

Gleacher & Company, Inc.

Unaudited Consolidated Financial Statements
(Liquidation Basis) at September 30, 2014 and for the
Period Ended April 1, 2014 through September 30,
2014

Issued December 16, 2014

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Gleacher & Company, Inc.

Statement of Net Assets in Liquidation Liquidation Basis – Unaudited

| (in thousands) | Sept. 30, 2014 | March 31, 2014 |
|---|-------------------|-------------------|
| <i>Assets</i> | | |
| Cash and cash equivalents | \$ 29,491 | \$ 57,466 |
| Cash segregated - ClearPoint Funding, Inc. Escrow | 5,000 | 5,000 |
| Receivables from: | | |
| Brokers and dealers (\$475 collected subsequent to Sept. 30th) | 510 | 2,586 |
| Indemnification receivable - Related party | 347 | 872 |
| Insurance receivable (\$975 collected subsequent to Sept. 30th) | 1,128 | 209 |
| Management fees and other - Employee Investment Funds ("EIF") | 315 | 267 |
| Others | 303 | 295 |
| Financial instruments owned, at fair value | 85 | 683 |
| Investments | | |
| FA Technology Ventures L.P. ("FATV") | 10,952 | 18,226 |
| FATV - share of carried interest | 3,474 | 2,988 |
| Employee Investment Funds ("EIF") | 1,251 | 1,250 |
| Other investments (Note 5) | - | - |
| Income taxes receivable | 392 | 438 |
| Other assets | | |
| Contingent gains (Note 6) | - | - |
| Collateral deposits - office leases | 453 | 477 |
| Others | 77 | 458 |
| Total Assets: | \$ 53,778 | \$ 91,215 |
| <i>Liabilities (excluding Liquidation Reserves)</i> | | |
| Payables to: | | |
| Former employees - EIF | \$ 912 | \$ 926 |
| Related parties | - | 75 |
| Others | 296 | 540 |
| Accrued compensation | 149 | 567 |
| Restructuring reserve | - | 1,535 |
| Accounts payable and accrued expenses | 910 | 2,346 |
| Income taxes payable - indemnified by Related party | 281 | 781 |
| Subordinated debt | 89 | 409 |
| Total Liabilities (excluding Liquidation Reserves): | \$ 2,637 | \$ 7,179 |
| <i>Liquidation Reserves (Note 7)</i> | | |
| Estimated future cash operating expenses | \$ 9,941 | \$ 12,960 [A] |
| Reserves for claims and contingencies | 26,513 | 29,506 [A] |
| Total Liquidation Reserves: | \$ 36,454 | \$ 42,466 |
| Net Assets [B] | \$ 14,687 | \$ 41,570 |
| Common stock - outstanding: | 6,185 | 6,183 |

[A] Estimated reserve disclosed within the Company's Proxy Statement, prior to the filing of the Certificate of Dissolution

[B] Excludes potential contingent asset realizations and potential reserve releases - see Note 8 for the Company's estimated range of aggregate potential recoveries

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Statement of Changes in Net Assets in Liquidation Liquidation Basis - Unaudited For the period April 1, 2014 through September 30, 2014

(in thousands of dollars)

| | |
|---|-----------------------------|
| Net assets at March 31, 2014 under liquidation basis | \$ 41,570 |
| <i>Payments - Liquidating Distributions</i> | |
| Liquidating distribution, paid August 8, 2014 | (25,053) |
| <i>Changes in Estimates</i> | |
| Change in estimated future cash operating expenses (Note 7) | (6,217) |
| Change in reserves for claims and contingencies (Note 7) | 1,556 |
| Investments - change in unrealized gains/(losses) | 2,831 |
| Net assets at September 30, 2014 under liquidation basis | <u>\$ 14,687</u> [A] |

[A] Excludes potential contingent asset realizations and potential reserve releases - see Note 8 for the Company's estimated range of aggregate potential recoveries

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Business

Gleacher & Company, Inc. (OTC Pink: GLCH) (“Gleacher” or the “Company”) is a dissolved Delaware corporation that previously operated an investment banking business providing corporate and institutional clients with strategic and financial advisory services, including merger and acquisition, restructuring, recapitalization, and strategic alternative analysis, as well as capital raising, research-based investment analysis, and securities brokerage services. At the Company’s 2014 Annual Meeting of Stockholders, stockholders approved the dissolution and liquidation of the Company pursuant to a plan of dissolution and liquidation (the “Plan”). The Company is now engaged solely in winding up its business and paying or providing for its obligations.

