GLG Partners, Inc.
Form 10-Q
May 09, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

Commission File Number: 001-33217

GLG PARTNERS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5009693**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

399 Park Avenue, 38th Floor
New York, New York 10022
(Address of principal executive offices) (Zip code)

(212) 224-7200
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of April 23, 2008, there were 245,741,627 shares of the registrant s common stock outstanding.

Table of Contents

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q contains statements relating to our future results (including certain projections and business trends) that are forward-looking statements within the meaning of Section 21E of the Exchange Act and are subject to the safe harbor created by such sections. Our actual results may differ materially from those projected as a result of certain risks and uncertainties. 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, plan, possible, potential, predict, proje similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Quarterly Report on Form 10-Q 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 Item 1A, Risk Factors in our Annual Report on Form 10-K/A for the year ended December 31 2007 and the following:

- our financial performance;
- market conditions for the funds we manage, which we refer to as the 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; and
- risks associated with the use of leverage, investment in derivatives, availability of credit, interest rates and currency fluctuations,

as well as other risks and uncertainties, including those set forth herein and those detailed from time to time in our other Securities and Exchange Commission filings. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

GLG PARTNERS, INC.
INDEX

		PAGE
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (unaudited):	
	Condensed Consolidated Balance Sheets March 31, 2008 and December 31, 2007	2
	Condensed Consolidated and Combined Statements of Operations Three Months Ended March 31, 2008 and March 31, 2007	3
	Condensed Consolidated and Combined Statements of Stockholders Equity Three Months Ended March 31, 2008	4
	Condensed Consolidated and Combined Statements of Cash Flows Three Months Ended March 31, 2008 and March 31, 2007	5
	Notes to Condensed Consolidated and Combined Financial Statements	6
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	31
Item 4.	Controls and Procedures	33
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sale of Equity Securities and Use of Proceeds	35
Item 6.	Exhibits	36
	Signature	37

EX-2.2: AMENDMENT TO PURCHASE AGREEMENT
EX-10.1: EMPLOYMENT AGREEMENT
EX-10.2.2: SCHEDULE IDENTIFYING DIRECTORS AND EXECUTIVE OFFICERS
EX-10.3: LETTER AGREEMENT
EX-31.1: CERTIFICATION
EX-31.2: CERTIFICATION
EX-31.3: CERTIFICATION
EX-32.1: CERTIFICATION
EX-32.2: CERTIFICATION
EX-32.3: CERTIFICATION

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(US dollars in thousands, except share and per share amounts)

	As of March 31, 2008	As of December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 294,539	$ 429,422
Restricted cash	24,099	24,066
Fees receivable	51,385	389,777
Prepaid expenses and other assets	35,333	35,685
Total Current Assets	**405,356**	**878,950**
Non-Current Assets		
Investments at fair value	92,115	96,108
Goodwill	587	
Property and equipment	9,265	9,079
Total Non-Current Assets	**101,967**	**105,187**
Total Assets	**$ 507,323**	**$ 984,137**
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Rebates and sub-administration fees payable	$ 16,626	$ 21,207
Accrued compensation, benefits and profit share	91,324	467,887
Income taxes payable	31,717	37,464
Distributions payable	111,929	78,093
Accounts payable and other accruals	50,137	37,624
Other liabilities	29,651	16,092
Total Current Liabilities	**331,384**	**658,367**
Non-Current Liabilities		
Loan payable	570,000	570,000
Minority interest		1,911
Total Non-Current Liabilities	**570,000**	**571,911**
Commitments and Contingencies		
Total Liabilities	**901,384**	**1,230,278**
Stockholders Equity		

Stockholders Equity		
Common stock, $.0001 par value; 1,000,000,000 authorized, 247,439,127 issued and outstanding (Dec. 31, 2007: 244,730,988 issued and outstanding), including 25,382,500 (Dec. 31, 2007: 25,382,500) shares of Treasury stock held by a subsidiary	25	24
Series A voting preferred stock, $.0001 par value; 150,000,000 authorized, 58,904,993 issued and outstanding (Dec. 31, 2007: 58,904,993 issued and outstanding)	6	6
Additional paid in capital	784,079	575,589
Treasury stock	(347,740)	(347,740)
Accumulated other comprehensive income	(883)	3,477
Accumulated deficit	(829,548)	(477,497)
Total Stockholders Equity	**(394,061)**	**(246,141)**
Total Liabilities and Stockholders Equity	**$ 507,323**	**$ 984,137**

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED AND COMBINED
STATEMENTS OF OPERATIONS
(US dollars in thousands, except per share amounts)

	Three months ended March 31,	
	2008	**2007**
Net revenues and other income		
Management fees, net	$ 98,756	$ 57,343
Performance fees, net	4,735	2,521
Administration fees, net	22,248	12,645
Other	5,641	498
Total net revenues and other income	**131,380**	**73,007**
Expenses		
Employee compensation and benefits	(287,935)	(25,048)
Limited partner profit share	(25,104)	(6,453)
Compensation, benefits and profit share	(313,039)	(31,501)
General, administrative and other	(30,303)	(25,764)
Total expenses	**(343,342)**	**(57,265)**
(Loss)/income from operations	**(211,962)**	**15,742**
Interest (expense)/income, net of interest income of $3,086 (2007: expense of $200)	(4,043)	1,475
(Loss)/income before income taxes	**(216,005)**	**17,217**
Income taxes	(6,200)	(3,255)
(Loss)/income before minority interests	**(222,205)**	**13,962**
Minority interests:		
Share of income		(210)
Cumulative dividends	(4,129)	
Net (loss)/income attributable to common stockholders	**$ (226,334)**	**$ 13,752**
Net income per share basic	$ (1.07)	$ 0.10
Weighted average common stock outstanding basic (in thousands)	211,167	135,712
Net income per share diluted	$ (1.07)	$ 0.07
Weighted average common stock outstanding diluted (in thousands)	211,167	194,617

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED AND COMBINED
STATEMENTS OF STOCKHOLDERS EQUITY
(US dollars in thousands)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Stockholders Equity
Balance as of January 1, 2008	**$ 6**	**$ 24**	**$ (347,740)**	**$ 575,589**	**$ 3,477**	**$ (477,497)**	**$ (246,141)**
Comprehensive income:							
Net loss attributable to common stockholders						(226,334)	(226,334)
Unrealized losses on available for sale equity investments					(3,948)		(3,948)
Foreign currency translation (nil tax applicable)					(412)		(412)
Total comprehensive income					(4,360)	(226,334)	(230,694)
Recapitalization				(308)			(308)
Share-based compensation				247,223			247,223
Warrant exercises		1		2,567			2,568
Warrants repurchased				(37,582)			(37,582)
Shares repurchased				(3,457)			(3,457)
Capital contributions				47			47
Dividends declared						(7,717)	(7,717)
Distributions to principals and trustees						(118,000)	(118,000)
Balance as of March 31, 2008	**$ 6**	**$ 25**	**$ (347,740)**	**$ 784,079**	**$ (883)**	**$ (829,548)**	**$ (394,061)**

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED AND COMBINED
STATEMENTS OF CASH FLOWS
(US dollars in thousands)

	Three months ended March 31,	
	2008	**2007**
Cash Flows From Operating Activities		
Net (loss)/income attributable to common stockholders	$ (226,334)	$ 13,752
Adjustments to reconcile net (loss)/income attributable to common stockholders to net cash provided by operating activities:		
Depreciation	536	517
Foreign exchange gains on investments	50	49
Share based compensation	247,222	
Cash flows due to change in:		
Fees receivable	338,392	219,886
Prepaid expenses and other assets	352	7,220
Rebates and sub-administration fees payable	(4,581)	(3,548)
Accrued compensation, benefits and profit share	(376,563)	(259,740)
Income taxes payable	(5,747)	(12,807)
Distributions payable	8,119	51,525
Accounts payable and other accruals	12,513	(2,243)
Other liabilities	13,559	
Net cash provided by operating activities	**7,518**	**14,611**
Cash Flows From Investing Activities		
Investment in subsidiary	(2,500)	
Transfer to restricted cash	(33)	
Purchase of property and equipment	(723)	(1,997)
Net cash used in investing activities	**(3,256)**	**(1,997)**
Cash Flows From Financing Activities		
Warrant exercises	2,567	
Warrant repurchases	(37,582)	
Share repurchases	(3,457)	
Capital contributions	47	
Acquisition related transaction costs	(308)	
Distributions to principals and trustees	(100,000)	(137,623)
Net cash used in financing activities	**(138,733)**	**(137,623)**
Net decrease in cash and cash equivalents	**(134,471)**	**(125,009)**
Effect of foreign currency translation on cash	(412)	1,053
Cash and cash equivalents at beginning of period	429,422	273,148
Cash and cash equivalents at end of period	**$ 294,539**	**$ 149,192**

The accompanying notes are an integral part of these unaudited condensed consolidated and combined financial statements.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(US Dollars in thousands, except share and per share amounts)

1. ORGANIZATION AND BASIS OF PRESENTATION

GLG Partners, Inc. (the Company) was incorporated in the state of Delaware on June 8, 2006 under the name Freedom Acquisition Holdings, Inc (Freedom). The Company was formed to acquire an operating business through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination. On November 2, 2007 the Company completed the acquisition (the Acquisition) of GLG Partners LP and its affiliated entities (collectively, GLG).

