsidiary FA Sub 3 Limited, subject to customary conditions, with: (i) a 5-year non-amortizing revolving credit facility in a principal amount of up to $40.0 million; and (ii) a 5-year amortizing term loan facility in a principal amount of up to $530.0 million. On November 2, 2007, we borrowed $530.0 million under the term loan facility to finance the purchase price for our acquisition of the Acquired Companies, including purchase price adjustments, to pay transaction costs and to repay existing GLG indebtedness. The remaining $40.0 million under the revolving credit facility was also drawn down in November 2007.

On November 2, 2007, our board of directors approved a warrant and stock repurchase plan authorizing us to repurchase up to a total $100.0 million of warrants and common stock in the open market or in negotiated block purchases over the following six months. As of December 12, 2007, we have repurchased 7,149,600 warrants.

Public Stockholders Warrants

On December 28, 2006, we sold 48,000,000 units in our initial public offering, and on January 24, 2006, the underwriters for our initial public offering purchased an additional 4,800,000 units pursuant to an over-allotment option. Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to purchase one share of our common stock. In order to obtain the shares, the holders of the warrants must pay an exercise price of $7.50 per share.

The warrants will not be exercisable until December 21, 2007 and will expire on December 28, 2011, unless earlier redeemed. Beginning December 21, 2007, we may redeem the warrants at a price of $0.01 per warrant upon a minimum of 30 days prior written notice of redemption if, and only if, the last sale price of our common stock equals or exceeds $14.25 per share for any 20 trading days within a 30 trading day period ending three business days before we send the notice of redemption.

Founders Units and Warrants

Prior to our initial public offering, we issued an aggregate of 12,000,003 units, each consisting of one warrant and one share of our common stock, to our sponsors, Berggruen Holdings North America Ltd. and Marlin Equities II, LLC, and independent directors, whom we refer to collectively as our founders, in a private placement. The founders warrants are substantially similar to the public stockholders warrants, except that the founders warrants:

- will become exercisable if and when the last sales price of our common stock exceeds $14.25 per share for any 20 trading days within a 30-trading day period beginning January 31, 2008; and
- are non-redeemable so long as they are held by the founders or their permitted transferees.

The founders units, shares and warrants (1) held by our founders are subject to certain restrictions on transfer pursuant to the terms of letter agreements between each of the founders and Citigroup Global Market, Inc., as sole book running manager of our initial public offering, and (2) held by our sponsors are subject to certain restriction on transfer pursuant to the terms of the founders agreement entered into among Noam Gottesmann, as Sellers Representative, the Principals, the Trustees and our sponsors, each of which provides that subject to certain exceptions, these units and the underlying shares and warrants may not be transferred until November 2, 2008.

Sponsors Warrants and Co-Investment Units and Warrants

In connection with our initial public offering, we issued 4,500,000 warrants to purchase common stock to our sponsors in a private placement. In addition, immediately prior to the consummation of our acquisition of GLG, we issued 5,000,000 units, each consisting of one warrant and one share of common stock, as part of the co-investment by our sponsors and certain affiliated persons, including Ian Ashken and Martin Franklin, directors of ours, of $50.0 million in a private placement. The sponsors warrants and the co-investment warrants have terms and provisions that are substantially similar to the public stockholders warrants, except that these warrants (including the common stock to be issued upon exercise of these warrants) are not transferable or salable by their holders or their permitted warrant transferees until November 2, 2008, except to permitted warrant transferees.

The sponsors warrants are non-redeemable so long as the sponsors or their permitted warrant transferees hold such warrants, while the co-investment warrants are subject to the same redemption provisions as those to which the public stockholders warrants are subject. Our sponsors have agreed to exercise the sponsor warrants at the written demand of Mr. Gottesman, as the GLG Shareowners representative, any time after the redemption of the public warrants and amendment to such sponsor warrants permitting a cashless exercise. The sponsors warrants and the co-investment units, shares and warrants held by our founders and sponsors are also subject to the same restrictions on transfer applicable to the founders units, shares and warrants pursuant to letter agreements and the founders agreement described above under Founders Units and Warrants .

Table of Contents

THE OFFERING

Shares Offered by the Company	67,150,403 shares of common stock, par value $0.0001 per share, of which: 45,650,400 shares are issuable upon exercise of outstanding warrants issued in connection with the Company s initial public offering on December 21, 2006; and 21,500,003 shares are issuable upon the exercise of outstanding warrants issued in private placements to our founders and sponsors.
Shares and/or Warrants Offered by Selling Stockholders	17,000,003 shares of our common stock and warrants underlying units issued in private placements to our founders and sponsors, whom we refer to collectively as the selling stockholders, and the shares of our common stock issuable upon exercise of such warrants
Additional Warrants Offered by Selling Stockholders	4,500,000 warrants issued in private placements to the selling stockholders, and the shares of our common stock issuable upon exercise of such warrants
Warrant Exercise Price	$7.50 per share
Common Stock Outstanding as of November 30, 2007	240,894,910 shares*
Common Stock to be Outstanding Assuming Exercise of All of the Warrants	308,045,313 shares*
Use of Proceeds	The Company will receive up to an aggregate of approximately $503,628,023 from the exercise of the warrants, if they are exercised in full. The Company expects that any net proceeds from the exercise of the warrants will be used to fund additional repurchases of warrants and shares of common stock, for general corporate purposes and to fund working capital. The selling stockholders will receive all of the proceeds from the sale of any shares of common stock and/or warrants sold by them pursuant to this prospectus. We will not receive any proceeds from these sales.
NYSE Trading Symbols:	
Common Stock	GLG
Warrants	GLG WS
Units	GLG.U

* Does not include 58,904,993 shares of our common stock issuable in exchange for 58,904,993 exchangeable Class B ordinary shares of FA Sub 2 Limited and 58,904,993 associated shares of Series A voting preferred stock of the Company beneficially owned by Noam Gottesman and the Trustee of the Gottesman GLG Trust, which may be exchanged by the holder thereof at any time and from time to time.

Table of Contents

SUMMARY COMBINED HISTORICAL FINANCIAL INFORMATION OF GLG

Because the acquisition was considered a reverse acquisition recapitalization for accounting purposes, the combined historical financial statements of GLG became our historical financial statements. The summary combined historical financial information of GLG as of and for the nine months ended September 30, 2007 and for the nine months ended September 30, 2006 was derived from unaudited condensed combined financial statements of GLG included in this prospectus. The summary combined historical financial information of GLG as of and for the years ended December 31, 2006, 2005 and 2004 was derived from combined financial statements of GLG audited by Ernst & Young LLP, independent registered public accounting firm, included in this prospectus. The summary combined historical financial information of GLG as of September 30, 2006 and as of and for the years ended December 31, 2003 and 2002 was derived from unaudited combined financial statements of GLG not included in this prospectus. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements of GLG and the notes thereto included in this prospectus.

	Years Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(Unaudited)		(US dollars in thousands)			(Unaudited)	
Combined Statement of Operations Data:							
Net revenues and other income:							
Management fees, net	$ 30,108	$ 65,259	$ 138,988	$ 137,958	$ 186,273	$ 129,981	$ 198,892
Performance fees, net	31,288	206,685	178,024	279,405	394,740	177,047	343,835
Administration fees, net				311	34,814	25,050	42,986
Transaction charges	80,613	115,945	191,585	184,252			
Other	626	6,497	6,110	1,476	5,039	1,883	7,875
Total net revenues and other income	142,635	394,386	514,707	603,402	620,866	333,961	593,588
Expenses:							
Employee compensation and benefits	(88,994)	(158,789)	(196,784)	(345,918)	(168,386)	(118,194)	(110,526)
General, administrative and other	(22,052)	(23,005)	(42,002)	(64,032)	(68,404)	(43,721)	(79,634)
Total expenses	(111,046)	(181,794)	(238,786)	(409,950)	(236,790)	(161,915)	(190,160)
Income from operations	31,589	212,592	275,921	193,452	384,076	172,046	403,428

Interest income, net		882		709		519		2,795		4,657		3,603		4,694
Income before income taxes		32,471		213,301		276,440		196,247		388,733		175,649		408,122
Income taxes		(8,456)		(49,966)		(48,372)		(25,345)		(29,225)		(14,803)		(33,020)
Net income	$	24,015	$	163,335	$	228,068	$	170,902	$	359,508	$	160,846	$	375,102
Distributions to Principals and Trustees	$	(33,895)	$	(70,825)	$	(222,074)	$	(106,531)	$	(165,705)	$	(148,533)	$	(254,331)
Distributions to non-controlling interest holders										(14,656)	$	(6,718)	$	(215,744)

Table of Contents

	As of December 31,					As of September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(Unaudited)		(US dollars in thousands)			(Unaudited)	
Combined Balance Sheet Data:							
Cash and cash equivalents	$ 28,450	$ 65,655	$ 136,378	$ 236,261	$ 273,148	$ 272,711	$ 391,732
Fees receivable	34,826	139,103	163,235	246,179	251,963	23,229	40,687
Working capital	15,579	25,940	20,395	42,387	370,094	198,032	273,639
Property and equipment, net	4,102	3,801	4,342	3,290	6,121	3,847	8,966
Total assets	75,359	220,829	310,592	495,340	557,377	315,111	474,195
Accrued compensation and benefits	21,654	25,038	125,850	247,745	102,507	60,310	63,199
Other liabilities					5,100	3,972	3,654
Loans payable	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Total members equity	19,400	112,722	117,980	180,229	361,952	187,435	267,736

6

RISK FACTORS

An investment in our securities involves a high degree of risk. You should consider carefully all of the material risks described below, together with the other information contained in this prospectus before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

Risks Related to Our Business

Difficult market conditions may adversely affect our business in many ways, each of which could materially reduce our revenue and cash flow and adversely affect our business, results of operations or financial condition.