On July 17, 2014, our shares of common stock were delisted from the Nasdaq Global Market, and the Company made a filing with the Securities and Exchange Commission (the “SEC”) to deregister its shares under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Deregistration became effective 90 days after filing. Upon such filing, the Company’s obligations to file periodic and current reports (that is, reports on Form 10-K, Form 10-Q and Form 8-K) were immediately and automatically suspended. The Company has not filed and does not intend to file any such reports voluntarily, and the Company is no longer subject to an annual external financial statement audit or quarterly reviews. To inform its stockholders of important news, the Company intends to issue press releases and disclose other information, including unaudited financial information (in a form deemed appropriate by the Company), on a periodic basis (currently expected to be at least every 6 months or at such other times as is deemed appropriate, depending upon facts and circumstances existing at the time).

Pursuant to the Plan, the Company filed a Certificate of Dissolution with the Secretary of State of the State of Delaware, effective as of 5:00 pm Eastern Daylight Time on July 28, 2014 (the “Effective Time”). As of the Effective Time, the Company became a dissolved corporation, closed its stock transfer books and discontinued recording transfers of shares of its common stock. As a result, holders of shares of the Company’s common stock are no longer able to assign or otherwise transfer their shares, except for assignments by will, intestate succession or operation of law or transfers otherwise permitted under applicable law. From time to time, securities brokers may make a market for beneficial interests in our common stock in the “over-the-counter” market. If so, there can be no assurance regarding the liquidity or duration of any such market.

2. Liquidating Distributions

Subsequent to filing the certificate of dissolution, the Company’s Board of Directors adopted a plan of distribution authorizing, among other actions, an initial liquidating distribution of \$4.05 per share (approximately \$25 million in the aggregate). Stockholders of record as of the time and date that the certificate of dissolution became effective were entitled to receive the distribution. The initial distribution payment was made on August 8, 2014.

The Company expects to make one or more additional distributions to such stockholders of record. The amount or timing of any subsequent liquidating distribution will depend upon expenses incurred by the

Company, the timing of the resolution of matters for which the Company has established reserves, the amount paid or to be paid in satisfaction of contingencies, the Company's ability to monetize its remaining non-cash assets and the ultimate amount of proceeds realized thereon. The Company's non-cash assets include its investment in FA Technology Ventures L.P. ("FATV" or the "Partnership") and such claims as the Company has made or may make in the future against third parties. These variables, many of which are not within the Company's control, make it difficult or impossible for the Company to accurately predict the timing or amount of any subsequent distribution. The Company plans to evaluate the possibility of additional distributions at least every six months and at such other times as is deemed appropriate, depending upon facts and circumstances existing at the time. The Company's Plan of Distribution is expected to span a multi-year period.

As more fully disclosed within Note 6, the Company previously announced the outcome of the FINRA arbitration between and among the Company and Thomas J. Hughes, former Chief Executive Officer, and John Griff, former Chief Operating Officer (the "Hughes/Griff arbitration"). In addition, as further disclosed within Note 5, it was recently announced that a portfolio company in the FATV private equity investment had entered into an agreement to be acquired in an all-cash transaction, which closed on December 15, 2014. As a result, the Company currently anticipates making a second liquidating distribution of at least \$0.75 per share of the Company's common stock, or approximately \$4.6 million in the aggregate, assuming there are no significant changes to the Company's liquidation reserves and absent unforeseen developments, including without limitation higher than anticipated expenses and adverse developments with regard to contingencies. The Company currently anticipates, to the extent practicable, payment of such distribution to occur at or about the end of the first quarter 2015.