GLG is a leading alternative asset manager based in London which offers its clients a broad range of investment products and account management services. Its primary business is to provide investment management advisory services for various investment funds and companies (the GLG Funds). The Company derives revenue primarily from management fees and administration fees charged to the GLG Funds and accounts it manages based on the value of assets in these funds and accounts, and performance fees charged to the GLG Funds and accounts it manages based on the performance of these funds and accounts.

As the Acquisition is considered a reverse acquisition and recapitalization for accounting purposes, the combined historical financial statements of GLG became the Company s historical financial statements. Accordingly, the Acquisition has been treated as the equivalent of GLG issuing stock for the net assets of the Company, accompanied by a recapitalization of GLG. The net assets of the Company, primarily cash, have been stated at their carrying value, and accordingly no goodwill or other intangible assets were recorded.

The unaudited condensed consolidated and combined financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US generally accepted accounting principles (US GAAP) have been condensed or omitted pursuant to the SEC s rules and regulations.

These unaudited condensed consolidated and combined financial statements should be read in conjunction with the consolidated and combined financial statements and the notes thereto included in the Company s amended Annual Report on Form 10-K/A for the year ended December 31, 2007.

The unaudited consolidated and combined financial statements are presented in US Dollars ($) prepared under US GAAP. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Company have been included. The consolidated and combined financial statements include the accounts of GLG Partners, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated.

The Company operates in one business segment, the management of global funds and accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of combination and consolidation

Upon consummation of the Acquisition, the GLG entities became wholly owned subsidiaries of the Company and from that date the financial statements have been prepared on a consolidated basis and consolidate those entities over which the legal parent, the Company, has control over significant operating, financial or investing decisions. Prior to the Acquisition and for all comparative periods, the combined financial statements presented are those of the accounting acquirer, GLG. The combined financial statements of GLG combine those entities in which the Principals and Trustees had control over significant operating, financial or investing decisions. Equity balances have been retroactively restated to conform to the capital structure of the legal acquirer, the Company.

The Company consolidates certain entities it controls through a majority voting interest or otherwise in which the Company is presumed to have control pursuant to Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). All intercompany transactions and balances have been eliminated.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars in thousands, except share and per share amounts)

Minority Interests in Consolidated Subsidiaries

Minority interests are recorded in respect of the following interests in the following GLG entities:

GLG Holdings Inc. and GLG Inc.

The Company consolidates GLG Holdings Inc. and GLG Inc. pursuant to the requirements of FASB Interpretation No. 46, Consolidation of Variable Interest Entities, since they are variable interest entities and the Company is the Primary Beneficiary. GLG Holdings Inc. is the holding company (and acts solely as a holding company) for GLG Inc., a dedicated research and administrative services provider based in New York. GLG Inc. provides dedicated research and administrative services to GLG Partners LP with respect to GLG s U.S. focused investment strategies. The combined and consolidated assets of GLG Holdings Inc. and GLG Inc. included total assets of $11,774 as at December 31, 2007.

GLG Holdings Inc. funded the acquisition of GLG Inc. with promissory notes now held by GLG Partners Services LP. GLG Inc. issued additional promissory notes now held by GLG Partners Services LP to fund its operations. The promissory notes issued by GLG Holdings Inc. are secured by the pledge of 100% of the issued and outstanding share capital of GLG Inc. in favor of GLG Partner Services LP pursuant to a pledge agreement. Creditors of GLG Holdings Inc. and GLG Inc. do not have any recourse against GLG.

Minority interest in respect of these entities relates to their entire equity and retained earnings, in which GLG does not hold any economic interest.

On January 24, 2008 GLG Holdings Inc. was acquired by the Company for $2,500 in cash and GLG Holdings Inc. and GLG Inc. became wholly owned subsidiaries of the Company. Prior to January 24, 2008, GLG Holdings Inc. was independently owned.

FA Sub 2 Limited Exchangeable Shares

Upon consummation of the Acquisition, Noam Gottesman and the Gottesman GLG Trust received, in exchange for their interests in GLG entities, 58,904,993 exchangeable Class B ordinary shares of FA Sub 2 Limited (the Exchangeable Shares) and 58,904,993 shares of our Series A voting preferred stock (the Series A preferred stock), in addition to their proportionate share of the cash consideration.

The Exchangeable Shares are exchangeable for an equal number of shares of our common stock at any time for nil consideration at the holder s option. Upon exchange of the Exchangeable Shares, an equivalent number of shares of the Company s Series A preferred stock will be concurrently redeemed. The shares of Series A preferred stock are entitled to one vote per share and to vote with the common stockholders as a single class but have no economic rights. The Exchangeable Shares carry dividend but no voting rights except with respect to certain limited matters which will require the majority vote or written consent of the holders. The combined ownership of the Exchangeable Shares and the Series A preferred stock provides the holders with voting rights equivalent to those of the Company s common stockholders.

The dividend rights of the Exchangeable Shares are such that the holders will receive an equivalent dividend to the common stockholders. In addition, the holders of the Exchangeable Shares will receive a cumulative dividend based on the Company s estimate of the net taxable income of FA Sub 2 Limited allocable to such holders multiplied by an assumed tax rate of 43.783%. The dividend rights of the holders of the Exchangeable Shares are in excess of those of the Company s common stockholders, and these rights are presented as a cumulative dividend in the combined and consolidated statements of operations.

At the FA Sub 2 Limited level, the Exchangeable Shares have the same liquidation and income rights as other ordinary shareholders of FA Sub 2 Limited, and consequently the minority interest is calculated as the Exchangeable Shareholder s proportionate share of net assets.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars in thousands, except share and per share amounts)

Revenue Recognition

Management fees are calculated as a percentage of net assets under management based upon the contractual terms of investment advisory and related agreements and recognized as earned as the related services are performed. These fees are generally payable monthly in arrears.

Performance fees are calculated as a percentage of investment gains (which includes both realized and unrealized gains) less management and administration fees, subject in certain cases to performance hurdles, over a measurement period, generally six months. The Company has elected to adopt the preferred method of recording performance fee income, Method 1 of EITF Topic D-96, *Accounting for Management Fees Based on a Formula* (Method 1). Under Method 1, the Company does not recognize performance fee revenues and related compensation until the end of the measurement period when the amounts are contractually payable, or crystallized.

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

In certain cases, the Company may rebate a portion of its gross management and performance fees in order to compensate third-party institutional distributors for marketing its products and, in a limited number of cases, in order to incentivize clients to invest in funds managed by the Company. Such arrangements are generally priced at a portion of the Company s management and performance fees paid by the fund. The Company accounts for rebates in accordance with EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent* (EITF 99-19), and has recorded its revenues net of rebates. In addition most funds managed by the Company have share classes with distribution fees that are paid to third party institutional distributors.

Administration fees are calculated on a similar basis as management fees and are recognized as the related services are performed. From its gross administration fees, the Company pays sub-administration fees to third-party administrators and custodians. In accordance with EITF 99-19, administration fees are recognized net of sub-administration fees. Rebates and sub-administration fees on the balance sheet represent amounts payable under the rebate and sub-administration fee arrangements described above.

Where a single-manager alternative strategy fund or internal Fund of Hedge Funds (FoHF) managed by the Company invests in an underlying single-manager alternative strategy fund managed by the Company, 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 allocates funds for investment. When one of the single-manager alternative strategy funds or internal FoHFs managed by the Company invests in an underlying single-manager alternative strategy fund managed by the Company:

- 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 (in liquidation as at December 31, 2007);

- 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 (in liquidation as at December 31, 2007); and (2) GLG Global Aggressive Fund to the extent that the performance fee at the investing fund level exceeds the performance fee at the investee fund level; and

- administration fees are charged at both the investing and investee fund levels.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars in thousands, except share and per share amounts)

Employee Compensation and Benefits

The components of employee compensation and benefits are:

Base compensation contractual compensation paid to employees in the form of base salary, which is expensed as incurred.

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. 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 the Company s management in its sole discretion and are generally linked to performance. In determining such payments, the Company 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 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 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 crystallizes at year end and typically paid in January following year end.

Limited Partner Profit Share

The key personnel who are participants in the limited partner profit share arrangement provide services to the Company 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 (or limited partner profit share) attributable to each of the LLPs is determined at the Company s discretion based upon the profitability of the Company s business and the Company s view of the contribution to revenues and profitability from the services provided by each limited partnership during that period. These profit shares are recorded as operating expenses matching the period in which the related revenues are accrued and services are provided. 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 is 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, 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 and included in the limited partner profit share measure, as described below.

