FOCUSED ON EXCELLENCE

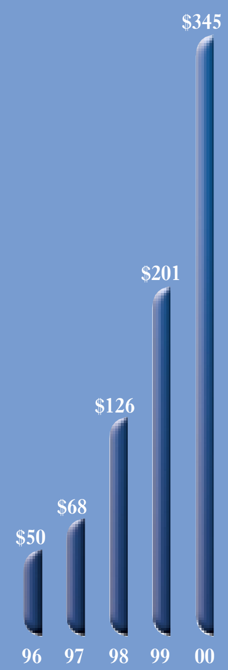
LABRANCHE & CO INC. ANNUAL REPORT 2000

SELECTED FINANCIAL & OPERATIONAL DATA

LaBranche & Co Inc. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31,	2000	1999	1998
Income Statement Data:			
Revenues	**$ 344.8**	$ 201.0	$ 126.4
Net Income	**$ 81.9**	$ 29.0	$ 2.7
Balance Sheet Data:			
Working Capital	**$ 366.5**	$ 229.5	$ 104.3
Total Assets	**$1,004.1**	$ 505.9	$ 272.2
Total Long-Term Debt	**$ 397.8**	$ 162.3	$ 48.1
Stockholders' Equity	**$ 370.9**	$ 252.0	$ 77.1
Operational Data:			
Number of our Common Stock Listings	**386**	271	284
Total Share Volume on the NYSE of our Specialist Stocks (in billions)	**53**	26	20
Total Dollar Volume on the NYSE of our Specialist Stocks (in billions)	**$ 2,213**	$ 1,209	$ 950
NYSE Average Daily Trading Share Volume (in millions)	**1,042**	809	674

(In millions, except for Operational Data)



LaBranche Revenue Growth

Michael LaBranche
Chairman, President
and CEO

Your Company generated substantial results in 2000 and made progress in many new endeavors. In our first full year as a public company, we achieved strong financial results and successfully integrated the acquisitions of two New York Stock Exchange Specialist firms that significantly increased our market share. These and other strategic actions positioned LaBranche to take advantage of the many opportunities that exist in the evolving equity markets. With the acquisition of Robb Peck McCooey Financial Services, Inc. completed this month, LaBranche has doubled its size in terms of market share, capital base and number of listed companies since its initial public offering in August 1999. Today, LaBranche represents approximately 27% of the NYSE's dollar and share volume traded, compared to 14% at the time of our IPO in 1999. Our portfolio of listed companies now numbers 512 and makes us a clear leader in our industry.

LaBranche's leadership is evident in the number and quality of our listed companies, our growing market share and enhanced financial performance. Our success, however, is also measured in the quality of service we deliver to our listed companies. Our focus is not on being the biggest NYSE Specialist, but on being the best. In today's markets, these two qualities, leadership and service, have become inextricably linked. Our leadership can be seen in our strong capital position, which enables us to make superior markets for our issuers. LaBranche's advanced technology complements the excellent service provided by our Specialists and corporate relations team. In everything we do, we are focused on excellence.

Strong Financial Results Your Company's revenues rose 72% to $345 million in 2000 from $201 million a year earlier. Net income grew substantially to $82 million, or $1.69 per diluted share, from $29 million, or $0.72 per diluted share in 1999. Cash earnings in 2000 were $102 million, or $2.10 per share. This excellent financial performance reflects a number of factors including higher NYSE trading volumes, the addition of 147 listed companies from the acquisitions of Henderson Brothers and Webco Securities, and an increased role for the Specialist as a result of market structure changes.

Executing Our Growth Strategy At the time of our IPO, we said that a public company structure with access to the capital markets would enable us to execute our growth strategy. As a public company with access to capital, we make better markets for our listed companies. In addition, since our IPO, we have been able to increase our market share and are now the leading Specialist on the NYSE. Here is where we focused in 2000:

- In March, we acquired Henderson Brothers and Webco Securities. These two Specialist firms added 113 and 34 listed companies, respectively, to LaBranche's portfolio, including two Dow Jones Industrial Average stocks and 28 S&P 500 Index stocks. As expected, both acquisitions were accretive to our earnings.
- October brought another significant transaction announcement for LaBranche — the Company's sixth acquisition in four years. The Robb Peck McCooey acquisition added 129 NYSE common stock listings to LaBranche's portfolio, including three Dow Jones Industrial Average stocks and 22 S&P 500 Index issues. Among the industry-leading stocks we acquired were Bristol-Myers Squibb, DuPont, Eastman Kodak, Nippon Telephone & Telegraph, Philip Morris, United Parcel Service and Wells Fargo. We also acquired Robb Peck McCooey's clearing business, which represents a new growth channel for LaBranche.
- In December, LaBranche started trading options on the American Stock Exchange with the purchase of the Specialist unit previously operated by a joint venture of Midland Trading L.P., Pal-Bro Partners L.L.C. and Cohen Specialists L.L.C. We will continue to explore opportunities to expand our presence in the growing and consolidating options market, which is consistent both with LaBranche's commitment to the listed auction market and our overall growth strategy.
- LaBranche continued to improve productivity through the use of alternative trading systems, web-based order delivery systems and wireless technologies. We are confident that embracing technology represents a significant opportunity for LaBranche. We

targeted investments in state-of-the-art technologies and trading systems that will more closely link us to our customers and foreign markets. • LaBranche continued to focus on the globalization of world equity markets. During 2000, we won 11 new listings of foreign equities. Today, LaBranche trades 98 foreign equities, including 30 listings acquired in the Robb Peck transaction. That is more than any other NYSE Specialist. • In 2000, we strengthened our management team and expanded our Board of Directors. Harvey S. Traison joined us in March as Senior Vice President, Chief Financial Officer and joined our Board of Directors. Harvey had previously been Vice President, Treasurer and Director of DaimlerChrysler North America Holding Corporation and DaimlerChrysler Canada Finance Inc. Also joining the Board in March as an outside director was Thomas E. Dooley, who is currently Co-Chairman and Chief Executive Officer of DND Capital Partners, a venture capital and investment advisory firm that specializes in media and telecommunications. We are honored and gratified to welcome two individuals with such tremendous experience and knowledge.

As we look back on a successful year, we are proud of our ability to grow both organically and through acquisitions while always focusing on delivering value to our customers. Our operating philosophy is to improve market quality through superior Specialist performance. We view our listed companies as our partners, and we endeavor to provide the highest level of service to them. We also reaffirm our commitment to create long-term value for our shareholders. We thank all of you — our shareholders, listed companies, employees and the NYSE — for your support. We look forward to working with you in the coming year.

Michael LaBranche, Chairman, President and CEO. March 16, 2001

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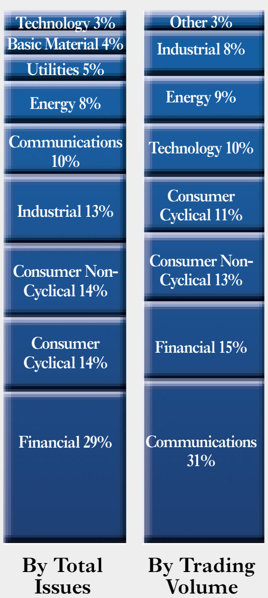
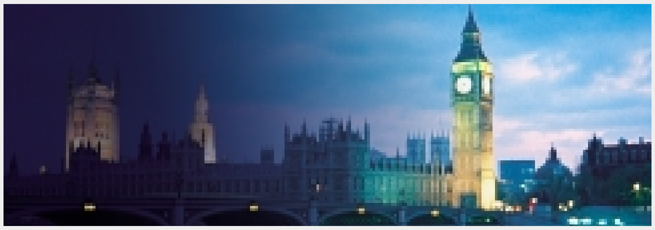
The past ten years have been a period of dynamic growth and change in the U.S. equity markets. Trading volumes on the New York Stock Exchange (NYSE) have increased dramatically, driven by strong economic conditions, new issues, the move from eighths to sixteenths in share quotations and unprecedented participation by investors. The rapid growth of mutual funds and self-directed pension plans reflects changes in the way Americans invest and plan for their retirement. In 2000, average daily volume on the NYSE rose to more than one billion shares. That's 29% higher than 1999 and more than a five-fold increase in average daily trading volumes since 1990. With the adoption of decimalization by the NYSE in January 2001, trading volumes are expected to increase at an even faster pace. • LaBranche & Co Inc. has been in an excellent position to participate in and benefit from these changes. As a NYSE Specialist, LaBranche plays an essential role in the auction market system. We act as agent, auctioneer, catalyst and principal. From its posts on the floor of the NYSE, the firm takes a proactive role in bringing together buyers and sellers, all the while fulfilling its obligation to maintain fair and orderly markets in the stocks it trades. LaBranche's commitment to its listed companies extends beyond its obligation. The Company is dedicated to providing superior service to its listed companies. • Substantial resources, including a strong capital position, experienced senior management and Specialists, a dedicated corporate relations team and a sophisticated technological infrastructure, back LaBranche's commitment. • The Company's consistent focus on excellence — the theme of this year's annual report — has enabled it to become a leader among NYSE Specialists. Today, LaBranche has more than $800 million in capital, represents 512 listed companies and is responsible for approximately 27% of the dollar and share volume traded on the NYSE. Since its initial public offering in August 1999 and including the March 2001 acquisition of Robb Peck McCooey Financial Services, Inc. (RPM), LaBranche has doubled its size in terms of market share, capital base and number of listed companies. • LaBranche extended its leadership in other ways. It is evident in the quality of its listed companies, which are a force in the U.S. and international economies. The Company's issuers include recognized names such as AT&T, Compaq, Exxon Mobil and Nokia. The diversity of the represented industry groups can be seen in the names The Gap, Merck, Philip Morris and Qwest. And with Agilent and Computer Sciences Corporation among its issuers, the technology sector is well represented. The global market capitalization of the companies we represent is 26% larger than the entire market capitalization of the NASDAQ, 61% larger than the Tokyo Stock Exchange and twice the size of the London Stock Exchange. • LaBranche is also first among NYSE Specialists in the number of foreign equities it represents. With its recent acquisition of RPM, LaBranche represents 98 foreign listings, up from 44 prior to its initial public offering. With the continued globalization of equity markets, LaBranche is taking additional steps to strengthen its European and other international ties.



LaBranche Industry Weightings (As of 12/31/2000)



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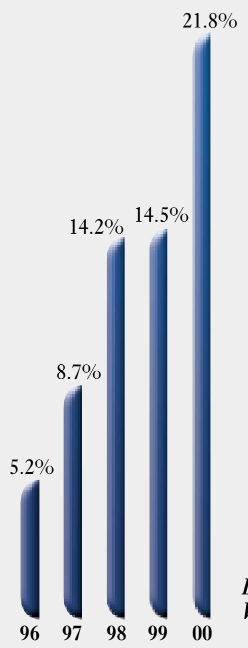
Focused Growth Strategy In the 1990s, LaBranche recognized the accelerating changes in equity markets. At the New York Stock Exchange, rapidly growing trading and dollar volumes were placing new demands on Specialists. Capital requirements were increasing and listed companies, more than ever before, were looking for the kind of insight and service that only a Specialist could provide. • This changing landscape led to a wave of consolidation of NYSE Specialists. LaBranche has been a key participant, acquiring six firms since 1997. Fiscal 2000 and early 2001 were a particularly active period. In March 2000, the Company completed the acquisition of Henderson Brothers and Webco Securities, adding 147 listed companies. By September, the integration was complete. In March 2001, LaBranche completed the acquisition of RPM. We are convinced that the addition of 129 industry-leading stocks to LaBranche's already impressive portfolio of companies will provide a meaningful contribution to the bottom line in the coming year. • As the consolidation among NYSE Specialists proceeds, we are confident that LaBranche's strong financial position and proven track record will enable it to continue as an active participant. • LaBranche is also pursuing opportunities to grow through acquisitions of related businesses. In the fourth quarter of 2000, LaBranche purchased an American Stock Exchange Specialist unit that has enabled it to begin trading options on that exchange. In addition, the RPM acquisition included a clearing operation, which represents another growth channel for the Company and complements the clearing operation at its Henderson Brothers subsidiary. • LaBranche's leading position and strong reputation for service enabled it to win a number of new listings. For the year, LaBranche added 17 companies, including 11 foreign equities, to its portfolio. Among them are Avaya Inc., Novartis, PetroChina Company, Publicis Group, Qwest Communications, TyCom Ltd., TELUS Corp. and United Microelectronics Corp.



LaBranche % of Dollar Volume on the NYSE

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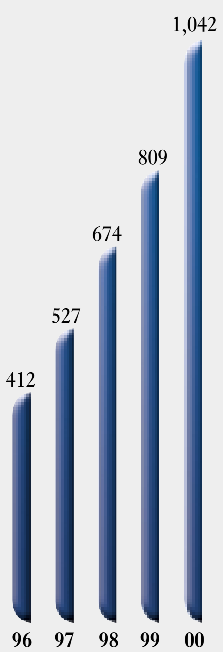
C*ommitment to Technological Excellence* The incredible growth in equity markets has required significant advancements in technology. The emergence of new systems has, in turn, fostered greater participation in the equity markets. LaBranche has embraced these new technologies. The Company's primary focus has been the use of recent innovations in communications and data processing to bring its customers closer to the markets. Combining these efforts with the New York Stock Exchange's, LaBranche has been able to enhance the superior pricing of the auction market with increased speed and transparency. At the same time, the new broadband technologies have enhanced the economics of execution at LaBranche's subsidiary Henderson Brothers. • At Henderson Brothers, easy-to-use web-based order management and delivery platform technology, developed by Internet Trading

Technologies (ITTI), another subsidiary, provides customers a sophisticated connection to the point of sale on the NYSE floor. Because these customers continue to use their existing trading and communications systems, this connection to the NYSE comes at minimum cost and takes no additional space on their trading desks. ITTI's technology combines information from the exchange floor and a clear picture of current trading activity. • LaBranche is confident that the application of technology will create substantial long-term opportunities for the Company. The growth of alternative trading systems, including electronic communications networks (ECNs), the internet and wireless technologies will continue to produce higher trading volumes. Most importantly, the back-end capabilities and resources that LaBranche possesses, including one of the largest and lowest-cost pools of available liquidity, position LaBranche to be an important component of this evolving landscape.



