LINCOLN GOLD CORP
Form 10QSB
August 14, 2006

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

FORM 10-QSB

[x] Quarterly Report Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

For the quarterly period ended **June 30, 2006**

[ ] Transition Report Under Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

For the transition period from to ______ to ______

COMMISSION FILE NUMBER 0-25827

LINCOLN GOLD CORPORATION
(Name of small business issuer in its charter)

NEVADA	**88-0419475**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 350, 885 Dunsmuir Street, Vancouver, BC	**V6C 1N5**
(Address of principal executive offices)	(Zip Code)

604-688-7377
Issuer's telephone number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [x] No [ ]**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **41,915,000 shares of Common Stock as of August 8, 2006**

Transitional Small Business Disclosure Format (check one): **Yes [ ] No [x]**

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

PART I

ITEM 1. FINANCIAL STATEMENTS

Our unaudited financial statements for the three and six months ended June 30, 2006, as set forth below, are included with this Quarterly Report on Form 10-QSB:

Lincoln Gold Corporation
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in U.S. dollars)

	June 30, 2006 $ (unaudited)	December 31, 2005 $
ASSETS		
Current Assets		
Cash	15,983	132,806
Prepaid expenses and deposits	6,400	11,302
Total Current Assets	22,383	144,108
Property and Equipment (Note 3)	5,884	7,328
Total Assets	28,267	151,436
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	29,177	20,474
Accrued liabilities	19,272	12,097
Due to related parties (Note 5(b))	12,884	8,080
Note payable (Note 6)	100,000	100,000
Total Liabilities	161,333	140,651
Commitments and Contingencies (Note 1 and 4)		
Stockholders Equity (Deficit)		
Common Stock, 100,000,000 shares authorized, $0.001 par value; 41,915,000 and 41,865,000 shares issued and outstanding, respectively	41,915	41,865
Additional Paid-in Capital	3,102,438	3,092,488
Deficit Accumulated During the Exploration Stage	(3,277,419)	(3,123,568)
Total Stockholders Equity (Deficit)	(133,066)	10,785
Total Liabilities and Stockholders Equity (Deficit)	28,267	151,436

F-1

(The accompanying notes are an integral part of these consolidated financial statements)

Lincoln Gold Corporation
(An Exploration Stage Company)
Consolidated Statements of Operations
(Expressed in U.S. dollars)
(Unaudited)

	Three Months Ended June 30, 2006 $	Three Months Ended June 30, 2005 $	Six Months Ended June 30, 2006 $	Six Months Ended June 30, 2005 $	Accumulated From September 25, 2003 (Date of Inception) to June 30, 2006 $
Revenue	-	-	-	-	-
Expenses					
Depreciation	722	326	1,444	472	3,422
Foreign exchange loss	1,233	359	2,009	454	5,799
General and administrative (Note 5(a))	60,554	241,717	119,632	452,354	2,262,378
Impairment of mineral properties (Note 2(h))	-	-	10,000	-	65,000
Mineral exploration	3,743	264,300	16,475	327,225	820,127
Total Expenses	66,252	506,702	149,560	780,505	3,156,726
Loss From Operations	(66,252)	(506,702)	(149,560)	(780,505)	(3,156,726)
Other Income (Expense)					
Accounts payable written off			-	-	33,564
Interest income	267	2,431	923	2,431	9,337
Interest expense	(2,649)	(7,450)	(5,214)	(13,626)	(42,242)
Net Loss	(68,634)	(511,721)	(153,851)	(791,700)	(3,156,067)
Net Loss Per Share Basic and Diluted	-	(0.01)	-	(0.02)	
Weighted Average Shares Outstanding	41,915,000	40,356,000	41,892,000	40,356,000	

F-2

(The accompanying notes are an integral part of these consolidated financial statements)

Lincoln Gold Corporation
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Six Months Ended June 30, 2006 $	Six Months Ended June 30, 2005 $
Operating Activities		
Net loss	(153,851)	(791,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,444	472
Impairment of mineral properties	10,000	-
Changes in operating assets and liabilities:		
Prepaid expenses and deposits	4,902	-
Account payable and accrued liabilities	15,878	(6,492)
Due to related parties	4,804	(63)
Net Cash Used in Operating Activities	(116,823)	(797,783)
Investing Activities		
Purchase of property and equipment	-	(6,255)
Net Cash Flows Used in Investing Activities	-	(6,255)
Financing Activities		
Repayment of loan payable	-	(48,090)
Proceeds from share subscriptions receivable	-	528,000
Proceeds from issuance of common stock	-	913,290
Net Cash Flows Provided by Financing Activities	-	1,393,200
Increase (Decrease) in Cash	(116,823)	589,162
Cash Beginning of Period	132,806	127,785
Cash End of Period	15,983	716,947
Non-cash Investing and Financing Activities		
Shares issued for mineral property costs	10,000	-
Supplemental Disclosures		
Interest paid	-	-
Income tax paid	-	-

F-3

(The accompanying notes are an integral part of these consolidated financial statements)

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

1. Nature of Operations and Continuance of Business

The Company was incorporated in the State of Nevada, USA, on February 17, 1999 under the name of Braden Technologies Inc. Effective March 26, 2004, the Company acquired 100% of the issued and outstanding shares of Lincoln Gold Corp., a private company incorporated in the State of Nevada, USA, on September 25, 2003. On April 6, 2004, the Company and its subsidiary, Lincoln Gold Corp., merged to form Lincoln Gold Corporation.

The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standard (SFAS) No. 7 *Accounting and Reporting by Development Stage Enterprises* . The Company s principal business is the acquisition and exploration of mineral resources. The Company has not presently determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company s interests in the underlying properties, and the attainment of profitable operations. As at June 30, 2006, the Company has never generated any revenues, has accumulated losses of $3,156,067 since inception of the development stage, and has a working capital deficiency of $138,950. These factors raise substantial doubt regarding the Company s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management plans to complete private placement sales of the Company s shares in order to raise the funds necessary to pursue its plan of operation and fund working capital. The Company filed an amended SB-2 Registration Statement with the U.S. Securities and Exchange Commission to register and offer up to 2,857,143 units at a price of $0.20 per unit. Each unit will consist of one share of common stock, one-half Class A Warrant and one Class B Warrant.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in U.S. dollars. The Company s fiscal year- end is December 31.

b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

c) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128 *Earnings per Share* . SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-covered method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

d) Comprehensive Loss

SFAS No. 130, *Reporting Comprehensive Income* , establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at June 30, 2006 and 2005 the Company has no items that represent a comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

f) Property and Equipment

Property and equipment consists of office equipment and fixtures, computer software, and computer hardware and is recorded at cost. Depreciation is based on a straight line basis over the following periods: Office equipment and fixtures five years; computer software two years; and computer hardware three years.

g) Long-lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* , the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

h) Mineral Property Costs

The Company has been in the exploration stage since its formation on September 25, 2003 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized when incurred using the guidance in EITF 04-02, *Whether Mineral Rights Are Tangible or Intangible Assets* . The Company assesses the carrying costs for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long Lived Assets* at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations. During the six month period ended June 30, 2006, mineral property costs totaling $10,000 were impaired as there are no proven or probable reserves on these properties.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

i) Financial Instruments

The fair values of cash, accounts payable, accrued liabilities, due to related parties and note payable approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

j) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely that not. The Company has adopted SFAS No. 109 *Accounting for Income Taxes* as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

k) Foreign Currency Translation

The Company s functional and reporting currency is the United States dollar. Foreign currency transactions are primarily undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses are charged to operations. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

l) Stock-based Compensation

Prior to January 1, 2006, the Company accounted for stock-based awards under the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees* using the intrinsic value method of accounting, under which compensation expense was only recognized if the exercise price of the Company s employee stock options was less than the market price of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R *Share Based Payments* , using the modified prospective transition method. Under that transition method, compensation cost is recognized for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated. There was no effect on the Company s reported loss from operations, cash flows of loss per share as a result of adopting SFAS No. 123R.

All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.

In fiscal 2004, the Board of Directors approved the 2004 Stock Option Plan for a maximum of 2,500,000 shares available to be granted to directors, officers, employees and consultants. The stock option exercise price is set at the fair market value of the shares at the date of grant. The term of the stock options, once granted, is not to exceed ten years. The vesting period of the stock options is set at the discretion of the Board of Directors.

On February 23, 2005, the Board of Directors approved the 2005 Stock Option Plan for a maximum of 2,000,000 shares available to be granted to directors, officers, employees and consultants. The stock option exercise price is set at the fair market value of the shares at the date of grant. The term of the stock options, once granted, is not to exceed ten years. The vesting period of the stock options is set at the discretion of the Board of Directors.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

l) Stock-based Compensation (continued)

A summary of the Company s stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2005	2,390,000	$ 0.60
Granted	-	-
Exercised	-	-
Balance, June 30, 2006	2,390,000	$ 0.60

Additional information regarding options outstanding as at June 30, 2006 is as follows:

	Outstanding and Exercisable		
Exercise price	Number of shares	Weighted average remaining contractual life	Weighted average exercise price
$0.60	2,390,000	0.95 years	$0.60

m) Recent Accounting Pronouncements

In 2006, the Financial Accounting Standards Board (FASB) has issued SFAS No. 155 *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140* and No. 156 *Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140* , but they will not have a material effect in the Company s results of operations or financial position. Therefore, a description and its impact for each on the Company s operations and financial position have not been disclosed.

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *Accounting Changes and Error Corrections A Replacement of APB Opinion No. 20 and SFAS No. 3* . SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard did not expect have a material effect on the Company s results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153 *Exchanges of Non-monetary assets An amendment of APB Opinion No. 29* . The guidance in APB Opinion No. 29, *Accounting for Non- monetary Transactions* , is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non- monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for non- monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard did not have a material effect on the Company s results of operations or financial position.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

n) Interim Financial Statements

These interim financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company s financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

o) Reclassifications

Certain reclassifications have been made to the prior period s financial statements to conform to the current period s presentation.

	Cost $	Accumulated Depreciation $	June 30, 2006 Net Carrying Value $	December 31, 2005 Net Carrying Value $
Computer hardware	4,676	1,681	2,995	3,774
Computer software	1,345	953	392	729
Office equipment and fixtures	3,285	788	2,497	2,825
	9,306	3,422	5,884	7,328

4. Mineral Property Interests

a) Hannah Property

On December 24, 2003, the Company entered into an option agreement to acquire a 100% interest in twenty-three unpatented lode claims situated in Churchill County, Nevada, USA. The option agreement called for net smelter royalties of 1% to 4% upon production. Pursuant to the option agreement, the Company is required to make option payments totaling $210,000 as follows:

- $5,000 upon signing the agreement (paid);
- $5,000 on January 10, 2005 (paid);
- $10,000 on January 10, 2006 (paid);
- $15,000 on January 10, 2007;
- $25,000 on January 10th of each year from 2008 to 2012; and
- $50,000 on January 10, 2013.

F-8

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

4. Mineral Property Interests (continued)

c) Buffalo Valley Property

On July 9, 2004, the Company entered into a mining lease agreement with Nevada North Resources (U.S.A.) Inc. (Nevada North) for a term of twenty years. The agreement calls for the Company to make advance minimum royalties to the Lessor over the term as follows:

- $10,000 upon exercise of the lease (paid);
- $20,000 by July 9, 2005 (paid);
- $20,000 by July 9, 2006 (lease terminated);
- $40,000 by July 9, 2007;
- $40,000 by July 9, 2008;
- $50,000 by July 9, 2009;
- $50,000 by July 9, 2010;
- $60,000 by July 9, 2011;
- $60,000 by July 9, 2012;
- $70,000 by July 9, 2013;
- $70,000 by July 9, 2014; and
- $80,000 plus inflation by July 9 of each year from 2015 to 2024.

On July 26, 2005, the Company entered into an agreement whereby it granted the right to earn up to a 75% interest in the property to an Optionee. To earn a 60% interest, the Optionee had a work commitment (includes maintaining the underlying leases and claims in good standing) of $3,000,000 over a five-year period as follows:

- $50,000 in year one;
- $250,000 in year two;
- $400,000 in year three;
- $800,000 in year four; and
- $1,500,000 in year five.

On May 24, 2006 the Company terminated its lease agreement with Nevada North and returned the property to them.

d) Jenny Hill Property

On September 28, 2004, the Company entered into a mining lease and option to purchase agreement comprising ninety-seven mineral claims situated in Mineral and Nye Counties, Nevada for a term of seven years. The agreement calls for the Company to make option payments $1,500,000 over a seven year period as follows:

- $20,000 upon signing the agreement (paid);
- $25,000 by September 28, 2005 (paid);
- $30,000 by September 28, 2006;
- $60,000 by September 28, 2007;
- $70,000 by September 28, 2008;
- $80,000 by September 28, 2009;
- $90,000 by September 28, 2010; and
- $1,125,000 by September 28, 2011.

The Company must also complete a work program on the property of $50,000, in the first lease year and $100,000 for the second and each subsequent lease year until the option is completed. The agreement is subject to a net smelter return of 2%.

Lincoln Gold Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2006
(Expressed in U.S. dollars)
(Unaudited)

4. Mineral Property Interests (continued)

d) Jenny Hill Property (continued)

On December 9, 2005 the Company entered into a non-binding agreement whereby it offered the right to earn a 60% interest in the property to an Optionee. The Optionee can earn a 60% interest by spending $3,000,000 in exploration work on the property over a five-year period with a minimum expenditure of $200,000 to be spent during the first year. In addition, the Optionee can earn an additional 10% interest by completing a feasibility study on the project and an additional 5% interest (for a total of 75%) by arranging financing on behalf of the Company for its share of the construction costs as a result of both parties reaching a positive construction decision for a mine operation on the project. A formal agreement is to be signed by both parties within ninety days (extended).

e) La Bufa Property

On August 5, 2005, the Company entered into a Letter of Intent to form a joint venture for the exploration and development of the La Bufa property, located in Chihuahua, Mexico. Under the Letter of Intent, the Company may acquire a 51% interest in the La Bufa property by spending $2,000,000 on the property over four years and by issuing 350,000 shares of the Company to Almaden over a five year period (50,000 shares issued at a fair value of $10,000 on March 15, 2006). In addition, the Company may acquire another 9% of the property by spending an additional $1,000,000 on the property. If production is achieved, the Company will pay a bonus by issuing 100,000 of its shares. The Company is committed to spend $100,000 in the first year.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS FORWARD-LOOKING STATEMENTS

The information in this Quarterly report on Form 10-QSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of gold, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of ore reserve development and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may , will , should , expect , plan , intend , anticipat estimate , predict , potential or continue , the negative of such terms or other comparable terminology. Actual event results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statement. We disclaim any obligation to publicly update these statements, or disclose any difference between our actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

OVERVIEW

We are engaged in the acquisition and exploration of mineral properties in the State of Nevada and northern Mexico. Our plan of operations for the next twelve months is to conduct exploration of our mineral properties in the State of Nevada and Mexico.

We hold interests in three groups of mineral properties in Nevada and one in northern Mexico, as described below:

Name of Property	Location
Hannah Property	Churchill County, Nevada
JDS Property	Eureka County, Nevada
Jenny Hill Property	Mineral & Nye Counties, Nevada
La Bufa	State of Chihuahua, Mexico

Our plan of operations is to carry out exploration of our mineral properties. Our specific exploration plan for each of our mineral properties, together with information regarding the location and access, history of operations, present condition and geology of each of our properties, is presented in Item 2 of our Annual Report on Form 10-KSB for the year ended December 31, 2005 under the heading Description of Properties. All of our exploration programs are early stage in nature in that their completion will not result in a determination that any of our properties contains commercially exploitable quantities of mineralization.

Our exploration programs will continue to be directed by our management and will be supervised by Mr. Jeffrey Wilson, our vice-president of exploration. We will engage contractors to carry out our exploration programs under Mr. Wilson s supervision. Contractors that we plan to engage include project geologists, geochemical sampling crews and drilling companies, each according to the specific exploration program on each property. Our budgets for our exploration programs are set forth in Item 2 of our Annual Report

3

on Form 10-KSB for the year ended December 31, 2005 under the heading Description of Properties. These explorations plans will vary based on the results of exploration programs that we complete and based on decisions of our management regarding the prioritization of exploration programs based on funds available to us. We plan to solicit bids from drilling companies prior to selecting any drilling company to complete a drilling program. We anticipate paying normal industry rates for reverse-circulation drilling.

We are an exploration stage company. All of our projects are at the exploration stage and there is no assurance that any of our mining properties contain a commercially viable ore body. We plan to undertake further exploration of our properties. We anticipate that we will require additional financing in order to pursue full property exploration. We do not have sufficient financing to undertake full exploration of our mineral claims at present and there is no assurance that we will be able to obtain the necessary financing.

There is no assurance that a commercially viable mineral deposit exists on any of our mineral properties. Further exploration beyond the scope of our planned exploration activities will be required before a final evaluation as to the economic and legal feasibility of mining of any of our properties is determined. There is no assurance that further exploration will result in a final evaluation that a commercially viable mineral deposit exists on any of our mineral properties.

EXPLORATION ACTIVITY IN THE QUARTER ENDED JUNE 30, 2006

Buffalo Valley Property

Agnico Eagle completed the drilling of five deep reverse circulation holes for 4,850 ft on our Buffalo Valley property near Battle Mountain, Nevada in May 2006. Assay results were discouraging and, as a result, Agnico Eagle determined to abandon its interest in the Buffalo Property under our option agreement with Agnico Eagle for the Buffalo Valley property. As a result of the discouraging results and the determination of Agnico Eagle, we determined to terminate our lease of the Buffalo Valley property with Nevada North Resources (USA), Inc. We no longer have any interest in the Buffalo Valley property.

Jenny Hill Property

Kinross Gold Corporation completed permitting for 20 drill sites of which 10 may be drilled this summer or fall. A delay in drilling is expected owing to the lack of an available drill rig.

La Bufa Property

We received a bid to complete aerial photography and topographic base map construction on our La Bufa gold property in southwestern Chihuahua State, Mexico. The flight should be scheduled soon.

Hannah Property

We conducted a ground magnetometer survey over a portion of the Hannah gold property in Churchill County, Nevada. The survey focused on gold mineralization that was identified by our drilling activities in 2005. Results were encouraging and additional work is planned.

JDS Property

We entered into a letter of intent with Golden Odyssey Mining Inc. to joint venture our JDS gold property in the Cortez Trend, Nevada. Golden Odyssey Exploration Inc. is a wholly-owned subsidiary of Golden Odyssey Mining Inc (TSE VENTURE:GOE) and is engaged in mineral exploration in the State of Nevada within the Walker Lane, Cortez Trend, and Carlin Trend.

Under the terms of the Letter of Intent to Joint Venture, Golden Odyssey may earn a 51% interest in the JDS property by performing 6,000 ft of reverse-circulation drilling within 18 months of signing the agreement. The exploration expenditures are to be undertaken and paid for by Golden Odyssey pursuant to the letter of intent. Golden Odyssey will have the option to increase its ownership by 14% by funding US$1.5 million in additional work and may increase its ownership by an additional 10% by funding an additional

$2.0 million in work, for a total of $3.5 million. Under these terms, Golden Odyssey may ultimately earn a 75% interest in the JDS property, which would leave us holding a 25% in the joint venture.

PLAN OF OPERATIONS

Our planned exploration expenditures for the next twelve months on our Nevada and Mexican mineral properties, together with amounts due to maintain our interest in these claims, are summarized as follows:

Name of Property	Planned Exploration Expenditures	Amounts of Claims Maintenance Due	Amount of Property Payment Due	Total
Exploration of Hannah Property, Nevada	$45,000	$3,075	$15,000	$63,075
Exploration of Jenny Hill Property, Nevada	$Nil (1)	$Nil (1)	$Nil (1)	$Nil (1)
Exploration of JDS Property, Nevada	$Nil (2)	$Nil (2)	$Nil (2)	$Nil (2)
Exploration of La Bufa Property, Mexico	$100,000	$2,150	$Nil	$102,150
Administration Nevada	$105,000 (3)	-	-	$105,000
Administration - Vancouver	$200,000 (4)	-	-	$200,000
Total	**$450,000**	**$5,225**	**$15,000**	**$470,225**

(1) Kinross anticipates undertaking exploration expenditures in the amount of $200,000 on the Jenny Hill property. Further, Kinross will be required to pay $12,983 to the BLM and local counties and $25,000 to the property owner. These exploration expenditures are to be undertaken and paid for by Kinross pursuant to our letter of intent to our letter of intent to joint venture the property with Kinross. However, if Kinross determines to return the property to us prior to the time when the property payments and/ or maintenance payments are due, then we will be obligated to make the annual claim maintenance payments to the BLM and local counties and the property payments required to maintain the property in good standing.

(2) Golden Odyssey has indicated that drilling of the JDS property will commence in 2006. Under the terms of the Letter of Intent to Joint Venture, Golden Odyssey may earn a 51% interest in the JDS property by performing 6,000 ft of reverse-circulation drilling within 18 months of signing the agreement. The exploration expenditures are to be undertaken and paid for by Golden Odyssey pursuant to the letter of intent to joint venture the property with Golden Odyssey. If Golden Odyssey determines to return the property to us prior to the time when the property payments and/or maintenance payments are due, then we will be obligated to make the annual claim maintenance payments to the BLM and local counties required to keep the property in good standing.

Our general and administrative expenses referred will consist primarily of professional fees for the audit and legal work relating to our regulatory filings throughout the year, as well as transfer agent fees, management fees, investor relations and general office expenses.

