FORM 10-Q

E TRADE FINANCIAL CORP - ETFC

Filed: May 14, 1998 (period: March 31, 1998)

Quarterly report with a continuing view of a company's financial position

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998

COMMISSION FILE NUMBER 1-11921

E*TRADE GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	94-2844166
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

FOUR EMBARCADERO PLACE, 2400 GENG ROAD, PALO ALTO, CA 94303
(Address of principal executive offices and zip code)
Registrant's telephone number, including area code: (650) 842-2500

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 [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of May 8, 1998, the number of shares outstanding of the registrant's common stock was 39,284,711.

E*TRADE GROUP, INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 1998

TABLE OF CONTENTS

UNLESS OTHERWISE INDICATED, REFERENCES TO "COMPANY" MEAN E*TRADE GROUP, INC. AND ITS SUBSIDIARIES.

FORWARD-LOOKING STATEMENTS: In addition to the historical information contained throughout this quarterly report, there are forward-looking statements that reflect management's expectations for the future. These statements relate to a variety of matters including the Company's strategy, sources of liquidity and capital expenditures. Many factors could cause actual results to differ materially from these statements. These factors include, but are not limited to: the timing of introductions of enhancements to online financial services and products by the Company or its competitors; market acceptance of online financial services and products; the pace of development of the market for online commerce; changes in transaction volume on the securities markets; trends in the securities markets; domestic and international regulation of the brokerage industry; changes in pricing policies by the Company or its competitors; changes in strategy; the success of or costs associated with acquisitions, joint ventures or other strategic relationships; changes in key personnel; seasonal trends; the extent of international expansion; the mix of international and domestic revenues; changes in the level of operating expenses to support projected growth and/or new product or service launches; and general economic conditions. For a description of certain of these and other factors that may cause actual results to so differ, reference is made hereby to the Company's Annual Report on Form 10-K and other documents filed by the Company from time to time with the Securities and Exchange Commission. The Company disclaims any obligation to update its forward-looking statements.

The Company's quarterly revenues and operating results are difficult to forecast, and the Company believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. It is likely that the Company's future quarterly operating results from time to time will not meet the expectations of securities analysts or investors, which may have an adverse effect on the market price of the Company's Common Stock.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

E*TRADE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(Unaudited)

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997	SIX MONTHS ENDED MARCH 31, 1998	SIX MONTHS ENDED MARCH 31, 1997
Revenues:				
Transaction revenues	$37,778	$24,419	$75,462	$44,791
Interest, net of interest expense (A)	12,617	5,017	24,653	8,871
International	1,593	2,000	1,620	2,000
Computer services and other	1,321	765	2,704	1,562
Net revenues	53,309	32,201	104,439	57,224
Cost of services	24,280	13,198	47,027	25,623
Operating expenses:				
Selling and marketing	10,563	7,884	18,663	11,100
Technology development	5,162	2,210	10,157	4,530
Acquired in-process research and development.	--	--	2,756	--
General and administrative	3,897	3,809	8,662	6,983
Total operating expenses	19,622	13,903	40,238	22,613
Total cost of services and operating expenses	43,902	27,101	87,265	48,236
Pre-tax income	9,407	5,100	17,174	8,988
Income tax expense	3,289	2,046	6,142	3,674
Net income	$ 6,118	$ 3,054	$11,032	$ 5,314
Basic net income per share	$ 0.16	$ 0.10	$ 0.28	$ 0.18
Diluted net income per share	$ 0.15	$ 0.09	$ 0.27	$ 0.16
Shares used in computation of basic net income per share	39,050	29,941	38,898	29,809
Shares used in computation of diluted net income per share	41,465	33,446	41,528	33,338

- --------

(A) Interest is presented net of interest expense. Interest expense for the three months ended March 31, 1998 and 1997 was $8,578 and $2,516, respectively. Interest expense for the six months ended March 31, 1998 and 1997 was $17,290 and $4,813, respectively.

See notes to consolidated financial statements.

E*TRADE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	MARCH 31, 1998 (Unaudited)	SEPTEMBER 30, 1997
ASSETS		
Current assets:		
Cash and equivalents	$ 63,485	$ 21,814
Cash and investments required to be segregated under		

Federal or other regulations	5,000	15,001
Investment securities	180,301	191,398
Brokerage receivables--net	1,023,288	724,365
Other assets	5,727	4,744
Total current assets	1,277,801	957,322
Property and equipment--net	26,472	18,802
Other assets	18,121	13,779
Total assets	$1,322,394	$989,903
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Brokerage payables	$ 981,464	$681,106
Bank loan payable	--	9,400
Accounts payable, accrued liabilities and other	46,333	18,122
Total liabilities	1,027,797	708,628
Contingencies (Note 6)		
Stockholders' equity:		
Common stock, $.01 par: shares authorized, 150,000,000; shares issued and outstanding: March 1998, 39,230,981; September 1997, 38,657,328	392	387
Additional paid-in capital	268,901	266,712
Retained earnings	25,208	14,176
Unrealized gain on available-for-sale securities, net of tax	96	--
Total stockholders' equity	294,597	281,275
Total liabilities and stockholders' equity	$1,322,394	$989,903

See notes to consolidated financial statements.