Our business is materially affected by conditions in the global financial markets and economic conditions throughout the world that are outside our control, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these market conditions. Our profitability may also be adversely affected by fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions.

A general market downturn, or a specific market dislocation, may result in lower net inflows and lower returns for the GLG Funds, which would adversely affect our revenues. Furthermore, such conditions would also increase the risk of default with respect to investments held by the GLG Funds that have significant debt investments.

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

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

The GLG Funds have high water marks , whereby performance fees are earned by us only to the extent that the net asset value of a GLG Fund at the end of a semi-annual period exceeds the highest net asset value on the last date on which a performance fee was earned. Certain of the GLG Funds also have LIBOR hurdles whereby performance fees are not earned during a particular period until the returns of such funds surpass the LIBOR rate. The performance fees we earn are therefore dependent on the net asset value of the GLG Funds, which could lead to significant volatility in our semi-annual results. Because our revenue, net income and cash flow can be highly variable from period to period, we plan not to provide any guidance regarding our expected semi-annual and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in our stock price.

Table of Contents

Periods of underperformance could lead to disproportionate redemptions in the GLG Funds or a decline in the rate at which we acquire additional AUM.

If the GLG Funds underperform, existing clients may decide to reduce or redeem or sell their investments or transfer asset management responsibility to other asset managers and we may be unable to obtain new asset management business. Poor performance relative to other asset management firms may result in reduced purchases of fund shares or units and increased sales or redemptions of fund shares or units. As a result, investment underperformance could have a material adverse effect on our business, results of operations or financial condition. Such underperformance would also likely lead to a decrease in our revenue and operating income.

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

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

Investors in the GLG Funds can generally redeem investments with only short periods of notice.

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

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

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

The market for experienced asset management professionals is extremely competitive and is increasingly characterized by frequent movement of employees among firms. Due to the competitive market for asset management professionals and the success achieved by some of our key personnel, the costs to attract and

Table of Contents

retain key personnel are significant and will likely increase over time. In particular, if we lose any of our Principals or other key personnel, there is a risk that we may also experience outflows from AUM or fail to obtain new business. As a result, the inability to attract or retain the necessary highly skilled key personnel could have a material adverse effect on our business, results of operations or financial condition.

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

Since we operate our business internationally, we are subject to many different employment, labor, benefit and tax laws in each country in which we operate, including laws and regulations affecting employment practices and our relations with the Principals and some of our key personnel who participate in the limited partner profit share arrangement. If we are required to comply with new regulations or new or different interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected, or the cost of compliance may make it difficult to expand into new international markets, or we may be liable for additional costs, such as social security or social insurance, which may be substantial. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or that favor or require local ownership.

We have experienced rapid growth, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources.

As of September 30, 2007, our gross AUM were approximately $23.6 billion, up from approximately $3.9 billion as of December 31, 2001, representing a CAGR of 37%. As of September 30, 2007, our net AUM were approximately $20.5 billion, up from approximately $3.9 billion as of December 31, 2001, representing a CAGR of 33%. This rapid growth has caused, and if it continues will continue to cause, significant demands on our legal, accounting, technology and operational infrastructure, and increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of the amount by which our AUM have grown, but of significant differences in the investing strategies of our different funds. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting and regulatory developments. Our future growth depends, among other things, on our ability to maintain an operating platform and management system sufficient to address our growth and requires us to incur significant additional expenses and commit additional senior management and operational resources. As a result, we face significant challenges:

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

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

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

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

Damage to our reputation, including as a result of personnel misconduct, failure to manage inside information or fraud, could have a material adverse effect on our business.

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

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

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

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

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

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

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

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

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

Through outsourcing arrangements, we and the GLG Funds rely on third-party administrators and other providers of middle-and back-office support and development functions, such as prime brokers, custodians, market data providers and certain risk system, portfolio and management and telecommunications system providers. Any interruption in our ability to rely on the services of these third parties or deterioration in their performance could impair the quality (including the timing) of our services. Furthermore, if the contracts with

Table of Contents

any of these third-party providers are terminated, we may not find alternative outsource service providers on a timely basis or on equivalent terms. The occurrence of any of these events could have a material adverse effect on our business, results of operations or financial condition.

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

We generate a significant proportion of our revenue from a small number of our top clients. As of September 30, 2007, the assets of our top individual client accounted for approximately 5.0% of our net AUM. As of September 30, 2007, our largest institutional investor account represented approximately 4.5% of our net AUM, with the top five accounts collectively contributing approximately 18.0% of our net AUM. The loss of all or a substantial portion of the business provided by one or more of these clients would have a material impact on the income we derive from management and performance fees and consequently have a material adverse effect on our business, results of operations or financial condition.

We may be subject to regulatory investigation or enforcement action or a change in regulation in the jurisdictions in which we operate.

Our business is subject to regulation by various regulatory authorities that are charged with protecting the interests of our customers. The activities of certain GLG entities are regulated primarily by the FSA in the United Kingdom and are also subject to regulation in the various other jurisdictions in which it operates, including the Irish Financial Services Regulatory Authority (IFSRA), Cayman Islands Monetary Authority (CIMA) and the Commission de Surveillance du Secteur Financier in Luxembourg. The activities of GLG Inc. will be regulated by the SEC following its proposed registration as a U.S. investment adviser. In addition, the GLG Funds are subject to regulation in the jurisdictions in which they are organized. These and other regulators in these jurisdictions have broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to make inquiries of companies regarding compliance with applicable regulations, to grant and in specific circumstances to vary or cancel permits and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. We are also subject to applicable anti-money laundering regulations and net capital requirements in the jurisdictions in which we operate.

For example, on February 28, 2006, the FSA found that we had committed market abuse and failed to observe proper standards of market conduct in relation to a convertible bond issued by Sumitomo Mitsui Financial Group in 2003. This finding was based solely on the conduct of Philippe Jabre, a former Managing Director who resigned from GLG in early 2006. The FSA imposed £750,000 fines on both Mr. Jabre and us.

On November 23, 2006, the Autorité des Marchés Financiers (AMF), the French securities regulator, imposed a fine of 1.2 million ($1.6 million) against us in connection with our trading in the shares of Alcatel S.A. (Alcatel) based on confidential information prior to a December 12, 2002 issuance of Alcatel convertible securities. We have appealed this decision.

On May 29, 2007, we agreed to pay a civil penalty of $500,000 and disgorgement and interest of approximately $2.7 million to settle enforcement and civil actions brought by the SEC for illegal short selling. We did not admit or deny the findings, but consented to the SEC order finding that we violated Rule 105 of Regulation M under the Exchange Act in connection with 14 public offerings and a final judgment in the civil action in the United States District Court for the District of Columbia.

On June 21, 2007, the AMF imposed a fine of 1.5 million ($2.0 million) against us in connection with our trading in the shares of Vivendi Universal S.A. (Vivendi) based on confidential information prior to a November 14, 2002 issuance of Vivendi notes which are mandatorily redeemable for Vivendi convertible securities. We have appealed this decision.

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

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

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

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

In addition, we are exposed to risks of litigation or investigation relating to transactions which present conflicts of interest that are not properly addressed. In such actions, we would be obligated to bear legal, settlement and other costs (which may be in excess of available insurance coverage). Although we would be indemnified by the GLG Funds, our rights to indemnification may be challenged. If we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from the GLG Funds, our results of operations, financial condition and liquidity would be materially adversely affected.

Each of the GLG Funds is structured as a limited liability company, incorporated in the Cayman Islands, Ireland or Luxembourg. The laws of these jurisdictions, particularly with respect to shareholders rights, partner rights and bankruptcy, differ from the laws of the United States and could change, possibly to the detriment of the GLG Funds and us.

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

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

The competitive market environment may result in increased pressure on revenue margins (*e.g.*, by the provision of management fee rebates). Our profit margins and earnings are dependent in part on our ability to maintain current fee levels for the products and services that we offer. Competition within the alternative asset management industry could lead to pressure on us to reduce the fees that we charge our clients for products and services. A failure to compete effectively in this environment may result in the loss of existing clients and business, and of opportunities to capture new business, each of which could have a material adverse effect on our business, results of operations or financial condition.

Table of Contents

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

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

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

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

Our insurance arrangements may not be adequate to protect us.

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

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

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

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

We have borrowed an aggregate of $570.0 million under our new revolving credit and term loan facilities. When these facilities become due on November 2, 2012, we will be required to refinance them by entering into new credit facilities or issuing debt securities, which could result in higher borrowing costs, or issuing equity, which would dilute existing stockholders. We could also repay the revolving credit and term loan facilities by using cash on hand or cash from the sale of our assets. No assurance can be given that we will be able to enter into new credit facilities or issue debt or equity securities in the future on attractive terms, or at all, or that we will have sufficient cash on hand to repay the revolving credit and term loan facilities.

