



Capital Structure in Money Management

Donald H. Putnam

Darlene T. DeRemer

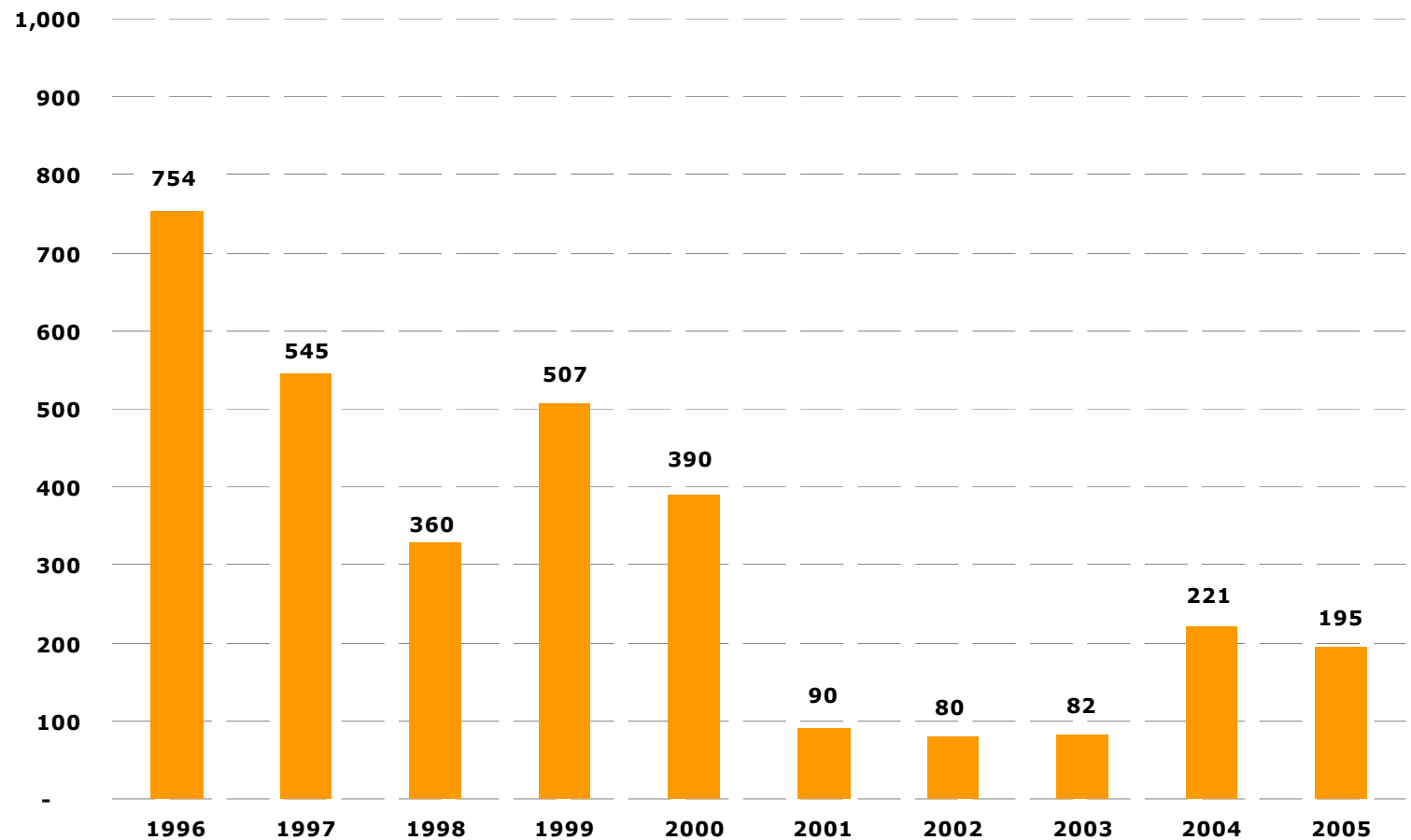
Grail Partners LLC

May 11, 2006

IPO Markets – Slight Rebound

- Coming off the 2001-2003 lulls, the number of IPOs doubled in the past two years but remain well behind the 1990's surge