NYSE Volume
(Millions of shares)

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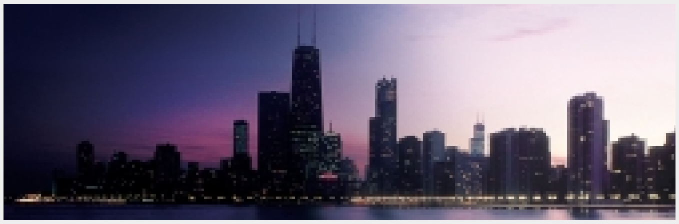
Unwavering Commitment to Service As LaBranche has grown, it has maintained a constant focus on providing its listed companies with the highest quality of service. LaBranche understands that its achievements and progress have come from viewing its listed companies as partners. This commitment guides LaBranche in everything it does. As a result, LaBranche has developed a roster of listed company services that sets the standard for NYSE Specialists. First, its Specialists and corporate relations team are an important source of real-time news and analysis, working closely with senior management to keep them apprised of important trends in the market, their stocks and the industries in which they operate. In addition, LaBranche hosts an annual Listed Company Conference, and maintains a comprehensive web site to keep its listed companies up to date on developments impacting them and their shareholders. LaBranche also tracks its progress each year through a Listed Company Survey conducted by an independent research firm. The measure of LaBranche's success is evident in the overwhelmingly positive survey responses it has received year after year. • LaBranche's ability to make superior markets in its clients' stocks also depends on the quality of its professionals. At LaBranche, the Specialists and experienced management team are its most valuable resources. The senior members of this team bring an average of more than 30 years of experience to the trading floor. LaBranche's experience is second to none. • The Company has also built unmatched capabilities for dealing with special situations — including challenging or volatile market events, such as initial public offerings, mergers and acquisitions or rating changes by influential research analysts. The special situations team is comprised of experienced Specialists and trading assistants who can be deployed to ensure that LaBranche meets all its obligations to the companies it serves, whatever the circumstances. • The dedicated and talented LaBranche team constantly strives to better serve the needs of its listed companies.

LaBranche Total Employees (As of Year End)



ABN	ABN Amro Holding N.V.
AIF	Acceptance Insurance Company, Inc.
ACG	ACM Government Income Fund Inc.
ATU	Actuant Corp. *
ADX	Adams Express Company (The)
ADO	Adecco S.A.
ASF	Administaff, Inc.
RKY	Adolph Coors Company
MKT	Advanced Marketing Services, Inc.
ASX	Advanced Semiconductor Engineering Inc.
AG	AGCO Corp.
A	Agilent Technologies, Inc.
ALK	Alaska Air Group, Inc.
AIN	Albany International Corp.
ARE	Alexandria Real Estate Equities, Inc.
Y	Alleghany Corporation
AGN	Allergan, Inc.
ALE	Allete
AWF	Alliance World Dollar Government Fund II, Inc.
ATK	Alliant Techsystems Inc.
ALS	Alstom S.A.
AWA	America West Holdings Corporation
AEP	American Electric Power Company
AXP	American Express Company
AFG	American Financial Group, Inc.
AXT	American Municipal Term Trust Inc.
ARL	American Realty Investors, Inc. *
INV	American Residential Investment Trust, Inc.
AWK	American Water Works Company, Inc.
AML	AMLI Residential Properties Trust
APN	Applica Incorporated
AIT	Applied Industrial Technologies, Inc.
APW	APW Ltd. *
ADM	Archer-Daniels-Midland Company
ACK	Armstrong World Industries, Inc.
PAP	Asia Pulp & Paper Company Ltd.
T	AT&T Corp.
AWE	AT&T Wireless Group
CGO	Atlas Air Worldwide Holdings, Inc.
ATO	Atmos Energy Corporation
ANZ	Australia & New Zealand Banking Group, Ltd.
OST	Austria Fund (The)
ALV	Autoliv Inc.
AV	Avaya Inc.
AVY	Avery Dennison Corporation
BEZ	Baldor Electric Company
BBV	Banco Bilbao Vizcaya Argentaria S.A.
SAN	Banco Santiago
CIB	Bancolombia S.A.
BGR	Bangor Hydro-Electric Company
IRE	Bank of Ireland Group
BN	Banta Corporation *
ABX	Barrick Gold Corporation *
BOL	Bausch & Lomb Inc.
BWC	Belden Inc.
BMS	Bemis Company, Inc. *
BNG	Benetton Group, S.p.A.
BRK/A	Berkshire Hathaway, Inc.-Class A
BRK/B	Berkshire Hathaway, Inc.-Class B
BRY	Berry Petroleum Company
BJ	BJ's Wholesale Club, Inc.
BTM	Blackrock 2001 Term Trust
BBI	Blockbuster Inc.
BLT	Blount International, Inc.
BMM	BMC Industries, Inc.
BMC	BMC Software, Inc.
BEI	Boardwalk Equities Inc.
RST	Boca Resorts Inc.
BCU	Borden Chemicals & Plastics Limited Partnership
BWA	Borg Warner Inc.
BTF	Boulder Total Return Fund Inc.
BOY	Boykin Lodging Company
BRE	BRE Properties, Inc.
BMY	Bristol-Myers Squibb Company
BGY	British Energy plc
BWS	Brown Shoe Company, Inc.
BF/A	Brown-Forman Corp.-Class A
BF/B	Brown-Forman Corp.-Class B
BPL	Buckeye Partners, L.P.
BBR	Butler Manufacturing Co.
CWP	Cable and Wireless plc
CDT	Cable Design Technologies
CDN	Cadence Design Systems, Inc.
CPT	Camden Property Trust
COF	Capital One Financial Corporation
CSU	Capital Senior Living Corporation
CAR	Carter-Wallace, Inc.
CAE	Cascade Corporation *
CLS	Celestica Inc.
CX	Cemex S.A. de C.V.
CXP	Centex Construction Products, Inc.
CTX	Centex Corporation
CKP	Checkpoint Systems, Inc.
CPG	Chelsea Property Group, Inc.
CSK	Chesapeake Corporation
CHK	Chesapeake Energy Corporation
CHV	Chevron Corporation
SNP	China Petroleum & Chemical Corporation
CHZ	Chittenden Corporation
CI	Cigna Corporation
CIN	Cinergy Corp.
KMX	Circuit City Stores, Inc.-CarMax Group
CC	Circuit City Stores, Inc.-Circuit City Group
CIT	CIT Group, Inc. (The)
CZN	Citizens Communications Company
CCU	Clear Channel Communications, Inc.
CNH	CNH Global N.V.
CMA	Comerica Incorporated
FIX	Comfort Systems USA Inc.
CTV	Commscope, Inc.
GGY	Compagnie Generale de Geophysique S.A.
ABV	Companhia de Bebidas Das Americas
CTC	Compania de Telecommunicaciones de Chile S.A.
CPQ	Compaq Computer Corporation
CSC	Computer Sciences Corporation
CIX	CompX International Inc.
CFD	Conseco Strategic Income Fund
CNC	Conseco, Inc.
CGX	Consolidated Graphics, Inc.
CAL	Continental Airlines, Inc.
COO	Cooper Companies Inc.
CDA	Cordiant Communications Group plc
CPO	Corn Products International, Inc.
CRN	Cornell Corrections, Inc. *
CNO	Cornerstone Propane Partners, L.P.
COY	Corporate High Yield Fund
CPV	Correctional Properties Trust
CO	Corrpro Companies Inc. (The)
CJR	Corus Entertainment Inc.
CUZ	Cousin's Properties Inc.
CR	Crane Co.
CRD/A	Crawford & Company-Class A
CRD/B	Crawford & Company-Class B
CIK	Credit Suisse Asset Management Income Fund
CK	Crompton Corporation
CRW	Crown Crafts, Inc.
CRO	Crown Pacific Partners, L.P.
CSX	CSX Corporation
CFR	Cullen/Frost Bankers, Inc.
CVS	CVS Corporation

DRF Dan River Inc. *
DAL Delta Air Lines, Inc.
DEL Deltic Timber Corporation
DFS Department 56, Inc.
DEO Diageo plc
DME Dime Bancorp, Inc.
DAP Discount Auto Parts, Inc.
DYS Distribucion Y Servicio D&S S.A.
DG Dollar General Corporation
DJ Dow Jones & Company, Inc.
DQE DQE, Inc.
DSF Dresdner RCM Global Strategic Income Fund Inc.
DHF Dreyfus High Yield Strategies Fund
DSM Dreyfus Strategic Municipal Bond Fund, Inc.
LEO Dreyfus Strategic Municipals, Inc.
DST DST Systems, Inc.
DRE Duke-Weeks Realty Corporation
DVI DVI, Inc.
NGT Eastern American Energy Trust
EMN Eastman Chemical Company
EK Eastman Kodak Company
ECL Ecolab, Inc.
DD E.I. du Pont de Nemours and Company
ELK Elcor Corp.
ERJ Embraer Empresa Brasileira de Aeronautica S.A.
ETF Emerging Markets Telecommunications Fund, Inc.
EMR Emerson Electric Co.
ICA Empresas ICA Sociedad Controladora
ELE Endesa, S.A.
EN Enel S.p.A.
EBF Ennis Business Forms, Inc.
ETR Entergy Corporation
ENZ Enzo Biochem, Inc.
ENT Equant N.V.
EQT Equitable Resources, Inc.
EQS Equus II Incorporated
ESS Essex Property Trust, Inc.
EL Estee Lauder Companies Inc.
EXC Exelon Corporation *
EXE/A Extendicare, Inc.-Class A *
XOM Exxon Mobil Corporation
FMN F&M National Corp.
FDS FactSet Research Systems, Inc. *
FIC Fair, Isaac & Company, Inc.
FNL Fansteel Inc.
FRE Federal Home Loan Mortgage Corp.
FMO Federal Mogul Corp.
FRT Federal Realty Investment Trust
FSS Federal Signal Corporation
FMK FiberMark, Inc.
FDC First Data Corp.
FF First Financial Fund, Inc.
FTN First Tennessee National Corporation
FTU First Union Corporation
FUR First Union Real Estate Equity & Mortgage Investments
FLE Fleetwood Enterprises, Inc.
FLS Flowserve Corporation
FTS Footstar, Inc.
F Ford Motor Corp.
FWC Foster Wheeler Corp.
FOX Fox Entertainment Group, Inc.
GPS Gap, Inc. (The)
GCX GC Companies, Inc.
GCO Genesco Inc.
GEN GenRad, Inc.
GGC Georgia Gulf Corp.
GGB Gerdau S.A. *
GER Germany Fund Inc.
GTY Getty Realty Corp.
GSK GlaxoSmithKline plc
GLB Glenborough Realty Trust Incorporated *
GHI Global High Income Dollar Fund, Inc.
GPN Global Payments Inc.
GSB Golden State Bancorp Inc. *
GT Goodyear Tire & Rubber Company (The)
GOT Gottschalks, Inc.
GGG Graco Inc.
GVA Granite Construction Incorporated
GPK Graphic Packaging International Corporation
GCS Gray Communications Systems
GCS/B Gray Communications Systems-Class B
GFR Great American Financial Resources, Inc.
GL Great Lakes REIT
GNI Great Northern Iron Ore Properties
GWL Great-West Life & Annuity Insurance Capital I
GMP Green Mountain Power Corporation
IMY Grupo Imsa, S.A. de C.V. *
TV Grupo Televisa, S.A.
GSH Guangshen Railway Company Limited
GOU Gulf Canada Resources Limited
GRL Gulf Indonesia Resources Ltd.
GSE Gundle/SLT Environmental, Inc.
HCB H&CB
HRB H&R Block, Inc.
HAE Haemonetics Corporation
HAL Halliburton Co.
H Harcourt General, Inc.
HSC Harsco Corporation
HIG Hartford Financial Services Group, Inc.
HVT Haverty Furniture Companies, Inc.
HVT/A Haverty Furniture Companies, Inc.-Class A
HE Hawaiian Electric Industries, Inc.
HCC HCC Insurance Holdings, Inc.
HR Healthcare Realty Trust
HPS HealthPlan Services Corporation
HXL Hexcel Corporation
HIC Highland Insurance Group, Inc.
HRH HILB Rogal & Hamilton Company
HNZ H.J. Heinz Company
HBI Home Base Inc.
HI Household International, Inc.
HWL Howell Corporation
HBC HSBC Holdings plc
HNP Huaneng Power International, Inc.
HYC Hypercom Corporation
HTR Hyperion Total Return Fund
IEX IDEX Corporation *
IMN Imation Corp.
IMJ Indiana Michigan Power Company
ING ING Groep N.V.
IMB Intercapital Insured Municipal Bond Trust
ICM Internacional de Ceramica, S.A. de C.V.
IAL International Aluminum Corp.
IMC International Multi-Foods Corporation
IPL IPALCO Enterprises Inc.
IRS IRSA Inversiones Y Representaciones S.A.
ITA Italy Fund, Inc.
J J Net Enterprises, Inc.
JEC Jacobs Engineering Group Incorporated
JFC Jardine Fleming China Region Fund, Inc.
JEF Jefferies Group, Inc.
JS Jefferson Smurfit Group plc
JLG JLG Industries, Inc.
JAS/A Jo-Ann Stores, Inc.-Class A
JAS/B Jo-Ann Stores, Inc.-Class B

