Merriman Curhan Ford Group, Inc.
Form 10-K
March 31, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended December 31, 2008

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to ________

Commission File Number 001-15831

MERRIMAN CURHAN FORD GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	11-2936371 (IRS Employer Identification No.)

600 California Street, 9th Floor
San Francisco, CA 94108
(Address of principal executive offices)(Zip Code)

(415) 248-5600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a "smaller reporting company". See definition of "accelerated filer, large accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer (Do not check if a smaller reporting company) o	Smaller Reporting Company x

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

The aggregate market value of the 12,684,106 shares of common stock of the Registrant issued and outstanding as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, excluding 1,239,822 shares of common stock held by affiliates of the Registrant was $14,534,241. This amount is based on the closing price of the common stock on NASDAQ of $1.27 per share on June 30, 2008.

The number of shares of Registrant's common stock outstanding as of March 25, 2009 was 12,733,296

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain portions of the Registrant's proxy statement for its 2009 annual meeting of stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

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This Annual Report on Form 10-K and the information incorporated by reference in this Form 10-K include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Some of the forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intend “estimates” or “anticipates” or the negative of those words or other comparable terminology. Forward-looking statements involve risks and uncertainties. You should be aware that a number of important factors could cause our actual results to differ materially from those in the forward-looking statements. We will not necessarily update the information presented or incorporated by reference in this Annual Report on Form 10-K if any of these forward-looking statements turn out to be inaccurate. Risks affecting our business are described throughout this Form 10-K and especially in the section “Risk Factors.” This entire Annual Report on Form 10-K, including the consolidated financial statements and the notes and any other documents incorporated by reference into this Form 10-K should be read for a complete understanding of our business and the risks associated with that business.

PART I

Item 1. Business

Overview

We are a financial services holding company that provides equity research, capital markets services, corporate and venture services, investment banking, asset management and primary research through our operating subsidiaries, Merriman Curhan Ford & Co., MCF Asset Management, LLC and Panel Intelligence, LLC.

Merriman Curhan Ford & Co. is an investment bank and securities broker-dealer focused on fast-growing companies and institutional investors. Our mission is to become a leader in the researching, advising, financing, trading and investing in fast-growing companies under $2 billion in market capitalization. We provide equity research, brokerage and trading services primarily to institutions, as well as investment banking and advisory services to corporate clients. We are attempting to gain market share by originating differentiated research for our institutional investor clients and providing specialized and integrated services for our fast-growing corporate clients.

Panel Intelligence, LLC was acquired in April 2007. It offers custom and published primary research to industry clients and investment professionals through online panel discussions, quantitative surveys and an extensive research library. Panel Intelligence, LLC provides greater access, compliance, insights and productivity to clients in the health care, CleanTech and financial industries. In January 2009, the majority of the assets of Panel Intelligence, LLC were sold to an investor group that included certain members of its management team. For financial reporting purposes we have listed the operations of the business as part of discontinued operations.

MCF Asset Management, LLC manages absolute return investment products for institutional and high-net worth clients. We are the sub-advisor for the MCF Focus fund. In an effort to refocus the holding company back to its core investment banking/ broker-dealers services, management has decided to begin the process of liquidating the funds under management and returning investments to the investors in the fourth quarter of 2008. As a result of such, we have eliminated positions at MCF Asset Management, LLC, reducing our expenses beginning in 2008. This has been included in the reductions in force disclosed under Management Discussion and Analysis. As of December 31, 2008, assets under management across our three fund products had been partially liquidated to $11 million from $56 million in 2007.

We are headquartered in San Francisco, with additional offices in New York, NY and Cambridge, MA. As of December 31, 2008, we had 128 employees. Merriman Curhan Ford & Co. is registered with the Securities and Exchange Commission as a broker-dealer and is a member of Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation. MCF Asset Management, LLC is registered with the Securities and

Exchange Commission.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

During the year ended December 31, 2008, the Company incurred a net loss of $30,274,000 and used $24,945,000 in net cash from operating activities. At December 31, 2008, the Company had cash and cash equivalents of $6,358,000, marketable securities of $4,623,000 and receivables from clearing broker of $1,753,000. The Company had liabilities of $11,150,000. The Company's ability to generate profits is highly dependent on stock market trading volumes and the general economic environment. As a result, the ability of the Company to meet its forward obligations and the ability to continue as a going concern may be in question.

The Company is in the process of implementing a plan to increase its operating flexibility and extend its cash reserves. The plan primarily consists of four steps which are more fully described below:

1. Reduce operating costs
2. Shed non-essential operations
3. Negotiate a settlement of pending litigations
4. Raise additional capital

During 2008 and early 2009, the Company implemented significant expense control and cost reduction programs focused on reducing cash losses and increasing operational flexibility in which it has eliminated more than $10 million in annual operating expenses. The primary contributor to these savings has been the elimination of more than 50% of the Company's workforce, as well as salary reductions. The CEO, the Head of Institutional Securities and the Head of Professional Services voluntarily eliminated their salaries. They will be remunerated based on month-to-month profitability. The Board of Directors has, as of early 2009, also voluntarily eliminated its compensation. The Company believes that it has been able to execute these reductions with limited impact to its ability to generate and execute new business in the current market environment. With these measures largely complete, the company believes that it has increased its ability to meet its obligations during 2009 and beyond.

As a part of the four-step plan mentioned above, in January of 2009, the Company shed non-essential operations or those requiring substantial cash infusions. First, the Company sold Panel Intelligence, LLC on January 30, 2009. This subsidiary required a cash injection of $1,131,000 during 2008 and was projected to reach breakeven only in late 2009. Also in January 2009, the Company sold its operations known as Institutional Cash Distributors to a group of its employees. While this business was profitable, management was able to reach a deal that substantially increases the near-term flow of capital. Finally, the Company is in the process of shutting down MCF Asset Management, another subsidiary which had been costing the Company considerable capital during 2008. The result of these actions has been to reduce operating loses and increase available cash.

The Company has entered into a process of mediation to reach a settlement with a majority of the civil litigants resulting from the alleged fraud by its former customer William Del Biaggio III and its terminated employee Scott Cacchione. The Company is focused on reducing its potential liability in these legal proceedings and the resources required to fight the allegations. In addition, it is also aiming to free up valuable management resources needed to face challenging market and economic conditions. At present, there is no indication that these negotiations will be successful and whether it will serve the Company's aims and should a settlement result, it is not yet estimable.

The Company is assessing interest of potential investors in providing additional capital to the business. While the Company does not have a definitive agreement from any investor, preliminary discussions have yielded some interest subject to the completion of the three steps outlined above. There are no assurances that the Company will be successful in completing its plans outlined above and ultimately in raising additional capital.

The Company's ability to meet its going concern obligations is highly dependent on market and economic conditions. Even if it is successful in executing its four-step plan, it will not be capable of sustaining losses such as those incurred in 2008. However, it is worth noting that 2008 was an unprecedented year both in terms of stock market volatility and general economic challenges. Furthermore, the large number of civil litigations and resulting SEC investigation was a significant drain on corporate resources. The Company believes that its reduced cost structure and shedding of non core business has increased its operating runway. However, if operating conditions worsen in 2009 or if the company receives adverse judgments in its pending litigations, it may not have the resources to meet its financial obligations as a going concern.

These financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

Principal Services

We currently have two business segments: the investment bank / broker-dealer and asset management. Our investment bank / broker-dealer segment provides three service offerings: investment banking, brokerage and equity research. Our asset management segment manages investment products for investors. In January 2009 we sold the majority of the assets and liabilities of our primary research subsidiary, Panel Intelligence, LLC, or Panel, which was our third business segment. The results from this segment are presented as discontinued operations, which was a third business segment.

Investment Banking

Our investment bankers provide a full range of corporate finance and strategic advisory services. Our corporate finance practice is comprised of industry coverage investment bankers that are focused on raising capital for fast-growing companies in selected industry sectors. Our strategic advisory practice tailors solutions to meet the specific needs of our clients at various points in their growth cycle. As of December 31, 2008, we had 16 professionals in our investment banking group.

Corporate Finance. Our corporate finance practice advises on and structures capital raising solutions for our corporate clients through public and private offerings of primarily equity and convertible debt securities. Our focus is to provide fast-growing companies with the capital necessary to drive them to the next level of growth. We offer a wide range of financial services designed to meet the needs of fast-growing companies, including initial public offerings, secondary offerings, private investments in public equity, or PIPEs, and private placements. Our equity capital markets team executes underwritten securities offerings, assists clients with investor relations advice and introduces companies seeking to raise capital to investors that we believe will be supportive, long-term investors. Additionally, we draw upon our contacts throughout the financial and corporate world, expanding the options available for our corporate clients.

Strategic Advisory. Our strategic advisory services include transaction-specific advice regarding mergers and acquisitions, divestitures, spin-offs and privatizations, as well as general strategic advice. Our commitment to long-term relationships and our ability to meet the needs of a diverse range of clients has made us a reliable source of advisory services for fast-growing public and private companies. Our strategic advisory services are also supported by our capital markets professionals, who provide assistance in acquisition financing in connection with mergers and acquisitions transactions.

Institutional Brokerage Services

We provide institutional sales, sales trading and trading services to more than 490 institutional accounts in the United States. We execute securities transactions for money managers, mutual funds, hedge funds, insurance companies, pension and profit-sharing plans. Institutional investors normally purchase and sell securities in large quantities, which require the distribution and trading expertise we provide.

We provide integrated research and trading solutions centered on helping our institutional clients to invest profitably, to grow their portfolios and ultimately their businesses. We understand the importance of building long-term relationships with our clients who we believe look to us for the professional resources and relevant expertise to provide answers for their specific situations. We believe it is important for us to be involved with public companies early in their corporate life cycles. We strive to provide unique investment opportunities in fast-growing, relatively undiscovered companies and to help our clients execute trades rapidly, efficiently and accurately.

Institutional Sales. Our sales professionals focus on communicating investment ideas to our clients and executing trades in securities of companies in our target growth sectors. By actively trading in these securities, we endeavor to couple the capital market information flow with the fundamental information flow provided by our analysts. We believe that this combined information flow is the underpinning of getting our clients favorable execution of investment strategies. Sales professionals work closely with our research analysts to provide up-to-date information to our institutional clients. We interface actively with our clients and plan to be involved with our clients over the long term.

Sales Trading. Our sales traders are experienced in the industry and possess in-depth knowledge of both the markets for fast-growing company securities and the institutional traders who buy and sell them.

Trading. Our trading professionals facilitate liquidity discovery in equity securities. We make markets in securities traded on NASDAQ, stock exchanges and ECNs, and service the trading desks of institutions in the United States. Our trading professionals have direct access to the major stock exchanges, including the New York Stock Exchange and the American Stock Exchange. As of December 31, 2008, we were a market maker in 148 securities.

The customer base of our institutional brokerage business includes mutual funds, hedge funds, and private investment firms. We believe this group of clients and potential clients to number over 4,000. We grow our business by adding new customers and increasing the penetration of existing institutional customers that use our equity research and trading services in their investment process.

Proprietary Trading. We will from time to time take significant positions in fast-growing companies that we feel are undervalued in the marketplace. We believe that our window into these opportunities, due to the types of companies we research, offers us a significant competitive advantage.

Corporate & Executive Services. We offer brokerage services to corporations including corporate cash management and stock repurchase programs through our Corporate & Executive Services group. We also serve the needs of company executives with restricted stock transactions, cashless exercise of options, hedging and diversification strategies, and liquidity strategies.

Venture Services. The Venture Services team provides sales distribution for capital raises for private companies via the introduction to venture capital and private equity investors. Our venture services include distribution and liquidity programs, portfolio company advisory services, research dissemination and best-execution trading.

OTCQX Advisory. Merriman Curhan Ford & Co. began offering services to sponsor companies on the International and Domestic OTCQX markets in 2007. In 2008, we solidified our position as the leading investment bank sponsor in this market. We enable non-U.S. and domestic companies to obtain greater exposure to U.S. institutional investors without the expense and regulatory burdens of listing on traditional U.S. exchanges. The International and Domestic OTCQX market tiers do not require full SEC registration and are not subject to the 2002 Sarbanes Oxley Act of 2002. Listing on the market requires the sponsorship of a qualified investment bank called a Principal American Liaison (PAL) for non-U.S. companies or a Designated Advisor for Disclosure (DAD) for domestic companies. Merriman Curhan Ford & Co. was the first investment bank to achieve DAD and PAL designations and currently is the sponsor of 12 out of 52 issuers listed on OTCQX.

Institutional Marketing Services (IMS) is a new program launched in late 2008 by Merriman Curhan Ford & Co. to help companies develop better liquidity in their stock and expand their institutional ownership. Designed as a customized suite of services for a select group of high-quality, high-growth companies with small market capitalizations, IMS applies a full range of Merriman’s institutional capabilities to help clients achieve their objectives in the capital markets.

Capital Access Group. We raise capital for institutional hedge funds, venture capital and private equity clients for a fee through our Capital Access Group. We believe fee-based capital raising is an underserved area of the institutional brokerage industry.

Institutional Cash Distributors (ICD). ICD is a broker of money market funds serving the short-term investing needs of corporate finance departments at companies throughout the United States and Europe. Companies using ICD’s services receive access to over 40 fund families through ICD’s one-stop process that includes one application, one wire and one statement that consolidates reporting regardless of the number of funds utilized. As of December 31, 2008, ICD clients have invested over $42 billion in money market funds from which ICD earns brokerage fees. ICD is a division of Merriman Curhan Ford & Co. In January, 2009, we sold the primary assets related to the ICD operations to a group of investors which included some of our employees. However, until the new company is able to form its own broker-dealer which is anticipated to be in 2009, the business will continue operating under Merriman Curhan Ford & Co.

Equity Research

A key part of our strategy is to originate specialized and in-depth research. Our analysts cover a universe of approximately 100 companies in our focus industry sectors. We leverage the ideas generated by our research teams, using them to attract and retain institutional brokerage clients.

Supported by the firm's institutional sales and trading capabilities, our analysts deliver timely recommendations to clients on innovative investment opportunities. In an effort to make money for our investor clients, our analysts are driven to find undiscovered opportunities in fast-growing companies that are not widely held and that we believe are undervalued. Given the contrarian and undiscovered nature of many of our research ideas, we, as a firm, specialize in serving sophisticated, aggressive institutional investors. As of February 27, 2009, approximately 90% of the companies covered by our research professionals had market capitalizations of $1 billion or less.

Our research focuses on bottom-up, fundamental analysis of fast-growing companies in selected growth sectors. Our analysts' expertise in these categories of companies, along with their intensive industry knowledge and contacts, provides us with the ability to deliver timely, accurate, and value-added information to our clients.

Our objective is to build long lasting relationships with our clients by providing investment recommendations that directly equate to enhanced performance of their portfolios. Further, given our approach and focus on quality service, we believe our research analysts are in a unique position to maintain close, ongoing communication with our institutional clients.

The industry sectors covered by our 7 equity research analysts include:

CleanTech

- Energy Storage and Efficiency
- Next-Generation Energy
- Smart-Grid Technologies

Health Care

- Biotechnology/Life Sciences
- Oncology and Inflammatory Diseases

Tech/Telecom

- Emerging Data Center & Enterprise Technologies

Consumer /Internet/Media

- Branded Consumer
- China Consumer
- Internet Applications, Software and Services
- Media & Entertainment

After initiating coverage on a company, our analysts seek to effectively communicate new developments to our institutional sales and trading professionals as well as our institutional investors. We produce full-length research reports, notes and earnings estimates on the companies we cover. We also produce comprehensive industry sector reports. In addition, our analysts distribute written updates on these issuers both internally and to our clients through the use of daily morning meeting notes, real-time electronic mail and other forms of immediate communication. Our clients can also receive analyst comments through electronic media, and our sales force receives intra-day updates at meetings and through regular announcements of developments. All of the above is also available through a password protected searchable database of our daily and historical research archives, found on our website at www.merrimanco.com.