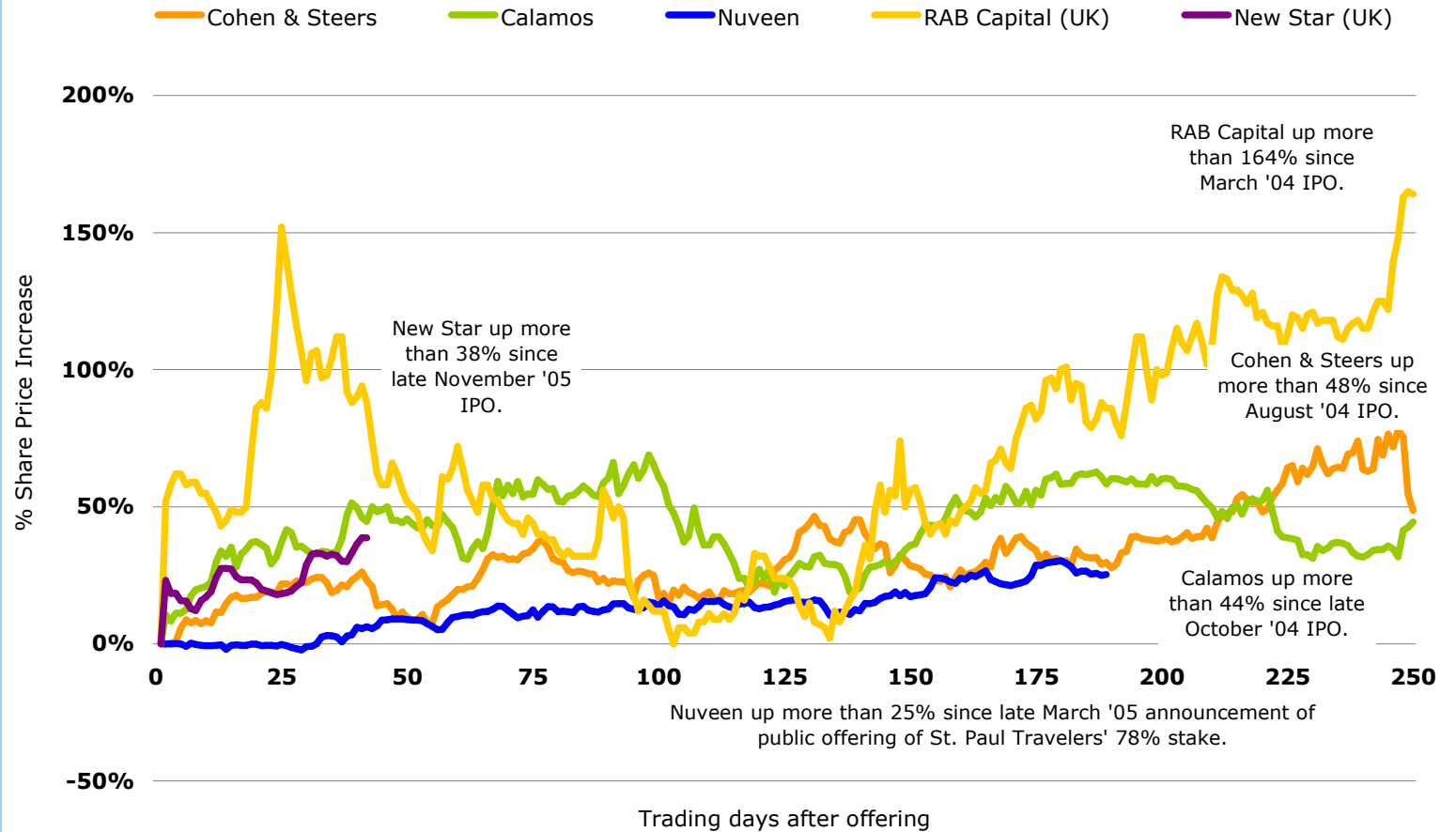
Number of US IPOs: 1996 - 2005



Recent Money Manager IPOs

IPOs and Publics

- Money manager IPOs up and away in the last two years



Source: Bloomberg, Grail Partners LLC

Public Asset Manager IPO Information

IPOs and Publics

- Strong growth in value, with a few stragglers

	Ticker	IPO Date	IPO Data		Current Data		Market Cap CAGR	EBITDA CAGR
			Market Cap (\$mm)	Run Rate EBITDA	Market Cap (\$mm)	Run Rate EBITDA		
Eaton Vance	EV	Dec-59	\$23	\$2,826	\$3,967	\$334,918	12%	11%
Legg Mason	LM	Jul-83	83	8,000	15,538	850,158	26%	23%
Westwood Holdings Group	WHG	Jun-02	70	9,188	112	6,315	13%	-9%
BKF Capital Group ¹	BKF	Jan-00	80	13,696	72	5,807	-2%	-13%
T. Rowe Price Associates, Inc.	TROW	Apr-86	178	31,014	11,701	697,300	23%	17%
AllianceBernstein L.P.	AB	Jan-88	149	31,780	16,700	1,218,285	34%	25%
Affiliated Managers Group, Inc.	AMG	Nov-97	378	42,989	4,691	366,957	35%	29%
Cohen & Steers	CNS	Aug-04	445	45,508	1,034	57,264	66%	15%
GAMCO Investors Inc.	GBL	Feb-99	525	45,877	1,179	87,503	12%	9%
Nuveen Investments	JNC	May-92	692	85,756	4,027	309,936	13%	10%
W.P. Stewart	WPL	Dec-00	849	88,909	906	67,703	1%	-5%
BlackRock, Inc.	BLK	Sep-99	896	92,214	10,113	371,443	45%	24%
Waddell & Reed Financial, Inc.	WDR	Mar-98	1,472	116,333	1,951	153,245	4%	3%
Franklin Resources ³	BEN	Jan-71	524	138,884	24,717	1,376,006	27%	15%
Calamos Asset Management	CLMS	Oct-04	1,800	145,441	3,914	252,078	68%	44%
Federated Investors, Inc	FII	May-98	1,634	152,893	3,795	430,386	11%	14%
AMVESCOAP ⁴	AVZ	Feb-97	6,518	405,161	8,861	594,712	3%	4%
Janus Capital Management, Inc. ⁵	JNS	Jun-00	8,552	518,000	4,120	224,200	-12%	-13%

¹ Effective date whereby John A. Levin & Co. became the sole operating subsidiary

² Information shown is as of earliest available date (March 1990)

³ Information shown is as of earliest available date (December 1989)

⁴ Effective date of AIM/INVESCO merger

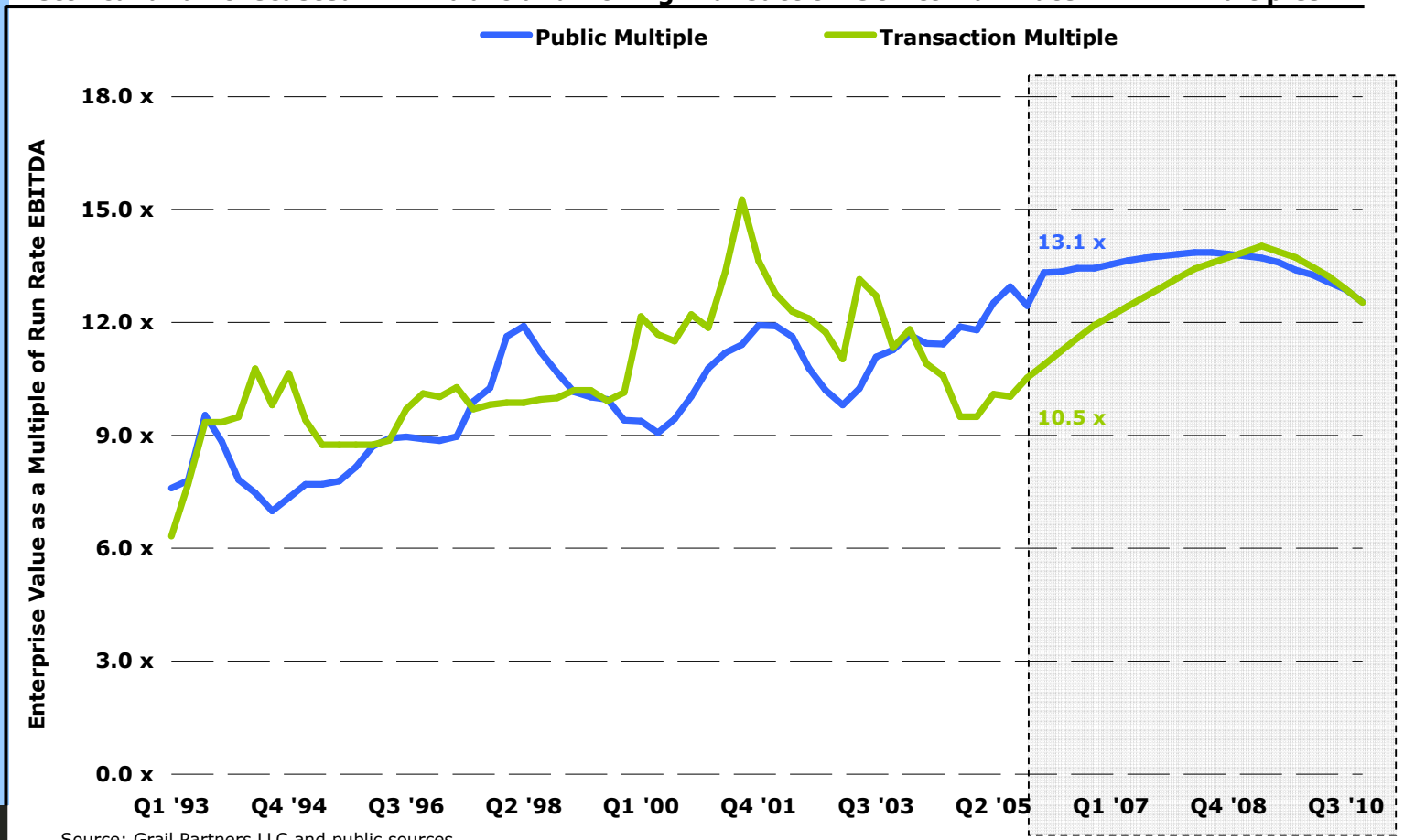
⁵ Effective date of Stillwell Financial spinoff from KCSR