3. Basis of Presentation and Critical Accounting Policies

Liquidation Basis of Accounting - The Company's financial statements have been prepared on a liquidation basis of accounting. Assets have been measured and presented at the amounts of cash proceeds that the Company expects, as of the date of the financial statements, to receive from their liquidation. The Company has also presented its carried interest in FATV, which was not previously recognized under generally accepted accounting principles ("GAAP"), but that are appropriately recognized under the liquidation basis of accounting. In addition, the Company has accrued or separately presented under the caption liquidation reserves the costs that it expects to incur during the expected duration of the liquidation and has made provision for the potential payment of claims and contingencies, some of which would not ordinarily be recognized under GAAP, but for which the Company has made provision pursuant to Delaware General Corporation Law (the "DGCL"). Matters giving rising to potential contingent gains are recognized when realized or realizable.

Investments - The Company accounts for its investments at fair value. For the Company's investment in FATV, which includes holdings of securities of privately held companies ("portfolio companies"), which are illiquid and that do not have readily determinable fair values, the general partner applies certain valuation techniques, further described below, which principally include (i) a market comparables approach and (ii) venture capital method.

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The most frequently used technique applied by the general partner of the Partnership is the market comparables approach, which includes the identification of a market multiple for each applicable portfolio company, derived from a set of relevant, comparable companies, or recent merger and acquisition activity, where detail is available. The identified market multiple is then discounted, as appropriate, and applied to the relevant financial information of the respective portfolio company. In this case, the number of directly comparable companies may be limited. This is especially true as the Partnership invested in companies with novel business models or which were creating new industry sectors, where direct market comparables are not available.

The second valuation technique, the venture capital method (or “VC Method”), is a method that combines elements of both a multiples-based valuation and discounted cash flow valuation approach. The general partner calculates an enterprise value by applying a multiple to estimated EBITDA at the assumed exit date. The calculated enterprise value is then discounted through use of an assumed discount rate.

Other techniques may include an “income approach,” in which a discounted cash flow analysis is performed using financial projections, or a “market approach,” in which fair value is determined based upon recent transactions in the portfolio companies’ securities. These techniques will occasionally be appropriate depending on company specific circumstances.

Contingencies – Pursuant to DGCL 281(b), the Company is required to pay, or make reasonable provision for, all claims and obligations (including all contingent, conditional or unmatured contractual claims), claims that are subject to pending actions, suits or proceedings against the Company and claims that have not arisen or been made known to the Company but are likely to arise or become known within 10 years of dissolution. This requirement is a lower threshold for recognition than FASB Statement 5 “Accounting for Contingencies,” which requires recognition of a liability when incurrence of a loss is probable and the amount of loss is reasonably estimable.

Matters giving rise to contingent gains are recognized when realized or realizable. However, the Company assesses contingent gains when estimating its aggregate range of potential recoveries (Note 8).

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4. Reclassifications and Other Adjustments (Liquidation Basis of Accounting)

The Company historically presented its financial statements on a going concern basis. In connection with the preparation of the Company's financial statements under a liquidation basis of accounting, the Company has reclassified or adjusted certain items previously reported on the Company's Consolidated Statement of Financial Condition at March 31, 2014, as follows:

Reclassifications

(dollars in thousands)

| | <u>\$-Amount</u> |
|---|------------------|
| <i>Reclassified to estimated future cash operating expenses</i> | |
| Compensation payable pursuant to employee retention agreements | \$ 1,365 |
| Payment for lease commitments - restructuring | <u>488</u> |
| Total: | <u>\$ 1,853</u> |

Reclassified to reserves for claims and contingencies

| | |
|---|-----------------|
| Taxes - unrecognized tax benefits, pursuant to FIN 48 | \$ 2,611 |
| Loan loss reserves - ClearPoint, pursuant to FAS 5 | <u>431</u> |
| Total: | <u>\$ 3,042</u> |