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 declare 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. These three components make up the limited

partner profit share. This process will typically take into account the nature of the services provided to the Company by each key personnel, his or her seniority and the performance of the individual during the period. 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.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars in thousands, except share and per share amounts)

Recent Accounting Pronouncements

On March 19, 2008 the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*. SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. Adoption of SFAS No. 161 is not expected to have a significant impact.

SFAS No. 157, *Fair Value Measurements*, which became effective for the Company on January 1, 2008, established a framework for measuring fair value, while expanding fair value measurement disclosures. SFAS No. 157 established a fair value hierarchy that distinguishes between independent observable inputs and unobservable inputs based on the best information available. SFAS No. 157 expands disclosures about the use of fair value to measure assets and liabilities, the effect of these measurements on earnings for the period, and the inputs used to measure fair value. In February 2008, the FASB issued Staff Position (FSP) FAS 157-1 to exclude SFAS No. 13, *Accounting for Leases*, and its related interpretive accounting pronouncements that address leasing transactions, from the scope of SFAS No. 157. In February 2008, the FASB also issued FSP FAS 157-2 to allow entities the option to defer the effective date of SFAS No. 157 for non-financial assets and liabilities, except for those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. The Company will apply the fair value measurement provisions of SFAS No. 157 to its non-financial assets and liabilities effective January 1, 2009. The January 1, 2008 adoption of the other provisions of SFAS No. 157 had no impact on retained earnings and is not expected to have a material impact on the Company s results of operations and financial condition.

In December 2007, the FASB issues SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. SFAS No. 160 states that the accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective prospectively, except for certain retrospective disclosure requirements, for fiscal years beginning after December 15, 2008. This statement will be effective for the Company beginning in fiscal 2009. As described above, the primary impact of the statement will be the reclassification of minority interests from liabilities to stockholders equity and their relabeling as noncontrolling interests . In addition, presently under ARB No. 51, noncontrolling interests only share in losses to the extent that they have available equity to absorb losses. Under SFAS No. 160, the noncontrolling interests will fully share in losses as well as profits.

Net Income per share of Common Stock

The Company calculates net income per common stock in accordance with SFAS No. 128, *Earnings Per Share*. Basic and diluted net income per common stock was determined by dividing net income applicable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2008	**2007**
Net (loss)/income applicable to common stockholders	$ (226,334)	$ 13,752
Weighted-average common stock outstanding (in thousands) basic	211,167	135,712
Net (loss)/income per share applicable to common stockholders basic	$ (1.07)	$ 0.10
Weighted-average common stock outstanding (in thousands) diluted	211,167	194,617
Net (loss)/income per share applicable to common stockholders diluted	$ (1.07)	$ 0.07
Reconciliation of weighted-average common stock outstanding basic to weighted-average common stock outstanding diluted:		
Weighted-average common stock outstanding basic (in thousands)	211,167	135,712
FA Sub 2 Limited Exchangeable Shares		58,905
Weighted-average common stock outstanding diluted (in thousands)	211,167	194,617

The following common stock equivalents have been excluded from the computation of weighted-average stock outstanding as of March 31, 2008 and 2007 as they would have been anti-dilutive (in thousands):

	Three Months Ended March 31,	
	2008	**2007**
Common stock held in Treasury	25,383	25,383
FA Sub 2 Limited Exchangeable Shares	58,905	
Common stock awarded in connection with share-based compensation arrangements	10,675	6,397
Public stockholders warrants	32,985	
Co-investment warrants	5,000	
Sponsors warrants	4,500	
	137,448	31,780

In addition, 12,000 founders warrants have not been included in the computation of weighted-average stock outstanding as of March 31, 2008 and 2007, because they are only exercisable in the event that the last sale price of the Company s common stock equals or exceeds $14.25 per share for any 20 trading days within a 30-trading day period, and to do so would have been anti-dilutive.

3. COMMITMENTS AND CONTINGENCIES

The Company, in the ordinary course of business, responds to a variety of regulatory inquiries. The Company and its subsidiaries are involved in the following regulatory investigations among others:

On January 25, 2008, the Autorité des Marchés Financiers (AMF) notified the Company of proceedings relating to GLG s trading in the shares of Infogrames Entertainment (Infogrames) on February 8 and 9, 2006, prior to the issuance by Infogrames on February 9, 2006 of a press release announcing poor financial results. The AMF s decision to initiate an investigation into GLG s trades in Infogrames was based on a November 19, 2007 report prepared by the AMF s Department of Market Investigation and Supervision (the Infogrames Report). According to the Infogrames Report,

the trades challenged by the AMF generated an unrealized capital gain for GLG as of the

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars in thousands, except share and per share amounts)

opening on February 10, 2006 of 179,000. The AMF investigation relates solely to the conduct of a former employee; however, the Company was named as the respondent. If sustained, the charge against the Company could give rise to an administrative fine under French securities laws.

The Company has provided for the above within accounts payable and other accruals within Current Liabilities.

Indemnifications

In the normal course of business, the Company enters into operating contracts that contain a variety of representations and warranties and that provide general indemnifications. The Company s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of material loss to be remote.

4. INCOME TAXES

The Company calculates its effective tax rate on profit before tax and certain non-tax deductible compensation expense. For the first three months of 2008, $260.2 million of the Company s compensation expense related to acquisition-related share based compensation which is not tax deductible, compared to $0 for the first three months of 2007. The Company s profit before tax and before this expense was $44.1 million and $17.2 million for the first three months of 2008 and 2007, respectively. The Company s effective tax rate based on this measure was 14.0% and 18.9% for the first three months of 2008 and 2007, respectively. This is lower than the U.S. Federal rate of tax of 35.0% as the Company s profits are predominantly earned in the United Kingdom and the Cayman Islands which apply lower rates of tax.

5. FAIR VALUES OF FINANCIAL INSTRUMENTS

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Investments at fair value include available for sale investments in listed GLG Funds. These investments are valued at the final Net Asset Value (NAV) as published by the relevant exchange.

In accordance with the fair value hierarchy described above, the following table shows the fair value of our financial assets and liabilities that are required to be measured at fair value as of March 31, 2008, which are classified as Non-current assets :

Table of Contents

GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)
(US Dollars in thousands, except share and per share amounts)

		Fair Value Measurements		
Description	**Balance**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Available for sale investments	$ 92,115		$ 92,115	

6. SHAREHOLDERS EQUITY

The following transactions occurred in the common stock of the Company:

	Three months ended March 31, 2008 Number of shares
Common stock outstanding at December 31, 2007	**244,730,988**
Warrants exercised	2,147,939
Shares repurchased	(279,455)
Stock awarded under LTIP arrangements	949,655
Stock forfeited under share-based compensation arrangements	(110,000)
Common stock outstanding at March 31, 2008	**247,439,127**

On February 25, 2008 a dividend of $0.025 per share of common stock was declared payable on April 21, 2008 to holders of record on April 10, 2008. A dividend of $0.025 per share was also declared payable on April 21, 2008 to holders of the FA Sub 2 Limited Exchangeable Shares, who are entitled to dividends based on the number of shares of common stock of the Company into which the Exchangeable Shares are exchangeable. Total dividends of $7,717 have been provided.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our combined and consolidated financial statements and the related notes (referred to as the combined and consolidated financial statements) included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and our audited combined and consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our amended Annual Report on Form 10-K/A for the year ended December 31, 2007. The information in this section contains forward-looking statements. Our actual results may differ significantly from the results suggested by these forward-looking statements and our historical results as a result of certain risks and uncertainties which are described in Risk Factors included in Part II, Item 1A of this Quarterly Report on Form 10-Q.

General

Our Business

We are a leading alternative asset manager offering our clients a diverse range of investment products. Our primary business is to provide investment management advisory services for various investment funds and companies (the GLG Funds). We currently derive our revenues from management fees and administration fees based on the value of the assets in the GLG Funds and accounts we manage, and performance fees based on the performance of the GLG Funds and accounts managed by us. Substantially all of our assets under management, or AUM, are attributable to third-party investors, and the funds and accounts managed by us are not consolidated into our financial statements. As of March 31, 2008, our net AUM (net of assets invested in other funds managed by us) were approximately $24.6 billion, in line with net AUM as of December 31, 2007. As of March 31, 2008 our gross AUM (including assets invested in other funds managed by us) were approximately $29.1 billion, in line with gross AUM as of December 31, 2007.

On November 2, 2007, we completed the acquisition (the Acquisition) of the Acquired Companies pursuant to a Purchase Agreement dated as of June 22, 2007 (the Purchase Agreement) 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, and the GLG Shareowners.