Our equity research group annually hosts several conferences targeting fast-growing companies and investors, including our Investor Summit and various industry sector conferences. We use these events to showcase innovative and fast-growing companies to institutional investors focused on investing in these growth sectors.

Asset Management

MCF Asset Management, LLC creates investment products for both institutional and high-net worth clients. Through the corporate and professional resources of Merriman Curhan Ford Group, Inc., we had developed an institutional-standard investment management platform.

The year 2008 was highly unfavorable for equity investments. The Dow Jones Industrial Average declined from about 14,000 in October 2007 to near 7,000 at the end of February 2009. The resulting market volatility and negative investor sentiment has made it very challenging to attract new assets to our funds. It is much less cost-effective to manage small amounts of funds while competing with larger firms in the current environment. Consequently, in order to reduce our cost structure, management decided to liquidate the funds under management by MCF Asset Management in late 2008. We expect to exit this business in 2009.

Primary Research

Panel offers an online primary research platform that provided health care and CleanTech industry clients and investment professionals with deeper insights and better efficiency for investment decisions, product development and marketing. By leveraging its proprietary methodology and vast network of health care and CleanTech experts, we believe we can quickly provide independent market data and information to clients.

Our primary research product and service offerings arise from the intelligent application of our core technology and research platform. Our staff guides clients in the development of highly targeted customized quantitative and/or qualitative research instruments designed to address business issues important to the client. In addition, we have developed proprietary research products which we market to multiple clients. These reports provide timely, consistent and cross-comparable data on a regular basis to subscribing clients.

In January 2009 we sold the majority of the assets and liabilities of our primary research subsidiary, Panel Intelligence, LLC to a group of investors which included key management of Panel. This separation will help lower our expenses.

Competition

Merriman Curhan Ford is engaged in the highly competitive financial services and investment industries. We compete with other Wall Street securities firms - from large U.S.-based firms, securities subsidiaries of major commercial bank holding companies and U.S. subsidiaries of large foreign institutions, to major regional firms, smaller niche players, and those offering competitive services via the Internet. Long term developments in the brokerage industry, including decimalization and the growth of electronic communications networks, or ECNs, have reduced commission rates and profitability in the brokerage industry. Many large investment banks have responded to lower margins within their equity brokerage divisions by reducing research coverage, particularly for smaller companies, consolidating sales and trading services, and reducing headcount of more experienced sales and trading professionals.

This trend by competitors to reduce services creates an opportunity for us as many highly qualified individuals have lost their jobs, expanding the pool of experienced employees to hire. However, the economic environment in 2008 has also exacerbated the negative secular trends in the traditional investment banking/brokerage business. Many of our buy-side clients have merged, gone out of business or have sharply reduced their commission flow. The reduction in these clients also has also lowered the number of potential buyers for our investment banking product.

Many remaining competitors have greater personnel and financial resources than we do. Larger competitors may have a greater number and variety of distribution outlets for their products. Some competitors have much more extensive investment banking activities than we do and therefore, may possess a relative advantage with regard to access to deal flow and capital.

For a further discussion of the competitive factors affecting our business, see "Item 1A. Risk Factors—The markets for securities brokerage and investment banking services are highly competitive."

Corporate Support

Accounting, Administration and Operations

Our accounting, administration and operations personnel are responsible for financial controls, internal and external financial reporting, human resources and personnel services, office operations, information technology and telecommunications systems, the processing of securities transactions, and corporate communications. With the exception of payroll processing, which is performed by an outside service bureau, and customer account processing, which is performed by our clearing broker, most data processing functions are performed internally. We believe that future growth will require implementation of new and enhanced communications and information systems and training of our personnel to operate such systems. Despite the challenges that we are experiencing, we are implementing such enhancements.

Compliance, Legal, Risk Management and Internal Audit

Our compliance, legal and risk management personnel (together with other appropriate personnel) are responsible for our compliance with legal and regulatory requirements of our investment banking business and our exposure to market, credit, operations, liquidity, compliance, legal and reputation risk. In addition, our compliance personnel test and audit for compliance with our internal policies and procedures. Our general counsel also provides legal service throughout our company, including advice on managing legal risk. The supervisory personnel in these areas have direct access to senior management and to the Audit Committee of our Board of Directors to ensure their independence in performing these functions. In addition to our internal compliance, legal, and risk management personnel, we retain outside consultants and attorneys for their particular functional expertise.

Risk Management

In conducting our business, we are exposed to a range of risks including:

Market risk is the risk to our earnings or capital resulting from adverse changes in the values of assets resulting from movement in equity prices or market interest rates.

Credit risk is the risk of loss due to an individual customer's or institutional counterparty's unwillingness or inability to fulfill its obligations.

Operations risk is the risk of loss resulting from systems failure, inadequate controls, human error, fraud or unforeseen catastrophes.

Liquidity risk is the potential that we would be unable to meet our obligations as they come due because of an inability to liquidate assets or obtain funding. Liquidity risk also includes the risk of having to sell assets at a loss to generate liquid funds, which is a function of the relative liquidity (market depth) of the asset(s) and general market conditions.

Compliance risk is the risk of loss, including fines, penalties and suspension or revocation of licenses by self-regulatory organizations, or from failing to comply with federal, state or local laws pertaining to financial services activities.

Legal risk is the risk that arises from potential contract disputes, lawsuits, adverse judgments, or adverse governmental or regulatory proceedings that can disrupt or otherwise negatively affect our operations or condition.

Reputation risk is the potential that negative publicity regarding our practices, whether factually correct or not, will cause a decline in our customer base, costly litigation, or revenue reductions.

We have a risk management program that sets forth various risk management policies, provides for a risk management committee and assigns risk management responsibilities. The program is designed to focus on the following:

- Identifying, assessing and reporting on corporate risk exposures and trends;
- Establishing and revising as necessary policies, procedures and risk limits;
- Monitoring and reporting on adherence with risk policies and limits;
- Developing and applying new measurement methods to the risk process as appropriate; and
- Approving new product developments or business initiatives.

We cannot provide assurance that our risk management program or our internal controls will prevent or mitigate losses attributable to the risks to which we are exposed.

For a further discussion of the risks affecting our business, see “Item 1A —Risk Factors.”

Regulation

As a result of federal and state registration and self-regulatory organization, or SRO, memberships, we are subject to overlapping layers of regulation that cover all aspects of our securities business. Such regulations cover matters including capital requirements, uses and safe-keeping of clients' funds, conduct of directors, officers and employees, record-keeping and reporting requirements, supervisory and organizational procedures intended to ensure compliance with securities laws and to prevent improper trading on material nonpublic information, employee-related matters, including qualification and licensing of supervisory and sales personnel, limitations on extensions of credit in securities transactions, requirements for the registration, underwriting, sale and distribution of securities, and rules of the SROs designed to promote high standards of commercial honor and just and equitable principles of trade. A particular focus of the applicable regulations concerns the relationship between broker-dealers and their customers. As a result, many aspects of the broker-dealer customer relationship are subject to regulation including, in some instances, "suitability" determinations as to certain customer transactions, limitations on the amounts that may be charged to customers, timing of proprietary trading in relation to customers' trades and disclosures to customers.

As a broker-dealer registered with the Securities and Exchange Commission, or SEC, and as a member firm of Financial Industry Regulatory Authority, or FINRA, we are subject to the net capital requirements of the SEC and FINRA. These capital requirements specify minimum levels of capital, computed in accordance with regulatory requirements that each firm is required to maintain and also limit the amount of leverage that each firm is able to obtain in its respective business.

"Net capital" is essentially defined as net worth (assets minus liabilities, as determined under accounting principles generally accepted in the United States), plus qualifying subordinated borrowings, less the value of all of a broker-dealer's assets that are not readily convertible into cash (such as furniture, prepaid expenses and unsecured receivables), and further reduced by certain percentages (commonly called "haircuts") of the market value of a broker-dealer's positions in securities and other financial instruments. The amount of net capital in excess of the regulatory minimum is referred to as "excess net capital."

The SEC's capital rules also (i) require that broker-dealers notify it, in writing, two business days prior to making withdrawals or other distributions of equity capital or lending money to certain related persons if those withdrawals would exceed, in any 30-day period, 30% of the broker-dealer's excess net capital, and that they provide such notice within two business days after any such withdrawal or loan that would exceed, in any 30-day period, 20% of the broker-dealer's excess net capital, (ii) prohibit a broker-dealer from withdrawing or otherwise distributing equity capital or making related party loans if, after such distribution or loan, the broker-dealer would have net capital of less than $300,000 or if the aggregate indebtedness of the broker-dealer's consolidated entities would exceed 1,000% of the broker-dealer's net capital in certain other circumstances, and (iii) provide that the SEC may, by order, prohibit withdrawals of capital from a broker-dealer for a period of up to 20 business days, if the withdrawals would exceed, in any 30-day period, 30% of the broker-dealer's excess net capital and if the SEC believes such withdrawals would be detrimental to the financial integrity of the firm or would unduly jeopardize the broker-dealer's ability to pay its customer claims or other liabilities.

Compliance with regulatory net capital requirements could limit those operations that require the intensive use of capital, such as underwriting and trading activities, and also could restrict our ability to withdraw capital from our broker-dealer, which in turn could limit our ability to pay interest, repay debt and redeem or repurchase shares of our outstanding capital stock.

We believe that at all times we have been in compliance with the applicable minimum net capital rules of the SEC and FINRA.

The failure of a U.S. broker-dealer to maintain its minimum required net capital would require it to cease executing customer transactions until it came back into compliance, and could cause it to lose its FINRA membership, its registration with the SEC or require its liquidation. Further, the decline in a broker-dealer’s net capital below certain “early warning levels,” even though above minimum net capital requirements, could cause material adverse consequences to the broker-dealer.

We are also subject to “Risk Assessment Rules” imposed by the SEC which require, among other things, that certain broker-dealers maintain and preserve certain information, describe risk management policies and procedures and report on the financial condition of certain affiliates whose financial and securities activities are reasonably likely to have a material impact on the financial and operational condition of the broker-dealers. Certain “Material Associated Persons” (as defined in the Risk Assessment Rules) of the broker-dealers and the activities conducted by such Material Associated Persons may also be subject to regulation by the SEC. In addition, the possibility exists that, on the basis of the information it obtains under the Risk Assessment Rules, the SEC could seek authority over our unregulated subsidiary either directly or through its existing authority over our regulated subsidiary.

In the event of non-compliance by us or one of our subsidiaries with an applicable regulation, governmental regulators and one or more of the SROs may institute administrative or judicial proceedings that may result in censure, fine, civil penalties (including treble damages in the case of insider trading violations), the issuance of cease-and-desist orders, the deregistration or suspension of the non-compliant broker-dealer, the suspension or disqualification of officers or employees or other adverse consequences. The imposition of any such penalties or orders on us or our personnel could have a material adverse effect on our operating results and financial condition.

Additional legislation and regulations, including those relating to the activities of our broker-dealer, changes in rules promulgated by the SEC, FINRA or other United States, state or foreign governmental regulatory authorities and SROs or changes in the interpretation or enforcement of existing laws and rules may adversely affect our manner of operation and our profitability. Our businesses may be materially affected not only by regulations applicable to us as a financial market intermediary, but also by regulations of general application.

Geographic Area

Merriman Curhan Ford Group, Inc. is domiciled in the United States and most of our revenue is attributed to United States and Canadian customers. In 2007, through our broker-dealer subsidiary, we began advising both international and domestic companies on listing on OTCQX, a prime tier of Pink Sheets. We have several international clients, most of which are Australian companies listed on the Australian Securities Exchange.

All of our long-lived assets are located in the United States.

Available Information

Our website address is www.merrimanco.com. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports on the “Investor Relations” portion of our website, under the heading “SEC Filings.” These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission. We are providing the address to our Internet site solely for the information of investors. We do not intend the address to be an active link or to otherwise incorporate the contents of the website into this report.

Item 1a. Risk Factors

We face a variety of risks in our business, many of which are substantial and inherent in our business and operations. The following are risk factors that could affect our business which we consider material, our industry and holders of our common stock. Other sections of this Annual Report on Form 10-K, including reports which are incorporated by reference, may include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Risks Related to Our Business

We may not be able to maintain a positive cash flow and profitability.

Our ability to maintain a positive cash flow and profitability depends on our ability to generate and maintain greater revenue while incurring reasonable expenses. This, in turn, depends, among other things, on the development of our investment banking and securities brokerage business, and we may be unable to maintain profitability if we fails to do any of the following:

- establish, maintain and increase our client base;
- manage the quality of our services;
- compete effectively with existing and potential competitors;
- further develop our business activities;
- manage expanding operations; and
- attract and retain qualified personnel.

We cannot be certain that we will be able to sustain or increase a positive cash flow and profitability on a quarterly or annual basis in the future. Our inability to maintain profitability or positive cash flow could result in disappointing financial results, impede implementation of our growth strategy or cause the market price of our common stock to decrease. Accordingly, we cannot assure you that we will be able to generate the cash flow and profits necessary to sustain our business

Because we are a developing company, the factors upon which we are able to base our estimates as to the gross revenue and the number of participating clients that will be required for us to maintain a positive cash flow and any additional financing that may be needed for this purpose are unpredictable. For these and other reasons, we cannot assure you that we will not require higher gross revenue, and an increased number of clients, securities brokerage and investment banking transactions, and/or more time in order for us to complete the development of our business that we believe we need to be able to cover our operating expenses, or obtain the funds necessary to finance this development. It is more likely than not that our estimates will prove to be inaccurate because actual events more often than not differ from anticipated events. Furthermore, in the event that financing is needed in addition to the amount that is required for this development, we cannot assure you that such financing will be available on acceptable terms, if at all.

There are substantial legal proceedings against us involving claims for significant damages.

The actions of a former customer, William Del Biaggio III, and a former employee, Scott Cacchione, have given rise to many legal actions against us as described in the Legal Proceedings section below. If we are found to be liable for the claims asserted in any or all of these legal actions, our cash position may suffer such that we are unable to continue our operations. Even if we ultimately prevail in all of these lawsuits, we may incur significant legal fees and diversion of management's time and attention from our core businesses, and our business and financial condition may be adversely affected. We are attempting to negotiate a settlement with some of the litigants, but there is no assurance of any favorable outcome.

Our exposure to legal liability is significant, and damages that we may be required to pay and the reputation harm that could result from legal action against us could materially adversely affect our businesses.

Unrelated to the actions of Del Biaggio and Cacchione, we face significant legal risks in our businesses and, in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have been increasing. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with securities offerings and other transactions, potential liability for "fairness opinions" and other advice we provide to participants in strategic transactions and disputes over the terms and conditions of complex trading arrangements. We are also subject to claims arising from disputes with employees for alleged discrimination or harassment, among other things. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time.

Our role as advisor to our clients on important underwriting or mergers and acquisitions transactions involves complex analysis and the exercise of professional judgment, including rendering "fairness opinions" in connection with mergers and other transactions. Therefore, our activities may subject us to the risk of significant legal liabilities to our clients and third parties, including shareholders of our clients who could bring securities class actions against us. Our investment banking engagements typically include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be enforceable in all cases.

