



Operator: Good afternoon and thank you for joining the Thomas Weisel Partners Earnings Conference Call. I have been asked to remind you that today's call includes forward looking statements and those statements represent beliefs regarding future events that by their nature are uncertain.

Actual events may differ, possibly materially, from what is indicated or implied in those forward looking statements and Thomas Weisel Partners makes no commitment to update them.

For a discussion of some of the factors that could affect those statements please see the risk factors set forth in Thomas Weisel Partners most recent reports filed with the Securities & Exchange Commission.

This audiocast is copyrighted material of Thomas Weisel Partners and may not be duplicated, reproduced or rebroadcast without consent. As a reminder, today's call is being recorded. I will now turn the call over to the Chairman and CEO. Mr. Weisel?

Thom: Thank you for joining our first quarter earnings call and for your continued interest in our firm. Joining me this afternoon is Lionel Conacher, our President and COO, Shaugn Stanley, our CFO, and Ryan Stroub, our Chief Accounting Officer.

I'd like to begin by providing some initial remarks on the current environment and on our first quarter results. 2009 has continued to be a challenging financial environment. As you all know, the broader market experienced a rally in March that has continued into April, easing some of the trepidation in the marketplace.

However, the industry continues to face headwinds on the investment banking front where the backdrop for capital raising and M&A activity remains muted and in brokerage where we face lower volumes and asset levels.

As a result of the firm-wide cost reductions we implemented over the last year, the revenue level required to break even on a cash basis continues to be approximately \$50 million per quarter.

In the first quarter our revenues were \$7 million below our 2009 quarterly cash break even level and the net cash used, excluding a \$5 million loss related to a fraudulent client trade as reported in our 10K on March 16, was approximately \$6 million. Pretax loss excluded certain non cash items was \$11 million, which includes the fraudulent loss.

We remain acutely focused on preserving capital while balancing strategic hiring opportunities and retaining talent. While we have maintained our banking calling efforts and in some cases improved the quality of our teams, our investment banking revenues in the quarter continue to be affected by the lack of capital markets activity, especially in the United States.



Across our businesses we believe we have the quality professionals in place who are actively addressing the five growth verticals we operate in. When market activity increases I am confident that our firm will emerge from the current environment as a strong player and in an improved competitive position.

At that point, the hard work we've done to remove non-revenue generating costs will be apparent and the leverage of our franchise will be clear. Until then, our investment banking and brokerage businesses have performed well on a relative basis compared with our peers.

Today we also announce that Ryan Stroub will assume the role of Chief Financial Officer and Shaugn Stanley, our current CFO, will no longer serve in such a capacity after a transition period that includes the completion of the financial statements and the filing of our 10Q in May.

Shaugn will continue as an officer of the firm and will assume the role of Chief Administrative Officer. I want to thank Shaugn for his valuable contributions as CFO.

We are pleased that Ryan will assume the responsibilities of CFO. He has been with the firm since 2006 and most recently serves as Chief Accounting Officer. Previously Ryan spent seven years with E\*TRADE, the latter portion as Corporate Comptroller. Ryan has worked closely with Shaugn over the last year and brings extensive accounting experience to the role.

I will now turn the call over to Shaugn Stanley, who will provide details on our financial results.

Shaugn: Thanks Thom. For the first quarter of 2009 we recorded a GAAP net loss of \$23.9 million and a GAAP diluted loss per share of \$0.74. Adjusting for the non cash after tax charges of \$100,000 related to our initial public offering and \$1.7 million related to the amortization of intangible assets acquired in the Westwind Partners transaction, we recorded a non-GAAP net loss of \$22.1 million and a non-GAAP diluted loss per share of \$0.69.

As of March 31<sup>st</sup>, our cash and cash equivalents were \$91 million versus \$117 million at December 31. The change in cash and cash equivalents was primarily due to the payment of our accrued 2008 compensation expenses in February of approximately \$19 million.

As I've previously stated, we continue to maintain capital well in excess of regulatory requirements and we believe our cash and capital will be more than adequate to see us through the current environment. We also remain very focused on reaching cash break-even in 2009.