Public vs. Private EBITDA Multiples: A 10-year Perspective

IPOs and Publics

- The markets have applied a clear premium to publicly traded firms, reversing historical trends
- Transaction multiples remain volatile since trending downward from 2001 and reaching a floor in Q2 2005

Historical and Forecasted TTM Public and Rolling Transaction GCV to Run Rate EBITDA Multiples



Source: Grail Partners LLC and public sources.

Grail Partners Estimates

UK Public Asset Managers: Detail

- UK public asset managers are trading, on a median basis, as of April 28, 2006, at run-rate multiples of:
 - 12.5x run-rate EBITDA,
 - 4.1x run-rate revenues, and
 - 3.3% of assets under management

U.K. and European Publicly Traded Money Managers - Pricing Multiples

As of Friday, April 28, 2006

(All Figures in Millions, Except Where Noted and Per Share Data)

Asset Managers	Symbol	Price 28-Apr	Market Cap.	Going Concern Value ⁽¹⁾	AUM	Price to Earnings			Going Concern Value to			
						LTM	CFY	NFY	Assets Managed	Run-Rate Revenues	Run-Rate EBITDA	Run-Rate EBIT
Aberdeen Asset Management PLC	ADN LN	197.3p	£1,233	£1,166	£72,000	37.5x	23.0x	17.7x	1.6%	7.5x	31.4x	nm
Absolute Capital Management	ACMH LN	273.0p	£141	£139	£624	neg	n/a	n/a	22.3%	7.3x	13.0x	13.0x
Amvescap PLC	AVZ LN	599.5p	£4,857	£5,127	£236,284	33.5x	22.0x	19.3x	2.2%	4.0x	13.8x	18.0x
Azimut Holding SpA	AZM IM	€ 9.8	€ 1,408	€ 1,499	€ 12,000	neg	19.0x	15.0x	12.5%	9.8x	12.1x	12.8x
Charlemagne Capital Ltd	CCAP LN	100.0p	£194	£187	£2,989	6.2x	n/a	n/a	6.3%	3.8x	6.8x	6.9x
F&C Asset Management PLC	FCAM LN	215.0p	£1,019	£1,120	£131,000	21.0x	14.9x	14.4x	0.9%	4.1x	10.4x	21.9x
Henderson Group PLC	HGI LN	83.0p	£958	£471	£67,700	29.7x	19.4x	19.4x	0.7%	2.0x	5.9x	8.9x
Iimia Investment Group PLC	IIG LN	185.5p	£26	£19	£533	52.1x	n/a	n/a	3.6%	1.2x	5.4x	6.6x
Liontrust Asset Management Plc	LIO LN	373.0p	£121	£108	£4,460	15.9x	15.9x	14.6x	2.4%	4.1x	11.3x	11.4x
Man Group Plc	EMG LN	2527.0p	£8,642	£8,159	£27,595	21.6x	14.7x	14.1x	29.6%	7.8x	13.0x	14.8x
New Star Asset Management Group Ltd	NSAM LN	432.0p	£1,303	£1,314	£16,800	66.7x	21.7x	17.2x	7.8%	11.6x	23.4x	39.4x
Partners Group	PGHN SW	SFr. 77.50	SFr. 2,275	SFr. 2,238	SFr. 11,000	nm	n/a	n/a	20.3%	18.8x	27.9x	29.2x
Premier Asset Management Plc	PAM LN	155.0p	£21	£17	£1,330	nm	23.8x	16.7x	1.3%	2.1x	nm	neg
RAB Capital PLC	RAB LN	90.0p	£452	£416	£1,522	35.1x	20.6x	15.7x	27.3%	4.1x	11.3x	11.6x
Rathbone Brothers	RAT LN	1176.0p	£499	£499	£10,000	19.2x	17.7x	15.6x	5.0%	4.2x	11.4x	12.1x
Rensburg Sheppards PLC	RBG LN	794.0p	£263	£339	£11,700	21.2x	19.6x	18.1x	2.9%	5.0x	18.1x	31.7x
Savoy Asset Management Plc	SMN LN	178.5p	£19	£17	£1,100	41.1x	n/a	n/a	1.6%	2.0x	26.8x	30.5x
Schroders PLC	SDR LN	1129.0p	£3,311	£2,925	£122,500	18.7x	18.2x	16.3x	2.4%	3.9x	12.5x	13.1x
Median						25.7x	19.4x	16.3x	3.3%	4.1x	12.5x	13.1x
Market Cap-Weighted Mean						23.6x	16.3x	14.6x	13.9%	7.3x	15.2x	16.8x

⁽¹⁾ Equity market capitalization plus net debt capitalization

Note: all figures represent normalized earnings; nm=not meaningful, n/a=not available, neg=negative

US Public Asset Managers: Detail

- US public asset managers are trading, on a median basis, as of April 28, 2006, at run-rate multiples of:
 - 14.4x run-rate EBITDA,
 - 4.8x run-rate revenues, and
 - 3.3% of assets under management

U.S. Publicly Traded Money Managers - Pricing Multiples

As of Friday, April 28, 2006

(US\$ in Millions, Except Where Noted and Per Share Data)