The term loans and revolving loans bear interest at a floating rate of (1) the base rate plus 0% per annum for loans based on the base rate or (2) LIBOR plus 1.25% per annum for loans based on LIBOR, at the election of FA Sub 3 Limited, for the first two fiscal quarters ending after November 2, 2007 (the closing date of the acquisition of GLG), and thereafter at an interest rate based on certain financial ratios applicable to us and our consolidated subsidiaries. As such, the interest expense we incur will vary with changes in the applicable base or LIBOR reference rate. An increase in interest rates would adversely affect the market value of any fixed-rate debt investments and/or subject them to prepayment or extension risk, which may adversely affect our earnings and liquidity.

We are subject to currency-related risks that could adversely affect our business, results of operation or financial condition.

We earn a significant portion of our revenue and incur a significant portion of our expenditures in currencies other than the U.S. dollar. Movements in currency exchange rates could have an adverse effect on both our revenues and expenses.

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

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

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or

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

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

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit prohibit transactions with affiliates, impose limitations on the issuance of debt and equity

Table of Contents

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

Risks Related to the GLG Funds

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

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

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

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

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

Table of Contents

counterparty risks for the GLG Funds and managed accounts investing in those markets. In addition, investor risk aversion to emerging markets can have a significant adverse affect on the value and/or liquidity of investments made in or exposed to such markets and can accentuate any downward movement in the actual or anticipated value of such investments which is caused by any of the factors described above.

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

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

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

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

There are risks associated with the GLG Funds investments in high yield and distressed debt.

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

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

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

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

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

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

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

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

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

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

- risks underlying the derivative and securities contracts. A general rise in the frequency, occurrence or severity of certain non-financial risks such as accidents and/or natural catastrophes will lead to a general decrease in the returns and the possibility of returns from these derivatives and securities contracts, which will not be reflected in the methodology or assumption underlying the analysis of any specific derivative or securities contract; and particular risks. The particular instruments in which we will invest on behalf of the GLG Funds may produce an unusually and unexpectedly high amount of losses, which will not be reflected in the methodology or assumptions underlying the analysis of any specific derivative or securities contract.

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

All of the GLG Funds depend on the services of prime brokers, custodians, administrators and other agents in connection with certain securities transactions. For example, in the event of the insolvency of a prime broker and/or custodian, the funds might not be able to recover equivalent assets in full as they will usually rank among the prime broker s and custodian s unsecured creditors in relation to assets that the prime broker or custodian borrows, lends or otherwise uses. In addition, the GLG Funds cash held with a prime broker or custodian may not be segregated from the prime broker s or custodian s own cash, and the GLG Funds may therefore rank as unsecured creditors in relation thereto.

GLG Fund investments are subject to numerous additional risks.

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

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

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

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

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

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

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

Table of Contents

The GLG Funds are subject to counterparty risk with regard to over-the-counter instruments which they may hold.

In the event of the insolvency of any counterparty or of any broker through which portfolio managers trade for the account of the GLG Funds, such as prime brokerage and custodian agreements to which certain of the GLG Funds are party, the funds may only rank as unsecured creditors in respect of sums due to them on the margin accounts or otherwise and any losses will be borne by the funds. The GLG Funds may also enter into currency, interest rate, total return or other swaps which may be surrogates for other instruments such as currency forwards and interest rate options. The value of such instruments, which generally depends upon price movements in the underlying assets as well as counterparty risk, will influence the performance of the GLG Funds and therefore a fall in the value of such instruments could have a material adverse effect on our business, results of operations or financial condition. In particular, certain GLG Funds frequently trade in debt securities and other obligations, either directly or on an assignment basis. Consequently, the GLG Funds will be subject to risk of default by the debtor or obligor in relation to their debt securities and other obligations, which could have a material adverse effect on our business, results of operations or financial condition.

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

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

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

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

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

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

Table of Contents

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

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

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

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

Risks Related to Our Organization and Structure

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

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

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

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

Our Principals, their Trustees and certain other GLG Shareowners who have entered into a voting agreement beneficially own shares of our common stock and Series A voting preferred stock which collectively represent approximately 54% of our voting power. Accordingly, they have the ability to elect our board of directors and thereby control our management and affairs. Therefore, we are a controlled company for purposes of Section 303(A) of the

New York Stock Exchange Listed Company Manual.

As a controlled company, we are exempt from certain governance requirements otherwise required by the New York Stock Exchange, including the requirement that we have a nominating and corporate governance committee. Under these rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a controlled company and is exempt from certain corporate governance requirements, including requirements that (1) a majority of the board of directors consist of independent directors, (2) compensation of officers be determined or recommended to the board of directors by a majority of its independent directors or by a compensation committee that is composed entirely of independent directors and (3) director nominees be selected or recommended for selection by a majority of the independent directors or by a nominating committee composed solely of independent directors. We utilize some of these exemptions. For example, we do not have a nominating committee. Accordingly, the procedures for approving significant corporate decisions can be determined by directors who have a direct or indirect interest in the matters and you do not have the same protections afforded to stockholders of other companies that are required to comply with the rules of the New York Stock Exchange. In addition, although our board of directors currently consists of a majority of independent directors, we cannot assure you that we will not rely on the exemption from this requirement in the future.

Because of their ownership of approximately 54% of our voting power, our Principals, their Trustees and certain other GLG Shareowners are also able to determine the outcome of all matters requiring stockholder approval (other than those requiring a super-majority vote) and are able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and could preclude any unsolicited acquisition of our company. In addition, because they collectively may determine the outcome of a stockholder vote, they could deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of our company, and that voting control could ultimately affect the market price of our common stock.

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

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

Because of their ownership of approximately 54% of the our voting power, the Principals, their Trustees and certain other GLG Shareowners are able to determine the outcome of all matters requiring stockholder approval (other than those requiring a super-majority vote) and are able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and could preclude any unsolicited acquisition of our company. Certain provisions of Delaware law may also delay or prevent a transaction that could cause a change in our control. The market price of our shares could be adversely affected to the extent that the Principals control over us, as well as provisions of our organizational documents, discourage potential takeover attempts that our stockholders may favor.

An active market for our common stock may not develop.

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

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

Even if an active trading market develops, the market price of our shares and warrants may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our shares and warrants may fluctuate and cause significant price variations to occur. If the market prices of our shares and warrants decline significantly, you may be unable to resell your shares and warrants at or above your purchase price, if at all. We cannot assure you that the market price of our shares and warrants will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our shares and warrants or result in fluctuations in the price or trading volume of our shares and warrants include:

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

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

As a holding company, our ability to pay dividends is subject to the ability of our subsidiaries to provide cash to us. We intend to distribute dividends to our stockholders and/or repurchase our common stock at such time and in such amounts to be determined by our board of directors. Accordingly, we expect to cause our subsidiaries to make distributions to their stockholders or partners, as applicable, in an amount sufficient to enable us to pay such dividends to our stockholders or make such repurchases, as applicable; however, no assurance can be given that such distributions or stock repurchases will or can be made. Our board can reduce or eliminate our dividend, or decide not to repurchase our common stock, at any time, in its discretion. In addition, our subsidiaries will be required to make minimum tax distributions and intend to make limited partner profit share distributions to our key personnel pursuant to our limited partner profit share arrangement prior to distributing dividends to our stockholders or repurchasing our common stock. If our subsidiaries have insufficient funds to make these distributions, we may have to borrow funds or sell assets, which could materially adversely affect our liquidity and financial condition. In addition, our subsidiaries earnings may be insufficient to enable them to make required minimum tax distributions or intended limited partner profit share distributions to their stockholders, partners or members, as applicable, because, among other things, our subsidiaries may not have sufficient capital surplus to pay dividends or make distributions under the laws of the relevant jurisdiction of incorporation or organization or may not satisfy regulatory requirements of capital adequacy, including the regulatory capital requirements of the FSA in the United Kingdom or the Financial Groups Directive of the European Community. We will also be restricted from paying dividends or making stock repurchases under our credit facility in the event of a default or if we are required to make mandatory prepayment of principal thereunder.

Table of Contents

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

We have incurred $570.0 million of indebtedness to finance the acquisition of GLG, transaction costs, deferred underwriting fees and our operations. As a result of the substantial fixed costs associated with these debt obligations, we expect that:

- a decrease in revenues will result in a disproportionately greater percentage decrease in earnings;
- we may not have sufficient liquidity to fund all of these fixed costs if our revenues decline or costs increase;
- we may have to use our working capital to fund these fixed costs instead of funding general corporate requirements, including capital expenditures; and
- we may not have sufficient liquidity to respond to business opportunities, competitive developments and adverse economic conditions.

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

We incurred significant costs associated with the acquisition of GLG, which reduced the amount of cash otherwise available for other corporate purposes.