For example, an indemnity from a client that subsequently is placed into bankruptcy is likely to be of little value to us in limiting our exposure to claims relating to that client. As a result, we may incur significant legal and other expenses in defending against litigation and may be required to pay substantial damages for settlements and adverse judgments. Substantial legal liability or significant regulatory action against us could have a material adverse effect on our results of operations or cause significant reputation harm to us, which could seriously harm our business and prospects.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation often has been instituted against that company. Such litigation is expensive and diverts management's attention and resources. We can not assure you that we will not be subject to such litigation. If we are subject to such litigation, even if we ultimately prevail, our business and financial condition may be adversely affected.

We may not be able to continue operating our business as a going concern

The Company incurred significant losses in 2008. Even if we are successful in executing our plans, we will not be capable of sustaining losses such as those incurred in 2008. The Company's ability to meet its going concern obligations is highly dependent on market and economic conditions. If operating conditions worsen in 2009 or if the Company receives adverse judgments in its pending litigations, we may not have the resources to meet our financial obligations as a going concern. If the Company is not able to continue in business as a going concern, the entire investment of our common stockholders may be at risk, and there can be no assurance that any proceeds stockholders would receive in liquidation would be equal to their investment in the Company, or even that stockholders would receive any proceeds in consideration of their common stock.

Limitations on our access to capital and our ability to comply with net capital requirements could impair ability to conduct our business

Liquidity, or ready access to funds, is essential to financial services firms. Failures of financial institutions have often been attributable in large part to insufficient liquidity. Liquidity is of importance to our trading business and perceived liquidity issues may affect our clients and counterparties' willingness to engage in brokerage transactions with us. Our liquidity could be impaired due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects our trading clients, third parties or us. Further, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

Merriman Curhan Ford & Co., our broker-dealer subsidiary, is subject to the net capital requirements of the SEC and various self-regulatory organizations of which it is a member. These requirements typically specify the minimum level of net capital a broker-dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. Any failure to comply with these net capital requirements could impair our ability to conduct our core business as a brokerage firm. Furthermore, Merriman Curhan Ford & Co. is subject to laws that authorize regulatory bodies to block or reduce the flow of funds from it to Merriman Curhan Ford Group, Inc. As a holding company, Merriman Curhan Ford Group, Inc. depends on distributions and other payments from its subsidiaries to fund all payments on its obligations. As a result, regulatory actions could impede access to funds that Merriman Curhan Ford Group, Inc. needs to make payments on obligations, including debt obligations.

Our financial results may fluctuate substantially from period to period, which may impair our stock price.

We have experienced, and expect to experience in the future, significant periodic variations in our revenue and results of operations. These variations may be attributed in part to the fact that our investment banking revenue is typically earned upon the successful completion of a transaction, the timing of which is uncertain and beyond our control. In most cases we receive little or no payment for investment banking engagements that do not result in the successful completion of a transaction. As a result, our business is highly dependent on market conditions as well as the decisions and actions of our clients and interested third parties. For example, a client's acquisition transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or shareholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other problems in the client's or counterparty's business. If the parties fail to complete a transaction on which we are advising or an offering in which we are participating, we will earn little or no revenue from the transaction. This risk may be intensified by our focus on growth companies in the CleanTech, Consumer/Internet/Media, Health Care and Tech/Telecom sectors, as the market for securities of these companies has experienced significant variations in the number and size of equity offerings. Recently, there have been very few initial public offerings. More companies initiating the process of an initial public offering are simultaneously exploring merger and acquisition opportunities. If we are not engaged as a strategic advisor in any such dual-tracked process, our investment banking revenue would be adversely affected in the event that an initial public offering is not consummated.

As a result, we are unlikely to achieve steady and predictable earnings on a quarterly basis, which could in turn adversely affect our stock price.

Our ability to retain our professionals and recruit additional professionals is critical to the success of our business, and our failure to do so may materially adversely affect our reputation, business and results of operations.

Our ability to obtain and successfully execute our business depends upon the personal reputation, judgment, business generation capabilities and project execution skills of our senior professionals, particularly D. Jonathan Merriman, our Chief Executive Officer, and the other members of our Executive Committee. Our senior professionals' personal reputations and relationships with our clients are a critical element in obtaining and executing client engagements. We encounters intense competition for qualified employees from other companies in the investment banking industry as well as from businesses outside the investment banking industry, such as investment advisory firms, hedge funds, private equity funds and venture capital funds. From time to time, we have experienced losses of investment banking, brokerage, research and other professionals and losses of our key personnel may occur in the future. The departure or other loss of Mr. Merriman, other member of our Executive Committee or any other senior professional who manages substantial client relationships and possesses substantial experience and expertise, could impair our ability to secure or successfully complete engagements, protect our market share or retain assets under management, each of which, in turn, could materially adversely affect our business and results of operations.

If any of our professionals were to join an existing competitor or form a competing company, some of our clients could choose to leave. The compensation plans and other incentive plans we have entered into with certain of our professionals may not prove effective in preventing them from resigning to join our competitors. If we are unable to retain our professionals or recruit additional professionals, our reputation, business, results of operations and financial condition may be materially adversely affected.

Our compensation structure may negatively impact our financial condition if we are not able to effectively manage our expenses and cash flows.

Historically the industry has been able to attract and retain investment banking, research and sales and trading professionals, in part because the business models have provided for lucrative compensation packages. Compensation and benefits is our largest expenditure and the variable compensation component or bonus has represented a significant proportion of this expense. The company's bonus compensation is discretionary. For 2008, the potential pool was determined by a number of components including revenue production, key operating milestones and profitability. There is a potential that we could pay individuals for revenue production despite the business having negative cash flows and/or net losses in order to ensure retention of key employees.

Pricing and other competitive pressures may impair the revenue and profitability of our brokerage business.

We derive a significant portion of our revenue from our brokerage business. Along with other brokerage firms, we have experienced intense price competition in this business in recent years. Recent developments in the brokerage industry, including decimalization and the growth of electronic communications networks, or ECNs, have reduced commission rates and profitability in the brokerage industry. We expect this trend toward alternative trading systems to continue. We believe we may experience competitive pressures in these and other areas as some of our competitors seek to obtain market share by competing on the basis of price. In addition, we face pressure from larger competitors, which may be better able to offer a broader range of complementary products and services to brokerage clients in order to win their trading business. As we are committed to maintaining our comprehensive research coverage in our target sectors to support our brokerage business, we may be required to make substantial investments in our research capabilities. If we are unable to compete effectively with our competitors in these areas, brokerage revenue may decline and our business, financial condition and results of operations may be adversely affected.

Changes in laws and regulations governing brokerage and research activities could also adversely affect our brokerage business.

In July 2006, the SEC published interpretive guidance regarding the scope of permitted brokerage and research services in connection with "soft dollar" practices (i.e., arrangements under which an investment adviser directs client brokerage transactions to a broker in exchange for research products or services in addition to brokerage services) and solicited further public comment regarding soft dollar practices involving third-party providers of research. The July 2006 SEC interpretive guidance may affect our brokerage business and laws or regulations may prompt brokerage customers to revisit or alter the manner in which they pay for research or brokerage services. The industry has put in place commission sharing arrangements under which an institutional client will execute trades with a limited number of brokers and instruct those brokers to allocate a portion of the commissions generated directly to other broker-dealers or to independent research providers in exchange for research and other permissible products and services. As such arrangements are entered into by our clients with us and/or other brokerage firms, it may further increase the competitive pressures within the brokerage business and/or reduce the value our clients place on high quality research.

In 2005 the SEC promulgated Regulation NMS, which made dramatic changes to the National Market System, and one of the most significant of those changes, the "Order Protection Rule" recently became effective. Under the Order Protection Rule, commonly known as the "trade-through rule," broker-dealers that trade at a price higher than the inside offer (or lower than the inside bid) of a market center's best quotation will be required to "take out", or execute against, that market's quotation. We cannot fully predict the effect that the implementation of the Order Protection Rule may have on our brokerage business.

We may experience significant losses if the value of our marketable security positions deteriorates.

We conduct active and aggressive securities trading, market-making and investment activities for our own account, which subjects our capital to significant risks. These risks include market, credit, counterparty and liquidity risks, which could result in losses. These activities often involve the purchase, sale or short sale of securities as principal in markets that may be characterized as relatively illiquid or that may be particularly susceptible to rapid fluctuations in liquidity and price. Trading losses resulting from such trading could have a material adverse effect on our business and results of operations.

Difficult market conditions could adversely affect our business in many ways.

Difficult market and economic conditions and geopolitical uncertainties have in the past adversely affected and may in the future adversely affect our business and profitability in many ways. Weakness in equity markets and diminished trading volume of securities could adversely impact our brokerage business, from which we have historically generated more than half of our revenue. Industry-wide declines in the size and number of underwritings and mergers and acquisitions also would likely have an adverse effect on our revenue. In addition, reductions in the trading prices for equity securities also tend to reduce the deal value of investment banking transactions, such as underwriting and mergers and acquisitions transactions, which in turn may reduce the fees we earn from these transactions. As we may be unable to reduce expenses correspondingly, our profits and profit margins may decline.

We may suffer losses through our investments in securities purchased in secondary market transactions or private placements.

Occasionally, our company, its officers and/or employees may make principal investments in securities through secondary market transactions or through direct investment in companies through private placements. In many cases, employees and officers with investment discretion on behalf of our company decide whether to invest in our account or their personal account. It is possible that gains from investing will accrue to these individuals because investments were made in their personal accounts, and our company will not realize gains because it did not make an investment. Conversely, it is possible that losses from investing will accrue to our company, while these individuals do not experience losses in their personal accounts because the individuals did not make investments in their personal accounts.

We face strong competition from larger firms.

The brokerage, investment banking and asset management industries are intensely competitive. We compete on the basis of a number of factors, including client relationships, reputation, the abilities and past performance of our professionals, market focus and the relative quality and price of our services and products. We have experienced intense price competition with respect to our brokerage business, including large block trades, spreads and trading commissions. Pricing and other competitive pressures in investment banking, including the trends toward multiple book runners, co-managers and multiple financial advisors handling transactions, have continued and could adversely affect our revenue, even during periods where the volume and number of investment banking transactions are increasing. Competitive factors with respect to our asset management activities include the amount of firm capital we can invest in new products and our ability to increase assets under management, including our ability to attract capital for new investment funds. We believe we may experience competitive pressures in these and other areas in the future as some of our competitors seek to obtain market share by competing on the basis of price.

We are a relatively small investment bank with approximately 128 employees as of December 31, 2008 and revenue less than $40 million in 2008. Many of our competitors in the investment banking and brokerage industries have a broader range of products and services, greater financial and marketing resources, larger customer bases, greater name recognition, more senior professionals to serve their clients' needs, greater global reach and more established relationships with clients than we have. These larger and better capitalized competitors may be better able to respond to changes in the brokerage, investment banking and asset management industries, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally.

The scale of our competitors has increased in recent years as a result of substantial consolidation among companies in the investment banking and brokerage industries. In addition, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired underwriting or financial advisory practices and broker-dealers or have merged with other financial institutions. These firms have the ability to offer a wider range of products than we do, which may enhance their competitive position. They also have the ability to support investment banking with commercial banking, insurance and other financial services in an effort to gain market share, which has resulted, and could further result, in pricing pressure in our businesses. In particular, the ability to provide financing has become an important advantage for some of our larger competitors and, because we do not provide such financing, we may be unable to compete as effectively for clients in a significant part of the brokerage and investment banking market.

If we are unable to compete effectively with our competitors, our business, financial condition and results of operations will be adversely affected.

We have incurred losses for the period covered by this report and in the recent past and may incur losses in the future.

The Company recorded net losses of $30,274,000 for the year ended December 31, 2008 and $8,220,000 for the year ended December 31, 2006. We also recorded net losses in certain quarters within other past fiscal years. We may incur losses in future periods. If we are unable to finance future losses, those losses may have a significant effect on our liquidity as well as our ability to operate.

In addition, the Company may incur significant expenses in connection with initiating new business activities or in connection with any expansion of our underwriting, brokerage, or other businesses. We may also engage in strategic acquisitions and investments for which we may incur significant expenses. Accordingly, we may need to increase our revenue at a rate greater than our expenses to achieve and maintain profitability. If our revenue does not increase sufficiently, or even if our revenue does increase but we are unable to manage our expenses, we will not achieve and maintain profitability in future periods.

Capital markets and strategic advisory engagements are singular in nature and do not generally provide for subsequent engagements.

Our investment banking clients generally retain us on a short-term, engagement-by-engagement basis in connection with specific capital markets or mergers and acquisitions transactions, rather than on a recurring basis under long-term contracts. As these transactions are typically singular in nature and our engagements with these clients may not recur, we must seek out new engagements when our current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If we are unable to generate a substantial number of new engagements and generate fees from those successful completion of transactions, our business and results of operations would likely be adversely affected.

A significant portion of our brokerage revenue is generated from a relatively small number of institutional clients.

A significant portion of our brokerage revenue is generated from a relatively small number of institutional clients. For example, in 2008 we generated 37% of our brokerage revenue, or approximately 25% of our total revenue, from our ten largest brokerage clients. Similarly, in 2007 we generated 26% of our brokerage revenue, or approximately 9% of our total revenue, from our ten largest brokerage clients. If any of our key clients departs or reduces its business with us and we fail to attract new clients that are capable of generating significant trading volumes, our business and results of operations will be adversely affected.

Our risk management policies and procedures could expose us to unidentified or unanticipated risk.

Our risk management strategies and techniques may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure, breach of contract or other reasons. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. As a clearing member firm, we finance our customer positions and could be held responsible for the defaults or misconduct of our customers. Although we regularly review credit exposures to specific clients and counterparties and to specific industries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. Also, risk management policies and procedures that we utilize with respect to investing our own funds or committing our capital with respect to investment banking, trading activities or asset management activities may not protect us or mitigate our risks from those activities. If any of the variety of instruments, processes and strategies we utilize to manage our exposure to various types of risk are not effective, we may incur losses.

Our operations and infrastructure may malfunction or fail.

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of increasingly complex transactions across diverse markets. Our financial, accounting or other data processing systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. If any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputation damage.

We also face the risk of operational failure of any of our clearing agents, the exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and to manage our exposure to risk.

In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business, whether due to fire, other natural disaster, power or communications failure, act of terrorism or war or otherwise. Nearly all of our employees in our primary locations, including San Francisco and New York, work in close proximity to each other. If a disruption occurs in one location and our employees in that location are unable to communicate with or travel to other locations, our ability to service and interact with our clients may suffer and we may not be able to implement successfully contingency plans that depend on communication or travel. Insurance policies to mitigate these risks may not be available or may be more expensive than the perceived benefit. Further, any insurance that we may purchase to mitigate certain of these risks may not cover our loss.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed by, stored in, and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Strategic investments or acquisitions and joint ventures may result in additional risks and uncertainties in our business.

We may grow our business through both internal expansion and through strategic investments, acquisitions or joint ventures. To the extent we make strategic investments or acquisitions or enter into joint ventures, we face numerous risks and uncertainties combining or integrating businesses, including integrating relationships with customers, business partners and internal data processing systems. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputation damage relating to systems, controls and personnel that are not under our control. In addition, conflicts or disagreements between us and our joint venture partners may negatively impact our businesses.