Effective upon the consummation of the Acquisition, (1) each Acquired Company became a subsidiary of ours, (2) the business and assets of the Acquired Companies and certain affiliated entities (collectively, GLG) became our only operations and (3) we changed our name to GLG Partners, Inc.

In exchange for their equity interests in the Acquired Companies, the GLG Shareowners received:

$976,107,300 in cash;

$23,892,700 in promissory notes in lieu of all of the cash consideration payable to electing GLG Shareowners;

230,000,000 shares of our common stock, par value $0.0001 per share which consists of:

138,095,007 shares of our common stock, including 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 (the Restricted Stock Plan);

33,000,000 shares of our common stock payable by us upon exercise of certain put or call rights with respect to 33,000,000 ordinary shares issued by FA Sub 1 Limited to certain GLG Shareowners. Each of the ordinary shares issued by FA Sub 1 Limited to these GLG Shareowners has been put by the holder to us in exchange for one share of our common stock; and

58,904,993 shares of our common stock to be issued upon the exchange of 58,904,993 Exchangeable Shares (the Exchangeable Shares) issued by FA Sub 2 Limited to certain GLG Shareowners. Each Exchangeable Share is exchangeable at any time at the election of the holder for one share of our common stock; and

Table of Contents

58,904,993 shares of our Series A preferred stock, par value $0.0001 per share issued with the corresponding Exchangeable Shares which carry only voting rights and nominal economic rights and which will automatically be redeemed on a share-for-share basis as Exchangeable Shares are exchanged for shares of our Common Stock.

The aggregate of $1.0 billion in cash and promissory notes necessary to pay the cash portion of the purchase price to the GLG Shareowners was financed through a combination of (1) approximately $571.1 million of proceeds raised in our initial public offering and the co-investment by our sponsors, Berggruen Holdings North America Ltd. and Marlin Equities II, LLC, immediately prior to the consummation of the Acquisition and (2) bank debt financing of $530.0 million of the $570.0 million available under the new credit facilities. The remaining capacity under the credit facilities has been drawn down for working capital and general corporate purposes.

The Acquisition is accounted for as a reverse acquisition. The combined group composed of the Acquired Companies has been treated as the acquiring entity and the continuing reporting entity for accounting purposes. Upon completion of the Acquisition, our assets and liabilities were recorded at historical cost and added to those of the Acquired Companies. Because we had no active business operations prior to consummation of the Acquisition, the Acquisition was accounted for as a recapitalization of the Acquired Companies.

In this Management s Discussion and Analysis of Financial Condition and Results of Operations, references to GLG are to the combined business of the GLG Entities prior to November 2, 2007, and references to we , us, our and the Company are to the business of GLG Partners, Inc. and its subsidiaries from and after November 2, 2007.

Factors Affecting Our Business

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

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

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

Personnel, systems, controls and infrastructure. We depend on our ability to attract, retain and motivate leading investment and other professionals. Our business requires significant investment in our fund management platform, including infrastructure and back-office personnel. We have in the past paid, and expect to continue in the future to pay, these professionals significant compensation and a share of our profits.

Fee rates. Our management and administration fee revenues are linked to the fee rates we charge the GLG Funds and accounts we manage as a percentage of their AUM. Our performance fees are linked to the rates we charge the GLG Funds and accounts we manage as a percentage of their performance-driven asset growth, subject to 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 measurement period exceeds the highest net asset value on a preceding measurement period end for which we earned performance fees, and further subject, in some cases, to performance hurdles.

In addition, our 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, our operating results may reflect significant volatility from period to period.

We operate in only one business segment, the management of global investment funds and accounts.

Table of Contents

Critical Accounting Policies

For the period prior to November 2, 2007, our accounts are presented based upon the combined financial statements of the GLG Entities, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP, and in accordance with the criteria presented below.

For the period from and after November 2, 2007, our accounts are presented based on the consolidated financial statements of GLG Partners, Inc. and its consolidated subsidiaries.

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. The following is a summary of our critical accounting policies that are most affected by judgments, estimates and assumptions.

Combination and Consolidation Criteria

For the period prior to November 2, 2007, we have prepared combined financial statements of the accounting acquirer, GLG. The combined financial statements of GLG combine those entities in which the Principals and Trustees had control over significant operating, financial or investing decisions. Upon consummation of the Acquisition, the GLG Entities became wholly owned subsidiaries of the Company and from that date the financial statements have been prepared on a consolidated basis and consolidate those entities over which the legal parent, the Company, has control over significant operating, financial or investing decisions.

The analysis as to whether to combine or consolidate 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.

We have determined that we do not own a substantive, controlling interest in any of the investment funds we manage and that they are not variable interest entities in which we are the primary beneficiary. As a result, none of the GLG Funds are required to be consolidated into our financial statements. For all GLG Funds, a simple majority of the investors has the ability to remove us from our position as fund manager. The majority of the directors of the boards of the GLG Funds are independent directors.

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 three single-manager alternative strategy funds, to performance hurdles, over a measurement period, generally six months. We have 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, we do 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 us have contractual measurement periods that end on each of June 30 and December 31. As a result, the performance fee revenues for our 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

Compensation expense related to performance fees is accrued during the period for which the related performance fee revenue is recognized and is adjusted monthly based on year-to-date profitability and revenues recognized on a year-to-date basis.

Table of Contents

We also have a limited partner profit share arrangement which remunerates certain individuals through distributions of profits from two of our subsidiaries, GLG Partners LP and GLG Partners Services LP, paid either to two limited liability partnerships in which those individuals are members or directly to those individuals who are members of the two subsidiaries. Through these partnership interests and under the terms of services agreements between the subsidiaries and the limited liability partnerships, these individuals are entitled to priority draws and an additional discretionary share of the profits earned by the subsidiaries. These partnership draws and profit share distributions are referred to as limited partner profit shares and are discussed further under Expenses Compensation, Benefits and Limited Partner Profit Share below. Charges related to the limited partner profit share arrangement are recognized as operating expenses as the related revenues are recognized and associated services provided.

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 the Acquired Companies or a third-party sale of the Acquired Companies. Upon consummation of the Acquisition, Sage Summit LP and Lavender Heights Capital LP received collectively 15% of the total consideration of cash and our capital stock payable to the owners of the Acquired Companies in the Acquisition. The equity participation plan is subdivided into an A Sub-Plan and a B Sub-Plan . These limited partnerships distributed to A Sub-Plan limited partners an aggregate of 25% of such amounts upon consummation of the Acquisition, and the remaining 75% will be distributed to the limited partners in three equal installments 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. B Sub-Plan member entitlements vest in equal installments 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 or due to death or disability. The equity portion of this plan is being accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment (SFAS 123(R)), and 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 require 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.

Ten million shares of our common stock issued as part of the purchase price in respect of the Acquisition, of which 9,989,000 shares have been allocated to our employees, service providers and certain key personnel, subject to vesting, typically over four years, which may be accelerated, under the Restricted Stock Plan. Any unvested stock awards will be returned to us.

We also adopted the 2007 Long-Term Incentive Plan, or LTIP, which provides 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. The Company is authorized to issue up to 40 million shares under the LTIP.

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, a portion of the equity interests held by that Principal and his related Trustee as of the closing of the Acquisition will be forfeited to the Principals who are still employed by us and their related Trustees.

All of these arrangements are accounted for in accordance with SFAS 123(R) and will be amortized into expense over the applicable vesting period using the accelerated method. As a result, following the completion of the

Acquisition, compensation and benefits reflect the amortization of a significant non-cash equity-based

Table of Contents

compensation expense associated with the vesting of these equity-based awards, which under GAAP acts to reduce our net income and may result in net losses. The agreement provides for vesting of 17.5% on the consummation of the Acquisition, and 16.5% on each of the first through fifth anniversaries of the Acquisition.

SFAS 123(R) requires a company to estimate the cost of share-based payment awards based on estimated fair values. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period. 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 is 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.

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.

Following the Acquisition, profits repatriated back to the United States (*e.g.*, in the form of dividends) are subject to U.S. taxation. As it is our intention to continue to pay dividends, we expect to repatriate some of our profits in this manner and we expect to experience U.S. taxation on those repatriated profits. In connection with the Acquisition, we recognized for U.S. income tax purposes the value of goodwill and certain other intangibles which we are amortizing and deducting for U.S. income tax purposes over a 15-year period. Depending on the amount of profits repatriated, this tax amortization deduction will effectively reduce U.S. tax expense on repatriated profits. 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 account 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 we believe it is more likely than not that a deferred tax asset will not be realized.

Net Revenues

All fee revenues are presented in this Quarterly Report on Form 10-Q net of any applicable rebates or sub-administration fees.

Where a single-manager alternative strategy fund or internal FoHF managed by us invests in an underlying single-manager alternative strategy fund managed by us, 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.

Management Fees

Our 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):

Table of Contents

Product	General 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% 1.00% (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 us invests in an underlying single-manager alternative strategy fund managed by us, 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 (in liquidation).