We incurred direct transaction costs of approximately $38.6 million associated with the acquisition of GLG, which are included as a part of the total purchase cost for accounting purposes. There is no assurance that the significant costs associated with the acquisition will prove to be justified in light of the benefit ultimately realized. Although there were no compensation charges in connection with the acquisition, we expect compensation and benefits post-acquisition to reflect the amortization of a significant non-cash equity-based compensation expense associated with the vesting of equity-based awards over the next five years. The expected compensation and benefits expense will relate to the 10,000,000 shares of our common stock issued for the benefit of our employees, service providers and certain key personnel under our 2007 Restricted Stock Plan; 33,000,000 shares of our common stock and $150 million in cash and promissory notes issued for the benefit of certain of our key personnel participating in our equity participation plan; and 77,604,988 shares of common stock and 58,904,993 exchangeable Class B ordinary shares of FA Sub 2 Limited subject to an agreement among our principals and trustees. These shares are subject to certain vesting and forfeiture provisions, and the related share-based compensation expenses are being recognized on a straight-line basis over the requisite service period. This treatment under GAAP will reduce our net income and may result in net losses in future periods. As a result, as described under Unaudited Pro Forma Condensed Combined Financial Information , we had negative net worth of $99.3 million as of September 30, 2007, and net losses of $427.1 million and $710.3 million on a pro forma basis for the nine months ended September 30, 2007 and the year ended December 31, 2006, respectively, on a pro forma basis after the consummation of the acquisition.

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

Prior to its acquisition by us, GLG was a private company and was not required to prepare or file periodic and other reports with the SEC under the applicable U.S. federal securities laws or to comply with the

Table of Contents

requirements of U.S. federal securities laws applicable to public companies, such as Section 404 of the Sarbanes-Oxley Act of 2002. Although GLG maintained separate legal and compliance and internal audit functions, which along with its Chief Operating Officer, reported on a day-to-day basis directly to its Co-Chief Executive Officer with further formal reporting to it Management Committee, and we maintained disclosure controls and procedures and internal control over financial reporting as required under the U.S. federal securities laws with respect to our activities, neither GLG nor we were required to establish and maintain such disclosure controls and procedures and internal controls over financial reporting as required with respect to a public company with substantial operations.

Under the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, as well as the rules of the New York Stock Exchange, we have been required to implement additional corporate governance practices and to adhere to a variety of reporting requirements and accounting rules. Compliance with these obligations requires significant time and resources from our management and our finance and accounting staff, may require additional staffing and infrastructure and will significantly increase our legal, insurance and financial compliance costs. As a result of the increased costs associated with being a public company, our operating income as a percentage of revenue is likely to be lower.

We must comply with Section 404 of the Sarbanes-Oxley Act of 2002 in a relatively short timeframe.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test the effectiveness of our internal controls over financial reporting in accordance with an established control framework and to report on our management s conclusion as to the effectiveness of these internal controls over financial reporting beginning with the fiscal year ending December 31, 2007. We will also be required to have an independent registered public accounting firm test the internal controls over financial reporting and report on the effectiveness of such controls for the fiscal year ending December 31, 2007 and subsequent years. In addition, the independent registered public accounting firm will be required to report on management s assessment. For 2007, we will be relying on relief from these requirements to limit the scope of these requirements primarily to GLG Partners, Inc. and certain subsidiaries, excluding the GLG entities. Beginning in 2008, we will be required to comply with these requirements with respect to the consolidated group, including the GLG entities. Any delays or difficulty in satisfying these requirements could adversely affect future results of operations and our stock price.

We may incur significant costs to comply with these requirements. We may in the future discover areas of internal controls over financial reporting that need improvement, particularly with respect to any businesses acquired in the future. There can be no assurance that remedial measures will result in adequate internal controls over financial reporting in the future. Any failure to implement the required new or improved controls, or difficulties encountered in their implementation, could materially adversely affect our results of operations or could cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our auditors are unable to provide an unqualified report regarding the effectiveness of internal controls over financial reporting as required by Section 404, investors may lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities. In addition, failure to comply with Section 404 could potentially subject us to sanctions or investigation by the SEC or other regulatory authorities.

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

As a result of the significant amount that our Principals, their Trustees and certain key personnel intend to invest in the GLG Funds in December 2007, other investors in the GLG Funds may perceive conflicts of interest regarding investments in the GLG Funds in which our Principals, their Trustees and other key personnel are personally invested. Actual or perceived conflicts of interests could give rise to investor dissatisfaction or litigation and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with these conflicts of interest. Investor dissatisfaction or litigation in connection with conflicts of interest could materially

Table of Contents

adversely affect our reputation and our business in a number of ways, including as a result of redemptions by investors from the GLG Funds and a reluctance of counterparties do business with us.

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

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

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

Excluding 21,500,003 warrants beneficially owned by our founders and their affiliates (which includes 5,000,000 co-investment warrants), outstanding redeemable warrants to purchase an aggregate of 45,650,400 shares of common stock will become exercisable on December 21, 2007. These warrants would only be exercised if the $7.50 per share exercise price is below the market price of our common stock. To the extent they are exercised, additional shares of our common stock will be issued, which will result in dilution to our stockholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our shares.

Risks Related to Taxation

Our effective income tax rate depends on various factors and may increase as our business expands into countries with higher tax rates.

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

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

U.S. persons who hold 10% or more (actually and/or constructively) of the total combined voting power of all classes of our voting stock may on the sale of the stock be subject to U.S. tax at ordinary income tax rates (rather than at capital gain tax rates) on the portion of their taxable gain attributed to undistributed offshore earnings. This would be the result if we are treated (for U.S. federal income tax purposes) as principally availed to hold the stock of foreign corporation(s) and the stock ownership in us satisfies the stock ownership test for determining controlled foreign corporation (CFC) status (determined as if we were a foreign corporation). A foreign corporation is a CFC if, for an uninterrupted period of 30 days or more during any taxable year, more than 50% of its stock (by vote or value) is owned by 10% U.S. Shareholders . A U.S. person is a 10% U.S. Shareholder if such person owns (actually and/or constructively) 10% or more of the total combined voting power of all classes of stock entitled to vote of such corporation. Approximately 32.0% of our stock is treated as directly or constructively owned by 10% U.S. Shareholders. Therefore, any U.S. person who considers acquiring (directly, indirectly and/or constructively) 10% or more of our outstanding stock should first consult with his or her tax advisor.

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

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

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

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

The U.K. government has recently published proposals with regard to the deductibility of interest expense incurred by U.K. tax resident entities. No assurances can be given that the U.K. government will not enact legislation that restricts the ability of our subsidiary FA Sub 3 Limited to claim a tax deduction for the full amount of its interest expense.

The U.S. Congress is considering changes to U.S. income tax laws which would increase the U.S. income tax rate imposed on carried interest earnings and would subject to U.S. corporate income tax certain publicly held private equity firms and hedge funds structured as partnerships (for U.S. federal income tax purposes). These changes would not apply to us because the Company is already taxed in the United States as a U.S. corporation and earns fee income and does not receive a carried interest . No assurances can be given that the U.S. Congress might not enact other tax law changes that would adversely affect us.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 21E of the Exchange Act. Our forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipates believe, continue, could, estimate, expect, intend, may, might, pl potential, predict, project, should, would and similar expressions may identify forward-looking statements, but t absence of these words does not mean that a statement is not forward-looking.

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

- financial performance;
- market conditions for GLG Funds;
- performance of GLG Funds, the related performance fees and the associated impacts on revenues, net income, cash flows and fund inflows and outflows;
- the cost of retaining our key investment and other personnel or the loss of such key personnel;
- risks associated with the expansion of our business in size and geographically;
- operational risk;
- litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on our resources;
- risks associated with the use of leverage, investment in derivatives, interest rates and currency fluctuations; and
- other risk factors set forth in our SEC filings.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law.

This prospectus also contains forward-looking statements attributed to third parties relating to their estimates of the growth of our markets. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Forward-looking statements contained in this prospectus speak only as of the date of this prospectus. Unless required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, review the risks and uncertainties we describe in the reports we will file from time to time with the SEC after the date of this prospectus. See Where you can find more information.

Table of Contents

USE OF PROCEEDS

We will receive up to an aggregate of approximately $503,628,023 from the exercise of the warrants, if they are exercised in full. We expect that any net proceeds from the exercise of the warrants will be used to fund additional repurchases of warrants or shares of common stock, for general corporate purposes and to fund working capital.

The selling stockholders will receive all of the proceeds from the sale of any shares of common stock and/or warrants sold by them pursuant to this prospectus. We will not receive any proceeds from these sales.

Table of Contents

PLAN OF DISTRIBUTION

We are offering the shares of common stock underlying the warrants upon the exercise of the warrants by the holders thereof. The warrants may be exercised on or prior to December 28, 2011 at the offices of the warrant agent, Continental Stock Transfer & Trust Company, with the exercise form certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to us, for the number of warrants being exercised. Promptly upon receipt of the notice of exercise together with full payment of the warrant price, the warrant agent will deliver to the holder the shares of common stock being purchased.

The shares of common stock and warrants underlying outstanding units, and shares of our common stock issued upon the exercise of the warrants may be sold by the selling stockholders from time to time in:

- transactions in the over-the-counter market;
- negotiated transactions;
- underwritten offerings; or
- a combination of such methods of sale.

The selling stockholders may sell the shares of common stock and warrants underlying outstanding units, and the shares of our common stock issued upon the exercise of the warrants at:

- fixed prices which may be changed;
- market prices prevailing at the time of sale;
- prices related to prevailing market prices; or
- negotiated prices.

The selling stockholders may also resell all or a portion of the securities in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of Rule 144.

