



**Financial Supplement**

**Third Quarter 2012**

October 31, 2012

## Business and Financial Metrics Supplement

(\$ billions) unless otherwise noted

	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	YoY Growth	Seq Growth
<b>Brokerage and Advisory Assets Under Custody</b>							
Brokerage	\$220.1	\$228.7	\$243.3	\$241.6	\$252.8	14.9%	4.6%
Advisory	96.3	101.6	110.8	111.4	118.6	23.2%	6.5%
<b>Total Assets Under Custody</b>	<b>\$316.4</b>	<b>\$330.3</b>	<b>\$354.1</b>	<b>\$353.0</b>	<b>\$371.4</b>	<b>17.4%</b>	<b>5.2%</b>
<i>Advisory % of Total</i>	30.4%	30.8%	31.3%	31.6%	31.9%	n/a	n/a
Independent RIA Brokerage	\$10.2	\$11.4	\$12.9	\$14.0	\$16.8	64.7%	20.0%
Independent RIA Advisory	10.0	11.2	13.9	15.4	18.6	86.0%	20.8%
<b>Total Independent RIA Assets Under Custody</b>	<b>\$20.2</b>	<b>\$22.6</b>	<b>\$26.8</b>	<b>\$29.4</b>	<b>\$35.4</b>	<b>75.2%</b>	<b>20.4%</b>
Net New Advisory Assets <sup>(1)</sup>	\$3.0	\$1.0	\$2.5	\$2.8	\$2.9	n/a	n/a
<b>Annualized Growth <sup>(2)</sup></b>	<b>12%</b>	<b>4%</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>	<b>n/a</b>	<b>n/a</b>
Insured Cash Account	\$14.2	\$14.4	\$13.9	\$14.6	\$14.2	0.0%	-2.7%
Money Market Funds	8.9	8.0	7.7	8.5	7.4	-16.9%	-12.9%
<b>Total Cash Sweep Assets (EOP)</b>	<b>\$23.1</b>	<b>\$22.4</b>	<b>\$21.6</b>	<b>\$23.1</b>	<b>\$21.6</b>	<b>-6.5%</b>	<b>-6.5%</b>
<i>% of total Assets Under Custody</i>	7.3%	6.8%	6.1%	6.5%	5.8%	-148 bps	-75 bps
Insured Cash Account Fee - bps	87	89	92	89	88	1 bps	-1 bps
Money Market Fee - bps	8	8	11	12	12	4 bps	0 bps
Weighted FFE Daily Average Fee - bps	8	7	10	15	14	6 bps	-1 bps
<b>Cash Sweep Fee - bps</b>	<b>56</b>	<b>59</b>	<b>64</b>	<b>61</b>	<b>61</b>	<b>5 bps</b>	<b>0 bps</b>
<b>Advisors</b>							
Advisors	12,799	12,847	12,962	13,185	13,170	2.9%	-0.1%
Annualized commissions per Advisor (\$ thousands) <sup>(3)</sup>	\$138	\$126	\$144	\$137	\$134	-2.9%	-2.2%
Net New Advisors	139	48	115	223	(15)	n/a	n/a
Custom Clearing Services (CCS) Subscribers	4,417	4,386	4,465	4,511	4,593	4.0%	1.8%
<b>Payout Rate</b>							
Base Payout Rate	84.4%	84.4%	84.3%	84.3%	84.1%	-33 bps	-21 bps
Production-Based Bonuses	2.9%	3.3%	1.6%	2.6%	3.2%	27 bps	59 bps
<b>GDC Related Payout</b>	<b>87.3%</b>	<b>87.7%</b>	<b>85.8%</b>	<b>86.8%</b>	<b>87.2%</b>	<b>-6 bps</b>	<b>38 bps</b>
Other	-0.3%	0.3%	0.6%	-0.1%	0.2%	51 bps	29 bps
<b>Total Payout Ratio</b>	<b>87.0%</b>	<b>88.0%</b>	<b>86.4%</b>	<b>86.7%</b>	<b>87.4%</b>	<b>45 bps</b>	<b>67 bps</b>
Production-Based Bonuses Ratio (Trailing Twelve Months)	2.3%	2.4%	2.5%	2.6%	2.7%	34 bps	7 bps
<b>Metrics</b>							
Advisory Fee bps of Assets, excluding Independent RIA assets <sup>(4)</sup>	114	116	111	111	111	-3 bps	0 bps
Production Retention Rate (YTD Annualized) <sup>(5)</sup>	97%	96%	98%	98%	95%	-190 bps	-253 bps
Attachment Rate, excluding cash revenue	21%	21%	21%	22%	23%	249 bps	91 bps
Recurring Revenue Rate	63%	65%	63%	65%	67%	342 bps	124 bps
Adj. EBITDA / Gross Margin	43%	42%	46%	40%	39%	-412 bps	-121 bps
Employees - period end	2,726	2,726	2,720	2,911	2,936	7.7%	0.9%
Cash Available for Corporate Use (\$ millions) <sup>(6)</sup>	\$489	\$528	\$584	\$341	\$317	-35.2%	-7.0%

