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## NEWS RELEASE

### CLEARBROOK, KNIGHT LAUNCH NEW FEE-BASED PLATFORM

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Market maker Knight Capital Group and third-party platform provider Clearbrook Financial have joined forces in Knight Portfolio Access (KPA), a new firm that will provide separately managed accounts (SMAs) and related services to broker-dealers and RIAs. The arrangement has the potential to extend Knight Capital's branding and its increase fee-based revenue while helping four-year-old Clearbrook reach more fee-based advisors, particularly in the brokerage space.

"Fee-based managed account programs represent one of the fastest-growing segments for sponsor firms including wirehouses, regional broker-dealers, independent planner firms, banks and RIAs," says James Smyth, head of Knight Capital's broker-dealer-support unit. "Similar to Knight BondPoint, our electronic fixed-income trading solution, [KPA] represents a natural extension of the market-access and trade-execution services we currently provide to approximately 750 broker-dealer clients."

Jersey City, N.J.-based Knight Capital has a 51% stake in KPA and Clearbrook owns the rest. Knight Capital has been a financial backer of Clearbrook since CEO John Morris founded Clearbrook in 2004. Morris, Smyth and Knight Capital's CEO Thomas Joyce are former Merrill Lynch executives.

Like Clearbrook, KPA is based in Princeton, N.J. The joint venture is managed by John Galvin, president of Clearbrook's manager research, platform-design and distribution-consulting division Clearbrook Advisors. Galvin used to run Merrill's Consults SMA platform.

The tie-in with Clearbrook gives Knight Capital, a business that's heavily reliant on transaction flow, another opportunity -- like its Minnetonka, Minn.-based hedge-fund subsidiary Deephaven Capital Management -- to capture fee-based revenue and to extend its corporate branding, according to Knight Capital spokeswoman Kara Fitzsimmons.

#### Broker's broker

**Dan Seivert**, CEO **Echelon Partners**, a Los Angeles-based investment bank and consulting firm to wealth-management companies, puts it another way: "Clearbrook allows [Knight Capital] to offer more, which can help [it] deepen the relationships it already has."

To judge by Knight Capital's 2007 annual report, Seivert is right on the mark. Beyond its central goal of deepening its "liquidity pools across asset classes and [enhancing] market access and trade execution services" the third priority of the company's Global Markets division this year -- listed in the "Outlook for 2008" section of the report -- is to "deepen relationships with our sell-side retail brokerage clients through our Knight BondPoint electronic fixed-income trading solution and [KPA] managed account products and services."

For Clearbrook Financial, KPA is chance to penetrate new firms -- especially broker-dealers -- on the back of the Knight Capital brand. "Given its name and reputation, Knight [Capital] is the perfect partner for us," says Galvin.

Knight Capital was founded in the mid 1990s by a consortium of online brokerages. It provides sell- and buy-side institutions with market access and trade-execution services across asset classes. In 2007 it saw daily equity-share volume of 3.75 billion -- 43% more than the Nasdaq saw on a daily basis last year.

Still, Knight Capital is anything but a banner name to retail investors, says company spokesman Jonathan Mairs. "But we're very well known among brokers," he adds. "We're like the broker's broker."

As a partnership between a trading-support giant and a fee-based investment provider, KPA reminds Seivert of clearing firm Pershing's relationship with its Managed Account Solutions affiliate (formerly Lockwood).

Despite some overlap in personnel and target markets, KPA and Clearbrook Advisors operate as separate businesses with separate manager lists and distinct approaches.

## Differences

KPA is a dual-contract, models-based offering that lets advisors tap into the intellectual capital of a limited number of institutional managers, including some "emerging" boutiques operated by breakaway portfolio managers who established their track records at bigger shops.

"We're not taking all comers," says Galvin, adding that KPA is in the process of signing agreements with eight managers and expects to accommodate no more than 14 in all. "These are all managers that we have vetted."

KPA targets all retail investment-distribution firms, including other third-party providers and wirehouses that are looking to provide KPA models, either as standalone SMAs or as components of unified managed accounts (UMAs).

Clearbrook Advisors, on the other hand, is a single-contract SMA exchange. "We don't have a point of view on the managers we provide through Clearbrook Advisors," says Galvin. "We provide advisors who are comfortable doing their own research with access to managers *they* have points of view on."

About 40% of Clearbrook Advisors' 180-manager roster consists of names "you'd find on most [SMA] platforms," says Galvin. But the rest are institutional managers, covered by Clearbrook's Shields Associates investment-consulting subsidiary, that are unique to the retail-SMA arena.

These differences aside, KPA and Clearbrook Advisors have mission in common. "We want to provide the financial advisor with the best resources to help their clients," says Galvin.

## ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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