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

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

Performance Fees

Our 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 external FoHFs and three single-manager alternative strategy funds, to performance hurdles. As a result, even when a GLG Fund has positive fund performance, we 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	General range of gross fee rates (% of investment gains)
Single-manager alternative strategy funds	20% 30%*
Long-only funds	20% (may be subject to hurdle)
Internal FoHF	0% 20% (at the investing fund level)
External FoHF	5% 10% (may be subject to hurdle)

* When one of the single-manager alternative strategy funds or internal FoHFs managed by us invests in an underlying single-manager alternative strategy fund managed by us, 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 (in liquidation); 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.

We have adopted Method 1 for recognizing performance fee revenues and under Method 1 do 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 us is on June 30 and December 31.

Administration Fees

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

Table of Contents

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

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

Compensation, Benefits and Limited Partner Profit Share

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

The largest component of expenses is limited partner profit share and employee compensation and other benefits payable to our investment and other professionals. This includes significant fixed annual salary, 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 our key personnel in recognition of their importance in creating and maintaining the long-term value of our business. These individuals ceased to be employees and either became holders of direct or indirect limited partnership interests in the Acquired Companies or formed two limited liability partnerships through which they provided services to the Acquired Companies. 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 earned. There is an additional limited partner profit share distribution, which is recognized in the period in which the related revenues are recognized and associated services provided. This additional distribution represents a substantial majority of the limited partner profit share for the year and is typically paid at the beginning of the following year. Key personnel that are participants in the limited partner profit share arrangement do not receive any salaries or discretionary bonuses from us, except for the salary paid by GLG Partners, Inc. to our Chief Operating Officer.

Under GAAP, limited partner profit share is treated as an operating expense.

Following the Acquisition, and as required by SFAS 123(R), our GAAP employee compensation expense reflects share-based and other compensation recognized in respect of (a) the equity participation plan, (b) the 10,000,000 shares allocated for the benefit of employees, service providers and certain key personnel under the Restricted Stock Plan, (c) the agreement among the principals and trustees (collectively, the Acquisition-related compensation expense), and (d) dividends paid on unvested shares that are ultimately not expected to vest.

Under GAAP, there is a charge to compensation expense for Acquisition-related compensation expense based on certain service conditions. However, management believes that this charge does not reflect our ongoing core business operations and compensation expense and excludes such amounts for purposes of assessing our ongoing core business performance. As a result of our view in respect of Acquisition-related compensation expense, we present the measure non-GAAP compensation, benefits and profit share , or non-GAAP CBP (which we previously referred to as non-GAAP limited partner profit share, compensation and benefits, or non-GAAP PSCB), which is a non-GAAP financial measure which reflects GAAP compensation, benefits and profit share adjusted to exclude Acquisition-related compensation expense described below under Acquisition-Related Compensation Expense , to show the total cost of the services provided to us by both participants in the limited partner profit share arrangement and employees in relation to services rendered during the periods under consideration.

The components of compensation, benefits and profit share are:

Base compensation contractual compensation paid to employees in the form of base salary, which is expensed as incurred.

Table of Contents

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. 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 the Company s management in its sole discretion and are generally linked to performance. In determining such payments, the Company 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 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 is adjusted monthly based on the year-to-date profitability and revenues recognized on a year-to-date basis. As the majority of the GLG Funds crystallize their performance fees at June 30 and December 31, the majority of discretionary compensation expense crystallizes at year end and is typically paid in January following the year end.

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

The key personnel who are participants in the limited partner profit share arrangement provide services to us 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 (or limited partner profit share) attributable to each of the LLPs is determined at our discretion based upon the profitability of our business and our view of the contribution to revenues and profitability from the services provided by each limited partnership during that period. These profit shares are recorded as operating expense matching the period in which the related revenues are recognized and associated services provided. 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. See Allocation of Profit Shares to Individual Members of LLPs below for a further discussion of the allocations. 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. See Compensation, Benefits and Limited Partner Profit Share above for a discussion of the change in our accounting for the limited partner profit share.

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 priority 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 declare 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 us by each key personnel, his or her seniority and the performance of the individual during the period. These profit shares are recorded as operating expenses matching the period in which the related revenues are recognized and associated services provided. 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.

As our investment performance improves, our compensation costs and performance-related limited partner profit share distributions are expected generally to rise correspondingly. In addition, equity-based compensation

Table of Contents

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.

Acquisition-Related Compensation Expense

Following the Acquisition, and as required by SFAS 123(R), our GAAP compensation, benefits and profit share expense reflects share-based and other compensation recognized in respect of (a) the equity participation plan (including with respect to the cash portion of the awards under the plan in the aggregate amounts of $104 million, $32 million and $13 million for the three 12-month periods beginning with the consummation of the Acquisition), (b) the 10,000,000 shares allocated for the benefit of employees, service providers and certain key personnel under the Restricted Stock Plan, (c) the agreement among the principals and trustees (collectively, the Acquisition-related compensation expense), and (d) dividends on unvested shares that are ultimately not expected to vest.

Under GAAP, there is a charge to compensation expense for Acquisition-related compensation expense based on certain service conditions. However, management believes that this charge does not reflect our ongoing core business operations and compensation expense and excludes such amounts for purposes of assessing our ongoing core business performance. As a result, we present non-GAAP CBP (as discussed below) as excluding such Acquisition-related compensation expense.

As a result of our view on the Acquisition-related compensation expense, we present the measure non-GAAP CBP, which is a non-GAAP financial measure used to calculate adjusted net income, as described below under Assessing Business Performance , and which deducts Acquisition-related compensation expense from GAAP compensation, benefits and profit share expense, to show the total cost of the services provided to us by both participants in the limited partner profit share arrangement and employees in relation to services rendered during the periods under consideration.

General and Administrative

Our 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, marketing, occupancy, facilities and insurance.

Assessing Business Performance

As discussed above under Expenses Compensation, Benefits and Limited Partner Profit Share , we assess our personnel-related expenses based on the measure non-GAAP CBP. Non-GAAP CBP reflects GAAP compensation, benefits and partner profit expense, adjusted to exclude the Acquisition-related compensation expense described above under Expenses Compensation, Benefits and Limited Partner Profit Share .

In addition, we assess the underlying performance of our business based on the measure adjusted net income , which adjusts GAAP net (loss) income before minority interest for Acquisition-related compensation expense and deducts the cumulative dividends accrued for the holders of FA Sub 2 Limited Exchangeable Shares. See Results of Operations Adjusted Net Income for this reconciliation for the periods presented.

Non-GAAP CBP is not a measure of financial performance under GAAP and should not be considered as an alternative to GAAP compensation, benefits and profit share expense. 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 our operating performance or any other measures of performance derived in accordance with GAAP. The non-GAAP financial measures we present may be different from non-GAAP financial measures used by other companies.

We are providing these non-GAAP financial measures to enable investors, securities analysts and other interested parties to perform additional financial analysis of our personnel-related costs and our earnings from operations and because we believe that they will be helpful to investors in understanding all components of the personnel-related costs of our business. We believe that the non-GAAP financial measures also enhance

Table of Contents

comparisons of our core results of operations with historical periods. In particular, we believe that the non-GAAP adjusted net income measure better represents profits available for distribution to stockholders than does GAAP net income. In addition, we use these non-GAAP financial measures in our evaluation of our core results of operations and trends between fiscal periods and believe these measures are an important component of our internal performance measurement process. We also prepare forecasts for future periods on a basis consistent with these non-GAAP financial measures.

Under our revolving credit and term loan facilities, we 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 our business and may not be indicative of the cash flows from operations as determined in accordance with GAAP.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). SFAS 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS 160 is effective prospectively, except for certain retrospective disclosure requirements, for fiscal years beginning after December 15, 2008. This statement will be effective for the Company beginning in fiscal 2009. As described above, the primary impact of the statement will be the reclassification of minority interests from liabilities to stockholders equity and their re-labeling as non-controlling interests . In addition, presently under ARB No. 51, non-controlling interests only share in losses to the extent that they have available equity to absorb losses. Under SFAS 160, the non-controlling interests will fully share in losses as well as profits.