E*TRADE GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	SIX MONTHS ENDED MARCH 31, 1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 11,032	$ 5,314
Non-cash items included in net income:		
Deferred income taxes	(1,105)	571
Depreciation and amortization	3,572	1,309
Income from equity investment	(602)	(904)
Other	49	--
Net effect of changes in broker-related assets and liabilities:		
Cash and investments required to be segregated under Federal or other regulations	10,001	14,000
Brokerage receivables	(298,923)	(160,353)
Brokerage payables	300,358	142,584
Bank loan payable	(9,400)	--
Other changes, net:		
Other assets	(468)	(2,244)
Accounts payable, accrued liabilities and other	29,316	8,792
Net cash provided by operating activities	43,830	9,069

CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(10,928)	(5,536)
Internally developed software	(2,820)	--
Purchase of investment securities	(864,237)	(189,943)
Sale/maturity of investment securities	874,680	198,097
Related party transactions	(304)	(3,147)
Acquisition of net tangible assets of OptionsLink (net of $2,756 in-process R&D)	(744)	--
Distributions received from equity investments	--	206
Net cash used in investing activities	(4,353)	(323)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Costs from initial public offering	--	(102)
Employee stock transactions	2,194	866
Repayment of capital leases	--	(10)
Net cash provided by financing activities	2,194	754
INCREASE IN CASH AND EQUIVALENTS	41,671	9,500
CASH AND EQUIVALENTS--Beginning of period	21,814	14,641
CASH AND EQUIVALENTS--End of period	$ 63,485	$ 24,141
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 16,429	$ 4,617
Cash paid for income taxes	$ --	$ 1,205
Non-cash activities:		
Unrealized gain on available-for-sale securities, net of tax	$ 96	$ --

See notes to consolidated financial statements.

E*TRADE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.--GENERAL

The accompanying unaudited consolidated financial statements include E*TRADE Group, Inc. and its subsidiaries (collectively, the "Company"). E*TRADE Group, Inc. is a holding company engaged, through its subsidiaries, in securities brokerage and related investment services. E*TRADE Group Inc.'s principal operating subsidiary, E*TRADE Securities, Inc. ("E*TRADE Securities") is a securities broker-dealer.

These financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles. All material intercompany balances and transactions have been eliminated. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1997 Annual Report to Stockholders on Form 10-K for the fiscal year ended September 30, 1997.

Certain items in these financial statements have been reclassified to conform to the current period presentation.

NOTE 2.--BROKERAGE RECEIVABLES AND PAYABLES--NET

Brokerage receivables and payables--net consists of the following (in thousands):

MARCH 31, SEPTEMBER 30,

	1998	1997
Receivable from customers and non-customers (less allowance for doubtful accounts of $215 at March 31, 1998 and $435 at September 30, 1997)	$ 860,867	$655,981
Receivable from brokers, dealers and clearing organizations:		
Net settlement and deposits with clearing organizations	11,637	37,198
Deposits paid for securities borrowed	143,665	25,584
Securities failed to deliver	1,378	1,011
Other	5,741	4,591
Total brokerage receivables--net	$1,023,288	$724,365
Payable to customers and non-customers	$ 318,613	$279,348
Payable to brokers, dealers and clearing organizations:		
Deposits received for securities loaned	656,519	398,007
Securities failed to receive	1,820	1,304
Other	4,512	2,447
Total brokerage payables	$ 981,464	$681,106

Receivable from and payable to brokers, dealers and clearing organizations result from the Company's brokerage activities. Receivable from customers and non-customers represents credit extended to finance their purchases of securities on margin. Credit extended with respect to margin accounts was $935 million at March 31, 1998 and $678 million at September 30, 1997. Securities owned by customers and non-customers are held as collateral for amounts due on margin balances (the value of which is not reflected on the accompanying consolidated balance sheets). Payable to customers and non-customers represents free credit balances and other funds pending completion of securities transactions. The Company pays interest on certain customer and non-customer credit balances.

NOTE 3.--ACQUISITION

In December 1997, the Company completed its acquisition of the OptionsLink Division of Hambrecht & Quist LLC for cash of approximately $3,500,000. The purchase price exceeded the fair value of net assets acquired by approximately $3 million, of which $2,756,000 was allocated to in-process research and development and written-off in the period.

NOTE 4.--NET INCOME PER SHARE

As of October 1, 1997, the Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share. SFAS No. 128 requires a dual presentation of basic and diluted EPS. Basic EPS excludes dilution and is computed by dividing net income by the weighted average of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Prior periods have been restated to conform with SFAS No. 128.

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	1998	1997	1998	1997
Shares used in computation (in thousands):				
Weighted average common shares outstanding used in computation of basic net income per share	39,050	29,941	38,898	29,809

Dilutive effect of stock options.......	2,415	3,505	2,630	3,529
Shares used in computation of diluted net income per share..................	41,465	33,446	41,528	33,338

Options to purchase 2,009,133 and 263,000 shares of common stock at prices ranging from $23.06 to $46.06 and $17.38 to $24.69 were outstanding as of March 31, 1998 and 1997, respectively, but not included in the computation of diluted net income per share for the three months ended March 31, 1998 and 1997 because the options' exercise price was greater than the average market price of the common stock for the periods, and therefore would be anti-dilutive for purposes of this calculation.