The following items at March 31, 2014, previously reported on the Company's Consolidated Statement of Financial Condition have been adjusted as follows:

Adjustments

(dollars in thousands)

| | <u>\$-Amount</u> |
|--|------------------|
| <i>Derecognition of assets previously reported under US GAAP</i> | |
| Prepaid assets | \$ 2,621 |
| Property, plant and equipment | 102 |
| Other | <u>74</u> |
| Total: | <u>\$ 2,797</u> |

Recognition of assets previously not reported under US GAAP

| | |
|--|-----------------|
| FATV - Company's share of carried interest | <u>\$ 2,988</u> |
|--|-----------------|

5. Investments

FATV – The Company has an investment in FATV. FATV's primary purpose is to provide investment returns consistent with the risk of investing in venture capital. FA Technology Ventures Corporation, a wholly-owned subsidiary of the Company, is the investment advisor to the general partner of FATV. There were no material open commitments to fund this portfolio at September 30, 2014. The Partnership, previously scheduled to terminate on July 19, 2014, has been extended and is now scheduled to terminate on July 19, 2015. The Company's share of management fee income derived from the Partnership is offset by operating costs incurred. The net operating costs incurred are reserved within the Company's liquidation reserves, and are not material.

The Company's investment in FATV was approximately \$11.0 million (5 portfolio companies) and \$18.2 million (6 portfolio companies) at September 30, 2014 and March 31, 2014, respectively. In June of 2014, a portfolio company in the Company's FATV private equity investment was acquired in an all-cash transaction. On July 2, 2014, the Company received \$9.6 million, representing the Company's allocable portion of the proceeds from this transaction, net of funds set aside for escrow. In addition, on November 18, 2014, it was announced that another portfolio company in the Company's FATV private equity investment, BinOptics, had entered into a definitive agreement to be acquired in an all-cash transaction. This transaction closed on December 15, 2014. The Company estimates that its allocable portion of the proceeds from the sale, net of \$600k-\$700k set aside for escrow, will be approximately \$3.7 million - \$4.0 million. The total aggregate proceeds, inclusive of the escrow, represents an amount (approximately \$3 million) above that previously estimated by the Company. The Company's investment in FATV, as reported in the Statement of Net Assets in Liquidation, includes a value for this portfolio company at its sale price in the transaction referenced above. Refer to Note 8 below for additional information.

In addition, included within the Company's Statement of Net Assets Available in Liquidation is the Company's share of carried interest in FATV of approximately \$3.5 million and \$3.0 million at September 30, 2014 and March 31, 2014, respectively.

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The table that follows discloses information about significant unobservable inputs used to determine fair value for the Company's investment in FATV. The portfolio company subject to the November 18, 2014 announcement, as noted above, is valued at its sale price and is therefore not included within the table below.

FATV - Quantitative Disclosure About Significant Unobservable Inputs

Unobservable Inputs - September 30, 2014

| <u>Valuation Technique</u> | <u>Unobservable Input</u> | <u>Range (Weighted Average)</u> |
|-----------------------------|--|---------------------------------|
| Market comparable companies | Enterprise value/Revenue multiple (undiscounted) | 3.1x - 3.8x (3.6x) |
| | Discount applied to multiples | 30.0% - 35.0% (30.0%) |
| Venture capital method | Enterprise value/EBITDA multiple | 6.0x |
| | Discount applied to enterprise value | 50% |

Unobservable Inputs - March 31, 2014

| <u>Valuation Technique</u> | <u>Unobservable Input</u> | <u>Range (Weighted Average)</u> |
|-----------------------------|--|---------------------------------|
| Market comparable companies | Enterprise value/Revenue multiple (undiscounted) | 2.4x - 6.6x (4.9x) |
| | Discount applied to multiples | 26% - 35% (27%) |
| Venture capital method | Enterprise value/EBITDA multiple | 5.0x |
| | Discount applied to enterprise value | 55% |

Employee Investment Funds ("EIF") – The EIF were limited liability companies which were established by the Company for the purpose of having select employees invest in private equity securities. The last remaining EIF is managed by Broadpoint Management Corp., a wholly-owned subsidiary of the Company. The Company consolidated EIF, resulting in approximately \$1.3 million and \$1.3 million of Investments, respectively, and approximately \$0.9 million and \$0.9 million of payables to former employees, respectively, being recorded on the Statement of Net Assets in Liquidation at September 30, 2014 and March 31, 2014, respectively.