JH	John H. Harland Co.
PPF	John Hancock Patriot Preferred Dividend Fund
JW/A	John Wiley & Sons, Inc.-Class A
JW/B	John Wiley & Sons, Inc.-Class B
JLL	Jones Lang LaSalle Incorporated
JRC	Journal Register Company
KPP	Kaneb Pipeline Partners, L.P.
KAB	Kaneb Services, Inc.
KLT	Kansas City Power & Light Company
KCS	KCS Energy Inc.
KWD	Kellwood Co.
KNT	Kent Electronics Corporation
KM	Kmart Corporation *
KE	Koger Equity Inc.
PHG	Koninklijke Philips Electronics N.V.
KFY	Korn/Ferry International
KR	Kroger Co. (The)
KUB	Kubota Corporation
LRW	Labor Ready, Inc.
LFL	Lan Chile S.A.
LHO	LaSalle Hotel Properties
LAQ	Latin American Investment Fund, Inc. (The)
LEE	Lee Enterprises, Incorporated *
LEH	Lehman Brothers Holdings, Inc.
LII	Lennox International, Inc.
LXP	Lexington Corporate Properties Trust
LNN	Lindsay Manufacturing Co.
LIN	Linens N' Things
LDG	Longs Drug Stores, Inc.
LOR	Loral Space and Communications Ltd.
LOW	Lowes Companies, Inc.
LU	Lucent Technologies Inc.
LYO	Lyondell Chemical Company
MTB	M&T Bank Corporation
MRD	MacDermid, Incorporated
TUC	Mac-Gray Corporation
MTA	Magyar Tavkozlesi RT ("MATAV")
MHY	Managed High Income Portfolio, Inc.
MTU	Managed Municipal Portfolio II, Inc.
MMU	Managed Municipals Portfolio Inc. *
HCR	Manor Care, Inc.
MAN	Manpower Inc.
MTZ	MasTec, Inc.
MAV	Mavesa, S.A.
MEA	Mead Corporation
MT	Meditrust Corporation
MDT	Medtronic, Inc.
MRK	Merck & Co., Inc.
MCY	Mercury General Corp.
MDP	Meredith Corp.
TMR	Meridian Resource Corporation (The)
MSB	Mesabi Trust CTFS
MX	Metso Corporation
MRR	Mid-Atlantic Realty Trust
MZ	Milacron Inc.
MLR	Miller Industries, Inc.
MMM	Minnesota Mining & Manufacturing Company
MNA	Minnesota Municipal Term Trust
GRO	Mississippi Chemical Corporation *
MND	Mitchell Energy Development Corporation
MHK	Mohawk Industries, Inc.
MNY	MONY Group Inc. (The)
MCL	Moore Corporation Ltd.
MGC	Morgan Grenfell Smallcap Fund
MOR	Morgan Keegan, Inc.
IIC	Morgan Stanley California Insured Income Trust
MWD	Morgan Stanley Dean Witter & Co.
BGS	Morgan Stanley Dean Witter (Bridges)
MSD	Morgan Stanley Dean Witter Emerging Markets Debt Fund
MGB	Morgan Stanley Dean Witter Global Opportunity Bond Fund
YLT	Morgan Stanley Dean Witter High Income Advantage Trust II
ICB	Morgan Stanley Dean Witter Income Securities
OIC	Morgan Stanley Dean Witter Municipal Income Opportunity Trust III
IQN	Morgan Stanley Dean Witter New York Quality Municipal Securities
IQT	Morgan Stanley Quality Municipal Investment Trust
MHF	Municipal High Income Fund
MNP	Municipal Partners Fund Inc.
MVT	Munivest Fund II, Inc.
MIY	Muniyield Michigan Insured Fund Inc.
MQT	Muniyield Quality Fund II Inc. *
MUR	Murphy Oil Corp.
MYL	Mylan Laboratories Inc.
NAB	National Australia Bank, Ltd.
NDC	National Data Corporation
NRI	NationsRent Inc.
NCH	NCH Corporation
NXL	New Plan Excel Realty Trust, Inc.
NNS	Newport News Shipbuilding Inc.
NWS	News Corporation Limited (The)
NWS/A	News Corporation Limited Voting ADS (The)
NTT	Nippon Telegraph and Telephone Corporation
NI	NiSource Inc.
NL	NL Industries, Inc.
NBL	Noble Affiliates, Inc.
NE	Noble Drilling Corp.
NOK	Nokia Corporation
NTL	Nortel Inversora S.A.
NWB	Northwest Airlines, Inc.-Senior Quarterly Interest Bonds
NOR	Northwestern Corporation
NVS	Novartis AG
NUE	Nucor Corporation
NUI	NUI Corporation
NXC	Nuveen California Tax Free Fund, Inc.
NNJ	Nuveen NJ Premium Income Municipal Fund, Inc.
OGE	OGE Energy Corp.
OMM	OMI Corporation
OCR	Omnicare, Inc.
OCQ	Oneida Ltd.
OFG	Oriental Financial Group Inc.
BOH	Pacific Century Financial Corporation
PRE	PartnerRe Ltd.
POG	Patina Oil & Gas Corporation
PY	Pechiney S.A.
PDX	Pediatrix Medical Group, Inc.
PNN	Penn Engineering & Manufacturing Corp. *
PVA	Penn Virginia Corporation
PBG	Pepsi Bottling Group, Inc.
PC	Perez Companc S.A.
PBT	Permain Basin Royalty Trust
PTR	PetroChina Company Limited
POB	Philadelphia Authority for Industrial Development
MO	Philip Morris Companies Inc.
PHI	Philippine Long Distance Telephone Co.
PVH	Phillips-Van Heusen Corporation
PIR	Pier 1 Imports, Inc.
PRD	Polaroid Corporation
PT	Portugal Telecom S.A.
PPG	PPG Industries, Inc.
PCP	Precision Castparts Corp.
PFD	Preferred Income Fund Inc.
PFO	Preferred Income Opportunity Fund Inc.
POI	Protection One, Inc.
PEG	Public Service Enterprise Group Incorporated
PUB	Publicis Group S.A.

PTM	Putnam Managed High Yield Trust
PMO	Putnam Municipal Opportunities Trust
PWR	Quanta Services, Inc.
IQW	Quebecor World Inc.
STR	Questar Corporation
LQ	Quinenco, S.A. *
Q	Qwest Communications International
RDN	Radian Group, Inc.
RRC	Range Resources Corporation
RCS	RCM Strategic Global Government Fund, Inc.
ROG	Rogers Corporation
ROU	Rouge Industries, Inc.
RAM	Royal Appliance Manufacturing Co.
RBS/B	Royal Bank of Scotland Group
KPN	Royal PTT Nederland N.V.
RYL	Ryland Group, Inc. (The)
SJT	San Juan Basin Royalty Trust
IMI	San Paolo IMI S.p.A.
SBC	SBC Communications Inc.
SCV/A	Scania AB-Class A
SCV/B	Scania AB-Class B
SGP	Schering-Plough Corp.
SLB	Schlumberger Limited
SCI	SCI Systems, Inc.
SPI	Scottish Power plc
LBF	Scudder Global High Income Fund
SAF	Scudder New Asia Fund, Inc.
SJR	Shaw Communications Inc.
SKO	ShopKo Stores, Inc.
SRP	Sierra Pacific Resources
SLT	Silverline Technologies Limited
SPG	Simon Property Group, Inc.
SHI	Sinopec Shanghai Petrochemical Co. Ltd.
PKS	Six Flags Inc.
SNN	Smith & Nephew plc
AOS	Smith (A.O.) Corporation
BID	Sotheby's Holdings, Inc.
SJI	South Jersey Industries Inc.
SOA	Southern Africa Fund, Inc. *
SSS	Sovran Self Storage, Inc. *
SPK	Spieker Properties, Inc.
SMI	Springs Industries, Inc.
ST	SPS Technologies, Inc.
STJ	St. Jude Medical, Inc.
SPC	St. Paul Companies, Inc. (The)
LVB	Steinway Musical Instruments, Inc. *
SZA	Suiza Foods Corp.
SM	Sulzer Medica
SIH	Sun International Hotels Limited
SU	Suncor Energy Inc.
STI	SunTrust Banks, Inc.
TWN	Taiwan Fund, Inc.
TSM	Taiwan Semiconductor Manufacturing Company Ltd.
TCO	Taubman Centers, Inc.
CVT	TCW Convertible Securities Fund, Inc.
TLD	Tele Danmark A/S
TBE	Tele Leste Celular Participacoes S.A.
TNE	Tele Norte Leste Participacoes S.A. (Telemar)
TSD	Tele Sudeste Celular Participacoes S.A.
TEO	Telecom Argentina Stet-France Telecom S.A.
TSP	Telecomunicacoes de São Paulo S.A.
TFX	Teleflex Incorporated
TDP	Telefonica del Peru S.A.
TMB	Telemig Celular Participacoes S.A.
TCP	Telesp Celular Participacoes S.A.
TU	Telus Corporation
GIM	Templeton Global Income Fund
TRF	Templeton Russia Fund, Inc.
TXI	Texas Industries, Inc.
TPL	Texas Pacific Land Trust
TGX	Theragenics Corporation
TNB	Thomas & Betts Corporation
TNM	Thomas Nelson, Inc.
TNM/B	Thomas Nelson, Inc.-Class B
TJX	TJX Companies, Inc. (The)
TP	TNT Post Group
TOS	Tosco Corporation
TOT	TotalFinaElf S.A.
TWR	Tower Automotive
TM	Toyota Motor Corporation
TRE	Tremont Corporation
TRB	Tribune Company
TRW	TRW Inc.
TYC	Tyco International Ltd.
TCM	TyCom, Ltd.
USB	U.S. Bancorp
UIL	UIL Holdings Corporation
UB	UnionBanCal Corporation
UMC	United Microelectronics Corporation
UPS	United Parcel Service, Inc.
UHT	Universal Health Realty Income Trust
UHS	Universal Health Services, Inc.
UNM	UnumProvident Corporation
UPM	UPM-Kymmene Corporation
VCI	Valassis Communications
VKA	Van Kampen Advantage Municipal Income Trust
VQC	Van Kampen American Capital CA Quality Muni Trust
VKQ	Van Kampen Municipal Trust
VNM	Van Kampen NY Quality Municipal Trust
VAR	Varian Medical Systems, Inc.
VIA	Viacom Inc.-Class A
VIA/B	Viacom Inc.-Class B
VG	Viasystems Group, Inc.
VIP	Vimpel-Communications
VC	Visteon Corporation
VCP	Votorantim Celulose e Papel S.A.
WNC	Wabash National Corporation
WAK	Wackenhut Corporation
WAK/B	Wackenhut Corporation-Class B
WHC	Wackenhut Corrections Corporation
WAC	Warnaco Group, Inc. (The)
WPO	Washington Post Co. (The)
WMI	Waste Management, Inc.
WPI	Watson Pharmaceuticals, Inc.
WMO	Wausau-Mosinee Paper Corporation
WFC	Wells Fargo & Company
WST	West Pharmaceutical Services, Inc.
WE	Westcoast Energy Inc.
WEH	WestCoast Hospitality Corporation
WR	Western Resources, Inc.
WRC	Westport Resources Corporation
W	Westvaco Corporation
WHR	Whirlpool Corporation
WTM	White Mountain Insurance Group, Inc.
JWL	Whitehall Jewellers, Inc.
WLL	Willamette Industries, Inc.
WCG	Williams Communications Group, Inc.
WGO	Winnebago Industries, Inc.
WLV	Wolverine Tube, Inc. *
WWW	Wolverine World Wide, Inc.
WPS	WPS Resources Corporation
WYN	Wyndham International Inc.
XEL	Xcel Energy, Inc.
YRK	York International Corporation
ZNT	Zenith National Insurance Corp.

As of March 16, 2001, includes companies whose stocks were added as of a result of our recent acquisition of Robb Peck McCooey.

* Indicates joint account between Freedom Securities, Inc., R. Adrian & Co. and LaBranche & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Organized in 1999 in connection with the reorganization of LaBranche & Co. from partnership to corporate form and the related initial public offering of our common stock, LaBranche & Co Inc. is the sole member of LaBranche & Co. LLC and the sole stockholder of Henderson Brothers, Inc. ("Henderson Brothers"). Our subsidiary LaBranche & Co. LLC is one of the oldest and largest specialist firms on the New York Stock Exchange, Inc. Our Henderson Brothers subsidiary provides securities clearing services to customers of several introducing brokers and provides direct access floor brokerage services to institutional customers. Our business has grown considerably during the past five years. We have accomplished this growth both internally and through acquisitions. Our revenues increased from $49.9 million in 1996 to $344.8 million in 2000, representing a compound annual growth rate of 62.1%. During the same period, we increased the number of our common stock listings from 125 to 386.

Revenues

Our revenues consist primarily of net gain earned from principal transactions in securities for which we act as specialist, and commissions revenue earned from specialist activities. Net gain on principal transactions represents trading gains net of trading losses and transaction fees, and is earned by us when we act as principal buying and selling our specialist stocks and options. These revenues are primarily affected by changes in share volume and fluctuations in price in our specialist stocks and options. Share volume for our specialist stocks has historically been driven by general trends in NYSE trading volume, as well as factors affecting listed companies, including merger and acquisition activity, stock splits, greater frequency of company news releases (e.g., earnings guidance and reports), heightened research analyst coverage and investor sentiment. Commissions revenue consists primarily of commissions we earn when acting as agent to match buyers and sellers for limit orders executed by us on behalf of brokers after a specified period of time; we do not earn commissions when we match market orders. Commissions revenue is primarily affected by share volume of the trades executed by us as agent. Other revenue consists of proprietary trading revenue, fees from clearance operations, an investment in a hedge fund and interest income. For the year ended December 31, 2000, net gain on principal transactions represented 82.1% of our total revenues, commissions revenue represented 13.2% of our total revenues, and other revenue represented 4.7% of our total revenues. The respective percentages for the prior year were 75.1%, 18.5% and 6.4%.

Expenses

Our largest operating expense is employee compensation and related benefits, which primarily consist of salaries and wages and profitability-based compensation. Profitability-based compensation includes compensation and benefits paid to managing directors, trading professionals and other employees based on our profitability and the employee's overall performance.

Prior to our reorganization from partnership to corporate form in August 1999, a large portion of the compensation payments to our managing directors had not been presented as part of operating expenses. The aggregate amount of these compensation payments generally approximated the interest of LaB Investing Co. L.L.C., formerly the general partner of LaBranche & Co., in the income of LaBranche & Co., before managing directors' compensation. Generally, these payments of compensation were allocated among our managing directors based on their respective percentage interests in the profits of LaB Investing Co. L.L.C. Subsequent to the reorganization transactions, we include payments to managing directors in employee compensation and related benefits expense. Therefore, historical income before managing directors' compensation, limited partners' interest in earnings of subsidiary and provision for income taxes for 1999 and years prior, understates our operating costs when compared to our present corporate structure.

Reorganization Transactions

On August 24, 1999, we reorganized from partnership to corporate form. Prior to the reorganization, we operated as LaBranche & Co., a limited partnership, and LaB Investing Co. L.L.C., a limited liability company and the general partner of LaBranche & Co. As part of the reorganization, we redeemed limited partnership interests in LaBranche & Co. and redeemed or purchased all membership interests in LaB Investing Co. L.L.C. in exchange for a combination of cash, indebtedness and common stock of LaBranche & Co Inc. The redemption of the limited partnership interests was accounted for as a step acquisition under the purchase method of accounting. The excess of purchase price over the limited partners' capital accounts of $127.4 million was allocated to intangible assets. Following the reorganization, LaBranche & Co Inc. became a holding corporation whose assets consisted primarily of ownership interests in LaBranche & Co. and LaB Investing Co. L.L.C. As of June 30, 2000, LaB Investing Co. L.L.C. was merged with and into LaBranche & Co., and on the same date, LaBranche & Co. converted into a limited liability company and changed its name to LaBranche & Co. LLC. As a result, LaBranche & Co Inc. became, and continues to be, the sole member of our Specialist subsidiary, LaBranche & Co. LLC.