Options to purchase 1,358,333 and 462,500 shares of common stock at prices ranging from $26.25 to $46.06 and $16.38 to $24.69 were outstanding as of March 31, 1998 and 1997, respectively, but not included in the computation of diluted net income per share for the six months ended March 31, 1998 and 1997 because the options' exercise price was greater than the average market price of the common stock for the periods and therefore would be anti-dilutive for purposes of this calculation.

NOTE 5.--REGULATORY REQUIREMENTS

E*TRADE Securities is subject to the Uniform Net Capital Rule (the "Rule") under the Securities Exchange Act of 1934 administered by the SEC and the National Association of Securities Dealers, Inc. ("NASD"), which requires the maintenance of minimum net capital. E*TRADE Securities has elected to use the alternative method permitted by the Rule, which requires that the Company maintain minimum net capital equal to the greater of $250,000 or 2 percent of aggregate debit balances arising from customer transactions, as defined. At March 31, 1998, E*TRADE Securities had net capital of $71,056,000 (7.8% of aggregate debit balances), which was $52,952,000 in excess of its required net capital of $18,104,000. Under the alternative method, a broker-dealer may not repay subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent or employees if such payment would result in net capital of less than 5% of aggregate debit balances or less than 120% of its minimum dollar amount requirement.

NOTE 6.--CONTINGENCIES

The Company is a defendant in civil actions arising from the normal course of business. In the opinion of management, these actions are expected to be resolved with no material effect on the Company's consolidated financial position or results of operations.

On November 21, 1997, a putative class action was filed in the Superior Court of California, County of Santa Clara, by Larry R. Cooper and other similarly situated individuals, seeking injunctive and other relief due to the Company's alleged false and deceptive advertising and other communications regarding the Company's commission rates and the Company's ability to execute transactions in a timely manner. The action seeks injunctive relief enjoining alleged deceptive and unfair practices alleged in the action and unqualified compensatory and punitive damages. This proceeding is at a very early stage and the Company is unable to speculate as to its ultimate outcome, however, management does not expect the outcome to have a material effect on its consolidated financial position or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1998 VS. 1997

Revenues

Transaction revenues increased 55% to $37,778,000 for the second quarter of fiscal 1998, up from $24,419,000 for the same period in fiscal 1997. Transaction revenues consist of commission revenues and payments for order flow. Commission revenues for the second quarter of fiscal 1998 increased 83% to $31,675,000, up from $17,294,000 for the same period a year ago. Transactions for the second quarter of fiscal 1998 totaled 1,597,000 or an average of 26,181 transactions per day. This is an increase of 83% over the average daily transaction volume of 14,283 for the same period last year. Average commissions per transaction declined slightly from $19.85 in the second quarter of fiscal 1997 to $19.83 in the second quarter of fiscal 1998 due to a change in product mix. Payments for order flow decreased 14% to $6,103,000 for the second quarter of fiscal 1998, down from $7,125,000 for the same period in the prior year. This decrease is reflective of a trend that the Company expects to continue as a result of the implementation by the SEC of new order handling rules in January 1997.

Net interest revenues increased 152% to $12,617,000 for the second quarter of fiscal 1998, up from $5,017,000 for the same period in fiscal 1997. This increase is a result of average customer margin debit balances increasing 187% to $823 million, average customer credit balances increasing 4% to $237 million and average customer money market fund balances increasing 122% to $1.3 billion compared to such average balances in the second quarter of fiscal 1997.

International revenues of $1,593,000 for the second quarter of fiscal 1998 primarily represent international licensing fees recognized from agreements signed as part of E*TRADE's international expansion effort. International alliances signed in this quarter included Europe, Israel, Southeast Asia and North Asia.

Computer services and other revenues increased 73% to $1,321,000 for the second quarter of fiscal 1998, up from $765,000 for the comparable period in fiscal 1997. These revenues grew as a result of increases in customer connect time charges, equity income from the Company's investment in Roundtable Partners LLC, and broker-related fees for services.

Cost of Services

Total cost of services increased 84% to $24,280,000 for the second quarter of fiscal 1998, up from $13,198,000 for the comparable period in fiscal 1997. The increase results primarily from the higher volume of customer transactions processed by the Company.

Operating Expenses

Selling and marketing expenses increased 34% to $10,563,000 for the second quarter of fiscal 1998, up from $7,884,000 for the comparable period in fiscal 1997. This increase reflects expenditures for advertising placements, creative development and collateral materials resulting from a variety of advertising campaigns. The Company's selling and marketing expenses vary depending upon a variety of factors including, without limitation, the launch of new products or services.

Technology development expenses increased 134% to $5,162,000 for the second quarter of fiscal 1998, up from $2,210,000 for the comparable period in fiscal 1997. The increased level of expenses was incurred to enhance the Company's existing product offerings, including maintenance of the Company's Web site, development efforts related to the planned launch of destination E*TRADE in the third quarter of fiscal 1998 and reflects the Company's continuing commitment to invest in new products and technologies.