In addition, accrued management fees and other expense reimbursements of approximately \$0.3 million and \$0.3 million at September 30, 2014 and March 31, 2014, respectively, are due to the Company and are expected to be settled when the EIF portfolio company investment is monetized.

Other Investments - Other investments include warrants held by the Company in a privately held, commercial mortgage origination company ("investee"), whose business operations commenced in November 2013. The warrants are exercisable for an aggregate exercise price of \$1, solely upon a liquidity event, as defined, and expire on November 18, 2023. To the extent that a liquidity event (as defined) was to occur, the warrants would become exercisable into a 0.4%-2.2% ownership interest in the investee. The actual ownership interest for which the warrants convert is dependent upon certain performance hurdles being met by the investee. The Company has ascribed an estimated fair value to these warrants within its estimated range of potential aggregate future recoveries.

6. Contingencies

Hughes/Griff Arbitration - On September 11, 2014, the Company announced that the arbitration panel hearing the claims brought against the Company by Messrs. Thomas Hughes and John Griff, the Company's former Chief Executive Officer and Chief Operating Officer, respectively, had rendered a decision with respect to the claims made by these former officers relating to the termination of their employment by the Company in May 2013. In accordance with the rules of the Financial Industry Regulatory Authority ("FINRA"), these claims were adjudicated by an independent arbitration panel.

The former officers had initially sought compensatory damages in an approximate amount of \$7.9 million; vesting of unvested equity awards; reimbursement of legal fees; and interest on these amounts. At the hearing, Claimants requested compensatory damages in the approximate amount of \$9.2 million.

The arbitration panel made the following awards, which have been paid by the Company:

- \$986,667 (plus interest, equating to \$118,726) to Mr. Hughes
- \$295,833 (plus interest, equating to \$35,597) to Mr. Griff.

The panel denied the former officers' request for reimbursement by the Company of the former officers' legal expenses.

In general, under applicable law, the parties have a three month period following the award to request a court to vacate the award. Refer to Note 9 "Subsequent Events" for additional information.

Matters Giving Rise to Contingent Gains and Counterclaims - The Company has made claims against certain third parties for monetary damages, including in arbitration before FINRA seeking damages plus reimbursement of attorneys' fees from a former competitor and a group of former employees arising from unfair competition, solicitation and other conduct, among other matters. Recoveries, if any, made as a result of these claims could be material, although there can be no assurance that the Company will prevail in its claims or that any recoveries will be made. Certain of these third parties are pursuing counterclaims against the Company seeking allegedly unpaid compensation of approximately \$2.2 million to \$3.0 million resulting from an alleged breach of contract, among other matters, plus reimbursement of attorneys' fees. The hearing in the arbitration is currently scheduled to be completed during Q1 2015. The Company has established a reserve for claims and contingencies, including those in connection with the counterclaims made in the above-referenced FINRA arbitration.

In addition, the Company is currently in discussions regarding a potential settlement of an obligation of a former employee to reimburse the Company for diversion of funds. The settlement is subject to execution of definitive documentation and approval by the relevant court. The potential settlement contemplates that if a definitive agreement is executed and delivered by the parties and the settlement is approved by the relevant court, the Company will receive approximately \$1 million, in addition to attorney's fees. There can be no assurance when or if the parties will enter into a definitive agreement, or whether the court will approve any such settlement or closing of the matter will occur. Any realization of this contingent asset would result in a corresponding increase to the Company's low-end range of estimated recovery.