Assets Under Management

March 31, 2008 Compared to December 31, 2007 and March 31, 2007

Change in AUM between March 31, 2008, December 31, 2007 and March 31, 2007
(U.S. Dollars in millions)

	As of Mar 31, 2008	As of Dec 31, 2007	3-Month Change	As of Mar 31, 2007	12-Month Change
Alternative strategy	$ 19,267	$ 18,833	$ 434	$ 11,200	$ 8,067
Long-only	4,254	4,774	(520)	3,882	372
Internal FoHF	2,233	2,318	(85)	1,404	829
External FoHF	651	598	52	575	76
Gross fund-based AUM	**26,404**	**26,523**	**(119)**	**17,060**	**9,343**
Managed accounts	2,385	2,357	28	1,398	987
Cash and other holdings	347	206	141	197	151
Gross AUM	**29,136**	**29,086**	**50**	**18,655**	**10,481**
Less: internal FoHF investments in GLG funds	(2,217)	(2,331)	113	(1,372)	(846)
Less: external FoHF investments in GLG funds	(51)	(53)	2	(53)	2
Less: external FoHF investments in GLG funds	(2,221)	(2,090)	(131)	(1,145)	(1,076)

Net AUM	**$ 24,646**	**$ 24,612**	**$ 35**	**$ 16,085**	**$ 8,561**
Quarterly average gross AUM	$ 29,111	$ 26,339		$ 18,126	
Quarterly average net AUM	24,629	22,539		15,620	
Opening net AUM	**$ 24,612**	**$ 20,466**		**$ 15,154**	
Inflows (net of redemptions)	767	2,927		9	
Net performance ((losses)/gains net of gains, losses and fees)	(1,549)	986		845	
Currency translation impact	816	233		77	
Closing net AUM	**$ 24,646**	**$ 24,612**		**$ 16,085**	

Table of Contents

During the twelve months ended March 31, 2008, our gross AUM increased by $10.5 billion to $29.1 billion and net AUM increased by $8.6 billion to $24.6 billion. Such growth in net AUM was attributable to the following factors:

A general increase in demand for our fund and managed account products, which resulted in inflows (net of redemptions) of $6.8 billion, primarily attributable to:

Continued interest in our established investment fund products; and

Investor demand for our new investment funds launched since March 31, 2007;

Weakening of the U.S. dollar against other currencies in which our funds and accounts are denominated, resulting in foreign exchange movements of $1.7 billion, which were responsible for 20.3% of net AUM growth during the twelve months ended March 31, 2008.

The ratio between net and gross AUM remain generally unchanged between the two dates, due to generally stable and consistent relative levels of fund-in-fund investments, with respect to both investments by our FoHF products in certain funds managed by us and investments by certain single-manager alternative strategy funds managed by us in other single-manager alternative strategy funds managed by us.

During the three months ended March 31, 2008, our gross AUM increased by $0.05 billion to $29.1 billion and net AUM was level at approximately $24.6 billion. The minimal growth in net AUM was attributable to the following factors:

A general increase in demand for our fund and managed account products, which resulted in inflows (net of redemptions) of $0.8 billion, primarily attributable to:

Continued interest in our established investment fund products; and

Investor demand for our new investment funds launched during the quarter ended March 31, 2008;

Weakening of the U.S. dollar against other currencies in which our funds and accounts are denominated, resulting in foreign exchange movements of $0.8 billion during the three months ended March 31, 2008.

At the same time, AUM growth was offset by negative fund and managed account performance during the three months ended March 31, 2008, resulting in performance losses (net of gains) of $1.5 billion.

The ratio between net and gross AUM remained generally unchanged between the two dates, due to generally stable and consistent relative levels of fund-in-fund investments, with respect to both investments by our FoHF products in certain funds managed by us and investments by certain single-manager alternative strategy funds managed by us in other single-manager alternative strategy funds managed by us.

Table of Contents

Results of Operations

Combined and Consolidated GAAP Statement of Operations Information
(U.S. Dollars in thousands)

	Three Months Ended March 31,	
	2008	**2007**
Net revenues and other income		
Management fees, net	$ 98,756	$ 57,343
Performance fees, net	4,735	2,521
Administration fees, net	22,248	12,645
Other	5,641	498
Total net revenues and other income	**131,380**	**73,007**
Expenses		
Employee compensation and benefits	(287,935)	(25,048)
Limited partner profit share	(25,104)	(6,453)
Compensation, benefits and profit share	(313,039)	(31,501)
General, administrative and other	(30,303)	(25,764)
Total expenses	(343,342)	(57,265)
(Loss) / income from operations	(211,962)	15,742
Net interest (expense) / income	(4,043)	1,475
(Loss) / Income before income taxes	(216,005)	17,217
Income taxes	(6,200)	(3,255)
(Loss) / Income before minority interests	(222,205)	13,962
Minority interests:		
Share of (losses) / income		(210)
Cumulative dividends on Exchangeable Shares	(4,129)	
Net (loss) / income attributable to common stockholders	$ (226,334)	$ 13,752

Table of Contents

Net Revenues and Other Income

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Change in GAAP Net Revenues and Other Income between Three Months Ended March 31, 2008 and March 31, 2007
(U.S. Dollars in thousands)

	Three Months Ended March 31,		
	2008	**2007**	**Change**
Net revenues and other income			
Management fees, net	$ 98,756	$ 57,343	$ 41,413
Performance fees, net	4,735	2,521	2,214
Administration fees, net	22,248	12,645	9,603
Other	5,641	498	5,143
Total net revenues and other income	**$ 131,380**	**$ 73,007**	**$ 58,373**
Key ratios			
Total net revenues and other income / average net AUM	0.5%	0.5%	0.0%
Management fees / average net AUM	0.4%	0.4%	0.0%

Total net revenues and other income increased by $58.4 million, or 80.0%, to $131.4 million. This increase was driven by growth in all categories of fee revenue, especially in relation to management fees and administration fees.

For each type of fee revenue, we use net fee yield as a measure of our fees generated for every dollar of our net AUM. The net management, performance and administration fee yield is equal to the management fees, performance fees or administration fees, respectively, divided by quarterly average net AUM for the applicable period.

Management fees increased by $41.4 million, or 72.2%, to $98.8 million. This growth was driven by two main factors:

a 57.7% higher quarterly average net AUM balance between the periods which, at constant net management fee yield, resulted in an increase in management fees of $33.1 million, or 79.9% of the total increase in management fees; and

an increase in the net management fee yield from 0.37% to 0.40%, reflecting higher management fees per unit of AUM, which, when applied to the increased net AUM base, resulted in an increase in management fees of $8.3 million, or 20.1% of the total increase in management fees. The higher net management fee yield was attributable primarily to investors participating in GLG Funds and managed accounts with higher management fee rates.

Performance fees increased by $2.2 million, or 87.8%, to $4.7 million. The majority of GLG Funds and accounts managed by GLG did not crystallize performance fees during the three-month periods presented and as a result, management believes performance fee revenue amounts are not indicative of the performance of GLG s business during the periods presented.

Net administration fees increased by $9.6 million, or 75.9%, to $22.2 million. This growth was driven by two main factors:

Table of Contents

a 57.7% higher quarterly average net AUM balance between the periods which, at constant administration fee yield, resulted in an increase in administration fees of $7.3 million, or 75.9% of the total increase in administration fees; and

an increase in the net administration fee yield from 0.08% to 0.09% which, when applied to the increased net AUM base, resulted in an increase in administration fees of $2.3 million, or 24.1% of the total increase in administration fees. The higher net administration fee yield was attributable primarily to investors participating in GLG Funds and managed accounts with higher net administration fee rates.

Other income increased by $5.1 million, or 1032.7%, to $5.6 million. This increase was primarily due to our holding non-U.S. dollar cash balances which appreciated in value against the U.S. dollar giving rise to certain foreign exchange gains reflected in Other income .

Expenses

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Change in GAAP Expenses between Three Months Ended March 31, 2008 and March 31, 2007
(U.S. Dollars in thousands)

	Three Months Ended March 31,		
	2008	**2007**	**Change**
Expenses			
Employee compensation and benefits	$ (287,935)	$ (25,048)	$ (262,887)
Limited partner profit share	(25,104)	(6,453)	(18,651)
Compensation, benefits and profit share	(313,039)	(31,501)	(281,538)
General, administrative and other	(30,303)	(25,764)	(4,539)
Total expenses	$ (343,342)	$ (57,265)	$ (286,077)
Key ratios			
Compensation, benefits and profit share / total GAAP net revenues and other income	238.3%	43.1%	195.1%
General, administrative and other / total GAAP net revenue and other income	23.1%	35.3%	(12.2%)
Total expenses / total GAAP net revenue and other income	**261.3**%	**78.4**%	**182.9**%

Compensation, benefits and profit share increased by $281.5 million, or 894%, to $313.0 million. This increase was driven primarily by the following factors:

An increase in compensation attributable to the growth in our headcount as our operations grew; and

Acquisition-related compensation expense of $260.2 million.

General, administrative and other expenses increased by $4.5 million, or 17.6%, to $30.3 million. This increase was mainly attributable to the significant growth in our business and scale of our operations, which led to an increase in operational costs.

Table of Contents

Non-GAAP Expense Measures

As discussed above under Assessing Business Performance , we present a non-GAAP compensation, benefits, and profit share measure. The table below reconciles GAAP compensation, benefits and profit share to non-GAAP CBP for the periods presented.