General and administrative costs increased 2% to $3,897,000 for the second quarter of fiscal 1998, up from $3,809,000 for the comparable period in fiscal 1997. This increase is the result of personnel additions and the development of administrative functions resulting from the overall growth in the Company.

Income Tax Expense

Income tax expense represents the provision for federal and state income taxes at an effective rate of 35.0% for the second quarter of fiscal 1998 and 40.1% for the comparable period in fiscal 1997. This decrease reflects expected tax benefits from tax-exempt interest income.

SIX MONTHS ENDED MARCH 31, 1998 VS. 1997

Revenues

Transaction revenues increased 69% to $75,462,000 for the six months ended

March 31, 1998, up from $44,791,000 for the same period in fiscal 1997. Transaction revenues consist of commission revenues and payments for order flow. Commission revenues for the six months ended March 31, 1998 increased 101% to $62,568,000, up from $31,131,000 for the same period a year ago. Transactions for the six months ended March 31, 1998 totaled 3,172,000 or an average of 25,374 transactions per day. This is an increase of 103% over the average daily transaction volume of 12,476 for the same period last year. Average commissions per transaction declined to $19.73 for the six months ended March 31, 1998 compared to $19.96 per transaction for the same period in fiscal 1997 due to a change in product mix. Payments for order flow decreased 6% to $12,894,000 for the six months ended March 31, 1998, down from $13,660,000 for the same period in the prior year. This decrease is reflective of a trend that the Company expects to continue as a result of the implementation by the SEC of new order handling rules in January 1997.

Net interest revenues increased 178% to $24,653,000 for the six months ended March 31, 1998, up from $8,871,000 for the same period in fiscal 1997. This increase is a result of average customer margin debit balances increasing 231% to $818 million, average customer credit balances increasing 13% to $233 million and average customer money market fund balances increasing 131% to $1.2 billion compared to such average balances in fiscal 1997.

International revenues of $1,620,000 for the six months ended March 31, 1998 primarily represent international licensing fees recognized from agreements signed as part of E*TRADE's international expansion effort. International alliances signed in this quarter included Europe, Israel, Southeast Asia and North Asia.

Computer services and other revenues increased 73% to $2,704,000 for the six months ended March 31, 1998, up from $1,562,000 for the comparable period in fiscal 1997. These revenues grew as a result of an increase in the return on the Company's investment in Roundtable Partners LLC and the new revenue streams from OptionsLink, mutual funds and advertising on the Company's Web site.

Cost of Services

Total cost of services increased 84% to $47,027,000 for the six months ended March 31, 1998, up from $25,623,000 for the comparable period in fiscal 1997. The increase results primarily from the higher volume of customer transactions processed by the Company.

Operating Expenses

Selling and marketing expenses increased 68% to $18,663,000 for the six months ended March 31, 1998, up from $11,100,000 for the comparable period in fiscal 1997. This increase is the result of the Company's continued focus on building brand awareness, expanding the customer base and maintaining customer retention rates.

Technology development expenses increased 124% to $10,157,000 for the six months ended March 31, 1998, up from $4,530,000 for the comparable period in fiscal 1997. The continued increase in expenses is a result of the Company's emphasis on enriching current product offerings and reflects the Company's commitment to invest in new products and technologies.

The Company recorded a onetime charge of $2,756,000, or $0.04 per share after tax, in the first quarter of fiscal 1998 for acquired in-process research and development in connection with the Company's acquisition of OptionsLink, a division of Hambrecht & Quist LLC.

General and administrative costs increased 24% to $8,662,000 for the six months ended March 31, 1998, up from $6,983,000 for the comparable period in fiscal 1997. This increase primarily reflects the development of administrative functions resulting from the overall growth in the Company and is expected to continue to decline as a percentage of revenues.

Income Tax Expense

Income tax expense represents the provision for federal and state income taxes at an effective rate of 35.8% for the six months ended March 31, 1998 and 40.9% for the comparable period in fiscal 1997. This decrease reflects expected tax benefits from tax-exempt interest income.

Variability of Results

The Company expects to experience significant fluctuations in future quarterly operating results that may be caused by many factors, including the following: the timing of introductions of enhancements to online financial services and products by the Company or its competitors; market acceptance of online financial services and products; the pace of development of the market for online commerce; changes in transaction volume on the securities markets; domestic and international regulation of the brokerage industry; trends in the securities markets; changes in pricing policies by the Company or its competitors; changes in strategy; the success of or costs associated with acquisitions or other strategic relationships; changes in key personnel; seasonal trends; the extent of international expansion; the mix of international and domestic revenues; changes in the level of operating expenses to support projected growth and/or new product or service launches; and general economic conditions.

The Company's quarterly revenues and operating results are difficult to forecast, and the Company believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. It is likely that the Company's future quarterly operating results from time to time will not meet the expectations of securities analysts or investors, which may have an adverse effect on the market price of the Company's Common Stock.