Future acquisitions or joint ventures by us could entail a number of risks, including problems with the effective integration of operations, the inability to maintain key pre-acquisition business relationships and integrate new relationships, the inability to retain key employees, increased operating costs, exposure to unanticipated liabilities, risks of misconduct by employees not subject to our control, difficulties in realizing projected efficiencies, synergies and cost savings, and exposure to new or unknown liabilities.

Any future growth of our business may require significant resources and/or result in significant unanticipated losses, costs or liabilities. In addition, expansions, acquisitions or joint ventures may require significant managerial attention, which may be diverted from our other operations.

Evaluation of our prospects may be more difficult in light of our limited operating history.

We have a limited operating history upon which to evaluate our business and prospects. As a relatively young enterprise, we are subject to the risks and uncertainties that face a company during its formative development. Some of these risks and uncertainties relate to our ability to attract and retain clients on a cost-effective basis, expand and enhance our service offerings, raise additional capital and respond to competitive market conditions. We may not be able to address these risks adequately, and our failure to do so may adversely affect our business and the value of an investment in our common stock.

We are subject to an IRS audit.

The United States Internal Revenue Service is auditing our 2006 corporate tax return. The IRS audit may result in additional tax payments by us together with interest and penalties, the amount of which may be material, but will not be known until the IRS audit is finalized. Any such payments could have a material adverse effect on our financial condition and results of operations.

Risks Related to Our Industry

Risks associated with volatility and losses in the financial markets.

The U.S. financial markets in 2008 suffered unprecedented volatility and losses. Several mortgage-related financial institutions and large, reputable investment banks were not able to continue operating their businesses.

As a company, we cannot identify sources of cash that would ensure our ability to continue as a going concern beyond December 31, 2009 under present economic and financial market conditions. Should these conditions improve from 2008 levels in the short-term, and should we be successful in negotiating a settlement with litigants who are plaintiffs in legal actions against us, we may secure sources of cash ensuring our ability to continue as a going concern, but we cannot be assured of such an outcome.

The legal proceedings against us and the investigations of our actions, policies and procedures have resulted in a significant cash drain in the form of legal expenses. The cash drain has impaired our cash reserves which could otherwise have been used as investments in our business or in normal operations.

Employee misconduct could harm us and is difficult to detect and deter.

In addition to our experience with our former employee Scott Cacchione, there have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and we run the risk that employee misconduct could occur at our company. For example, misconduct by employees could involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputation or financial harm to us. It is not always possible to deter employee misconduct and the precautions we take to detect and prevent this activity may not be effective in all cases, and we may suffer significant reputation harm for any misconduct by our employees.

Risks associated with regulatory impact on capital markets.

Highly publicized financial scandals in recent years have led to investor concerns over the integrity of the U.S. financial markets, and have prompted Congress, the SEC, the NYSE and FINRA to significantly expand corporate governance and public disclosure requirements. To the extent that private companies, in order to avoid becoming subject to these new requirements, decide to forgo initial public offerings, our equity underwriting business may be adversely affected. In addition, provisions of the Sarbanes-Oxley Act of 2002 and the corporate governance rules imposed by self-regulatory organizations have diverted many companies' attention away from capital market transactions, including securities offerings and acquisition and disposition transactions. In particular, companies that are or are planning to register their securities with the SEC or to become subject to the reporting requirements of the Securities Exchange Act of 1934 are incurring significant expenses in complying with the SEC and accounting standards relating to internal control over financial reporting, and companies that disclose material weaknesses in such controls under the new standards may have greater difficulty accessing the capital markets. These factors, in addition to adopted or proposed accounting and disclosure changes, may have an adverse effect on the business.

Financial services firms have been subject to increased scrutiny over the last several years, increasing the risk of financial liability and reputation harm resulting from adverse regulatory actions.

Firms in the financial services industry have been operating in a difficult regulatory environment. The industry has experienced increased scrutiny from a variety of regulators, including the SEC, the NYSE, FINRA and state attorneys general. Penalties and fines sought by regulatory authorities have increased substantially over the last several years. This regulatory and enforcement environment has created uncertainty with respect to a number of transactions that had historically been entered into by financial services firms and that were generally believed to be permissible and appropriate. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. We also may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other United States or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. Among other things, we could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputation harm to us, which could seriously harm our business prospects.

In addition, financial services firms are subject to numerous conflicts of interests or perceived conflicts. The SEC and other federal and state regulators have increased their scrutiny of potential conflicts of interest. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts and regularly seek to review and update our policies, controls and procedures. However, appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with conflicts of interest. Our policies and procedures to address or limit actual or perceived conflicts may also result in increased costs, additional operational personnel and increased regulatory risk. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation. For example, the research areas of investment banks have been and remain the subject of heightened regulatory scrutiny which has led to increased restrictions on the interaction between equity research analysts and investment banking personnel at securities firms. Several securities firms in the United States reached a global settlement in 2003 and 2004 with certain federal and state securities regulators and self-regulatory organizations to resolve investigations into equity research analysts’ alleged conflicts of interest. Under this settlement, the firms have been subject to certain restrictions and undertakings, which have imposed additional costs and limitations on the conduct of our businesses.

Financial service companies have experienced a number of highly publicized regulatory inquiries concerning market timing, late trading and other activities that focus on the mutual fund industry. These inquiries have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisers and broker-dealers.

Risks Related to Ownership of Our Common Stock

A significant percentage of our outstanding common stock is owned or controlled by our senior professionals and other employees and their interests may differ from those of other shareholders.

Our executive officers and directors, and entities affiliated with them, currently control approximately 10% of our outstanding common stock including exercise of their options and warrants. These stockholders, if they act together, will be able to exercise substantial influence over all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control of us and might affect the market price of our common stock.

Provisions of the organizational documents may discourage an acquisition of us.

Our Articles of Incorporation authorize our Board of Directors to issue up to an additional 37,450,000 shares of preferred stock, without approval from our stockholders. Of these, 6,150,000 have already been authorized by our Board of Directors and may be issued by management. The balance would require authorization by our Board. There are no plans to issue preferred stock.

If you hold our common stock, this means that our Board of Directors has the right, without your approval as a common stockholder, to fix the relative rights and preferences of the preferred stock. This would affect your rights as a common stockholder regarding, among other things, dividends and liquidation. We could also use the preferred stock to deter or delay a change in control of our company that may be opposed by our management even if the transaction might be favorable to you as a common stockholder.

In addition, the Delaware General Corporation Law contains provisions that may enable our management to retain control and resist our takeover. These provisions generally prevent us from engaging in a broad range of business combinations with an owner of 15% or more of our outstanding voting stock for a period of three years from the date that such person acquires his or her stock. Accordingly, these provisions could discourage or make more difficult a change in control or a merger or other type of corporate reorganization even if it could be favorable to the interests of our stockholders.

The market price of our common stock may decline.

The market price of our common stock has in the past been, and may in the future continue to be, volatile. A variety of events may cause the market price of our common stock to fluctuate significantly, including:

- variations in quarterly operating results;
- announcements of significant contracts, milestones, acquisitions;
- relationships with other companies;
- ability to obtain needed capital commitments;
- additions or departures of key personnel;
- sales of common stock, conversion of securities convertible into common stock, exercise of options and warrants to purchase common stock or termination of stock transfer restrictions;
- general economic conditions, including conditions in the securities brokerage and investment banking markets;
- changes in financial estimates by securities analysts; and
- fluctuation in stock market price and volume.

Many of these factors are beyond our control. Any one of the factors noted herein could have an adverse effect on the value of our common stock. Declines in the price of our stock may adversely affect our ability to recruit and retain key employees, including our senior professionals.

In addition, the stock market in recent years has experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies and that often have been unrelated to the operating performance of such companies. These market fluctuations have adversely impacted the price of our common stock in the past and may do so in the future.

Investor interest in our firm may be diluted due to issuance of additional shares of common stock.

Our Board of Directors has the authority to issue up to 300,000,000 shares of common stock and to issue options and warrants to purchase shares of our common stock without stockholder approval in certain circumstances. Future issuance of additional shares of our common stock could be at values substantially below the price at which you may purchase our stock and, therefore, could represent substantial dilution. In addition, our Board of Directors could issue large blocks of our common stock to fend off unwanted tender offers or hostile takeovers without further stockholder approval.

We have a significant number of outstanding stock options and warrants. During 2008, shares issuable upon the exercise of these options and warrants, at prices ranging currently from approximately $0.50 to $49.00 per share, represent approximately 7% of our total outstanding stock on a fully diluted basis using the treasury stock method. In October 2008, our senior management and certain employees gave back approximately 3 million shares of stock options in order to expand the number of shares that can be granted to employees without diluting our shareholders.

The exercise of the outstanding options and warrants would dilute the then-existing stockholders' percentage ownership of our common stock. Any sales resulting from the exercise of options and warrants in the public market could adversely affect prevailing market prices for our common stock. Moreover, our ability to obtain additional equity capital could be adversely affected since the holders of outstanding options and warrants may exercise them at a time when we would also wish to enter the market to obtain capital on terms more favorable than those provided by such options and warrants. We lack control over the timing of any exercise or the number of shares issued or sold if exercises occur.

Your ability to sell your shares may be restricted because there is a limited trading market for our common stock.

Although our common stock is currently traded on the Nasdaq Stock Market, an active trading market in our stock has been limited. Accordingly, you may not be able to sell your shares when you want or at the price you want.

We do not expect to pay any cash dividends in the foreseeable future.

We intend to retain any future earnings to fund the operation and expansion of our business and, therefore, we do not anticipate paying cash dividends in the foreseeable future. Accordingly, our shareholders must rely on sales of their shares of common stock after price appreciation, which may never occur, as the only way to realize any future gains on an investment in our common stock. Investors seeking cash dividends should not purchase our common stock.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2008, all of our properties are leased. Our principal executive offices are located in San Francisco, California. We lease two additional offices to support our various business activities. These offices are located in New York, NY and Cambridge, MA. We believe the facilities we are now using are adequate and suitable for business requirements.

In January, 2009, we sold the assets related to Panel Intelligence, the subsidiary which occupied the Cambridge, MA facilities. As part of the sale, we subleased the office space to the new acquiring entity.

Item 3. Legal Proceedings

The Company responded to a Grand Jury subpoena from the U.S. Attorney's Office for the Northern District of California for documents relating to the activities of a former retail broker of the Company, David Scott Cacchione, and one of his customers, William Del Biaggio III. Cacchione's activities under investigation relate primarily to the apparent misuse of various client accounts as collateral for loans to Del Biaggio. Cacchione purportedly signed "account control agreements" in which he purported to act on behalf of the Company to authorize the use of various client accounts as security for loans to the customer from various third-party lenders.

Cacchione appears to have improperly provided client account statements to third-party lenders or to Del Biaggio for the purpose of representing to the lenders that the accounts belonged to Del Biaggio. The retail client account statements were altered so that the accounts appear to belong to Del Biaggio when in fact some of the accounts belonged to other Merriman Curhan Ford & Co. retail clients. Del Biaggio is no longer a customer of the Company and recently pleaded guilty to securities fraud in the United States District Court, Northern District of California.

Cacchione was terminated. The Company's internal investigation found no evidence that any of Cacchione's supervisors or any member of management was aware of these activities until they were uncovered. The Company cooperated fully with the Grand Jury inquiry and produced the documents called for by the subpoena.

The Company was also subject to a formal investigation commenced by the Securities and Exchange Commission ("SEC"). The SEC investigation appeared to relate in part to the subject matter of the Grand Jury inquiry, i.e., Cacchione's misuse of client accounts as collateral for loans to the customer. It also appeared to relate to other possible violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder by Cacchione in the handling of his client accounts. The SEC investigation further appeared to relate to the Company's trading activities in the stock of various issuers in possible violation of Rule 10b-5 as well as to a failure to adequately supervise its personnel with a view toward preventing violations of the federal securities laws. The Company cooperated fully with the SEC in its investigation. The SEC has not indicated that it has concluded its investigation.

The investigation relating to client accounts appears to involve only Cacchione's retail accounts. The Company's high-net-worth client retail brokerage business accounted for less than 2% of the Company's revenue in 2008. The Company is phasing out this business and will concentrate on strengthening its core investment banking and institutional brokerage businesses. The Company is also re-examining its compliance policies and procedures as well as the alignment of the supervisory and compliance related functions of various members of management.

Several lawsuits have been filed against Merriman Curhan Ford & Co. in connection with the alleged actions of Del Biaggio, and Cacchione. The total amount of damages sought under such lawsuits is over $43 million. The Company anticipates at least two additional lawsuits will be filed against Merriman Curhan Ford & Co. by a lender to Del Biaggio on similar facts to the lawsuits described below, with claims believed to be approximately $12 million. The Company denies any involvement and will defend itself and attempt to ensure that the most favorable outcome of these lawsuits for itself and its shareholders.

In addition, the Company received demand letters after December 31, 2008 from individuals claiming to have suffered damages as a result of Cacchione's actions. The Company believes it has meritorious defenses to all the demands received to date and intends to contest them vigorously. The Company believes they are unlikely to result in adverse outcomes. Should they result in adverse outcomes, it does not believe that the outcomes will have a material effect on its financial position, financial results or cash flows.

Due to the early stages of these legal matters, we cannot estimate the amount of damages if they are resolved unfavorably and accordingly, we have not provided an accrual for these lawsuits. If the Company were to be found liable in all of these lawsuits and the plaintiffs were to be awarded the damages they seek, it would have a severe impact on the Company's financial condition and the Company might not be able to continue in business. Even if the Company ultimately prevails in all of these lawsuits, it may incur significant legal fees which may have a severe impact on the Company's financial condition.

The Company entered into a process of mediation to reach a settlement with a majority of the civil litigants resulting from the alleged fraud by its former customer William Del Biaggio III and its former employee Scott Cacchione. The Company is focused on reducing its potential liability in these legal proceedings and the resources required to fight the allegations. In addition, it is also aiming to free up valuable management resources needed to face challenging market and economic conditions. At present, there is no indication that these negotiations will be successful, whether a settlement will serve the Company’s aims and should a settlement result, the amount involved is not yet estimable. Should the Company’s settlement negotiations ultimately prove unsuccessful, the Company believes it has meritorious defenses and intends to contest these claims vigorously.

Cacchione's activities have given rise to a number of lawsuits against the Company. They are as follows:

DGB Investments, Inc. v. Merriman Curhan Ford & Co.

In May 2008, Merriman Curhan Ford & Co. was served with a complaint filed by DGB Investments, Inc. which loaned money to William Del Biaggio III, the former client of the Company, against Del Biaggio, David Scott Cacchione, a former retail broker of Merriman Curhan Ford & Co., and the Company. Plaintiff alleges that Del Biaggio defaulted on a multi-million dollar loan obtained from Plaintiff. The Company had suspended and, effective June 4, 2008, terminated Cacchione's employment. The complaint further alleges that Cacchione, while still employed with Merriman Curhan Ford & Co., signed an account control agreement purporting to pledge a retail client stock account as collateral for the Del Biaggio loan. On the basis of these allegations, Plaintiff asserts various claims against the Company and others. Plaintiff seeks $3 million in damages. We believe that we have meritorious defenses and intend to contest this claim vigorously. We successfully opposed Plaintiff's petition for pre-judgment writ of attachment.

Heritage Bank of Commerce v. Merriman Curhan Ford & Co.

