

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	2008	2007	2006
(In thousands)			
Cash flows from operating activities			
Net income	\$ 177,911	\$ 122,240	\$ 158,346
Loss from discontinued operations, net of tax	–	(1,437)	–
Income from continuing operations	177,911	123,677	158,346
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation and amortization	27,494	22,075	20,641
Stock-based compensation	34,970	31,047	20,810
Deferred income taxes	6,874	(13,183)	(23,846)
Deferred rent	1,222	438	780
Writedown of assets and lease loss accrual, net	1,236	(2,470)	8,480
Realized gain from sale of subsidiary stock	–	(4,223)	–
Realized gain from sale of strategic investments	(35,635)	–	(30,133)
Non-operating gain from subsidiary stock issuance	(15,947)	(8,757)	–
Unrealized loss (gain) on strategic investments	6,226	(397)	789
Unrealized loss (gain) on investments in Deephaven sponsored funds	28,195	(17,786)	(34,182)
Minority interest expense	6,153	(337)	–
Operating activities from discontinued operations	–	(1,437)	–
(Increase) decrease in operating assets, net of acquisitions and disposals			
Securities owned	(63,500)	299,209	(331,408)
Receivable from brokers and dealers	47,010	(28,376)	(142,397)
Asset management fees receivable	15,722	87,451	(65,740)
Deferred compensation investments	12,814	(53,918)	(14,395)
Other assets	(9,622)	(33,606)	(4,511)
Increase (decrease) in operating liabilities, net of acquisitions and disposals			
Securities sold, not yet purchased	49,723	(357,791)	347,614
Payable to brokers and dealers	(18,863)	70,625	12,700
Accrued compensation expense	(21,316)	1,659	109,318
Accrued expenses and other liabilities	5,139	37,352	(17,210)
Net cash provided by operating activities	255,806	151,252	15,656
Cash flows from investing activities			
Investments in Deephaven sponsored funds	–	–	(1,310)
Redemption of Deephaven sponsored funds	93,385	35,000	129,575
Purchases of fixed assets and leasehold improvements	(38,308)	(15,098)	(12,976)
Purchases of strategic investments	(13,442)	(10,400)	(38,771)
Proceeds from cash distribution and sale of strategic investments	48,805	5,534	33,082
Purchases of businesses, net of cash acquired	(77,308)	(30)	(95,809)
Contingent payment on purchases of businesses	–	(10,363)	(15,511)
Proceeds from issuance of subsidiary stock	–	31,667	–
Proceeds from sale of subsidiary stock	–	12,750	–
Cash retained by deconsolidated entity	–	(32,241)	–
Net cash provided by (used in) investing activities	13,132	16,819	(1,720)
Cash flows from financing activities			
Proceeds from long-term debt borrowing	70,000	70,000	–
Capital contribution from Deephaven Managing Partners, LLC	1,000	–	–
Stock options exercised	10,360	21,075	26,787
Income tax benefit on stock awards exercised	6,117	15,172	19,405
Cost of common stock repurchased	(138,229)	(266,643)	(75,959)
Net cash used in financing activities	(50,752)	(160,396)	(29,767)
Increase (decrease) in cash and cash equivalents	218,186	7,675	(15,831)
Cash and cash equivalents at beginning of period	222,435	214,760	230,591
Cash and cash equivalents at end of period	\$ 440,621	\$ 222,435	\$ 214,760
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 5,014	\$ 285	\$ 408
Cash paid for income taxes	\$ 114,618	\$ 73,544	\$ 120,747
Supplemental disclosure of investing activities:			
Goodwill	\$ 99,364	\$ 30	\$ 69,849
Intangible assets	44,500	–	38,740
Other assets	9,298	–	1,803
Accrued expenses and other liabilities	(20,854)	–	(14,583)
Issuance of common stock in connection with acquisitions	132,308	30	95,809
Purchases of businesses, net of cash acquired	(55,000)	–	–
	\$ 77,308	\$ 30	\$ 95,809

The accompanying notes are an integral part of these consolidated financial statements.