Our total net revenues were \$43.1 million in the first quarter, a 12% decline compared with net revenues of \$48.9 million in the year ago quarter and a 37% increase compared with \$31 ½ million in the fourth quarter of 2008.



Investment banking revenues were \$11 million in the first quarter, essentially flat compared with the first and fourth quarters of last year. We've completed 15 transactions in the first quarter versus 23 and 14 in the first and fourth quarters of 2008 respectively.

Brokerage revenues were \$29 ½ million in the first quarter. This compares with \$36.1 million in the first quarter of 2008 and \$27.3 million in the fourth quarter of 2008.

Asset management net revenues were \$2.7 million in the first quarter, an improvement versus net revenues of \$350,000 in the year ago quarter and a net loss of \$7 million in the fourth quarter of 2008.

Compensation and benefits decreased 24% in the first quarter to \$30.7 million compared with \$40.4 million in the first quarter of 2008 and increased 9% compared with \$28.1 million in the fourth quarter of 2008.

The increase over the fourth quarter is mainly due to an increase in tax associated with paying accrued 2008 compensation expenses in February 2009. Our non-GAAP compensation ratio decreased to 68% in the first quarter from 76% in the year ago quarter and increased from 66% in the fourth quarter of 2008.

Non compensation expenses were \$35.4 million in the first quarter, which represents a 1% increase over the year ago period of \$35 million and a 2% decrease over \$36.1 million in the fourth quarter of 2008.

During the first quarter we recorded a \$5.1 million loss associated with a fraudulent client trade as reported in our 10K filed on March 16 2009 and a \$1.6 million reserve for ongoing legal matters. If it weren't for these items included in other expenses our total non comp expenses would have come in at our quarterly target of \$29 million.

Our cost reduction initiatives have taken effect and our evident in the following areas:

Marketing and promotion expense decreased \$2.3 million compared with the first quarter of 2008. Occupancy and equipment decreased \$1.3 million in the first quarter compared with the year ago quarter, mainly due to consolidating offices and subleasing excess office space. Communications and data processing decreased \$1.2 million compared with the first quarter of 2008, due to our cost reduction measures.

Other expenses increased by \$5 million compared with the first quarter of 2008, which is attributable to the \$6.7 million of items I previously mentioned offset by other declines. Our effective tax rate was -4% in the first quarter compared with 33% in the first quarter of 2008 and -102% in the fourth quarter of 2008.

As of December 31, 2008, we recorded a full valuation allowance on our US deferred tax assets and as a result did not recognize a tax benefit on our US entity loss. The tax expense in the first quarter related entirely to our Canadian operations.



I will now turn the call over to Lionel Conacher who will provide an update on our operational results.

Lionel: Thanks Shaugn. Our business results in the first quarter reflect activity in certain sectors and products and challenges in others. We believe our diversified sector exposure will be critical to the rebound in our earnings growth.

As the economy continues to find its footing, we are in a competitive position to gain share as activity increases. The cost reduction initiatives we took in 2008 are fully implemented and we are beginning to see the benefit to our business model.

As we move forward we remain steadfast in our commitment to maintain our focus on expenses as we pursue increases in our revenues. We also continue to seek and make strategic hires as talent that fits our entrepreneurial culture becomes available.

In March, Annabel Samimy joined the firm as the senior analyst covering specialty pharmaceutical companies. Previously with UBS for the past 10 years, Annabel brings deep industry knowledge and strong institutional relationships to our established healthcare research platform.

More recently we hired Terris Chorney as the Managing Director in Banking, focused on the energy sector. Terris brings extensive transaction experience and deep client relationships to our platform. He was previously with Blackmont Capital.

We've also expanded our technology franchise internationally with a new hire in our London office.

I will now provide details on the performance of our Investment Banking and Brokerage businesses. In the first quarter investment banking revenues were dominated by equity mining transactions resulting from the strength of the gold market, which experienced a strong rally in January.

As the opportunity to take advantage of the demand for gold increased we closed two joint book managed deals, one for Osisko Mining Corporation and one for Centamin Egypt Limited.