Simultaneously with the reorganization, we completed an initial public offering of 10,500,000 shares of our common stock at a price of $14.00 per share. In addition, we incurred indebtedness of approximately $100.0 million through our 9 1/2% Senior Note offering and $16.0 million through the issuance of other senior indebtedness to a former limited partner. In addition, LaBranche & Co. incurred $350,000 of subordinated indebtedness.

Income Taxes

As a partnership, we were not subject to U.S. federal, state and local income taxes, apart from the 4% New York City unincorporated business tax. As part of our restructuring to a corporation, we are subject to U.S. federal, state and local income taxes.

Completed Acquisitions

In the third quarter of 1998, we acquired substantially all the assets of Fowler, Rosenau & Geary, LLC ("Fowler, Rosenau"). The acquisition was accounted for under the purchase method and the excess of cost over estimated fair value of the net assets acquired, totaling $25.8 million, was allocated to goodwill. The results of the Specialist operations formerly conducted by Fowler, Rosenau have been included in our consolidated financial statements since July 1, 1998.

In March 2000, we completed the acquisition of Henderson Brothers in which we acquired all their outstanding capital stock for approximately $228.4 million in cash. In addition, on March 9, 2000, we acquired Webco Securities, Inc. ("Webco") through a merger for 2.8 million shares of our common stock, $11.0 million in cash and senior promissory notes in the aggregate principal amount of $3.0 million, each bearing an interest rate of 10.0% per annum. These acquisitions were accounted for under the purchase method and the excess of cost over estimated fair value of the net assets acquired of $204.9 million for Henderson Brothers and $28.8 million for Webco was allocated to intangible assets. The results of Specialist operations of each of these acquired companies are included in our consolidated financial statements beginning on the date of completion of its acquisition.

In December 2000, we acquired an American Stock Exchange ("AMEX") specialist unit from a joint venture of Midland Trading L.P., Pal-Bro Partners L.L.C. and Cohen Specialists L.L.C. The acquisition was accounted for under the purchase method of accounting. The results of the AMEX specialists unit operations have been included in our consolidated financial statements since December 21, 2000. The excess of purchase price over fair value of approximately $3.8 million was allocated to goodwill.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On March 15, 2001, we acquired Robb Peck McCooey Financial Services, Inc. ("Robb Peck McCooey") for an aggregate of approximately 6.9 million shares of our common stock and shares of nonconvertible preferred stock having an aggregate face value of approximately $100.0 million and an estimated fair value of approximately $89.1 million. In addition, all obligations under Robb Peck McCooey's outstanding option agreements with employees were assumed, with each option to purchase Robb Peck McCooey common stock having been replaced with an immediately exercisable option to purchase 98.778 shares of our common stock. The purchase price is estimated to approximate $434.1 million, the majority of which will be allocated to intangible assets.

RESULTS OF OPERATIONS

The following table sets forth the statement of operations data for the years indicated as a percentage of total revenues:

FOR THE YEARS ENDED DECEMBER 31,	2000	1999	1998
REVENUES			
Net Gain on Principal Transactions	**82.1%**	75.1%	75.2%
Commissions	**13.2**	18.5	21.0
Other	**4.7**	6.4	3.8
Total Revenues	**100.0**	100.0	100.0
EXPENSES			
Employee Compensation and Related Benefits	**25.7**	17.0	11.0
Interest	**12.2**	4.1	2.8
Depreciation and Amortization of Intangibles	**5.4**	2.5	2.4
Lease of Exchange Memberships	**3.2**	4.2	5.2
Exchange, Clearing and Brokerage Fees	**1.5**	1.8	2.2
Legal and Professional Fees	**0.6**	0.8	0.7
Occupancy	**0.4**	0.5	0.6
Communications	**0.4**	0.6	0.8
Other	**2.4**	1.5	1.8
Total Expenses Before Managing Directors' Compensation and Limited Partners' Interest in Earnings of Subsidiary and Provision for Income Taxes	**51.8**	33.0	27.5
Income Before Managing Directors' Compensation and Limited Partners' Interest in Earnings of Subsidiary and Provision for Income Taxes	**48.2**	67.0	72.5
Managing Directors' Compensation	**—**	28.0	46.5
Income Before Limited Partners' Interest in Earnings of Subsidiary and Provision for Income Taxes	**48.2**	39.0	26.0
Limited Partners' Interest in Earnings of Subsidiary	**—**	12.6	20.8
Income Before Provision for Income Taxes	**48.2**	26.4	5.2
Provision for Income Taxes	**24.6**	11.9	3.1
Net Income	**23.6%**	14.5%	2.1%

YEAR ENDED DECEMBER 31, 2000, COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenues

Total revenues increased 71.5% to $344.8 million for 2000, from $201.0 million for 1999, principally due to the increase in revenue from net gain on principal transactions. Net gain on principal transactions increased 87.4% to $282.9 million for 2000, from $151.0 million for 1999. This increase was primarily due to the Henderson Brothers and Webco acquisitions in March 2000, as a result of which we became the specialist for 147 additional common stock listings, as well as increased share volume in principal trading in our specialist stocks traded on the NYSE. Our share volume as principal increased 87.5% to 18.0 billion shares for 2000, from 9.6 billion shares for 1999.

Commissions revenue increased 22.0% to $45.4 million for 2000, from $37.2 million for 1999. This increase was primarily due to the increase in the number of our common stock listings as a result of the Henderson Brothers and Webco acquisitions and to increased share volume in our specialist stocks traded on the NYSE in which we acted as agent. The share volume executed by us as agent in our specialist stocks increased 36.6% to 5.6 billion shares for 2000, from 4.1 billion shares for 1999.

Other revenue increased 28.9% to $16.5 million for 2000, from $12.8 million for 1999. This increase was primarily due to an increase in our interest income, which was also offset by a decrease in our proprietary trading revenues and other investments.

Expenses

Total expenses before managing directors' compensation and limited partners' interest in earnings of subsidiary and provision for income taxes increased 167.6% to $178.2 million for 2000, from $66.6 million for 1999.

Employee compensation and related benefits increased 158.9% to $88.8 million for 2000, from $34.3 million for 1999. This increase was primarily due to the inclusion of managing directors' salary, incentive-based compensation and related benefits in employee compensation subsequent to our reorganization, and due to the Henderson Brothers and Webco acquisitions that resulted in our employment of 97 additional individuals as of the respective acquisition dates. As a percentage of total revenues, employee compensation increased to 25.7% of total revenues for 2000, from 17.0% of total revenues for 1999.

Interest expense increased 404.8% to $41.9 million for 2000, from $8.3 million for 1999. This increase was primarily due to the issuance, in connection with the Henderson Brothers and Webco acquisitions, of $250.0 million of indebtedness that began accruing interest on March 2, 2000. In addition, the increase was due to the issuance of $116.4 million of indebtedness, in connection with our reorganization, that began accruing interest from August 24, 1999. As a percentage of total revenues, interest increased to 12.2% of total revenues for 2000, from 4.1% of total revenues for 1999.

Depreciation and amortization of intangibles expense increased 262.8% to $18.5 million for 2000, from $5.1 million for 1999. Amortization of intangibles increased as a result of the $233.7 million of intangible assets recorded as a result of our acquisition of Henderson Brothers and Webco and incurring a full year of amortization of intangibles in 2000 related to the redemption of limited partnership interest in 1999. As a percentage of total revenues, depreciation and amortization of intangibles increased to 5.4% of total revenues for 2000, from 2.5% of total revenues for 1999.

Lease of exchange memberships expense increased 29.8% to $10.9 million for 2000, from $8.4 million for 1999. This increase was due to the increase in the number of leased memberships from 44 to 50, and was also due to an increase in the average annual leasing cost of a membership from approximately $192,000 to $276,000. As a percentage of total revenues, however, lease of exchange memberships decreased to 3.2% of total revenues for 2000, from 4.2% of total revenues for 1999.

Exchange, clearing and brokerage fees consist primarily of fees paid by us as a specialist to the NYSE and to clearinghouses. Fees paid by us to the NYSE primarily include fees based on the volume of transactions executed as principal and as agent, as well as a flat annual fee. Exchange, clearing and brokerage fees expense increased 41.7% to $5.1 million for 2000, from $3.6 million for 1999. This increase was primarily due to the increased trading volumes as a result of the Henderson Brothers and Webco acquisitions.

Legal and professional fees increased 18.8% to $1.9 million for 2000, from $1.6 million for 1999. This increase was primarily the result of increased legal and filing fees associated with various filings and acquisitions.

Occupancy expense increased 30.0% to $1.3 million for 2000, from $1.0 million for 1999. This increase was primarily the result of the leasing of additional office space due to the Henderson Brothers and Webco acquisitions.

Communications expense increased 25.0% to $1.5 million for 2000, from $1.2 million for 1999. This increase was primarily the result of additional telephone, data retrieval and informational services utilized due to the growth of our business.

Other expenses increased 176.7% to $8.3 million for 2000, from $3.0 million for 1999. This increase was primarily due to additional fees incurred in connection with the increase and extension of our line-of-credit with a U.S. commercial bank, increased charitable contributions, as well as an increase in advertising and promotional costs.

Income Before Managing Directors' Compensation, Limited Partners' Earnings in Interest of Subsidiary and Provision for Income Taxes

Income before managing directors' compensation and limited partners' interest in earnings of subsidiary and before provision for income taxes increased 23.9% to $166.6 million for 2000, from $134.5 million for the same period in 1999. This increase was primarily due to the additional revenues generated by the Henderson Brothers and Webco acquisitions, which was offset by the inclusion of managing directors' salary and incentive-based compensation in employee compensation and related benefits and the additional interest and amortization of intangibles expense as a result of the acquisitions.

Income Taxes

Provision for income taxes increased 254.4% to $84.7 million for 2000, from $23.9 million for 1999, as a result of a full year of federal, state and local income taxes to which we are subject as a result of our reorganization from partnership to corporate form in 1999 and our increased profitability.

YEAR ENDED DECEMBER 31, 1999, COMPARED TO YEAR ENDED DECEMBER 31, 1998

Revenues

Total revenues increased 59.0% to $201.0 million for 1999, from $126.4 million for 1998, principally due to the increase in revenue from net gain on principal transactions. Net gain on principal transactions increased 58.9% to $151.0 million for 1999, from $95.0 million for 1998. This increase was primarily due to an increase in share volume for our specialist stocks traded on the NYSE. This increase, in turn, was primarily due to the Fowler, Rosenau acquisition on July 1, 1998, under which we became the specialist for 76 additional common stock listings, and to increased share volume as principal in our existing specialist stocks traded on the NYSE. Our share volume as principal increased 62.7% to 9.6 billion shares for 1999, from 5.9 billion shares for 1998.

Commissions revenue increased 39.8% to $37.2 million for 1999 from $26.6 million for 1998. This increase was due to an increase in share volume in which we acted as agent. This increase, in turn, was primarily due to the increase in the number of our common stock listings as a result of the Fowler, Rosenau acquisition on July 1, 1998, and to increased share volume in our existing specialist stocks traded on the NYSE. The share volume executed by us as agent in our specialist stocks increased 41.4% to 4.1 billion shares for 1999, from 2.9 billion shares for 1998.

Other revenue increased 166.7% to $12.8 million for 1999, from $4.8 million for 1998. This increase was primarily due to net gains in proprietary trading of nonspecialist securities and realized gains from a limited partnership investment in a hedge fund.

Expenses

Total expenses before managing directors' compensation and limited partners' interest in earnings of subsidiary and provision for income taxes increased 91.4% to $66.6 million for 1999, from $34.8 million for 1998.

Employee compensation and related benefits increased 146.8% to $34.3 million for 1999, from $13.9 million for 1998. This increase was due to the Fowler, Rosenau acquisition on July 1, 1998, which resulted in our employment of 36 additional individuals, and to the inclusion of managing directors' salary, incentive-based bonus and related benefits in employee compensation from the date of our reorganization. As a percentage of total revenues, employee compensation increased to 17.0% of total revenues for 1999, from 11.0% of total revenues for 1998.

Interest expense increased 130.6% to $8.3 million for 1999, from $3.6 million for 1998. This increase was primarily due to the issuance of $116.4 million of indebtedness, which began accruing interest on August 24, 1999.

Depreciation and amortization of intangibles increased 70.0% to $5.1 million for 1999, from $3.0 million for 1998. Amortization of intangibles increased as a result of the Fowler, Rosenau acquisition, as well as the $127.4 million of intangible assets recorded as a result of our acquisition of all of the limited partnership interests in LaBranche & Co. in connection with our reorganization transactions.

Lease of exchange memberships expense increased 27.3% to $8.4 million for 1999, from $6.6 million for 1998. This increase was due to the increase in the number of leased memberships from 44 to 48, primarily as a result of the hiring of additional specialists and to an increase in the average annual leasing cost of the memberships from approximately $180,000 to $192,000 per membership. As a percentage of total revenues, lease of exchange memberships expense decreased to 4.2% for 1999, from 5.2% for 1998.

Exchange, clearing and brokerage fees consist primarily of fees paid by us as a specialist to the NYSE and to clearinghouses. Fees paid by us to the NYSE include primarily fees based on the volume of transactions executed as principal and as agent, as well as a flat annual fee. Exchange, clearing and brokerage fees expense increased 28.6% to $3.6 million for 1999, from $2.8 million for 1998. This increase was primarily attributable to an increase in share volume.

Legal and professional fees increased 74.7% to $1.6 million for 1999, from $916,000 for 1998. This increase was primarily the result of increased legal and accounting fees due to our reorganization transactions.

Occupancy expense increased 42.9% to $1.0 million for 1999, from $.7 million for 1998. This increase was primarily the result of the leasing of additional office space.

Communications expense increased 20.0% to $1.2 million for 1999, from $1.0 million for 1998. This increase was primarily the result of additional telephone, data retrieval and informational services utilized due to the growth of our business.

Other expenses increased 30.4% to $3.0 million for 1999, from $2.3 million for 1998. The increase was primarily due to an increase in advertising and promotional expenses.

Income Before Managing Directors' Compensation, Limited Partners' Earnings in Interest of Subsidiary and Provision for Income Taxes

Income before managing directors' compensation and limited partners' interest in earnings of subsidiary and provision for income taxes increased 46.8% to $134.5 million for 1999, from $91.6 million for 1998.

Managing directors' compensation decreased 4.4% to $56.2 million for 1999, from $58.8 million for 1998 as a result of the inclusion of managing directors' salary, incentive-based bonus and related benefits in employee compensation from the date of our reorganization transactions.