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The Company would not recognize any recoveries associated with contingent gains unless and until realized. However, the Company has made an assessment for contingent gains when estimating its aggregate range of potential future recoveries (Note 8).

In pursuing these claims, the Company has incurred, and may continue to incur, substantial expenses, including legal fees. An estimate for these fees has been accrued within the Company's liquidation reserves.

Guarantees and Other Indemnifications Relating to Certain Contractual Obligations of ClearPoint - On February 14, 2013, the Company and certain of its affiliates, including ClearPoint, entered into an Asset Purchase Agreement ("Purchase Agreement") in connection with the sale of ClearPoint's residential mortgage lending operations to Homeward Residential, Inc. ("Homeward," and such transaction, which closed on February 22, 2013, the "Homeward Transaction"). The Purchase Agreement, among other things, provides for customary indemnification provisions. Pursuant to these provisions, ClearPoint established an escrow account of \$5.0 million and is required to maintain such account until February 22, 2016 (the third anniversary of the closing date). The Parent has also provided for a guaranty of ClearPoint's indemnification obligations to Homeward, up to a maximum of \$7.5 million, of which \$5.0 million is payable by the Parent under the guaranty only in limited circumstances in which, during the three-year period following the closing date, the sums held in the escrow account are not available to satisfy indemnification claims by Homeward. Any amounts paid under the guaranty will be released to the Company from the escrow account on a dollar-for-dollar basis (assuming funds are available). Indemnity claims of Homeward, if any, will be paid first from the escrow account, and then, to the extent necessary, drawn upon the guaranty.

Outstanding claims which are expected to be paid from the escrow account in satisfaction of certain claims made by Homeward include (i) losses associated with four loan repurchase requests, two of which were received by the Company during the six month period April 1, 2014 through September 30, 2014 (losses, if any, have yet to be quantified) and (ii) previously disclosed reimbursements of premiums received in connection with certain loans that refinanced within 180 days following the date of purchase by Homeward.

ClearPoint Loan Repurchases

In addition to the indemnification provisions related to the Homeward Transaction, in the ordinary course of business, ClearPoint also indemnified its other counterparties against potential losses incurred by such parties, including under its warehouse line agreements and loan sale agreements related to originated mortgage loans since inception (June 2008). The Company received one request for indemnification, estimated to be approximately \$0.1 million, during the six month period April 1, 2014 through September 30, 2014, which has yet to be settled.

Litigation: General – Due to the nature of the Company’s prior business activities and its ongoing liquidation and distribution activities, the Company and its subsidiaries are subject to risks associated with pending and possible future legal proceedings and claims. These include litigations, arbitrations and other proceedings initiated by private parties and arising from underwriting, financial advisory, securities trading or other transactional activities, client account activities, mortgage lending and employment matters, and stockholder claims. Third parties may assert claims for monetary damages that are substantial, particularly relative to the Company’s financial position. These proceedings and claims typically involve legal costs, which could be significant, incurred by the Company defending against these matters. The Company has been in the past, and currently is, subject to claims and litigations arising from prior underwriting activities and its former business activities.

As a result of their prior business activities, the Company and its subsidiaries are also subject to both routine and unscheduled regulatory examinations of their prior business activities and investigations of securities industry practices by governmental agencies and self-regulatory organizations. In recent years, securities and mortgage lending firms have been subject to increased scrutiny and regulatory enforcement activity. Regulatory investigations can result in substantial fines being imposed on the Company and/or its subsidiaries. The Company and its subsidiaries have received, and may in the future receive, inquiries and subpoenas from the SEC, FINRA, state regulators and other regulatory organizations. The Company does not always know the purpose behind these communications or the status or target of any related investigation. Some of these communications have, in the past, resulted in disciplinary actions which have sometimes included monetary sanctions and citations for regulatory deficiencies. To date, none of these communications have had a material adverse effect on the Company, nor does the Company have any reason to believe that any pending communications are likely to have such an effect. Nevertheless, there can be no assurance that any pending or future communications will not have a material adverse effect on the Company.