The selling stockholders may effect these transactions by selling the shares of common stock and warrants underlying outstanding units, and shares of our common stock issued upon the exercise of the warrants to or through broker-dealers, and these broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchasers of the securities for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with these transactions, broker-dealers or other financial institutions may engage in short sales of our securities in the course of hedging the positions they assume with selling stockholders. The selling stockholders may also enter into options or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of the securities covered by this prospectus, which securities the broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The founders units, shares and warrants (1) held by our founders are subject to the terms of letter agreements between each of the founders and Citigroup Global Market, Inc., as sole book running manager of our initial public offering and (2) held by our sponsors are subject to certain restrictions on transfer pursuant to the terms of the founders agreement entered into among Noam Gottesman, as Sellers Representative, our Principals, the Trustees and our sponsors, each of which provides that subject to certain exceptions, these shares and warrants may not be transferred until November 2, 2008.

In order to comply with the applicable securities laws of particular states, if applicable, the shares of common stock and warrants underlying outstanding units, and the shares of common stock issued upon the exercise of the warrants will be sold in the jurisdictions only through registered or licensed brokers or dealers.

Table of Contents

In addition, in particular states, the shares of our common stock and warrants underlying outstanding units, and the shares of common stock issued upon the exercise of the warrants may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

The selling stockholders and any broker-dealers or agents that participate with the selling stockholders in the distribution of the shares of common stock and warrants underlying outstanding units, or the shares of our common stock issued upon the exercise of the warrants may be deemed to be underwriters within the meaning of the Securities Act, and any commissions received by them and any profit on the resale of the warrants or the shares of our common stock issued upon the exercise of the warrants purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act of 1933.

Each selling stockholder will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, which provisions may limit the timing of purchases and sales of shares of our securities by the selling stockholder.

We will pay for all costs of the registration of the warrants, including, without limitation, SEC filing fees and expenses of compliance with state securities or blue sky laws; except that, the selling holders will pay all underwriting discounts and selling commissions, if any. We have agreed to indemnify the selling stockholders against particular civil liabilities, including some liabilities under the Securities Act of 1933, or we will compensate them for some of these liabilities incurred in connection therewith.

PRICE RANGE OF OUR SECURITIES

On December 21, 2006, our units began trading on the American Stock Exchange under the symbol FRH.U . Each of our units consists of one share of common stock and one warrant. On January 29, 2007, the common stock and warrants underlying our units began to trade separately on the American Stock Exchange under the symbols FRH.WS and FRH , respectively. Our securities were traded on the American Stock Exchange until November 2, 2007.

On November 5, 2007, our units, common stock and warrants began trading on the New York Stock Exchange under the symbols GLG.U , GLG and GLG WS , respectively. The following sets forth the high and low closing sales price of our units, common stock and warrants, as reported on the American Stock Exchange or the New York Stock Exchange for the periods shown:

	Units		Common Stock		Warrants	
	High	Low	High	Low	High	Low
2006:						
Fourth Quarter (beginning on December 21, 2006)	$ 10.20	$ 10.00	$	$	$	$
2007:						
First Quarter	$ 11.15	$ 10.01	$ 10.00	$ 8.90	$ 1.50	$ 1.10
Second Quarter	$ 16.68	$ 10.55	$ 12.40	$ 9.31	$ 4.60	$ 1.27
Third Quarter	$ 16.80	$ 12.00	$ 12.34	$ 9.95	$ 4.55	$ 1.95
Fourth Quarter (through December 18, 2007)	$ 20.75	$ 14.25	$ 14.97	$ 11.25	$ 6.63	$ 4.40

On December 18, 2007 the last reported sale price for our units, common stock and warrants on the New York Stock Exchange was $20.09 per unit, $13.58 per share and $6.00 per warrant, respectively. As of November 30, 2007 there was one holder of record of our units, 228 holders of record of our common stock and 10 holders of record of our warrants, respectively.

DIVIDEND POLICY

Except for the 1-for-3 stock dividend that was effected on December 14, 2006 and the 1-for-5 stock dividend that was effected on December 21, 2006, we have not paid any dividends on our common stock to date. Our board of directors currently intends to begin paying cash dividends on our common stock in 2008. However, our board of directors has not yet determined the amount and/or frequency of such cash dividends, if any. We currently anticipate that our board of directors will determine to declare a modest regular quarterly cash dividend and will consider paying a special annual dividend based upon our annual profitability beginning after the end of 2008. Our board of directors may, from time to time, examine our dividend policy and may, in its absolute discretion, change such policy.

Table of Contents

CAPITALIZATION

The following table summarizes our capitalization as of September 30, 2007:

on a historical basis;

on a pro forma basis, after giving effect to the acquisition of GLG;

on a pro forma as adjusted basis to give effect to the acquisition of GLG and the issuance of 67,150,403 shares of our common stock upon exercise of the warrants at a price of $7.50 per share.

	As of September 30, 2007			
	GLG Historical	Freedom Historical	Pro Forma Combined	Pro Forma As Adjusted
	(In thousands, except per share amounts)			
Cash and cash equivalents	$ 391,732	$ 1,779	$ 454,531	$ 958,159
Investments	$ 163	$	$ 163	$ 163
Minority interest	$ 2,031	$	$ 2,031	$ 2,031
Stockholders equity:				
Stockholders equity	6,843			
Common stock, $.0001 par value; 200,000,000 authorized, 64,800,003 issued and outstanding, actual; 1,150,000,000 authorized, 240,894,910 issued and outstanding, pro forma; 308,045,313 issued and outstanding, pro forma as adjusted		6	23	31
Series A voting preferred stock, $.0001 par value; no shares authorized, issued and outstanding, actual; 58,904,993 authorized, issued and outstanding, pro forma and pro forma as adjusted			6	6
Additional paid-in capital		392,127	97,149	600,777
Income accumulated during the development stage		8,886		
Accumulated income (deficit)	257,238		(200,143)	(200,143)
Accumulated other comprehensive income	3,655		3,655	3,655
Total stockholders equity	267,736	401,019	(99,310)	404,326
Total capitalization	$ 269,767	$ 401,019	$ (97,279)	$ 406,357

The capitalization table should be read in conjunction with the financial statements of GLG and Freedom and the unaudited pro forma condensed combined financial information and related notes included elsewhere in this prospectus.

32

Table of Contents

DILUTION

If holders of warrants exercise their warrants to purchase shares of our common stock, their interests will be diluted immediately to the extent of the difference between the exercise price per share of our common stock and the as adjusted net tangible book value per share of our common stock assuming all outstanding warrants are exercised. As of September 30, 2007, our net tangible book value was approximately $(99) million, or approximately $(0.41) per share of our common stock. Net tangible book value per share is equal to our total net tangible assets, or total net assets less intangible assets, divided by the number of shares of our outstanding common stock. After giving effect to the exercise of warrants to purchase 67,150,403 shares of our common stock outstanding as of September 30, 2007, as adjusted to include the issuance of the co-investment units, at an exercise price of $7.50 per share, and the application of the proceeds therefrom, our as adjusted net tangible book value as of September 30, 2007, attributable to common stockholders would have been approximately $404 million, or approximately $1.31 per share of our common stock. This represents an immediate increase in net tangible book value of $1.72 per share to our existing stockholders, and an immediate dilution of $6.19 per share to warrant holders exercising their warrants and purchasing shares of our common stock. The following table illustrates this per share dilution:

Exercise price per share		$ 7.50
Net tangible book value per share before warrant exercises	$ (0.41)	
Increase in net tangible book value per share attributable to warrant exercises	$ 1.72	
As adjusted net tangible book value per share after warrant exercises		$ 1.31
Dilution per share to exercising warrant holders		$ 6.19

Table of Contents

SELECTED COMBINED HISTORICAL FINANCIAL INFORMATION OF GLG

Because the acquisition was considered a reverse acquisition recapitalization for accounting purposes, the combined historical financial statements of GLG became our historical financial statements. The selected combined historical financial information of GLG as of and for the nine months ended September 30, 2007 and for the nine months ended September 30, 2006 was derived from unaudited condensed combined financial statements of GLG included in this prospectus. The selected combined historical financial information of GLG as of and for the years ended December 31, 2006, 2005 and 2004 was derived from combined financial statements of GLG audited by Ernst & Young LLP, independent registered public accounting firm, included in this prospectus. The selected combined historical financial information of GLG as of September 30, 2006 and 2007 and as of and for the years ended December 31, 2003 and 2002 was derived from unaudited combined financial statements of GLG not included in this prospectus. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements of GLG and the notes thereto included in this prospectus.