In May 2008, Merriman Curhan Ford & Co. was served with a complaint filed by Heritage Bank of Commerce, which loaned money to Del Biaggio, against Del Biaggio and the Company. Plaintiff alleges that Del Biaggio defaulted on a multi-million dollar loan obtained from Plaintiff. The complaint further alleges that Cacchione, while still employed with Merriman Curhan Ford & Co., signed an account control agreement purporting to pledge various retail client stock accounts as collateral for the Del Biaggio loan. On the basis of these allegations, Plaintiff asserts various claims against the Company and others. Plaintiff seeks $ 4 million in damages. We believe that we have meritorious defenses and intend to contest this claim vigorously. We successfully opposed Plaintiff's petition for pre-judgment writ of attachment.

Modern Bank, N.A. v. Merriman Curhan Ford & Co.

In June 2008, Merriman Curhan Ford & Co. was served with a complaint filed by Modern Bank, N.A., which loaned money to Del Biaggio, against Del Biaggio, the Company, and Cacchione, the same former retail broker of the Company named in the lawsuits above. Plaintiff alleges that Del Biaggio defaulted on a multi-million dollar loan obtained from Plaintiff. The complaint further alleges that Cacchione, while still employed with Merriman Curhan Ford & Co., signed an account control agreement purporting to pledge a retail client stock account as collateral for the Del Biaggio loan. On the basis of these allegations, Plaintiff asserts various claims against the Company and others. Plaintiff seeks $10 million in damages. We believe that we have meritorious defenses and intend to contest this claim vigorously. We successfully opposed Plaintiff's petition for pre-judgment writ of attachment.

Security Pacific Bank v. Merriman Curhan Ford & Co.

In June 2008, Merriman Curhan Ford & Co. was served with a complaint filed by Security Pacific Bank, which loaned money to Del Biaggio, against Del Biaggio, the Company, and Cacchione named in the lawsuits above. Plaintiff alleges that Del Biaggio defaulted on a multi-million dollar loan obtained from Plaintiff. The complaint further alleges that Cacchione, while still employed with Merriman Curhan Ford & Co., signed an account control agreement purporting to pledge retail client stock accounts as collateral for the Del Biaggio loan. On the basis of these allegations, Plaintiff asserts various claims against the Company and others. Plaintiff seeks $5 million in damages. We believe that we have meritorious defenses and intend to contest this claim vigorously. We successfully opposed Plaintiff's petition for pre-judgment writ of attachment.

AEG Facilities, Inc. v. Merriman Curhan Ford & Co.

In June 2008, Merriman Curhan Ford & Co. was served with a complaint filed by AEG Facilities, Inc. which loaned money to Del Biaggio, against Del Biaggio, the Company, and the same former retail broker of the Company named in the lawsuits above. Plaintiff alleges that Del Biaggio defaulted on a multi-million dollar loan obtained from Plaintiff. The complaint further alleges that Cacchione, while still employed with Merriman Curhan Ford & Co., signed an account control agreement purporting to pledge various retail client stock accounts as collateral for the Del Biaggio loan. On the basis of these allegations, Plaintiff asserts various claims against the Company and others. Plaintiff seeks $7 million in damages. We believe that we have meritorious defenses and intend to contest this claim vigorously.

Valley Community Bank v. Merriman Curhan Ford & Co.

In June 2008, Merriman Curhan Ford & Co. was served with a complaint filed by Valley Community Bank, which loaned money to Del Biaggio, against Del Biaggio, the Company, and the same former retail broker of the Company named in the lawsuits above. Plaintiff alleges that Del Biaggio defaulted on a multi-million dollar loan obtained from Plaintiff. The complaint further alleges that Cacchione, while still employed with Merriman Curhan Ford & Co., signed account control agreements purporting to pledge various retail client stock accounts as collateral for the Del Biaggio loan. On the basis of these allegations, Plaintiff asserts various claims against the Company and others. Plaintiff seeks over $4 million in damages. We believe that we have meritorious defenses and intend to contest this claim vigorously.

The Company anticipates at least one additional lawsuit will be filed against it by a lender to Del Biaggio, on similar facts to the lawsuits described above, with a claim believed to be approximately $10 million.

United American Bank v. Merriman Curhan Ford & Co.

In July 2008, Merriman Curhan Ford & Co. was served with a complaint filed by United American Bank, which loaned money to Del Biaggio alleging that the Company entered into an account control agreement for an account that Del Biaggio had previously pledged to another lender. The account pledged was in the name of Del Biaggio. Plaintiff has brought claims for, among other things, fraud arising out of the failure to disclose the alleged previous pledge. Plaintiff alleges damages in the amount of $1.75 million. We believe that we have meritorious defenses and intend to contest this claim vigorously.

David Hengehold v. Merriman Curhan Ford & Co.

In June 2008, Merriman Curhan Ford & Co. was served with a complaint filed by David Hengehold. Plaintiff alleges, among other things, fraud based on a former employee of the Company having induced plaintiff into making loans to an entity associated with Del Biaggio. This plaintiff is a former client of the Company. This matter does not involve account control agreements. Plaintiff in this lawsuit alleges damages of over $500,000. We believe that we have meritorious defenses and intend to contest this claim vigorously.

Don Arata, et al. v. Merriman Curhan Ford & Co.

In July 2008, Merriman Curhan Ford & Co. and Merriman Curhan Ford Group, Inc. were served with a complaint filed by several plaintiffs who made loans to Del Biaggio and related entities. Plaintiffs allege, among other things, fraud based on Cacchione having induced plaintiff into making loans to Del Biaggio and certain related entities including Sand Hill Capital Partners III. This matter does not involve account control agreements. Plaintiff in this lawsuit alleges damages of $3,025,000. We believe that we have meritorious defenses and intend to contest this claim vigorously.

The Private Bank of the Peninsula v. Merriman Curhan Ford & Co.

In July 2008, Merriman Curhan Ford & Co. was served with a complaint filed by The Private Bank of the Peninsula. Plaintiff alleges, among other things, fraud based on Cacchione having induced plaintiff into making loans to Del Biaggio. This matter does not involve account control agreements. Plaintiff in this lawsuit alleges damages of $916,666.65. We believe that we have meritorious defenses and intend to contest this claim vigorously.

Paul Davis, et al. v. Merriman Curhan Ford & Co.

In August 2008, Merriman Curhan Ford & Co. was served with a complaint filed by several plaintiffs who made loans to Del Biaggio and related entities. Plaintiffs allege, among other things, fraud based on Cacchione having induced plaintiff into making loans to Del Biaggio and entities associated with him. This matter does not involve account control agreements. Plaintiffs in this lawsuit allege damages of $1.65 million. We believe that we have meritorious defenses and intend to contest this claim vigorously

Gary T. Cook et. al. v. Merriman Curhan Ford & Co.

In September 2008, Merriman Curhan Ford & Co. was served with a complaint filed by several plaintiffs who made loans to Del Biaggio and related entities. Plaintiffs allege, among other things, fraud based on Cacchione having induced plaintiff into making loans to Del Biaggio and entities associated with him. This matter does not involve account control agreements. Plaintiffs in this lawsuit allege damages of $2.59 million. We believe that we have meritorious defenses and intend to contest this claim vigorously.

Pacific Capital Bank v. Merriman Curhan Ford & Co.

In October 2008, Merriman Curhan Ford & Co. was served with a complaint filed by Pacific Capital Bank. Plaintiff alleges, among other things, fraud based on Cacchione having induced plaintiff into making loans to Del Biaggio. This matter does not involve account control agreements. Plaintiff in this lawsuit alleges damages of $1.84 million. We believe that we have meritorious defenses and intend to contest this claim vigorously.

Bachelor v. Merriman Curhan Ford & Co.

In December 2008, Merriman Curhan Ford & Co. and Merriman Curhan Ford Group, Inc. were served with a complaint filed by several plaintiffs who made loans to Del Biaggio and related entities. Plaintiffs allege, among other things, fraud based on Cacchione having induced plaintiff into making loans to Del Biaggio and certain related entities including Sand Hill Capital Partners III. This matter does not involve account control agreements. Plaintiffs in this lawsuit allege damages of $1.15 million. We believe that we have meritorious defenses and intend to contest this claim vigorously.

Thomas O'Shea v. Merriman Curhan Ford & Co.

Unrelated to the Del Biaggio/Cacchione matters, in June 2006, our broker-dealer subsidiary Merriman Curhan Ford & Co. was served with a claim in NASD Arbitration by Thomas O’Shea. Mr. O’Shea is a former at-will employee of Merriman Curhan Ford & Co. and worked in the investment banking department. Mr. O’Shea resigned from Merriman Curhan Ford & Co. in July 2005. Mr. O’Shea alleges breach of an implied employment contract, quantum meruit, and unjust enrichment based on his allegations that he was to be paid more for his work. The matter proceeded to an arbitration hearing in October 2008 and an award was made in favor of O’Shea. The matter was subsequently settled for the amount of $880,000. As of December 31, 2008, the Company reserved for the amount of the settlement.

Wesley Rusch v. Merriman Curhan Ford & Co.

Unrelated to the Del Biaggio/Cacchione matters, in October 2008, our broker-dealer subsidiary Merriman Curhan Ford & Co. was served with a claim in FINRA Arbitration by Wesley Rusch. Mr. Rusch is a former at-will employee of Merriman Curhan Ford & Co. and worked in the compliance department. We have not been presented with a demand for quantified damages. Mr. Rusch was terminated by Merriman Curhan Ford & Co. in July 2007. Mr. Rusch alleges theories of discrimination and lack of cause for termination. We believe that we have meritorious defenses and contested this claim vigorously at the arbitration before a FINRA arbitration panel in March 2009. We have not yet received a decision from the arbitration panel. However, in the event that we do not prevail, based upon the facts as we know them to date, we do not believe that the outcome will have a material effect on our financial position, financial results or cash flows.

Joy Ann Fell v. Merriman Curhan Ford & Co.

Unrelated to the Del Biaggio/Cacchione matters, in November 2008, Merriman Curhan Ford & Co. received a demand letter from a former employee, Joy Ann Fell. In January 2009, we received a claim filed by Ms. Fell in FINRA arbitration. Ms. Fell worked in our investment banking department and was terminated in October of 2008, as part of a reduction in force. Ms. Fell alleges claims of breach of an implied employment contract, emotional distress and work-place discrimination. The demand for money damages is approximately $350,000. We believe that we have meritorious defenses and intend to contest this claim vigorously. We have not yet responded to the claim. An arbitration panel has not yet been selected, nor has a hearing date been assigned.

Peter Marcil v. Merriman Curhan Ford & Co.

Unrelated to the Del Biaggio/Cacchione matters, in January 2009, our broker-dealer subsidiary Merriman Curhan Ford & Co. was served with a claim in FINRA Arbitration by Peter Marcil. Mr. Marcil is a former at-will employee of Merriman Curhan Ford & Co. and worked in the investment banking department. Mr. Marcil resigned from Merriman Curhan Ford & Co. in March of 2007. Mr. Marcil alleges breach of an implied employment contract, wrongful termination, and intentional infliction of emotional distress. Damages are not specified in the arbitration claim. Merriman Curhan Ford & Co. has not replied to the claim and an arbitration hearing date has not been set. We believe that we have meritorious defenses and intend to contest this claim vigorously. However, in the event that we do not prevail, based upon the facts as we know them to date, we do not believe that the outcome will have a material effect on our financial position, financial results or cash flows.

Irving Bronstein et. al. v. Merriman Curhan Ford & Co.

In January 2009, Merriman Curhan Ford & Co. and David Jonathan Merriman were served with a FINRA arbitration claim filed by Irving Bronstein and several other plaintiffs who made loans to Mr. Del Biaggio and related entities. Plaintiffs allege, among other things, fraud based on Mr. Cacchione having induced plaintiff into making loans to Mr. Del Biaggio and certain related entities including Sand Hill Capital Partners III. This matter does not involve account control agreements. Plaintiffs in this lawsuit allege damages in a range of $2.5 to $10 million. We believe that we have meritorious defenses and intend to contest this claim vigorously.

Spare Backup v. Merriman Curhan Ford & Co.

Unrelated to the Del Biaggio/Cacchione matters, in April 2008, Merriman Curhan Ford & Co. entered into an engagement to provide investment banking services to Spare Backup, Inc. We were able to close a round of bridge financing in June 2008. As a result of closing the financing transaction, we were entitled to reimbursement of our expenses, a convertible note with principal valued at $161,100 and 370,370 shares of Spare Backup common stock. As of November 2008, these transaction fees had not been paid to us. We hired counsel to seek payment of the fees and to proceed to arbitration, as is specified in the engagement letter. In January 2009, we filed a petition to compel arbitration in the San Francisco County Superior Court. In response to the petition to compel arbitration, Spare Backup filed a complaint in the Riverside County Superior Court, Indio Branch, for fraud and declaratory relief alleging that we fraudulently induced it to execute the investment banking engagement letter. We were successful in raising $1,300,000 in capital for Spare Backup.

In addition, we received a demand letter after the period covered by this report from an individual claiming to have suffered damages as a result of Cacchione’s actions. We believe that we have meritorious defenses to all the demands received to date and intend to contest them vigorously. This case is in its early stage. We believe it is unlikely to result in an adverse outcome. However, in the event we do not prevail, we do not believe that the outcome will have a material effect on our financial position, financial results or cash flows.

Additionally, from time to time, we are involved in ordinary routine litigation incidental to our business.

We believe that these cases are either unlikely to result in adverse rulings or are in early stages and the amount of a likely adverse ruling cannot be estimated at present.

Item 4. Submission of Matters to a Vote of Stockholders

No matters were submitted to a vote of stockholders during the fourth quarter of 2008.

PART II

Item 5. Market for Registrant's Common Stock and Related Stockholder Matters

Our common stock has been quoted on The Nasdaq Stock Market, Inc. ("Nasdaq") under the symbol "MERR" since February 12, 2008. Prior to this time, our common stock traded on the American Stock Exchange under the symbol "MEM." The following table sets forth the range of the high and low sales prices per share of our common stock for the fiscal quarters indicated.

	High	Low
2008		
Fourth Quarter	$ 1.02	$ 0.40
Third Quarter	1.57	0.93
Second Quarter	4.10	1.19
First Quarter	5.94	3.91
2007		
Fourth Quarter	$ 5.50	$ 3.90
Third Quarter	5.45	3.44
Second Quarter	6.15	3.86
First Quarter	5.79	3.95

The closing sale price for the common stock on March 25, 2009 was $0.40. The market price of our common stock has fluctuated significantly and may be subject to significant fluctuations in the future. See Item 1A. "Risk Factors."

According to the records of our transfer agent, we had 676 stockholders of record as of December 31, 2008. Because many shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

Our policy is to reinvest earnings in order to fund future growth. Therefore, we have not paid and currently do not plan to declare dividends on our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table gives information about the Company's common stock that may be issued upon the exercise of options and warrants under all of our existing equity compensation plans as of December 31, 2008.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Warrants		Weighted Average Exercise Price of Outstanding Options and Warrants	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders:				
1999 Stock Option Plan	77,019	$	4.47	273,096
2000 Stock Option and Incentive Plan	174,154	$	5.23	398,396
2001 Stock Option and Incentive Plan	103,013	$	2.83	412,973
2003 Stock Option and Incentive Plan	798,752	$	4.76	3,211,948
2006 Directors' Stock Option and Incentive Plan	—	$	—	103,907
2002 Employee Stock Purchase Plan	—	$	—	—
Equity compensation not approved by stockholders	63,098	$	23.40	176,189

Equity compensation not approved by stockholders includes shares in a Non-Qualified option plan approved by the Board of Directors of NetAmerica.com Corporation (now known as Merriman Curhan Ford Group, Inc.) in 1999 and a Non-Qualified option plan approved by the Board of Directors in 2004 that is consistent with the exchange guidelines at the time of listing.