5

We had cash in the amount of $15,983 as of June 30, 2006 and a working capital deficit in the amount of $138,950 as of June 30, 2006. An amount of $100,000 is included as a short term payable, which is a debt payable to a shareholder who loaned $200,000 to the Company on startup. Half of the amount plus interest has been repaid. Based on our planned expenditures and our working capital deficit, we will require a minimum of approximately $600,000 to proceed with our plan of operations over the next twelve months. This includes repayment of the $100,000. We anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined above. We are presently taking a registered offering of 2,857,143 units, with each unit consisting of one share of common stock, one-half of one Series A warrant and one Series B warrant. The units are being offered at a price of $0.20 per unit. Our objective is to complete this offering by the end of August 2006, although there is no assurance that we will be able to complete sales of any or all of the units offered. If we achieve less than the full amount of financing that we require, we will scale back our exploration programs on our mineral properties and will proceed with scaled back exploration plans based on our available financial resources. Alternatively, we may look to raise additional funds before the end of 2006 and/or in the early part of 2007.

During the twelve month period following the date of this quarterly report, we anticipate that we will not generate any revenue. Accordingly and as noted in the above paragraph, we will be required to obtain additional financing in order to continue our plan of operations. We believe that debt financing will not be an alternative for funding additional phases of exploration as we do not have tangible assets to secure any debt financing. We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. However, we do not have any financing arranged and we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our exploration programs. In the absence of such financing, we will not be able to continue exploration of our mineral claims. Even if we are successful in obtaining equity financing to fund our exploration programs, there is no assurance that we will obtain the funding necessary to pursue any advanced exploration of our mineral claims following the completion of preliminary exploration. If we do not continue to obtain additional financing, we will be forced to abandon our properties and our plan of operations.

As we have done in the past, we may consider entering into joint venture arrangements to provide the required funding to pursue drilling and advanced exploration of our mineral claims. Even if we determined to pursue a joint venture partner, there is no assurance that any third party would enter into a joint venture agreement with us in order to fund exploration of our mineral claims. If we entered into a joint venture arrangement, we would likely have to assign a percentage of our interest in our mineral claims to the joint venture partner.

Our exploration plans will be continually evaluated and modified as exploration results become available. Modifications to our plans will be based on many factors, including: results of exploration, assessment of data, weather conditions, exploration costs, the price of gold and available capital. Further, the extent of our exploration programs that we undertake will be dependent upon the amount of financing available to us.

PLANNED EXPLORATION ACTIVITIES

Hannah Property

We commenced field exploration work on our Hannah property located just east of Reno in the southwestern portion of the Trinity Range during the first quarter of 2005. The field work included obtaining soil samples as part of a soil sampling program. Results from 132 new soil samples were combined with results from 50 previous samples to define a conspicuous soil gold anomaly approximately 3000 feet in length and locally over 500 feet in width. We believe that this identified anomaly warrants more advanced exploration. As a result, we submitted a Notice of Intent to Operate and a Reclamation Bond for drilling 10 exploration holes to the U.S. Bureau of Land Management (the BLM). The BLM approved our submission and we commenced track-mounted, reverse-circulation drilling on identified gold geochemical targets in May. This drilling program was completed in early June. Eleven (11) holes were completed for a total footage of 4,815 ft. Two holes, H-11 and H-1, encountered encouraging gold-silver mineralization in the western portion of the target area. Although strong alteration was encountered elsewhere to the east, the remaining holes were barren.

We have determined that follow up drilling is warranted on the Hannah Property based on the results of the initial eleven hole drilling program that we completed on the Hannah Property, as described above. We have reduced our exploration plans for the Hannah Property in view of our limited financial resources Our plan of exploration for the Hannah Property is as follows:

Description of Phase of Exploration	Description of Exploration Work Required
Phase 2 Exploration Drilling	Drill four shallow reverse-circulation drill holes to test the breccia zone and possible extensions under pediment gravels. This is a reduction from our previous plan to drill 10 holes.

The anticipated timetable and estimated budget for completion for this exploration is as follows:

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost of Completion
Phase 2 Exploration Drilling	4th Qtr	$45,000

Jenny Hill Property

We executed a letter of intent to joint venture the Jenny Hill property with Kinross Gold Corporation on December 9, 2005. Under the terms of the letter agreement, Kinross is obligated to keep the property in good standing with the BLM and local counties and will make the underlying payments to the owner. Upon completing $3.0 million in work expenditures on the property, Kinross will have earned a 60% interest in the property and a joint venture will be formed between us and Kinross. At Kinross discretion, Kinross may earn an additional 10% interest by producing a feasibility study on the project. Upon the joint venture reaching a positive construction decision for a mine, Kinross will have the option earn an additional 5% interest by arranging financing instruments on our behalf. Kinross may earn a total interest of 75% in the Property, in which event we would hold a 25% interest. If Kinross elects to drop the property before July 1 in any given year, the lease payment obligations and government claim holding costs shall revert back to us.

Our plan of exploration for the Jenny Hill Property is to monitor the exploration work to be conducted by Kinross Gold Corporation during 2006. We understand that Kinross will undertake the following exploration activities during 2006, with a minimum anticipated expenditure amount of $200,000:

Description of Phase of Exploration	Description of Exploration Work Required
Geologic Mapping & Sampling	Continue mapping and sampling program
Target Identification	Compile all data and identify high-priority gold targets
Phase 1 Drilling	Drill targets Specifics unknown at this time
Data Evaluation	Evaluate drill data

Buffalo Valley Property

We executed a letter to intent to joint venture the Buffalo Valley Property with Agnico-Eagle (USA) Ltd., effective July 26, 2005. Under the terms of the letter agreement, Agnico-Eagle was obligated to keep the property in good standing with the BLM and local Counties in 2005 and to make the underlying payments

to the Owner, Nevada North Resources (USA), Inc. Upon completing US$3.0 million in work expenditures on the Property, Agnico-Eagle would have earned a 60% interest in the property and a joint venture will be formed. Agnico-Eagle would then have 180 days to elect to earn an additional 10% by preparing and presenting to the Company a feasibility study for the development of a mine on the property. On completion of the feasibility study, Agnico-Eagle would have earned a 70% interest in the property. If the joint venture decided to develop a mine, Agnico-Eagle could have loaned or helped arrange financing for our portion of the required capital in consideration of an additional 5% interest in the joint venture. Exercise of this option would have resulted in Agnico-Eagle holding 75% and us holding 25% of the joint venture. If Agnico-Eagle elected to drop the Property before June 1 in any given year, the lease payment obligations and government claim holding costs shall revert back to us.

As discussed above, Agnico-Eagle recently drilled five holes on the Buffalo Valley Property. Assay results were discouraging. Subsequently, Agnico-Eagle returned the property to Lincoln and we have dropped the underlying lease with Nevada North Resources (USA), Inc. Accordingly, we do not hold any further interest in the Buffalo Valley property.

JDS Property

The early-stage exploration property (1540 acres) is located in north central Nevada in one of the world s most active exploration areas the Cortez Trend. The JDS claim block is approximately 17 miles southeast of Barrick Gold s Cortez Hills' discovery and 8 miles northeast of US Gold s Tonkin Springs Mine.

During the second quarter of 2006, we entered into a letter of intent with Golden Odyssey Exploration Inc. to joint venture the JDS gold property, as described above. Drilling is planned to be completed by Golden Odyssey for the summer of 2006 if a drill rig can be contracted.

La Bufa Property

Our plan for exploration of the La Bufa Concession in 2006 is as follows:

Stage of Exploration	Anticipated Timetable for Completion	Estimated Cost of Completion
Construct Base Map	3rd Qtr 2006	$25,000
Property Acquisition	3rd Qtr 2006	$30,000
Data Base Management	3rd Qtr 2006	$10,000
Geologic Mapping	3rd Qtr 2006	$45,000
Soil Survey	3rd Qtr 2006	$45,000
Phase 1 Drilling	3rd Qtr 2006	$225,000
Metallurgy	4th Qtr 2006	$5,000
Data Evaluation	4th Qtr 2006	$15,000
Total		TOTAL: $ 400,000

The exploration program will be managed on site by Richard Bybee, P. Geol. State of Wyoming (PG-1505) with extensive experience in Latin America. The Company s V.P. of Exploration, Jeffrey L. Wilson, P. Geol. State of Utah, will oversee the project. Additional seasoned geologists will be used as warranted. No contracts have been let. Potential drilling companies include Layne, Major, and Dateline. ALS Chemex will likely be the analytical laboratory utilized.

8

New Opportunities

We reviewed several prospective gold properties in Nevada and Mexico during the first half of 2006. We are also planning more site visits to evaluate prospective properties during the current quarter.

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

We were incorporated as Braden Technologies Inc. Effective March 26, 2004, we acquired 100% of the issued and outstanding shares of Lincoln Gold Corp. by issuing 24,000,000 shares of our common stock. We subsequently merged with Lincoln Gold Corp. and changed our name to Lincoln Gold Corporation. Since the acquisition transaction resulted in the former shareholders of Lincoln Gold Corp. owning the majority of our issued and outstanding shares, the transaction, which is referred to as a reverse take-over , has been treated for accounting purposes as an acquisition by Lincoln Gold Corp. of the net assets and liabilities of Braden Technologies Inc. Under this purchase method of accounting, the results of operations of Braden Technologies Inc. are included in these consolidated financial statements from March 26, 2004. Our date of inception is the date of inception of Lincoln Gold Corp., being September 25, 2003 and our financial statements are presented with reference to the date of inception of Lincoln Gold Corp.

RESULTS OF OPERATIONS

Our results of operations for the six months ended June 30, 2006 are summarized below:

	Accumulated For the Period September 25, 2003 (Date of Inception) To June 30, 2006 $	For the Six Months Ended June 30, 2006 $	For the Six Months Ended June 30, 2005 $
Revenue	-	-	-
Expenses			
Depreciation	3,422	1,444	472
Foreign exchange loss	5,799	2,009	454
General and administrative	2,262,378	119,632	452,354
Impairment of mineral properties	65,000	10,000	-
Mineral exploration	820,127	16,475	327,225
Total Expenses	3,156,726	149,560	780,505
Net Loss From Operations	(3,156,726)	(149,560)	(780,505)
Other Income (Expense)			
Accounts payable written off	33,564	-	-
Interest income	9,337	923	2,431

Interest expense	(42,242)	(5,214)	(13,626)
Net Loss	(3,156,067)	(153,851)	(791,700)

Both our net loss and exploration expenditures decreased substantially for six month period ended June 30, 2006 over the corresponding periods in 2005. This decrease is attributable largely to our decreased exploration activities during the first six months of 2006, as outlined under the heading Exploration Activity in the Quarter Ended June 30, 2006 . We anticipate that our expenses and net loss will remain low throughout the current fiscal year in comparison with 2005 as a result of our reduced exploration activities, our increased joint venture activities and as a result of lower payments required to maintain our interests in our mineral properties. We anticipate continued professional fees as we comply with our obligations as a reporting company under the Securities Exchange Act of 1934. We anticipate that we will not earn any revenues during the current fiscal year or in the foreseeable future as we are presently engaged in the exploration of our mineral properties.

LIQUIDITY AND CAPITAL RESOURCES

Our cash position at June 30, 2006 was $15,983 compared to $132,806 as of December 31, 2005. We had a working capital deficit $138,950 as of June 30, 2006 compared to working capital of $3,457 as of December 31, 2005.

Plan of Operations

We estimate that our total expenditures over the next twelve months will be approximately $470,225 as outlined above under the heading Plan of Operations . Based on our planned expenditures and our working capital deficit, we will require a minimum of approximately $600,000 to proceed with our plan of operations over the next twelve months. In addition, we anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined above.

If we are unable to achieve the necessary additional financing, then we plan to reduce the amounts that we spend on our exploration activities and administrative expenses in order to be within the amount of capital resources that are available to us. Specifically, we anticipate that we would defer drilling programs pending our obtaining additional financing.

Outstanding Convertible Note

We arranged for a $200,000 convertible note during the fiscal year ended December 31, 2004. This convertible note is convertible into shares of our common stock at a price of $0.04 per share. If the convertible note was converted, we would be obligated to issue an additional 5,000,000 shares of our common stock. The note accrues interest at the rate of 10% per annum. The principal is repayable on January 28, 2006 and interest is payable annually.

On September 15, 2005 we completed an agreement whereby we repaid $100,000 of the convertible note along with $35,000 accrued interest and agreed to repay the remaining $100,000 within sixty days. With the completion of the first payment the convertible note was deemed to be repaid in full and both the conversion of debt to common stock along with the warrants was cancelled. We plan to repay the remaining $100,000 owed when our next funding is completed.

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive exploration activities. For these reasons our auditors stated in their report that they have substantial doubt we will be able to continue as a going concern.

Future Financings

We will require additional financing in order to proceed with the exploration of our mineral properties. We plan to complete private placement sales of our common stock in order to raise the funds necessary to pursue our plan of operations and to fund our working capital deficit. Issuances of additional shares will result in dilution to our existing shareholders. We currently do not have any arrangements in place for the completion of any private placement financings and there is no assurance that we will be successful in completing any private placement financings.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

CRITICAL ACCOUNTING POLICIES

Mineral Property Costs

We have been in the exploration stage since our formation on September 25, 2003 and has not yet realized any revenues from our planned operations. We are primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized when incurred using the guidance in EITF 04-02, *Whether Mineral Rights Are Tangible or Intangible Assets*. We assess the carrying costs for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long Lived Assets* at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations. During the six month period ended June 30, 2006, mineral property costs totaling $10,000 were impaired as there are no proven or probable reserves on these properties.

Stock Based Compensation

Prior to January 1, 2006, we accounted for stock-based awards under the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees* using the intrinsic value method of accounting, under which compensation expense was only recognized if the exercise price of our employee stock options was less than the market price of the underlying common stock on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123R *Share Based Payments*, using the modified prospective transition method. Under that transition method, compensation cost is recognized for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated. There was no effect on the Company s reported loss from operations, cash flows of loss per share as a result of adopting SFAS No. 123R.

All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.

ITEM 3. CONTROLS AND PROCEDURES.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the Exchange Act), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2006, being the date of our most recently completed fiscal quarter. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. Paul Saxton. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting management to material information relating to us required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

During our most recently completed fiscal quarter ended June 30, 2006 there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;

(b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and

(c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

PART II

ITEM 1. LEGAL PROCEEDINGS

We currently are not a party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

We did not complete any sales of securities without registration under the Securities Act of 1933 during the quarter ended June 30, 2006.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to our security holders for a vote during the quarter ended June 30, 2006.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are attached to this Quarterly Report on Form 10-QSB:

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation (1)
3.2	Bylaws, as amended (1)
3.3	Articles of Merger between Braden Technologies Inc. and Lincoln Gold Corp. (3)
10.1	Form of Share Purchase Agreement dated March 15, 2004 between the Company and the U.S. Shareholders of Lincoln Gold Corp. (2)
10.2	Form of Share Purchase Agreement dated March 15, 2004 between the Company and the Non-U.S. Shareholders of Lincoln Gold Corp. (2)
10.3	Convertible Note executed by Lincoln Gold Corp. in favour of Alexander Holtermann dated January 28, 2004 (3)
10.4	Hercules Joint Venture Agreement dated April 18, 2004 between the Company and Miranda U.S.A. Inc. and Miranda Gold Corp.(3)
10.5	2004 Stock Option Plan (3)
10.6	Letter Agreement on Mining Lease Terms for Buffalo Valley Property dated July 29, 2004 (4).
10.7	Letter Agreement on Mining Lease Terms for the Jenny Hill Project dated September 28, 2004 (5)
10.8	Property Option Agreement for the Hannah project between Lincoln Gold Corp. and Larry McIntosh and Susan K. McIntosh dated December 24, 2003 (6)
10.9	Property Option Agreement for the Lincoln Flat project between Lincoln Gold Corp. and Larry McIntosh and Susan K. McIntosh dated December 24, 2003 (6)
10.10	2005 Stock Option Plan (7)
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a- 14(a) of the Exchange Act (8)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a- 14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (8)

(1) Previously filed with the Securities and Exchange Commission as an exhibit to our Form 10-SB Registration Statement originally filed on April 20, 1999, as amended.

(2) Previously filed as an exhibit to our Current Report on Form 8-K filed on March 16, 2004.

(3) Previously Filed as an Exhibit to our Quarterly Report on Form 10-QSB filed May 24, 2004.
(4) Previously filed as an exhibit to our Form 10QSB originally filed August 6, 2004.
(5) Previously filed as an Exhibit to the Company s Quarterly Report on Form 10-QSB filed November 15, 2004.
(6) Previously filed as an Exhibit to our Annual Report on Form 10-KSB for the year ended December 31, 2004 filed on April 18, 2005.
(7) Previously filed as an Exhibit to our Annual Report on Form 10-KSB for the year ended December 31, 2005 filed on March 31, 2006.
(8) Filed as an Exhibit to this Quarterly Report on Form 10-QSB.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINCOLN GOLD CORP.

By: */s/ Paul Saxton*
Paul Saxton, President
Chief Executive Officer and Chief Financial Officer
Director
Date: August 10, 2006

15

nbsp; 2007 **2007 ($ in thousands)**

Supplemental Consolidated Statements of Financial Condition Data:

Cash and cash equivalents

$130,888 $277,299 $133,282

Total assets

$1,497,624 $1,377,629 $1,107,369

Total liabilities

$1,072,764 $905,952 $724,646

Mandatorily redeemable partnership interest

$ $ $57,720

Minority interest (Cantor)

$ $ $145,022

Total stockholders equity

$424,860 $469,325 $179,981

The adjustments to go from the Supplemental Consolidated BGC Partners, Inc. to the Pro Forma BGC Partners, Inc. are as follows (1):

	Supplemental Consolidated BGC Partners, Inc. 2007	Debt Restructuring	Allocations of Net Income to BGC Founding Partners and Cantor	Pro Forma BGC Partners, Inc. 2007
		($ in thousands)		
Revenues:	$ 1,117,641	$ (17)	$	$ 1,117,624
Expenses:				
	649,507			649,507

Compensation and employee benefits				
Allocation of net income to founding partners holding units			10,774	10,774
Total compensation	649,507		10,774	660,281
Other expenses	425,460	(13,907)		411,553
Total expenses	1,074,967	(13,907)	10,774	1,071,834
Income before minority interest and income taxes	42,674	13,890	(10,774)	45,790
Minority interest	2,352		16,161	18,513
Provision for income taxes	9,320			9,320
Net income	$ 31,002	$ 13,890	$ (26,935)	$ 17,957

(1) For financial reporting purposes under accounting principles generally accepted in the United States of America, which we refer to as U.S. GAAP, the ownership interest held in Combined Company common stock, the BGC Holdings founding/working partner interests and BGC Holdings limited partnership interests held by Cantor will be accounted for as described below. The details of this reconciliation are outlined in the tables below:

Economic Ownership	Consolidated Statement of Operations Presentation	Consolidated Statement of Financial Condition Presentation
Combined Company		
Combined Company Stockholders (Class A and B common stockholders)	The public stockholders (including Cantor) basic earnings per share, which we refer to as EPS, in the Combined Company is based on net income after allocations to the founding/working partners divided by the number of outstanding shares of Combined Company common stock.	Public stockholders (including Cantor s) equity will be included in stockholders equity in the consolidated statement of financial condition.

Table of Contents

Economic Ownership	Consolidated Statement of Operations Presentation	Consolidated Statement of Financial Condition Presentation
Founding/working partners Founding/working partner interests (BGC Holdings limited partnership interests holders)	The founding/working partners may receive allocations of net income based on their pro rata share of the fully diluted shares in the Combined Company. This charge will be called allocation of net income to BGC Holdings founding partner units, which will be a separate component listed in compensation expense.	The book value of the units contributed by the founding/working partners, generally the amount of capital contributed by founding/working partners, will be classified on a separate liability line in the consolidated statement of financial condition called mandatorily redeemable partnership interest.
BGC Holdings limited partnership interests held by Cantor BGC Holdings limited partnership interests held by Cantor (BGC Holdings limited partnership interests holders)	Cantor s pro rata share of the net income in the Combined Company will be reported as a minority interest charge in the consolidated statement of operations.	Cantor s pro rata share of the capital held in BGC Holdings will be included as a component of minority interest in the consolidated statement of financial condition.
Consolidated BGC Partners, Inc.	EPS on a fully diluted basis for the Combined Company are presented as follows: Net income allocations to the founding/working partners and the minority interest to Cantor described above will be added back to net income. The number of units held in BGC Holdings by both the founding/working partners and Cantor will be added to the Combined Company common stock (plus common stock equivalents) to determine fully diluted shares outstanding. The adjusted net income will be divided by the adjusted fully diluted shares to calculate fully diluted EPS. Because basic EPS and fully diluted EPS (with the exception of the impact of stock options) are based on pro rata ownership in the Combined Company, there should not be any difference in the calculations.	The three economic ownership categories will be accounted for as components of the Combined Company s liabilities and equity on the consolidated statement of financial condition. The founding/working partner interests will be recorded as mandatorily redeemable partnership interest; Cantor s BGC Holdings limited partnership interests will be treated as a component of minority interest and the interests held by the public will be a component of stockholders equity in the Combined Company.

18

Table of Contents

Upon closing of the merger, the economic ownership structure percentages in the operating subsidiaries of the Combined Company were 40.0% held by the public (including Combined Company common stock held by Cantor), 36.0% held by Cantor as BGC Holdings limited partnership interests, and 24.0% held by the founding partners as BGC Holdings limited partnership interests. In addition, concurrently with the merger, and, in the future from time to time, as part of its compensation process, BGC Holdings issued and may issue certain REUs and BGC Partners issued and may issue certain RSUs to certain employees of BGC Partners and other persons who provide services to BGC Partners, which are not given effect to below. The calculation of the economic ownership percentages is described in the following table (in thousands, except percentages):

Ownership	Pre-Merger Common Stock(1)	Issued Common Stock(2)	Issued BGC Holding Units(3)	Total	Percentage(4)
Class A and Class B common stock and options to acquire Class A common stock held by the public(5)	52,651	21,969		74,620	40.0%
BGC Holdings units held by founding partners			44,821	44,821	24.0%
BGC Holdings units held by Cantor			67,070	67,070	36.0%
Total assumed shares of our common stock/BGC holdings units outstanding April 1, 2008	52,651	21,969	111,891	186,511	100.0%

(1) Common stock amounts represent total Combined Company common stock including common stock options outstanding at April 1, 2008.