Liquidity and Capital Resources

The Company currently anticipates that its available cash resources and credit facilities will be sufficient to meet its presently anticipated working capital and capital expenditure requirements for at least the next 12 months. However, the Company may need to raise additional funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company's future liquidity and capital requirements will depend upon numerous factors, including costs and timing of expansion of research and development efforts and the success of such efforts, the success of the Company's existing and new service offerings and competing technological and market developments. The Company's forecast of the period of time through which its financial resources will be adequate to support its operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary. The factors described earlier in this paragraph will impact the Company's future capital requirements and the adequacy of its available funds. If additional funds are raised through the issuance of equity securities, the percentage ownership of the stockholders of the Company will be reduced, stockholders may experience additional dilution in net book value per share or such equity securities may have rights, preferences or privileges senior to those of the holders of the Company's Common Stock. There can be no assurance that additional financing will be available when needed on terms favorable to the Company, if at all.

If adequate funds are not available on acceptable terms, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

Cash provided by operating activities was $43,830,000 for the six months ended March 31, 1998 compared with $9,069,000 for the comparable period in fiscal 1997. The increase in cash provided in the six months ended March 31, 1998 was primarily a result of increases in brokerage-related liabilities in excess of related assets, net income during the period, non-cash items included in net income and increases in accounts payable, accrued and other liabilities.

Cash used in investing activities was $4,353,000 for the six months ended March 31, 1998 compared with $323,000 for the comparable period in fiscal 1997. The increase in cash used in the six months ended March 31, 1998 was primarily a result of the acquisition of OptionsLink, a division of Hambrecht & Quist LLC, and increases in cash used for purchases of property and equipment and investments in internally developed software, offset by a decrease in cash used for related party transactions.

Cash provided by financing activities was $2,194,000 for the six months ended March 31, 1998 compared with $754,000 for the comparable period in fiscal 1997. The increase in cash provided in the six months ended March 31, 1998 was primarily a result of increases in proceeds from the exercise of stock options and proceeds from the purchase of common stock by Employee Stock Purchase Plan participants.

The Company expects that it will incur approximately $35 million of capital expenditures during the fiscal year ending September 30, 1998.

Securities Industry

The securities industry is subject to extensive regulation under federal, state and applicable international laws. As a result, the Company is required to comply with many complex laws and rules and its ability to so comply is dependent in large part upon the establishment and maintenance of a qualified compliance system. The Company is aware of certain instances of its past non-compliance with applicable regulations.

Year 2000 Compliance

The Company utilizes and is dependent upon data processing systems and software to conduct its business. The data processing systems and software include those developed and maintained by the Company's third-party data processing vendors and software which is run on in-house computer networks. During the first quarter of fiscal 1998, the Company initiated a review and assessment of all hardware and software to confirm that it will function properly in the year 2000. With respect to internal systems, the results of that evaluation to date have not revealed any year 2000 issues that, in the Company's opinion, cannot be remediated in a timely manner; and therefore are not expected to create a material risk of disruption of operations. With respect to outside vendors, those vendors which have been contacted have indicated that their hardware or software is or will be year 2000 compliant in time frames that meet regulatory requirements. Evaluation of these issues is continuing and there can be no assurance that additional issues, not presently known to the Company, will not be discovered which could present a material risk of disruption to the Company's operations. In addition, the method of trading employed by the Company is heavily dependent on the integrity of electronic systems outside of the Company's control, such as online and Internet service providers, and third-party software such as Internet browsers. A failure of any such system in the trading process, even for a short time, could cause interruption to the Company's business.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK--Not applicable.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS--

On November 21, 1997, a putative class action was filed in the Superior Court of California, County of Santa Clara, by Larry R. Cooper on behalf of himself and other similarly situated individuals. The action alleges, among other things, that the Company's advertising, other communications and business practices regarding the Company's commission rates and its ability to timely execute transactions through its online brokerage services were false and deceptive. The action seeks injunctive relief enjoining the purported deceptive and unfair practices alleged in the action and also seeks unspecified compensatory and punitive damages, as well as attorney fees.

This proceeding is at a very early stage and the Company is unable to speculate as to its ultimate outcome. However, the Company believes it has meritorious defenses to the claims and intends to conduct vigorous defenses. An unfavorable outcome in any matters which are not covered by insurance could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, even if the ultimate outcomes are resolved in favor of the Company, the defense of such litigation could entail considerable cost and the diversion of efforts of management, either of which could have a material adverse effect on the Company's results of operation.

From time to time the Company has been threatened with, or named as a defendant in, lawsuits and administrative claims. Compliance and trading problems that are reported to the NASD or the SEC by dissatisfied customers are investigated by the NASD or the SEC, and, if pursued by such customers, may rise to the level of arbitration or disciplinary action. One or more of such claims or disciplinary actions decided adversely against the Company could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is also subject to periodic regulatory audits and inspections.

The securities industry is subject to extensive regulation under federal, state and applicable international laws. As a result, the Company is required to comply with many complex laws and rules and its ability to so comply is dependent in large part upon the establishment and maintenance of a qualified compliance system. The Company is aware of certain instances of its past non-compliance with applicable regulations. In particular, in fiscal 1997, the Company failed to comply with applicable advertising restrictions in one international jurisdiction and due to a clerical oversight, failed to timely renew its registration as a broker-dealer in two states, Nebraska and Ohio. One of the state jurisdictions, Ohio, as a condition of renewing the Company's license as a broker-dealer in that jurisdiction, required the Company to offer customers resident in that state the ability to rescind (for up to 30 days) certain securities transactions effected through the Company during the period January 1, 1997 through April 15, 1997, the date the Company's license was renewed. For fiscal 1997, the Company recorded a one-time $4.3 million pre-tax charge against earnings in connection with this matter.