Change in Non-GAAP Expenses between Three Months Ended March 31, 2008 and March 31, 2007
(U.S. Dollars in thousands)

	Three Months Ended March 31,		
	2008	**2007**	**Change**
Non-GAAP expenses			
GAAP compensation, benefits and profit share	$ (313,039)	$ (31,501)	$ (281,538)
Add back: Acquisition-related compensation expense	260,155		260,155
Non-GAAP CBP	**(52,884)**	**(31,501)**	**(21,383)**
GAAP general, administrative and other	**(30,303)**	**(25,764)**	**(4,539)**
Non-GAAP total expenses	**$ (83,187)**	**$ (57,265)**	**$ (25,922)**
Key ratios (based on non-GAAP measures)			
Non-GAAP CBP / total GAAP net revenues and other income	40.3%	43.1%	(2.9%)
General, administrative and other / total GAAP net revenues and other income	23.1%	35.3%	(12.2%)
Non-GAAP total expenses / total GAAP net revenues and other income	**63.3%**	**78.4%**	**(15.1%)**

Non-GAAP CBP increased by $21.4 million, or 67.9%, to $52.9 million. The increase was attributable to a $18.7 million increase in limited partner profit share.

Net Interest (Expense)/Income

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Change in Net Interest (Expense) / Income between Three Months Ended March 31, 2008 and March 31, 2007
(U.S. Dollars in thousands)

	Three Months Ended March 31,		
	2008	**2007**	**Change**
Interest income	$ 3,086	$ 1,675	$ 1,411
Interest expense	(7,129)	(200)	(6,929)
Net interest (expense) / income	**$ (4,043)**	**$ 1,475**	**$ (5,518)**

Gross interest expense increased by $6.9 million to $7.1 million, driven by increased interest costs from our debt financing of $570 million in connection with the Acquisition. Gross interest income increased by $1.4 million to $3.1 million, attributable primarily to greater cash balances held during the three months ended March 31, 2008

compared to the three months ended March 31, 2007.

Income Tax

We calculate our effective tax rate on profit before tax and certain non-tax deductible compensation expense. For the first three months of 2008, $260.2 million of our compensation expense related to

Table of Contents

acquisition-related share based compensation which is not tax deductible, compared to $0 for the first three months of 2007. Our profit before tax and before this expense was $44.1 million and $17.2 million for the first three months of 2008 and 2007, respectively. Our effective tax rate based on this measure was 14.0% and 18.9% for the first three months of 2008 and 2007, respectively. This is lower than the U.S. Federal rate of tax of 35.0% as our profits are predominantly earned in the United Kingdom and the Cayman Islands which apply lower rates of tax.

Minority Interests

Minority interests increased by $3.9 million due to the cumulative dividend payments to holders of Exchangeable Shares reflecting our estimate of the net taxable income of FA Sub 2 Limited allocable to such holders multiplied by an assumed tax rate. For periods prior to the Acquisition, the minority interest only related to GLG Holdings Inc. and GLG Inc.

Adjusted Net Income

As discussed above under Assessing Business Performance , we present a non-GAAP adjusted net income measure. The table below reconciles net (loss)/income to adjusted net income for the periods presented.

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Change in Non-GAAP Adjusted Net Income between Three Months Ended March 31, 2008 and March 31, 2007
(U.S. Dollars in thousands)

	Three Months Ended March 31,		
	2008	**2007**	**Change**
Derivation of non-GAAP adjusted net income			
GAAP net (loss)/income before minority interest	$ (222,205)	$ 13,962	$ (236,167)
Add: Acquisition-related compensation expense	260,155		260,155
Deduct: cumulative dividends	(4,129)		(4,129)
Non-GAAP adjusted net income	**$ 33,821**	**$ 13,962**	**$ 19,859**

Adjusted net income increased by $19.9 million, or 142.2%, to $33.8 million. This increase was driven by an increase in revenue, partially offset by an increase in non-GAAP CBP.

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, pay compensation, and satisfy other general business needs. Our primary sources of funds for liquidity consist of cash flows provided by operating activities, primarily the management fees and performance fees paid from the funds and accounts we manage.

We expect that our cash on hand and cash flows from operating activities and issuance of debt and equity securities will satisfy our liquidity needs with respect to debt obligations over the next twelve months. We expect to meet our long-term liquidity requirements, including the repayment of our debt obligations, with net income, if any, and through the issuance of debt and equity securities and loans.

In February 2008, our board of directors approved the payment of a regular quarterly dividend of $0.025 per share beginning April 21, 2008. After the end of the fiscal year, the board will consider paying a special dividend based on annual profitability. Holders of FA Sub 2 Limited Exchangeable Shares are also entitled to dividends based on the number of shares of common stock into which the Exchangeable Shares are exchangeable. We expect to pay the regular quarterly dividends with net income, if any, retained earnings, if any, and additional paid in capital.

Our ability to execute our business strategy, particularly our ability to form new funds and increase our AUM, depends on our ability to raise additional investor capital within such funds. Decisions by investors to commit capital to the funds and accounts managed by us will depend upon a number of factors including, but not limited to,

Table of Contents

the financial performance of such funds and accounts, industry and market trends and performance and the relative attractiveness of alternative investment opportunities.

Excess cash we hold on our balance sheet is either kept in interest bearing accounts or invested in AAA rated money market funds. Currency hedging is undertaken to maintain currency net assets at pre-determined ratios.

Operating Activities

Our net cash provided by operating activities was $7.5 million during the quarter ended March 31, 2008 and $14.6 million during the quarter ended March 31, 2007. The decrease in net cash provided by operating activities in quarter ended March 31, 2008 compared to quarter ended March 31, 2007 was mainly attributable to an increase in compensation expense requiring greater cash payments of accrued compensation, benefits and profit share to employees and participants in limited partner profit share arrangements with respect to 2007.

Investing Activities

Our net cash used in investing activities was $3.3 million and $2.0 million during the quarters ended March 31, 2008 and March 31, 2007, respectively.

The increase in net cash used in investing activities during quarter ended March 31, 2008 compared to quarter ended March 31, 2007 relates primarily to the purchase price of GLG Holdings, Inc. and its subsidiary, GLG Inc., of $2.5 million. Other than this amount, these amounts primarily reflect the cash purchase of fixed assets to support our expanding headcount and infrastructure. We do not undertake material investing activities for our own account, and as a result, net cash used in investing activities is generally not significant in the context of our business. Additionally, the amount of net cash used in investing activities on a period-to-period basis may be strongly affected by the purchase of a particular fixed asset, thereby giving rise to a potentially volatile period-to-period net cash usage.

Financing Activities

Our net cash used in financing activities was $138.7 million during the quarter ended March 31, 2008 and $137.6 million during the quarter ended March 31, 2007. For the quarter ended March 31, 2007, the amount reflects distributions made to the Principals and Trustees in the ordinary course of business. For the quarter ended March 31, 2008, the amount primarily reflects warrant and share repurchases, distributions to Principals and Trustees in connection with purchase price adjustments, and expenses relating to the Acquisition.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our predominant exposure to market risk is related to our role as investment manager for the GLG Funds and accounts we manage for clients and the impact of movements in the fair value of their underlying investments. Changes in value of assets managed will impact the level of management and performance fee revenues.

The broad range of investment strategies that are employed across the over 40 GLG Funds and the managed accounts mean that they are subject to varying degrees and types of market risk. In addition, as the GLG Funds and managed accounts are managed independently of each other and risk is managed at a strategy and fund level, it is unlikely that any market event would impact all GLG Funds and managed accounts in the same manner or to the same extent. Moreover, there is no netting of performance fees across funds as these fees are calculated at the fund level.

The management of market risk on behalf of clients, and through the impact on fees to us, is a significant focus for us and we use a variety of risk measurement techniques to identify and manage market risk. Such techniques include Monte Carlo Value at Risk, stress testing, exposure management and sensitivities, and limits are set on these measures to ensure the market risk taken is commensurate with the publicized risk profile of each GLG Fund and in compliance with risk limits.

In order to provide a quantitative indication of the possible impact of market risk factors on our future performance, the following sets forth the potential financial impact of scenarios involving a 10% increase or decrease in the fair value of all investments in the GLG Funds and managed accounts. While these scenarios are for illustrative purposes only and do not reflect our management s expectations regarding future performance of the GLG Funds and managed accounts, they represent hypothetical changes that illustrate the potential impact of such events.

Impact on Management Fees

Our management fees are based on the AUM of the various GLG Funds and accounts that we manage, and, as a result, are impacted by changes in market risk factors. These management fees will be increased or reduced in direct proportion to the impact of changes in market risk factors on AUM in the related GLG Funds and accounts managed by us. A 10% change in the fair values of all of the investments held by the GLG Funds and managed accounts as of March 31, 2008 would impact future net management fees in the following four fiscal quarters by an aggregate of $32.9 million, assuming that there is no subsequent change to the investments held by the GLG Funds and managed accounts in those four following fiscal quarters.