(2) Reflects shares issued by the Combined Company to Cantor as consideration for Maxcor. A separate valuation was performed on Maxcor on May 25, 2007 to determine the amount of shares to be issued in the merger.

(3) Reflects the issuance of BGC Holdings units to the founding partners and Cantor upon completion of the merger. As part of the separation and the merger, founding partners had each of their Cantor units redeemed for 10 founding partner interests and two distribution rights. Cantor partners had each of their Cantor units redeemed for a new Cantor unit and two distribution rights, and they did not receive any founding partner interests as they are not BGC Holdings founding partners. Cantor is obligated to distribute an aggregate of 33.4 million shares of our common stock, including an aggregate of 7.9 million shares of our common stock to the founding partners.

(4) The collective management of BGC Partners, including founding partners and certain executives of Cantor who hold BGC Partners management positions, own approximately 32.6% of the Combined Company. This is derived by taking founding partner interest of 24.0% of the Combined Company (calculated above) and adding the impact of the distribution rights held by the Cantor executives who hold BGC Partners management positions of 8.0 million units (or 4.3% of the Combined Company) and 7.9 million distribution rights attributable to founding partners (or 4.3% of the Combined Company). For purposes of the table above, these distribution rights are a component of the 67.1 million units of BGC Holdings units held by Cantor. These amounts exclude any shares of our Class A common stock, Class B common stock or options previously granted to, held directly by, or held beneficially, or otherwise controlled by the executives of BGC Partners.

(5) Included in the balance are shares of Class A and Class B common stock held by Cantor of 11.2 million and 31.8 million, respectively. Also included in the balance are 1.1 million shares held by officers of Cantor as public shareholders.

Table of Contents

The economic ownership percentages calculated above determine certain income statement and balance sheet allocations in BGC Partners, Inc. s pro forma consolidated financial statements as of December 31, 2007. The allocations are calculated below (in thousands, except per share data and percentages):

Consolidated Statement of Operations	**Units/ Shares**	**%**	**Amount**
Net income allocations			
Pro forma consolidated BGC Partners, Inc. net income prior to allocations to founding partners and Cantor			$ 44,892
Founding/working partners net income allocation percentage and compensation charge based on a pro rata ownership in the Combined Company.		24.0%	(10,774)
Cantor minority interest allocation percentage and charge based on a pro rata ownership in the Combined Company.		36.0%	(16,161)
BGC Partners, Inc. net income after founding partner distributions and minority interest allocations			$ 17,957
Basic and Fully Diluted Share Calculations			
Basic weighted average shares of common shares outstanding(1)	72,435		
Stock options	934		
Restricted stock units	222		
BGC Holdings units held by founding partners(2)	44,821		
BGC Holdings units held by Cantor(2)	67,070		
Total fully diluted weighted average shares outstanding	185,482		
Earnings Per Share Calculations			
Basic earnings per share			
BGC Partners, Inc. net income			$ 17,957
Basic weighted average shares outstanding	72,435		
Basic earnings per share			$ 0.25
Fully diluted earnings per share			
BGC Partners, Inc. net income adjusted to add back net income allocations to founding partners and Cantor minority interest allocations			$ 44,892
Total fully diluted weighted average shares outstanding	185,482		
Fully diluted earnings per share			$ 0.24
Consolidated Statement of Financial Condition			
BGC Holdings founding partners(3)	52,740	28%	$ 57,720
BGC Holdings units held by and minority interest allocation to Cantor at the assumed time of the merger(4)	59,151	32%	142,670
Public company shares of common stock outstanding and stockholder equity allocation at the time of the merger	74,620	40%	179,981
Total mandatorily redeemable partnership interest, minority interest and stockholders equity	186,511	100%	$ 380,371

(1) The weighted average basic common shares outstanding amount of 50.5 million shares was taken from eSpeed s consolidated financial statements included elsewhere in this prospectus. The pro forma Combined Company basic weighted average common shares takes that share amount and includes our Class A common stock and our Class B common stock issued by the Combined Company to Cantor as

consideration for Maxcor assuming those shares were outstanding for the entire year ended December 31, 2007.

(2) Data is as of April 1, 2008.

(3) The value of founding partner interests in the Combined Company reflects the assumed book value of the distribution rights and founding partner interests issued in connection with the separation. In the separation, the founding partners received distribution rights of 7.9 million and founding partner interests of 44.8 million totaling 52.7 million units times the book value of $1.09 which is calculated as the value of the BGC Division s net assets at separation of $146.5 million divided by 133.9 million of total shares and rights to receive shares issued in connection with the merger.

(4) This amount excludes 7.9 million of distribution rights attributable to founding partners.

Table of Contents

RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this prospectus before deciding to purchase shares of our Class A common stock offered pursuant to this prospectus. The risk factors set forth below primarily relate to the businesses of BGC U.S. and BGC Global. These risks also affect the Combined Company because the Combined Company s business primarily consists of its BGC U.S. limited partnership interests, BGC Global limited partnership interests, its BGC Holdings general partnership interest and its BGC Holdings special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Holdings. If any of the events or developments described below actually occurred, our business, financial condition and results of operations would likely suffer. In that case, the trading price of our Class A common stock would likely decline and you could lose part or all of your investment in our Class A common stock.

Risks Related to our Business

Because competition for the services of brokers is intense, we may not be able to attract and retain highly skilled brokers, which could adversely impact our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

Our ability to provide high-quality brokerage services and maintain long-term relationships with our customers depends, in large part, upon our brokers. As a result, we must attract and retain highly qualified brokerage personnel. In recent years, we have significantly grown the number of brokers in our business through new hires and acquisitions of existing businesses, and we expect to continue to do so in the future. Competition for the services of brokers is intense, especially for brokers with experience in the specialized markets in which we participate or we may seek to enter. If we are unable to hire or retain highly qualified brokers, including retaining those employed by businesses we acquire in the future, we may not be able to enter new brokerage markets or develop new products. If we lose one or more of our brokers in a particular market in which we participate, our revenues may decrease and we may lose market share in that particular market.

In addition, recruitment and retention of qualified brokers could result in substantial additional costs. We have been a party to, or otherwise involved in, several litigations and arbitrations involving competitor claims in connection with new employee hires. We may also pursue our rights through litigation when competitors hire our employees who are under contract with us. We are currently involved in litigations and arbitrations with our competitors relating to new employee hires and departures. We believe such proceedings are common in our industry due to its highly competitive nature. An adverse settlement or judgment related to these or similar types of claims could have a material adverse effect on our financial condition. Regardless of the outcome of these claims, we generally incur significant expenses and substantial management time will be required to deal with these claims. See Business Legal Proceedings.

If we fail to attract new personnel, or fail to retain and motivate our current personnel, or if we incur increased costs associated with attracting and retaining personnel (such as litigation, arbitration, sign-on or guaranteed bonuses or forgivable loans), our revenues and expenses could be adversely impacted and, as a result, our business, financial condition and results of operations could be materially adversely affected.

Table of Contents

We may pursue strategic alliances, acquisitions or joint ventures or hire brokers for new or existing brokerage desks, which could present unforeseen integration obstacles or costs and could dilute the common stock owned by our stockholders. We may also face competition in our acquisition strategy, which may limit our number of acquisitions and growth opportunities.

We have explored a wide range of strategic alliances, acquisitions or joint ventures with other brokers and with other companies that have interests in businesses in which there are brokerage or other strategic opportunities. For example, in December 2007, we and 11 other leading financial institutions announced the establishment of a new joint venture, ELX. We also may seek to hire brokers for new or existing brokerage desks. These acquisitions or new hires may be necessary in order for us to enter into or develop new product and geographic areas.

Strategic alliances, acquisitions, joint ventures and new hires involve a number of risks and present financial, managerial and operational challenges, including:

- potential disruption of our ongoing business and product development and distraction of management;
- difficulty retaining and integrating personnel and integrating financial and other systems;
- the necessity of hiring additional management and other critical personnel and integrating them into current operations;
- litigation and/or arbitration associated with hiring brokerage personnel;
- increasing the scope, geographic diversity and complexity of our operations;
- potential dependence upon, and exposure to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control;
- potential unfavorable reaction to our strategic alliance, acquisition or joint venture strategy by our customers;
- to the extent that we pursue business opportunities outside the United States, exposure to political, economic, legal, regulatory, operational and other risks that are inherent in operating in a foreign country, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities;
- the up-front costs associated with recruiting brokerage personnel, including those costs associated with establishing a new brokerage desk;
- conflicts or disagreements between any strategic alliance or joint venture partners and us; and
- exposure to additional liabilities of any acquired business, strategic alliance or joint venture.

In addition, we expect to face competition for acquisition candidates, which may limit the number of acquisitions and growth opportunities and may lead to higher acquisition prices. There can be no assurance that we will be able to identify, acquire or manage profitably additional businesses or to integrate successfully any acquired businesses without substantial costs, delays or other operational or financial difficulties.

As a result of these risks and challenges, we may not realize any anticipated benefits from strategic alliances, acquisitions, joint ventures or new hires, and such strategic alliances,

Table of Contents

acquisitions, joint ventures or new hires may in fact materially adversely affect our business, financial condition and results of operations. In addition, future strategic alliances, acquisitions or joint ventures or the hiring of new brokerage personnel may involve the issuance of additional shares of our common stock, which may dilute your ownership of us or may involve litigation (see Business Legal Proceedings).

We face strong competition from brokerage and financial services firms, many of which have greater market presence, marketing capabilities and technological and personnel resources than we have, which could lead to pricing pressures that could adversely impact our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

The brokerage and financial services industries are intensely competitive, and are expected to remain so. We primarily compete with four major, diversified inter-dealer brokers. These inter-dealer brokers are ICAP plc, Tullett Prebon plc, GFI Group Inc. and Compagnie Financière Tradition (which is majority owned by Viel & Cie), all of which are currently publicly traded companies. Other inter-dealer broker competitors include a number of smaller, private firms that tend to specialize in specific product areas or geographies. We also compete with companies that provide alternative products, such as contracts traded on futures exchanges, and trading processes, such as the direct dealer-to-dealer market for government securities and stock exchange markets for corporate equities and other securities. We increasingly compete with exchanges for the execution of trades in certain products, mainly in derivatives such as futures, options and options on futures. The recent consolidations of certain exchanges, such as the merger of the CME and the CBOT, and the pending merger of CME and NYMEX, could have a negative impact on our operations. Some of our competitors have greater market presence, marketing capabilities and financial, technological and personnel resources than we have and, as a result, our competitors may be able to:

- develop and expand their network infrastructures and service offerings more efficiently or more quickly than we can;
- adapt more swiftly to new or emerging technologies and changes in customer requirements;
- identify and consummate acquisitions and other opportunities more effectively than we can;
- hire our brokers and other key employees;
- devote greater resources to the marketing and sale of their products and services;
- more effectively leverage existing relationships with customers and strategic partners or exploit more recognized brand names to market and sell their services;
- provide a lower cost structure and lower commissions;
- provide access to trading in products or a range of products that at any particular time we do not offer; and
- develop services similar to our new services that are preferred by our customers.

In addition, new competitors may emerge and entire product lines may be threatened by new technologies or market trends that reduce the value of our existing product lines. If we are not able to compete successfully in the future, our revenues could be adversely impacted and as a result our business, financial condition and results of operations could be materially adversely affected.

23

Table of Contents

Competition for brokerage transactions also has resulted in substantial commission discounting by brokers that compete with us for our brokerage business. Further discounting could adversely impact our revenues and margins and as a result could materially adversely affect our business, financial condition and results of operations. The market for hiring brokers of various securities and financial products is also highly competitive and, from time to time, may result in litigation and/or arbitration. See Business Legal Proceedings.

Our operations also include the sale of pricing and transactional information produced by our brokerage operations to securities information processors and/or vendors. There is a high degree of competition in pricing and transaction reporting products and services, and such businesses may become more competitive in the future. Competitors and customers of our brokerage businesses have together and individually offered market information services in competition with those offered and expected to be offered by us.

Consolidation in the brokerage, exchange and financial services industries could materially adversely affect our business, financial condition and results of operations because we may not be able to compete successfully.

In recent years, there has been substantial consolidation and convergence among companies in the brokerage, exchange and financial services industries, resulting in increased competition. Continued consolidation in the financial services industry and especially among our customers could lead to the exertion of additional pricing pressure by our customers, impacting the commissions we generate from our brokerage services. Further, the recent consolidation among exchange firms, and expansion by these firms into derivative and other non-equity trading markets, will increase competition for customer trades and place additional pricing pressure on commissions and spreads. These developments have increased competition from firms with potentially greater access to capital resources than us. Finally, consolidation among our competitors other than exchange firms could result in increased resources and product or service offerings for our competitors. If we are not able to compete successfully in the future, our business, financial condition and results of operations could be materially adversely affected.

eSpeed and the BGC businesses acquired in the merger have each incurred substantial losses in recent periods and we may incur losses in the future.

eSpeed had a net loss of $32.5 million for the year ended December 31, 2007. The BGC businesses that we acquired from Cantor in the merger incurred substantial losses in several recent periods as they sought to expand their operations. Although these acquired businesses generated a profit of $48.3 million for the year ended December 31, 2007, these businesses recorded net losses of $123.4 million and $96.1 million for the years ended December 31, 2006 and 2005, respectively, as well as net losses in certain quarters within other fiscal years. We expect to have significant losses in the first quarter of 2008 due to non-cash, non-operating and non-recurring compensation charges in the amount of approximately $86.2 million in relation to redemptions of partnership units to settle outstanding loan obligations of such persons to Cantor and other lending institutions, as described in footnote (3) of Unaudited Pro Forma Consolidated Financial Data, as well as additional grants of founding partner interests to certain of such persons and the activation of exchangeability of founding partner interests, as described in the bullet entitled Exchangeability of Partnership Interests in Unaudited Pro Forma Consolidated Financial Data.

As we continue to develop our system and infrastructure and expand our brand recognition and customer base through increased hiring of brokers and other personnel, we may incur further losses in the future. If our revenues do not increase sufficiently, or even if our revenues increase but we are unable to manage our expenses, we may not achieve and maintain profitability in future periods.

Table of Contents

If we are unable to identify and exploit new market opportunities, our revenues may decline and as a result our business, financial condition and results of operations could be materially adversely affected.

As more participants enter the markets in which we operate, the resulting competition often leads to lower commissions. This may result in a decrease in revenues in a particular market even if the volume of trades we handle in that market increases. As a result, our strategy is to broker more trades and increase market share in existing markets and to seek out new markets in which we believe we can charge higher commissions. Pursuing this strategy may require significant management attention and broker expense. We may not be able to attract new customers or successfully enter new markets. If we are unable to identify and exploit new market opportunities on a timely and cost-effective basis, our revenues may decline and as a result our business, financial condition and results of operations could be materially adversely affected.

Our ability to retain our key employees and the ability of certain key employees to devote adequate time to us are critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

Our people are our most important resource. We must retain the services of our key employees and strategically recruit and hire new talented employees to obtain customer transactions that generate most of our revenues.

Howard W. Lutnick, who serves as our Co-Chief Executive Officer and Chairman, is also the Chairman of the Board and Chief Executive Officer of Cantor and President and CFGM. Lee M. Amaitis, who serves as our Co-Chief Executive Officer and a member of our board of directors, and who is currently Chairman and Chief Executive Officer of BGC European Holdings, L.P. is currently employed as President and Chief Executive Officer of Cantor Index Limited and holds positions at various gaming affiliates of Cantor. Stephen M. Merkel, who serves as our Executive Vice President, General Counsel and Secretary, is employed as Executive Managing Director, General Counsel and Secretary of Cantor. These key employees, other than Mr. Lynn, are not subject to employment agreements with the Company or its subsidiary. In addition, Messrs. Lutnick and Merkel also hold offices at various other affiliates of Cantor. Currently Mr. Lutnick spends approximately 50% of his time on our matters, Mr. Amaitis currently spends approximately 75% of his time on our matters and Mr. Merkel currently spends approximately 50% of his time each year on our matters, although these percentages may vary depending on business developments at our company or Cantor or any of our or Cantor s affiliates. As a result, these key employees dedicate only a portion of their professional efforts to our business and operations, and there is no contractual obligation for them to spend a specific amount of their time with us and/or Cantor. These key employees may not be able to dedicate adequate time to our business and operations and we could experience an adverse effect on our operations due to the demands placed on our management team by their other professional obligations. In addition, these key employees other responsibilities could cause conflicts of interest with us.

The BGC Holdings limited partnership agreement, which includes non-competition and other arrangements applicable to our key employees who are limited partners of BGC Holdings, may not prevent our key employees, including Messrs. Lutnick and Merkel, who as Cantor partners are not subject to these provisions in the BGC Holdings limited partnership agreement, from resigning or competing against us. See Management Employment Agreement, Management Change in Control Agreements and Certain Relationships and Related

Table of Contents

Transactions.   In addition, our success has largely been dependent on the efforts of Messrs. Lutnick, Amaitis and Shaun D. Lynn and other executive officers. Should Mr. Lutnick leave or otherwise become unavailable to render services to us, control of BGC Partners would likely pass to Cantor, and indirectly pass to the then-controlling stockholder of CFGM (which is Mr. Lutnick), Cantor s managing general partner, or to such other managing general partner as CFGM would appoint, and as a result control could remain with Mr. Lutnick. If any of our key employees, including Messrs. Lutnick, Amaitis and Lynn, were to join an existing competitor, form a competing company, offer services to Cantor that compete with our services or otherwise leave us, some of our customers could choose to use the services of that competitor or another competitor instead of our services, which could adversely affect our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

The failure to integrate successfully the businesses and operations of eSpeed and the BGC businesses acquired from Cantor in the merger could limit our ability to achieve the expected benefits from the acquisition and may adversely affect our future results.

Until the completion of the merger on April 1, 2008, eSpeed and the BGC businesses, acquired from Cantor in the merger, historically operated as separate companies related primarily through the JSA with Cantor. Our management may face challenges in consolidating the functions of eSpeed and the BGC businesses acquired in the merger, integrating their technologies, organizations, procedures, policies and operations, as well as retaining key personnel. The integration may also be complex and time consuming, and require substantial resources and effort potentially resulting in the diversion of management s attention for an extended period of time and the incurrence of substantial costs, including costs we may not anticipate. The integration process may also disrupt each company s ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect their relationships with employees and others with whom they have business or other dealings or to achieve the anticipated benefits of the merger, including the realization of anticipated cost savings and revenue enhancements. As of March 31, 2008, we had incurred approximately $12 million in non-recurring costs associated with combining the operations of the two companies, including legal, accounting or other transaction fees and other costs related to the merger. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses combined in the merger, may over time offset the significant transaction and merger-related costs we incurred, this net benefit may not be achieved in the near term, or at all. In addition, difficulties in integrating the businesses of eSpeed and the BGC businesses, acquired from Cantor in the merger, could harm our reputation.

The impact of the recent separation and merger on the founding partners, REU partners and future working partners may adversely affect our ability to retain, recruit and motivate these persons.

While we believe that the recent separation and merger will promote retention and recruitment, some founding partners, REU partners and future working partners may be more attracted to the benefits of working at a private, controlled partnership or of being a partner in Cantor, which may adversely affect our ability to retain, recruit and motivate these persons. The impact of the separation on the founding partners, REU partners, future working partners and other employee retention and recruitment remains uncertain.

Many of our key employees were limited partners of Cantor prior to the separation and merger. We believe that the possibility of becoming a limited partner of Cantor has been an

Table of Contents

important tool in its ability to hire and retain key employees. Prior to the merger, Cantor redeemed Cantor limited partnership interests held by BGC Holdings founding partners in exchange for BGC Holdings limited partnership interests and distribution rights in respect of our common stock. Following the merger, it is not expected that our key employees will have the right to become limited partners in Cantor. In addition, we expect that from time to time, key employees of BGC Partners will have the opportunity to become limited partners of BGC Holdings. See Certain Relationships and Related Transactions BGC Holdings Participation Plan.

While these BGC Holdings limited partnership interests entitle founding/working partners and REU partners to participate in distributions of income from the operations of our business, upon leaving BGC Holdings (or upon any other redemption or purchase of such limited partnership interests as described below), any such founding/working partner or REU partners are, unless Cantor, in the case of the founding partners, and us, as the general partner of BGC Holdings, otherwise determine, only entitled to receive over time, and provided he or she does not violate certain partner obligations, an amount for his or her BGC Holdings limited partnership interests that reflects such partner s capital account, and not any goodwill or going concern value of BGC Partners business. Moreover, unlike Cantor, founding/working partners and REU partners have no right to exchange their BGC Holdings limited partnership interests for shares of BGC Partners common stock (except, in the case of founding partners, as otherwise determined by Cantor in accordance with the terms of the BGC Holdings limited partnership agreement, and Cantor has provided that certain founding partner interests are exchangeable with us for Class A common stock on a one-for-one basis (subject to customary anti-dilution adjustments), as described in Certain Relationships and Related Transactions Amended and Restated BGC Holdings Limited Partnership Agreement Exchanges in accordance with the terms of the BGC Holdings limited partnership agreement and, in the case of REU partners, as set forth in the terms and conditions of the grant) and thereby realize any higher value associated with BGC Partners capital stock. See Certain Relationships and Related Transactions Amended and Restated BGC Holdings Limited Partnership Agreement Exchanges.

