

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)	Year ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net earnings	\$ 144,665	\$ 205,750	\$ 157,443
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:			
Cumulative effect of accounting change, net	—	(1,606)	—
Depreciation and amortization	27,863	19,891	15,556
Accruals related to various benefit plans, stock issuances, net of forfeitures	174,652	109,505	118,276
Deferred income taxes	(6,269)	(37,982)	(23,475)
Minority interest	7,891	6,969	6,875
(Increase) decrease in cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(150,883)	120,862	(75,640)
(Increase) decrease in receivables:			
Securities borrowed	(6,710,158)	(1,568,414)	2,089,418
Brokers, dealers and clearing organizations	(296,599)	149,026	(92,263)
Customers	(101,261)	(186,651)	(105,113)
Increase in financial instruments owned	(788,715)	(2,777,970)	(579,779)
Increase in other investments	(35,955)	(16,084)	(12,160)
Decrease (increase) in investments in managed funds	20,653	(94,753)	(82,134)
Increase in securities purchased under agreements to resell	(3,146,118)	(226,176)	—
Increase in other assets	(21,559)	(65,031)	(34,020)
Increase (decrease) in payables:			
Securities loaned	920,290	(934,990)	(1,601,436)
Brokers, dealers and clearing organizations	282,117	347,797	(58,856)
Customers	405,368	183,265	127,959
(Decrease) increase in financial instruments sold, not yet purchased	(336,498)	2,300,552	180,144
Increase in securities sold under agreements to repurchase	9,232,724	2,092,838	—
(Decrease) increase in accrued expenses and other liabilities	(51,785)	103,636	182,275
Net cash (used in) provided by operating activities	(429,577)	(269,566)	213,070
Cash flows from investing activities:			
Decrease (increase) in short-term bond funds	—	7,037	(176)
Purchase of premises and equipment	(76,893)	(39,342)	(27,186)
Business acquisitions, net of cash received	(33,437)	—	(53,030)
Cash paid for contingent consideration	(25,720)	(19,944)	(8,925)
Net cash flows used in investing activities	(136,050)	(52,249)	(89,317)
Cash flows from financing activities:			
Tax benefits from the issuance of stock-based awards	41,710	32,906	—
Proceeds from reorganization of high yield secondary market trading	361,735	—	—
Redemptions and distributions related to our reorganization of high yield secondary market trading	(31,858)	—	—
Repayment of long-term debt	(100,000)	—	—
Net proceeds from (payments on):			
Bank loans	280,386	—	(70,000)
Issuance of senior notes	593,176	492,155	—
Termination of interest rate swaps	8,452	—	—
Issuance of mandatorily redeemable convertible preferred stock	—	125,000	—
Minority interest holders of consolidated subsidiaries related to asset management activities	3,849	(11,553)	(5,467)
Repurchase of treasury stock	(147,809)	(23,972)	(76,291)
Dividends	(64,754)	(56,749)	(31,645)
Exercise of stock options, not including tax benefits	5,233	17,543	33,661
Net cash provided by (used in) financing activities	950,120	575,330	(149,742)
Effect of foreign currency translation on cash and cash equivalents	338	3,593	(2,189)
Net increase (decrease) in cash and cash equivalents	384,831	257,108	(28,178)
Cash and cash equivalents at beginning of year	513,041	255,933	284,111
Cash and cash equivalents at end of year	\$ 897,872	\$ 513,041	\$ 255,933

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands)	Year ended December 31,		
	2007	2006	2005
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 1,133,861	\$ 492,179	\$ 283,318
Income taxes	69,973	198,294	87,013
Acquisitions:			
Fair value of assets acquired, including goodwill	\$ 61,999		\$ 95,118
Liabilities assumed	(6,150)		(13,854)
Stock issued	(22,412)		(26,998)
Cash paid for acquisition	33,437		54,266
Cash acquired in acquisition	—		1,435
Net cash paid for acquisition	\$ 33,437		\$ 52,831
Supplemental disclosure of non-cash financing activities:			
Non-cash proceeds from reorganization of high yield secondary market trading	\$ 230,169	\$ —	\$ —

In 2005, the additional minimum pension liability included in stockholders' equity of \$6,125 resulted from a decrease of \$743 to accrued expenses and other liabilities and an offsetting increase in stockholders' equity. In 2006, the additional minimum pension liability included in stockholders' equity of \$2,910 resulted from a decrease of \$3,215 to accrued expenses and other liabilities and an offsetting increase in stockholders' equity. In 2007, the additional minimum pension liability included in stockholders' equity of \$1,827 resulted from a decrease of \$1,083 to accrued expenses and other liabilities and an offsetting increase in stockholders' equity.

See accompanying notes to consolidated financial statements.