Impact on Performance Fees

Our performance fees are generally based on a percentage of profits of the various GLG Funds and accounts that we manage, and, as a result, are impacted by changes in market risk factors. Our performance fees will therefore generally increase given an increase in the market value of the investments in the relevant GLG Funds and managed accounts and decrease given a decrease in the market value of the investments in the relevant GLG Funds and managed accounts. However, it should be noted that we are not required to refund historically crystallized performance fees to the GLG Funds and managed accounts. The calculation of the performance fee includes in certain cases benchmarks and high-water marks , and as a result, the impact on performance fees of a 10% change in the fair values of the investments in the GLG Funds and managed accounts cannot be readily predicted or estimated.

Impact on Administration Fees

Our administration fees are generally based on the AUM of the GLG Funds and managed accounts to which they relate and, as a result, are impacted by changes in market risk factors. Our administration fees will generally increase given an increase in the market value of the investments in the relevant GLG Funds and managed accounts and decrease given a decrease in the market value of the investments in the relevant GLG Funds and managed accounts. In certain cases, the calculation of the administration fees includes minimum payments and fixed

Table of Contents

payments and, as a result, the impact on administration fees of a 10% change in the fair values of the investments in the GLG Funds and managed accounts cannot be readily predicted or estimated.

Market Risk

The GLG Funds and accounts managed by us hold investments that are reported at fair value as of the reporting date. Our AUM is a measure of the estimated fair values of the investments in the GLG Funds and managed accounts. Our AUM will therefore increase (or decrease) in direct proportion to changes in the market value of the total investments across all of the GLG Funds and managed accounts. A 10% change in the fair values of all of the investments held by the GLG Funds and managed accounts as of March 31, 2008 would impact our gross AUM by $2.9 billion and net AUM by $2.5 billion as of such date. This change will consequently affect our management fees, performance fees and administration fees as described above.

Exchange Rate Risk

The GLG Funds and the accounts managed by us hold investments that are denominated in foreign currencies. The GLG Funds and the managed accounts may employ currency hedging to help mitigate the risks of currency fluctuations.

Furthermore, share classes may be issued in the GLG Funds denominated in foreign currencies, whose value against the currency of the underlying investments, or against our reporting currency, may fluctuate. As a result, the calculation of our U.S. dollar AUM based on AUM denominated in foreign currencies is affected by exchange rate movements. In addition, foreign currency movements may impact the U.S. dollar value of our management fees, performance fees and administration fees. For example, management fee revenues derived from AUM denominated in a foreign currency will accrue in that currency and their value may increase or decline in U.S. dollar terms if the value of the U.S. dollar changes against that foreign currency. We employ a currency hedging policy to help mitigate such risk.

Interest Rate Risk

The GLG Funds and accounts managed by us hold positions in debt obligations and derivatives thereof, some of which accrue interest at variable rates and whose value is impacted by reference to changes in interest rates. Interest rate changes may therefore directly impact the AUM valuation of these GLG Funds and managed accounts, which may affect our management fees and performance fees as described above. Our long-term debt consists of our outstanding revolving and term loan credit facilities. Interest on the outstanding principal amounts is currently based on 1-month LIBOR plus the applicable margin (currently 1.25%), which is reset periodically and was 4.4% at March 31, 2008. A 10% change in the 1-month LIBOR would impact our interest expense by approximately $0.2 million for the 1-month period.

Table of Contents

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our co-principal executive officers and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on this evaluation, our co-principal executive officers and our principal financial officer concluded that our disclosure controls and procedures were effective.

Subsequent to filing our Annual Report on Form 10-K for the year ended December 31, 2007 on March 3, 2008, we identified misstatements in our 2006 and 2007 combined and consolidated financial statements in relation to limited partner profit share distributions and have restated those combined and consolidated financial statements in our amended Annual Report on Form 10-K/A for the year ended December 31, 2007 filed on April 22, 2008. We previously recognized elements of the limited partner profit share arrangement as distributions rather than as operating expenses. Our management has concluded that these misstatements resulted from a control deficiency that represented a material weakness in relation to our policies and procedures in respect of the application of GAAP in this area. This material weakness has been remediated through the establishment of applicable policies and procedures developed in relation to the restatement.

Except as described above, there were no changes in our internal control over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 21, 2007, the Autorité des Marchés Financiers (AMF), the French securities regulator, 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.

On January 25, 2008, the AMF notified the Company of proceedings relating to its trading in the shares of Infogrames Entertainment (Infogrames) on February 8 and 9, 2006, prior to the issuance by Infogrames on February 9, 2006 of a press release announcing poor financial results. The AMF s decision to initiate an investigation into GLG s trades in Infogrames was based on a November 19, 2007 report prepared by the AMF s Department of Market Investigation and Supervision (the Infogrames Report). According to the Infogrames Report, the trades challenged by the AMF generated an unrealized capital gain for GLG as of the opening on February 10, 2006 of 179,000. The AMF investigation of the Company relates solely to the conduct of a former employee; however the Company was named as the respondent. If sustained, the charge against the Company could give rise to an administrative fine under French securities laws.

We are also subject to various claims and assessments and regulatory inquiries and investigations in the normal course of our business. While it is not possible at this time to predict the outcome of any legal and regulatory proceedings with certainty and while some investigations, lawsuits, claims or proceedings may be disposed of unfavorably to us, based on our evaluation of matters that are pending or asserted our management believes the disposition of such matters will not have a material adverse effect on our business, financial condition or results of operations. An unfavorable ruling could include money damages or injunctive relief

Item 1A. Risk Factors

Information about our most significant risk factors is contained in Item 1A of our amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2007. We believe that at March 31, 2008 there has been no material change to this information.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share and Warrant Repurchases

The table below sets forth information with respect to purchases made by or on behalf of the Company of outstanding warrants to purchase Company common stock during the three months ended March 31, 2008:

Period	Total Number of Warrants Repurchased (1)	Average Price Paid Per Warrant (2)	Total Number of Warrants Purchased as Part of Publicly Announced Plans or Programs	Maximum Approx. Dollar Value of Warrants that may yet be Purchase Under the Plans or Programs (3)
January 1-31, 2008	5,500,000	$ 5.73	5,500,000	$ 24,757,832
February 1-29, 2008	1,500,000	5.11	1,500,000	117,092,832
March 1-31, 2008				117,092,832
Total	7,000,000		7,000,000	

(1) All of the warrants purchased during the quarter ended December 31, 2007 were acquired pursuant to the repurchase program described in (3) below.

(2) Average price per warrant includes brokerage commissions.

(3) On November 2, 2007, we initiated a $100.0 million repurchase program for

shares of our common stock and warrants to purchase common stock approved by our Board of Directors effective through May 2, 2008. On February 4, 2008, the Board of Directors approved our repurchase of up to $100.0 million additional shares of common stock and warrants through August 31, 2008. Our repurchase programs allow management to repurchase shares and warrants at its discretion.

On February 8, 2008, the Company repurchased an aggregate of 279,455 shares of common stock from the certain grantees under the 2007 Restricted Stock Plan in connection with the vesting of awards of restricted stock at a price of $12.37 per share. The shares were repurchased from employees of the Company in order to satisfy tax withholding obligations arising from the vesting of the awards.

Table of Contents

Item 6. Exhibits

Exhibit No.	Description
2.2	Amendment No. 1, dated as of March 4, 2008, to the Purchase Agreement, dated as of June 22, 2007, among the Company, Noam Gottesman (as Sellers Representative) and Jared Bluestein (as Buyers Representative).
10.1	Employment Agreement executed as of January 9, 2008, effective March 18, 2008, between the Company and Jeffrey M. Rojek.
10.2.1	Form of Indemnification Agreement between the Company and its directors, officers, employees and agents, filed as Exhibit 10.1.1 to the Company s Current Report on Form 8-K (File No. 001-33217), is incorporated herein by reference.
10.2.2	Schedule identifying directors and executive officers party to agreements substantially identical to the Form of Indemnification Agreement constituting Exhibit 10.2.1 to this Quarterly Report on Form 10-Q.
10.3*	Letter Agreement dated as of January 29, 2008, between the Company and Alejandro San Miguel with respect to the Restricted Stock Award Agreement dated November 5, 2007 between the Company and Mr. San Miguel.
31.1	Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act.
31.2	Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act.
31.3	Certification of Periodic Report by the Chief Financial Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act.
32.1	Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.2	Certification of Periodic Report by the Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.3	Certification of Periodic Report by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

* Portions of this exhibit have been omitted and filed separately with the Office of the Secretary of the

Securities and Exchange Commission pursuant to a confidential treatment request.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLG PARTNERS, INC.
(Registrant)

Date: May 9, 2008

By: /s/ Noam Gottesman
Name: Noam Gottesman
Title: Chairman of the Board and Co-Chief Executive Officer

Table of Contents

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