The Osisko Mining deal, originally announced at \$221 million Canadian, was upsized to \$403 million inclusive of the full exercise of the over-allotment. The deal was sold to over 90 institutional clients in Canada, the US and Europe. Centamin Egypt also increased from the full exercise of the over-allotment ultimately raising \$69 million Canadian.

Centamin Egypt and Osisko Mining share prices have increased from their offer price by approximately 45% and 20% respectively reflecting the high quality of these issuers. In addition to these named deals we participated as a co-manager on over \$1 billion of other mining and energy deals during the quarter.



Our product mix for the quarter shifted to raising capital for resource companies representing 78% of the revenues in the quarter or \$8.6 million.

We completed seven follow on transactions and four pipes. This compares to six transactions generating \$3 million in revenues in the fourth quarter of 2008. As the US equity market remains challenging, our success in the resource sector highlights the benefit of our diversified strategy.

M&A accounted for \$2.4 million or 22% of the investment banking revenues for the quarter. Included in these transactions was the sale of Scopus Video Networks to Harmonic. These M&A results reflect quarter over quarter decline in keeping with the reduced activity levels in the overall market. So far, in the second quarter, we've announced the sale of SupportSoft's enterprise business to Consona and the sale of InFocus to Image Holdings.

For the quarter, investment banking revenues from the metals and mining sector contributed 74% followed by technology which accounted for 17% and consumer, energy, and healthcare comprised the balance.

Our average revenue per transaction decreased to \$735,000 in the first quarter from \$810,000 in the fourth quarter, an increase from \$500,000 in the first quarter of 2008.

In this environment banking activity is difficult to predict with any certainty and the time horizon from origination to completion vary significantly. That said, our investment banking backlog, which consists of a number of filed, announced and engaged transactions at the beginning of the second quarter was flat compared with the beginning of the first quarter. On file we currently have nine IPOs, three follow ons, and three announced M&A transactions.

In brokerage we experienced strong results on the, on our European platform, stability in our Canadian business and a slight decline in our core US institutional business, particularly in the middle markets area and declines in our electronic trading business due to significant reduction in client assets.

Overall, results in March were an improvement compared with January and February. In the US we are gaining market share compared with the prior and year-ago quarters according to AutEx statistics.

Our current mix of business on total revenues for the first quarter is comprised of 69% from the US, 25% from Canada and 6% from Europe.

As we look forward our focus remains on providing superior service to our high quality growth clients while building a stronger franchise for our employees and shareholders.



I'll now turn the call back to Thom, who will give additional details on our asset management business and closing remarks.

Thom: Thanks Lionel. In the first quarter our asset management business generated management fees of \$3.6 million. Gains in our warrant portfolio and other securities contributed \$1 million, which were offset by declining fair value adjustments and private equity of \$1.8 million, resulting in net revenues of \$2.7 million.

Management fees were down 6% compared with the fourth quarter as a result of the transition of the management related to the private equity funded funds business in India. The fair value adjustments were again spread between our private equity investment funds.

In conclusion, our earnings in the first quarter show an improvement over our fourth quarter results. When the markets recover and investor sentiment improves we expect to capture a share of the business left from the consolidation and elimination of the larger, historic institutions. While we recognize the near term market challenges, once we've been to, begin to recognize revenue growth, our leaner cost structure will be even more apparent.

I would now like to open the call up for questions.

Operator: At this time, if you would like to ask a question, please queue our operator by pressing star 1 on your telephone keypad. Our first question comes from Devon Ryan with Sandler O'Neill. Please state your question.

Q1: Good afternoon.

Thom: Good afternoon.

Q1: Most of your banking activity, as you said, has been in the metals and mining space. Are we at a point yet where this recent equity market rally has started to create some activity, maybe behind the scenes, or client conversations that may lead to M&A or financing opportunities in some of your other sectors?

Thom: Yes, I mean there's a little glimmer of hope, who knows if it's, you know, the end of a tunnel or a train coming at you but the, you know, the IPO market has had a couple of education deals.