The BGC Holdings limited partnership interests are also subject to redemption, with respect to the founding partners, upon mutual agreement of Cantor and the general partner of BGC Holdings, and with respect to the working partners and REU partners, at the election of the general partner of BGC Holdings, as described in Certain Relationships and Related Transactions Amended and Restated BGC Holdings Limited Partnership Agreement Redemption of BGC Holdings Founding/Working Partner Interests and REU Interests, and subject founding/working partners and REU partners to non-competition and non-solicitation covenants, as well as other obligations as described in Certain Relationships and Related Transactions Amended and Restated BGC Holdings Limited Partnership Agreement Partner Obligations. In addition, the exercise of Cantor s right to purchase from BGC Holdings, founding partner interests and, in certain circumstances, working partner interests and REU interests (in each case, that have not become exchangeable) redeemed by BGC Holdings, will result in the share of distributions of income from the operations of BGC Partners business on other outstanding BGC Holdings limited partnership interests, including those held by founding/working or REU partners, to remain the same rather than increasing as would be the case if such interests were redeemed by BGC Holdings. See Certain Relationships and Related Transactions Amended and Restated BGC Holdings Limited Partnership Agreement Cantor s Right to Purchase Redeemed Interests.

Table of Contents

The terms of the BGC Holdings limited partnership interests held by founding/working partners and REU partners also differ from the terms of the limited partnership interests in Cantor previously held by founding partners and by certain of the REU partners as follows:

- unlike the limited partnership interests in Cantor, founding/working partners and REU partners are not entitled to reinvest the distributions on BGC Holdings limited partnership interests in additional BGC Holdings limited partnership interests at preferential or historical prices or at all; and

- as described in Certain Relationships and Related Transactions Amended and Restated BGC Holdings Limited Partnership Agreement Distributions, Cantor is entitled to receive any amounts from selected extraordinary transactions that are withheld from distributions to founding/working partners and REU partners and forfeited by founding/working partners and REU partners leaving BGC Holdings prior to their interests in such withheld distributions fully vesting rather than any such forfeited amounts accruing to the benefit of all BGC Holdings limited partners on a pro rata basis.

Founding partners may find any of these terms of the BGC Holdings limited partnership interests to be less attractive than the arrangements for limited partners of Cantor, which may reduce the effectiveness of these interests as retention tools.

In addition, the ownership of the distribution rights and underlying shares of our common stock received by founding partners and other persons providing services to BGC Partners is not dependent upon a founding partner s continued employment with us or Cantor or compliance with the partner obligations, and founding partners are not restricted from leaving us by the potential loss of shares distributable pursuant to these distribution rights.

Difficult market conditions, economic conditions and geopolitical uncertainties could adversely affect our business in many ways by negatively impacting our revenues in the financial markets in which we offer services, which could have a material adverse effect on our business, financial condition and results of operations.

Difficult market conditions, economic conditions and geopolitical uncertainties have in the past adversely affected and may in the future adversely affect our business and profitability. The brokerage and financial services industry in general are directly affected by national and international economic and political conditions, broad trends in business and finance, the level and volatility of interest rates, changes in and uncertainty regarding tax laws and substantial fluctuations in the volume and price levels of securities transactions. On a consolidated basis, for the year ended December 31, 2007, over 90% of our total revenues were generated by brokerage operations. As a result, our revenues and profitability are likely to decline significantly during periods of low trading volume in the financial markets in which we offer our services. The financial markets and the global financial services business are, by their nature, risky and volatile and are directly affected by many national and international factors that are beyond our control. Any one of these factors may cause a substantial decline in the U.S. and global financial services markets, resulting in reduced trading volume. These events could have a material adverse effect on our results and profitability. These factors include:

- economic and political conditions in the United States, Europe and elsewhere in the world;

- concerns about terrorism, war and other armed hostilities;

- concerns over inflation and wavering institutional and consumer confidence levels;

- the availability of cash for investment by our dealer customers and their customers;

Table of Contents

the level and volatility of interest rates and foreign currency exchange rates;

the level and volatility of trading in certain equity and commodity markets;

the level and volatility of the difference between the yields on corporate securities being traded and those on related benchmark securities, which we refer to as credit spreads ; and

currency values.

Low trading volume or declining prices generally result in reduced revenues. Under these conditions, profitability is adversely affected since many costs, including certain aspects of commissions, compensation and bonuses, are fixed. In addition, although less common, some of our brokerage revenues are determined on the basis of the value of transactions or on credit spreads. For these reasons, decreases in trading volume or declining prices or credit spreads could have a material adverse effect on our business, financial condition and results of operations.

Employee misconduct or error could harm us by impairing our ability to attract and retain customers and subjecting us to significant legal liability and reputational harm; moreover, this type of misconduct is difficult to detect and deter and error is difficult to prevent.

Employee misconduct or error could subject us to financial losses and regulatory sanctions and could seriously harm our reputation and negatively affect our business. It is not always possible to deter employee misconduct, and the precautions taken to prevent and detect employee misconduct may not always be effective. Misconduct by employees could include engaging in improper or unauthorized transactions or activities, failing to properly supervise other employees or improperly using confidential information. Employee errors, including mistakes in executing, recording or processing transactions for customers, could cause us to enter into transactions that customers may disavow and refuse to settle, which could expose us to the risk of material losses even if the errors are detected and the transactions are unwound or reversed. If our customers are not able to settle their transactions on a timely basis, the time in which employee errors are detected may be increased and our risk of material loss could be increased. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms. It is not always possible to deter employee misconduct or error, and the precautions we take to detect and prevent this activity may not be effective in all cases.

The industry in which we operate is subject to significant regulation and as a result we are subject to regulatory capital requirements on our regulated entities, and a significant operating loss or any extraordinary charge against capital could adversely affect our ability to expand or, depending upon the magnitude of the loss or charge, even to maintain the current level of our business.

Many aspects of our business, like those of other brokerage firms, are subject to significant capital requirements. In the United States, the U.S. Securities and Exchange Commission, which we refer to as the SEC, the Financial Industry Regulatory Authority, which we refer to as FINRA, and various other regulatory bodies (including the Commodity Futures Trading Commission, which we refer to as the CFTC, and the National Futures Association, which we refer to as the NFA, have stringent provisions with respect to capital applicable to the operation of brokerage firms, which vary depending upon the nature and extent of the broker-dealer s activities. We currently operate three U.S.-registered broker-dealers: BGC Securities, a New York general partnership, which we refer to as BGC Securities, Maxcor and eSpeed

Table of Contents

Brokerage, Inc. (formerly known as eSpeed Government Securities, Inc.), a Delaware corporation, which we refer to as eSpeed Brokerage. In addition, we hold a 49% limited partnership interest in Aqua Securities, L.P., which we refer to as Aqua, a U.S. registered broker-dealer. These broker-dealers are each subject to SEC and FINRA net capital requirements. See Business Regulation Capital Requirements U.S. for a further discussion of domestic capital requirements.

Our international operations are also subject to capital requirements, which we refer to as non-U.S. net capital requirements. Certain of our subsidiaries that are incorporated in the United Kingdom are subject to capital requirements established by the U.K. Financial Services Authority, which we refer to as the FSA. The FSA also applies stringent provisions with respect to capital applicable to the operation of these brokerage firms, which vary depending upon the nature and extent of their activities. The provisions relating to capital requirements enforced by the FSA are likely to change with the implementation of the European Directive on Capital Requirements and our U.K. subsidiaries will be required to adhere to these changes. In addition, the majority of our other foreign subsidiaries are subject to similar regulation by the relevant authorities in the countries in which they do business. These regulations often include minimum capital requirements which are subject to change as discussed in Business Regulation U.K. and European Regulation. See Business Regulation Other Regulation for a listing of the other regulating entities to which we are subject in other foreign jurisdictions and see Business Regulation Capital Requirements Non-U.S. for a further discussion of international capital requirements.

While we expect to continue to maintain levels of capital in excess of regulatory minimums, there can be no assurance that this will be the case in the future. If we fail to maintain the required capital, we will be required to suspend our broker-dealer operations during the period that we are not in compliance with capital requirements, and may be subject to suspension or revocation of registration by the SEC and FINRA or withdrawal of authorization or other disciplinary action from domestic and international regulators, which would have a material adverse effect on our business. In addition, if we fail to maintain the capital required by clearing organizations of which we are a member, our ability to clear through those clearing organizations may be impaired, which may adversely affect our ability to process trades. If the capital rules are changed or expanded, or if there is an unusually large charge against capital, operations that require the intensive use of capital would be limited. Our ability to withdraw capital from our regulated subsidiaries is subject to restrictions, which, in turn, could limit our ability to pay dividends, repay debt and redeem or purchase shares of our common stock. In addition, we may become subject to capital requirements in other foreign jurisdictions in which we currently operate or in which we may enter. We cannot predict our future capital needs or our ability to obtain additional financing. For a further discussion of our capital requirements, see Business Regulation.

Extensive regulation of our businesses limits our activities and results in ongoing exposure to the potential for significant penalties, including fines or limitations on our ability to conduct our businesses.

Firms in the financial services industry, including our businesses, have experienced increased scrutiny in recent years and penalties and fines sought by regulatory authorities, including the SEC, FINRA, state securities commissions, state attorneys general and the FSA, have increased accordingly. This regulatory and enforcement environment may create uncertainty.

The financial services industry, including our business, is subject to extensive regulation. Our subsidiaries are subject to regulation by governmental and self-regulatory organizations in

Table of Contents

the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or suspension or expulsion. From time to time, associated persons of our company have been and are subject to periodic investigations that have and may result in disciplinary actions by the SEC, self-regulatory organizations and state securities administrators. Currently, we and certain other inter-dealer brokers are being investigated by the SEC with respect to trading practices. See Business Legal Proceedings. In addition, the FSA s annual risk assessment of the BGC Partners group s regulated entities in 2005 identified certain failures in the BGC Partners group s risk and control functionality, monthly reporting statements and the classification of certain sub-ledger account items. See Business Regulation U.K. and European Regulation. Self-regulatory organizations such as FINRA and the NFA, along with statutory bodies such as the SEC and the FSA, require strict compliance with their rules and regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. These regulations will often serve to limit our activities, including through capital, customer protection and market conduct requirements.

Changes in legislation and in the rules and regulations promulgated by the SEC, the CFTC, the U.S. Department of Treasury, which we refer to as the Treasury, the FSA and other domestic and international regulators and self-regulatory organizations, as well as changes in the interpretation or enforcement of existing laws and rules, often directly affect the method of operation and profitability of broker-dealers and could result in restrictions in the way we conduct our business. For example, the U.S. Congress, the Treasury, the Board of Governors of the Federal Reserve System and the SEC are continuing to review the nature and scope of their regulation and oversight of the government securities markets and U.S. markets. In Europe, the implementation of the Markets in Financial Instruments Directive in Europe, which we refer to as the MIFID, in November 2007 involved wide-ranging changes to European financial services regulation. Future legislation and/or regulation, and uncertainties resulting from the possibility of legislation and/or regulation, could adversely impact our business. Failure to comply with any of these laws, rules or regulations could result in fines, limitations on business activity, suspension or expulsion from the industry, any of which could have a material adverse effect upon us.

In addition, financial services firms are subject to numerous conflicts of interests or perceived conflicts, including for example principal trading and trading to make markets. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts and we will regularly seek to review and update our policies, controls and procedures. However, these policies, controls and procedures may result in increased costs and additional operational personnel. Failure to adhere to these policies, controls and procedures may result in regulatory sanctions or customer litigation.

Due to our current customer concentration, a loss of two, three or more of our significant customers could harm our business, financial condition and results of operations.

For the year ended December 31, 2007, on a consolidated basis, our top 10 customers, collectively, accounted for approximately 40% of our total revenues. We have no long-term contracts with these customers. If we were to lose two, three or more of these significant customers for any reason and not be compensated for such loss by doing additional business with other customers or by adding new customers, our revenues would decline significantly and our business, financial condition and results of operations would suffer.

Table of Contents

Our brokerage activities are subject to credit and performance risks, which could result in us incurring significant losses and as a result could materially adversely affect our business, financial condition and results of operations.

Our brokerage activities are subject to credit and performance risks. For example, our customers may not deliver securities to one of our operating subsidiaries which has sold those securities to another customer. If the securities due to be delivered have increased in value, there is a risk that we may have to expend our own funds in connection with the purchase of other securities to consummate the transaction. While we will take steps to ensure that our customers and counterparties have high credit standings and that financing transactions are adequately collateralized, the large dollar amounts that may be involved in our brokerage and financing transactions could subject us to significant losses if, as a result of customer or counterparty failures to meet commitments, we were to incur significant losses in liquidating or covering our positions in the open market.

We have adopted policies and procedures to identify, monitor and manage credit risk, in both agency and principal transactions, through reporting and control procedures and by monitoring credit standards applicable to our customers or counterparties. These policies and procedures, however, may not be fully effective. Some of these risk management methods depend upon the evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not, in all cases, be accurate, complete, up-to-date or properly evaluated. If our policies and procedures are not fully effective or we are not always successful in monitoring or evaluating the risks to which we are, or may be, exposed, our financial condition and results of operations could be materially adversely affected. In addition, our insurance policies will not provide coverage for these risks.

In agency transactions, we charge a commission for connecting buyers and sellers and assisting in the negotiation of the price and other material terms of the transaction. After all material terms of a transaction are agreed upon, we identify the buyer and seller to each other and leave them to settle the trade directly. We are exposed to credit risk for commissions, as we bill customers for our agency brokerage services. Our customers may default on their obligations to us due to disputes, bankruptcy, lack of liquidity, operational failure or other reasons. Any losses arising from such defaults could materially adversely affect our business, financial condition and results of operations.

Financial problems experienced by third parties could affect the markets in which we provide brokerage services. In addition, a disruption in the credit derivative market could affect our brokerage revenues.

Problems experienced by third parties could also affect the markets in which we provide brokerage services. For example, in recent years, hedge funds have increasingly begun to make use of credit and other derivatives as part of their trading strategies. As a result, an increasing percentage of our business, directly or indirectly, results from trading activity by hedge funds. Hedge funds typically employ a significant amount of leverage to achieve their results and, in the past, certain hedge funds have had difficulty managing this leverage, which has resulted in market-wide disruptions. If one or more hedge funds that is a significant participant in a derivatives market experienced similar problems in the future, the volumes in that market could be adversely affected and, accordingly, our brokerage revenues from that market could decrease.

In addition, recent reports in the United States and United Kingdom have suggested weaknesses in the way credit derivatives are assigned by participants in the credit derivative markets. Such reports expressed concern that, due to the size of the credit derivative market, the

Table of Contents

volume of assignments and the suggested weaknesses in the assignment process, one or more significant defaults by corporate issuers of debt could lead to a market-wide disruption or result in the bankruptcy or operational failure of hedge funds or other market participants. If the credit derivative markets experience a market disruption or if there was real or perceived lack of confidence that the credit derivative markets could orderly process one or more significant defaults of corporate issuers of debt, the use of credit derivatives by our customers could be reduced, leading to lower volumes and, accordingly, our brokerage revenues in that market could decrease.

The securities settlement process and the execution of matched principal transactions expose us to risks related to a counterparty failing to fulfill its obligations that may impact our liquidity and profitability and as a result could materially adversely affect our business, financial condition and results of operations.

We often provide brokerage services to our customers in the form of matched principal transactions, in which we act as a middleman by serving as counterparty for identified buyers and sellers in matching, in whole or in part, reciprocal back-to-back trades. These principal transactions are then settled through clearing institutions with whom we have a contractual relationship.

In executing matched principal transactions, we are exposed to the risk that one of the counterparties to a transaction may fail to fulfill its obligations, either because it is not matched immediately or, even if matched, one party fails to deliver the cash or securities it is obligated to deliver. The exposure we have to less liquid markets exacerbates this risk because transactions in these markets tend to be more likely not to settle on a timely basis than transactions in liquid markets. Adverse movements in the prices of securities that are the subject of these transactions can increase the risk. In addition, widespread technological failure, natural disasters (*e.g.*, tsunami and earthquakes) or communication failures, such as those which occurred as a result of the terrorist attacks on September 11, 2001 and the blackout in the eastern portion of the United States in August 2003, as well as actual or perceived credit difficulties or the insolvency of one or more large or visible market participants, could cause market-wide credit difficulties or other market disruptions. These failures, difficulties or disruptions could result in a large number of market participants not settling transactions or otherwise not fulfilling their obligations.

We are subject to financing risk in these circumstances because if a transaction does not settle on a timely basis, the resulting unmatched position may need to be financed, either directly by us or through one of the clearing organizations, at our expense. These charges may be recoverable from the failing counterparty, but sometimes they are not. In addition, in instances where the unmatched position or failure to deliver is prolonged or widespread due to rapid or widespread declines in liquidity for an instrument, there may also be regulatory capital charges required to be taken by us, which, depending on their size and duration, could limit our business flexibility or even force the curtailment of those portions of our business requiring higher levels of capital. Credit or settlement losses of this nature may impact our liquidity and profitability and as a result could adversely affect our business, financial condition and results of operations.

We have market risk exposure from unmatched principal transactions entered into by some of our brokerage desks, which could result in losses and have a disproportionate effect on our revenues, financial condition and results of operations for any particular reporting period.

On a limited basis, our brokerage desks enter into unmatched principal transactions in the ordinary course of business due to errors or to facilitate transactions, add liquidity, improve customer satisfaction, increase revenue opportunities, attract additional order flow and, in a limited number of instances and subject to risk management limits, for the purpose of proprietary trading. As a result, we have market risk exposure on these unmatched principal transactions. Our exposure varies based on the size of the overall positions, the terms and liquidity of the instruments brokered and the amount of time the positions are held before we dispose of the position.

From a risk management perspective, we monitor risk on an end-of-day basis and desk managers generally monitor such exposure on a continuous basis. Any unmatched positions are intended to be disposed of in the short-term. Due to a number of factors, including the nature of the position and access to the market on which we trade, we may not be able to match the position or effectively hedge its exposure and often may be forced to hold a position overnight that has not been hedged. To the extent these unmatched positions are not disposed of intra-day, we mark these positions to market. Adverse movements in the securities underlying these positions or a downturn or disruption in the markets for these positions could result in a loss. In addition, any principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on our revenues, financial condition and results of operations for any particular reporting period.

We are generally subject to risks inherent in doing business in the international markets, particularly in the regulated brokerage industry, and any failure to develop effective compliance and reporting systems could result in regulatory penalties in the applicable jurisdiction and our business could be adversely affected.

We currently provide services and products to customers in North America, Europe and the Asia-Pacific region through offices in New York and London, as well as Beijing (representative office), Chicago, Copenhagen, Hong Kong, Istanbul, Mexico City, Nyon, Paris, Seoul, Singapore, Sydney, Tokyo and Toronto and we may seek to further expand our operations. On a consolidated basis, revenues from foreign countries were $816.5 million, or 73.1% of total revenues, for the year ended December 31, 2007. There are certain additional political, economic, legal, regulatory, operational and other risks inherent in doing business in international markets, particularly in the regulated brokerage industry. These risks include:

- less developed automation in exchanges, depositories and national clearing systems;
- additional or unexpected changes in regulatory requirements, capital requirements, tariffs and other trade barriers;
- the impact of the laws and regulations of foreign governmental and regulatory authorities of each country in which we conduct business;
- possible nationalization, expropriation and regulatory, political and price controls;
- difficulties in staffing and managing international operations;
- capital controls, exchange controls and other restrictive governmental actions;
- any failure to develop effective compliance and reporting systems, which could result in regulatory penalties in the applicable jurisdiction;
- fluctuations in currency exchange rates;
- reduced protections for intellectual property rights;

- adverse labor laws;
- outbreak of hostilities; and
- potentially adverse tax consequences arising from compliance with foreign laws and regulations to which our international subsidiaries are subject.

In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for us to determine the

Table of Contents

exact requirements of local laws in every market. Our inability to remain in compliance with local laws and regulations in a particular foreign market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally. If we are unable to manage any of these risks effectively, our business could be adversely affected.

If the value of the dollar against the other currencies in which we pay expenses continues to decline or if the value of the dollar against the other currencies in which we earn revenues improves dramatically, our financial results could suffer.

Because our business is global, dramatic exchange rate fluctuations are able to impact our results. Significant movements in the U.S. dollar against other currencies, including the Euro and the British Pound, in which we pay expenses or earn profits, may have an adverse effect on our financial results. Potential movements in the U.S. dollar against other currencies in which we earn revenues could also adversely affect our financial results.

We are leveraged, which could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations under our indebtedness.

We are leveraged and as of the closing of the merger on April 1, 2008, we, through our subsidiary, BGC U.S., assumed $150 million of Cantor Fitzgerald, L.P. $250,000,000 aggregate principal amount 5.19% senior notes, due April 1, 2010, which we refer to as Cantor s senior notes, as provided in a note purchase agreement, dated as of March 15, 2005, pursuant to a note purchase agreement, dated as of March 31, 2008, with the investors named therein, which we refer to as note purchase agreement, which are with third-party institutions and contains covenants that limit our ability to take selected actions or set financial tests for our business, including covenants pertaining to the incurrence of additional indebtedness, compliance with law, maintenance of insurance, maintenance of properties and payment of taxes. We refer to the notes issued pursuant to the note purchase agreement as the BGC U.S. notes. Pursuant to the guaranty of the notes by the Combined Company, dated as of March 31, 2008, which we refer to as the Combined Company guaranty, we must maintain consolidated capital at an amount not less than $227,500,000 as of the end of each fiscal quarter and cannot permit our consolidated debt to exceed 60% of our consolidated capitalization; provided, however, that if our consolidated debt exceeds 55%, then the applicable interest rate of the BGC U.S. notes will be increased by 0.25% per annum. These covenants in the note purchase agreement and the Combined Company guaranty could limit our ability to take advantage of certain business opportunities that may arise. In addition, if we are unable to maintain compliance with these covenants, the holders of such indebtedness could declare a default, thereby causing the debt to become immediately due and payable at a premium. If a default were to occur and we were unable to meet our obligations, we would be forced to restructure or refinance our indebtedness, sell additional equity or sell assets, which we may not be able to do on favorable terms or at all. Pursuant to the separation agreement, we will make semi-annual payments to Cantor during the term of BGC U.S. notes equal to the difference between 7.5% and the applicable interest rate of the BGC U.S. notes.