Recent Sale of Unregistered Securities

None.

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data should be read in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included in Part II, Item 8 to this Annual Report on Form 10-K.

	2008	2007	2006	2005	2004
Statement of operations data:					
Revenue	$ 36,567,836	$ 83,748,265	$ 51,818,638	$ 43,184,315	$ 38,368,310
Operating expenses	62,979,424	70,701,900	58,315,930	44,912,772	36,194,924
Operating (loss) income	(26,411,588)	13,046,365	(6,497,292)	(1,728,457)	2,173,386
Loss on retirement of convertible notes payable (1)	—	—	(1,348,805)	—	—
Interest income	375,949	461,491	484,909	446,273	120,431
Interest expense	(72,304)	(134,868)	(535,014)	(76,103)	(169,787)
Income tax benefit (expense)	1,635,214	(2,462,165)	—	(142,425)	(249,744)
(Loss) income from continuing operations	(24,472,729)	10,910,823	(7,896,202)	(1,500,712)	1,874,286
Loss from discontinued operations	(5,801,076)	(1,587,788)	(324,213)	(13,731)	—
Net (loss) income	$ (30,273,805)	$ 9,323,035	$ (8,220,415)	$ (1,514,443)	$ 1,874,286
Basic (loss) income from continuing operations	$ (1.95)	$ 0.95	$ (0.79)	$ (0.16)	$ 0.21
Diluted (loss) income from continuing operations	$ (1.95)	$ 0.86	$ (0.79)	$ (0.16)	$ 0.16
Statement of financial condition data:					
Cash and cash equivalents	$ 6,358,128	$ 31,653,657	$ 13,746,590	$ 11,138,923	$ 17,459,113
Marketable securities owned	4,622,577	14,115,022	7,492,914	8,627,543	2,342,225
Total assets	18,865,590	64,573,331	30,498,213	27,694,413	25,007,824
Capital lease obligations	923,683	721,380	1,292,378	883,993	452,993
Notes payable, net	—	238,989	325,650	408,513	1,487,728
Stockholders' equity	$ 7,715,201	$ 34,806,048	$ 16,215,020	$ 18,403,001	$ 16,733,850

(1) In December 2006, Merriman Curhan Ford Group, Inc. repaid the $7.5 million variable rate secured convertible note, issued to Midsummer Investment, Ltd, or Midsummer, in March 2006. Midsummer retained the stock warrant to purchase 267,858 shares of our common stock. The loss on repayment of the convertible note consists of the write-off of the unamortized discount related to the stock warrant as well as the write-off the unamortized debt issuance costs.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes thereto in Part II, Item 8 to this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations. Actual results and the timing of events may differ significantly from those projected in forward looking statements due to a number of factors, including those set forth in Item 1A "Risk Factors" of this Annual Report on Form 10-K.

Overview

Merriman Curhan Ford Group, Inc. (formerly MCF Corporation) is a financial services holding company that provides investment banking, capital markets services, corporate and venture services, investment banking, asset management and primary research through its operating subsidiaries, Merriman Curhan Ford & Co., Panel Intelligence, LLC ("Panel") and MCF Asset Management, LLC.

Merriman Curhan Ford & Co. is an investment bank and securities broker-dealer focused on fast-growing companies and institutional investors. Our mission is to become a leader in the researching, advising, financing, trading and investing in fast-growing companies under $2 billion in market capitalization. We provide equity research, brokerage and trading services primarily to institutions, as well as investment banking and advisory services to corporate clients. We are attempting to gain market share by originating differentiated research for our institutional investor clients and providing specialized and integrated services for our fast-growing corporate clients.

We acquired Panel Intelligence, LLC (formerly MedPanel, Inc. or "Panel") in April 2007. It offers custom and published primary research to industry clients and investment professionals through online panel discussions, quantitative surveys and an extensive research library. Panel Intelligence, LLC provides greater access, compliance, insights and productivity to clients in the health care, CleanTech and financial industries. In January 2009, the majority of the assets of Panel Intelligence were sold to an investor group that included certain members of its management team. We decided to sell the assets in order to reduce our costs and to refocus on our core investment banking and broker-dealer services. For financial reporting purposes we have listed the operations of the business as "discontinued operations."

MCF Asset Management, LLC manages absolute return investment products for institutional and high-net worth clients. We are the sub-advisor for the MCF Focus fund. In an effort to refocus the holding company back to its core investment banking and broker-dealers services and to reduce expenses, management decided to begin the process of liquidating the funds under management and returning investments to the investors. As of December 31, 2008, assets under management across our three fund products, Navigator, Voyager, and Focus, had been liquidated to $11 million from $56 million in 2007.

We were formerly as Ratexchange Corporation, NetAmerica.com Corporation and Venture World, Ltd., a Delaware corporation organized on May 6, 1987. Our common stock was listed on the American Stock Exchange in July 2000 and was listed on Nasdaq in February 2008, where it currently trades under the symbol "MERR." Our corporate office is located in San Francisco, California.

Prior to 2002, we were engaged in the creation of liquid marketplaces for bandwidth and other telecommunications products, as well as providing trading strategies in the futures and derivatives markets. This prior business experienced significant net losses that resulted in an accumulated deficit of $87,731,000 as of December 31, 2001.

In December 2001, we acquired Instream Securities, Inc. and later changed the name of the entity to RTX Securities Corporation, then to Merriman Curhan Ford & Co. We formed MCF Asset Management, LLC in January 2004, MCF Wealth Management, LLC in January 2005, and acquired Panel Intelligence, LLC in April 2007 as wholly owned subsidiaries. Panel Intelligence, LLC is accounted for as discontinued operations in these consolidated financial statements for the years ended December 31, 2008 and 2007 while MCF Wealth Management, LLC was accounted for as such for the year ended December 31, 2006.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

During the year ended December 31, 2008, the Company incurred a net loss of $30,274,000 and used $24,945,000 in net cash from operating activities. At December 31, 2008, the Company had cash and cash equivalents of $6,358,000, marketable securities of $4,623,000 and receivables from clearing broker of $1,753,000. The Company had liabilities of $11,150,000. The Company's ability to generate profits is highly dependent on stock market trading volumes and the general economic environment. As a result, the ability of the Company to meet its forward obligations and the ability to continue as a going concern may be in question.

The Company is in the process of implementing a plan to increase its operating flexibility and extend its cash reserves. The plan primarily consists of four steps which are more fully described below:

1. Reduce operating costs
2. Shed non-essential operations
3. Negotiate a settlement of pending litigations
4. Raise additional capital

During 2008 and early 2009, the Company implemented significant expense control and cost reduction programs focused on reducing cash losses and increasing operational flexibility in which it has eliminated more than $10 million in annual operating expenses. The primary contributor to these savings has been the elimination of more than 50% of the Company's workforce, as well as salary reductions. The CEO, the Head of Institutional Securities and the Head of Professional Services voluntarily eliminated their salaries. They will be remunerated based on month-to-month profitability. The Board of Directors has, as of early 2009, also voluntarily eliminated its compensation. The Company believes that it has been able to execute these reductions with limited impact to its ability to generate and execute new business in the current market environment. With these measures largely complete, the company believes that it has increased its ability to meet its obligations during 2009 and beyond.

As a part of the four-step plan mentioned above, in January of 2009, the Company shed non-essential operations or those requiring substantial cash infusions. First, the Company sold Panel Intelligence, LLC on January 30, 2009. This subsidiary required a cash injection of $1,131,000 during 2008 and was projected to reach breakeven only in late 2009. Also in January 2009, the Company sold its operations known as Institutional Cash Distributors to a group of its employees. While this business was profitable, management was able to reach a deal that substantially increases the near-term flow of capital. Finally, the Company is in the process of shutting down MCF Asset Management, another subsidiary which had been costing the Company considerable capital during 2008. The result of these actions has been to reduce operating loses and increase available cash.

The Company has entered into a process of mediation to reach a settlement with a majority of the civil litigants resulting from the alleged fraud by its former customer William Del Biaggio III and its terminated employee Scott Cacchione. The Company is focused on reducing its potential liability in these legal proceedings and the resources required to fight the allegations. In addition, it is also aiming to free up valuable management resources needed to face challenging market and economic conditions. At present, there is no indication that these negotiations will be successful and whether it will serve the Company's aims and should a settlement result, it is not yet estimable.

The Company is assessing interest of potential investors in providing additional capital to the business. While the Company does not have a definitive agreement from any investor, preliminary discussions have yielded some interest subject to the completion of the three steps outlined above. There are no assurances that the Company will be successful in completing its plans outlined above and ultimately in raising additional capital.

The Company's ability to meet its going concern obligations is highly dependent on market and economic conditions. Even if it is successful in executing its four-step plan, it will not be capable of sustaining losses such as those incurred in 2008. However, it is worth noting that 2008 was an unprecedented year both in terms of stock market volatility and general economic challenges. Furthermore, the large number of civil litigations and resulting SEC investigation was a significant drain on corporate resources. The Company believes that its reduced cost structure and shedding of non core business has increased its operating runway. However, if operating conditions worsen in 2009 or if the company receives adverse judgments in its pending litigations, it may not have the resources to meet its financial obligations as a going concern.

These financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

Executive Summary

Our revenue decreased 56% during 2008 to $36,568,000, as virtually all product lines were impacted by the industry slow down. Including discontinued operations, net loss was $30,274,000, or ($2.41) per diluted share during 2008 which represents a significant reversal from our $9,323,000 net income in 2007. The substantial operating loss was primarily driven by the decline in top line revenues combined with a rise in operating expenses. While we were able to remove significant cost through the second half of 2008, these gains were offset by a substantial increase in legal expenses resulting from the large number of claims facing the firm. Our focus during 2008 was to manage the growing legal expenses while surviving one of the worst financial markets in U.S. history. We instituted aggressive plans to reduce our operating costs and focus our business back to our core offerings. As a result, we reduced our workforce by over 50% as of the end of February 2009, contributing to an annual savings of more than $10 million. In addition, management took steps to eliminate non-core businesses such as Panel Intelligence and MCF Asset Management that had consumed a large portion of our operating cash flow. Our focus in 2009 will be to build on our core businesses, further develop our new businesses, including OTCQX and IMS advisory, while capitalizing on the general devastation in the financial markets that we serve.

Investment Banking - The investment banking team had an unfavorable year with a decrease in revenue of 62% in 2008, as compared to 42% revenue growth in 2007. In 2008, we closed 20 corporate financing and strategic advisory transactions during the year with average transaction fees of $273,000 as compared to 40 coporate financing and strategic advisory transactions in 2007. As a percentage of total revenue, Investment Banking's contribution was 31% in 2008 compared to 36% in 2007. Our challenges in the business were widely experienced by our competition as the new issue market was largely closed.

Principal Transactions – Principal transactions produced a substantial loss of $9,040,218 during 2008 as compared to our record gains of $20,116,000 experienced in 2007. The 2008 loss was largely driven by a decline in the fair value of the Proprietary and Investment accounts. Principal transactions revenue consists of four different activities: customer principal trades, market making, trading for our proprietary account, and realized and unrealized gains and losses in our investment portfolio. As a broker-dealer, we account for all of our marketable security positions on a trading basis and as a result, all security positions are marked to fair market value each day. Returns from market making and proprietary trading activities tend to be more volatile than acting as agent or principal for customers.

We will from time to time take significant positions in fast-growing companies that we feel are undervalued in the market place. We believe that our window into these opportunities, due to the types of companies we research, offers us a significant competitive advantage. Over the past few years, we have generated attractive returns on our capital by deploying this strategy.

Commissions - Commissions revenue from brokering equity securities to institutional investors increased slightly or by 6.3% to $33,679,000 in 2008 over the prior year. This business continues to face increasing challenges including the proliferation of electronic communications networks which have reduced commission rates and profitability in the brokerage industry. Many large investment banks have responded to lower margins within their equity brokerage divisions by reducing research coverage, particularly for smaller companies, consolidating sales and trading services, and reducing headcount of sales and trading professionals. We believe that we can grow our institutional brokerage revenue by producing differentiated equity research on relatively undiscovered, fast-growing companies within our selected growth sectors and providing this research to small and mid-sized traditional and alternative investment managers for whom these companies comprise an important part of their investment portfolios.

Institutional Cash Distributors (ICD) - ICD is a broker of money market funds serving the short-term investing needs of corporate finance departments at companies throughout the United States and Europe. Companies using ICD's services receive access to over 40 fund families through ICD's one-stop process that includes one application, one wire and one statement that consolidates reporting regardless of the number of funds utilized. As of December 31, 2008, ICD clients have invested over $42 billion in money market funds from which ICD earns brokerage fees. ICD is a division of Merriman Curhan Ford & Co. Our Institutional Cash Distributors business continued to expand rapidly in 2008 with average assets brokered nearly doubling over 2007. ICD revenue grew at a rate of 70% in 2007 and 77% in 2008. In January 2009, we sold our ICD assets to three of our employees and will no longer benefit from these revenues when the sale is completed, expected for the second quarter of 2009, when the buyers of the assets will have formed their own broker-dealer.

Primary Research - We closed the acquisition of MedPanel, Inc. in April 2007 and began offering custom and published primary research to biotechnology, pharmaceutical and medical device industry clients, as well as institutional investment companies for a subscription fee. In January 2009, we sold the assets related to MedPanel, in order to focus on our core investment banking and broker-dealer businesses and to reduce expenses. The primary research assets have been classified as discontinued operations. Certain Panel assets and liabilities have been reclassified to assets and liabilities held for sale in the consolidated statements of financial condition.

OTCQX Advisory. During 2007, Merriman Curhan Ford & Co. began offering services to sponsor companies on the Domestic and International OTCQX markets. This new service offering has been designed to enable domestic and non-U.S. companies to obtain greater exposure to U.S. institutional investors without the expense and regulatory burdens of listing on traditional U.S. exchanges. The Domestic and International OTCQX market tiers do not require full SEC registration or Sarbanes Oxley compliance. Listing on the market requires the sponsorship of a qualified investment bank called a Designated Advisor for Disclosure (DAD) for domestic companies or a Principal American Liaison (PAL) for non-U.S. companies. Merriman Curhan Ford & Co. was the first U.S. investment bank to achieve

DAD and PAL designations.

Employees - Our overall headcount decreased by 36% to 128 during 2008, with further reductions to 89 as of the end of February 2009, after the sale of Panel assets. For 2009, we remain focused on finding the most qualified employee for each position to boost revenue per employee. We expect that we will maintain headcount at below 100 people during 2009, though as always these hiring decisions may be impacted by our actual financial results and the overall capital markets environment.

Business Development - We continued to invest in areas of our business that we believe will increase the awareness of our franchise and contribute to future revenue opportunities such as hosting investor conferences, introducing management teams of fast-growing companies to institutional investors, marketing, travel and other business development activities. These activities resulted in higher operating expenses in 2008.

While the subprime mortgage crisis has not had any direct impact on our firm, the current economic outlook for 2009 is obscured by credit anxieties, slowing growth, expensive commodities and the decreasing purchasing power of the U.S. dollar which may adversely impact our capital markets activities.