Limited partners' interest in earnings of subsidiary decreased 3.8% to $25.3 million for 1999, from $26.3 million for 1998 as a result of our reorganization, at which time we acquired all of the limited partnership interests in LaBranche & Co.

Income Taxes

Provision for income taxes increased 512.8% to $23.9 million for 1999, from $3.9 million for 1998 as a result of an increase in our profitability and the federal, state and local income taxes to which we are subject as a result of our reorganization from partnership to corporate form.

LIQUIDITY

Prior to our initial public offering of common stock and the concurrent offering of our 9½% Senior Notes, we had financed our business primarily through members' capital and the issuance of cash subordinated indebtedness. As of December 31, 2000, we had $1,004.1 million in assets, of which $289.9 million consisted of cash and short-term investments primarily in commercial paper maturing within three months and overnight repurchase agreements. As of December 31, 1999, we had $505.1 million in assets, $109.2 million of which consisted of cash and short-term investments, which primarily consist of commercial paper maturing within seven days.

In February 2000, we increased and extended our line-of-credit with a U.S. commercial bank to $200.0 million from $100.0 million and extended it again in January 2001 until February 1, 2002. Amounts outstanding under the U.S. commercial bank credit facility would be secured by our inventory of specialist stocks and bear interest at the U.S. commercial bank's broker loan rate. To date, we have not utilized this facility.

As of December 31, 2000 and December 31, 1999, the subordinated debt of LaBranche & Co. LLC totaled $41.9 million and $46.5 million (excluding subordinated liabilities related to contributed exchange memberships), respectively. Of this amount, $35.0 million represented senior subordinated debt privately placed pursuant to several note purchase agreements. Of this $35.0 million, $20.0 million matures on September 15, 2002, and bears interest at an annual rate of 8.17%, payable on a quarterly basis, and $15.0 million matures on June 3, 2008, and bears interest at an annual rate of 7.69%, payable on a quarterly basis. These notes are senior to all other subordinated notes of LaBranche & Co. LLC. As of December 31, 2000, subordinated debt totaling $6.9 million represents junior subordinated debt of LaBranche & Co. LLC placed with former limited partners, their family members and our employees. This debt has maturities ranging from the second half of 2001 through the first half of 2002, and bears interest at an annual rate between 8.0% and 10.0%, payable on a quarterly basis. The agreements relating to the junior subordinated debt generally have automatic rollover provisions, which extend the maturities for an additional year, unless the lender provides notice at least seven months prior to maturity.

Concurrently with the initial public offering of our common stock and the offering of our 9½% Senior Notes and as part of the reorganization of our firm from partnership to corporate form, we acquired all the limited partnership interests in LaBranche & Co. and the entire membership interest in LaB Investing Co. L.L.C. for shares of our common stock, cash in the aggregate amount of $149.2 million and subordinated debt. As of June 30, 2000, LaB Investing Co. L.L.C. was merged with and into LaBranche & Co., and on the same date, LaBranche & Co. converted into a limited liability company.

On August 24, 1999, we issued $100.0 million aggregate principal amount of Senior Notes. The Senior Notes bear interest at a rate of 9½% annually and mature in August 2004. The indenture covering the Senior Notes includes certain covenants that, among other things, limit our ability to borrow money, pay dividends on our stock or purchase our stock, make investments, engage in transactions with stockholders and affiliates, create liens on our assets, and sell assets or engage in mergers and consolidations, except in accordance with certain specified conditions.

At approximately the same time as our 9½% Senior Note offering and the initial public offering of our common stock, we issued a $16.0 million senior note as partial payment for the acquisition of a certain limited partnership interest in LaBranche & Co. The note is payable in three installments with $6.0 million of the aggregate principal amount already having been paid on the first anniversary of issuance. The remaining principal amount is payable in $5.0 million installments on each of the second and third anniversaries of issuance and bears interest at the annual rate of 9½%. LaBranche & Co. also entered into a $350,000 cash subordinated loan agreement, bearing interest at an annual rate of 8.0%, in connection with the acquisition of a certain limited partner interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On March 2, 2000, we issued $250.0 million aggregate principal amount of Senior Subordinated Notes. These Senior Subordinated Notes bear interest at a rate of 12.0% annually and mature in March 2007. The indenture covering the Senior Subordinated Notes includes certain covenants that, among other things, limit our ability to borrow money, pay dividends on our stock or purchase our stock, make investments, engage in transactions with stockholders and affiliates, create liens on our assets, and sell assets or engage in mergers and consolidations, except in accordance with certain specified conditions.

The Senior Subordinated Notes also require us, within 150 days after the end of each fiscal year, to offer to redeem from all holders of the Senior Subordinated Notes a principal amount equal to our Excess Cash Flow at a price equal to 103.0% of the principal amount being offered for purchase plus accrued and unpaid interest, if any, to the date of redemption. Each holder of Senior Subordinated Notes is entitled to be offered a pro rata share of the amount subject to redemption based upon his or her ownership percentage of the outstanding Senior Subordinated Notes. Excess Cash Flow is defined for this purpose as 40% of the amount by which our consolidated EBITDA exceeds the sum of our interest expense, tax expense, increase in net capital or net liquid asset requirements, capital expenditures, any cash amounts related to acquisitions of NYSE specialists or any cash payments related to our payment at maturity of the principal amount of our existing or certain other indebtedness. As of December 31, 2000, our Excess Cash Flow, as calculated, was approximately $9.9 million, and accordingly $280,000 was accrued as additional interest expense during the year ended 2000.

In connection with the Webco acquisition, we issued $3.0 million in aggregate principal amount of unsecured senior promissory notes to former stockholders of Webco. The senior promissory notes bear interest at an annual rate of 10.0%. Of the aggregate principal amount, $500,000 has already been repaid. The remaining $2.5 million is due September 9, 2001, and will be subject to setoff for any amounts for which the former stockholders of Webco may be obligated to indemnify us for any breaches of their or Webco's representations, warranties and covenants under the Webco acquisition agreement.

As a broker-dealer, LaBranche & Co. LLC is subject to regulatory requirements intended to ensure the general financial soundness and liquidity of broker-dealers and requiring the maintenance of minimum levels of net capital, as defined in SEC Rule 15c3-1. LaBranche & Co. LLC is required to maintain minimum net capital, as defined, equivalent to the greater of $100,000 or $\frac{1}{15}$ of aggregate indebtedness, as defined. NYSE Rule 326(c) also prohibits a broker-dealer from repaying subordinated borrowings, paying cash dividends, making loans to any parent, affiliates or employees, or otherwise entering into transactions which would result in a reduction of its total net capital to less than 150% of its required minimum capital. Moreover, broker-dealers are required to notify the SEC prior to repaying subordinated borrowings, paying dividends and making loans to any parent, affiliates or employees, or otherwise entering into transactions which, if executed, would result in a reduction of 30% or more of their excess net capital (net capital less minimum requirement). The SEC has the ability to prohibit or restrict such transactions if the result is deemed detrimental to the financial integrity of the broker-dealer.

At December 31, 2000, LaBranche & Co. LLC had net capital of $293.4 million, which was $290.3 million in excess of its required net capital of $3.1 million. At December 31, 1999, LaBranche & Co. LLC had net capital of $161.4 million, which was $159.9 million in excess of its required net capital of $1.5 million.

The NYSE generally requires members registered as specialists to maintain a minimum dollar regulatory capital amount in order to establish that they can meet, with their own net liquid assets, their position requirement. Effective October 30, 2000, with SEC approval, the NYSE changed Rule 104, its minimum net liquid asset requirements. Specialist units that exceed five percent in any of the NYSE's four concentration measures must maintain minimum net liquid assets based upon the securities for which they act as the specialist. The requirements state that the net liquid assets must be equivalent to $4.0 million for each stock in the Dow Jones Industrial Average, $2.0 million for each stock in the S&P 100 Stock Price Index, excluding stocks included in the previous classification, $1.0 million for each stock in the S&P 500 Stock Price Index, excluding stock included in the previous classifications, $500,000 for each common stock, excluding bond funds and stocks included in the previous classifications, and $100,000 for each stock not included in any of the above classifications. In addition, the NYSE requires any new specialist entities that result from a merger, acquisition, consolidation or other combination of specialist entities to maintain net liquid assets equivalent to the greater of either: (1) the aggregate net liquid assets of the specialist entities prior to their combination or (2) the new capital requirements prescribed under Rule 104. Net liquid assets for a specialist who also engages in transactions other than specialist activities is based upon its excess net capital as determined in accordance with SEC Rule 15c3-1. Currently, LaBranche & Co. LLC's net liquid asset requirement is $284.3 million. As of December 31, 2000, LaBranche & Co. LLC's actual net liquid assets were approximately $305.0 million. As of December 31, 1999, LaBranche & Co. LLC's NYSE minimum required dollar amount of net liquid assets was $93.6 million compared to actual net liquid assets of approximately $175.9 million.

Failure to maintain the required net capital and net liquid assets may subject us to suspension or revocation of SEC registration or suspension or expulsion by the NYSE.

During the year ended December 31, 2000, we contributed additional capital to LaBranche & Co. LLC in a net aggregate amount of approximately $216.2 million. Of this amount, $266.0 million represented net assets of Henderson Brothers and Webco, which we contributed to LaBranche & Co. LLC immediately upon our acquisitions of those firms. During the fourth quarter of 1999, we contributed additional capital to LaBranche & Co. LLC in a net aggregate amount of approximately $30.1 million.

As a clearing broker, our Henderson Brothers subsidiary is required to maintain minimum net capital of $250,000 pursuant to SEC Rule 15c3-1. As of December 31, 2000, Henderson Brothers had net capital of $8.5 million, which was $8.2 million in excess of its required minimum net capital.

Henderson Brothers has also elected to compute a reserve requirement for Proprietary Accounts of Introducing Broker-Dealers ("PAIB Calculation"), as defined. The PAIB Calculation is computed in order for correspondent firms to classify their assets held by Henderson Brothers as allowable assets in the correspondents' net capital calculation. At December 31, 2000, Henderson Brothers had a reserve requirement of approximately $343,383. Additionally, the firm had approximately $394,700 of cash on deposit in a Special Reserve Bank Account as of January 3, 2001.

We currently anticipate that our available cash resources and credit facilities will be sufficient to meet our anticipated working capital, regulatory capital and capital expenditure requirements through the end of 2001.

MARKET RISK

A majority of our specialist related revenues are derived from trading by us as principal. We also operate a proprietary trading desk separately from our NYSE and AMEX specialist operations, which generated 0.5% of our total revenues for the year ended December 31, 2000 and 3.3% of our total revenues for the year ended December 31, 1999. We may incur trading losses as a result of these trading activities. These activities involve primarily the purchase, sale or short sale of securities for our own account. These activities are subject to a number of risks, including risks of price fluctuations and rapid changes in the liquidity of markets. In any period, we may incur trading losses in our specialist stocks for a variety of reasons, including price fluctuations of our specialist stocks, lack of trading volume in our specialist stocks and the performance of our specialist obligations. From time to time, we have large position concentrations in securities of a single issuer or issuers engaged in a specific industry. In general, because our inventory of securities is marked to market on a daily basis, any downward price movement in these securities could result in a reduction of our revenues and operating profits.

We have developed a risk management process, which is intended to balance our ability to profit from our specialist activities with our exposure to potential losses. In addition, we have trading limits relating to our proprietary trading activities.

Although we have adopted risk management policies, we cannot be sure that these policies have been formulated properly to identify or limit our risks. Even if these policies are formulated properly, we cannot be sure that we will successfully implement these policies. As a result, we may not be able to manage our risks successfully or avoid trading losses.

Henderson Brothers' clearance activities involve settlement and financing of various customer securities transactions on a cash or margin basis. These activities may expose Henderson Brothers to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations and Henderson Brothers has to purchase or sell securities at a loss. For margin transactions, Henderson Brothers may be exposed to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur in their accounts.

Henderson Brothers seeks to control the risks associated with customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. Henderson Brothers monitors margin levels daily and pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE STOCKHOLDERS OF LABRANCHE & CO INC.:

We have audited the accompanying consolidated statements of financial condition of LaBranche & Co Inc. (a Delaware corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity/members' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LaBranche & Co Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

New York, New York
January 19, 2001

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(000's omitted, except share data)

LaBranche & Co Inc. and Subsidiaries

AS OF DECEMBER 31,	2000	1999
ASSETS		
Cash and Cash Equivalents	$ 152,220	$ 83,774
Cash Segregated Under Federal Regulations	3,610	—
Securities Purchased Under Agreements to Resell	134,111	25,422
Receivable from Brokers, Dealers and Clearing Organizations	63,468	33,662
Receivable from Customers	912	—
Securities Owned, at Market Value:		
Corporate Equities	132,389	148,563
United States Government Obligations	—	1,471
Other	12,543	2,515
Commissions Receivable	4,007	3,835
Exchange Memberships Contributed for Use, at Market Value	24,000	20,700
Exchange Memberships Owned, at Cost (Market Value of $52,000 and $9,200, Respectively)	50,300	6,300
Office Equipment and Leasehold Improvements, at Cost, Less Accumulated Depreciation and Amortization of $2,622 and $1,250, Respectively	3,371	1,355
Intangible Assets, Net of Accumulated Amortization:		
Specialist Stock List	185,982	92,789
Trade Name	25,676	26,340
Goodwill	191,235	51,212
Other Assets	20,298	7,958
Total Assets	$1,004,122	$505,896
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to Brokers and Dealers	$ 4,068	$ 7,726
Payable to Customers	4,051	—
Securities Sold, But Not Yet Purchased, at Market Value	60,726	36,900
Accrued Compensation	29,240	12,016
Accounts Payable and Other Accrued Expenses	28,319	5,522
Income Taxes Payable	10,329	7,624
Deferred Tax Liabilities	74,660	1,106
	211,393	70,894
Long-Term Debt	355,893	115,822
Subordinated Liabilities:		
Exchange Memberships, at Market Value	24,000	20,700
Other Subordinated Indebtedness	41,935	46,508
	65,935	67,208
Preferred Stock, $.01 Par Value, 10,000,000 Shares Authorized; None Issued and Outstanding	—	—
Common Stock, $.01 Par Value, 200,000,000 Shares Authorized; 49,069,521 and 45,875,000 Shares Issued and Outstanding at December 31, 2000, and December 31, 1999, Respectively	491	459
Additional Paid-in Capital	273,347	228,771
Retained Earnings	104,665	22,742
Unearned Compensation	(7,602)	—
	370,901	251,972
Total Liabilities and Stockholders' Equity	$1,004,122	$505,896