The Company maintains insurance in such amounts and with such coverages, deductibles and policy limits as management believes are reasonable and prudent. The principal risks that the Company insures against are comprehensive general liability, commercial property, hardware/software damage, directors and officers, and errors and omissions liability. The Company believes that such insurance coverages are adequate for the purpose of its business.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS--

Use of Proceeds

On August 16, 1996, a Registration Statement on Form S-1 (No. 333-05525) was declared effective by the SEC, pursuant to which 5,026,550 shares of the Company's Common Stock were offered and sold for the account of the Company at a price of $10.50 per share, generating gross offering proceeds of $52,779,000 for the account of the Company. A further 675,450 shares of the Company's Common Stock were offered and sold for the account of selling stockholders at a price of $10.50 per share, generating gross offering proceeds

of $7,092,000 for the account of selling stockholders. Each share of Series A, Series B and Series C Preferred Stock was automatically converted into 60 shares of Common Stock upon the closing of the initial public offering. The managing underwriters were BancAmerica Robertson Stephens, Hambrecht & Quist LLC, and Deutsche Morgan Grenfell/C.J. Lawrence, Inc.

In connection with the offering, the Company incurred $3,695,000 in underwriting discounts and commissions, and $2,682,000 in other related expenses. The net proceeds of the offering, after deducting the foregoing expenses, were $46,402,000.

On August 20, 1997, a Registration Statement on Form S-1 (No. 333-31841) was declared effective by the SEC, pursuant to which 7,305,000 shares of the Company's Common Stock were offered and sold for the account of the Company at a price of $27.50 per share, generating gross offering proceeds of $200,888,000 for the account of the Company. A further 2,010,000 shares of the Company's Common Stock were offered and sold for the account of selling stockholders at a price of $27.50 per share, generating gross offering proceeds of $55,275,000 for the account of selling stockholders. The managing underwriters were BancAmerica Robertson Stephens, Hambrecht & Quist LLC, Deutsche Morgan Grenfell/C.J. Lawrence, Inc., NationsBanc Montgomery Securities, and E*TRADE Securities, Inc.

In connection with the offering, the Company incurred $10,044,000 in underwriting discounts and commissions, and $2,019,000 in other related expenses. The net proceeds of the offering, after deducting the foregoing expenses, were $188,825,000.

The Company has used a portion of the net proceeds of the two offerings as follows: (i) $17,121,000 for the purchase and installation of software, machinery and equipment, (ii) $5,252,000 for the construction of plant, building and facilities, (iii) $2,250,000 for the repayment of indebtedness, (iv) $3,147,000 for a relocation loan to an officer, (v) $2,543,000 for the purchase of equity investments, (vi) $2,000,000 for investment in KAP Group, LLC, (vii) $3,500,000 for the acquisition of OptionsLink, (viii) $6,896,000 for investment in new projects, technology and products to expand and complement the business, and (ix) $192,518,000 for investment in short-term, investment grade, interest bearing securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES -- Not applicable.

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

The annual meeting of stockholders was held on February 10, 1998. William E. Ford, George Hayter, and Keith Petty were elected as directors, as tabulated below.

ELECTION OF DIRECTORS	FOR	AGAINST OR WITHHELD
William E. Ford	33,124,543	88,012
George Hayter	33,124,793	87,762
Keith Petty	33,124,793	87,762

In addition, Christos M. Cotsakos, William A. Porter, Richard S. Braddock, Lewis E. Randall, and Lester C. Thurow will continue as directors.

The proposal to approve a series of amendments to the Company's 1996 Stock Incentive Plan (the "Plan"), including a 1,900,000 share increase in the maximum number of shares of Common Stock reserved for issuance under the Plan was approved, as tabulated below.

	FOR	AGAINST OR WITHHELD	ABSTENTIONS
Votes	27,256,826	5,908,150	47,579

The proposal to ratify the selection of Deloitte & Touche LLP as independent public accountants for the Company for the fiscal year ending September 30, 1998 was approved, as tabulated below.

	FOR	AGAINST OR WITHHELD	ABSTENTIONS
Votes	33,160,771	22,515	29,269

ITEM 5. OTHER INFORMATION -- None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit:

3.1 Second Amended and Restated Certificate of Incorporation.
27.1 Financial Data Schedule.

(b) Form 8-K:

No reports on Form 8-K were filed during the three months ended March 31, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

E*TRADE Group, Inc.
(Registrant)

Dated: May 14, 1998

/s/ Christos M. Cotsakos

Christos M. Cotsakos,
President, Chief Executive Officer
and Director (principal executive
officer)

/s/ Stephen C. Richards

Stephen C. Richards,
Senior Vice President, Finance and
Administration, Chief Financial
Officer (principal financial and
accounting officer)

EXHIBIT 3.1

SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
E*TRADE GROUP, INC.

FIRST. The name of the corporation is E*TRADE Group, Inc. (the "Corporation").