(1) Reflects net new advisory assets consisting of funds from new accounts and additional funds deposited into advisory accounts that are custodied in our fee-based advisory platforms and exclude market impact

(2) Calculated by dividing net new advisory assets by total advisory assets and multiplying by four

(3) Calculation excludes CCS subscribers and uses average of beginning and end of period advisor count

(4) Based on annualized advisory revenue over prior quarter ending corporate advisory assets (corporate assets defined as total advisory assets less Independent RIA Advisory Assets); decline in Q1'12 impacted by re-pricing in one of our significant custom clearing agreements

(5) Reflects retention of commission and advisory fees, calculated by subtracting the prior year production of the annualized year-to-date attrition rate, over the prior year total production

(6) Cash unrestricted by the credit agreement and other regulations available for operating, investing and financing uses

**Financial Supplement with EBITDA Adjustments**

Q3 2012 Compared to Q3 2011 (unaudited)

(\$ Thousands)

	Q3 2012			Q3 2011			YOY Increase/(Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
<b>REVENUES:</b>								
Commissions	\$442,129	\$ -	\$442,129	\$438,294	\$ -	\$438,294	\$3,835	0.9%
Advisory fees	267,334	-	267,334	267,878	-	267,878	(544)	-0.2%
Asset-based fees	100,024	-	100,024	89,691	-	89,691	10,333	11.5%
Transaction and other fees	84,730	(68)	84,662	78,476	129	78,605	6,057	7.7%
Interest income, net of operating Interest	4,629	(3)	4,626	5,036	-	5,036	(410)	-8.1%
Other	8,382	-	8,382	3,482	-	3,482	4,900	140.7%
Net revenues	907,228	(71)	907,157	882,857	129	882,986	24,171	2.7%
<b>EXPENSES:</b>								
Commissions and advisory fees	620,165	-	620,165	614,068	-	614,068	6,097	1.0%
Compensation and benefits	91,309	(5,007)	86,302	77,337	(4,598)	72,739	13,563	18.6%
Promotional	31,844	(63)	31,781	28,660	(68)	28,592	3,189	11.2%
Depreciation and amortization	18,423	-	18,423	19,222	-	19,222	(799)	-4.2%
Occupancy and equipment	13,914	27	13,941	13,637	(140)	13,497	444	3.3%
Professional services	15,672	(2,952)	12,720	10,656	(220)	10,436	2,284	21.9%
Brokerage, clearing and exchange	9,938	-	9,938	9,818	-	9,818	120	1.2%
Communications and data processing	10,249	(1)	10,248	9,235	(2)	9,233	1,015	11.0%
Regulatory fees and expenses	6,979	-	6,979	6,441	(176)	6,265	714	11.4%
Restructuring charges	1,211	(1,194)	17	7,684	(7,672)	12	5	41.7%
Other expense	20,460	(13,394)	7,066	7,434	(704)	6,730	336	5.0%
Total operating expenses	840,164	(22,584)	817,580	804,192	(13,580)	790,612	26,968	3.4%
Non-operating interest expense	12,826	-	12,826	16,603	-	16,603	(3,777)	-22.7%
Loss on extinguishment of debt	-	-	-	-	-	-	-	na
Total expenses	852,990	(22,584)	830,406	820,795	(13,580)	807,215	23,191	2.9%

**Financial Supplement with EBITDA Adjustments**

Q3 2012 Compared to Q2 2012 (unaudited)

(\$ Thousands)

	Q3 2012			Q2 2012			QOQ Increase/(Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
<b>REVENUES:</b>								
Commissions	\$442,129	\$ -	\$442,129	\$447,243	\$ -	\$447,243	(\$5,114)	-1.1%
Advisory fees	267,334	-	267,334	268,192	-	268,192	(858)	-0.3%
Asset-based fees	100,024	-	100,024	102,784	-	102,784	(2,760)	-2.7%
Transaction and other fees	84,730	(68)	84,662	78,894	123	79,017	5,645	7.1%
Interest income, net of operating Interest	4,629	(3)	4,626	4,800	-	4,800	(174)	-3.6%
Other	8,382	-	8,382	5,930	-	5,930	2,452	41.3%
Net revenues	907,228	(71)	907,157	907,843	123	907,966	(809)	-0.1%
<b>EXPENSES:</b>								
Commissions and advisory fees	620,165	-	620,165	620,582	-	620,582	(417)	-0.1%
Compensation and benefits	91,309	(5,007)	86,302	93,034	(8,406)	84,628	1,674	2.0%
Promotional	31,844	(63)	31,781	26,122	(48)	26,074	5,707	21.9%
Depreciation and amortization	18,423	-	18,423	17,412	-	17,412	1,011	5.8%
Occupancy and equipment	13,914	27	13,941	14,007	(45)	13,962	(21)	-0.2%
Professional services	15,672	(2,952)	12,720	18,199	(1,937)	16,262	(3,542)	-21.8%
Brokerage, clearing and exchange	9,938	-	9,938	9,554	-	9,554	384	4.0%
Communications and data processing	10,249	(1)	10,248	9,797	-	9,797	451	4.6%
Regulatory fees and expenses	6,979	-	6,979	6,891	-	6,891	88	1.3%
Restructuring charges	1,211	(1,194)	17	2,057	(2,056)	1	16	1600.0%
Other expense	20,460	(13,394)	7,066	9,441	(805)	8,636	(1,570)	-18.2%
Total operating expenses	840,164	(22,584)	817,580	827,096	(13,297)	813,799	3,781	0.5%
Non-operating interest expense	12,826	-	12,826	13,439	-	13,439	(613)	-4.6%
Loss on extinguishment of debt	-	-	-	-	-	-	-	na
Total expenses	852,990	(22,584)	830,406	840,535	(13,297)	827,238	3,168	0.4%