	Years Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(Unaudited)					(Unaudited)	
	(US dollars in thousands)						
Combined Statement of Operations Data:							
Net revenues and other income:							
Management fees, net	$ 30,108	$ 65,259	$ 138,988	$ 137,958	$ 186,273	$ 129,981	$ 198,892
Performance fees, net	31,288	206,685	178,024	279,405	394,740	177,047	343,835
Administration fees, net				311	34,814	25,050	42,986
Transaction charges	80,613	115,945	191,585	184,252			
Other	626	6,497	6,110	1,476	5,039	1,883	7,875
Total net revenues and other income	142,635	394,386	514,707	603,402	620,866	333,961	593,588
Expenses:							
Employee compensation and benefits	(88,994)	(158,789)	(196,784)	(345,918)	(168,386)	(118,194)	(110,526)
General, administrative and other	(22,052)	(23,005)	(42,002)	(64,032)	(68,404)	(43,721)	(79,634)
Total expenses	(111,046)	(181,794)	(238,786)	(409,950)	(236,790)	(161,915)	(190,160)

Income from operations	31,589	212,592	275,921	193,452	384,076	172,046	403,428
Interest income, net	882	709	519	2,795	4,657	3,603	4,694
Income before income taxes	32,471	213,301	276,440	196,247	388,733	175,649	408,122
Income taxes	(8,456)	(49,966)	(48,372)	(25,345)	(29,225)	(14,803)	(33,020)
Net income	$ 24,015	$ 163,335	$ 228,068	$ 170,902	$ 359,508	$ 160,846	$ 375,102
Distributions to Principals and Trustees	$ (33,895)	$ (70,825)	$ (222,074)	$ (106,531)	$ (165,705)	$ (148,533)	$ (254,331)
Distributions to non-controlling interest holders					(14,656)	$ (6,718)	$ (215,744)

34

Table of Contents

	As of December 31,					As of September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(Unaudited)					(Unaudited)	
	(US dollars in thousands)						
Combined Balance Sheet Data:							
Cash and cash equivalents	$ 28,450	$ 65,655	$ 136,378	$ 236,261	$ 273,148	$ 272,711	$ 391,732
Fees receivable	34,826	139,103	163,235	246,179	251,963	23,229	40,687
Working capital	15,579	25,940	20,395	42,387	370,094	198,032	273,639
Property and equipment, net	4,102	3,801	4,342	3,290	6,121	3,847	8,966
Total assets	75,359	220,829	310,592	495,340	557,377	315,111	474,195
Accrued compensation and benefits	21,654	25,038	125,850	247,745	102,507	60,310	63,199
Other liabilities					5,100	3,972	3,654
Loans payable	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Total members equity	19,400	112,722	117,980	180,229	361,952	187,435	267,736

Table of Contents

SELECTED HISTORICAL FINANCIAL INFORMATION OF FREEDOM

The summary historical financial information of Freedom as of December 31, 2006 and September 30, 2007 was derived from financial statements of Freedom as of December 31, 2006 audited by Rothstein, Kass & Company P.C., independent registered public accounting firm, and unaudited financial statements of Freedom as of September 30, 2007, respectively, included in this proxy statement. This information should be read in conjunction with the financial statements of Freedom and the notes thereto included in this proxy statement. Since Freedom did not have any significant operations to through the date of the acquisition of GLG, only balance sheet data is presented.

	As of December 31, 2006	As of September 30, 2007
Balance Sheet Data:		
Working capital (deficiency)	$ (122,294)	$ (52,141)
Total assets	467,306,751	524,705,119
Total liabilities	110,289,016	123,686,235
Common stock, subject to possible redemption for cash	93,247,353	102,572,088
Stockholders equity	357,017,735	401,018,884

Table of Contents

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

The following discussion of the financial condition and results of operations of GLG should be read in conjunction with GLG s combined historical financial statements and the related notes. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in our filings with the SEC.

General

GLG s Business

GLG is a leading alternative asset manager offering its clients a diverse range of investment products. GLG currently derives its revenues from management fees and administration fees based on the value of the assets in the funds and accounts it manages, referred to as the GLG Funds, and performance fees based on the performance of those investment funds and accounts. Substantially all of GLG s assets under management, or AUM, are attributable to third-party investors, and the GLG Funds and accounts managed by GLG are not consolidated into its financial statements. As of September 30, 2007, GLG s gross AUM (including assets invested from other GLG Funds) were approximately $23.6 billion, up from approximately $3.9 billion as of December 31, 2001, representing a compound annual growth rate, or CAGR, of 37%. As of September 30, 2007 GLG s net AUM (net of assets invested from other GLG Funds) were approximately $20.5 billion, up from approximately $3.9 billion as of December 31, 2001, representing a CAGR of 33%.

Factors Affecting GLG s Business

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

Assets under management. GLG s revenues from management and administration fees are directly linked to AUM. As a result, GLG s future performance will depend on, among other things, its ability both to retain AUM and to grow AUM from existing and new products.

Fund performance. GLG s revenues from performance fees are linked to the performance of the funds and accounts it manages. Performance also affects AUM because it influences investors decisions to invest assets in, or withdraw assets from, the GLG Funds and accounts managed by GLG.

Personnel, systems, controls and infrastructure. GLG depends on its ability to attract, retain and motivate leading investment and other professionals. GLG s business requires significant investment in its fund management platform, including infrastructure and back-office personnel. GLG has in the past paid and expects to continue in the future to pay these professionals significant compensation and a share of GLG s profits.

Fee rates. GLG s management and administration fee revenues are linked to the fee rates it charges the GLG Funds and accounts it manages as a percentage of their AUM. GLG s performance fees are linked to the rates it charges the GLG Funds and accounts it manages as a percentage of their performance-driven asset growth, subject to high water marks , whereby performance fees are earned by GLG only to the extent that the net asset value of a GLG Fund at the end of a measurement period exceeds the highest net asset value on a preceding measurement period end for which GLG earned performance fees, and in some cases to performance hurdles.

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

GLG operates in only one business segment, the management of global investment funds and accounts.

Table of Contents

Critical Accounting Policies

Management s Discussion and Analysis of Financial Condition and Results of Operations is based upon GLG s combined financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues, expenses and other income. Actual results could differ materially from these estimates. A summary of GLG s significant accounting policies is presented in Note 2 to GLG s audited and unaudited combined financial statements included in this prospectus. The following is a summary of GLG s critical accounting policies that are most affected by judgments, estimates and assumptions.

Combination Criteria

GLG has prepared financial statements on a combined basis in connection with the reverse acquisition transaction with Freedom. The financial statements combine all GLG entities under common control or management of the Principals and the Trustees. GLG s principals, Noam Gottesman, Emmanuel Roman and Pierre Lagrange, are collectively referred to as the Principals. Leslie J. Schreyer, in his capacity as trustee of the Gottesman GLG Trust, Jeffrey A. Robins, in his capacity as trustee of the Roman GLG Trust, and G&S Trustees Limited, in its capacity as trustee of the Lagrange GLG Trust, are collectively referred to as the Trustees.

The analysis as to whether to combine an entity is subject to a significant amount of judgment. Some of the criteria considered are the determination as to the degree of control over an entity by its various equity holders, the design of the entity, how closely related the entity is to each of its equity holders and the relationship of the equity holders to each other.

GLG has determined that it does not own a substantive, controlling interest in any of the investment funds it manages and that they are not variable interest entities. As a result, none of the GLG Funds is required to be consolidated with GLG. For all GLG Funds, GLG has granted rights to the investors that provide a simple majority of the unrelated investors with the ability to remove GLG from its position as fund manager.

Revenue Recognition Performance Fees

Performance fee rates are calculated as a percentage of investment gains less management and administration fees, subject to high water marks and, in the case of most long-only funds, four external funds of funds, or FoHF, and two single-manager alternative strategy funds, to performance hurdles, over a measurement period, generally six months. GLG has elected to adopt the preferred method of recording performance fee income, Method 1 of Emerging Issues Task Force (EITF) Topic D-96, Accounting for Management Fees Based on a Formula (Method 1). Under Method 1, GLG does not recognize performance fee revenues until the end of the measurement period when the amounts are contractually payable, or crystallized .

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

Compensation and Limited Partner Profit Share

The portion of compensation expense related to performance fees is accrued during the period for which the related performance fee revenue is recognized.

GLG also has a limited partner profit share arrangement which remunerates certain individuals through distributions of profits from two GLG entities paid either to two limited liability partnerships in which those individuals are members or directly to those individuals who are members of the two GLG entities. These partnership draws are priority distributions, which are recognized in the period in which they are payable.

Table of Contents

There is an additional limited partner profit share distribution, which is recognized in the period in which it is declared. These partnership draws and profit share distributions are referred to as limited partner profit shares and are discussed further under Expenses Employee Compensation and Benefits and Limited Partner Profit Share below.

Compensation expense and limited partner profit share tied to fund performance is only recognized when the related performance fees crystallize, generally on June 30 and December 31 of each year. When fourth quarter financials are reported, the portion of compensation expense and limited partner profit share tied to performance will reflect crystallized second half performance as well as any adjustments to amounts accrued in the first half.

Equity-Based Compensation

Prior to December 31, 2006, GLG had not granted any equity-based awards. In March 2007, GLG established the equity participation plan to provide certain key individuals, through their direct or indirect limited partnership interests in two limited partnerships, Sage Summit LP and Lavender Heights Capital LP, with the right to receive a percentage of the proceeds derived from an initial public offering relating to GLG or a third-party sale of GLG. Upon consummation of the acquisition, Sage Summit LP and Lavender Heights Capital LP received collectively approximately 15% of the total consideration of cash and our capital stock payable to the GLG Shareowners in the acquisition, 99.9% of which was allocated to key individuals who are limited partners of Sage Summit LP and Lavender Heights LP. The balance of the consideration remains unallocated. Of the portion which has been allocated, 92.4% was allocated to limited partners whom we refer to as Equity Sub Plan A members and 7.6% was allocated to limited partners whom we refer to as Equity Sub Plan B members.