Our indebtedness could have important consequences for you, including:

- it may limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow money, dispose of assets or sell equity for our working capital, capital expenditures, dividend payments, service our debt, strategic initiatives or other purposes;

- it may limit our flexibility in planning for, or reacting to, changes in our operations or business;

- we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

Table of Contents

it may make us more vulnerable to downturns in our business or the economy; and

there would be a material adverse effect on our business, financial condition and results of operations if we were unable to service our indebtedness or obtain additional financing, as needed.

Cantor has guaranteed the BGC U.S. notes, and any breach by Cantor of the covenants contained in Cantor s guaranty could result in an event of default under the BGC U.S. notes.

Cantor has guaranteed the BGC U.S. notes we assumed in connection with the merger. Cantor s guaranty contains certain covenants of Cantor, including an obligation by Cantor to maintain a specified level of partners capital. To the extent Cantor breaches any of the covenants contained in the guaranty, or if certain other events such as judgments or bankruptcy events occur with respect to Cantor, which occurrences may result due to facts unrelated to us and beyond our control, an event of default will exist under the BGC U.S. notes.

Our business is geographically concentrated and could be significantly affected by any adverse change in the regions in which we operate.

Historically, our operations have been substantially located in the United Kingdom and the United States. While we are expanding our business to new geographies, we are still highly concentrated in these geographies. Because we derived approximately 47% and approximately 27%, respectively, of our total revenues on a consolidated basis, for the year ended December 31, 2007, from our operations in the United Kingdom and the United States, respectively, our business is exposed to adverse regulatory and competitive changes, economic downturns and changes in political conditions in these countries. Moreover, due to the concentration of our business in only these geographies, our business is less diversified and, accordingly, is subject to greater regional risks than some of our competitors.

Our business is substantially concentrated on rates products and could be significantly affected by any downturn or negative fluctuations in the rates product market.

We offer our services in four broad product categories: rates, credit, foreign exchange and other asset classes. However, our brokerage revenues are substantially derived from our rates products, which accounted for approximately 56% of our total brokerage revenues on a consolidated basis, for the year ended December 31, 2007. While we focus on expanding and diversifying our product offerings, we are currently exposed to any adverse change or condition affecting the rates product market. Accordingly, the concentration of our operations on rates products subjects our results to a greater market risk than if we had a more diversified products offering.

We may not be able to obtain additional financing, if needed, on terms that are acceptable to us, which could prevent us from developing or enhancing our business, taking advantage of future opportunities or responding to competitive pressure or unanticipated requirements.

We are dependent upon the availability of adequate funding and sufficient regulatory and clearing capital. Clearing capital is the amount of cash, guarantees or similar collateral that we must provide or deposit with our third-party clearing organizations in support of our obligations under contractual clearing arrangements with these organizations. Historically, these needs have been satisfied from internally generated funds and capital contributions by limited partners of Cantor. Because each of BGC U.S. and BGC Global is expected to distribute, on a quarterly basis, all of its net income to its limited partners, we may not have sufficient internally generated funds and may need to raise additional funds. If for any reason we need to raise additional funds, including in order to meet increased clearing capital requirements arising from growth in our brokerage business or otherwise, we may not be able to obtain additional financing when needed. If we cannot raise additional funds on acceptable terms, we may not be able to develop or enhance our business, take advantage of future opportunities or respond to competitive pressure or unanticipated requirements.

Table of Contents

The brokerage and financial services industries in general face substantial litigation and regulatory risks, and we may face damage to our professional reputation and legal liability if our services are not regarded as satisfactory or for other reasons, all of which could adversely affect our revenues and liabilities and as a result could have a materially adverse effect on our business, financial condition and results of operations.

Many aspects of our business involve substantial risks of liability and, in the normal course of business, we have been a party to lawsuits, arbitrations, investigations and other actions involving primarily claims for damages. Regulatory inquiries and subpoenas or other requests for information or testimony in connection with litigation may cause us to incur significant expenses, including fees for legal representation and fees associated with document production. The risks associated with such potential liabilities often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. The expansion of our business, including the expansion into new areas, imposes additional risks of liability. A settlement of, or judgment related to, any such claims or litigation, arbitration, investigation or other action could result in civil or criminal liability, fines, limitations on business activities and other sanctions and otherwise have a material adverse effect on our results of operations and financial condition. Any such action could also cause us significant reputational harm, which, in turn, could seriously harm our business and prospects. In addition, regardless of the outcome of these lawsuits, arbitrations, investigations and other actions, we may incur significant legal and other costs, including substantial management time, dealing with such matters, even if we are not a party to the litigation or a target of the inquiry.

As a brokerage and financial services firm, we depend to a large extent on our relationships with our customers and our reputation for integrity and high-caliber professional services to attract and retain customers. As a result, if our customers are not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses. Substantial legal liability or significant regulatory action against us could adversely affect our revenues and liquidity and, as a result, could have a material adverse effect on our business, financial condition and results of operations or cause significant reputational harm to us, which could seriously harm our business and prospects. See Business Legal Proceedings and Business Regulation.

A portion of our revenues is derived from our sale of market data to third parties, and a decline in customer purchases or adverse new legislation or regulation could have an adverse effect on our business.

A portion of our total revenues, approximately 2% on a consolidated basis for the year ended December 31, 2007, is derived from the sale of market data to third parties. BGCantor Market Data (formerly Cantor Market Data) is the exclusive source of real-time proprietary pricing and other data we derive for certain U.S. and European securities and derivatives. If customers cease buying data or making payments, or if new legislation or regulation were enacted affecting our right to sell or distribute this market data, it could have an adverse effect on our business.

Our revenues and profitability could be reduced or otherwise adversely affected by pricing plans relating to commissions and fees on our trading platform.

We negotiate from time to time with certain customers (including many of our largest customers) to enter into customized volume discount pricing plans. While the pricing plans are designed to encourage customers to be more active on our electronic trading platform, they reduce the amount of commissions payable to us by certain of our most active customers for certain products, which could reduce our revenues and constrain our profitability.

Table of Contents

Reduced spreads in securities pricing, levels of trading activity and trading through market makers and/or specialists could materially adversely affect our business, financial condition and results of operations.

Computer-generated buy/sell programs and other technological advances and regulatory changes in the marketplace may continue to tighten securities spreads. In addition, new and enhanced alternative trading systems, such as electronic communications networks, have emerged as an alternative for individual and institutional investors, as well as broker-dealers. As such systems do not direct trades through market makers, their use could result in reduced revenues for us. In addition, reduced trading levels could lead to lower revenues which could materially adversely affect our business, financial condition and results of operations.

We may not be able to protect our intellectual property rights or may be prevented from using intellectual property necessary for our business.

Our success is dependent, in part, upon our intellectual property. We generally rely primarily on trade secret, contract, copyright, trademark and patent law to establish and protect our rights to proprietary technologies, methods and products. It is possible that third parties may copy or otherwise obtain and use our proprietary technologies without authorization or otherwise infringe on our rights. We cannot assure you that our intellectual property rights are sufficient to protect our competitive advantages. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws in the United States. We may also face claims of infringement that could interfere with our ability to use intellectual property or technology that is material to our business operations. For example, we have been subject to ongoing claims by Trading Technologies International, Inc., which we refer to as TT, as discussed in Business Legal Proceedings. If these claims are ultimately successful, in addition to paying damages, we may be required to modify or withdraw certain products from the market. Restrictions on the distribution of some of the market data generated by our brokerage desks could limit the comprehensiveness and quality of the data we are able to distribute or sell. Although we have taken steps to protect ourselves, we may not be able to protect our technology from disclosure or from other developing technologies that are similar or superior to our technology.

In the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such claims or litigation, whether successful or unsuccessful, could result in substantial costs and the diversion of resources and the attention of management, any of which could negatively affect our business. Responding to these claims could also require us to enter into royalty or licensing agreements with the third parties claiming infringement. Such royalty or licensing agreements, if available, may not be available on terms acceptable to us.

Intellectual property rights of third parties may have an important bearing on our ability to offer certain of our products and services. Although we have taken steps to protect ourselves, there can be no assurance that we will be aware of all patents or copyrights containing claims that may pose a risk of infringement by our products and services. We are currently defending a patent infringement claim, which could have a material adverse effect on our business.

In addition, in the past several years, there has been a proliferation of so-called business method patents applicable to the computer and financial services industries. There has also been a substantial increase in the number of such patent applications filed. Under current law, U.S. patent applications remain secret for 18 months and may, depending upon where else such applications are filed, remain secret until a patent is issued. In light of these factors, it is not economically practicable to determine in advance whether our products or services may infringe the present or future patent rights of others. See Business Legal Proceedings.

If we are unable to protect the intellectual property rights we own, our ability to operate electronic marketplaces may be materially adversely affected.

Our business is dependent on proprietary technology and other intellectual property rights. We cannot guarantee that the concepts which are the subject of the patents and patent applications that we own are patentable or that issued patents are or will be valid and enforceable or that such concepts will be marketable or profitable for our business. Additionally, from time to time, issued patents may expire and we may no longer receive revenue related to such patents, including United States Patent No. 4,903,201, which we refer to as the Wagner Patent, which expired on February 20, 2007. Where patents are granted in the United States, we can give no assurance that equivalent patents will be granted in Europe or elsewhere, as a result of differences in local laws affecting patentability and validity. Moreover, we cannot guarantee that third parties competing or intending to compete with us will not infringe any of these patents. Despite precautions we have taken to protect the intellectual property rights that we own, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization. It is also possible that third parties may independently develop technologies similar to ours. It may be difficult for us to monitor unauthorized use of our proprietary technology and intellectual property rights. We cannot assure you that the steps we take will prevent misappropriation of our technologies or intellectual property rights.

If our software licenses from third parties are terminated or adversely changed or amended or if any of these third parties were to cease doing business, our ability to operate our business may be materially adversely affected.

We license databases and other software from third parties, much of which is integral to our systems and our business. The licenses are terminable if we breach our obligations under the license agreements. If any material relationships were terminated or adversely changed or amended, or if any of these third parties were to cease doing business, we may be forced to spend significant time and money to replace the licensed software, and our ability to operate our business may be materially adversely affected. Although we take steps to locate replacements, there can be no assurance that the necessary replacements will be available on reasonable terms, if at all.

The financial markets in which we operate are generally affected by seasonality which could have a material adverse effect on our financial performance in a given period.

Traditionally, the financial markets around the world experience lower volume during the summer and at the end of the year due to a general slowdown in the business environment and, therefore, our transaction volume levels may decrease during those periods. The timing of local holidays also affects transaction volume. These factors could have a material adverse effect on our financial performance in a given period.

We operate in a rapidly evolving business environment. If we are unable to adapt our business effectively to keep pace with these changes, our ability to succeed will be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations.

The pace of change in the industry in which we operate is extremely rapid. Operating in such a rapidly changing business environment involves a high degree of risk. Our ability to

Table of Contents

succeed will depend on our ability to adapt effectively to these changing market conditions. If we are unable to keep up with rapid technological changes, we may not be able to compete effectively.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and features of our proprietary software, network distribution systems and technologies. Our business environment is characterized by rapid technological changes, changes in use and customer requirements and preferences, frequent product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our existing proprietary technology and systems obsolete. Our success will depend, in part, on our ability to:

- develop, license and defend intellectual property useful in our business;
- enhance our existing services;
- develop new services and technologies that address the increasingly sophisticated and varied needs of our existing and prospective customers;
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis;
- respond to the demand for new services, products and technologies on a cost-effective and timely basis; and
- adapt to technological advancements and changing standards to address the increasingly sophisticated requirements and varied needs of our customers and prospective customers.

There can be no assurance that we will be able to respond in a timely manner to changing market conditions or customer requirements. The development of proprietary electronic trading technology entails significant technical, financial and business risks. Further, the adoption of new Internet, networking or telecommunications technologies may require us to devote substantial resources to modify, adapt and defend our technology. There can be no assurance that we will successfully implement new technologies or adapt our proprietary technology and transaction-processing systems to customer requirements or emerging industry standards, or that we will be able to successfully defend any challenges to any technology we develop. Any failure on our part to anticipate or respond adequately to technological advancements, customer requirements or changing industry standards, or any significant delays in the development, introduction or availability of new services, products or enhancements, could have a material adverse effect on our business, financial condition and results of operations.

Our networks and those of our third-party service providers may be vulnerable to security risks, which could make our customers hesitant to use our electronic marketplaces.

The secure transmission of confidential information over public networks is a critical element of our operations. Our networks, those of our third-party service vendors, including Cantor and associated clearing corporations, and those of our customers may be vulnerable to unauthorized access, computer viruses and other security problems. These networks are provisioned using redundant connections, service providers and routes to provide a high level of redundancy and availability and also to allow partitioning and containment of potential security threats. However, there can be no assurance such measures will be effective against all future threats. People who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, which could make our customers hesitant to use our electronic marketplaces. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches.

Table of Contents

If we experience computer systems failures or capacity constraints our ability to conduct our operations could be harmed.

We support and maintain many of our computer systems and networks internally. Our failure to monitor or maintain these systems and networks or, if necessary, to find a replacement for this technology in a timely and cost-effective manner would have a material adverse effect on our ability to conduct our operations. Although all of our business critical systems have been designed and implemented with fault tolerant and/or redundant clustered hardware and diversely routed network connectivity, our redundant systems or disaster recovery plans may prove to be inadequate. Although we have three geographically disparate main data centers, they could be subject to failure due to environmental factors, power outage and other factors. Accordingly, we may be subject to system failures and outages which might impact our revenues and relationships with customers. In addition, we will be subject to risk in the event that systems of our partners, customers or vendors are subject to failures and outages.

We rely on third parties for various computer and communications systems, such as telephone companies, online service providers, data processors, clearance organizations and software and hardware vendors. Our systems, or those of our third-party providers, may fail or operate slowly, causing one or more of the following:

unanticipated disruptions in service to our customers;

slower response times;

delays in our customers trade execution;

failed settlement of trades;

incomplete or inaccurate accounting, recording or processing of trades;

financial losses;

litigation or other customer claims; and

regulatory sanctions.

There can be no assurance that we will not experience additional systems failures in the future from power or telecommunications failures, acts of God or war, terrorist attacks, human error, natural disasters, fire, power loss, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism and similar events. Any system failure that causes an interruption in service or decreases the responsiveness of our service, including failures caused by customer error or misuse of our systems, could damage our reputation, business and brand name.

If we fail to implement and maintain an effective internal control environment, our business and stock price could suffer and we may need to restate our financial statements.

We are subject to the requirements of the Sarbanes-Oxley Act and the applicable SEC rules and regulations that require an annual management report on our internal controls over financial reporting. Such a report includes, among other matters, management s assessment of the effectiveness of our internal control over financial reporting, and an attestation report by our independent registered public accounting firm addressing these assessments. Prior to the separation and merger, BGC Partners was not subject to the requirements of the Sarbanes-Oxley Act and the applicable SEC rules and regulations that require an annual management report on internal controls over financial reporting but eSpeed was.

Table of Contents

Subsequent to the issuance of eSpeed s consolidated financial statements for the year ended December 31, 2006, its management became aware that certain revenues and expenses related to a portion of the development of related party software covered under the JSA with Cantor required restatement. eSpeed had accounted for certain fees paid by related parties for software development as revenue in the period when the cash was received. eSpeed concluded that some of these paid fees should have been deferred and recognized ratably over the future period when such software will be used to provide services to Cantor. The restatement correction reduces revenue from current periods, thereby creating a deferred revenue liability. The restatement also corrected the amortization expense that was recorded in connection with the determination of the period of benefit provided by the developed software. eSpeed filed an Amendment to its Annual Report on Form 10-K for the year ended December 31, 2006, to reflect the restatement of its audited financial statements for the years ended December 31, 2006, 2005 and 2004, the financial information in the Selected Financial Data for the five-year period ended December 31, 2006, the unaudited selected quarterly financial information for each quarter in the years ended December 31, 2006 and 2005, and related financial information and disclosures originally filed with the SEC on Form 10-K on March 15, 2007.

In connection with that restatement, eSpeed also concluded that its internal control over financial reporting was not effective at December 31, 2006. In addition, eSpeed s independent registered public accounting firm issued a revised report concluding that its internal control over financial reporting was not effective at December 31, 2006. eSpeed s independent registered public accounting firm issued a report concluding that its internal control over financial reporting was effective at December 31, 2007.

In November 2007, the BGC Division, comprising the BGC businesses we acquired in the merger, completed a restatement of its financial statements with respect to errors related to accounting for certain intercompany transactions between the BGC Division and certain affiliates. Also in 2007, the management of the BGC Division identified a material weakness in its internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board, including the lack of a formal, documented closing process designed to identify key financial reporting risks. This weakness may indicate a heightened risk that our BGC Division and Combined Company annual or interim financial statements could contain a material misstatement. We are in the process of implementing the following initiatives which are aimed at addressing this weakness:

- establishing what we believe are appropriate internal controls for the monthly closing process, including a more formal schedule and account substantiation and reconciliation tools;

- establishing a single global general ledger with a standard global chart of accounts; and

- taking steps aimed at ensuring that we have the appropriate staff within our organization.

These and our future initiatives may not remediate the identified material weakness and additional significant deficiencies and we may identify a material weakness in our internal control over financial reporting in the future. We cannot assure you that our initiatives will be implemented in a timely or effective manner.

Our management has not conducted an assessment of our internal control over financial reporting on a combined basis giving effect to the merger. We cannot be certain as to our ability to comply with the requirements of the Sarbanes-Oxley Act. If we cannot comply with the requirements of the Sarbanes-Oxley Act in a timely manner or with adequate compliance, we may be subject to sanctions or investigation by regulatory authorities, including the SEC or the

Table of Contents

Nasdaq Global Market. In addition, if a material weakness is identified, there can be no assurance that we would be able to remediate such material weakness in a timely manner in future periods. Moreover, if we are unable to assert that our internal control over financial reporting is effective in any future period (or if our independent auditors are unable to express an opinion on the effectiveness of our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which may have an a material adverse effect on our stock price.

Compliance with the Sarbanes-Oxley Act may require significant expenses and management resources that would need to be diverted from our operations and could require a restructuring of our internal controls over financial reporting. Any such expenses, time reallocations or restructuring could have a material adverse effect on our operations.

While portions of our compensation structure are variable, significant parts of our cost structure are fixed, and if our revenues decline and we are unable to reduce our costs in the amount that our revenues decline, our profitability could be materially adversely affected.

While portions of our compensation structure are variable, significant parts of our cost structure are fixed. We base our overall cost structure on historical and expected levels of demand for our products and services. If demand for these products and services and our resulting revenues decline, we may not be able to adjust our cost structure on a timely basis. If we are unable to reduce our costs in the amount that our revenues decline, our profitability could be materially adversely affected.

We may be required to pay Cantor for a significant portion of the tax benefit relating to any additional tax depreciation or amortization deductions we claim as a result of any step-up in the tax basis in the assets of BGC U.S. and BGC Global resulting from the exchange of interests in BGC Holdings for BGC Partners common stock.

Certain interests in BGC Holdings may, in effect, be exchanged in the future for shares of BGC Partners Class A common stock or BGC Partners Class B common stock on a one-for-one basis (subject to customary anti-dilution adjustments). The exchanges may result in increases to our share of the tax basis of the tangible and intangible assets of each of BGC U.S. and BGC Global that otherwise would not have been available, although the Internal Revenue Service may challenge all or part of that tax basis increase, and a court could sustain such a challenge by the Internal Revenue Service. These increases in tax basis, if sustained, may reduce the amount of tax that we would otherwise be required to pay in the future.

In connection with the separation and related transactions, BGC Partners OldCo entered into, and, in the merger, we assumed BGC Partners OldCo s rights and obligations under, the tax receivable agreement with Cantor that provides for the payment by us to Cantor of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to its entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. It is expected that we will benefit from the remaining 15% of cash savings, if any, in income tax that we realize.

Pursuant to the tax receivable agreement, we will determine, after consultation with Cantor, the extent to which we are permitted to claim any such tax benefits, and such tax benefits will be taken into account in computing any cash savings so long as our accountants agree that it is at least more likely than not that such tax benefit is available.

Table of Contents

Pursuant to the tax receivable agreement, 20% of each payment that would otherwise be made by us will be deposited into an escrow account until the expiration of the statute of limitations for the tax year to which the payment relates. If the Internal Revenue Service successfully challenges the availability of any tax benefit and determines that a tax benefit is not available, we will be entitled to receive reimbursements from Cantor for amounts we previously paid under the tax receivable agreement and Cantor will indemnify us and hold us harmless with respect to any interest or penalties and any other losses in respect of the disallowance of any deductions which gave rise to the payment under the tax receivable agreement (together with reasonable attorneys and accountants fees incurred in connection with any related tax contest, but the indemnity for such reasonable attorneys and accountants fees shall only apply to the extent Cantor is permitted to control such contest). Any such reimbursement or indemnification payment will be satisfied first from the escrow account (to the extent funded in respect of such payments under the tax receivable agreement). See Certain Relationships and Related Transactions Tax Receivable Agreement.