In addition, the Company is currently subject to claims from former employees seeking compensation asserted by them to be owed (which includes the counterclaim discussed in “Matters Giving Rise to Contingent Gains and Counterclaims,” above) and is generally at risk for other employment-based claims alleging discrimination, harassment, wrongful discharge or breach of an employment agreement or other contractual arrangement, among other things. Employees could seek recoupment of compensation claimed to be owed (whether for cash or forfeited equity awards), severance payments, vesting of equity awards and other damages. These claims could involve significant amounts.

It is reasonably possible that the Company will incur losses pertaining to legal proceedings and claims in the form of settlements and/or adverse judgments and will incur legal and other expenses in defending against these matters. In either case, losses and/or expenses could be different in character or amount than anticipated by management when preparing the accompanying financial statements, establishing its liquidation reserves and estimating its range of potential recoveries.

Pursuant to DGCL 281(b), the Company has made provision within its liquidation reserves for the payment of claims and obligations (including contingent, conditional or unmatured contractual claims), claims that are subject to pending actions, suits or proceedings against the Company and claims that have not arisen or been made known to the Company but are likely to arise or become known within 10 years of dissolution. In addition, the Company has provided for estimated future litigation expenses within its liquidation reserves.

7. Liquidation Reserves

As previously mentioned, the Company has separately presented the costs that it expects to incur during the expected duration of the liquidation and has made provision for the potential payment of claims and contingencies, not necessarily recognized under GAAP, but for which the Company is required to make reasonable provision pursuant to Delaware General Corporation Law.

The Company's estimated future operating expenses include costs expected to be incurred for professional fees, employee compensation, insurance, lease commitments, and other expenses to conduct the wind-up of the Company's operations.

The Company's reserve for claims and contingencies includes a provision for the payment of all claims and obligations (including contingent, conditional or unmatured contractual claims), claims subject to pending actions, suits or proceedings against the company and claims that have not arisen or been made known to the Company but are likely to arise or become known within 10 years of dissolution. The Company and its subsidiaries have set aside reserves to provide for potential liabilities and obligations, including those associated with (i) ClearPoint (ii) the Hughes/Griff arbitration (Note 9), (ii) potential tax exposures (iv) third party counterclaims more fully described within Note 6 "Matters Giving Rise to Contingent Gains and Counterclaims" and (iii) other potential matters.

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Disclosed below is a rollforward of the Company's liquidation reserves from March 31, 2014 to September 30, 2014.

Liquidation Reserve - Rollforward

(dollars in thousands)

| Item | Reserve March 31, 2014 | Incurred/Paid | Change in Estimate | Reserve Sept. 30, 2014 |
|--|---------------------------|---------------|-----------------------|---------------------------|
| Estimated future cash operating expenses | \$ 12,960 | (9,236) | 6,217 [b] | \$ 9,941 |
| Reserves for claims and contingencies | \$ 29,506 | (1,437) [a] | (1,556) [c] | \$ 26,513 |
| Total: | \$ 42,466 | (10,673) | 4,661 | \$ 36,454 |

[a] Payment of Hughes/Griff arbitration award

[b] Increase in estimated legal fees and other expenses (which includes an approximate \$3.2 million increase since the Company's prior update on June 27, 2014) primarily related to the Hughes/Griff arbitration and the FINRA arbitration currently scheduled to be completed during Q1 2015 (Note 6), and includes the Company's indemnification obligations to current and former directors, related to these matters. The Company also provided for legal expenses associated with other matters generally described within Note 6 "Litigation: General" and compensation expense for its two senior executives in connection with future anticipated services, covering a majority of the first quarter of 2015. This change in estimate, if realized, would cause a commensurate decrease in liquidating distributions to stockholders.