Mutual Fund Managers	Symbol	Price 28-Apr	Market Cap.	Going Concern Value ⁽¹⁾	AUM	Price to Earnings			Going Concern Value to			
						LTM	CFY	NFY	Assets Managed	Run-Rate Revenues	Run-Rate EBITDA	Run-Rate EBIT
⁽²⁾ Calamos Asset Management Inc	CLMS	\$38.76	\$3,914	\$3,898	\$47,601	28.3x	24.1x	20.8x	8.2%	8.1x	14.3x	16.6x
Eaton Vance Corp	EV	28.47	3,967	3,802	116,500	38.5x	22.0x	18.8x	3.3%	4.6x	12.0x	14.8x
Federated Investors Inc	FII	35.10	3,811	3,727	213,423	18.0x	17.0x	15.1x	1.7%	3.9x	8.8x	10.8x
Franklin Resources Inc	BEN	93.12	24,683	22,502	491,600	21.5x	18.9x	16.7x	4.6%	4.8x	11.5x	13.9x
GAMCO Investors Inc	GBL	38.48	1,179	1,247	26,798	18.9x	17.6x	17.1x	4.7%	4.8x	11.3x	11.3x
Hennessy Advisors, Inc	HNNA	27.50	111	116	1,832	22.2x	n/a	n/a	6.4%	7.9x	15.8x	17.2x
Janus Capital Group Inc	JNS	19.46	4,131	3,857	148,500	44.0x	24.7x	18.3x	2.6%	3.9x	14.7x	17.9x
Nuveen Investments Inc	JNC	48.12	3,946	4,536	136,117	23.7x	20.4x	17.7x	3.3%	7.2x	13.8x	14.5x
T Rowe Price Group Inc	TROW	84.19	11,576	10,772	269,500	26.7x	22.6x	19.7x	4.0%	6.7x	14.7x	15.6x
US Global Investors Inc	GROW	20.76	158	153	3,050	50.6x	n/a	n/a	5.0%	4.9x	22.0x	22.4x
Waddell & Reed Financial Inc	WDR	23.52	1,937	1,974	41,863	23.0x	18.0x	15.9x	4.7%	3.0x	13.7x	15.0x
Diversified Asset Managers												
Affiliated Managers Group Inc	AMG	101.30	4,589	5,559	184,310	36.0x	17.8x	15.3x	3.0%	5.1x	12.3x	13.4x
⁽³⁾ AllianceBernstein L.P.	AB	64.45	17,177	16,594	617,000	21.3x	18.2x	15.5x	2.7%	4.5x	10.9x	13.1x
Amvescap PLC	AVZ	21.87	8,859	9,330	411,000	35.1x	22.3x	18.6x	2.3%	4.2x	14.5x	18.8x
BKF Capital Group Inc	BKF	9.03	72	28	4,502	neg	n/a	n/a	0.6%	0.3x	neg	neg
BlackRock Inc/New York	BLK	151.54	10,140	9,916	452,682	43.3x	30.7x	22.3x	2.2%	6.7x	20.5x	22.1x
Cohen & Steers Inc	CNS	25.63	1,035	996	20,491	34.7x	25.1x	21.8x	4.9%	6.7x	17.0x	21.1x
⁽⁴⁾ Diamond Hill Investment Group	DHIL	42.00	87	85	2,181	42.1x	n/a	n/a	3.9%	6.0x	20.5x	21.1x
Legg Mason Inc	LM	118.48	15,538	16,008	850,800	28.6x	28.4x	20.3x	1.9%	5.8x	18.2x	20.6x
WP Stewart & Co Ltd	WPL	20.04	924	875	9,514	18.2x	17.0x	15.7x	9.2%	4.8x	10.9x	12.1x
Westwood Holdings Group Inc	WHG	19.65	110	108	4,900	29.8x	n/a	n/a	2.2%	4.5x	15.6x	16.3x
S&P 500	SPX	1310.61				17.8x	17.3x	16.1x				
Mutual Fund Managers Median						23.7x	20.4x	17.7x	4.6%	4.8x	13.8x	15.0x
Diversified Managers Median						34.7x	22.3x	18.6x	2.5%	5.0x	15.6x	18.8x
Overall Group Median						28.4x	21.2x	18.0x	3.3%	4.8x	14.4x	16.0x
Market Cap-Weighted Mean						28.1x	22.0x	18.0x	3.4%	5.3x	13.9x	16.1x

⁽¹⁾ Equity market capitalization plus net debt capitalization

⁽²⁾ Only approximately 23% is public float; for comparative purposes, figures shown prior to minority interest expense

⁽³⁾ Master limited partnership; only approximately 32.1% is public float

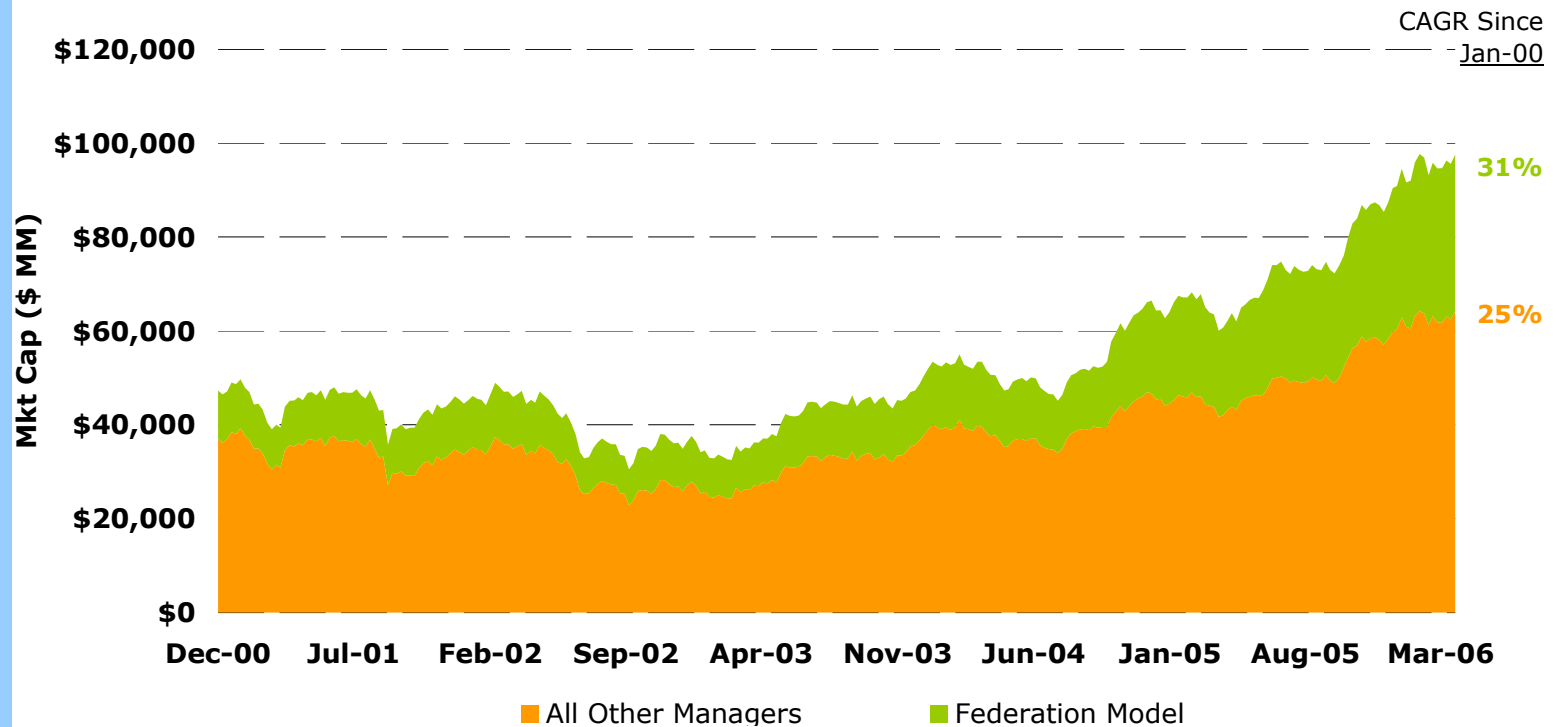
⁽⁴⁾ Income generated by Private Investment Partnership included in revenues