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(000's omitted, except per share data)

LaBranche & Co Inc. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31,	2000	1999	1998
REVENUES			
Net Gain on Principal Transactions	**$ 282,948**	$150,971	$ 95,048
Commissions	**45,381**	37,222	26,576
Other	**16,480**	12,844	4,787
Total Revenues	**344,809**	201,037	126,411
EXPENSES			
Employee Compensation and Related Benefits	**88,759**	34,268	13,921
Interest	**41,893**	8,286	3,577
Depreciation and Amortization of Intangibles	**18,476**	5,144	3,020
Lease of Exchange Memberships	**10,933**	8,416	6,568
Exchange, Clearing and Brokerage Fees	**5,148**	3,601	2,778
Legal and Professional Fees	**1,868**	1,622	916
Occupancy	**1,310**	998	747
Communications	**1,500**	1,193	964
Other	**8,345**	3,041	2,285
Total Expenses Before Managing Directors' Compensation and Limited Partners' Interest in Earnings of Subsidiary and Provision for Income Taxes	**178,232**	66,569	34,776
Income Before Managing Directors' Compensation and Limited Partners' Interest in Earnings of Subsidiary and Provision for Income Taxes	**166,577**	134,468	91,635
Managing Directors' Compensation	**—**	56,191	58,783
Income Before Limited Partners' Interest in Earnings of Subsidiary and Provision for Income Taxes	**166,577**	78,277	32,852
Limited Partners' Interest in Earnings of Subsidiary	**—**	25,344	26,292
Income Before Provision for Income Taxes	**166,577**	52,933	6,560
Provision for Income Taxes	**84,654**	23,899	3,900
Net Income	**$ 81,923**	$ 29,034	$ 2,660
Weighted-Average Shares Outstanding:			
Basic	**48,167**	40,443	24,318
Diluted	**48,581**	40,443	24,318
Earnings Per Share:			
Basic	**$ 1.70**	$ 0.72	$ 0.11
Diluted	**$ 1.69**	$ 0.72	$ 0.11

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY / MEMBERS' CAPITAL

LaBranche & Co Inc. and Subsidiaries

(000's omitted)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Unearned Compen-sation	Members' Capital	Total
BALANCE, December 31, 1997	—	$ —	$ —	$ —	$ —	$ 37,658	$ 37,658
Net Income	—	—	—	—	—	2,660	2,660
Contributions to Capital	—	—	—	—	—	66,563	66,563
Distributions of Capital	—	—	—	—	—	(29,788)	(29,788)
BALANCE, December 31, 1998	—	—	—	—	—	77,093	77,093
Net Income Through August 23, 1999	—	—	—	—	—	6,292	6,292
Contributions to Capital	—	—	—	—	—	18,096	18,096
Distributions of Capital	—	—	—	—	—	(8,095)	(8,095)
BALANCE, Pre-reorganization	—	—	—	—	—	93,386	93,386
Exchange of Membership Interests for Shares of Common Stock	35,375	354	93,032	—	—	(93,386)	—
Initial Public Offering of Common Stock	10,500	105	134,689	—	—	—	134,794
BALANCE, Post-reorganization and Initial Public Offering	45,875	459	227,721	—	—	—	228,180
Net Income (August 24, 1999, Through December 31, 1999)	—	—	—	22,742	—	—	22,742
Compensation Related to Restricted Stock Units Granted	—	—	1,050	—	—	—	1,050
BALANCE, December 31, 1999	45,875	459	228,771	22,742	—	—	251,972
Net Income	—	—	—	81,923	—	—	81,923
Issuance of Shares to Webco	2,800	28	32,284	—	—	—	32,312
Issuance of Restricted Stock, Shares for Option Exercises and Related Compensation	395	4	12,292	—	(7,602)	—	4,694
BALANCE, December 31, 2000	**49,070**	**$ 491**	**$273,347**	**$104,665**	**$ (7,602)**	**$ —**	**$370,901**

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(000's omitted)

LaBranche & Co Inc. and Subsidiaries

FOR THE YEARS ENDED DECEMBER 31,	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 81,923	$ 29,034	$ 2,660
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	18,476	5,144	3,020
Interest Related Expense	2,911	204	—
Undistributed Limited Partners' Interest in Earnings of Subsidiary	—	—	3,646
Compensation Expense Related to Stock-Based Compensation	4,343	1,050	—
Tax Benefit Related to Exercise of Stock Options	112	—	—
Deferred Tax Provision (Benefit)	(4,097)	335	—
Changes in Assets and Liabilities:			
Securities Purchased Under Agreements to Resell	(108,689)	(4,322)	(6,100)
Receivable from Brokers and Dealers	(29,806)	21,146	3,366
Receivable from Customers	(912)	—	—
Corporate Equities	16,174	(33,569)	(77,967)
United States Government Obligations	1,471	(3)	998
Other Securities Owned	(10,028)	(1,155)	—
Commissions Receivable	(172)	(826)	—
Other Assets	(12,340)	(4,932)	(1,970)
Payable to Brokers and Dealers	(3,658)	3,834	2,231
Payable to Customers	4,051	—	—
Securities Sold, But Not Yet Purchased	23,826	(30,996)	28,569
Accrued Compensation	17,224	(5,719)	8,891
Accounts Payable and Other Accrued Expenses	22,797	(2,166)	2,379
Income Taxes Payables	5,025	8,395	—
Net Cash Provided by (Used in) Operating Activities	28,631	(14,546)	(30,277)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash Paid for Acquisitions	(189,269)	—	—
Repayment of Note Payable	(6,000)	—	—
Payments for Purchases of Office Equipment and Leasehold Improvements	(2,754)	(228)	(1,550)
Payments to Limited Partners for Redemption of Interests Upon Reorganization	—	(140,186)	—
Net Cash (Used in) Investing Activities	(198,023)	(140,414)	(1,550)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash Received from Issuance of Debt	245,693	3,435	16,750
Proceeds from Stock Issuance	328	—	—
Repayment of Subordinated Debt	(4,573)	(5,000)	—
Net Proceeds from Initial Public Offering	—	134,794	—
Net Proceeds from Long-Term Debt	—	99,807	—
Payments to Members Upon Reorganization	—	(9,025)	—
Proceeds from Contributions of Capital	—	18,096	46,598
Payments for Distributions of Capital	—	(8,095)	(29,788)
Net Cash Provided by Financing Activities	241,448	234,012	33,560
Increase in Cash and Cash Equivalents	72,056	79,052	1,733
Cash and Cash Equivalents, Beginning of Year	83,774	4,722	2,989
Cash and Cash Equivalents, End of Year	$ 155,830	$ 83,774	$ 4,722
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR			
Interest	$ 29,609	$ 4,557	$ 8,788
Income Taxes	88,443	17,989	2,244
SUPPLEMENTAL NON-CASH FINANCING AND INVESTING ACTIVITIES			
Acquisitions			
Intangible Assets	$ 171,936	$ —	$ —
Fair Value of Tangible Assets Acquired, Other Than Cash	33,863	—	—
Deferred Tax Liabilities Related to Intangible Assets	61,774	—	—
Common Stock Issuance	32,312	—	—
Net Increase in Additional Paid-in Capital Related to Stock-Based Awards	4,692	1,050	—
Issuance of Restricted Stock to Employees	8,313	—	—
Excess of Purchase Price Over Fair Value of Assets Acquired for Issuance of Membership Interest and Limited Partnership Interests in Subsidiary	—	—	25,815
Exchange of Membership Interests for Shares of Common Stock	—	93,386	—
Issuance of Subordinated Debt and Shares of Common Stock for Redemption of Limited Partner Interests Upon Reorganization	—	23,821	—

The accompanying notes are an integral part of these consolidated statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

The consolidated financial statements include the accounts of LaBranche & Co Inc., a Delaware corporation (the "Holding Company"), and its subsidiaries, LaBranche & Co. LLC, a New York limited liability company ("LaBranche"), and Henderson Brothers, Inc., a Delaware corporation ("Henderson Brothers" and, collectively with the Holding Company and LaBranche, the "Company"). The Holding Company is the sole member of LaBranche and 100% owner of Henderson Brothers. LaBranche is a registered broker-dealer and operates primarily as a specialist in certain equity securities listed on the New York Stock Exchange, Inc. (the "NYSE"). Henderson Brothers is also a registered broker-dealer and a member of the NYSE and primarily provides clearance services to customers of several introducing brokers and provides direct access floor brokerage to institutional customers.

As of June 30, 2000, the Company completed a reorganization of its subsidiaries. LaB Investing Co. L.L.C., a New York limited liability company of which the Holding Company was the sole member ("LaB Investing"), was merged with and into LaBranche & Co., with LaBranche & Co. being the survivor. On the date the merger was effective, LaBranche & Co. was also converted into a limited liability company, of which the Holding Company is the sole member, and changed its name to LaBranche & Co. LLC. Henderson Brothers Holdings, Inc. was also dissolved and in doing so distributed all of its assets, including the stock in its wholly-owned subsidiary, Henderson Brothers, Inc., to the Holding Company. The reorganization of entities under common control was accounted for on the historical basis of accounting, and accordingly did not affect the carrying value of assets, liabilities and stockholders' equity.

2. INITIAL PUBLIC OFFERING AND DEBT ISSUANCE

On August 24, 1999, the Company reorganized from partnership to corporate form, upon the members of LaB Investing exchanging their membership interests for common stock in the Holding Company, and completed its initial public offering. In that offering, the Company sold 10,500,000 shares of common stock and received net proceeds of $134.8 million. Concurrently with the offering, the Company issued $100.0 million aggregate principal amount of Senior Notes.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management does not believe that actual results will differ materially from these estimates. Certain prior period amounts have been reclassified to conform with current presentation.

Basis of Consolidation

The consolidated financial statements include the accounts of the Holding Company and its wholly-owned subsidiaries. Significant intercompany balances and transactions are eliminated in consolidation.

Intangible Assets

Intangible assets are comprised of the Company's specialist stock lists, trade name and goodwill from acquisitions and the limited partner buyout that occurred in concurrence with our reorganization to corporate form. The specialist stock lists and trade name are being amortized on a straight-line basis over 36 to 40 years and the goodwill is being amortized on a straight-line basis over 15 years. The allocation of purchase price and determination of useful lives were based upon an independent appraisal. The useful life of the specialist stock list was determined based upon analysis of historical turnover characteristics of the specialist stocks.

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life may warrant revision or that the remaining balance may not be recoverable. When factors indicate that intangible assets should be evaluated for possible impairment, the Company uses an estimate of undiscounted net income over the remaining life in measuring whether the assets are recoverable.

Exchange Memberships

Exchange memberships owned by the Company are carried at cost.

Certain members of the Company have contributed the use of 12 memberships on the NYSE to the Company. These memberships are subordinated to claims of general creditors and are carried at market value with a corresponding amount recorded in subordinated liabilities. Lease payments are paid by the Company to its managing directors and employees for the use of the exchange memberships at a rate that is commensurate with the rent paid to nonaffiliated parties for the use of their exchange memberships.

The Company leases additional memberships on the NYSE from non-affiliated parties and makes lease payments to these parties at prevailing market rates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturities of generally less than three months.

Securities Transactions

Securities transactions and the related revenues and expenses are recorded on a trade date basis. Customer securities transactions and related revenues and expenses are recorded on a settlement date basis, which does not differ materially from trade date basis. Receivables from and payables to customers represent amounts due from or to customers of the Company in connection with cash and margin securities transactions. Amounts receivable are collateralized by customers' securities held by the Company and by others for delivery to the Company, the value of which is not reflected in the accompanying consolidated financial statements. Securities owned and securities sold, but not yet purchased, are reflected at market value and unrealized gains and losses are reflected in net gain on principal transactions. Dividends and Securities and Exchange Commission ("SEC") fees are also included in net gain on principal transactions. Dividend income and expense are recognized on the record date, which does not differ materially from the ex-date. In the normal course of business, the Company is permitted to use client margin securities to finance customer securities transactions, subject to certain regulatory guidelines.

Depreciation and Amortization

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of office equipment and the lesser of the economic useful life of the leasehold improvement or the term of the lease.

Collateralized Financing Transactions

Securities purchased and sold under agreements to resell and repurchase, as well as securities borrowed and loaned for which cash is deposited or received, are treated as collateralized financing transactions and are recorded at contract amount plus accrued interest. It is the policy of the Company to obtain possession of collateral with market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral when appropriate. The market value of securities received for securities purchased under agreements to resell at December 31, 2000 approximates 102% of cash paid. None of the securities received were subsequently repledged or resold.

Reportable Operating Segment

The Company considers its present operations to be one reportable segment for purposes of presenting consolidated financial information and for evaluating its performance. The financial statement information presented in the accompanying consolidated financial statements is consistent with the preparation of financial information for the purpose of internal use.

Managing Directors' Compensation

Prior to the reorganization on August 24, 1999, the managing directors of LaBranche were the members of LaB Investing. LaBranche paid out substantially all of its earnings as compensation expense to its managing directors. Subsequent to August 24, 1999, the managing directors of the Company are compensated based on an annual salary as well as an incentive-based compensation pool, which is determined based upon a certain percentage of pre-tax income.

New Accounting Pronouncement

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for periods beginning after June 15, 2000. Management does not believe the impact of the adoption of SFAS No. 133 on the Company's financial position or results of operations will be material.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – A Replacement of FASB Statement No. 125" ("SFAS 140"). SFAS 140 amends the recognition and reclassification of collateral and disclosures related to securitization transactions and collateral. These changes are effective for fiscal years ending after December 15, 2000. SFAS 140 also amends the accounting for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The impact on the SFAS 140 provisions effective subsequent to March 31, 2001, is not anticipated to have a material impact on the Company's consolidated financial statements.

4. RECEIVABLE FROM AND PAYABLE TO BROKERS, DEALERS AND CLEARING ORGANIZATIONS

The balances presented as receivables from and payables to brokers, dealers and clearing organizations consist of the following (000's omitted):

FOR THE YEARS ENDED DECEMBER 31,	**2000**	**1999**
RECEIVABLE FROM BROKERS, DEALERS AND CLEARING ORGANIZATIONS:		
Pending Trades, Net	**$ 3,471**	$ —
Securities Borrowed	**49,436**	26,230
Receivable from Clearing Organizations	**2,102**	3,373
Securities Failed to Deliver	**1,654**	827
Other Receivables from Brokers and Dealers	**6,805**	3,232
	$63,468	$33,662
PAYABLE TO BROKERS AND DEALERS:		
Pending Trades, Net	**$ —**	$ 6,435
Securities Failed to Receive	**3,938**	1,264
Other Payables to Brokers and Dealers	**130**	27
	$ 4,068	$ 7,726

Securities borrowed transactions require the Company to deposit cash with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. As of December 31, 2000, the Company has borrowed securities related to securities sold but not yet purchased, with a market value of $49.4 million.