For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing our actual income and franchise tax liability to the amount of such taxes that we would have been required to pay had there been no depreciation or amortization deductions available to us that were attributable to an increase in tax basis (or any imputed interest) as a result of an exchange and had BGC Partners OldCo not entered into the tax receivable agreement. The tax receivable agreement was entered into on March 31, 2008, in connection with the transactions contemplated by the separation agreement, and will continue until all such tax benefits have been utilized or expired, unless we (with the approval by a majority of our independent directors) exercise our right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement, provided that if Cantor and we cannot agree upon a value, the agreement will remain in full force and effect. While the actual amount and timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including the timing of exchanges, the extent to which such exchanges are taxable and the amount and timing of the income that we achieve, it is expected that as a result of the anticipated magnitude of the increases in the tax basis of the tangible and intangible assets of BGC U.S. and BGC Global attributable to our interest in BGC U.S. and BGC Global, during the term of the tax receivable agreement, the payments that we may make to Cantor could be substantial. Our ability to achieve benefits from any remaining cash savings in income tax that we realize will depend upon a number of factors, including the timing and amount of our future income.

The recent separation and merger might be challenged by creditors as a fraudulent transfer or conveyance, and equity holders and creditors of the entity held liable could be adversely affected should a court agree with such a challenge.

Although we do not believe that the separation or the merger resulted in a fraudulent conveyance or transfer, if a court in a suit by an unpaid creditor or representative of creditors of Cantor or another entity transferring consideration to pre-merger BGC Partners or us, such as a trustee in bankruptcy, or Cantor or such other entity itself, as debtor-in-possession in a reorganization case under Title 11 of the U.S. Code, were to find that:

- the separation or the merger, as the case may be (or any component transaction thereof), was undertaken for the purpose of hindering, delaying or defrauding creditors of Cantor or another entity by transferring consideration to pre-merger BGC Partners as part of the separation or us as part of the merger, as the case may be; or

- Cantor or another entity transferring consideration to the BGC businesses as part of the separation or us as part of the merger received less than reasonably equivalent value or fair consideration in connection with the separation or the merger, as the case may be,

Table of Contents

and (1) any of Cantor or such other entity (as applicable) were insolvent immediately before, or were rendered insolvent by, the separation or the merger, as the case may be, (2) Cantor or such other entity (as applicable) immediately prior to, or as of the effective time of, the completion of the separation or the merger, as the case may be, and after giving effect thereto, intended or believed that it would be unable to pay its debts as they became due or (3) the capital of any of Cantor or such other entity (as applicable) immediately before, or at the effective time of, the completion of the separation or the merger, as the case may be, and after giving effect thereto, was inadequate to conduct its business;

then that court could determine that the separation or the merger, as the case may be (or any component transaction thereof), violated applicable provisions of the U.S. Bankruptcy Code or applicable non- bankruptcy fraudulent transfer or conveyance laws. This determination would permit unpaid creditors, the bankruptcy trustee or debtor-in-possession to rescind the separation or the merger, as the case may be (or component transaction thereof), to recover the consideration transferred or an amount equal to the value thereof from us, or to subordinate or render unenforceable the debt incurred in furtherance thereof, or to require us or the holder of such debt to fund liabilities for the benefit of creditors. Our equity holders and creditors held liable as a result of such a determination would be adversely affected to the extent each is required to surrender value to satisfy its liability.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied. Generally, however, an entity would be considered insolvent if:

the sum of its liabilities, including contingent liabilities, is greater than its assets, at a fair valuation;

the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured; or

it is generally not paying its debts as they become due.

Similar provisions would also apply in any other jurisdiction in which the separation and/or merger took effect.

If we were deemed an investment company under the Investment Company Act of 1940, as amended, as a result of our ownership of BGC U.S., BGC Global or BGC Holdings, applicable restrictions could make it impractical for us to continue our business as contemplated and could materially adversely affect our business, financial condition and results of operation.

If Cantor ceases to hold a majority of our voting power, Cantor s interest in us could be deemed an investment security under the Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act. If we were to cease participation in the management of BGC Holdings (or if BGC Holdings, in turn, was to cease participation in the management of BGC U.S. or BGC Global) or not be deemed to have a majority of the voting power of BGC Holdings (or if BGC Holdings, in turn, was deemed not to have a majority of the voting power of BGC U.S. or BGC Global), our interest in BGC Holdings or BGC U.S. or BGC Global could be deemed an investment security for purposes of the Investment Company Act. If BGC Holdings ceased to participate in the management of BGC U.S. or BGC Global or be deemed not to have a majority of the voting power of BGC U.S. or BGC Global, its interest in BGC U.S. or BGC Global could be deemed an investment security for purposes of the Investment Company Act. Generally, an entity is an investment company if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of

U.S. government securities and cash items), absent an applicable exemption. We are a holding company and hold BGC U.S. limited partnership interests, BGC Global limited partnership interests, the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Holdings. A determination that we hold more than 40% of our assets in investment securities could result in us being an investment company under the Investment Company Act and becoming subject to registration and other requirements of the Investment Company Act.

The Investment Company Act and the rules thereunder contain detailed prescriptions for the organization and operations of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, limit the issuance of debt and equity securities, prohibit the issuance of stock options and impose certain governance requirements. If anything were to happen that would cause us, BGC Holdings or Cantor to be deemed to be an investment company under the Investment Company Act, the Investment Company Act would limit our or its capital structure, ability to transact business with affiliates (including Cantor, BGC Holdings or us, as the case may be) and ability to compensate key employees. Therefore, if Cantor, BGC Holdings or we became subject to the Investment Company Act, it could make it impractical to continue our business, impair agreements and arrangements, and the transactions contemplated by those agreements and arrangements, between and among us, BGC Holdings, BGC U.S., BGC Global and Cantor or any combination thereof and materially adversely affect our business, financial condition and results of operations.

Risks Related to our Relationship with Cantor and its Affiliates

Holders of our common stock will experience a reduction in their interest in the income distributed by BGC U.S. and BGC Global, that is retained by us, upon the exchange of any BGC Holdings exchangeable limited partnership interests (or, if applicable, any BGC Holdings founding partner interests, BGC Holdings working partner interests or BGC Holdings REU interests) if, prior to such exchange, BGC Holdings distributes to its limited partners a greater share of the distributions BGC Holdings receives from BGC U.S. and BGC Global than we distribute to our stockholders.

As described in Price Range and Dividend Policy of Our Common Stock, it is our intention to match the dividend policy of BGC Holdings although we have no obligation to do so. There is, however, no assurance that we and BGC Holdings will distribute to our stockholders and their respective equity holders an equal proportion of profits received from BGC U.S. and BGC Global, and we expect that in the future, from time to time, we may reinvest in BGC U.S. and BGC Global, including for the business needs of BGC U.S. and BGC Global. In the future, from time to time, we may also use cash on hand and funds received from BGC U.S. and BGC Global to purchase shares of our common stock or BGC Holdings exchangeable limited partnership interests from Cantor. Pursuant to the terms of the BGC Holdings limited partnership agreement, distributions by BGC Holdings to its partners may not decrease below 100% of net income received by BGC Holdings from BGC U.S. and BGC Global (other than with respect to selected extraordinary items, such as the disposition directly or indirectly of partnership assets outside of the ordinary course of business) unless we and Cantor agree otherwise. In addition, distributions by us to our stockholders will be determined by our board of directors. Accordingly, there is overlap in the entities and persons who will make the determination as to the timing and amount of distributions from BGC U.S. and BGC Global with those who have an ultimate interest in those distributions, namely, the founding/working partners, the REU partners, Cantor and our stockholders.

Table of Contents

If BGC Holdings distributes to its limited partners a greater share of income received from BGC U.S. and BGC Global than we distribute to our stockholders, and then Cantor exercises its exchange right to acquire Class B common stock or Class A common stock, as applicable (or, to the extent then-exchangeable, a BGC Holdings founding partner interest, an REU partner interest or a working partner interest is exchanged for common stock), then Cantor, such founding partner, such REU partner, and/or such working partner, as the case may be, will receive a greater share of the income of BGC U.S. and BGC Global than they had prior to such distribution by BGC Holdings and such exchange. This results from Cantor, such founding partner, such REU partner, and/or such working partner, prior to such exchange, receiving the benefit of the income of BGC U.S. and BGC Global in the form of a distribution from BGC Holdings, and Cantor, such founding partner, such REU partner, and/or such working partner, after such exchange, receiving the benefit of the profits of BGC U.S. and BGC Global in the form of equity in us, who retained a greater portion of our share of the income of BGC U.S. and BGC Global. Consequently, holders of Class A common stock and Class B common stock as of the date of such exchange will experience a reduction in their interest in the profits previously distributed by BGC U.S. and BGC Global but retained by us.

We are controlled by Cantor, which has potential conflicts of interest with us and may exercise its control in a way that favors its interests to our detriment.

Cantor s Control

Cantor effectively is able to exercise control over our management and affairs and all matters requiring stockholder approval, including the election of our directors and determinations with respect to acquisitions and dispositions, as well as material expansions or contractions of our business, entry into new lines of business and borrowings and issuances of Class A common stock and Class B common stock or other securities. This control is subject to the approval of our independent directors on those matters requiring such approval. Cantor s voting power may also have the effect of delaying or preventing a change of control of us. Conflicts of interest may arise between us and Cantor in a number of areas relating to our past and ongoing relationships, including:

- potential acquisitions and dispositions of businesses;
- the issuance or disposition of securities by us;
- the election of new or additional directors to our board of directors;
- the payment of dividends by us (if any), distribution of profits by BGC U.S., BGC Global and/or BGC Holdings and purchases of shares of our common stock or BGC Holdings exchangeable interests;
- business operations or business opportunities of ours and Cantor s that would compete with the other party s business opportunities, including Cantor s and our brokerage and financial services;
- labor, tax, employee benefits, indemnification and other matters arising from the separation or the merger;
- intellectual property matters;
- business combinations involving us;

conflicts between our agency trading for primary and secondary bond sales and Cantor s investment banking bond origination business;

competition between our and Cantor s other equity derivatives and cash equity inter-dealer brokerage businesses; and

the nature, quality and pricing of administrative services to be provided by Cantor and/or Tower Bridge International Services, L.P., which we refer to as Tower Bridge.

47

Table of Contents

We also expect Cantor to manage its ownership of us so that it will not be deemed to be an investment company under the Investment Company Act, including by maintaining its voting power in us above a majority absent an applicable exemption from the Investment Company Act. This may result in conflicts with us, including those relating to acquisitions or offerings by us involving issuances of Class A common stock or Class B common stock, or securities convertible or exchangeable into shares of Class A common stock or Class B common stock, that would dilute the voting power in us of the holders of BGC Holdings exchangeable limited partnership interests.

In addition, Cantor has from time to time in the past considered possible strategic realignments of the business relationships that exist between and among Cantor and us and may do so in the future. Any future related party transaction or arrangement between Cantor and ourselves, until Cantor ceases to hold 5% of our voting power, is subject to the prior approval by a majority of our independent directors, but generally does not otherwise require the separate approval of our stockholders, and if such approval is required, Cantor will retain sufficient voting power to provide any such requisite approval without the affirmative consent of the other stockholders.

In addition, the service of officers or partners of Cantor as our executive officers and directors, and those persons ownership interests in and payments from Cantor, and its affiliates, could create conflicts of interest when we and those directors or officers are faced with decisions that could have different implications for us and Cantor. See Risks Related to our Business Our ability to retain our key employees and the ability of certain key employees to devote adequate time to us are critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could materially adversely affect our business, financial condition and results of operations.

Our agreements and other arrangements with Cantor may be amended upon agreement of the parties to those agreements upon approval of our audit committee. During the time that we are controlled by Cantor, Cantor may be able to require us to agree to amendments to these agreements. We may not be able to resolve any potential conflicts and, even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

Corporate Opportunities

In order to address potential conflicts of interest between Cantor and its representatives and us, our certificate of incorporation contains provisions regulating and defining the conduct of our affairs as they may involve Cantor and its representatives, and our powers, rights, duties and liabilities and those of our representatives in connection with our relationship with Cantor and its affiliates, officers, directors, general partners or employees. Our certificate of incorporation provides that no Cantor Company or any of the representatives of a Cantor Company will owe any fiduciary duty to, nor will any Cantor Company or any of their respective representatives be liable for breach of fiduciary duty to, us or any of our stockholders. The corporate opportunity policy that is included in our certificate of incorporation is designed to resolve potential conflicts of interest between us and Cantor and its representatives. The principles for defining such corporate opportunities and resolving such potential conflicts of interest, and the definitions of Cantor Company and representatives, are set forth under Description of Capital Stock Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws and Delaware Law Corporate Opportunity.

In addition, our certificate of incorporation provides that Cantor and its respective representatives will have no duty to refrain from:

- engaging in the same or similar business activities or lines of business as us; or

- doing business with any of our customers.

Table of Contents

The BGC Holdings limited partnership agreement contains similar provisions with respect to BGC Partners and/or Cantor and their respective representatives, and the BGC U.S. and BGC Global limited partnership agreements contain similar provisions with respect to BGC Partners and/or BGC Holdings and their respective representatives.

If Cantor competes with us, it could materially harm our business operations.

Agreements between us and Cantor are between related parties and the terms of these agreements may be less favorable to us than those that we could have negotiated with third parties.

Our relationship with Cantor results in agreements with Cantor that are between related parties. As a result, the prices charged to us or by us for services provided under agreements with Cantor may be higher or lower than prices that may be charged by third parties and the terms of these agreements may be less favorable to us than those that we could have negotiated with third parties. For example, pursuant to the separation agreement, Cantor has a right, subject to certain conditions, to be our customer and to pay the lowest commissions paid by any other customer, whether by volume, dollar or other applicable measure. In addition, Cantor has an unlimited right to internally use market data from BGCantor Market Data without any cost. Any future related party transactions or arrangements between us and Cantor, until Cantor ceases to hold 5% of our voting power, is subject to the prior approval by a majority of our independent directors, but generally does not otherwise require the separate approval of our stockholders, and if such approval were required, Cantor will retain sufficient voting power to provide any such requisite approval without the affirmative consent of the other stockholders. See Certain Relationships and Related Transactions.

Risks Related to This Offering

The market price of our Class A common stock may fluctuate significantly, and it may trade at prices below the offering price.

The market price of our Class A common stock after this offering may fluctuate significantly from time to time as a result of many factors, including:

- investors perceptions of our prospects;
- investors perceptions of the prospects of the brokerage business and more broadly, the financial services industry;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts recommendations or projections;
- fluctuations in quarterly operating results;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- changes or trends in our industry, including price volatility, trading volumes, competitive or regulatory changes or changes in the brokerage business;
- adverse resolution of new or pending litigation against us;

additions or departures of key personnel;

changes in general economic conditions; and

broad market fluctuations.

49

Table of Contents

In particular, announcements of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against us, as well as announced changes in our business plans or those of our competitors, could adversely affect the trading price of our stock, regardless of the likely outcome of those developments. Broad market and industry factors may adversely affect the market price of our Class A common stock, regardless of our actual operating performance. As a result, our Class A common stock may trade at prices significantly below the offering price. Declines in the price of our Class A common stock may adversely affect our ability to recruit and retain key employees, including our working partners and other key professional employees.

The market price of our Class A common stock has fluctuated and the market price of our Class A common stock may fluctuate in the future. In addition, future sales of shares of Class A common stock, including in this offering, could adversely affect the market price of our Class A common stock. BGC Partners stockholders, other than Cantor and its affiliates, could be diluted by such future sales and be further diluted upon exchange of BGC Holdings limited partnership interests into our common stock and upon issuance of additional BGC U.S. and BGC Global limited partnership interests to BGC Holdings as a result of future issuances of BGC Holdings limited partnership interests. We have also repurchased shares of our Class A common stock from time to time, and may cease doing so at any time.

The market price of our Class A common stock has fluctuated widely since eSpeed s initial public offering in December 1999 and the market price of Class A common stock may fluctuate widely, depending upon many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the financial marketplaces in general, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts recommendations or projections, seasonality, changes in general valuations for companies in our business segment, changes in general economic or market conditions and broad market fluctuations.

Future sales of our shares also could adversely affect the market price of our common stock. If our existing stockholders sell a large number of shares, or if we issue a large number of shares of our common stock in connection with future acquisitions, strategic alliances, third-party investments and private placements or otherwise, such as this offering, the market price of common stock could decline significantly. Moreover, the perception in the public market that these stockholders might sell shares could depress the market price of common stock.

We have registered under the U.S. Securities Act of 1933, as amended, which we refer to as the Securities Act, 30,430,000 shares of common stock, which are reserved for issuance upon exercise of options, restricted stock and other incentive compensation granted under our Long-Term Incentive Plan. These shares can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates. We may in the future register additional shares of common stock under the Securities Act that become reserved for issuance under our Long-Term Incentive Plan. In addition, we have registered under the Securities Act 425,000 shares of common stock issuable under our stock purchase plan.

Cantor is permitted to exchange up to an aggregate of 20 million of its BGC Holdings limited partnership interests prior to March 31, 2009, the first anniversary of the completion of the separation, for shares of common stock in connection with a broad-based public offering, including all shares received upon such exchange, of common stock underwritten by a nationally recognized investment banking firm, million of which are intended to be exchanged and sold in connection with this offering, and all of its BGC Holdings limited partnership interests after March 31, 2009, the first anniversary of the completion of the separation.

50

Table of Contents

The BGC Holdings founding partner interests that Cantor has provided are exchangeable with us for Class A common stock on a one-for-one basis (subject to customary anti-dilution adjustments), in accordance with the terms of the BGC Holdings limited partnership agreement, as follows:

20% of the BGC Holdings founding partner interests held by each founding partner (other than Messrs. Amaitis and Lynn) became exchangeable upon the closing of the merger, with one-third of the shares receivable by such BGC Holdings founding partner upon a full exchange becoming saleable on each of the first, second and third anniversaries of the closing of the merger (subject to acceleration), subject to applicable law;

(1) 1,100,000 of the 3,160,215 BGC Holdings founding partner interests held by Mr. Amaitis at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 60% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 80% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, and (5) 100% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Amaitis will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Amaitis letter agreement), with the shares received by Mr. Amaitis upon exchange being immediately saleable, subject to applicable law; and

(1) 600,000 of the 2,515,898 BGC Holdings founding partner interests held by Mr. Lynn at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 50% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 60% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, (5) 70% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger, (6) 80% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the sixth anniversary of the closing of the merger, (7) 90% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the seventh anniversary of the closing of the merger, and (8) 100% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the eighth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Lynn will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Lynn letter agreement), with the shares received by Mr. Lynn upon exchange being immediately saleable, subject to applicable law.

See Certain Relationships and Related Transactions Amended and Restated BGC Holdings Limited Partnership Agreement Exchanges.

Any working partner interests that are issued will not be exchangeable with us unless otherwise determined by us with the written consent of a BGC Holdings exchangeable limited partnership interest majority in interest. The shares ultimately issuable pursuant to the BGC

Table of Contents

Holdings REUs (if exchangeable) and the RSUs that were issued upon the closing of the merger would be shares of common stock issued pursuant to our Long-Term Incentive Plan or similar plan.

In connection with the merger, 111,890,929 shares of common stock were reserved for issuance upon the exchange of the BGC Holdings exchangeable limited partnership interests, which are entitled to registration rights under the terms of a registration rights agreement with Cantor that we assumed as a part of the merger, which we refer to as the separation registration rights agreement, and BGC Holdings founding partner interests (if exchangeable) and BGC Holdings REUs (if exchangeable). In addition, shares of common stock issuable upon conversion of shares of Class B common stock held by Cantor are entitled to registration rights under a registration rights agreement entered into in connection with the formation of eSpeed, which we refer to as the formation registration rights agreement. In light of the number of shares of common stock issuable in connection with the full exchange of the BGC Holdings exchangeable limited partnership interests, BGC Holdings founding partner interests (if exchangeable), and BGC Holdings REUs (if exchangeable), the price of common stock may decrease and our ability to raise capital through the issuance of equity securities may be adversely impacted as these exchanges occur and transfer restrictions lapse.

In addition, the following table reflects the timetable for distributions by Cantor of shares of our common stock that it holds or will hold in respect of the distribution rights that Cantor provided to limited partners of Cantor, including to the founding partners, in connection with the separation and merger, assuming that such persons were entitled to accelerated distribution of the shares underlying such distribution rights, as described under Certain Relationships and Related Transactions Continuing Interests in Cantor. All of these shares of our common stock will be distributed by Cantor. Cantor expects to use shares of our Class A common stock received upon its conversion of Class B common stock, shares of our Class A common stock received upon exchange of BGC Holdings exchangeable limited partnership interests and purchases of shares of our Class A common stock in the open market to satisfy its distribution obligation under the distribution rights.

Anniversary of the merger (April 1, 2008)	Number of shares of our common stock that are required to be distributed by Cantor in respect of the distribution rights
12 month	10,282,399
18 month	7,642,955
24 month	10,282,398
30 month	1,260,707
36 month	3,900,149
Total	33,368,608

In addition to the table above, the managing general partner of Cantor will be able to grant earlier distribution of the shares in its discretion.

In addition, we have issued shares of our common stock, warrants and convertible preferred stock and granted registration rights in connection with certain of our strategic alliances. See Certain Relationships and Related Transactions.

During the year ended December 31, 2006, we repurchased common stock for a total of $0.5 million. We did not repurchase any common stock in 2007. The reacquired shares have been designated treasury shares and will be used for general corporate purposes. As of December 31,

Table of Contents

2007, our board of directors had authorized the repurchase of up to an additional $100 million of our outstanding common stock. We will consider making additional stock repurchases in 2008, including from executive officers in connection with this offering, but may cease making repurchases at anytime.

Because our voting control is concentrated among the holders of Class B common stock, the market price of Class A common stock may be adversely affected by disparate voting rights.