Note: all figures represent normalized earnings; nm=not meaningful, n/a=not available, neg=negative

Success of the Federation

Federation Model

Federation Model Market Caps v. All Other Managers Market Caps¹



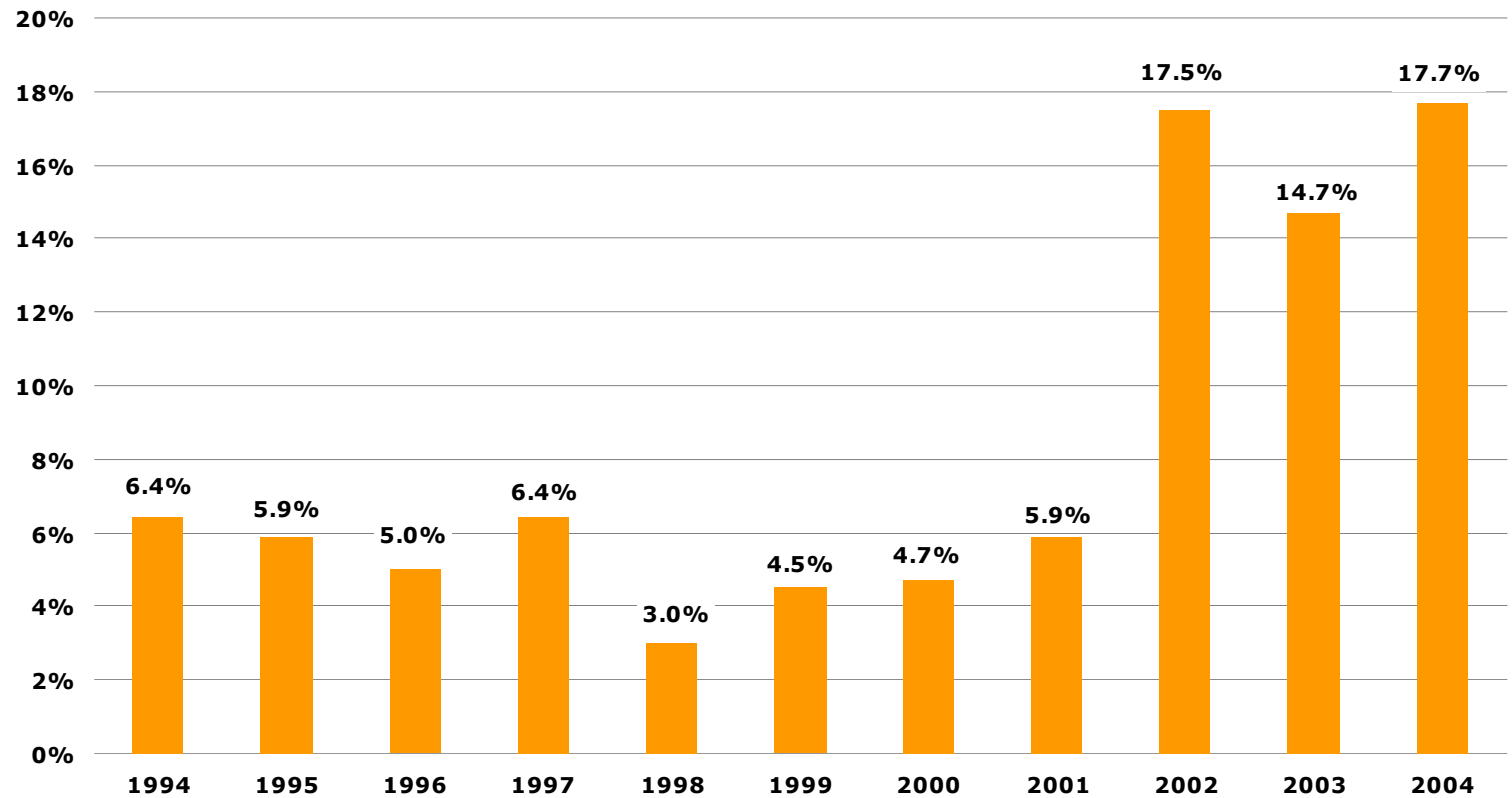
¹**Federation Model:** Alliance Bernstein, AMG, Calamos, Nuveen and Legg Mason.

All Other Managers: Franklin Resources, BKF Capital, BlackRock, Cohen and Steers, Diamond Hill, Eaton Vance, Federated Investors, US Global Investors, Hennessey Advisors, Janus Capital, T. Rowe Price, Waddell & Reed, Westwood Holdings Group and WP Stewart.

Private Equity's Significant Presence

Private Equity –
Surging
Importance

Private Equity Buyers as a Percentage of All M&A Transactions



MBO / LBO – History of Success

- **112** money management MBO/LBO transactions in the last twenty years
 - To buy companies from conglomerate ownership – “LBO”
 - To liquefy founders and enfranchise the next generation – “MBO”
- Only **two** have failed to pay off all senior debt on time – Two “workouts”:
 - Altamira – a 1996 TA Associates LBO - was restructured successfully and sold to NBF
 - Dreman – a 1989 Texas Pacific MBO - failed in an equity crush-down and was sold to Kemper for the value of the debt.

- So: a 2% chance of default, and <20% chance that equity holders do not beat inflation

There is about an 80% likelihood of real returns from recap equity, and about a 60% chance that the returns beat the company organic growth rate (a result of leverage, tax arbitrage and equity incentives).