Business Environment

The equity markets were highly volatile to the downside in 2008, posting the third-worst year in more than a century. Globally, the value of financial assets including stocks, bonds and currencies fell by more than $50 trillion in 2008, the equivalent to a year of world GDP, according to the Asian Development Bank. Investor psychology was badly shaken, and the year's poor results also placed stocks behind almost every other asset class in terms of 10 year performance. The year was shaped by several landmark events: the serial failure of brand name, "blue chip" institutions, such as Bear Stearns, Lehman Brothers, AIG and Fannie Mae; record market volatility; the cratering of home prices and foreclosure rates skyrocketing; and crude oil trading to a high of $145 in July then dropping to $34 in December. Confused and panicked investors sought shelter in government debt obligations, driving the return in T bonds with 30 year maturities to a 41% gain (Merrill Lynch Long-Term Index), an unprecedented price move. The Federal Reserve cut its key interest rate 7 times in 2008, from 4.25% at the start of the year, with the final cut pushing the rate to 0% to .25%, a historic low. In the 4th quarter, some investors were buying short term T bills at a 0% yield, the ultimate flight to safety reflecting a historical extreme of pessimism.

The S&P 500 lost 38.5% for the year, while the NASDAQ Composite fell 40.5%. The decline in the NASDAQ was the worst in its 38 year history. The Russell 2000 index continued its 2007 decline, dropping 34%. High yield bonds as measured by the Merrill Lynch HY index fell 26% on a total return basis, reflecting further flight from risk.

Hedge funds were badly hurt in 2008, with performance across "long-short" funds down 26% on average. The failure of these funds to live up to the billing of thriving in rough markets led to massive redemptions, and many funds went out of business in the 4th quarter of 2008. The hedge fund community is an important component of our business, as they are one of the most active purchasers of our investment banking and research product. Our securities broker-dealer and investment banking activities are inextricably tied to the capital markets through our customer base and its exposure to the stock market. In addition, our business activities are focused in the CleanTech, Consumer/Internet/Media, Health Care and Tech/Telecom sectors. By their nature, these activities are highly competitive and are not only subject to general market conditions, volatile trading markets and fluctuations in the volume of market activity, but also to the conditions affecting the companies and markets in our areas of focus.

The economic environment, and the multiple negative events that were triggered by it, have led to a financial services industry which is under unprecedented pressure. Some of the problems were self created, as the development of many types of derivatives led to unprecedented profits as well as unprecedented risks. These derivative products also enabled mass speculation in the housing market. With leverage ratios in some cases exceeding 30 times at many of the "bulge bracket" brokerage firms there was no room for error. Several such firms, much older, larger and better capitalized than ours, went out of business in 2008 or have been merged away. An estimated 175,000 jobs have been lost by the financial sector worldwide, with many more expected in 2009. The investment banking and M&A markets slowed precipitously in 2008, and these two areas are the primary drivers of profitability for firms in our sector. The diminution of the hedge fund community also decreased the pool of commissions in the "regular way" business, so both origination and distribution sides of the business are being badly squeezed. Cost cutting, shrewd application of capital, and intense focus on ROI, have been the keys to survival in the brokerage business. For many in the investment community, survival will truly be the new success in 2009. We expect aggressive consolidation as firms seek to reduce costs and increase efficiencies, as well as position themselves for their share of a shrinking pool of commissions. Our market segment of sub $2 billion market cap companies has grown exponentially due to the massive disruption in the capital markets. There are also many companies under $500MM with no research coverage, advisory relationships or no sponsorship at all. We view this group of potential clients as a huge opportunity and are aggressively adjusting our economic breakeven and approach to the business in order to benefit from this new world economy.

Results of Operations

The following table sets forth a summary of financial highlights for the three years ended December 31, 2008 and includes the results of the Company's two operating segments, Merriman Curhan Ford & Co., which is the substantial majority of the results, and MCF Asset Management:

	2008	2007	2006
Revenue:			
Commissions	$ 33,678,706	$ 31,681,563	$ 30,105,085
Principal transactions	(9,040,218)	20,116,392	(171,055)
Investment banking	11,432,454	30,138,783	21,190,786
Advisory and other fees	496,894	1,811,527	693,822
Total revenue	36,567,836	83,748,265	51,818,638
Operating expenses:			
Compensation and benefits	36,670,457	53,669,449	42,840,431
Brokerage and clearing fees	3,042,133	2,635,328	2,614,513
Professional services	9,161,729	2,785,414	2,441,417
Occupancy and equipment	2,303,944	1,638,353	1,665,410
Communications and technology	3,762,954	3,405,411	2,969,872
Depreciation and amortization	705,883	681,756	645,129
Travel and business development	2,921,196	2,499,768	2,738,393
Other	4,411,128	3,386,421	2,400,765
Total operating expenses	62,976,424	70,701,900	58,315,930
Operating (loss) income	(26,411,588)	13,046,365	(6,497,292)
Loss on retirement of convertible note payable	—	—	(1,348,805)
Interest income	375,949	461,491	484,909
Interest expense	(72,304)	(134,868)	(535,014)
(Loss) income from continuing operations before income taxes	(26,107,943)	13,372,988	(7,896,202)
Income tax benefit (expense)	1,635,214	(2,462,165)	—
(Loss) income from continuing operations	(24,472,729)	10,910,823	(7,896,202)
Loss on discontinued operations	(5,801,076)	(1,587,788)	(324,213)
Net (loss) income	$ (30,273,805)	9,323,035	$ (8,220,415)

Our revenue during 2008 decreased by $47,180,000 or 56%, from 2007 reflecting weaknesses across our businesses, with accentuated decline in principal transactions and investment banking transactions. Net loss for 2008 was $30,274,000 as compared to net income of $9,323,000 during 2007.

Our net (loss) income during the three years ended December 31, 2008 included the following non-cash items:

	2008	2007	2006
Stock-based compensation	$ 2,353,383	$ 2,824,107	$ 3,836,781
Reversal of FIN 48 Liability	(1,838,743)	—	—
Impairment of goodwill and intangible assets	4,538,945	—	—
Amortization of intangible assets	466,142	750,185	138,051
Depreciation and amortization	828,598	740,445	655,334
Provision for uncollectible accounts receivable	476,713	368,272	383,565
Issuance of common stock to consultant	—	75,791	—
Amortization of discounts on debt	2,584	10,332	146,776
Loss on retirement of convertible note payable	—	—	1,348,805
Amortization of debt issuance costs	—	—	35,757

Common stock received for services	(1,752,625)	(400,875)	—
Total	$ 5,074,997	$ 4,368,257	$ 6,545,069

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Investment Banking Revenue

Our investment banking activity includes the following:

- Capital Raising - Capital raising includes private placements of equity and debt instruments and underwritten public offerings.

- Financial Advisory - Financial advisory includes advisory assignments with respect to mergers and acquisitions, divestures, restructurings and spin-offs.

The following table sets forth our revenue and transaction volumes from our investment banking activities during the three years ended December 31, 2008:

	2008	2007	2006
Revenue:			
Capital raising	$ 9,031,592	$ 26,996,283	$ 15,939,480
Financial advisory	2,400,862	3,142,500	5,251,306
Total investment banking revenue	$ 11,432,454	$ 30,138,783	$ 21,190,786
Transaction Volumes:			
Public offerings:			
Capital underwritten participations	$ 182,780,000	$ 234,596,000	$ 156,500,000
Number of transactions	3	13	15
Private placements:			
Capital raised	$ 290,380,000	$ 331,480,000	$ 173,101,000
Number of transactions	13	26	15
Financial advisory:			
Transaction amounts	$ 82,600,000	$ 129,161,000	$ 169,423,000
Number of transactions	4	1	1

Our investment banking revenue amounted to $11,432,000, or 31% of our revenue during 2008, representing a 62% decrease compared to $30,139,000 recognized in 2007. The decrease in revenue was driven by equity underwritten transactions which decreased by 96% in 2008 as compared to the prior year. Average fees per investment banking transaction decreased to $273,000 in 2008 from $710,000 in 2007. Our investment banking revenue of $30,139,000 amounted to 36% of our revenue during 2007, representing a 42% increase compared to $21,191,000 recognized in 2006.

During the year ended December 31, 2008, two investment banking clients each accounted for more than 10% of our revenue. No single investment banking client accounted for more than 10% of our revenue in 2007 and 2006.

Commissions and Principal Transactions Revenue

Our broker-dealer activity includes the following:

- Commissions - Commissions include revenue resulting from executing stock trades for exchange-listed securities, over-the-counter securities and other transactions as agent, as well as revenue from brokering money market mutual funds by our Institutional Cash Distributors group.

- Principal Transactions - Principal transactions consist of a portion of dealer spreads attributed to our securities trading activities as principal in Nasdaq-listed and other securities, and include transactions derived from our activities as a market-maker. Additionally, principal transactions include gains and losses resulting from market price fluctuations that occur while holding positions in our trading security inventory.

The following table sets forth our revenue and several operating metrics which we utilize in measuring and evaluating performance and the results of our trading activity operations:

	2008	2007	2006
Revenue:			
Commissions:			
Institutional equities	$ 22,385,277	$ 25,312,803	$ 26,348,811
Institutional Cash Distributors	11,293,429	6,368,760	3,756,274
Total commissions revenue	$ 33,678,706	$ 31,681,563	$ 30,105,085
Principal transactions:			
Customer principal transactions, proprietary trading and market making	$ (7,693,703)	$ 18,380,237	$ (207,779)
Investment portfolio	(1,346,515)	1,736,155	36,724
Total principal transactions revenue	$ (9,040,218)	$ 20,116,392	$ (171,055)
Equity research:			
Publishing analysts	7	15	14
Companies covered	100	186	194
Transaction Volumes:			
Number of shares traded	1,281,568,000	1,160,782,000	937,005,000
Number of active clients	491	597	564

Commissions amounted to $33,679,000, or 92%, of our revenue during 2008, representing a 6% increase over $31,682,000 recognized during 2007. The growth in commissions revenue was attributed to higher assets brokered by our Institutional Cash Distributors group during 2008. Commissions revenue from our institutional equities trading business was down slightly during 2008 due to a decrease in average commissions per share and a slightly lower average daily trading volume.

Commissions amounted to $31,682,000, or 38%, of our revenue during 2007, representing a 5% increase over $30,105,000 recognized during 2006. The growth in commissions revenue was attributed to higher assets brokered by our Institutional Cash Distributors group during 2007. Commissions revenue from our institutional equities trading business was down slightly during 2007 due to a decrease in average commissions per share, partially offset by higher average daily trading volume.

Principal transaction revenue consists of four different activities - customer principal trades, market making, trading for our proprietary account, and realized and unrealized gains and losses in our investment portfolio. As a broker-dealer, we account for all of our marketable security positions on a trading basis and as a result, all security positions are marked to fair market value each day. Returns from market making and proprietary trading activities tend to be more volatile than acting as agent or principal for customers.

Principal transactions decreased revenue by $9,040,000 in 2008, while principal transactions were $20,116,000, or 24% of revenue during 2007. Of the 2008 revenue, a substantial portion of the loss resulted from our concentrated positions in two securities which accounted for 52% and 41% of our positions held for proprietary trading as of December 31, 2008.

Other components of principal transactions revenue during 2008 included principal trades for customers, realized and unrealized gains from our investment portfolio and trading gains from making markets in equity securities.

During the year ended December 31, 2008, one brokerage customer accounted for more than 10% of our revenues. During the previous two years, no single brokerage customer accounted for more than 10% of our revenue.

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Compensation and Benefits Expenses

Compensation and benefits expense represents the majority of our operating expenses and includes commissions, base salaries, discretionary bonuses and stock-based compensation. Commissions are typically paid to sales representatives based on their production. Historically, these employees have not been eligible for discretionary bonuses. Investment banking, research, support and executives are salaried and may participate in the discretionary bonus plan. The bonus pool is funded based on a number of criteria including revenue production, profitability and other key metrics. However, the total bonuses pool is considered by management and theBoard of Directors and can be adjusted at their discretion. Salaries, payroll taxes and employee benefits tend to vary based on title and overall headcount.

The following table sets forth the major components of our compensation and benefits for the three years ended December 31, 2008:

	2008	2007	2006
Incentive compensation and discretionary bonuses	$ 17,824,388	$ 34,408,271	$ 26,563,425
Salaries and wages	13,009,535	12,756,961	9,076,815
Stock-based compensation	2,353,383	2,824,109	3,836,781
Payroll taxes, benefits and other	3,483,151	3,680,108	3,363,410
Total compensation and benefits	$ 36,670,457	$ 53,669,449	$ 42,840,431
Total compensation and benefits as a percentage of revenue	100%	64%	83%
Cash compensation and benefits as a percentage of revenue	94%	61%	75%

The decrease in compensation and benefits expense of $16,999,000, or 32%, from 2007 to 2008 was due primarily to lower incentive compensation which is directly correlated to revenue production. Cash compensation is equal to total compensation and benefits expense excluding stock-based compensation, which is a non-cash expense. Cash compensation and benefits expense as a percentage of revenue increased to 94% during 2008 as compared to 61% during 2007. This increase in 2008 was largely attributed to our overall decrease in revenue which was 56% lower than 2007.

The increase in compensation and benefits expense of $10,829,000, or 25%, from 2006 to 2007 was due primarily to higher incentive compensation which is directly correlated to revenue production. Cash compensation and benefits expense as a percentage of revenue decreased to 61% during 2007 as compared to 75% during 2006. This improvement in 2007 was largely attributed to our overall revenue growth which was 62% higher than 2006 and our extraordinary principal transactions revenue as this activity has a low compensation expense ratio.

Our headcount increased from 166 at December 31, 2006 to 198 as of December 31, 2007, and decreased to 128 at December 31, 2008. Two single sales professionals each accounted for more than 10% of our revenue in 2008. No single sales professional accounted for more than 10% of our revenue in 2007 and 2006.

Other Operating Expenses

Brokerage and clearing fees include trade processing expenses that we pay to our clearing broker and execution fees that we pay to floor brokers and electronic communication networks. Merriman Curhan Ford & Co. is a fully-disclosed broker-dealer, which has engaged a third-party clearing broker to perform all of the clearance functions. The clearing broker-dealer processes and settles the customer transactions for Merriman Curhan Ford & Co. and maintains the detailed customer records. Security trades are executed by third-party broker-dealers and electronic trading systems. These expenses are almost entirely variable with commissions revenue and the volume of brokerage transactions. The increase in brokerage and clearing fees of $407,000, or 15% from 2007 to 2008 reflected increased per-transaction costs during the latest year, as we added to costs by deploying electronic tools to assist in our trading. The slight increase in brokerage and clearing fees of $21,000, or 1% from 2006 to 2007 reflected increased market making activity during 2007.

Professional services expense includes legal fees, accounting fees, expenses related to investment banking transactions and various consulting fees. The increase of $6,376,000, or 229%, from 2007 to 2008 reflected higher legal fees for litigation defense related to the Del Biaggio matters and increased audit fees. The increase of $344,000, or 14%, from 2006 to 2007 reflected higher legal fees for litigation defense and corporate matters, as well as higher accounting and consulting fees mostly in connection with the integration of the MedPanel acquisition. We anticipate professional services expense for 2009 will decrease substantially as compared to 2008, as the legal expenses in 2008 were unusually high.

Occupancy and equipment includes rental costs for our office facilities and equipment, as well as equipment, software and leasehold improvement expenses. Occupancy expense is largely fixed in nature while equipment expense tends to increase as we hire additional employees. The increase of $666,000, or 41%, from 2007 to 2008 resulted mostly from expansion of our offices. The slight decrease of $27,000, or 2%, from 2006 to 2007 resulted mostly from assets being fully depreciated during the year. During 2008, we relocated our New York office to larger premises. We anticipate occupancy and equipment expense in 2009 will decrease slightly over 2008 as we vacated some premises.