These limited partnerships distributed to the limited partners in the Equity Sub Plan A, 25% of the aggregate amount allocated to the Equity Sub Plan A members upon consummation of the acquisition of GLG, and the remaining 75% will be distributed to the limited partners in three equal installments of 25% each upon vesting over a three-year period on the first, second and third anniversaries of the consummation of the acquisition, subject to the ability of the general partners of the limited partnerships, whose respective boards of directors consist of the Trustees, to accelerate vesting. These limited partnerships will distribute to the limited partners in Equity Sub Plan B, 25% of the aggregate amount allocated to the Equity Sub Plan B members in four equal installments of 25% each upon vesting over a four-year period on the first, second, third and fourth anniversaries of the consummation of the acquisition, subject to the ability of the general partners of the limited partnerships, whose respective boards of directors consist of the Trustees, to accelerate vesting. The unvested portion of such amounts will be subject to forfeiture in the event of termination of the individual as a limited partner prior to each vesting date, unless such termination is without cause after there has been a change in control of our company after completion of the acquisition or due to death or disability. Upon forfeiture, these unvested amounts will not be returned to us but instead to the limited partnerships, which may reallocate such amounts to their existing or future limited partners.

Ten million shares of our common stock issued as part of the purchase price for the acquisition of GLG have been allocated to our employees, service providers and certain key personnel, subject to vesting, which may be accelerated under the Restricted Stock Plan. Of this amount, 123,500 shares have not yet been awarded to individuals. Any unvested stock awards will be returned to us.

In connection with the acquisition, we adopted the 2007 Long-Term Incentive Plan, or LTIP, which will provide for the grants of incentive and non-qualified stock options, stock appreciation rights, common stock, restricted stock, restricted stock units, performance units and performance shares to employees, service providers, non-employee directors and certain key personnel who hold direct or indirect limited partnership interests in certain GLG entities. As of November 30, 2007, an aggregate of 478,922 shares of restricted stock have been awarded under the LTIP, subject to vesting.

In addition, the Principals and the Trustees have entered into an agreement among principals and trustees which will provide that, in the event a Principal voluntarily terminates his employment with us for any reason prior to the fifth anniversary of the closing of the acquisition of GLG, a portion of the equity interests held by

Table of Contents

that Principal and his related Trustee as of the closing of the acquisition of GLG will be forfeited to the Principals who are still employed by us and their related Trustees.

The equity portion of these plans and agreements for employees will be accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment (SFAS 123(R)), which requires that such equity instruments are recorded at their fair value on the measurement date, which date is typically upon the inception of the services that will be performed, and amortized into expense over the vesting period on a straight-line basis.

In accordance with SFAS 123(R) for awards with performance conditions, we will make an evaluation at the grant date and future periods as to the likelihood of the performance targets being met. Compensation expense will be adjusted in future periods for subsequent changes in the expected outcome of the performance conditions until the vesting date. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Awards to limited partners and service providers are accounted for under the EITF Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or In Conjunction with Selling, Goods or Services , which requires that such equity instruments are recorded at their fair value on the measurement date, which date is typically upon the inception of the services that will be performed, remeasured at subsequent dates to the extent the awards are unvested, and amortized into expense over the vesting period on a straight-line basis

As a result, following the completion of the acquisition of GLG, compensation and benefits reflect the amortization of significant non-cash equity-based compensation expenses associated with the vesting of these equity-based awards, which under GAAP will reduce our net income and may result in net losses.

The share-based compensation expense was recorded upon consummation of the acquisition of GLG. Set forth below is a summary of total share-based compensation expenses GLG will incur over the vesting terms of the stock-based awards or interests in connection with the acquisition of GLG beginning on the closing date of the acquisition (dollars in thousands):

12-Month Periods Following Acquisition	
Year 1	**$ 1,416,968**
Year 2	**529,470**
Year 3	**301,542**
Year 4	**149,590**
Year 5	**61,716**
	$ 2,459,287

Share-based compensation expenses have been calculated assuming a fair value of our common stock of $13.70 per share (the closing price on November 2, 2007), no change in the fair value of our common stock over the applicable vesting period and a zero forfeiture rate.

Net Revenues

All fee revenues are presented in MD&A net of any applicable rebates or sub-administration fees.

Where a single-manager alternative strategy fund or a fund of GLG Funds (internal FoHF) managed by GLG invests in an underlying single-manager alternative strategy fund managed by GLG, the investing fund is the top-level GLG Fund into which a client invests and the investee fund is the underlying GLG Fund into which the investing fund invests. For example, the GLG European Long-Short Fund invests in the GLG Utilities Fund. In that case, the GLG European Long-Short Fund is the investing fund and the GLG Utilities Fund is the investee fund.

Table of Contents

Management Fees

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

Product	**Typical Range of Gross Fee Rates (% of AUM)**
Single-manager alternative strategy funds	1.50% 2.50%*
Long-only funds	0.75% 2.25%
Internal FoHF	0.25% 1.50% (at the investing fund level)*
External FoHF	1.50% 1.95%

* When one of the single-manager alternative strategy funds or internal FoHFs managed by GLG invests in an underlying single-manager alternative strategy fund managed by GLG, management fees are charged at the investee fund level. In addition, management fees are charged on the following GLG Funds at the investing fund level: (1) GLG Multi Strategy Fund; and (2) Prime GLG Diversified Fund.

Management fees are generally paid monthly, one month in arrears.

Most GLG Funds have share classes with distribution fees that are paid to third-party institutional distributors with no net economic impact to GLG. In certain cases, GLG may rebate a portion of its gross management fees in order to compensate third-party institutional distributors for marketing GLG products and, in a limited number of cases, in order to incentivize clients to invest in GLG Funds.

Performance Fees

GLG s gross performance fee rates are set as a percentage of fund performance, calculated as investment gains (both realized and unrealized), less management and administration fees, subject to high water marks and, in the case of most long-only funds, four multi-manager funds (external FoHF) and two single-manager alternative strategy funds, to performance hurdles. As a result, even when a GLG Fund has positive fund performance, GLG may not earn a performance fee due to negative fund performance in prior measurement periods and in some cases due to a failure to reach a hurdle rate. Performance fee rates vary depending on the product, as set forth in the table below (subject to fee treatment of fund-in-fund investments as described below):

Product	**Typical Range of Gross Fee Rates (% of Investment Gains)**
Single-manager alternative strategy funds	20% 30%*
Long-only funds	20% 25%
Internal FoHF	0% 20% (at the investing fund level)*
External FoHF	5% 10%

* When one of the single-manager alternative strategy funds or internal FoHFs managed by GLG invests in an underlying single-manager alternative strategy fund managed by GLG, performance fees are charged at the investee fund level. In addition, performance fees are charged on the following GLG Funds at the investing fund level: (1) Prime GLG Diversified Fund; and (2) GLG Global Aggressive Fund, to the extent, if any, that the

performance fee at the investing fund level is greater than the performance fee at the investee fund level.

GLG has adopted Method 1 for recognizing performance fee revenues and under Method 1 does not recognize performance fee revenues until the end of the measurement period when the amounts are crystallized, which for the majority of the investment funds and accounts managed by GLG is on June 30 and December 31.

Administration Fees

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

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

Change in Business Practice

Prior to 2005, GLG levied transaction charges on certain of the funds it managed, with respect to certain investment types, on a per-trade basis, and only charged administration fees to cover sub-administration fees paid to third parties. However, beginning in 2005, GLG ceased levying transaction charges and increased administration fee rates for these funds, which going forward include a portion retained by GLG. This transition was effected on a fund-by-fund basis, with GLG ceasing to levy transaction charges on all GLG Funds by the end of 2005, and administration fees being rolled out to all of the single-manager alternative strategy GLG Funds by early 2006, and to all of the long-only GLG Funds by the end of 2006. The elimination of transaction charges was only partially offset by the increase in administration fee rates. This resulted in lower fund expenses which contributed to higher performance fees. The combined impact of this change in business practice was a net reduction in the fees and charges earned by GLG from the GLG Funds in 2005 compared to 2004. However, GLG s management believes that, given competitive factors, the increasing importance of institutional accounts and the need to better position GLG to enter new markets, this change was necessary to execute on its long-term growth strategy. Substantially all of the impact of these changes was reflected in 2006.

Fees on Managed Accounts

Managed account fee structures are negotiated on an account-by-account basis and may be more complex than for the GLG Funds. Across the managed account portfolio, fee rates vary according to the underlying mandate and in the aggregate are generally within the performance and management fee ranges charged with respect to comparable fund products.

Expenses

Employee Compensation and Benefits and Limited Partner Profit Share

To attract, retain and motivate the highest quality investment and other professionals, GLG provides significant remuneration through salary, discretionary bonuses, profit sharing and other benefits.