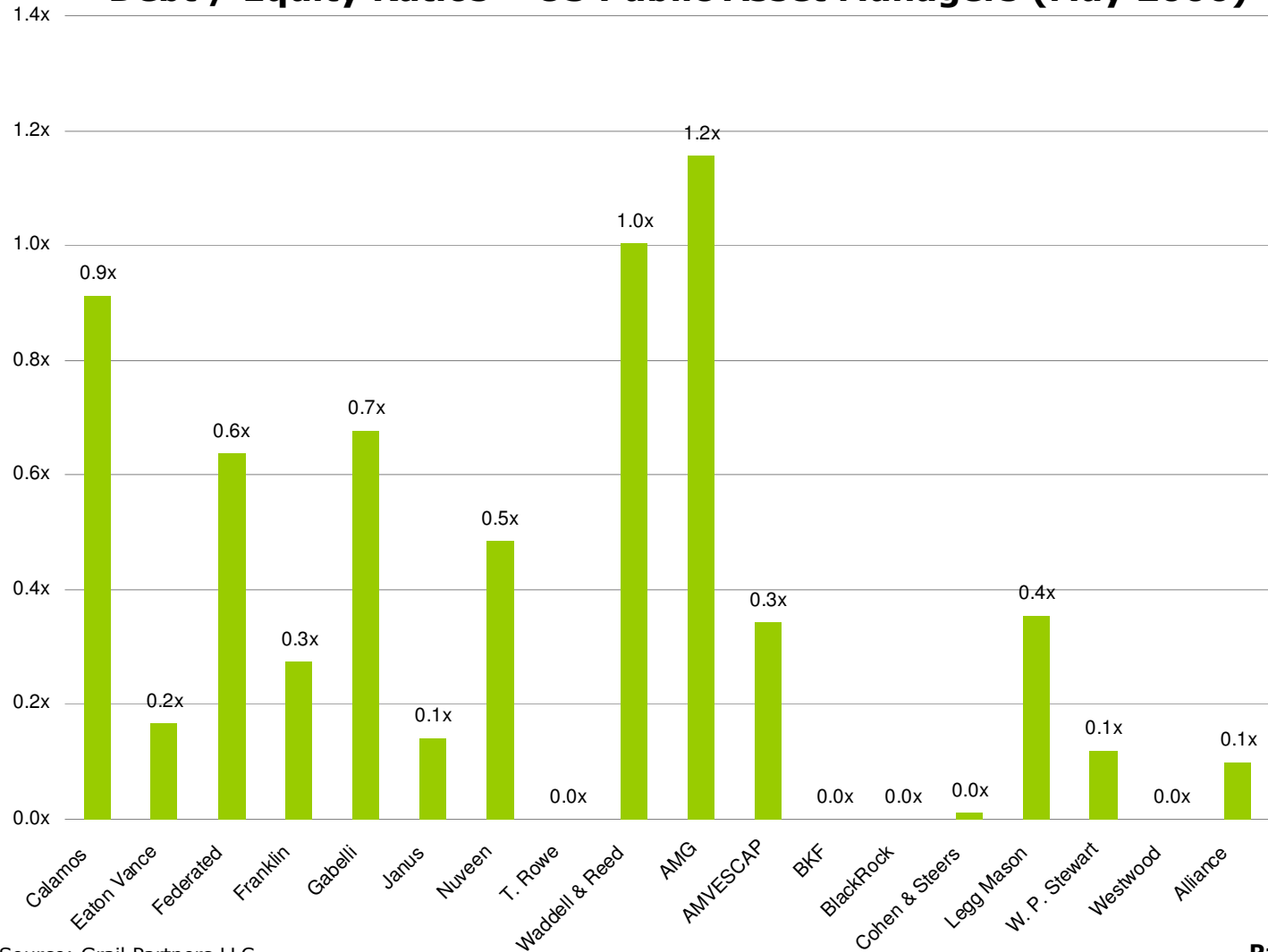
- The key risk is not senior debt – banks simply will not lend at unsafe levels.
- **Key risks are**
 - **a) too much non-bank debt,**
 - **b) too little incentive for the next generation (hoarding), and**
 - **c) excessively high price (seller flight)**

Publics Using Leverage

Debt / Equity – US Publics

- Minimal leverage, as one would expect, though ratios vary across the industry

Debt / Equity Ratios – US Public Asset Managers (May 2006)

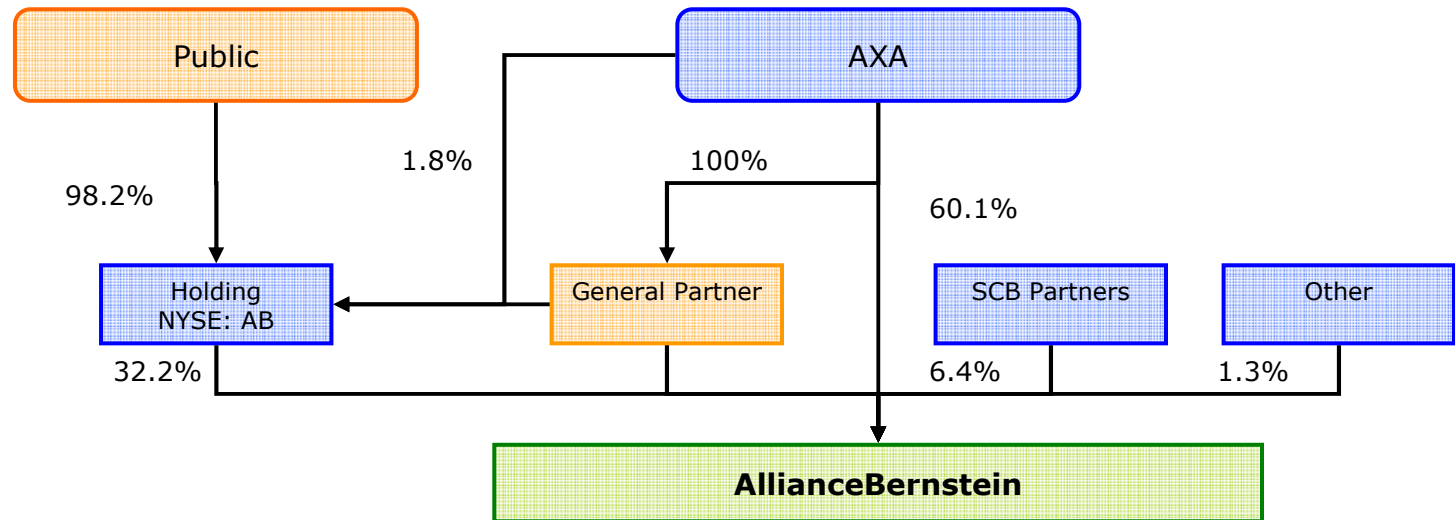


Source: Grail Partners LLC

Alliance Bernstein

Case Studies

- Structural differences in Holding Company (NYSE: AB) and AllianceBernstein (operating partnership)



Beneficial Ownership	
AXA Financial ²	61.1%
Other ³	32.3%
Directors, Officers, Employees ¹	6.6%

As of December 31, 2005

¹ Direct and indirect ownership including unallocated units in deferred compensation plan

² Includes 1% General Partnership interests

³ Public, former employees and other

Source: AllianceBernstein.