SECOND. The address of its registered office in the State of Delaware is 1013 Centre Road, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. (a) The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares that the corporation is authorized to issue is One Hundred Fifty-One Million (151,000,000) shares. One Hundred Fifty Million (150,000,000) shares shall be Common Stock, $0.01 par value per share. One Million (1,000,000) shares shall be Preferred Stock, $0.01 par value.

(b) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is expressly authorized, in the resolution or resolutions providing for the issuance of any wholly unissued series of Preferred Stock, to fix, state and express the powers, rights, designations, preferences, qualifications, limitations and restrictions thereof, including without limitation: the rate of dividends upon which and the times at which dividends on shares of such series shall be payable and the preference, if any, which such dividends shall have relative to dividends on shares of any other class or classes or any other series of stock of the Corporation; whether such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which dividends on shares of such series shall be cumulative; the voting rights, if any, to be provided for shares of such series; the rights, if any, which the holders of shares of such series shall have in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation; the rights, if any, which the holders of shares of such series shall have to convert such shares into or exchange such shares for shares of stock of the Corporation, and the terms and conditions, including price and rate of exchange of such conversion or exchange; and the redemption rights (including sinking fund provisions), if any, for shares of such series; and such other powers, rights, designations, preferences, qualifications, limitations and restrictions as the Board of Directors may desire to so fix. The Board of Directors is also expressly authorized to fix the number of shares constituting such series and to increase or decrease the number of shares of any series prior to the issuance of shares of that series and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not to decrease such number below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

FIFTH. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is authorized to make, alter or repeal any or all of the Bylaws of the Corporation; provided, however, that any Bylaw amendment adopted by the Board of Directors increasing or reducing the authorized number of Directors shall require the affirmative vote of two-thirds of the total number of Directors which the Corporation would have if there were no vacancies. In addition, new Bylaws may be adopted or the Bylaws may be amended or repealed by the affirmative vote of at least 66-2/3 percent of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66-2/3 percent of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, change, amend, repeal or adopt any provision inconsistent with, this Article FIFTH.

SIXTH. (a) Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing of such stockholders.

(b) Special meetings of stockholders of the Corporation may be called only by the (i) Chairman of the Board of Directors, (ii) President, (iii) Chairman or the Secretary at the written request of a majority of the total number of Directors which the Corporation would have if there were no vacancies upon not fewer than 10 or more than 60 days' written notice, or (iv) holders of shares entitled to cast not less than 10 percent of the votes at such special meeting upon not fewer than 10 nor more than 60 days' written notice. Any request for a special meeting of stockholders shall be sent to the Chairman and the Secretary and shall state the purposes of the proposed meeting. Special meetings of holders of the outstanding Preferred Stock may be called in the manner and for the purposes provided in the resolutions of the Board of Directors providing for the issue of such stock. Business transacted at special meetings shall be confined to the purpose or purposes stated in the notice of meeting.

(c) Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66-2/3% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, change, amend, repeal or adopt any provision inconsistent with, this Article SIXTH.

SEVENTH. (a) The number of Directors which shall constitute the whole Board of Directors of this corporation shall be as specified in the Bylaws of this corporation, subject to this Article SEVENTH.

(b) The Directors shall be classified with respect to the time for which they severally hold office into three classes designated Class I, Class II and Class III, as nearly equal in number as possible, as shall be provided in the manner specified in the Bylaws of the Corporation. Each Director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting at which the Director was elected; provided, however, that each initial Director in Class I shall hold office until the annual meeting of stockholders in 1999, each initial Director in Class II shall hold office until the annual meeting of stockholders in 1998, and each initial Director in Class III shall hold office until the annual meeting of stockholders in 1997. Notwithstanding the foregoing provisions of this Article SEVENTH, each Director shall serve until his successor is duly elected and qualified or until his death, resignation or removal.

(c) In the event of any increase or decrease in the authorized number of Directors, (i) each Director then serving as such shall nevertheless continue as a Director of the class of which he is a member until the expiration of his current term, or his early resignation, removal from office or death, and (ii) the newly created or eliminated directorship resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of Directors so as to maintain such classes as nearly equally as possible.

(d) Any Director or the entire Board of Directors may be removed by the affirmative vote of the holders of at least 66-2/3 percent of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

(e) Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66-2/3% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, change, amend, repeal or adopt any provision inconsistent with, this Article SEVENTH.

EIGHTH. (a) 1. In addition to any affirmative vote required by law, any Business Combination (as hereinafter defined) shall require the affirmative vote of at least 66-2/3% of the combined voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class (for purposes of this Article EIGHTH, the "Voting Shares"). Such affirmative vote shall be required notwith-

standing the fact that no vote may be required, or that some lesser percentage may be specified by law or in any agreement with any national securities exchange or otherwise.

2. The term "Business Combination" as used in this Article EIGHTH shall mean any transaction which is referred to in any one or more of the following clauses (A) through (E):

(A) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with or into (i) any Interested Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) or Associate (as hereinafter defined) of an Interested Stockholder; or

(B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related transactions) to or with, or proposed by or on behalf of, any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder, of any assets of the Corporation or any Subsidiary constituting not less than five percent of the total assets of the Corporation, as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(C) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions) of any securities of the Corporation or any Subsidiary to, or proposed by or on behalf of, any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) constituting not less than five percent of the total assets of the Corporation, as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(D) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or any spin-off or split-up of any kind of the Corporation or any Subsidiary, proposed by or on behalf of an Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or

(E) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any similar transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (i) any class of equity securities of the Corporation or any Subsidiary or (ii) any class of securities of the Corporation or any Subsidiary convertible into equity securities of the Corporation or any

Subsidiary, represented by securities of such class which are directly or indirectly owned by any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder.