We are a co-manager on a software company that anticipates going on the road soon and there are a couple of other software deals that we're aware of that should be coming and testing the market here in the IPO world in the next month or two.

And so given the very large uptick in secondaries of established companies in a myriad of industries, we do think that the capital markets are slowly coming back.



On the M&A front, while you haven't seen a tremendous amount of increase in announced deals, you've seen enough from the Oracles and the Ciscos of the world, who have both announced deals in the last several weeks to see that, you know, larger companies are engaged in a much higher level of dialogue and we are definitely seeing that on both the buy and the sell-side.

Now whether or not that results in actual transactions, I think it's way too early to tell. But certainly, you know, the business right now feels slightly better than it did in January.

Q1: And then just on the expenses, is the non-comp level from this quarter, you know, excluding that fraudulent trade, about where it should be or do you see any more potential savings there? And then, just in terms of the comp ratio, should we really just be thinking about compensation on an absolute level, just kind of given that \$50 million break-even target?

Thom: Yeah, with respect to non-comp, we're right on track with where we had hoped to be when we, when we put together the plan for 2009. So excluding the, the fraudulent client loss we would have come in right on track with that.

With respect to comp, yeah, I think it's fair to say that, you know, our compensation model is built around this, this kind of \$50 million break-even assumption and if we come in with revenues below that we'll have a higher comp ratio than what we had projected.

Q1: OK, that's helpful. And then last quarter you had about \$53 million in excess capital. I didn't hear that number today. Do you have a current number for just excess capital?

Thom: Yeah, we do. It's right about the same. We're at about \$55 million in total excess capital in both our Canadian and US broker dealers.

Q1: OK. And then also on headcount, is that still around 500?

Thom: Yeah, just a little over 500—505 or something like that—but right at 500 people.

Q1: OK great. OK thanks a lot guys.

Thom: Thank you.

Operator: Our next question comes from Joel Jeffrey with KBW. Please state your question.

Q2: Just a question. On the brokerage side of the business, I'm a little surprised to see that Europe was strong while the US was weak. Can you give us a little more color on that?

Lionel: Sure Joel, it's Lionel speaking. I think that the primary reason that our business has remained strong over there is that it, the client base that we have over in Europe is not really hedge fund related at all, it's more, you know, voting account type business.



And so the decrease that we experienced in the middle markets area, as I said before, is largely the hedge fund area of the business, which is, I think everybody knows, has been cut in half year-over-year and actually probably down in terms of total assets by about a trillion since this time last year.

So that's the primary reason for it and I think that the second thing I would say is that it took us longer than we thought it would to transfer over the business from the old Prudential securities platform than we'd initially anticipated. We've now had a chance to go through two voting cycles over in Europe and we're starting to see the pickup there because of that.

Q2: Yeah, I mean, I guess I was just a little surprised given that, it's my understanding that a lot of the European accounts are paid off of value of trade and given the declines in the European markets that a lot of people have seen, fairly substantial falloffs in European trading activity.

Thom: Yeah, but see, we don't trade European securities. This business is all Europeans trading in US securities.

Q2: OK. OK, great, that makes sense. And then in terms of the tax rate for the quarter, I know it had a lot to do with the deferred tax asset issue. What, how should we think about the tax rate going forward?

Ryan: When you take a look at the tax rate going forward, obviously the tax rate is determined on a jurisdictional basis. So it depends on profit and loss in Canada, the US and the UK.

At year end, based on accounting standards that we had to take 100% valuation on our UK and US based deferred tax assets, so going forward through the remainder of the year you would expect to see no tax benefit on losses in those jurisdictions and then applying around a 34% rate to our Canadian profits.

Q2: OK, great. Thanks so much.

Operator: This concludes the question and answer portion of today's call. I will now turn back to the speakers for any closing remarks.

Thom: Thanks so much for your attendance and we, you know, appreciate you attending and look forward to talking to many of you over the course of the next few months. Thanks.

Operator: Thank you for joining us today. This concludes our program. You may now disconnect from the audio portion of this event.

END