If the Company's counterparties to its securities loaned transactions have the right by contract or custom to sell or repledge the Company's pledged proprietary securities, then the Company will record these securities as "Securities pledged to counterparties" on the Statement of Financial Condition. As of December 31, 2000, the Company has not engaged in the lending of securities.

5. INCOME TAXES

The Company accounts for taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities. Deferred tax assets and liabilities relate to stock-based compensation, amortization periods of certain intangibles and differences between the financial and tax basis of assets acquired. The Company's effective tax rate differs from the federal statutory rate primarily due its conversion to corporate form in the 1999 tax year and the nondeductible amortization of intangible assets in 2000.

The components of provision for income taxes reflected on the consolidated statements of operations are set forth below (000's omitted):

FOR THE YEARS ENDED DECEMBER 31,	2000	1999
CURRENT INCOME TAXES:		
Federal	**$61,123**	$18,267
State and Local	**27,628**	5,297
Total Current	**88,751**	23,564
DEFERRED INCOME TAXES:		
Federal	**(2,822)**	260
State and Local	**(1,275)**	75
Total Deferred	**(4,097)**	335
Total Income Tax Expense	**$84,654**	$23,899

The following table presents the components of deferred tax asset and liability balances (000's omitted):

FOR THE YEARS ENDED DECEMBER 31,	2000	1999
DEFERRED TAX ASSETS:		
Depreciation	**$ 434**	$ 235
Stock-Based Compensation	**2,405**	497
Interest Expense	**142**	—
Other	**100**	39
Total Deferred Tax Assets	**$ 3,081**	$ 771
DEFERRED TAX LIABILITIES:		
Certain Amortizable Intangibles	**$ 1,243**	$ 811
Acquisitions	**72,472**	—
Gain on Change from LIFO to Market Value for Specialist Stocks	**837**	—
Unrealized Gain on Investments	**108**	295
Total Deferred Tax Liabilities	**$ 74,660**	$ 1,106

A reconciliation of the statutory U.S. Federal Income Tax Rate of 35% to the Company's effective income tax rate is set forth below:

FOR THE YEARS ENDED DECEMBER 31,	2000	1999
U.S. Federal Income Tax Rate	**35.0%**	35.0%
Increase (Decrease) in Taxes Related to:		
State and Local Taxes	**11.6**	14.4
Nondeductible Intangibles	**4.5**	2.9
Conversion to Corporate Form	**—**	(7.6)
Other	**(0.3)**	0.4
Effective Tax Rate	**50.8%**	45.1%

6. CAPITAL AND NET LIQUID ASSET REQUIREMENTS

LaBranche, as a specialist and member of the NYSE, is subject to SEC Rule 15c3-1 as adopted and administered by the NYSE and the SEC. LaBranche is required to maintain minimum net capital, as defined, equivalent to the greater of $100,000 or $^1/_{15}$ of aggregate indebtedness, as defined.

As of December 31, 2000 and 1999, LaBranche's net capital, as defined under SEC Rule 15c3-1, was $293.4 million and $161.4 million, respectively, which exceeded minimum requirements by $290.3 million and $159.9 million, respectively. LaBranche's aggregate indebtedness to net capital ratio was .16 to 1 and .13 to 1, respectively.

Additionally, Henderson Brothers as a registered broker-dealer and member firm of the NYSE is also subject to SEC Rule 15c3-1 as adopted and administered by the NYSE and the SEC. Under the alternative method permitted by the rule, the minimum required net capital shall be equal to the greater of $250,000 or 2% of aggregate debit items as defined.

As of December 31, 2000, Henderson Brothers' net capital as defined under SEC Rule 15c3-1 was $8.5 million which exceeded minimum requirements by $8.2 million.

As a clearing broker-dealer, Henderson Brothers has elected to compute a reserve requirement for Proprietary Accounts of Introducing Broker-Dealers ("PAIB Calculation"), as defined. The PAIB Calculation is computed in order for correspondent firms to classify their assets held by Henderson Brothers as allowable assets in the correspondents' net capital calculation. At December 31, 2000, Henderson Brothers had a reserve requirement of approximately $343,383. Additionally, the firm has approximately $394,700 of cash on deposit in a Special Reserve Bank Account as of January 3, 2001.

The NYSE generally requires members registered as specialists to maintain a minimum dollar regulatory capital amount in order to establish that they can meet, with their own net liquid assets, their position requirement. Effective October 30, 2000, with SEC approval, the NYSE changed Rule 104, its minimum net liquid asset requirements. Specialist units that exceed five percent in any of the NYSE's four concentration measures must maintain minimum net liquid assets based upon the securities for which they act as the specialist. The requirements state that the net liquid assets must be equivalent to $4.0 million for each stock in the Dow Jones Industrial Average, $2.0 million for each stock in the S&P 100 Stock Price Index, excluding stocks included in the previous classification, $1.0 million for each stock in the S&P 500 Stock Price Index, excluding stock included in the previous classifications, $500,000 for each common stock, excluding bond funds and stocks included in the previous classifications, and $100,000 for each stock not included in any of the above classifications. In addition, the NYSE requires any new specialist entities that result from a merger, acquisition, consolidation or other combination of specialist entities to maintain net liquid assets equivalent to the greater of either: (1) the aggregate net liquid assets of the specialist entities prior to their combination or (2) the new capital requirements prescribed under Rule 104. Net liquid assets for a specialist who also engages in transactions other than specialist activities is based upon its excess net capital as determined in accordance with SEC Rule 15c3-1.

As of December 31, 2000 and 1999, LaBranche's NYSE minimum required dollar amount of net liquid assets, as defined, was $284.3 million and $93.6 million, respectively, compared to actual net liquid assets, as defined, of $305.0 million and $175.9 million, respectively.

7. ACQUISITIONS

Effective July 1, 1998, LaBranche acquired the specialist operations of Fowler, Rosenau & Geary, L.L.C. ("Fowler, Rosenau") for an aggregate purchase price of approximately $45.0 million, representing a 22.4% total general and limited partners' interest in LaBranche. The excess purchase price over fair value of net assets acquired was approximately $25.8 million.

Effective August 24, 1999, the limited partnership interests of $37.1 million in LaBranche were acquired at an excess purchase price of $127.4 million over the limited partners' capital balances. The redemption of the limited partners' interests was accounted for as a step acquisition under the purchase method of accounting. The excess of purchase price over the limited partners' capital balances was allocated to intangible assets and assigned lives as follows:

	Original Amount	Life
Specialist Stock List	$ 93.6 million	40 years
Trade Name	26.6 million	40 years
Goodwill	7.2 million	15 years
	$127.4 million	

Effective March 2, 2000, the Holding Company acquired all the outstanding capital stock of Henderson Brothers Holdings, Inc., which in turn wholly owned Henderson Brothers, a specialist on the NYSE, for an aggregate purchase price of approximately $228.4 million. The acquisition was accounted for under the purchase method of accounting. The results of Henderson Brothers' operations have been included in the Company's consolidated financial statements since March 2, 2000. The excess of purchase price over fair value of approximately $204.9 million was allocated to intangible assets with corresponding respective lives as follows:

	Original Amount	Life
Specialist Stock List	$ 87.7 million	40 years
Goodwill	117.2 million	15 years
	$204.9 million	

Effective March 9, 2000, the Holding Company acquired, through a merger, Webco Securities, Inc. ("Webco"), a specialist on the NYSE, for an aggregate purchase price of $11.0 million in cash, $3.0 million in senior promissory notes and 2.8 million shares of the Company's common stock. The acquisition was accounted for under the purchase method of accounting. The results of Webco's specialist operations have been included in the Company's consolidated financial statements since March 9, 2000. The excess of purchase price over fair value of approximately $28.8 million was allocated to intangible assets with corresponding respective lives as follows:

	Original Amount	Life
Specialist Stock List	$ 9.8 million	36 years
Goodwill	19.0 million	15 years
	$28.8 million	

Effective December 21, 2000, LaBranche acquired an American Stock Exchange ("AMEX") specialist unit from a joint venture of Midland Trading L.P., Pal-Bro Partners L.L.C. and Cohen Specialists L.L.C. The acquisition was accounted for under the purchase method of accounting. The results of the AMEX specialist unit operations have been included in the Company's consolidated financial statements since December 21, 2000. The excess of purchase price over fair value of approximately $3.8 million was allocated to goodwill.

8. COMMITMENTS

During 1999, the Company amended and extended its committed line-of-credit with a U.S. commercial bank from $75.0 million to $100.0 million. During February 2000, LaBranche increased and extended its committed line-of-credit to $200.0 million through February 2, 2001.

Minimum rental commitments under existing noncancellable leases for office space and equipment are as follows:

Year Ending December 31,	
2001	$1,135,050
2002	1,165,050
2003	1,171,050
2004	1,188,350
2005	1,238,650
Thereafter	2,648,488

These leases contain escalation clauses providing for increased rentals based upon maintenance and tax increases.

9. SUBORDINATED LIABILITIES

LaBranche is a party to subordinated loan agreements under which it has indebtedness approved by the NYSE for inclusion as net capital, as defined. Interest is payable quarterly at various annual rates. Five of the agreements representing $2,650,000 mature within the last six months of 2001 and six agreements representing $2,985,000 mature within the first six months of 2002. These agreements all have automatic rollover provisions, and each scheduled maturity date will be extended an additional year, unless the lender gives LaBranche seven months' advance notice that the maturity date will not be extended. Interest expense incurred for the years ended December 31, 2000, 1999 and 1998, on these agreements was approximately $1.0 million, $1.1 million and $1.3 million, respectively. Two of the holders representing $850,000 of subordinated loan agreements were repaid the principal and unpaid interest upon maturity in November 2000 and five holders representing $3,723,000 of subordinated loan agreements were repaid the principal and unpaid interest upon maturity in December 2000.

LaBranche also issued seven notes representing aggregate indebtedness of $20,000,000, which mature on September 15, 2002, and bear interest at an annual rate of 8.17% payable on a quarterly basis. LaBranche also issued five notes representing aggregate indebtedness of $15,000,000, which mature on June 3, 2008, and bear interest at an annual rate of 7.69% payable on a quarterly basis. These notes are senior to all other subordinated notes of LaBranche. Interest expense incurred for the years ended December 31, 2000, 1999 and 1998, on these notes was approximately $2.8 million, $2.8 million and $2.3 million, respectively. The agreements covering these subordinated notes require LaBranche to comply with certain covenants that, among other things, restrict the type of business in which LaBranche may engage, set certain net capital levels and prohibit restricted payments.

LaBranche also issued a subordinated note for $1,300,000 due March 2, 2002, with an annual rate of 8.0%, payable on a quarterly basis. Interest expense incurred for the years ended December 31, 2000, 1999 and 1998, on the note was approximately $108,333, $123,333 and $0 respectively. This agreement has an automatic rollover provision, and the scheduled maturity date will be extended an additional year, unless the lender gives LaBranche seven months' advance notice that the maturity date will not be extended.

10. EARNINGS PER SHARE

Earnings per share ("EPS") are computed in accordance with SFAS No. 128, "Earnings Per Share." Basic EPS is calculated by dividing net income by the weighted-average number of common shares outstanding. Diluted EPS includes the determinants of basic EPS and, in addition, gives effect to dilutive potential common shares. For purposes of determining weighted-average shares outstanding for periods prior to the Company's reorganization from partnership to corporate form, the outstanding shares were determined based on the conversion ratio of members' capital to common stock issued to the members upon reorganization.

The computations of basic and diluted EPS are set forth below, (000's omitted, except per share data) anti-dilutive shares in 2000 and 1999 were 1,987 and 2,263, respectively:

FOR THE YEARS ENDED DECEMBER 31,	2000	1999	1998
Numerator for Basic and Diluted Earnings Per Share – Net Income	**$81,923**	$29,034	$ 2,660
Denominator for Basic Earnings Per Share – Weighted-Average Number of Common Shares	**48,167**	40,443	24,318
Dilutive Shares			
Stock Options	**150**	—	—
Restricted Stock	**14**	—	—
Restricted Stock Units	**250**	—	—
Denominator for Diluted Earnings Per Share – Weighted-Average Number of Common Shares	**48,581**	40,443	24,318
Basic Earnings Per Share	**$ 1.70**	$ 0.72	$ 0.11
Diluted Earnings Per Share	**$ 1.69**	$ 0.72	$ 0.11

11. EMPLOYEE INCENTIVE PLANS

Equity Incentive Plan

The Company has elected to account for stock-based employee compensation plans in accordance with Accounting Principles Board Opinion ("APB") No. 25 as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." In accordance with APB No. 25, compensation expense is not recognized for stock options that have no intrinsic value on the date of grant.

The Company sponsors an Equity Incentive Plan which provides for grants of incentive stock options, nonqualified stock options, restricted shares of common stock, restricted stock units, unrestricted shares and stock appreciation rights.

A maximum of 4,687,500 shares of common stock has been reserved for issuance under the Equity Incentive Plan. The maximum number of shares of common stock with respect to which options, restricted stock, restricted stock units or other equity-based awards may be granted under the Equity Incentive Plan during any calendar year to any employee may not exceed 500,000 shares, subject to adjustment upon certain corporate transactions.

On August 18, 1999, restricted stock units with respect to 1,059,000 shares of common stock were granted to employees who were not managing directors with an issue cost of $0 to the employees and a fair market value of $14 per share. In October 1999 and March 2000, respectively, restricted stock units for an additional 3,600 and 2,055 shares of common stock were issued to two different employees with an issue cost of $0 to the employees and a fair market value of $9.50 and $13.69 per share, respectively. The restricted stock units, which are subject to continuing service with the Company and other restrictions, will generally vest in three annual installments commencing on the third anniversary of the grant date. Compensation expense is being recognized over the five-year vesting period on a straight-line basis. During 2000, 36,891 shares were forfeited as a result of a failure to meet vesting requirements. In addition, 77,502 shares vested as part of severance arrangements. For the years ended December 31, 2000 and 1999, the Company recorded compensation expense and a credit to additional paid-in capital of approximately $3.6 million and $1.1 million, respectively, related to these restricted stock units.