(b) The provisions of section (a) of this Article EIGHTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if such Business Combination has been approved by two-thirds of the whole Board of Directors.

(c) For the purposes of this Article EIGHTH:

1. A "person" shall mean any individual, firm, corporation or other entity.

2. "Interested Stockholder" shall mean, in respect of any Business Combination, any person (other than the Corporation or any Subsidiary) who or which, as of the record date for the determination of stockholders entitled to notice of and to vote on such Business Combination, or immediately prior to the consummation of any such transaction

(A) is or was, at any time within two years prior thereto, the beneficial owner, directly or indirectly, of 10 percent or more of the then outstanding Voting Shares, or

(B) is an Affiliate or Associate of the Corporation and at any time within two years prior thereto was the beneficial owner, directly or indirectly, of 10 percent or more of the then outstanding Voting Shares, or

(C) is an assignee of or has otherwise succeeded to any shares of capital stock of the Corporation which were at any time within two years prior thereto beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

3. A "person" shall be the "beneficial owner" of any Voting Shares

(A) which such person or any of its Affiliates and Associates (as hereinafter defined) beneficially own, directly or indirectly, or

(B) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon

the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding, or

(C) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purposes of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation.

4. The outstanding Voting Shares shall include shares deemed owned through application of paragraph 3 above but shall not include any other Voting Shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise.

5. "Affiliate" and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on the date of adoption of this Certificate of Incorporation (the "Exchange Act").

6. "Subsidiary' shall mean any corporation of which a majority of any class of equity security (as defined in Rule 3a11-1 of the General Rules and Regulations under the Exchange Act) is owned, directly or indirectly, by the Corporation; *provided, however*, that for the purposes of the definition of Interested Stockholder set forth in paragraph 2 of this section (c) the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(d) A majority of the directors shall have the power and duty to determine for the purposes of this Article EIGHTH on the basis of information known to them, (1) whether a person is an Interested Stockholder, (2) the number of Voting Shares beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in paragraph 3 of section (c), or (5) whether the assets subject to any Business Combination or the consideration received for the issuance or transfer of securities by the Corporation or any Subsidiary constitutes not less than five percent of the total assets of the Corporation.

(e) Nothing contained in this Article EIGHTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

(f) Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66-2/3 percent of the combined voting power of all shares of the Corporation entitled to vote generally in the

election of directors, voting together as a single class, shall be required to alter, change, amend, repeal or adopt any provision inconsistent with, this Article EIGHTH.

NINTH. This Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

TENTH. A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (1) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the General Corporation Law of Delaware, or (4) for any transaction from which the Director derived any improper personal benefit. If the General Corporation Law of Delaware is hereafter amended to authorize, with the approval of a corporation's stockholders, further reductions in the liability of a corporation's directors for breach of fiduciary duty, then a Director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the General Corporation Law of Delaware as so amended. Any repeal or modification of the foregoing provisions of this Article TENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

```
<ARTICLE> BD
<LEGEND>
This schedule contains summary financial information extracted from the
Consolidated Statements of Operations and Consolidated Balance Sheets of the
Company's Quarterly Report on Form 10-Q for the period ended March 31, 1998,
and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1,000


<PERIOD-TYPE>                   3-MOS
<FISCAL-YEAR-END>                          SEP-30-1998
<PERIOD-START>                             JAN-01-1998
<PERIOD-END>                               MAR-31-1998
<CASH>                                          63,485
<RECEIVABLES>                                  879,623
<SECURITIES-RESALE>                                  0
<SECURITIES-BORROWED>                          143,665
<INSTRUMENTS-OWNED>                            180,301
<PP&E>                                          26,472
<TOTAL-ASSETS>                               1,322,394
<SHORT-TERM>                                    46,333
<PAYABLES>                                     324,945
<REPOS-SOLD>                                         0
<SECURITIES-LOANED>                            656,519
<INSTRUMENTS-SOLD>                                   0
<LONG-TERM>                                          0
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                          0
<COMMON>                                           392
<OTHER-SE>                                     294,205
<TOTAL-LIABILITY-AND-EQUITY>                 1,322,394
<TRADING-REVENUE>                                    0
<INTEREST-DIVIDENDS>                            21,195
<COMMISSIONS>                                   37,778
<INVESTMENT-BANKING-REVENUES>                        0
<FEE-REVENUE>                                        0
<INTEREST-EXPENSE>                               8,578
<COMPENSATION>                                       0
<INCOME-PRETAX>                                  9,407
<INCOME-PRE-EXTRAORDINARY>                       6,118
<EXTRAORDINARY>                                      0
<CHANGES>                                            0
<NET-INCOME>                                     6,118
<EPS-PRIMARY>                                     0.16
<EPS-DILUTED>                                     0.15
```