As of April 1, 2008, Cantor beneficially owned 91.7% of our combined voting power and, after giving effect to this offering, will beneficially own % of our combined voting power, assuming the number of shares to be sold by Cantor and the other selling stockholders in this offering set forth on the cover page of this prospectus are sold. As long as Cantor beneficially owns a majority of our combined voting power, it will have the ability, without the consent of the public stockholders, to elect all of the members of our board of directors and to control our management and affairs. In addition, it will be able to determine the outcome of matters submitted to a vote of our stockholders for approval and will be able to cause or prevent a change of control of us. In certain circumstances, such as when transferred to an entity controlled by Cantor or Howard W. Lutnick, the shares of Class B common stock issued to Cantor may be transferred without conversion to Class A common stock.

The holders of Class A common stock and Class B common stock have substantially identical rights, except that holders of Class A common stock are entitled to one vote per share, while holders of Class B common stock are entitled to 10 votes per share on all matters to be voted on by stockholders in general. These votes are controlled by Cantor and are not subject to conversion or termination by our board of directors or any committee thereof, or any other stockholder or third-party. This differential in the voting rights could adversely affect the market price of common stock.

We are a holding company, and accordingly we are dependent upon distributions from BGC U.S. and BGC Global to pay dividends, taxes and other expenses.

We are a holding company with no independent means of generating revenues. Any dividends declared by us and all applicable taxes payable in respect of our net taxable income, if any, are paid from distributions to us from BGC U.S. and BGC Global. To the extent that we need funds to pay dividends or to pay taxes on our share of BGC U.S. s and BGC Global s net taxable income, or if we need funds to pay dividends or for any other purpose, and either BGC U.S. or BGC Global is restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition and results of operations and our ability to declare dividends. In addition, any unanticipated accounting or other charges against net income could adversely affect our ability to declare dividends.

We may not pay dividends on our common stock.

We are a holding company with no direct operations and will be able to pay dividends only from our available cash on hand and funds received from distributions from BGC U.S. and BGC Global. BGC U.S. and BGC Global intend to distribute to their limited partners, including us, on a pro rata and quarterly basis, cash that is not required to meet BGC U.S. s and BGC Global s anticipated business needs. As a result, BGC U.S. s and BGC Global s ability, and in turn our ability, to make any distributions will depend upon the continuing profitability and strategic and operating needs of our business. In addition, from time to time, we may reinvest all or a portion of the distributions we receive in BGC U.S. s and BGC Global s respective businesses. In the

53

future, from time to time, we may also use cash on hand and funds received from BGC U.S. and BGC Global to purchase shares of our common stock or BGC Holdings exchangeable limited partnership interests from Cantor. We have no current plans to make any such purchases from Cantor, and the timing, amount and price of any such purchase would be subject to approval of our audit committee and negotiation and agreement between us and Cantor. As a result, there can be no assurance that future dividends will be paid.

Delaware law and our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. Some provisions of the Delaware General Corporation Law, which we refer to as the DGCL, and our amended and restated certificate of incorporation, which we refer to as the certificate of incorporation, and amended and restated bylaws, which we refer to as the bylaws, could make the following more difficult:

- acquisition of us by means of a tender offer;
- acquisition of us by means of a proxy contest or otherwise; or
- removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us and outweigh the disadvantages of discouraging those proposals because negotiation of them could result in an improvement of their terms.

Our bylaws provide that special meetings of stockholders may be called only by the Chairman of our board of directors, or in the event the Chairman of our board of directors is unavailable, by any Co-Chief Executive Officer or by the holders of a majority of the voting power of our Class B common stock, which is held by Cantor and CFGM, the managing general partner of Cantor, an entity controlled by our Chairman and Co-Chief Executive Officer, Howard W. Lutnick. In addition, our certificate of incorporation permits us to issue blank check preferred stock.

Our bylaws require advance written notice prior to a meeting of stockholders of a proposal or director nomination which a stockholder desires to present at such a meeting, which generally must be received by our Secretary not later than 120 days prior to the first anniversary of the date of our proxy statement for the preceding year s annual meeting. Our bylaws provide that all amendments to our bylaws must be approved by either the holders of a majority of the voting power of all outstanding capital stock entitled to vote or by a majority of our board of directors.

We are subject to Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns 15% or more of a corporation s outstanding voting stock, or was the owner of 15% or more of a corporation s outstanding voting stock at any time within the prior three years, other than interested stockholders prior to the time our common stock was quoted on the Nasdaq Global Market. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock held by stockholders.

In addition, our brokerage businesses are heavily regulated and some of our regulators require that they approve transactions which could result in a change of control, as defined by the then-applicable rules of our regulators. The requirement that this approval be obtained may prevent or delay transactions that would result in a change of control.

Further, our Long Term Incentive Plan contains provisions pursuant to which grants that are unexercisable or unvested may automatically become exercisable or vested as of the date immediately prior to certain change of control events. Additionally, change in control and employment agreements between us and our named executive officers also provide for payments in the event of certain change of control events.

The foregoing factors, as well as the significant common stock ownership by Cantor, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock. See Description of Capital Stock Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws and Delaware Law.

Delaware law may protect decisions of our board of directors that have a different effect on holders of Class A common stock and Class B common stock.

Stockholders may not be able to challenge decisions that have an adverse effect upon holders of Class A common stock if our board of directors acts in a disinterested, informed manner with respect to these decisions, in good faith and in the belief that it is acting in the best interests of our stockholders. Delaware law generally provides that a board of directors owes an equal duty to all stockholders, regardless of class or series, and does not have separate or additional duties to either group of stockholders, subject to applicable provisions set forth in a company s charter.

The consolidated pro forma financial information in this prospectus may not permit you to predict the Combined Company s or the BGC Division s costs of operations, and the estimates and assumptions used in preparing the consolidated pro forma financial information may be materially different from the Combined Company s or the BGC Division s actual experience as a reorganized, combined company and their actual results of operations could materially differ from the consolidated pro forma financial information in this prospectus.

In preparing the consolidated pro forma financial information in this prospectus, we have made adjustments to the combined and consolidated financial information of the BGC Division and eSpeed to reflect the separation and the merger, based upon currently available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the transactions contemplated by the separation and the merger. The adjustments for the separation and merger include, among other items, a forgiveness of intercompany balances with Cantor; settlement of outstanding executive loans; the assumption of long-term debt; a calculation of distributions of net income to founding partners; a calculation of Cantor s minority interest in the Combined Company; a transfer of

Table of Contents

business lines between the Combined Company and Cantor; a deduction and charge to earnings for estimated income taxes based on an estimated tax rate, estimated salaries, payroll taxes and benefits for founding/working partners; and an elimination of intercompany transactions between eSpeed and the BGC Division. These and other estimates and assumptions used in the calculation of the pro forma financial information in this prospectus may be materially different from the actual experience of the BGC Division as a separate, independent business from Cantor and the Combined Company s actual experience combining the historic operations of the BGC Division and eSpeed. The pro forma consolidated financial information in this prospectus does not purport to represent what the Combined Company s or BGC U.S. s or BGC Global s results of operations would actually have been had the BGC Division, the Combined Company, BGC U.S. or BGC Global operated as a combined company, with the BGC Division separated from Cantor, during the periods presented, nor does the pro forma consolidated information give effect to any events other than those discussed in the unaudited pro forma consolidated financial information and related notes. The pro forma consolidated financial information also does not purport to be indicative of results of operations as of any future date or future period. The Combined Company s actual results of operations could materially differ from the pro forma consolidated financial information in this prospectus.

In addition, because the BGC Division s businesses, other than Euro Brokers, Aurel Leven, AS Menkul, BGC Shoken Kaisha Limited and Foreign Exchange Broker (Korea) Limited, have historically operated as entities treated as partnerships in the U.S., little or no taxes on profits in the U.S., other than New York City Unincorporated Business Tax, which we refer to as UBT, have been paid by us with respect to these businesses. As a result, the operating income for the BGC Division, other than those listed above, set forth in the combined financial statements included elsewhere in this prospectus does not reflect a provision for U.S. corporate federal, state or local income taxes.

Cantor s businesses, including the BGC Division s, also have been able to rely, to some degree, on the earnings, assets and cash flows of each other for capital and cash flow requirements. Accordingly, the combined results of operations and financial position of the BGC Division s businesses included elsewhere in this prospectus are not necessarily indicative of our supplemental consolidated results of operations and financial position after completion of the separation. For additional information about the past financial performance and the basis of presentation of the supplemental consolidated financial statements, see BGC Partners, Inc. s Selected Supplemental Consolidated Financial Data, eSpeed s Selected Consolidated Financial Data, the BGC Partners, Inc. s Management s Discussion and Analysis of Financial Condition and Results of Operations, the BGC Division s Management s Discussion and Analysis of Financial Condition and Results of Operations, eSpeed s Management s Discussion and Analysis of Financial Condition and Results of Operations, the BGC Partners, Inc. s Supplemental Consolidated Financial Statements, the BGC Division s Combined Financial Statements, eSpeed, Inc. s Consolidated Financial Statements and the accompanying notes included elsewhere in this prospectus.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as may, will, should, estimates, predicts, potential, continue, strategy, believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements.

Our actual results and the outcome and timing of certain events may differ significantly from the expectations discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to:

- our relationship with Cantor and its affiliates and any related conflicts of interest, competition for and retention of brokers and other managers and key employees;
- pricing and commissions and market position with respect to any of our products and that of our competitors;
- the effect of industry concentration and consolidation;
- market conditions, including trading volume and volatility;
- economic or geopolitical conditions or uncertainties;
- the extensive regulation of the company s businesses and risks relating to compliance matters;
- factors related to specific transactions or series of transactions, including credit, performance and unmatched principal risk as well as counterparty failure;
- the costs and expenses of developing, maintaining and protecting intellectual property, including judgments or settlements paid or received in connection with intellectual property or employment or other litigation and their related costs and certain financial risks, including the possibility of future losses and negative cash flow from operations, risks of obtaining financing and risks of the resulting leverage, as well as interest and currency rate fluctuations;
- the ability to enter new markets or develop new products, trading desks, marketplaces or services and to induce customers to use these products, trading desks, marketplaces or services and to secure and maintain market share;
- the ability to enter into marketing and strategic alliances, and other transactions, including acquisitions, dispositions, reorganizations, partnering opportunities and joint ventures, and the integration of any completed transactions;
- the ability to hire new personnel;

the ability to expand the use of technology for screen-assisted, voice-assisted and fully electronic trading;

effectively managing any growth that may be achieved;

financial reporting, accounting and internal control factors, including identification of any material weaknesses in our internal controls and our ability to prepare historical and pro forma financial statements and reports in a timely manner; and

other factors, including those that are discussed under Risk Factors to the extent applicable.

Table of Contents

We believe that all forward-looking statements are based upon reasonable assumptions when made. However, we caution that it is impossible to predict actual results or outcomes or the effects of risks, uncertainties or other factors on anticipated results or outcomes and that accordingly you should not place undue reliance on these statements. Forward-looking statements speak only as of the date when made, and we undertake no obligation to update these statements in light of subsequent events or developments.

58

Table of Contents

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $ million ($ million if the underwriters exercise their option to purchase additional shares in full), after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us, assuming the shares of our common stock are offered at $11.98 per share, which represents the closing price of our common stock on April 17, 2008.

We intend to use a portion of the net proceeds from this offering to purchase shares of our Class A common stock from certain of our executive officers, who include . The per share price that such executive officers will receive for each such share will be equal to the public offering price, net of underwriting discounts and commissions applicable to such shares. We intend to contribute all of the remaining net proceeds to us from this offering (including the net proceeds from any shares sold by us pursuant to the underwriters option to purchase additional shares) to BGC U.S. and BGC Global in exchange for BGC U.S. limited partnership interests and BGC Global limited partnership interests, in each case, on a one-for-one basis (subject to customary anti-dilution adjustments) for each share issued by us in this offering.

BGC U.S. and BGC Global intend to use the net proceeds they receive from us for various purposes, including for general corporate purposes, including acquisitions, although no specific acquisitions are planned.

We will not receive any proceeds from the sale of Class A common stock by the selling stockholders in this offering. Cantor has informed us that it will use the proceeds it receives from the sale of shares of our Class A common stock in this offering for general partnership purposes.

We have agreed to pay the offering expenses of the selling stockholders. The selling stockholders will pay the underwriting discounts and commissions and custodial fees applicable to the shares they sell.

Table of Contents

PRICE RANGE AND DIVIDEND POLICY OF OUR COMMON STOCK

Price Range of our Common Stock

Our Class A common stock is traded in the Nasdaq Global Market under the symbol BGCP and prior to the closing of the merger, was traded under the symbol ESPD. There is no public trading market for our Class B common stock, which is held by Cantor and CFGM, the managing general partner of Cantor, an entity controlled by our Chairman and Co-Chief Executive Officer, Howard W. Lutnick. The following table sets forth, for the fiscal quarters indicated, the high and low sales prices per share of our Class A common stock, as reported in the consolidated transaction reporting system. No quarterly dividends were declared during such periods. These prices are the historical prices of eSpeed s Class A common stock prior to the merger, except for the second quarter of 2008, which reflects the prices of the Combined Company Class A common stock on and after the closing of the merger.

	Sales Price	
	High	Low
2008		
Second quarter (until April 17, 2008)	$ 12.11	$ 10.91
First quarter	$ 12.97	$ 10.62
2007		
Fourth quarter	$ 9.80	$ 7.22
Third quarter	$ 11.28	$ 8.50
Second quarter	$ 9.00	$ 7.02
First quarter	$ 11.64	$ 8.51
2006		
Fourth quarter	$ 9.57	$ 7.47
Third quarter	$ 8.55	$ 7.15
Second quarter	$ 9.23	$ 7.47
First quarter	$ 10.45	$ 8.45

On April 17, 2008, the last reported closing price of our Class A common stock on the NASDAQ Global Market was $11.98 per share. As of April 15, 2008, there were 365 holders of record of our Class A common stock and two holders of record of our Class B common stock.

Dividend Policy

We are a holding company with no direct operations and we are able to pay dividends only from our available cash on hand and funds received from distributions from BGC U.S. and BGC Global.

BGC U.S. and BGC Global distribute to their limited partners, including us, on a pro rata and quarterly basis, sufficient cash to cover all of the tax liabilities attributable to their interests in BGC U.S. and BGC Global. Each of BGC U.S. and BGC Global generally also distributes to its limited partners any additional net income remaining after tax liabilities. Accordingly, generally 100% of BGC U.S. s and BGC Global s net income for each fiscal year is distributed to the limited partners of BGC U.S. and BGC Global, including us. BGC U.S. s and BGC Global s ability to make any distributions to us will depend upon other factors, including operating results, cash flow from operations, capital requirements and contractual, legal, financial and regulatory restrictions.

Table of Contents

BGC Holdings distributes, from any cash distributed to it by BGC U.S. and BGC Global, to its limited partners, sufficient cash to cover all of the tax liabilities attributable to their interests in BGC Holdings. BGC Holdings generally also distributes to its limited partners any excess cash remaining after tax liabilities. Accordingly, unless BGC Partners and Cantor otherwise agree, 100% of BGC Holdings net income for each fiscal year is distributed to the limited partners of BGC Holdings.

It is our current intention to either match the distribution policy of BGC Holdings, so that we distribute, as dividends, a substantial portion of the cash we receive from BGC U.S. and BGC Global to the holders of Class A common stock and Class B common stock, ratably, or to purchase shares of our common stock. There is, however, no assurance that we and BGC Holdings will distribute to our stockholders and its equity holders an equal proportion of profits received from BGC U.S. and BGC Global, and we expect that in the future, from time to time, we may reinvest in BGC U.S. and BGC Global, including for the business needs of BGC U.S. and BGC Global. In the future, from time to time, we may also use cash on hand and funds received from BGC U.S. and BGC Global to purchase shares of our common stock or BGC Holdings exchangeable limited partnership interests from Cantor. We have no current plans to make any such purchases from Cantor, and the timing, amount and price of any such purchase would be subject to approval of our audit committee and negotiation and agreement between us and Cantor. See Certain Relationships and Related Transactions Review, Approval and Ratification of Transactions with Related Persons for a discussion of required approvals for any such purchase. We have no obligation to dividend our earnings to our stockholders.

It is our intention, as well as the intention of BGC U.S. and BGC Global, to maintain a BGC Partners ratio (as defined below) equal to one. Accordingly, we expect that we may make dividends, subdivisions, combinations, distributions or issuances in connection with certain reinvestments in BGC U.S. and BGC Global that we may elect to make in the future, as described above.

Nothing prevents us, as noted above, from reinvesting in BGC U.S. and BGC Global pursuant to our reinvestment right or requires Cantor to exercise its pre-emptive right to reinvest in BGC U.S. and BGC Global on a pro rata basis as described in Certain Relationships and Related Transactions Separation Agreement Reinvestments in the Opcos; Pre-Emptive Rights; Distributions to Holders of BGC Our Common Stock, and, as also noted above, we expect that, from time to time, we may reinvest in BGC U.S. and BGC Global, including for the business needs of BGC U.S. and BGC Global. However, the one-for-one exchange ratio of BGC Holdings limited partnership interests for common stock will not be adjusted to the extent that we have made a dividend, subdivision, combination, distribution or issuance to maintain the BGC Partners ratio in connection with a reinvestment by us pursuant to our reinvestment right.

If BGC Holdings distributes to its limited partners a greater share of income received from BGC U.S. and BGC Global than we distribute to our stockholders, then as Cantor exercises its exchange right to acquire Class B common stock or Class A common stock, as applicable or, (1) after Cantor determines that a BGC Holdings founding partner interest can be exchanged, a founding partner exchanges such interest for Class A common stock, (2) once a BGC Holdings REU interest has become exchangeable in accordance with terms and conditions of the grant of such BGC Holdings REU interest, an REU partner exchanges such interest for Class A common stock and (3) any working partner interests that are issued, after we determine with the written consent of a BGC Holdings exchangeable limited partnership interest majority in interest, that a working partner interest can be exchanged, a working partner exchanges such interest for Class A common stock, then Cantor, such founding partners, such REU partners or such

Table of Contents

working partners, as the case may be, will have a proportionate interest in the excess cash held by us to the extent we retain excess cash balances or acquire assets with excess cash balances.

The declaration, payment, timing and amount of any future dividends payable by us will be at the sole discretion of our board of directors which will take into account general economic and business conditions, our financial condition, our available cash, our and BGC U.S s and BGC Global s current and anticipated cash needs, and any other factors that our board of directors considers relevant. Our ability to pay dividends may also be limited by covenants contained in future financing or other agreements. In addition, under Delaware law, dividends may be payable only out of surplus, which is our net assets minus our liabilities and our capital, or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Accordingly, any unanticipated accounting or other charges against net income may adversely affect our ability to declare dividends. There can be no assurance that our board of directors will declare dividends at all or on a regular basis or that amount of dividend will not change.

For purposes of this section, the BGC Partners ratio means, as of any date, the number equal to (a) the aggregate number of BGC U.S. units held by us and our subsidiaries (other than BGC Holdings, BGC U.S. and BGC Global and their respective subsidiaries) as of such time divided by (b) the aggregate number of shares of Class A common stock and Class B common stock issued and outstanding as of such time.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2007, on (i) an actual basis for BGC Partners, Inc., (ii) on a pro forma basis, giving effect to (1) 133,860,000 shares of our common stock and rights to acquire shares of our common stock issued in the merger, and (2) the assumption of $150 million of indebtedness with third-party institutions and the retirement of long-term indebtedness to Cantor, and (iii) on a pro forma as adjusted basis to give further effect to this offering.

This table should be read in conjunction with eSpeed s Management s Discussion and Analysis of Financial Condition and Results of Operations, BGC Division s Management s Discussion and Analysis of Financial Condition and Results of Operations, BGC Partners, Inc. s Management s Discussion and Analysis of Financial Condition and Results of Operations, and the supplemental consolidated financial statements and related notes and our unaudited pro forma consolidated financial information and related notes, in each case included elsewhere in this prospectus. The data assume that there has been no exercise, in whole or in part, of the underwriters option to purchase additional shares of our Class A common stock in this offering.

	BGC Partners, Inc. As of December 31, 2007		
	Supplemental consolidated	Pro Forma for the Merger (in thousands)	Pro Forma as Adjusted for this offering
Long-term indebtedness debt:			
BGC U.S. Notes	$	$ 150,000	$ [ ]
Long-term notes from related parties	196,818		
Mandatorily redeemable partnership interest		57,720	
Minority interest	2,352	145,022	
Stockholders and members equity:			
Member s equity	235,454		
Class A common stock, par value of $0.01 per share, 200,000 shares authorized and 36,796 issued and outstanding on an actual basis, 500,000 shares authorized and 46,415 issued and outstanding on a pro forma basis, and issued and outstanding on a pro forma as adjusted basis	368	464	
Class B common stock, par value of $0.01 per share, 100,000 shares authorized, 20,498 issued and outstanding on an actual basis and 100,000 shares authorized, 32,848 issued and outstanding on a pro forma basis, and issued and outstanding on a pro forma as adjusted basis	205	329	
Additional paid-in-capital	313,238	259,128	
Treasury stock, at cost; 6,502 shares of Class A common stock on an actual, pro forma and pro forma as adjusted basis	(62,597)	(62,597)	
Accumulated deficit	(17,282)	(17,282)	
Accumulated other comprehensive loss	(61)	(61)	
Total stockholders equity	469,325	179,981	
Total capitalization	$ 668,495	$ 532,723	$ [ ]

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The Unaudited Pro Forma Consolidated Financial Data set forth below give effect to the transactions contemplated by the merger agreement as if they had been consummated on December 31, 2007, for purposes of the consolidated statement of financial condition, and on January 1, 2007, for purposes of the consolidated statements of operations, subject to the assumptions and adjustments in the accompanying Notes to Unaudited Pro Forma Consolidated Financial Data, which we refer to as the Notes.