Alliance Bernstein Case Study

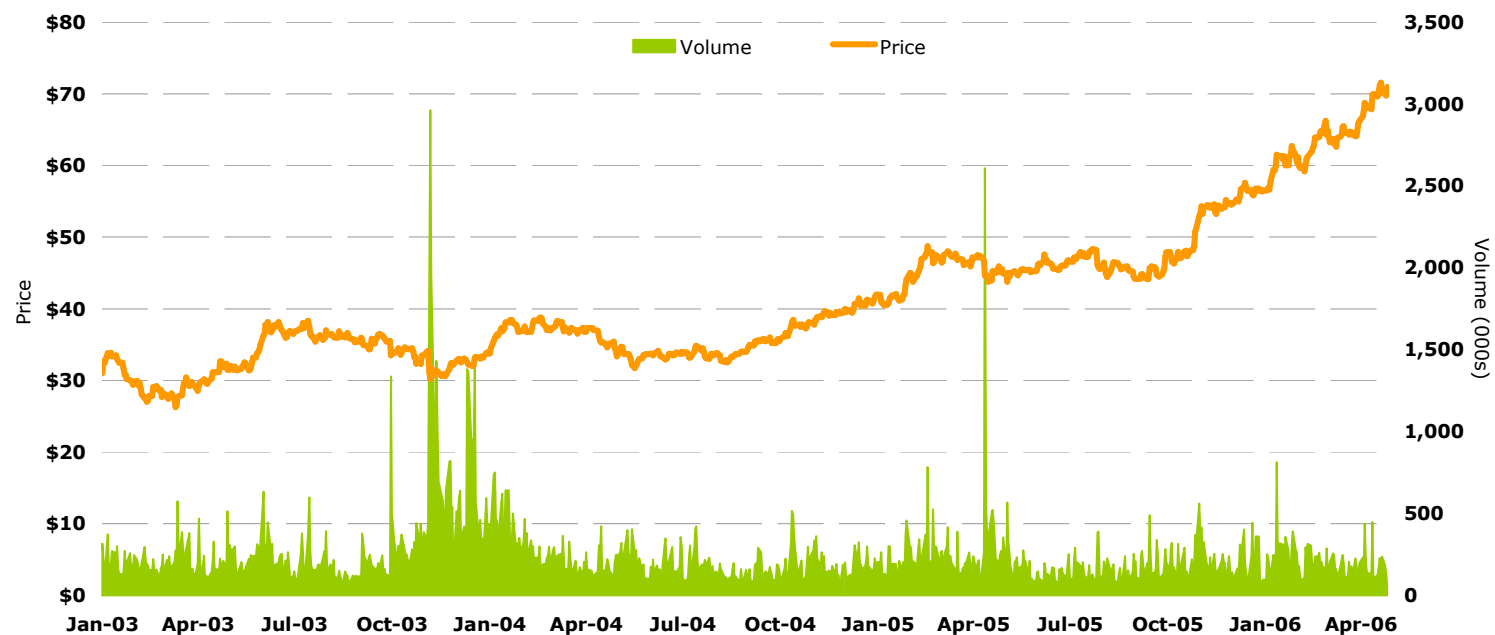
Case Studies

Structural Differences: Public Partnership vs. Operating Partnership		
	<u>AllianceBernstein Holding (Public Partnership)</u>	<u>AllianceBernstein (Operating Partnership)</u>
Operations	<ul style="list-style-type: none"> Owns units its principal source of earnings and cash flow 	<ul style="list-style-type: none"> Conducts research and investment management business
Liquidity	<ul style="list-style-type: none"> Trades on the NYSE 	<ul style="list-style-type: none"> Substantial restrictions on transfer highly illiquid
Taxes Paid by Partnership	<ul style="list-style-type: none"> Publicly traded partnership for federal income tax purposes and is subject to the 4.0% UBT, net of credits for UBT paid by AB, and a 3.5% federal tax on partnership gross income from the active conduct of a trade of business 	<ul style="list-style-type: none"> Corporate and foreign subsidiaries pay corporate tax
Cash Distributions	<ul style="list-style-type: none"> Pays available cash flow quarterly as defined in partnership agreement; Lower than operating partnership due to federal taxes on revenues 	<ul style="list-style-type: none"> Pays available cash flow quarterly as defined in partnership agreement
Taxes Paid by Investor	<ul style="list-style-type: none"> Pays ordinary income tax Taxable income reported annually on Form K-1 Distributions generally not taxable 35% tax withholding on distributions to non-US investors Substantial tax deferral (754 election) for all investors 	<ul style="list-style-type: none"> Pays ordinary income tax Taxable income reported annually on Form K-1 Distributions generally not taxable Substantial tax deferral (754 election) for all investors

Alliance Bernstein Case Study: Results

Case Studies

3-Year Stock Price and Volume History (as of 4/26/06)



Summary Financials

(\$'000s; fiscal year ending December 31)

Income Statement	2000	2001	2002	2003	2004	2005
Investment Advisory Revenue	\$1,689,817	\$2,023,766	\$1,847,876	\$1,882,399	\$2,113,351	\$2,290,867
Other Revenues	832,282	969,132	894,546	850,422	913,581	959,813
Total Revenues	2,522,099	2,992,898	2,742,422	2,732,821	3,026,932	3,250,680
Total Operating Expenses	1,484,242	1,862,553	1,773,623	2,088,185	2,029,616	2,185,812
EBITDA	1,037,857	1,130,345	968,799	644,636	997,316	1,089,977
<i>margin</i>	41%	38%	35%	24%	33%	34%
Net Income	\$668,749	\$614,625	\$610,978	\$329,808	\$705,150	\$868,318
<i>margin</i>	27%	21%	22%	12%	23%	27%

Balance Sheet

Total Assets	\$8,270,762	\$8,175,393	\$7,217,970	\$8,171,669	\$8,779,330	\$9,490,480
Total Debt	933,475	627,609	426,907	405,327	407,517	407,291
Total Partners' Capital	4,133,677	3,988,160	3,963,451	3,778,469	4,183,698	4,302,674

Stock Price Summary

(as of 4/26/06)

Period	High	Low	Average
2003	\$38.30	\$32.51	\$32.51
2004	42.00	31.70	36.19
2005	57.57	40.43	47.40
YTD 2006	71.55	59.20	65.19

Key Figures & Multiples

(as of 4/26/06)

Price (as of 4/25/06)	\$69.75
Shares Outstanding (mm)	83.6
Market Capitalization (\$mm)	\$5,832
Price/LTM Earnings	23.5x