**Financial Supplement with EBITDA Adjustments**

2012 Compared to 2011 (unaudited)

(\$ Thousands)

	2012			2011			YTD Increase/(Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
<b>REVENUES:</b>								
Commissions	\$1,353,025	\$ -	\$1,353,025	\$1,350,053	\$ -	\$1,350,053	\$2,972	0.2%
Advisory fees	786,507	-	786,507	776,254	-	776,254	10,253	1.3%
Asset-based fees	300,049	-	300,049	270,018	-	270,018	30,031	11.1%
Transaction and other fees	238,196	315	238,511	220,980	529	221,509	17,002	7.7%
Interest income, net of operating Interest	14,139	(3)	14,136	15,288	-	15,288	(1,152)	-7.5%
Other	24,928	-	24,928	18,129	-	18,129	6,799	37.5%
Net revenues	<u>2,716,844</u>	<u>312</u>	<u>2,717,156</u>	<u>2,650,722</u>	<u>529</u>	<u>2,651,251</u>	<u>65,905</u>	<u>2.5%</u>
<b>EXPENSES:</b>								
Commissions and advisory fees	1,858,139	-	1,858,139	1,833,433	-	1,833,433	24,706	1.3%
Compensation and benefits	273,355	(17,925)	255,430	242,889	(12,858)	230,031	25,399	11.0%
Promotional	74,797	(157)	74,640	62,985	(860)	62,125	12,515	20.1%
Depreciation and amortization	53,010	-	53,010	55,794	-	55,794	(2,784)	-5.0%
Occupancy and equipment	42,418	(20)	42,398	41,556	(379)	41,177	1,221	3.0%
Professional services	46,992	(6,038)	40,954	33,309	(1,999)	31,310	9,644	30.8%
Brokerage, clearing and exchange	29,007	-	29,007	28,868	-	28,868	139	0.5%
Communications and data processing	28,945	(1)	28,944	26,823	(18)	26,805	2,139	8.0%
Regulatory fees and expenses	21,416	-	21,416	19,385	(226)	19,159	2,257	11.8%
Restructuring charges	4,962	(4,959)	3	13,035	(13,023)	12	(9)	-75.0%
Other	36,573	(14,882)	21,691	20,617	(1,210)	19,407	2,284	11.8%
Total operating expenses	<u>2,469,614</u>	<u>(43,982)</u>	<u>2,425,632</u>	<u>2,378,694</u>	<u>(30,573)</u>	<u>2,348,121</u>	<u>77,511</u>	<u>3.3%</u>
Non-operating interest expense	42,297	-	42,297	52,929	-	52,929	(10,632)	-20.1%
Loss on extinguishment of debt	16,524	(16,524)	-	-	-	-	-	na
Total expenses	<u>2,528,435</u>	<u>(60,506)</u>	<u>2,467,929</u>	<u>2,431,623</u>	<u>(30,573)</u>	<u>2,401,050</u>	<u>66,879</u>	<u>2.8%</u>

**Insured Cash Account Fed Funds Sensitivity**

(\$ thousands)

The following table reflects the impact to income before taxes on an annual basis based on an upward or downward change in short-term interest rates of one basis point.

The impact assumes that the client balances at September 30, 2012 remain unchanged.

<u>Federal Reserve Effective Federal Funds Rate ("FFER")</u>	<u>Annualized Increase or Decrease of Income Before Taxes per One Basis Point Change*</u>
0.00% - 0.25%	\$1,400
0.26% - 1.25%	700
1.26% - 2.00%	600

\*Excludes impact from money market revenue

The actual impact to cash sweep revenue, including a change in the FFER of greater than 2.00%, may vary depending on our strategy in response to a change in interest rate levels, the significance of a change, and actual balances at the time of such change.