The pro forma adjustments reflecting the consummation of the transactions contemplated by the merger agreement are accounted for as a combination of entities under common control in accordance with U.S. GAAP, and upon the assumptions set forth in the Notes herein. You should read the following information in connection with Structure of BGC Partners, BGC Division s Selected Combined Financial Data, BGC Division s Management s Discussion and Analysis of Financial Condition and Results of Operations, BGC Partners, Inc. s Selected Supplemental Consolidated Financial Data, eSpeed s Selected Consolidated Financial Data, BGC Partners, Inc. s Management s Discussion and Analysis of Financial Condition and Results of Operations, eSpeed s Management s Discussion and Analysis of Financial Condition and Results of Operations, the BGC Division Combined Financial Statements and BGC Partners, Inc. Supplemental Consolidated Financial Statements, eSpeed s Consolidated Financial Statements, and the accompanying notes thereto included elsewhere in this prospectus.

BGC Partners, Inc. pro forma adjustments principally give effect to the impact of the merger as well as the following matters:

Ownership Structure: BGC Partners, Inc. consolidated the worldwide interests of the Opcos. For financial reporting purposes under U.S. GAAP, the ownership interest held in Combined Company common stock, the BGC Holdings founding/working partner interests and BGC Holdings limited partnership interests held by Cantor are accounted for as described below. A reconciliation of the calculation of fully diluted earnings per share is reflected in the footnotes to the supplemental consolidated financial statements. The details of this reconciliation are outlined in the tables below. For purposes of providing an explanation of the capital structure we have labeled the three economic ownerships as: (1) Combined Company; (2) founding/working partners; and (3) BGC Holdings limited partnership interests held by Cantor. The Combined Company interests held by the public (including Combined Company common stock held by Cantor) are in the form of Combined Company Class A common stock and Class B common stock. The interests held by Cantor and the founding/working partners are in the form of BGC Holdings limited partnership interests. The BGC Holdings exchangeable limited partnership interests received by Cantor may, in effect, be exchanged in the future for shares of Combined Company Class B common stock (or, at Cantor s option or if there are no additional authorized but unissued shares of Combined Company Class B common stock, Combined Company Class A common stock) on a one-for-one basis (subject to customary anti-dilution adjustments). In addition, Cantor has provided all founding partners (other than Messrs. Amaitis and Lynn) with the right to immediately exchange 20% of their BGC Holdings founding partner interests for Combined Company Class A common stock, on a one-for-one basis (subject to customary anti-dilution adjustments), subject to applicable law. Cantor provided certain exchange rights to Messrs. Amaitis and Lynn (see the bullet entitled Exchangeability of Partnership Interests below). No working partner interests were issued at the time of the separation and merger. Any working partner interests that are issued are not exchangeable with the Combined Company unless otherwise determined by BGC Partners with the written consent of a BGC Holdings exchangeable limited partnership interest majority in interest, in accordance with the terms of the BGC Holdings limited partnership agreement.

Table of Contents

The accounting for the three economic ownership categories is described in the table below:

Economic Ownership	Consolidated Statement of Operations Presentation	Consolidated Statement of Financial Condition Presentation
Combined Company Combined Company Stockholders (Class A and B common stockholders)	The public stockholders (including Cantor) basic EPS in the Combined Company is based on net income after allocations to the founding/working partners divided by the number of outstanding shares of Combined Company common stock.	Public stockholders (including Cantor s) equity will be included in stockholders equity in the consolidated statement of financial condition.
Founding/working partners Founding/working partner interests (BGC Holdings limited partnership interests holders)	The founding/working partners may receive allocations of net income based on their pro rata share of the fully diluted shares in the Combined Company. This charge will be called allocation of net income to BGC Holdings founding partner units which will be a separate component listed in compensation expense.	The book value of the units contributed by the founding/working partners, generally the amount of capital contributed by founding/working partners, will be classified on a separate liability line in the consolidated statement of financial condition called mandatorily redeemable partnership interest.
BGC Holdings limited partnership interests held by Cantor BGC Holdings limited partnership interests held by Cantor (BGC Holdings limited partnership interests holders)	Cantor s pro rata share of the net income in the Combined Company will be reported as a minority interest charge in the consolidated statement of operations.	Cantor s pro rata share of the capital held in BGC Holdings will be included as a component of minority interest in the consolidated statement of financial condition.
Consolidated BGC Partners, Inc.	EPS on a fully diluted basis for the Combined Company are presented as follows: Net income allocations to the founding/working partners and the minority interest to Cantor described above will be added back to net income. The number of units held in BGC Holdings by both the founding/working partners and Cantor will be added to the Combined Company common stock (plus common stock equivalents) to determine fully diluted shares	The three economic ownership categories will be accounted for as components of the Combined Company s liabilities and equity on the consolidated statement of financial condition. The founding/working partner interests will be recorded as mandatorily redeemable partnership interest; Cantor s BGC Holdings limited partnership interests will be treated as a component of minority interest and the interests held by the public

Table of Contents

Economic Ownership	Statement of Operations Presentation	Statement of Financial Condition Presentation
	outstanding. The adjusted net income will be divided by the adjusted fully diluted shares to calculate fully diluted EPS. Because basic EPS and fully diluted EPS (with the exception of the impact of stock options) are based on pro rata ownership in the Combined Company, there should not be any difference in the calculations.	will be a component of stockholders equity in the Combined Company.

Upon closing of the merger, the economic ownership structure percentages in the operating subsidiaries of the Combined Company were 40.0% held by the public (including Combined Company common stock held by Cantor), 36.0% held by Cantor as BGC Holdings limited partnership interests, and 24.0% held by the founding partners as BGC Holdings limited partnership interests. In addition, concurrently with the merger, and, in the future from time to time, as part of its compensation process, BGC Holdings issued and may issue certain REUs and BGC Partners issued and may issue certain RSUs to certain employees of BGC Partners and other persons who provide services to BGC Partners, which are not given effect to below. The calculation of the economic ownership percentages is described in the following table (in thousands, except percentages):

Ownership	Pre-Merger Common Stock(1)	Issued Common Stock(2)	Issued BGC Holding Units(3)	Total	Percentage(4)
Class A and Class B common stock and options to acquire Class A common stock held by the public(5)	52,651	21,969		74,620	40.0%
BGC Holdings units held by founding partners			44,821	44,821	24.0
BGC Holdings units held by Cantor			67,070	67,070	36.0
Total assumed shares of our common stock/BGC holdings units outstanding April 1, 2008	52,651	21,969	111,891	186,511	100.0%

(1) Common stock amounts represent total Combined Company common stock including common stock options outstanding at April 1, 2008.

(2) Reflects shares issued by the Combined Company to Cantor as consideration for Maxcor. A separate valuation was performed on Maxcor on May 25, 2007 to determine the amount of shares to be issued in the merger.

(3) Reflects the issuance of BGC Holdings units to the founding partners and Cantor upon completion of the merger. As part of the separation and the merger, founding partners had each of their Cantor units redeemed for 10 founding partner interests and two distribution rights. Cantor partners had each of their Cantor units redeemed for a new Cantor unit and two distribution rights, and they did not receive any founding partner interests as they are not BGC Holdings founding partners. Cantor is obligated to distribute an aggregate of 33.4 million shares of our common stock, including an aggregate of 7.9 million shares of our common stock to the founding partners.

(4) The collective management of BGC Partners, including founding partners and certain executives of Cantor who hold BGC Partners management positions, own approximately 32.6% of the Combined Company. This is derived by taking founding partner interest of 24.0% of the Combined Company (calculated above) and adding the impact of the 8.0 million distribution rights held by the Cantor executives who hold BGC Partners management positions (or 4.3% of the Combined Company) and 7.9 million distribution rights attributable to founding partners (or 4.3% of the Combined Company). For purposes of the table above, these distribution rights are a component of the 67.1 million units of BGC Holdings units held by Cantor. These amounts exclude any shares of our Class A common stock, Class B common stock or options previously granted to, held directly by, or held beneficially, or otherwise controlled by the executives of BGC Partners.

(5) Included in the balance are shares of Class A and Class B common stock held by Cantor of 11.2 million and 31.8 million, respectively. Also included in the balance are 1.1 million shares held by officers of Cantor as public shareholders.

Table of Contents

The economic ownership percentages calculated above determine certain income statement and balance sheet allocations in BGC Partners, Inc. s pro forma consolidated financial statements as of December 31, 2007. The allocations are calculated below (in thousands, except per share data and percentages):

Consolidated Statement of Operations	**Units/ Shares**	**%**	**Amount**
Net income allocations			
Pro forma consolidated BGC Partners, Inc. net income prior to allocations to founding partners and Cantor			$ 44,892
Founding/working partners net income allocation percentage and compensation charge based on a pro rata ownership in the Combined Company.		24.0%	(10,774)
Cantor minority interest allocation percentage and charge based on a pro rata ownership in the Combined Company.		36.0%	(16,161)
BGC Partners, Inc. net income after founding partner distributions and minority interest allocations			$ 17,957
Basic and Fully Diluted Share Calculations			
Basic weighted average shares of common shares outstanding(1)	72,435		
Stock options	934		
Restricted stock units	222		
BGC Holdings units held by founding partners(2)	44,821		
BGC Holdings units held by Cantor(2)	67,070		
Total fully diluted weighted average shares outstanding	185,482		
Earnings Per Share Calculations			
Basic earnings per share			
Pro forma consolidated BGC Partners, Inc. net income			$ 17,957
Basic weighted average shares outstanding	72,435		
Basic earnings per share			$ 0.25
Fully diluted earnings per share			
Pro forma consolidated BGC Partners, Inc. net income adjusted to add back net income allocations to founding partners and Cantor minority interest allocations			$ 44,892
Total fully diluted weighted average shares outstanding	185,482		
Fully diluted earnings per share			$ 0.24
Consolidated Statement of Financial Condition			
BGC Holdings founding partners(3)	52,740	28%	$ 57,720
BGC Holdings units held by and minority interest allocation to Cantor at the assumed time of the merger(4)	59,151	32%	142,670
Public company shares of common stock outstanding and stockholder equity allocation at the time of the merger	74,620	40%	179,981
Total mandatorily redeemable partnership interest, minority interest and stockholders equity	186,511	100%	$ 380,371

(1) The weighted average basic common shares outstanding amounts of 50.5 million shares was taken from eSpeed s consolidated financial statements included elsewhere in this prospectus. The pro forma consolidated Combined Company basic weighted average common shares

takes that share amount and includes our Class A common stock and our Class B common stock issued by the Combined Company to Cantor as consideration for Maxcor assuming those shares were outstanding for the entire year ended December 31, 2007.

(2) Data is as of April 1, 2008.

Table of Contents

(3) The value of founding partner interests in the Combined Company reflects the assumed book value of the distribution rights and founding partner interests issued in connection with the separation. In the separation, the founding partners received distribution rights of 7.9 million and founding partner interests of 44.8 million totaling 52.7 million units times the book value of $1.09 which is calculated as the value of the BGC Division s net assets at separation of $146.5 million divided by 133.9 million of total shares and rights to receive shares issued in connection with the merger.

(4) This amount excludes 7.9 million of distribution rights attributable to founding partners.

Separation: BGC Partners separation from Cantor, which is described in more detail in the Certain Relationships and Related Transactions Separation Agreement section of this prospectus.

Sale of Partnership Interests: Following the separation, but prior to the merger, certain limited partners of Cantor and certain founding partners sold to Cantor for cash all or a portion of the distribution rights and/or BGC Holdings founding partner interests held by such persons, or, in the case of Mr. Lee Amaitis, his limited partnership interests in Cantor were redeemed by Cantor for cash. Specifically, in connection with the separation and prior to the merger, Messrs. Amaitis, Lynn and Merkel, as well as two other individuals who are employed by us or one or more of our affiliates, used some of the proceeds that they received in respect of the purchases of distribution rights and/or BGC Holdings founding partner interests and/or redemption of their Cantor limited partnership interests to repay certain loans made or guaranteed by Cantor for repayment of borrowings to their applicable lenders or for payment of required capital contributions, for the substantial majority of which Cantor was the lender, or in the case of capital contributions, the recipient, and the remainder of which were guaranteed by Cantor. These transactions resulted in a reduction in pro forma equity and cash and cash equivalents on the supplemental consolidated Combined Company s statement of financial condition. To settle the loan balances, Messrs. Lynn, Merkel and two other individuals who are employed by one or more of BGC s affiliates immediately after the separation sold to Cantor, for cash, distribution rights and/or founding partner interests provided to them in connection with the redemption of their Cantor limited partnership interests in connection with the separation at a price per interest or share equal to the closing price of eSpeed Class A common stock on the date of closing of the merger, which price was $11.75 per share. The distribution rights and founding partner interests were derived by taking each of the identified partner s Cantor partnership units and exchanging each of the Cantor units held for two distribution rights and 10 founding partner interests in the Combined Company. Mr. Merkel did not receive a founding partner interest. Cantor redeemed a portion of Mr. Amaitis Cantor limited partnership interests for $135.00 a unit at the same time. This price is based on a value determined by Cantor. The amount of the compensation charge is based on the closing price of eSpeed Class A common stock at the date of the transaction, or in Mr. Amaitis case the $135.00 value determined by Cantor, less the partner s basis in their Cantor interest or distribution rights and founding partner interests required to settle the outstanding debt at such date. Partner basis is based on the value of each partner s capital accounts at the time of the merger divided by their total units. The total amount of BGC executive officer debt on April 1, 2008 was $58.1 million. The sale of the distribution rights, founding partner interests and Cantor interests generated a compensation charge of $48.8 million in the first quarter of 2008. Terms of the loan repayment are described in more detail in the Certain Relationships and Related Transactions Repayment of Existing Loans and Required Capital Contributions section of this prospectus.

Under SEC Regulation S-X, Rule 11-02 (b)(5), The pro forma condensed income statement shall disclose income (loss) from continuing operations before nonrecurring charges or credits directly attributable to the transaction. Material nonrecurring charges

Table of Contents

or credits and related tax effects which result directly from the transaction and which will be included in the income of the registrant within the 12 months succeeding the transaction shall be disclosed separately. Therefore, this compensation charge is not considered in the pro forma consolidated statement of operations for the Combined Company.

The following table shows the calculation of the projected compensation charge in connection with the redemption of the executive officers Cantor interests or distribution rights and founding partner interests (in thousands, except for price and cost basis data):

Executive Officer	Total Loan Outstanding(a)(b)	Share Redemption Price	Cantor Interest	Distribution Rights and BGC Holdings Founding Partner Interests Required to Repay Outstanding Loan	Cost Basis(a)	Compensation Charge (Total Proceeds Less Cost Basis) From Sale
Lee Amaitis	$ 46,283	$ 135.00	373		$ 39.46	$ 35,678
Shaun Lynn	8,096	$ 11.75		1,102	$ 2.91	9,744
Stephen Merkel	466	$ 11.75		41	$ 2.89	352
Other executives	3,265	$ 11.75		343	$ 2.93	3,022
Totals	$ 58,110		373	1,485		$ 48,796

—

(a) Outstanding loan balances and partner cost basis were based on March 31, 2008 Cantor partnership data.
(b) Loan balances include accrued interest.

Issuance of Additional Partnership Interests: Immediately after the redemption, Cantor provided Messrs. Amaitis and Lynn with 1,100,000 and 200,000, respectively, of additional BGC Holdings founding partner interests, that were immediately exchangeable into shares of Class A common stock in the Combined Company (see Exchangeability of Partnership Interests below). Mr. Lynn also had 400,000 units of his existing founding partner interests become immediately exchangeable into shares of Class A common stock in the Combined Company. The additional founding partner interests were treated as 100% compensation and Mr. Lynn s existing partnership interests that became immediately exchangeable were treated as compensation to the extent the assumed share price exceeds his basis. The value of the interest is based on the closing price of eSpeed Class A common stock on the closing date of the merger, which price was $11.75 per share. Additionally, the remaining founding partner interests held by Messrs. Amaitis and Lynn are exchangeable over a set timetable described in the Exchangeability of Partnership Interests section below. The grants of additional founding partner interests and the activation of exchangeability on all founding partner interests held by Messrs. Amaitis and Lynn resulted in a compensation charge of $37.4 million in the first quarter of 2008.

As described in the Sale of Partnership Interests bullet above, this charge is one-time in nature; therefore under SEC Regulation S-X, Rule 11-02 (b)(5), the compensation charge will not be considered in the pro forma consolidated statement of operations for the Combined Company.

Merger Structure: The structure of the merger, which includes the issuance of 133,860,000 shares of Combined Company common stock and rights to acquire shares

69

of Combined Company common stock and Cantor s exchangeable interest and the founding partner interests. The structure of the merger is described in more detail in the Structure of BGC Partners section of this prospectus.

Exchangeability of Partnership Interests: The BGC Holdings founding partner interests that Cantor has provided are exchangeable with us for Class A common stock on a one-for-one basis (subject to customary anti-dilution adjustments), in accordance with the terms of the BGC Holdings limited partnership agreement, as follows:

20% of the BGC Holdings founding partner interests held by each founding partner (other than Messrs. Amaitis and Lynn) became exchangeable upon the closing of the merger, with one-third of the shares receivable by such BGC Holdings founding partner upon a full exchange becoming saleable on each of the first, second and third anniversaries of the closing of the merger (subject to acceleration), subject to applicable law;

(1) 1,100,000 of the 3,160,215 BGC Holdings founding partner interests held by Mr. Amaitis at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 60% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 80% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, and (5) 100% of such BGC Holdings founding partner interests (less the Amaitis applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Amaitis will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Amaitis letter agreement), with the shares received by Mr. Amaitis upon exchange being immediately saleable, subject to applicable law; and

(1) 600,000 of the 2,515,898 BGC Holdings founding partner interests held by Mr. Lynn at the closing of the merger became exchangeable upon the closing of the merger, (2) 40% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the second anniversary of the closing of the merger, (3) 50% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the third anniversary of the closing of the merger, (4) 60% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fourth anniversary of the closing of the merger, (5) 70% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the fifth anniversary of the closing of the merger, (6) 80% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the sixth anniversary of the closing of the merger, (7) 90% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the seventh anniversary of the closing of the merger, and (8) 100% of such BGC Holdings founding partner interests (less the Lynn applicable shares) will become exchangeable on the eighth anniversary of the closing of the merger (and any exchange of founding partner interests by Mr. Lynn will be subject to the terms and conditions of the BGC Holdings limited partnership agreement and the Lynn letter agreement), with the shares received by Mr. Lynn upon exchange being immediately saleable, subject to applicable law.

Table of Contents

Finance Restructuring: In connection with the separation, BGC U.S. assumed the liabilities of Cantor in respect of Cantor s senior notes pursuant to the note purchase agreement. See Certain Relationships and Related Transactions Separation Agreement Separation and Contribution. The obligations of BGC U.S. under the BGC U.S. notes have been guaranteed by the Combined Company pursuant to the Combined Company guaranty and by Cantor pursuant to a guaranty, dated as of March 31, 2008, which we refer to as the Cantor guaranty. Pursuant to a letter agreement between Cantor and BGC Partners, dated as of March 31, 2008, the letter agreement, Cantor agreed to immediately reimburse the Combined Company in the event that the Combined Company pays any amount under the Combined Company guaranty. The BGC U.S. notes bear interest, payable semi-annually, at a rate of 5.19% per annum; provided, however, that this rate is increased by 0.25% per annum for any fiscal quarter during which the consolidated debt of the Combined Company exceeds 55% but not 60% of its consolidated capitalization, as such terms are defined in the Combined Company guaranty. The interest rate increases by 0.50% per annum during any period in which any holder of a BGC U.S. note is required under applicable insurance regulations to post reserves with respect to the BGC U.S. notes greater than the reserve requirement, as such term is defined in the note purchase agreement, in effect immediately prior to March 31, 2008. Pursuant to the separation agreement, the Combined Company will make semi-annual payments to Cantor during the term of the BGC U.S. notes equal to the difference between 7.5% and the applicable interest rate of the BGC U.S. notes.

Accounting for the Combined Company: The transaction contemplated by the merger agreement was accounted for as a combination of entities under common control. For this purpose, eSpeed was deemed the acquirer and the BGC Division was deemed the acquiree. The Statement of Financial Accounting Standards, which we refer to as SFAS, No. 141 requires that in a transaction between entities under common control, the net assets of the acquiree, the BGC Division, be recognized at their carrying amounts in the accounts of the transferring entity at the date of transfer; which for purposes of the statement of financial condition is assumed to be December 31, 2007.

Consolidation: The businesses of the Combined Company are held under two subsidiaries: BGC U.S., which holds the U.S. businesses, and BGC Global, which holds the non-U.S. businesses. The Opcos are consolidated under Emerging Issues Task Force 04-05, 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, as it has been determined there are no variable interest entities.

The pro forma adjustments do not reflect any operating efficiencies or inefficiencies which may result from the transactions contemplated by the merger agreement. Therefore, the Unaudited Pro Forma Consolidated Financial Data are not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented or the results that the Combined Company will experience after the transactions contemplated by the merger agreement are completed. In addition, the preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are preliminary and have been made solely for purposes of developing the Unaudited Pro Forma Consolidated Financial Data. Actual results could differ, perhaps materially, from these estimates and assumptions.

Table of Contents

BGC PARTNERS, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2007

(in thousands, except per share data)

	eSpeed			BGC Division				BGC Partners, Inc.		
	Historical eSpeed	Separation from Cantor (a)	Adjusted Pro Forma eSpeed Stand-Alone	Historical BGC Division	Separation from Cantor (b)	Debt Restructuring (c)	Adjusted Pro Forma BGC Partners Stand-Alone	eSpeed and BGC Division Eliminations (d)	Distributions to Founding Partners/ Minority Interest	Pro Forma BGC Partners, Inc.
Revenues:										
Transaction revenues										
Fully electronic transactions with related parties	$ 63,941	$ (5,278)	$ 58,663	$	$		$	$ (58,663)(1)(6)	$	$
Fully electronic transactions with unrelated parties	2,395		2,395					(2,395)(6)		
Total fully electronic transactions	66,336	(5,278)								