During August and September 2000, the Company issued to certain newly hired employees an aggregate of 200,000 and 100,000 shares of restricted stock, respectively, each with an issue cost of $.01 and a fair market value of $26.50 and $30.13 per share, respectively. The restricted stock, which is subject to continuing service with the Company, will vest in three annual installments on each anniversary of the grant date. Compensation expense is being recognized over the three-year vesting period on a straight-line basis. For the year ended December 31, 2000, the Company recorded compensation expense of approximately $711,000.

Stock Options

On August 18, 1999, options to purchase an aggregate of 1,200,000 shares of common stock were granted to executive officers of the Company at market value. Of these options, 416,667 options were exercisable as of December 31, 2000. Of the remaining options, 100,000 shares vested on January 7, 2000, and will become exercisable on July 7, 2001. During 2000, options to purchase 33,333 shares were forfeited due to a failure to meet vesting requirements. In addition, 16,667 shares were exercised at a price of $14. The options to purchase the remaining 633,333 shares, which are subject to continuing service with the Company and other restrictions, will become exercisable in two equal annual installments on the anniversary of the date of grant. These options will generally expire 10 years from the date of grant, unless sooner terminated or exercised. Pursuant to APB No. 25, no compensation expense was recognized since, on the date of grant, these options had no intrinsic value. As of December 31, 2000, the outstanding options had an exercise price of $14 and a remaining life of approximately nine years.

The estimated fair value of options granted was $4.97 per option. Fair value is estimated as of the grant date based on a binomial option pricing model using the following assumptions:

Risk-Free Interest Rate	5.25%
Expected Life	7yrs
Volatility	40%
Dividend Yield	0%

In accordance with SFAS No. 123, compensation expense was not recognized on the date of the grant of the options since these options had no intrinsic value. If the Company were to recognize compensation expense under the fair-value based method of SFAS No. 123, the net income would have decreased by approximately $852,000 and $843,000 for the years ended December 31, 2000 and 1999, respectively, resulting in pro forma net income and earnings per share as follows:

YEAR ENDED DECEMBER 31, (000's omitted, except per share data)	2000	1999
Net Income, as Reported	$ 81,923	$ 29,034
Pro Forma Net Income	81,071	$ 28,191
Diluted EPS, as Reported	$ 1.69	$ 0.72
Pro Forma EPS	1.67	$ 0.70

The effect of applying SFAS No. 123 in the pro forma disclosure above may not be representative of the potential pro forma effect on net income in future periods.

Annual Incentive Plan

The Company also sponsors an Annual Incentive Plan. Managing directors and other employees designated by management will be eligible to participate. Under this plan, a compensation pool of up to 30% of the Company's pre-tax income, or such lesser percentage determined by the compensation committee, will be set aside for managing directors and other employees selected by the compensation committee to participate in this plan. In determining the compensation pool, the compensation expense relating to the grant of restricted stock units and the grant of restricted stock is deducted. Under the plan, no individual participant may receive more than 25% of the compensation pool for any fiscal year.

12. LONG-TERM DEBT

Effective August 24, 1999, the Holding Company issued $100.0 million aggregate principal amount of Senior Notes. The Senior Notes bear interest at a rate of 9½% annually and mature on August 15, 2004. The carrying value of the Senior Notes as of December 31, 2000 is $99.9 million. The discount on the bond is being amortized as an adjustment to interest expense over the life of the Senior Notes. Debt issuance costs incurred as a result of the Senior Note offering were approximately $2.5 million, which are also being amortized on a straight-line basis as an adjustment to interest expense over the life of the Senior Notes. Interest expense incurred for the years ended December 31, 2000 and 1999, was approximately $10.1 million and $3.5 million, respectively. The indenture covering the Senior Notes includes certain covenants that, among other things, limit the Company's ability to borrow money, pay dividends or repurchase stock, make investments, engage in transactions with stockholders and affiliates, create liens on assets, and sell assets or engage in mergers and consolidations except in accordance with certain specified conditions.

In addition, in connection with the reorganization of the Company from partnership to corporate form on August 24, 1999, the Holding Company issued a note in an aggregate principal amount of $16.0 million as partial payment for the acquisition of a limited partner interest. The note is payable in three annual installments, with $6.0 million of the aggregate principal amount already having been paid on the first anniversary of issuance. The remaining principal amount is payable in $5.0 million installments on each of the second and third anniversaries of issuance. The note bears interest at the annual rate of 9½%. Interest expense incurred for the years ended December 31, 2000 and 1999, was approximately $1.3 million and $538,000, respectively.

In connection with the acquisitions of Henderson Brothers and Webco, the Holding Company issued $250.0 million aggregate principal amount of Senior Subordinated Notes (the "Notes") that bear interest at a rate of 12.0% annually and mature on March 2, 2007. The carrying value of the Notes as of December 31, 2000, was $246.0 million. The discount on the Notes is being amortized as an adjustment to interest expense over the life of the Notes. Debt issuance costs incurred as a result of the Note offering were approximately $6.9 million, which are also being amortized as an adjustment to interest expense over the life of the Notes. Interest expense incurred for the year ended December 31, 2000, was approximately $25.8 million. The indenture covering the Notes includes certain covenants that, among other things, limit the Company's ability to borrow money, pay dividends or repurchase stock, make investments, engage in transactions with stockholders and affiliates, create liens on assets, and sell assets or engage in mergers and consolidations except in accordance with certain specified conditions.

The Notes also require the Company, within 150 days after the end of each fiscal year, to offer to redeem from all holders of the Notes a principal amount equal to the Excess Cash Flow at a price equal to 103% of the principal amount being offered for purchase plus accrued and unpaid interest, if any, to the date of redemption. Each holder is entitled to be offered a pro rata share of the amount subject to redemption based upon his or her ownership percentage of the outstanding Notes. Excess Cash Flow is defined for this purpose as 40% of the amount by which the Company's consolidated EBITDA exceeds the sum of the Company's interest expense, tax expense, increase in net capital or net liquid asset requirements, capital expenditures, any cash payments related to acquisitions of NYSE specialists and any cash payments related to the Company's principal payments of certain other indebtedness. As of December 31, 2000, the Company's Excess Cash Flow, as calculated, was approximately $9.9 million, and accordingly $280,000 was accrued as additional interest expense during the year ended 2000.

13. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires companies to report the fair value of financial instruments for certain assets and liabilities. Substantially all of the Company's financial instruments are short-term in nature or carry market interest rates and, accordingly, approximate fair value.

The fair value of the fixed rate debt, in millions, is as follows:

FOR THE YEARS ENDED DECEMBER 31,	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Debt	**$ 99.9**	**$102.3**	$99.8	$97.0
Senior Subordinated Debt	**$246.0**	**$276.8**	$ —	$ —
Fixed Rate Note	**$ 10.0**	**$ 10.0**	$16.0	$15.9

The fair value of the Senior Notes and the Notes were determined based upon its market value as of December 31, 2000. The fair value of the fixed rate note was determined using current market rates to discount its cash flows.

14. RETIREMENT PLAN

The Company has a defined contribution retirement plan (the "Plan") that is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). As of December 31, 1999, the Retirement Services Division of the Bank of New York acted as recordkeeper, while LaBranche acted as custodian and administrator. Effective April 1, 2000, the Plan was amended and restated and all assets were transferred to Fidelity Management & Research Company's Advisor Retirement Connection, which currently acts as custodian, recordkeeper and trustee.

All employees are eligible to participate in the Plan after they have completed 12 months of service and have been credited with 1,000 hours of service. The Company, acting in its sole discretion, can declare and contribute to the Plan an employer matching contribution and an additional voluntary contribution. As of December 31, 2000 and 1999, the Company contributed approximately $590,000 and $423,000, respectively, as employer matching contributions to the plan, and approximately $2.0 million and $1.1 million, respectively, as an additional voluntary contribution.

As of December 31, 2000, the Plan had approximately 230 participants compared to 148 participants as of December 31, 1999.

15. FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT AND OFF-BALANCE SHEET RISK

As a specialist on the NYSE, LaBranche is engaged in various securities trading and lending activities. In connection with its activities as a specialist, LaBranche assumes positions in stocks for which it is responsible. LaBranche is exposed to credit risk associated with the nonperformance of counterparties in fulfilling their contractual obligations pursuant to these securities transactions. LaBranche is exposed to market risk associated with the sale of securities not yet purchased, which can be directly impacted by volatile trading on the NYSE. Additionally, in the event of nonperformance and unfavorable market price movements, LaBranche may be required to purchase or sell financial instruments, which may result in a loss to LaBranche.

LaBranche enters into collateralized financing agreements in which it extends short-term credit to major financial institutions. LaBranche controls access to the collateral pledged by the counterparties, which generally consists of U.S. equity and government securities. The value and adequacy of the collateral are continually monitored. Consequently, the risk of credit loss from counterparties' failure to perform in connection with collateralized lending activities is minimal.

In addition, Henderson Brothers, through the normal course of business, enters into various securities transactions as agent. The execution, settlement and financing of those transactions can result in off-balance sheet risk and concentration of credit risk.

Henderson Brothers' clearance activities involve settlement and financing of various customer securities transactions on a cash or margin basis. These activities may expose Henderson Brothers to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations and Henderson Brothers has to purchase or sell securities at a loss. For margin transactions Henderson Brothers may be exposed to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur in their accounts.

Henderson Brothers seeks to control the risks associated with customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. Henderson Brothers monitors margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions, when necessary.

16. PRO FORMA FINANCIAL INFORMATION

The following 1999 pro forma consolidated results give effect to the Company's August 1999 reorganization from partnership to corporate form and related transactions, which include the acquisition of LaBranche's limited partnership interests, and the application of the net proceeds from the Company's August 1999 initial public offering and Senior Note offering (the "Reorganization Transactions") as if the Reorganization Transactions occurred as of January 1, 1999. In addition, the 1999 pro forma consolidated results give effect to the acquisition of all the outstanding capital stock of Henderson Brothers, the acquisition of Webco and the issuance of the Notes as if they occurred as of January 1, 1999. The 2000 pro forma consolidated results give effect to the March 2000 acquisitions of Henderson Brothers and Webco and the issuance of the Notes as if they all occurred as of January 1, 2000. The pro forma impact on revenues, pre-tax income and earnings are as follows (000's omitted, except per share data):

FOR THE YEARS ENDED DECEMBER 31,	2000	1999
	(Pro Forma)	(Pro Forma)
Revenues	**$357,451**	$ 296,869
Pre-Tax Income	**148,611**	109,966
Net Income	**72,089**	51,800
EPS	**$ 1.48**	$ 1.20

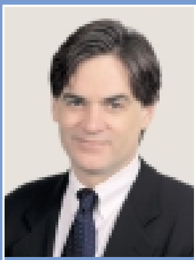
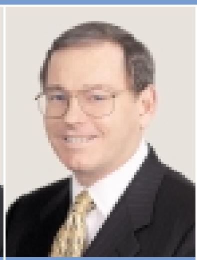
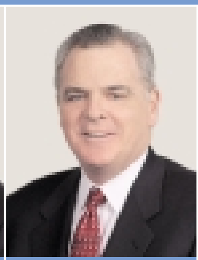
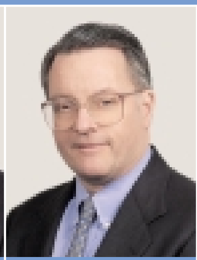
17. SUBSEQUENT EVENTS (UNAUDITED)

Effective January 18, 2001, the Company entered into a merger agreement to acquire ROBB PECK McCOOEY Financial Services, Inc. ("Robb Peck McCooey") for an aggregate of approximately 6.9 million shares of the Company's common stock and shares of the Company's nonconvertible preferred stock having an aggregate face value of approximately $100.0 million and an estimated fair value of approximately $89.1 million. In addition, the Company will assume Robb Peck McCooey's obligations under the outstanding option agreements with Robb Peck McCooey's employees. Thus, each option to purchase Robb Peck McCooey common stock will be replaced with a vested option to purchase 98.778 shares of the Company's common stock. The acquisition will be accounted for under the purchase method and the results of Robb Peck McCooey's operations will be included in the Company's consolidated financial statements from the closing date of the transaction.

In January 2001, the Company extended its line-of-credit with a U.S. commercial bank to February 1, 2002.

CORPORATE INFORMATION

Directors and Officers

						
Michael LaBranche Chairman, Chief Executive Officer and President	**James G. Gallagher** Director and Executive Vice President	**Al Hayward** Director and Executive Vice President	**S. Lawrence Prendergast** Director and Executive Vice President, Finance	**Harvey S. Traison** Director, Senior Vice President and Chief Financial Officer	**Thomas E. Dooley** Director/ Co-Chairman/ Chief Executive Officer of DND Capital Partners LLC	**E. Margie Filter** Director/ Vice President, Treasurer and Secretary of Xerox Corporation/ President and Chief Executive Officer of Xerox Credit Corporation

Two new directors were appointed 3/16/01: **Robert M. Murphy** and **George E. Robb, Jr**.
Two officers and one director of LaBranche & Co Inc. retired: **Vincent Flaherty**, Senior Vice President (11/30/2000); **Michael J. Naughton**, Senior Vice President (3/31/2001); and **Michael D. Robbins**, Director (3/8/2001).

Stock Trading Information

Our common stock is quoted on the New York Stock Exchange under the symbol "LAB". The following table sets forth the range of high, low and closing prices for our common stock on the NYSE for the periods indicated:

	High	Low	Close
Third Quarter 1999	$14.25	$11.19	$ 11.19
Fourth Quarter 1999	13.38	9.38	12.75
First Quarter 2000	15.38	11.31	12.63
Second Quarter 2000	17.63	11.13	14.38
Third Quarter 2000	36.25	15.44	33.38
Fourth Quarter 2000	39.63	22.19	30.56

Number of shareholders of record as of March 12, 2001: 116

Additional Corporate Information

Investor Relations Contacts

Harvey S. Traison
S. Lawrence Prendergast

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Fax: (212) 344-1469
Email: ir@labranche.com

Forms 10K & 10Q are available at www.labranche.com or upon request.

Annual Meeting

The Annual Meeting will convene at 9:00 a.m. on May 15, 2001 at The Regent Hotel on 55 Wall Street, New York, NY.

Legal Counsel

Fulbright & Jaworski L.L.P.
New York, NY

Independent Auditors

Arthur Andersen LLP
New York, NY

Stock Transfer Agent and Registrar

Firstar Bank, N.A.
1555 North Rivercenter Drive, Suite 301
Milwaukee, WI 53212
(800) 637-7549

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