Communications and technology expense includes market data and quote services, voice, data and Internet service fees, and data processing costs. The increase of $358,000, or 10%, from 2007 to 2008 was due to higher per unit cost and the notice period typically required for cancellations of service contracts to take effect. The increase of $436,000, or 15%, from 2006 to 2007 was primarily due to upgrading our trading order management system in June 2006, as well as the increase in market data and quote services as we continue to expand our market maker activities. We anticipate communications and technology expense for 2009 will decrease by approximately 10% over 2008.

Depreciation and amortization expense primarily relate to the depreciation of our computer equipment and leasehold improvements. Depreciation and amortization are mostly fixed in nature. The increase of $24,000, or 4%, from 2007 to 2008 mostly resulted from the depreciation of assets acquired with our expanded New York offices requiring additional equipment and leasehold improvements. The increase of $37,000, or 6%, from 2006 to 2007 mostly resulted from the expansion of our facilities in San Francisco. We anticipate depreciation and amortization expense for 2009 will be slightly lower as compared to 2008 as some of our fixed assets become fully depreciated.

Travel and business development expenses are incurred by each of our lines of business and include business development costs by our investment bankers, travel costs for our research analysts to visit the companies that they cover and non-deal road show expenses. Non-deal road shows represent meetings in which management teams of our corporate clients present directly to our institutional investors. The increase of $421,000, or 17%, from 2007 to 2008 resulted from active sales and marketing efforts in the early part of the year. The decrease of $239,000, or 9%, from 2006 to 2007 resulted from fewer uncompleted investment banking transactions in 2007 as compared to 2006. Syndicate expenses related to securities offerings in which we act as underwriter or agent are deferred until either the related revenue is recognized or we determine that the security offerings are unlikely to be completed. We anticipate travel and entertainment expense for 2009 will likely be lower than 2008.

The following expenses are included in other operating expenses for the three years ended December 31, 2008:

	2008	2007	2006
Investor conferences	$ 817,177	$ 918,153	$ 947,793
Recruiting	288,500	476,483	316,021
Public and investor relations	508,692	436,977	294,664
Provision for uncollectible accounts receivable	347,410	368,271	(116,435)
Insurance	450,872	315,186	271,725
Supplies	335,778	297,814	300,598
Dues and subscriptions	359,606	198,967	162,064
Other	1,303,092	374,570	224,335
Total other operating expenses	$ 4,411,128	$ 3,386,421	$ 2,400,765

The significant increase of $1,025,000, or 30%, from 2007 to 2008 was due primarily to a legal settlement with a former employee as described in the Legal Proceedings section above. In addition, higher costs of dues and subscriptions related to information services and higher insurance premiums partially attributable to our legal matters also contributed to the increase. The increase of $986,000, or 41%, from 2006 to 2007 was due primarily to one-time events in 2006 that reduced other expense by approximately $600,000. We anticipate other operating expense for 2009 will decrease over 2008 as we are permitted to cancel services and activities which are less suited to our reduced business levels.

Loss on Retirement of Convertible Note Payable

In December 2006, the Company repaid the $7.5 million variable rate secured convertible note issued to Midsummer Investment, Ltd, or Midsummer, in March 2006. The loss of $1,349,000 recorded as of December 31, 2006 on repayment of the convertible note consists of the write-off of the unamortized discount related to the stock warrant as well as the write-off the unamortized debt issuance costs. Midsummer retained the stock warrant to purchase 267,857 shares of our common stock.

Interest Income

Interest income represents interest earned on our cash balances maintained at financial institutions. The decrease of $86,000, or 19%, from 2007 to 2008 and the decrease of $23,000, or 5%, from 2006 to 2007 were due to changes in average interest earning assets and average interest rates during these periods.

Interest Expense

Interest expense for 2008 included $70,000 for interest expense and $2,500 for amortization of discounts while 2007 included $125,000 for interest expense and $10,000 for amortization of discounts.

Income Tax Expense

We recorded an income tax benefit of $1,635,000 in 2008 resulting in an effective tax rate of 5%. Income tax expense was $2,462,000 in 2007 resulting in an effective tax rate of 21%. The effective tax rate differs from the statutory rate primarily due to the existence and utilization of net operating loss carryforwards which have been offset by a valuation allowance resulting in a tax provision equal to our expected current expense for the year. We historically have had current tax expense primarily related to alternative minimum, state and minimum tax liabilities.

Historically and currently, we have recorded a valuation allowance on our deferred tax assets, the significant component of which relates to net operating loss tax carryforwards. Management continually evaluates the realizability of its deferred tax assets based upon negative and positive evidence available. Based on the evidence available at this time, we continue to conclude that it is not "more likely than not" that we will be able to realize the benefit of our deferred tax assets in the near future.

We adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109 ("FIN 48") on January 1, 2007. As a result of the implementation of FIN 48, we recognized no adjustment in the liability for unrecognized income tax benefits and no corresponding change in retained earnings. During 2008, we recognized $1,839,000 of unrecognized tax benefits previously established in 2007. Accordingly, there were no unrecognized tax benefits as of December 31, 2008, and we do not have any material accrued interest or penalties associated with any unrecognized tax benefits. We do not believe it is reasonably possible that our unrecognized tax benefits will significantly change within the next twelve months. We are subject to taxation in the US and various state and foreign jurisdictions. The tax years 2000-2008 remain open in the U.S. and several U.S. state jurisdictions.

Discontinued Operations

On April 17, 2007, we acquired 100 percent of the outstanding common shares of MedPanel Corp. which we subsequently renamed Panel Intelligence LLC ("Panel") and made into a subsidiary of the Merriman Curhan Ford Group, Inc. The results of Panel's operations have been included in our consolidated financial statements since that date. As a result of the acquisition, we began providing independent market data and information to clients in the biotechnology, pharmaceutical, medical device, and financial industries by leveraging Panel's proprietary methodology and vast network of medical experts.

We paid $6.1 million in common stock for Panel. The value of the 1,547,743 shares of common shares issued was determined based on the average market price of the our common stock over the period including three days before and after the terms of the acquisition were agreed to and announced. The selling stockholders were also entitled to additional consideration on the third anniversary from the closing which is based upon Panel Intelligence achieving specific revenue and profitability milestones.

In December 2008, we determined that the sale of Panel would reduce investments required to develop Panel's business. Its sale would also generate capital necessary for our core business. We determined that the plan of sale criteria in FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," had been met. Accordingly, the carrying value of the Panel assets was adjusted to their fair value less costs to sell. As a result, an impairment loss in the amount of $1,937,000 was recorded and is included in "Other expenses" in the table in Note 8. In January 2009, we sold Panel to Panel Intelligence, LLC (Newco) for $1,000,000 and shares of our common stock in the amount of $100,000.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to the valuation of securities owned and deferred tax assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Investment banking revenue includes underwriting and private placement agency fees earned through our participation in public offerings and private placements of equity and convertible debt securities and fees earned as financial advisor in mergers and acquisitions and similar transactions. Underwriting revenue is earned in securities offerings in which we act as an underwriter and includes management fees, selling concessions and underwriting fees. Fee revenue relating to underwriting commitments is recorded when all significant items relating to the underwriting cycle have been completed and the amount of the underwriting revenue has been determined. This generally is the point at which all of the following have occurred: (i) the issuer's registration statement has become effective with the SEC, or other offering documents are finalized, (ii) we have made a firm commitment for the purchase of the shares or debt from the issuer, and (iii) we have been informed of the exact number of shares or the principal amount of debt that it has been allotted.

Syndicate expenses related to securities offerings in which we act as underwriter or agent are deferred until the related revenue is recognized or we determine that it is more likely than not that the securities offerings will not ultimately be completed. Underwriting revenue is presented net of related expenses. As co-manager for registered equity underwriting transactions, management must estimate our share of transaction related expenses incurred by the lead manager in order to recognize revenue. Transaction related expenses are deducted from the underwriting fee and therefore reduces the revenue that is recognized as co-manager. Such amounts are adjusted to reflect actual expenses in the period in which we receive the final settlement, typically 90 days following the closing of the transaction.

Merger and acquisition fees and other advisory service revenue are generally earned and recognized only upon successful completion of the engagement. Unreimbursed expenses associated with private placement and advisory transactions are recorded as expenses as incurred.

Commissions revenue and related clearing expenses are recorded on a trade-date basis as security transactions occur. Principal transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of our company are recorded on a trade-date basis.

Primary research revenue is recognized on a proportional performance basis as services are provided. It is reported in our financial statements under captions labeled “Discontinued Operations”.

OTCQX revenue is recognized in two parts – Due Diligence and Listing Fees. Due Diligence Fees are recognized at its completion. The Listing Fees are pro-rated monthly from the time the end of the Due Diligence period until the end of the engagement term.

Fair Value of Financial Instruments

Substantially all of the Company's financial instruments are recorded at fair value or contract amounts that approximate fair value. Securities owned and securities sold, not yet purchased are stated at fair value, with any related changes in unrealized appreciation or depreciation reflected in Principal Transactions in the consolidated statements of operations. Financial instruments carried at contract amounts include cash and cash equivalents and amounts due from and to brokers, dealers and clearing brokers.

Fair Value Measurement—Definition and Hierarchy

The Company adopted the provisions of SFAS No. 157, Fair Value Measurements (SFAS No. 157), effective January 1, 2008. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. , the “exit price”) in an orderly transaction between market participants at the measurement date.

Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. Assets and liabilities recorded at fair value in the consolidated statement of financial condition are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by SFAS 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities carried at Level 1 fair value generally are G-7 government and agency securities, equities listed in active markets, investments in publicly traded mutual funds with quoted market prices and listed derivatives.

Level 2 — Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Fair valued assets that are generally included in this category are stock warrants for which there are market-based implied volatilities, unregistered common stock and thinly traded common stock.

Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Generally, assets carried at fair value and included in this category include stock warrants for which market-based implied volatilities are not available.

Assets measured at fair value on a recurring basis are categorized into a Level based upon the lowest level of significant input to the valuations.

Stock-Based Compensation

On January 1, 2006, the company adopted SFAS 123(R), “Share-Based Payment,” which requires the measurement and recognition of compensation expense, based on estimated fair values, for all share-based awards, made to employees and directors, including stock options, non-vested stock, and participation in our employee stock purchase plan. Share-based compensation expense recognized in our consolidated statement of operations for the three years ended December 31, 2008 includes compensation expense for share-based awards granted (i) prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS 123, and (ii) subsequent to December 31, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R).

The company estimates the fair value of stock options granted using the Black-Scholes option pricing method. This option pricing model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding. The Company calculated the expected term using the lattice model with specific assumptions about the suboptimal exercise behavior, post-vesting termination rates and other relevant factors. The expected stock price volatility was determined using the historical volatility of our common stock. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

Because share-based compensation expense is based on awards that are ultimately expected to vest, it has been reduced to account for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation.

Deferred Tax Valuation Allowance

We account for income taxes in accordance with the provision of SFAS No. 109, Accounting for Income Taxes, which requires the recognition of deferred tax assets and liabilities at tax rates expected to be in effect when these balances reverse. Future tax benefits attributable to temporary differences are recognized to the extent that the realization of such benefits is more likely than not. We have concluded that it is more likely than not that our deferred tax assets as of December 31, 2008 and 2007 will not be realized based on the scheduling of deferred tax liabilities and projected taxable income. The amount of the deferred tax assets actually realized, however, could vary if there are differences in the timing or amount of future reversals of existing deferred tax liabilities or changes in the actual amounts of future taxable income. Should we determine that we will be able to realize all or part of the deferred tax asset in the future, an adjustment to the deferred tax asset will be recorded in the period such determination is made.

Goodwill and Intangible Assets

In accordance with SFAS 142, indefinite-life intangible assets and goodwill are not amortized. Rather, they are subject to impairment testing on an annual basis or more often if events or circumstances indicate there may be impairment. This test involves assigning tangible assets and liabilities, identified intangible assets and goodwill to reporting units and comparing the fair value of each reporting unit to its carrying amount. If the fair value is less than the carrying amount, a further test is required to measure the amount of the impairment. When available, we use recent, comparable transactions to estimate the fair value of the respective reporting unit. We calculate an estimated fair value based on multiples of revenue, earnings, and book value of comparable transactions. However, when such comparable transactions are not available or have become outdated, we use discounted cash flow scenarios to estimate the fair value of the reporting units.

The goodwill and intangible assets we recorded are related to Panel assets, classified as held for sale in our financial statements. In the year ended December 31, 2008, we recorded impairments to goodwill and intangible assets in the amounts of $3,338,000 and $1,301,000, respectively. At December 31, 2008, the assets held for sale included no remaining goodwill and $283,000 of intangible assets after impairment and depreciation.

Liquidity and Capital Resources

As of December 31, 2008, liquid assets consisted primarily of cash and cash equivalents of $6,358,000 and marketable securities of $4,623,000, for a total of $10,981,000, which is $34,788,000 lower than $45,769,000 in liquid assets as of December 31, 2007.

Cash and cash equivalents decreased by $25,296,000 during 2008. Cash used in our operating activities for 2008 was $24,945,000 which consists of our net loss of $30,274,000 adjusted for non-cash expenses including unrealized loss on securities owned of $9,775,000, partially offset by the decrease in commissions and bonus payable of $14,223,000, net stock-based compensation of $2,353,000, depreciation and amortization of $829,000, provision for doubtful accounts of $477,000, and amortization of intangible assets of $466,000. Cash used in investing activities amounted to $204,000 during 2008 which reflects our purchase of equipment and fixtures. Cash used in our financing activities was $232,000. Our financing activities included debt service payments partially offset by proceeds from the exercise of stock options by our employees.

Merriman Curhan Ford & Co., as a broker-dealer, is subject to Rule 15c3-1 of the Securities Exchange Act of 1934, which specifies uniform minimum net capital requirements, as defined, for their registrants. As of December 31, 2008, Merriman Curhan Ford & Co. had regulatory net capital of $2,899,000, which exceeded the required amount by $1,899,000.

During the year ended December 31, 2008, the Company incurred a net loss of $30,274,000 and used $24,945,000 in net cash from operating activities. At December 31, 2008, the Company had cash and cash equivalents of $6,358,000, marketable securities of $4,623,000 and receivables from clearing broker of $1,753,000. The Company had liabilities of $11,150,000. The Company's ability to generate profits is highly dependent on stock market trading volumes and the general economic environment. As a result, the ability of the Company to meet its forward obligations and the ability to continue as a going concern may be in question.

We believe that our existing cash balances and investments could be sufficient to meet our liquidity and capital spending requirements depending on the successful implementation of the plan to increase the Company's operating flexibility and extend its cash reserves, the settlement of our legal proceedings, the stability of financial markets and the economic environment. The company may require additional capital investment to fund our working capital. We cannot be certain that additional debt or equity financing will be available when required or, if available, that we can secure it on terms satisfactory to us.

The following is a table summarizing our significant commitments as of December 31, 2008, consisting of capital leases and future minimum lease payments under all non-cancelable operating leases with initial or remaining terms in excess of one year.

	Operating Leases	Capital Leases
2009	1,772,554	634,968
2010	1,720,897	319,733
2011	1,658,148	146,647
2012	1,095,440	—
2013		