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

Beginning in mid-2006, GLG entered into partnership with a number of its key personnel in recognition of their importance in creating and maintaining the long-term value of GLG. These individuals ceased to be employees and either became holders of direct or indirect limited partnership interests in GLG or formed two limited liability partnerships through which they provide services to GLG. Through these partnership interests, these key individuals are entitled to partnership draws as priority distributions, which are recognized in the period in which they are payable. There is an additional limited partner profit share distribution, which is recognized in the period in which it is declared. Key personnel that are participants in the limited partner profit share arrangement do not receive salaries or discretionary bonuses from GLG. Limited partner profit share does not affect net income, whereas comparable amounts paid to these key personnel as employees had been recorded as employee compensation and benefits prior to mid-2006 and accordingly reduced net income. Under GAAP, limited partner profit share cannot be presented as employee compensation expense. However, management believes that it is more appropriate to treat limited partner profit share as expense when considering business performance because it reflects the cost of the services provided to GLG by these participants in the limited partner profit share arrangement. As a result, GLG presents the measure non-GAAP comprehensive limited partner profit share, compensation and benefits , or non-GAAP PSCB, which is a non-GAAP financial measure used to calculate adjusted net income, as described below under Assessing Business Performance , and which adds limited partner profit share to employee compensation expense to show the total cost of the services provided to GLG by both participants in the limited partner profit share arrangement and employees.

The components of total non-GAAP PSCB are:

Base compensation fixed contractual base payments made to personnel. This compensation is paid to employees in the form of base salary. Base compensation is generally paid monthly and the expense is recognized as the amounts are paid.

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

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

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

Limited Partnership Profit Share

The key personnel who are participants in the limited partner profit share arrangement provide services to GLG through two limited liability partnerships, Laurel Heights LLP and Lavender Heights LLP (the LLPs), which are limited partners in GLG Partners LP and GLG Partners Services LP, respectively. The amount of profits attributable to each of the LLPs is determined at the discretion of GLG s management based upon the profitability of GLG s business and their view of the contribution to revenues and profitability from the services provided by each limited partnership during that period. The amount of such distribution will be accrued monthly although it is generally crystallized at year end. However, the notional distribution accrual is adjusted monthly based on the year-to-date profitability and revenues recognized on a year-to-date basis. A portion of the partnership distribution is advanced monthly as a draw against final determination of profit share. Once the final profit allocation is determined, typically in January following each year end, it will be paid to the LLPs as limited partners, less any amounts paid as advance drawings during the year. Other limited partners of GLG Partners Services LP who receive profit allocations include two investment professionals, Steven Roth and Greg Coffey (through Saffron Woods Corporation) who are not members of Lavender Heights LLP, but whose profit distributions from GLG Partners Services LP are determined in the same manner as the allocation of profit shares to individual members of the LLP described below and included in the limited partner profit measure, as described below.

Under GAAP, such distributions are recognized when declared and paid. Because the amounts relate to revenues recognized in the previous accounting period, GLG uses a non-GAAP adjustment to deduct any LLP distributions and any distributions to Steven Roth and Saffron Woods Corporation made after the end of each accounting period relating to revenues recognized in the previous accounting period, as it believes this more accurately reflects the net income for the relevant period. This non-GAAP adjustment is also included in the measure limited partner profit share used in determining non-GAAP PSCB.

Allocation of Profit Shares to Individual Members of LLPs

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

Profit allocations, net of any amounts paid during the year as priority partnership drawings, will typically be paid to the members in January following each year end.

GLG s management believes that the adjustments made to include limited partner profit share in non-GAAP PSCB do not give rise to an income tax effect.

See Non-GAAP Expense Measures under each period to period comparison discussed under Results of Operations Expenses for a reconciliation of non-GAAP PSCB to GAAP employee compensation and benefits for the periods presented.

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

In addition to share-based compensation expense discussed above, GLG will record deferred compensation expense with respect to the cash portion of the awards under the equity participation plan in the aggregate amount of $150 million. For the three 12-month periods beginning with the consummation of the acquisition of GLG, deferred compensation expense will include $104.1 million, $32.0 million and $13.2 million related to the cash portion of the equity participation plan.

General and Administrative

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

Table of Contents

Income Tax

Historically, the only GLG entity earning significant profits subject to company-level income taxes was GLG Holdings Limited, which was subject to U.K. corporate income tax. Most of the balance of the profit was earned by pass-through or other entities that did not incur significant company-level income taxes. Although only a relatively small portion of the profits earned by GLG was subject to U.S. corporate income tax, GLG Partners, Inc. is a U.S. corporation that is subject to U.S. corporate income tax.

After the acquisition of GLG, our effective tax rate will be a function of our overall earnings, the income tax rates in the jurisdictions in which we and our subsidiaries do business, the type and relative amount of income earned by us and our subsidiaries in these jurisdictions and the timing of repatriation of profits back to the United States (*e.g.,* in the form of dividends). As our business expands into countries with higher tax rates such as the United States, we expect that our effective tax rate may increase.

Allocation of income among business activities and entities is subject to detailed and complex rules applied to facts and circumstances that generally are not readily determinable at the date financial statements are prepared. Accordingly, estimates are made of income allocations in computing financial statement effective tax rates that may differ from actual allocations determined when tax returns are prepared or after examination by tax authorities.

We will amortize over a 15-year period and deduct for U.S. income tax purposes the carrying value of certain assets, such as intangibles, arising in connection with the acquisition of GLG, effectively reducing U.S. tax expense on repatriated profits. The amount of annual tax deductible goodwill amortization was approximately $214 million based on the fair market value of Company common stock on November 2, 2007 of $13.70 per share and estimates of the fair market values of the assets and liabilities acquired in the acquisition.

GLG accounts for taxes using the asset and liability method in accordance with SFAS No. 109, Accounting for Income Taxes , under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established when management believes it is more likely than not that a deferred tax asset will not be realized.

Assessing Business Performance

As discussed above under Expenses Employee Compensation and Benefits and Limited Partner Profit Share , GLG s management assesses its personnel-related expenses based on the measure non-GAAP PSCB. Non-GAAP PSCB reflects GAAP employee compensation and benefits, adjusted to include the limited partner profit shares described above under Expenses Employee Compensation and Benefits and Limited Partner Profit Share .

In addition, GLG s management assesses the underlying performance of its business based on the measure adjusted net income , which adjusts for the difference between GAAP employee compensation and benefits and non-GAAP PSCB as discussed above. See Results of Operations Adjusted Net Income for a reconciliation of adjusted net income to net income for the periods presented.

Non-GAAP PSCB is not a measure of financial performance under GAAP and should not be considered as an alternative to GAAP employee compensation and benefits. Further, adjusted net income is not a measure of financial performance under GAAP and should not be considered as an alternative to GAAP net income as an indicator of GLG s operating performance or any other measures of performance derived in accordance with GAAP. The non-GAAP financial measures presented by GLG may be different from non-GAAP financial measures used by other companies.

GLG is providing these non-GAAP financial measures to enable investors, securities analysts and other interested parties to perform additional financial analysis of GLG s personnel-related costs and its earnings from operations and because it believes that they will be helpful to investors in understanding all components of the personnel-related costs of GLG s business. GLG s management believes that the non-GAAP financial measures also enhance comparisons of GLG s core results of operations with historical periods. In particular, GLG believes that the non-GAAP adjusted net income measure better represents profits available for distribution to stockholders than does GAAP net income. In addition, GLG s management uses these non-GAAP financial measures in its evaluation of GLG s core results of operations and trends between fiscal periods and believes these measures are an important component of its internal performance measurement process. GLG s management also prepares forecasts for future periods on a basis consistent with these non-GAAP financial measures. Under the revolving credit and term loan facilities entered into in connection with the acquisition of GLG, we and our subsidiaries are required to maintain compliance with certain financial covenants based on adjusted earnings before interest expense, provision for income taxes, depreciation and amortization, or adjusted EBITDA, which is calculated based on the non-GAAP adjusted net income measure, further adjusted to add back interest expense, provision for income taxes, depreciation and amortization. Non-GAAP adjusted net income has certain limitations in that it may overcompensate for certain costs and expenditures related to GLG s business and may not be indicative of the cash flows from operations as determined in accordance with GAAP.

Assets Under Management

The following is a discussion of GLG s gross and net AUM as of September 30, 2007 and 2006 and as of December 31, 2006, 2005 and 2004, and GLG s average gross and net AUM for the nine months ended September 30, 2007 and 2006 and for the years ended December 31, 2006, 2005 and 2004.

In order to accurately represent fund-in-fund investments whereby one GLG Fund may hold exposure to another GLG Fund, management tracks AUM on both a gross and a net basis. In a gross presentation, sub-invested funds will be counted at both the investing and investee fund level. Net presentation removes the assets at the investing fund level, indicating the total external investment from clients.

GLG has achieved strong historical AUM growth. The following table sets out GLG s gross and net AUM on a historical basis, categorized by product types:

AUM

	As of September 30,		As of December 31,		
	2007	2006	2006	2005	2004
	(US dollars in millions)				
Alternative strategy	$ 14,713	$ 9,184	$ 10,410	$ 7,030	$ 9,171
Long-only	4,561	3,735	3,815	3,253	2,666
Internal FoHF	1,651	1,089	1,261	790	870
External FoHF	598	511	568	410	338
Gross fund-based AUM	21,524	14,519	16,053	11,484	13,045
Managed accounts	1,905	1,042	1,233	335	5
Cash and other holdings	164	372	310	229	215
Total gross AUM	23,593	15,932	17,596	12,047	13,265
Less: internal FoHF investments in GLG Funds	(1,653)	(1,091)	(1,268)	(805)	(867)
Less: external FoHF investments in GLG Funds	(55)	(48)	(49)		

Less: alternatives fund-in-fund investments	(1,419)	(1,075)