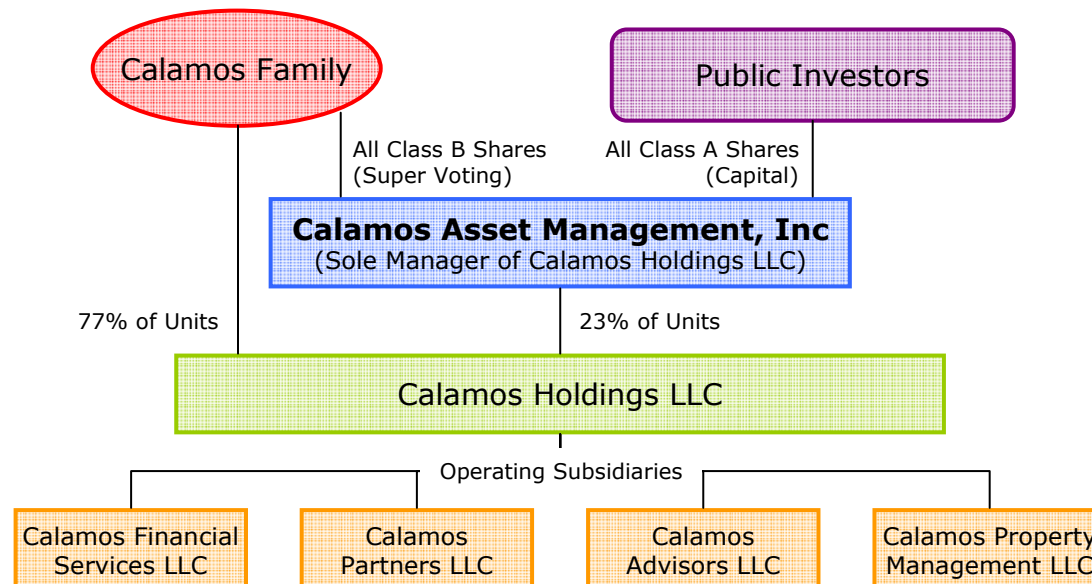
Note: EBITDA excludes deferred sales commissions amortization expense.
Source: Company filings

Source: SNL Financial

Calamos Case Study: IPO

Case Studies

- In October 2004, Calamos sold 23% of the financial interests of the company to the public for \$414 million, valuing the business at \$1.8 billion
- For the Company, a public offering allowed:
 - Progressive liquidity to founders
 - Acquisition and retention currency
 - Access to public capital
 - At the time (and still today), a valuation premium over a trade sale, given relative market pricing
- The Company went public under a dual share structure:
 - Class A stock: publicly traded and publicly held (99.9% capital stock = 3% of votes)
 - Class B stock: family held and is super voting (0.1% of capital stock = 97% of votes)
- This unique structure offers the advantages of a public quotation, while still:
 - Tax-efficient earnings treatment for founders
 - Maintaining founder control through the dual share structure



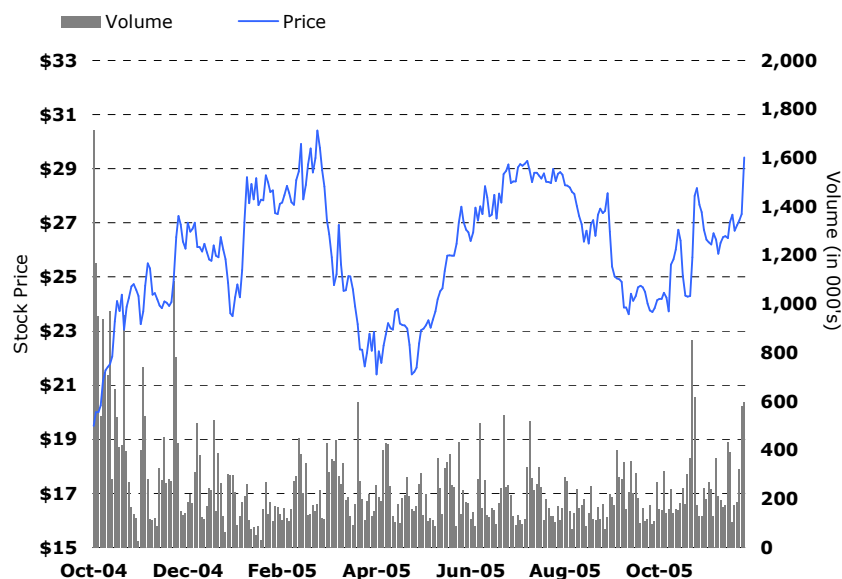
Source: SEC Filings
Structure has been simplified
for viewing ease

Calamos Case Study: Results

Case Studies

Financial Performance

Trading History



Summary Pro Forma Financials (in \$mm)

Income Statement:	2002	2003	2004	F3Q 05
Total Revenues	\$88	\$162	\$312	\$304
EBITDA	39	98	164	178
Operating Margin	44%	60%	53%	59%
Net Income	25	68	106	117

Balance Sheet	2003	2004	9/30/05
Total Assets	\$105	\$516	\$620
Cash & Equivalents	5	150	174
Total Equity	46	158	178

Financial Summary

Price (12/2/05)	\$29.41
Shares Outstanding (mm)	100
Market Cap	\$2,941
LTM Revenues	\$396
LTM Net Income ¹	\$176
Book Value ¹	\$423
P/E Ratio	16.7x
Price/Book	6.9x

Source: Bloomberg, SEC Filings

¹ Adjusted for minority interests to related entities

Relative Valuation

U.S. Publicly Traded Money Managers - Pricing Multiples

As of Thursday, April 13, 2006

(US\$ in Millions, Except Where Noted and Per Share Data)

Mutual Fund Managers	Market Cap.	Going Concern Value ⁽¹⁾	Price to Earnings			Price to Book	Going Concern Value to			
			LTM	CFY	NFY		Assets Managed	Run-Rate Revenues	Run-Rate EBITDA	Run-Rate EBIT
⁽²⁾ Calamos Asset Management Inc	\$4,284	\$4,268	33.8x	27.0x	23.3x	10.3x	9.0%	9.4x	16.6x	19.4x
Eaton Vance Corp	3,899	3,733	37.8x	21.6x	18.5x	7.9x	3.2%	4.5x	11.8x	14.6x
Federated Investors Inc	4,106	4,021	19.4x	18.3x	16.3x	7.6x	1.9%	4.2x	9.5x	11.6x
Franklin Resources Inc	25,086	22,905	21.8x	19.2x	17.0x	4.0x	4.7%	4.8x	11.7x	14.2x
GAMCO Investors Inc	1,212	1,280	19.4x	18.5x	17.9x	2.9x	4.8%	4.9x	11.6x	11.6x
Hennessy Advisors, Inc	109	114	21.8x	n/a	n/a	7.3x	6.2%	7.8x	15.5x	16.9x
Janus Capital Group Inc	4,900	4,625	52.2x	29.7x	22.0x	1.9x	3.1%	4.7x	17.7x	21.5x
Nuveen Investments Inc	3,930	4,520	23.6x	20.2x	17.8x	25.1x	3.3%	7.2x	13.7x	14.4x
T Rowe Price Group Inc	11,137	10,334	25.7x	22.3x	19.4x	5.5x	3.8%	6.4x	14.1x	15.0x
US Global Investors Inc	134	130	43.0x	n/a	n/a	11.1x	4.2%	4.2x	18.6x	18.9x
Waddell & Reed Financial Inc	1,890	1,928	22.4x	17.6x	15.7x	7.6x	4.6%	3.0x	13.4x	14.7x
Summary										
Median			23.6x	20.2x	17.9x	7.6x	4.2%	4.8x	13.7x	14.7x
Mean			29.2x	21.6x	18.6x	8.3x	4.4%	5.5x	14.0x	15.7x
Market Cap-Weighted Mean			26.8x	21.2x	18.3x	6.5x	4.3%	5.5x	13.0x	15.1x