[c] Decrease is principally related to the Company's general reserve estimate, which the Company had assumed was fully recoverable at March 31, 2014. This decrease was partially offset by a reserve for contingent losses related to claims from former employees seeking compensation asserted by them to be owed, including the former employee counterclaim disclosed within Note 6. A reduction in the Company's remaining reserve for the Hughes/Griff arbitration will be considered following the expiration of the three month period during which the parties have the right to request a court to vacate the award. Refer to Note 9 "Subsequent Events" for additional information.

8. Estimated Range of Aggregate Future Recoveries

The table below sets forth the Company's current estimate of the range of total and per-share aggregate future recoveries. These amounts exclude the \$25 million previously distributed to stockholders in August 2014.

Estimated Range of Aggregate Future Recoveries

(in millions of dollars, except per share amounts)

| | Current | June 27, 2014 |
|-------------|---------|------------------|
| High | \$57.2 | \$60.0 |
| - per share | \$9.25 | \$9.70 |
| Low | \$36.9 | \$30.0 |
| - per share | \$5.97 | \$4.85 |

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The following table sets forth a roll-forward of the Company's estimated range of future recoveries.

Changes in Estimated Range of Aggregate Future Recoveries

(in millions of dollars)

| | <u>High</u> | <u>Low</u> |
|-------------------------------------|---------------|---------------|
| Estimated recovery at June 27, 2014 | \$60.0 | \$30.0 |
| <u>Changes:</u> | | |
| Hughes/Griff arbitration outcome | (1.4) | 7.2 |
| Changes in FATV assumptions | 2.7 | 3.8 |
| Changes in expense assumptions | (3.2) | (3.2) |
| Other | (0.9) | (0.9) |
| Estimated recovery - current | <u>\$57.2</u> | <u>\$36.9</u> |

The amounts ultimately distributed to stockholders may vary substantially from the amounts currently estimated based on many factors, including the resolution of outstanding known claims and obligations of the Company, the incurrence of unexpected or greater-than-expected losses with respect to contingent liabilities, the assertion of claims that are currently unknown to us, the ability to receive reasonable value when selling or otherwise monetizing non-cash assets, including the Company's investment in FATV, the need to dissolve and wind up each of the Company's subsidiaries, recoveries, if any, on claims made against third parties for monetary damages, and costs incurred to wind up our business. Further, if additional amounts ultimately are determined to be necessary to satisfy or make provision for any of these obligations, stockholders may receive substantially less than the current estimates. Under certain circumstances, stockholders may be required to return liquidating distributions and receive nothing from us in the dissolution and liquidation.

9. Subsequent Events

There are no subsequent events requiring disclosure in the Company's financial statements, other than the matter below and any other matters previously described herein.

Contingency Reserve – Hughes/Griff Arbitration

The three month period following the award of the FINRA arbitration panel in the Hughes/Griff arbitration during which the parties could have requested a court to vacate the award has expired. As a result, the Company has reduced the reserve for claims and contingencies by approximately \$7.6 million, the amount previously included in the reserves in view of the matter (net of the amounts paid by the Company pursuant to the award).

10. Forward Looking Statements

These unaudited consolidated financial statements contain “forward-looking statements.” These statements are not historical facts but instead represent the Company’s belief or plans regarding future events, many of which, by their nature, are inherently uncertain and outside the Company’s control. The Company’s forward-looking statements are subject to various risks and uncertainties, including the risks and other factors identified and in other public disclosures made by the Company from time to time, including in the Company’s periodic and current reports and other filings made by the Company with the Securities and Exchange Commission. As a result, the Company’s actual results may differ materially from those expressed or implied by these forward-looking statements. Forward-looking statements include, without limitation: the dissolution and liquidation of the Company, including the Company’s plans and expectations with regard to liquidating distributions, and the Company’s estimated range of aggregate future recoveries from the dissolution and liquidation. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, to differ materially from the Company’s expectations expressed or implied by such forward-looking statements. Although the Company believes that the expectations reflected in any forward-looking statements are reasonable, it cannot guarantee future events or results. Except as may be required under federal law, the Company undertakes no obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur.