

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

FIRST ALBANY COMPANIES INC

CIK: **782842** | IRS No.: **222655804** | State of Incorporation: **NY** | Fiscal Year End: **0924**
Type: **10-K** | Act: **34** | File No.: **000-14140** | Film No.: **94566399**
SIC: **6211** Security brokers, dealers & flotation companies

Mailing Address
41 STATE ST
ALBANY NY 12207

Business Address
41 STATE ST
ALBANY NY 12207
5184478500

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended September 30, 1994 Commission file number:
014140

F I R S T A L B A N Y C O M P A N I E S I N C .
(Exact name of registrant as specified in its charter)

New York 22-2655804
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

41 State Street, Albany, New York 12207
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (518) 447-8500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class: none Name of each exchange on
which registered: none

Securities registered pursuant to Section 12(g) of the Act:
Common stock par value \$.01 per share
(Title of class)

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 No

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.

As of December 14, 1994, 4,027,004 shares, par value \$.01 per share, were
outstanding. The aggregate market value of the shares of common stock of the
Registrant held by non-affiliates (based upon the closing price of
Registrant's shares as reported on the NASDAQ system on December 14, 1994,
which was \$7.25) was approximately \$29,195,779.

DOCUMENTS INCORPORATED BY REFERENCE

The Exhibit index is included on pages 36 through 38.
Portions of the Registrant's definitive proxy statement to be filed with the
Securities and Exchange Commission are incorporated by reference into Part III.
Total number of pages in this document - 41.

Part I

Item 1. Business

First Albany Companies Inc. (the "Company"), through its wholly owned subsidiary First Albany Corporation ("First Albany"), conducts an investment banking business with brokerage activity centered in New York and New England. The primary business includes securities brokerage for individual and institutional customers, and market-making and trading of corporate, government, and municipal securities. In addition, First Albany underwrites and distributes municipal and corporate securities, provides securities clearance activities for other brokerage firms, and offers financial advisory services to its customers. Another of the Company's subsidiaries is First Albany Asset Management Corporation ("Asset Management"). Under management agreements, Asset Management serves as investment manager to individual and institutional customers. Asset Management also serves as a sub-advisor under contract to the Victory Fund for Income, a mutual fund separated under the Investment Company Act of 1940. Asset Management directs the investment of the customer and mutual fund assets by making investment decisions, placing purchase and sales orders, and providing research, statistical analysis, and continuous supervision of the portfolios.

Brokerage services to retail and institutional customers are provided through First Albany's salesforce of Investment Executives and institutional salespeople. First Albany believes that Investment Executives are a key factor to the success of its business. Over the last five years, the number of full-time Investment Executives and Institutional Salespeople has grown from approximately 212 to 265, many of whom joined First Albany after previous associations with national brokerage firms.

First Albany has organized its business to focus on and serve the needs and financial/capital requirements of institutions, individuals, corporations, and municipalities. As investment bankers, First Albany is positioned to advise, manage, and conduct a variety of activities as requested including underwritings, initial and secondary offerings, advisement services, mergers and acquisitions, and private placements. As a brokerage firm, First Albany offers customers a full array of investment opportunities.

First Albany operates a total of 25 Retail, Institutional, and Investment Banking offices in 8 states. First Albany's executive office and largest sales office are both located in Albany, New York.

First Albany is a member of the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange, Inc. ("ASE"), and the Boston Stock Exchange, Inc. ("BSE") and is registered as a broker-dealer with the Securities and Exchange Commission ("SEC"). First Albany is also a member of the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investor Protection Corporation ("SIPC"), which insures customer funds and securities deposited with a broker-dealer up to \$500,000 per customer, with a limitation of \$100,000 on claims for cash balances. A second level of coverage is provided by a \$10,000,000 per account policy which our firm has purchased from AIG subsidiary National Union Fire Insurance Company that further protects securities lost which might not be returned in a SIPC liquidation proceeding as governed by federal law.

Sources of Revenues

A breakdown of the amount and percentage of revenues from each principal source for the periods indicated follows:

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<CAPTION>

Years Ended					
September 30, 1994		September 24, 1993		September 25, 1992	
Amount	Percent	Amount	Percent	Amount	Percent
-----	-----	-----	-----	-----	-----

(In thousands of dollars)

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Securities commissions:						
Listed	\$ 14,201	13.2%	\$ 14,219	13.9%	\$12,790	14.9%
Over-the-counter	3,588	3.3	3,290	3.2	2,723	3.2
Options	911	0.8	851	0.8	778	0.9
Mutual funds	10,586	9.8	10,334	10.1	8,089	9.4
Other	267	0.3	190	0.2	189	0.2
Sub-total	29,553	27.4	28,884	28.2	24,569	28.6
Principal transactions	36,167	33.6	34,857	34.0	31,405	36.6
Investment banking	19,164	17.8	23,265	22.7	16,065	18.7
Clearing revenues	1,151	1.1	1,102	1.1	944	1.1
Tax shelters	243	0.2	380	0.4	405	0.5
Fees and other	5,184	4.8	4,419	4.3	3,433	4.0
Total operating revenues	91,462	84.9	92,907	90.7	76,821	89.5
Interest income	16,222	15.1	9,483	9.3	8,999	10.5
Total revenues	\$107,684	100.0%	\$102,390	100.0%	\$85,820	100.0%

</TABLE>

Securities Commissions

In executing customers' orders to buy or sell listed securities and securities in which it does not make a market, First Albany generally acts as an agent and charges a commission.

Principal Transactions

First Albany buys and maintains inventories of municipal debt, corporate debt, and equity securities as a "market maker" for sale of those securities to other dealers and to customers. A staff of 38 traders, underwriters, and assistants manages First Albany's inventory of securities. First Albany Investment Executives work directly with these traders. As of September 30, 1994, First Albany made a market in 287 common stocks quoted on National Association of Securities Dealers Automated Quotation ("NASDAQ") in addition to other less actively traded securities. First Albany also trades municipal bonds and taxable debt obligations, including U.S. Treasury bills, notes, and bonds, U.S. Government agency notes and bonds, bank certificates of deposit, mortgage-backed securities, and corporate obligations. Principal transactions have been a significant source of revenue and should continue to be so in the future. Continuation of these activities depends on the availability of sufficient capital and the services of highly skilled traders, Investment Executives, and institutional salespeople.

The majority of revenues derived from principal transactions are on a "riskless" basis, and most of the inventory positions are carried for the purpose of generating sales by the retail and institutional salesforce.

First Albany's trading activities require the commitment of capital and may place First Albany's capital at risk. Profits and losses are dependent upon the skill of traders, price movement, trading activity, and the size of inventories.

In executing customers' orders to buy or sell in the over-the-counter market in a security in which it makes a market, First Albany may sell to or purchase from its customers at a price which is substantially equal to the current inter-dealer market price, plus or minus a markup or markdown. Alternatively, First Albany may act as an agent, executing a customer's purchase or sale order with another broker-dealer, who acts as a market maker, at the best inter-dealer market price available and charging a commission.

The following table sets forth: the highest, lowest, and average month-end inventories (including the net of securities owned and securities sold, but not yet purchased) for fiscal 1994 by securities category where First Albany acted as principal.

Highest Inventory	Lowest Inventory	Average Inventory
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	-----	-----	-----
		(In thousands of dollars)	
State and municipal bonds	\$ 28,973	\$ 9,068	\$ 16,557
Corporate obligations	6,525	(474)	3,178
Corporate stocks	2,178	(677)	919
U.S. Government and federal agencies obligations	5,581	1,582	3,048

Underwriting and Investment Banking

First Albany manages, co-manages, and participates in tax-exempt and corporate securities distributions. For the periods indicated, the table below highlights the number and dollar amount of corporate and tax-exempt securities offerings managed or co-managed by First Albany and the number and amount of First Albany's underwriting participations in syndicates, including those managed or co-managed by First Albany:

Corporate Stock and Bond Offerings

Fiscal Year	Managed or Co-Managed		Syndicate Participations	
	Number of Issues	Dollar Amount	Number of Participations	Dollar Amount
		(In thousands of dollars)		
1994	13	\$483,814	334	\$ 98,900
1993	3	158,300	344	167,152
1992	4	212,451	322	130,938
1991	1	7,650	159	51,677

Tax-Exempt Bond Offerings

Fiscal Year	Managed or Co-Managed		Syndicate Participations	
	Number of Issues	Dollar Amount	Number of Participations	Dollar Amount
		(In thousands of dollars)		
1994	123	\$14,744,502	332	\$1,598,182
1993	171	18,379,821	349	1,741,206
1992	179	14,482,448	328	1,137,423
1991	89	14,933,761	332	886,069

Participation in an underwriting syndicate or selling group involves both economic and regulatory risks. An underwriter or selling group member may incur losses if it is forced to resell the securities it is committed to purchase at less than the agreed-upon purchase price. In addition, under the federal securities laws, other statutes, and court decisions with respect to underwriters' liabilities and limitations on indemnification of underwriters by issuers, an underwriter is subject to substantial potential liability for material misstatements or omissions in prospectuses and other communications with respect to underwritten offerings. Further, underwriting or selling commitments constitute a charge against net capital, and First Albany's underwriting or selling commitments may be limited by the requirements that it must at all times be in compliance with the net capital rule. See "Net Capital Requirements."

Interest

First Albany derives interest income primarily from the financing of customer margin loans, securities lending activities, and securities owned.

Customers' securities transactions are effected on either a cash or margin basis. In margin transactions, First Albany extends credit, which is

collateralized by securities and cash in the customer's account, to the customer. In accordance with Federal Reserve Bank regulations, NYSE regulations, and internal firm policy, First Albany earns interest income as a result of charging customers at a rate of up to 2% over the brokers' call rate.

During the past several years, cash balances in customers' accounts have provided the primary source of funds to finance customers' margin account debit balances. SEC regulations restrict the use of customers' funds by broker-dealers by providing generally that free credit balances and funds derived from pledging and lending customers' securities are to be used only to finance customers' margin account debit balances, and, to the extent not so used, the funds must be deposited in a special reserve bank account for the exclusive benefit of customers. The regulations also require broker-dealers, within designated periods of time, to obtain physical possession or control of and to segregate customers' fully paid and excess margin securities.

In connection with both its trading and brokerage activities, First Albany borrows securities to cover short sales and to complete transactions in which customers or other brokers have failed to deliver securities by the required settlement date. First Albany also lends securities to other brokers and dealers for similar purposes. This is a common occurrence for broker-dealers.

When borrowing securities, First Albany is required to deposit cash or other collateral, or to post a letter of credit with the lender and receive a rebate (based on the amount of cash deposited) calculated to yield a negotiated rate of return. When lending securities, First Albany receives cash and generally pays a rebate (based on the amount of cash received) to the other party to the transaction. Securities borrow and loan transactions are executed pursuant to written agreements with counter-parties which provide that the securities borrowed or loaned be marked to market on a daily basis and that excess collateral be refunded or that additional collateral be furnished in the event of changes in the market value of the securities. Collateral adjustments are usually made on a daily basis through the facilities of various clearinghouses.

Operations, Clearing, and Systems

First Albany's operations include: execution of orders; processing of transactions; receipt, identification, and delivery of funds and securities; custody of customers' securities; internal financial control; and compliance with regulatory and legal requirements.

The volume of transactions handled by the operations staff fluctuates substantially. The monthly number of purchase and sale transactions processed for the periods indicated were as follows:

Fiscal Year	Number of Monthly Transactions		
	High	Low	Average
1994	58,245	40,537	47,257
1993	51,745	37,276	43,409
1992	43,068	30,907	36,346
1991	38,744	20,800	31,434

First Albany has established internal controls and safeguards against securities theft, including use of depositories and periodic securities counts. As required by the NYSE and certain other authorities, First Albany carries fidelity bonds covering loss or theft of securities as well as embezzlement and forgery.

First Albany clears its own securities transactions and posts its books and records daily. Periodic reviews of controls are conducted, and administrative and operations personnel meet frequently with management to review operating conditions. Operations personnel monitor compliance with

applicable laws, rules, and regulations.

In addition to processing its own customer transactions, First Albany processes, for a fee, the transactions of other brokerage firms whose customer accounts are carried on a fully disclosed basis with all security positions, margin account receivables, and credit balances reflected on the books and records of First Albany.

Financial Services

Customized financial services are available to customers at First Albany.

The Financial Planning Department advises customers on a variety of interrelated financial matters, including investment portfolio review, tax management, insurance analysis, education and retirement planning, and estate analysis. For a fee, financial planners will prepare a detailed analysis with specific recommendations aimed at accumulating wealth and attaining financial goals.

First Albany also offers a range of retirement plans, including IRAs, SEP Plans, profit sharing, 401K, and pension programs. Fixed and variable annuities are available as well as life, disability, and nursing home insurance programs, limited partnership interests in real estate, oil and gas drilling, and similar ventures.

Research

First Albany maintains a professional staff of equity analysts. Research is focused on six industry sectors: technology, health care, financial services, energy, utilities, and basic industry. First Albany employs 9 analysts and 8 research assistants who support the Company's institutional and retail brokerage and corporate finance activities.

Research services include review and analysis of the economy; general market conditions; industries and specific companies via both fundamental and technical analyses; recommendations of specific action with regard to industries and specific companies; review of customer portfolios; preparation of research reports which are provided to retail and institutional customers; and responses to inquiries from customers and Investment Executives. In addition, First Albany purchases outside research services including economic reports, charts, data bases, company analyses, and technical analyses.

Retail Business

Revenues from First Albany's retail brokerage activities are a substantial portion of First Albany's business and are generated through customer purchases and sales of stocks, bonds, mutual funds, and other investment products. For the fiscal years 1994, 1993, and 1992, these revenues accounted for approximately 54%, 49%, and 55% of net revenues, respectively.

Institutional Business

Revenues generated from securities transactions with major institutions in fiscal 1994, 1993, and 1992 accounted for approximately 29%, 30%, and 29% of net revenues, respectively. Institutional revenues are derived from sales of tax-exempt securities, taxable debt obligations, and equities, and are serviced primarily in Albany, Boston, Wellesley, and New York City. First Albany Investment Executives cover most of the regional institutions.

Municipal Bond Business

First Albany considers its expertise in municipal bonds to be one of its major strengths. The tax-exempt department consists of 43 professionals and offers a broad range of services, including primary market underwriting, secondary market trading, institutional sales, sales liaison with branches, portfolio analysis, credit analysis, investment banking services, and financial

advisory services.

Sales revenues from all secondary market tax-exempt products were \$8.95 million in fiscal 1994, \$7.5 million in fiscal 1993, \$7.2 million in fiscal 1992.

Employees

At fiscal year-end, the Company had 619 full-time employees, of which 190 were Investment Executives and 75 were institutional salespeople (primarily on commission), 120 were in branch sales support, 25 were in home office sales support, 51 were in other revenue producing positions, 68 were in operations, and 90 were in other support and administrative functions.

New Investment Executives are required to take examinations given by the NASD and approved by the NYSE and all principal exchanges as well as state securities authorities in order to be registered. There is intense competition among securities firms for Investment Executives with proven sales production records.

The Company considers its employee relations to be good and believes that its compensation and employee benefits are competitive with those offered by other securities firms. None of the Company's employees are covered by a collective bargaining agreement.

Competition

First Albany is engaged in a highly competitive business. Its competition includes, with respect to one or more aspects of its business, all of the member organizations of the NYSE and other registered securities exchanges, all members of the NASD, members of the various commodity exchanges, and commercial banks and thrift institutions. Many of these organizations are national firms and have substantially greater financial and human resources than First Albany. Discount brokerage firms seeking to expand their share of the retail market, including firms affiliated with commercial banks and thrift institutions, are devoting substantial funds to advertising and direct solicitation of customers. In many instances, First Albany is competing directly with such organizations. In addition, there is competition for investment funds from the real estate, insurance, banking, and savings and loan industries. The Company believes that the principal factors affecting competition for the securities industry are the quality and ability of professional personnel and relative prices of services and products offered.

Regulation

The securities industry in the United States is subject to extensive regulation under federal and state laws. The SEC is the federal agency charged with administration of the federal securities laws. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations, principally the NASD and the national securities exchanges. These self-regulatory organizations adopt rules (subject to approval by the SEC) which govern the industry and conduct periodic examinations of member broker-dealers. Securities firms are also subject to regulation by state securities commissions in the states in which they are registered. First Albany is currently registered as a broker-dealer in 49 states and the District of Columbia.

The regulations to which broker-dealers are subject cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, capital structure of securities firms, recordkeeping, and conduct of directors, officers, and employees. Additional legislation, changes in rules promulgated by the SEC and by self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. The SEC, self-regulatory organizations, and state security regulators may conduct administrative proceedings which can result in censure, fine, suspension, or

expulsion of a broker-dealer, its officers, or employees. The principal purpose of regulation and discipline of broker-dealers is the protection of customers and the securities markets rather than protection of creditors and stockholders of broker-dealers.

Net Capital Requirements

As a broker-dealer and member of the NYSE, First Albany is subject to the Uniform Net Capital Rule promulgated by the SEC. The rule is designed to measure the general financial condition and liquidity of a broker-dealer; therefore, it imposes a minimum net capital requirement deemed necessary to meet the broker-dealer's continuing commitments to its customers.

A broker-dealer may be required to reduce its business and to restrict withdrawal of subordinated capital if its net capital is less than 4% of aggregate debit balances; it may be prohibited from expanding its business and declaring cash dividends if its net capital is less than 5% of aggregate debit balances; and it will be subject to closer supervision by the NYSE if its net capital is less than 6% of aggregate debit balances. Compliance with the Net Capital Rule may limit those operations of a firm such as First Albany which require the use of its capital for purposes such as maintaining the inventory required for a firm trading in securities, underwriting securities, and financing customer margin account balances. Net capital and aggregate debit balances change from day to day and, at September 30, 1994, First Albany's net capital was \$18,636,000 which was 19.9% of its aggregate debit balances (2% minimum requirement) and \$16,771,000 in excess of required minimum net capital.

Item 2. Properties

The Company has a total of 25 Retail, Institutional, and Investment Banking offices in 8 states, all of which are leased or rented. The Company's executive offices are located at 41 State Street, Albany, New York. The order entry, trading, investment banking, research, data processing, operations, and accounting activities are centralized in the Albany office. The office is operated under a lease with renewal options extending until 1999. All other offices are subject to lease or rental agreements which, in the opinion of management, are sufficient to meet the needs of the Company.

Item 3. Legal Proceedings

In the normal course of business, the Company has been named a defendant, or otherwise has possible exposure, in several claims. Certain of these are class actions which seek unspecified damages that could be substantial. Although there can be no assurance as to the eventual outcome of litigation in which the Company has been named as a defendant or otherwise has possible exposure, the Company has provided for those actions most likely to result in adverse dispositions. Although further losses are possible, the opinion of management, based upon the advice of its attorneys and general counsel, is that such litigation will not, in the aggregate, have a material adverse effect on the Company's liquidity or financial position, although it could have a material effect on quarterly or annual operating results in the period in which it is resolved.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

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

The Company's common stock has traded on the Nasdaq Stock Market under the

symbol "FACT." As of December 16, 1994, there were approximately 620 holders of record of the Company's common stock. The following table sets forth the high and low bid quotations for the common stock along with cash dividends during each quarter for the fiscal years ended:

September 30, 1994 Quarters Ended

Stock Price Range	Dec. 31	Mar. 25	June 24	Sept. 30
High	\$9 1/8	\$9 1/4	\$8 3/4	\$8
Low	\$7 5/8	\$8 1/4	\$7 1/2	\$6 3/4
Cash Dividend per Share	\$.05	\$.05	\$.05	\$.05

September 24, 1993 Quarters Ended

Stock Price Range	Dec. 31	Mar. 26	June 25	Sept. 24
High	\$8	\$9 1/2	\$9 3/4	\$9 1/4
Low	\$6 1/2	\$7	\$8 1/2	\$6 3/4
Cash Dividend per Share	\$.05	\$.05	\$.05	\$.05

The Board of Directors has from time to time authorized the Company to repurchase shares of its common stock either in the open market or otherwise. In fiscal year 1994, the Company repurchased 130,000 shares at an average price of \$8.25, bringing the total number of shares repurchased to 408,450, after the 5% common stock dividend declared on October 27, 1994. When appropriate, the Company will consider making additional purchases.

During fiscal 1994, the Company declared and paid four quarterly cash dividends totaling \$.20 per share of common stock, along with declaring and issuing two 5% common stock dividends. During fiscal 1993, the Company also declared and paid four quarterly cash dividends totaling \$.20 per share of common stock, along with declaring and issuing two 5% common stock dividends.

On October 27, 1994, subsequent to the period reflected in this report, the Board of Directors declared the regular quarterly cash dividend of \$0.05 per share along with a 5% common stock dividend, both payable on November 23, 1994, to shareholders of record on November 9, 1994.

Item 6. Selected Financial Data

The following selected financial data have been derived from the Consolidated Financial Statements of the Company.

First Albany Companies Inc.
FIVE YEAR FINANCIAL SUMMARY

(In thousands of dollars except per share amounts)

For the years ended	Sept. 30, 1994	Sept. 24, 1993	Sept. 25, 1992	Sept. 27, 1991	Sept. 30, 1990
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Operating Results

Revenues:

Commissions	\$ 29,553	\$ 28,884	\$ 24,569	\$ 19,445	\$ 18,311
Principal transactions	36,167	34,857	31,405	28,443	18,923
Investment banking	19,164	23,265	16,065	8,051	7,808
Fees and other	6,578	5,901	4,782	4,593	4,005
Operating revenues	91,462	92,907	76,821	60,532	49,047
Interest income	16,222	9,483	8,999	12,047	17,997

Total revenues	107,684	102,390	85,820	72,579	67,044
Interest expense	10,467	5,257	5,078	8,697	13,997
Net revenues	97,217	97,133	80,742	63,882	53,047

Expenses Excluding Interest:

Compensation and benefits	65,513	64,388	51,558	40,881	36,260
Clearing, settlement and brokerage costs	1,894	1,981	1,978	2,120	2,110
Communications and data processing	7,198	6,209	5,213	4,770	4,384
Occupancy and depreciation	5,710	5,395	5,130	5,130	5,061
Selling	4,779	4,152	3,410	2,565	4,238
Other	4,755	6,242	4,534	4,831	3,476
Total expenses excluding interest	89,849	88,367	71,823	60,297	55,529

Income (loss) before income taxes	7,368	8,766	8,919	3,585	(2,482)
Income tax expense (benefit)	2,876	3,375	3,352	1,302	(925)
Net income (loss)	\$ 4,492	\$ 5,391	\$ 5,567	\$ 2,283	\$ (1,557)
Per Common Share: *					
Earnings-primary	\$ 1.06	\$ 1.26	\$ 1.34	\$.57	\$ (.39)
Cash dividend	0.20	0.20	0.20		
Book value	8.25	7.37	6.22	5.03	4.45

Financial Condition:

Total assets	\$482,749	\$514,794	\$203,877	\$164,679	\$233,448
Long-term note payable	94	456	1,334	1,900	2,700
Subordinated debt		2,250	2,750	3,250	3,750
Stockholders' equity	33,230	30,088	25,272	19,989	17,706

* All per share figures have been restated for common stock dividends declared through October 1994.

<TABLE>
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First Albany Companies Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS COMPARISON
1994 VS. 1993 AND 1993 VS. 1992
(In thousands of dollars)

	Fiscal Years Ended			1994 vs. 1993		1993 vs. 1992	
	Sept. 30, 1994	Sept. 24, 1993	Sept. 25, 1992	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Operating Results							
Revenues:							
Commissions	\$ 29,553	\$ 28,884	\$ 24,569	\$ 669	2%	\$ 4,315	18%
Principal transactions	36,167	34,857	31,405	1,310	4%	3,452	11%
Investment banking	19,164	23,265	16,065	(4,101)	(18%)	7,200	45%
Fees and other	6,578	5,901	4,782	677	11%	1,119	23%
Operating revenues	91,462	92,907	76,821	(1,445)	(2%)	16,086	21%
Interest income	16,222	9,483	8,999	6,739	71%	484	5%
Total revenues	107,684	102,390	85,820	5,294	5%	16,570	19%
Interest expense	10,467	5,257	5,078	5,210	99%	179	4%

Net revenues	97,217	97,133	80,742	84	0%	16,391	20%
Expenses Excluding Interest:							
Compensation and benefits	65,513	64,388	51,558	1,125	2%	12,830	25%
Clearing, settlement and brokerage costs	1,894	1,981	1,978	(87)	(4%)	3	0%
Communications and data processing	7,198	6,209	5,213	989	16%	996	19%
Occupancy and depreciation	5,710	5,395	5,130	315	6%	265	5%
Selling	4,779	4,152	3,410	627	15%	742	22%
Other	4,755	6,242	4,534	(1,487)	(24%)	1,708	38%
Total expenses excluding interest	89,849	88,367	71,823	1,482	2%	16,544	23%
Income before income taxes	7,368	8,766	8,919	(1,398)	(16%)	(153)	(2%)
Income tax expense	2,876	3,375	3,352	(499)	(15%)	23	1%
Net income	\$ 4,492	\$ 5,391	\$ 5,567	\$ (899)	(17%)	\$ (176)	(3%)

Net interest income:							
Interest income	\$ 16,222	\$ 9,483	\$ 8,999	\$ 6,739	71%	\$ 484	5%
Interest expense	10,467	5,257	5,078	5,210	99%	179	4%
Net interest income	\$ 5,755	\$ 4,226	\$ 3,921	\$ 1,529	36%	\$ 305	8%

</TABLE>

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

BUSINESS ENVIRONMENT

First Albany Corporation, a wholly owned subsidiary of First Albany Companies Inc. (the Company), is a full service investment banking and brokerage firm. Its primary business includes the underwriting, distribution, and trading of fixed income and equity securities. The investment banking and brokerage business earns revenues in direct correlation with the general level of trading activity in the stock and bond markets. This level of activity cannot be controlled by the Company; however, many of the Company's costs are fixed. Therefore, the Company's earnings, like those of others in the industry, reflect the activity in the markets and can fluctuate accordingly.

This is a highly competitive business. The competition includes not only full service national firms and discount houses, but also mutual funds that sell directly to the customer as well as banks that offer a variety of investment products.

In February 1994, the Federal Reserve Board raised short-term interest rates for the first time since March 1989. This was the first of six increases in short-term interest rates in 1994. Long-term interest rates rose sharply as the Fed raised short-term rates and fears among bond buyers of higher inflation intensified. The decline in bond prices and the subsequent returns from long-term bond investments was the lowest since 1980. This had a substantial impact on our business. First, the refinancing of debt by corporations and municipalities which had been the surge in our financial business in 1993 declined dramatically. Second, we saw less business in secondary issues in the fixed income markets as inventory supplies were greatly reduced. This was partially offset by the stock market's performance. On balance, the stock market was flat with two strong rallies and two sharp corrections. In light of this, or in spite of this, investors remained optimistic and invested in a difficult environment. First Albany showed solid gains in equity investment banking and in our equity institutional business. Overall, it was a difficult year in the financial markets and, in spite of that, our revenues came in slightly above 1993's.

RESULTS OF OPERATIONS

Fiscal Year 1994 Compared with Fiscal Year 1993

Net Income

Net income for the 1994 fiscal year was \$4.5 million or \$1.06 per share compared to \$5.4 million or \$1.26 per share earned in fiscal 1993. Revenues increased due to a solid contribution made by our retail brokerage business along with significant contributions by our institutional equity and corporate finance areas. However, net income decreased due to the effect of falling bond prices on fixed income sales, trading and underwritings, and because municipal bond refinancings declined significantly from last year.

Principal Transactions

Principal transactions increased \$1.3 million or 4% in fiscal 1994. This increase was comprised of an increase in equities of \$3.2 million, a decrease in taxable fixed income securities of \$4.1 million, an increase in municipal bonds of \$0.8 million and an unrealized gain of \$1.4 million due to the Company's investment in a firm which completed an initial public offering in February 1994.

Investment Banking

Investment banking revenues decreased \$4.1 million or 18% in fiscal 1994. Revenues from selling concessions decreased \$0.2 million (equities increased \$1.7 million, while municipal bonds decreased \$1.8 million and taxable fixed income decreased \$0.1 million), underwriting fees decreased \$1.1 million (primarily municipal bonds), and investment banking fees decreased \$2.8 million (corporate finance fees increased \$1.6 million, while municipal finance fees decreased \$4.4 million). The result in investment banking revenues was largely dependent upon declining municipal bond activity due to increasing interest rates and a significant decrease in municipal bond refinancings; however, these were partially offset by increasing revenues in equity corporate finance activities.

Net Interest Income

Net interest income increased \$1.5 million or 36% in fiscal 1994 due primarily to increased revenues from customer margin balances, and increased stock borrowed and stock loaned activities.

Compensation and Benefits

Compensation and benefits increased \$1.1 million or 2% in fiscal 1994. Sales-related compensation decreased \$1.3 million, salaries increased \$1.8 million which impacted benefits (up \$0.6 million).

Communications and Data Processing

Communications and data processing expense increased \$1 million or 16% in fiscal 1994. Communication expense increased \$0.8 million mainly as a result of the expansion of the institutional and research divisions. Data processing expense increased \$0.2 million due primarily to an increased number of transactions.

Other Expense

Other expense decreased \$1.5 million or 24% in fiscal 1994 due primarily to a decrease in litigation and consulting costs.

Fiscal Year 1993 Compared with Fiscal Year 1992

Net Income

Net income for the 1993 fiscal year was \$5.4 million or \$1.26 per share, as restated, compared to \$5.6 million or \$1.34 per share, as restated, earned in fiscal 1992. For fiscal 1993, total revenues increased 19% to \$102.4 million from \$85.8 million in fiscal 1992. These strong revenues are a result of higher levels of brokerage volume and investment banking activity. Net income continued to reflect the impact of expenses associated with strategic investments in core businesses-investment banking, institutional sales, and research-aimed at future growth.

Commissions

Commission revenues increased \$4.3 million or 18% in fiscal 1993, reflecting higher volume of trading activity on the New York Stock Exchange and other major financial markets. The increase in commission revenues was comprised primarily of mutual fund commission revenues which increased \$2.2 million or 28% and of listed and over-the-counter agency stock commissions which increased \$2 million or 13%.

Principal Transactions

Principal transactions revenues increased \$3.5 million or 11% in fiscal 1993, led by equity securities which increased \$2.1 million or 53%. A strong stock market and First Albany's focused emphasis on equities primarily enhanced these revenues. Taxable fixed income securities, including corporate bonds, United States government bonds, and mortgage-backed securities, demonstrated a revenue increase of \$1.7 million or 6% in fiscal 1993.

Investment Banking

Favorable market conditions, low interest rates, and continued growth in our banking activities combined to increase our revenues \$7.2 million or 45%. Municipal financings or refinancings played a large role as investment banking fees increased \$5 million, sales credits in institutional accounts increased \$1.5 million, and underwriting fees increased \$0.6 million.

Fees and Other

Fees and other revenues increased \$1.1 million or 23% in fiscal 1993, reflecting increased service charge income and financial services revenues.

Compensation and Benefits

On the expense side, compensation and benefits increased \$12.8 million or 25%, primarily due to the increase in revenues. Sales related compensation increased \$9.5 million; retail recruiting incentives decreased \$0.1 million; salaries increased \$2.6 million (due partly to the expansion of our investment banking, research, and institutional divisions); and benefits increased \$0.8 million.

Communications and Data Processing

Communications and data processing expenses increased \$996,000 or 19%. Market data services expenses increased \$424,000 mainly as a result of the expansion of the institutional division and greater quotation costs in the trading departments. Because of the higher volume of brokerage transactions, variable data processing expenses increased \$274,000.

Selling Expense

Selling expense increased \$742,000 or 22%, reflecting higher expenses in media and promotional related activities and additional costs relating to the expansion of our investment banking, research, and institutional divisions.

Other Expense

Other expense increased \$1.7 million, or 38%, primarily due to increased litigation costs and the aforementioned expansion in the investment banking

A substantial portion of the Company's assets, similar to other brokerage and investment banking firms, is liquid, consisting of cash and assets readily convertible into cash. These assets are financed primarily by the Company's interest-bearing and non-interest-bearing payables to customers, payables to brokers and dealers secured by loaned securities and bank lines-of-credit. Securities borrowed and securities loaned will fluctuate due primarily to the current level of business activity in this area. Receivable from others increased due primarily to securities owned activities related to transactions which were sold for an October settlement date. Net receivables from customers increased as a result of larger customer margin balances. Short-term bank loans increased because of an increase in receivable from others and net receivable from customers.

At fiscal year-end 1994, both First Albany Corporation and Northeast Brokerage Services Corporation, subsidiaries of First Albany Companies Inc., were in compliance with the net capital requirements of the Securities and Exchange Commission and had capital in excess of the minimum required.

Management believes that funds provided by operations and a variety of committed and uncommitted bank lines-of-credit--totaling \$85,000,000 of which approximately \$49,499,000 were unused as of September 30, 1994--will provide sufficient resources to meet present and reasonably foreseeable short-term financial needs.

During fiscal 1994, the Company declared and paid four quarterly cash dividends totaling \$ 0.20 per share of common stock, along with declaring and issuing two 5% common stock dividends.

On October 27, 1994, subsequent to the period reflected in this report, the Board of Directors declared the regular quarterly cash dividend of \$ 0.05 per share along with a 5% common stock dividend, both payable on November 23, 1994, to stockholders of record on November 9, 1994.

The Company believes that funds provided by operations will be sufficient to fund the acquisition of office equipment and leasehold improvements, and other long-term requirements.

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements and Supplementary Data

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SUPPLEMENTARY DATA:

Selected Quarterly Financial Data (Unaudited)

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Report of Independent Accountants

Board of Directors and Stockholders
First Albany Companies Inc.

We have audited the consolidated financial statements and the financial statement schedules of First Albany Companies Inc. listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Albany Companies Inc. as of September 30, 1994, and September 24, 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND, L.L.P.

Albany, New York
November 4, 1994

First Albany Companies Inc.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands of dollars)

	For the years ended		
	September 30, 1994	September 24, 1993	September 25, 1992
	-----	-----	-----
Revenues			
Commissions	\$ 29,553	\$ 28,884	\$ 24,569

Principal transactions	36,167	34,857	31,405
Investment banking	19,164	23,265	16,065
Interest	16,222	9,483	8,999
Fees and other	6,578	5,901	4,782
Total revenues	107,684	102,390	85,820
Interest expense	10,467	5,257	5,078
Net revenues	97,217	97,133	80,742
Expenses excluding interest			
Compensation and benefits	65,513	64,388	51,558
Clearing, settlement and brokerage costs	1,894	1,981	1,978
Communications and data processing	7,198	6,209	5,213
Occupancy and depreciation	5,710	5,395	5,130
Selling	4,779	4,152	3,410
Other	4,755	6,242	4,534
Total expenses excluding interest	89,849	88,367	71,823
Income before income taxes	7,368	8,766	8,919
Income tax expense	2,876	3,375	3,352
Net income	\$ 4,492	\$ 5,391	\$ 5,567
Net income per common and common equivalent share			
Primary	\$ 1.06	\$ 1.26	\$ 1.34
Fully diluted	\$ 1.06	\$ 1.25	\$ 1.34

The accompanying notes are an integral part of the consolidated financial statements.

<TABLE>
<CAPTION>

First Albany Companies Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands of dollars)

	September 30, 1994	September 24, 1993
	-----	-----
<S>	<C>	<C>
Assets		
Cash and cash equivalents	\$ 3,165	\$ 6,971
Cash segregated under federal regulations		250
Securities purchased under agreements to resell		2,806
Securities borrowed	331,209	374,319
Receivables from		
Brokers, dealers and clearing agencies	1,511	902
Customers	96,830	96,718
Others	18,358	1,863
Securities owned	20,988	21,445
Office equipment and leasehold improvements, net	5,151	3,619
Other assets	5,537	5,901
Total Assets	\$482,749	\$514,794
Liabilities and Stockholders' Equity		
Liabilities		
Short-term bank loans	\$ 38,921	\$ 9,931

Securities sold under agreements to repurchase		2,825
Securities loaned	329,478	374,229
Payables to		
Brokers, dealers and clearing agencies	5,077	6,465
Customers	56,949	69,201
Others	1,663	1,752
Securities sold but not yet purchased	3,724	1,826
Accounts payable	1,411	1,580
Accrued compensation	9,149	10,263
Accrued expenses	3,053	3,928
Notes payable	94	456
Subordinated debt		2,250
Total Liabilities	449,519	484,706
Commitments and Contingencies		

Stockholders' Equity		
Preferred stock; \$1.00 par value; authorized 500,000 shares; none issued		
Common stock; \$.01 par value; authorized 10,000,000 shares; issued 4,435,454 shares 1994 and 4,023,421 shares 1993	44	40
Additional paid-in capital	16,489	13,142
Retained earnings	19,099	18,719
Less treasury stock at cost	(2,402)	(1,813)
Total Stockholders' Equity	33,230	30,088
Total Liabilities and Stockholders' Equity	\$482,749	\$514,794

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<TABLE>
<CAPTION>

First Albany Companies Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended September 30, 1994, September 24, 1993,
and September 25, 1992
(In thousands of dollars except for number of shares)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	
	Shares	Amount			Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, September 27, 1991	3,475,915	\$ 35	\$ 8,554	\$ 13,759	(360,630)	\$(2,359)
Sale of treasury stock				(80)	66,085	432
Cash dividends paid				(636)		
Net income				5,567		
Balance September 25, 1992	3,475,915	35	8,554	18,610	(294,545)	(1,927)
Issuance of restricted stock			14	(13)	2,050	13
Stock dividends declared	547,506	5	4,574	(4,580)	(44,448)	
Cash dividends						

paid				(671)		
Options exercised				(18)	16,157	101
Net income				5,391		
Balance						
September 24, 1993	4,023,421	40	13,142	18,719	(320,786)	(1,813)
Issuance of re- stricted stock			132	(104)	16,028	104
Stock dividends declared	412,033	4	3,215	(3,219)	(37,973)	
Cash dividends paid				(742)		
Options exercised				(47)	64,281	379
Treasury stock purchase					(130,000)	(1,072)
Net income				4,492		
Balance						
September 30, 1994	4,435,454	\$ 44	\$16,489	\$ 19,099	(408,450)	\$ (2,402)

The accompanying notes are an integral part of the consolidated financial statements.

<TABLE>
<CAPTION>

First Albany Companies Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)

For the years ended	September 30, 1994	September 24, 1993	September 25, 1992
	----- <C>	----- <C>	----- <C>
<S>			
Cash flows from operating activities:			
Net income	\$ 4,492	\$ 5,391	\$ 5,567
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,511	1,326	1,378
Deferred income taxes	466	(165)	(701)
(Increase) decrease in operating assets:			
Cash and securities segregated under federal regulations	250	36	6,322
Securities purchased under agreement to resell	2,806	(2,806)	
Securities borrowed, net	(1,641)	883	311
Net receivable from customers	(12,364)	(13,086)	(5,345)
Net receivable from others	(16,584)	3,013	(3,278)
Securities owned, net	2,355	(569)	(3,089)
Other assets	(102)	(1,072)	(1,285)
Increase (decrease) in operating liabilities:			
Securities sold under agreement to repurchase	(2,825)	2,825	
Net payable to brokers and dealers	(1,997)	7,457	(1,114)
Net payable to others			
Accounts payable and accrued expenses	(2,158)	3,401	4,291
Net cash (used in) provided by operating activities	(25,791)	6,634	3,057
Cash flows from investing activities:			
Purchase of furniture, equipment, and			

leaseholds	(3,043)	(1,460)	(730)
Net cash used in investing activities	(3,043)	(1,460)	(730)
Cash flows from financing activities:			
Proceeds (payments) of short-term bank loans, net	28,990	1,100	(1,280)
Payments of subordinated debt	(2,250)	(500)	(500)
Payments of notes payable	(362)	(878)	(566)
Payments for purchases of common stock for treasury	(1,072)		
Proceeds from issuance of common stock from treasury	332	83	352
Proceeds from issuance of restricted stock	132	13	
Dividends paid	(742)	(671)	(636)
Net cash provided by (used in) financing activities	25,028	(853)	(2,630)
(Decrease) increase in cash	(3,806)	4,321	(303)
Cash at beginning of the year	6,971	2,650	2,953
Cash at the end of the period	\$ 3,165	\$ 6,971	\$ 2,650
Supplemental cash flow disclosures:			
Income tax payments	\$ 2,660	\$ 3,322	\$ 4,369
Interest payments	\$10,108	\$ 4,999	\$ 5,227

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

First Albany Companies Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.

Significant Accounting Policies

The consolidated financial statements include the accounts of First Albany Companies Inc. and its wholly owned subsidiaries (the Company). First Albany Corporation (the "Corporation") is the Company's principal subsidiary and a registered broker-dealer. All significant intercompany balances and transactions have been eliminated. The Company's year-end is the last Friday in September. Therefore, the Company's fiscal year will contain 52 or 53 week periods. The years ended September 30, 1994, September 24, 1993, and September 25, 1992, contained 53 weeks, 52 weeks, and 52 weeks, respectively.

For purposes of the statements of cash flows, the Company considers amounts in demand deposit accounts at various financial institutions, other than those segregated under federal regulations, to be cash equivalents.

Customers' securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Securities transactions of the Company are recorded on a trade date basis. Investment banking revenue is recorded as follows: management fees on offering date, selling concessions on trade date, and underwriting fees upon completion of the underwriting.

Marketable securities and securities sold, but not yet purchased, are valued based upon market quotations, and securities not readily marketable are valued at fair value as determined by management. Municipal Bond Index Futures, that are not specific hedges, are used to reduce the exposure to changes in securities valuation. The resulting unrealized gains and losses are included in revenue from principal transactions.

Securities purchased under agreement to resell and securities sold under agreement to repurchase are treated as financing transactions and are carried at the amounts at which the securities will be subsequently reacquired or resold as specified in the respective agreements.

Office equipment and leasehold improvements are stated at cost less

accumulated depreciation of \$7,570,000 in 1994 and \$8,283,000 in 1993, respectively. Depreciation is provided on a straight-line basis over the estimated useful life of the asset or the remaining life of the lease.

Deferred income taxes are recognized for the future tax consequences attributable to differences between financial statement and tax basis of existing assets and liabilities.

Net income per common and common equivalent share have been computed based upon the weighted average number of common shares and dilutive common equivalent shares (stock options) outstanding. The weighted average number of common shares and dilutive common equivalent shares were:

	Fiscal Year 1994 -----	Fiscal Year 1993 -----	Fiscal Year 1992 -----
Primary	4,242,863	4,286,648	4,152,257
Fully diluted	4,242,863	4,300,639	4,161,468

All per share figures, as well as the weighted average number of common and dilutive common equivalent shares, have been restated for stock dividends declared through October 1994.

Certain 1993 and 1992 amounts have been reclassified to conform with 1994 presentation.

First Albany Companies Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2.
Cash and Securities Segregated Under Federal Regulations

Cash (1994, \$0; 1993, \$250,000) has been segregated in special reserve bank accounts for the exclusive benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

NOTE 3.
Receivables From and Payables To Brokers, Dealers, and Clearing Agencies

Amounts receivable from and payable to brokers, dealers and clearing agencies other than correspondents as of:

(In thousands of dollars)	September 30, 1994 -----	September 24, 1993 -----
Securities failed to deliver	\$ 1,511	\$ 901
Receivable from clearing agencies		1
Total receivables	\$ 1,511	\$ 902
Securities failed to receive	\$ 2,453	\$ 4,746
Payable to clearing agencies	2,624	1,719
Total payables	\$ 5,077	\$ 6,465

NOTE 4.
Receivables From and Payables To Customers

Receivables from and payables to customers arise from cash and margin transactions. Securities owned by customers are held as collateral for receivables. Such collateral is not reflected in the financial statements. Total unsecured and partly secured customer receivables were \$204,000 and \$173,000 for the fiscal years ended 1994 and 1993, respectively. An allowance for doubtful accounts, based upon an aging of accounts receivable and specific identification, has been recorded for \$106,000 and \$125,000 for the fiscal

years ended 1994 and 1993, respectively.

NOTE 5.

Receivables From Others

Amounts receivable from others as of:

(In thousands of dollars)	September 30, 1994	September 24, 1993
	-----	-----
Adjustment to record securities on a trade date basis, net	\$15,040	\$
Others	3,318	1,863
Total	\$18,358	\$1,863

Amounts receivable and payable for securities transactions that have not reached their contractual date are recorded net on the statement of financial condition.

First Albany Companies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6.

Securities Owned And Sold, But Not Yet Purchased

Securities owned and sold, but not yet purchased consisted of the following as of:

(In thousands of dollars)	September 30, 1994		September 24, 1993	
	-----	-----	-----	-----
	Owned	Sold, but not yet Purchased	Owned	Sold, but not yet Purchased
	-----	-----	-----	-----
Marketable				
U.S. government and federal agencies obligations	\$ 2,943	\$ 1,220	\$ 2,974	\$ 152
State and municipal bonds	10,943	436	12,656	622
Corporate obligations	2,698	348	3,292	53
Corporate stocks	3,768	1,720	2,328	999
Not readily marketable securities	636		195	
	-----	-----	-----	-----
	\$20,988	\$ 3,724	\$ 21,445	\$ 1,826

Securities not readily marketable include investment securities (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company.

NOTE 7.

Debt

For the purpose of short-term bank loans the Company maintains a variety of committed and uncommitted bank lines of credit totaling \$85,000,000 which are limited to financing securities eligible for collateralization under these arrangements. This includes Company securities owned and

certain customer owned securities purchased on margin, subject to certain regulatory formulae.

Short-term bank loans and unused lines of credit were collateralized by Company securities owned of \$26,010,000 and customers' margin account securities of \$45,732,000 at September 30, 1994.

During October 1993, the Company repaid the subordinated debt that was outstanding at September 24, 1993.

NOTE 8.

Stockholders' Equity

During fiscal 1994, the Company declared and paid four quarterly cash dividends totaling \$0.20 per share of common stock, along with declaring and issuing two 5% common stock dividends.

On October 27, 1994, subsequent to the period reflected in this report, the Board of Directors declared the regular quarterly cash dividend of \$0.05 per share along with a 5% common stock dividend, both payable on November 23, 1994, to shareholders of record on November 9, 1994. Stockholders Equity and all per share figures have been adjusted to reflect the common stock dividend.

First Albany Companies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9.

Income Taxes

The Financial Accounting Standards Board issued Financial Accounting Standard (FAS) No. 109, "Accounting for Income Taxes," in February 1992. The Standard requires a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax basis of existing assets and liabilities. Under FAS No. 109, the effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. Under the previous method, deferred taxes were recognized using the tax rate applicable to the year of the calculation and were not adjusted for subsequent changes in tax rates.

The Company adopted FAS No. 109 beginning in fiscal 1994. In accordance with the provisions of the Standard, prior years financial statements have not been restated. The Company has determined that the cumulative effect of change in accounting principle was not material.

The components of income taxes are:

(In thousands of dollars)	September 30, 1994	September 24, 1993	September 25, 1992
	-----	-----	-----
Federal			
Current	\$ 1,463	\$ 2,475	\$ 3,096
Deferred	466	(165)	(701)
State and local	947	1,065	957
Total income taxes	\$ 2,876	\$ 3,375	\$ 3,352

The reasons for the difference between the expected income tax expense using the federal statutory rate and the income tax expense are as follows:

(In thousands of dollars) September 30, September 24, September 25,

	1994	1993	1992
	-----	-----	-----
Income taxes			
at federal statutory rate	\$2,505	\$2,984	\$3,032
State income taxes, net of			
federal income taxes	625	703	599
Tax-exempt interest income	(348)	(357)	(290)
Other, net	94	45	11
Total income taxes	\$2,876	\$3,375	\$3,352

First Albany Companies Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the years ended September 24, 1993, and September 25, 1992, the sources of timing differences and the related deferred tax effect of each are as follows:

	(In thousands of dollars) September 24, 1993	September 25, 1992
	-----	-----
Bad debts	\$ 22	\$ (24)
Unrealized gains and losses	243	(71)
Accelerated tax depreciation	(134)	(129)
Deferred compensation	200	(477)
Provision for losses	(646)	
Other	150	
Deferred income taxes	\$ (165)	\$ (701)

The temporary differences that give rise to significant portions of deferred tax assets at September 30, 1994, are as follows:

(In thousands of dollars)	
Receivables	\$ 45
Securities held for investment	(606)
Fixed assets	340
Deferred compensation	824
Other	323
Total deferred tax asset	\$ 926

The Company has not recorded a valuation allowance for deferred tax assets because income in the carryback period is sufficient to realize the benefit of future deductions.

NOTE 10.
Employee Benefit Plans

The Company maintains a deferred profit sharing plan (Internal Revenue Code Section 401(k) Plan) which permits eligible employees to defer a percentage of their compensation. Company contributions to eligible participants may be made at the discretion of the Board of Directors. The Company contributed \$56,000 in 1994, \$46,000 in 1993, and \$ 47,000 in 1992.

The Company also participates in an Employee Stock Bonus Plan (Internal Revenue Code Section 401(a)) which permits eligible employees to contribute up to 8% of their compensation on an after-tax basis. The Company makes matching contributions equal to a percentage of each employee's contributions. Company contributions vest in accordance with the Plan and are tax-deferred until withdrawal. Employee and Company contributions are invested solely in the common stock of First Albany Companies Inc. The Company contributed \$357,000 in 1994, \$244,000 in 1993, and \$175,000 in 1992.

NOTE 11.

Incentive Plans

In 1982, the Company established a Stock Incentive Plan (the "1982 Plan") which, as amended by stockholders in 1987, authorized issuance of options to officers and key employees to purchase up to 800,000 shares of common stock. On February 27, 1989, stockholders approved adoption of the First Albany Companies Inc. 1989 Stock Incentive Plan (the "1989 Plan"). Coincident with the adoption of the 1989 Plan, the 1982 Plan was terminated. Options previously granted under the 1982 Plan remain valid in accordance with the terms of the grant of such options; however, the grant of new options under the 1982 Plan was ended. Both the 1982 Plan and 1989 Plan provide for incentive stock options (ISOs) which meet the requirements of Section 422A of the Internal Revenue Code of 1954, as amended, and nonqualified stock options (NSOs) which may be granted. ISOs are granted at prices not less than fair value at the date of the grant; NSOs may be issued at prices less than fair market value.

In addition, under the 1989 Plan, stock appreciation rights (SARs) may be granted in tandem with ISOs or NSOs. SARs may be exercised only if the related options (or portions thereof) are surrendered and at such time as the fair market value of the shares underlying the option exceeds the option price for such shares. Upon exercise of an SAR and surrender of the related option, an employee will be entitled to receive an amount equal to the excess of the fair market value of one share at the time of such surrender over the option price per share specified in such option times the number of such shares called for by the option, or portion thereof, which is so surrendered. Payment may be made in cash, shares of common stock, or a combination thereof. SARs may not be exercised before six months from date of grant.

Both ISOs and NSOs may not have a term of more than ten years. Under certain conditions, the Company is required to purchase shares issued under this Plan at prices ranging from the original exercise or award a price to the greater of the then book or market value. If NSOs are exercised, the difference between the option price and the selling price will be recognized as an expense in the income statement.

First Albany Companies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Option transactions for the 3-year period ended September 30, 1994, under the 1982 Plan were as follows: (all are ISOs unless otherwise noted)

	Exercised Or Terminated -----	Issued And Exercisable -----	Options Issuable -----	Total Authorized -----
September 27, 1991	758,132	41,868	0	800,000
Options exercised at \$5.00 to \$6.375	31,835	(31,835)		
Options forfeited		(2,500)	2,500	
Options expired		(4,533)	4,533	
Options terminated	7,033		(7,033)	
September 25, 1992	797,000	3,000	0	800,000
Additional options authorized		3,950		3,950
Options expired adjustment	(38,000)	38,000		
Options exercised at \$4.76	5,000	(5,000)		
September 24, 1993	764,000	39,950	0	803,950

Additional options authorized		3,280		3,280
Options exercised at \$4.31				
to \$5.96	7,220	(7,220)		
Options forfeited		(4,410)	4,410	
Options terminated	4,410		(4,410)	
September 30, 1994	775,630	31,600	0	807,230

Issued and exercisable options are outstanding at \$4.31 - \$5.96 per share.

During fiscal year 1994, the Company declared two 5% common stock dividends. These dividends resulted in an additional 3,280 options authorized.

<TABLE>
<CAPTION>

First Albany Companies Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Option transactions during the 3-year period ended September 30, 1994, under the 1989 Plan were as follows:

	Issued And Exercisable -----	Issued But Not Exercisable -----	Options Issuable -----	Options Exercised -----	Total Authorized -----
<S>	<C>	<C>	<C>	<C>	<C>
September 27, 1991	168,750	128,750	202,500	0	500,000
Additional options authorized			200,000		200,000
Options issued and exercisable: \$5.75 to \$6.325	161,000		(161,000)		
Options exercisable: \$5.125 to \$6.25	36,875	(36,875)			
Options issued but not exercisable: \$5.125 to \$9.00		70,000	(70,000)		
Options exercised \$5.44 to \$6.25	(34,250)			34,250	
Options terminated September 25, 1992	332,375	(23,500)	23,500	34,250	700,000
September 25, 1992		138,375	195,000		
Additional options authorized	51,891	11,257	4,519		67,667
Options issued and exercisable: \$6.12 - \$7.50	340,000		(340,000)		
Options exercisable: \$5.125 to \$6.25	45,249	(45,249)			
Options issued but not exercisable: \$6.12		15,000	(15,000)		
Options exercised: \$4.93 - \$5.22	(11,157)			11,157	
Options terminated September 24, 1993	(376,733)	(41,663)	418,396		
September 24, 1993	381,625	77,720	262,915	45,407	767,667
Additional options authorized	43,914	6,057	283,687		333,658
Options issued and exercisable: \$4.48 - \$9.43	126,891		(126,891)		
Options exercisable: \$4.48 to \$6.59	37,026	(37,026)			
Options exercised: \$5.65 - \$6.48	(57,061)			57,061	
Options terminated September 30, 1994	(8,770)	(2,893)	11,663		
September 30, 1994	523,625	43,858	431,374	102,468	1,101,325

</TABLE>

Issued and exercisable options are outstanding at \$4.48 - \$9.43 per share

During fiscal year 1994, the Company declared two 5% common stock

dividends. These dividends resulted in an additional 83,658 options authorized.

On February 14, 1994, the Company's stockholders approved an amendment to the 1989 Plan, adopted by the Board of Directors on December 22, 1993. This amendment increased the number of shares available for issuance under the 1989 Plan by 250,000.

First Albany Companies Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In 1992, the Company established the First Albany Companies Inc. Restricted Stock Plan which authorized the issuance of up to 250,000 shares of common stock to certain key employees of the Company. Awards under this plan expire over a four-year period after the award date and are subject to certain restrictions including continued employment. As of September 30, 1994, 18,180 shares have been awarded under this plan. The fair market value of the awards will be amortized over the period in which the restrictions are outstanding.

The Company has various other incentive programs which are offered to eligible employees. These programs consist of cash incentives and deferred bonuses. Amounts awarded vest over periods ranging from three to five years. Costs are amortized over the vesting period and aggregated \$1,828,000 in 1994, \$369,000 in 1993, and \$553,000 in 1992.

NOTE 12.
Commitments and Contingencies

The Company's headquarters, sales offices, and certain data processing and communication equipment are leased under noncancellable operating leases. These expire at various times through 2003.

Future minimum annual rentals payable are as follows: (In thousands of dollars)

1995	\$ 3,154
1996	2,228
1997	1,737
1998	1,414
1999	1,195
Thereafter	2,114
Total	\$ 11,842

Annual rental expense including utilities for 1994, 1993, and 1992 approximated \$3,955,000, \$3,932,000, and \$3,713,000, respectively.

In the normal course of business, the Company has been named a defendant, or otherwise has possible exposure, in several claims. Certain of these are class actions which seek unspecified damages that could be substantial. Although there can be no assurance as to the eventual outcome of litigation in which the Company has been named as a defendant or otherwise has possible exposure, the Company has provided for those actions most likely to result in adverse dispositions. Although further losses are possible, the opinion of management, based upon the advice of its attorneys and general counsel, is that such litigation will not, in the aggregate, have a material adverse effect on the Company's liquidity or financial position, although it could have a material effect on quarterly or annual operating results in the period in which it is resolved.

The Company is contingently liable under bank stand-by letter of credit agreements, executed in connection with security clearing activities, totaling \$3,460,000 at September 30, 1994.

NOTE 13.

Net Capital Requirements

The Corporation is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital as calculated and defined by the Rule. The Corporation has elected to use the alternative method, permitted by the Rule, which requires a minimum net capital equal to 2 percent of aggregate debit balances arising from customer transactions.

First Albany Companies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At September 30, 1994, the Corporation had net capital of \$18,636,000 which was 19.9% of aggregate debit balances and \$16,771,000 in excess of required minimum net capital.

NOTE 14.

Off-Balance-Sheet Credit Risk and Concentrations of Credit Risk

In the normal course of business, the Company's customer and correspondent clearance activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other party is unable to fulfill its contractual obligations.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations and Regulation T of the Federal Reserve. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations.

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

The Company's customer financing and securities settlement activities require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company will be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

During the year, in order to meet the reserve requirements under Rule 15c3-3 of the Securities and Exchange Commission, the Company entered into resale agreements with financial institutions. At September 30, 1994 and September 24, 1993, the Company had not entered into any resale agreements to meet the reserve requirements under Rule 15c3-3 of the Securities and Exchange Commission. The Company also enters into resale agreements with other parties. Should the other party to any resale agreement be unable to return

the cash, the Company could be required to sell the securities pledged as collateral at prevailing market prices. The market values of the securities are monitored and additional collateral is requested where appropriate. At September 30, 1994, the Company had not entered into any resale agreements with other parties. At September 24, 1993, the market value of securities pledged was \$76,500 greater than the resale price of the securities.

The Company enters into repurchase agreements with other parties. Should the other party to these transactions be unable to return the securities, the Company would be required to buy the securities pledged as collateral at prevailing market prices. The market value of the securities is monitored and additional collateral is requested where appropriate.

First Albany Companies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At September 30, 1994, the Company had not entered into any repurchase agreements with other parties. At September 24, 1993, the market value of securities pledged was \$57,900 greater than the repurchase price of the securities.

The Company loans securities to and borrows securities from other brokers and dealers. In accordance with industry practice, security lending and borrowing agreements are generally collateralized by cash or securities with a market value in excess of the Company's obligation under the agreement. In the event the other party to these transactions is unable to return the collateral, the Company will be exposed to the risk of replacing or disposing of the securities at prevailing market prices. The Company controls this risk by monitoring the collateral held on a daily basis and by requesting additional collateral when necessary. At September 30, 1994, and September 24, 1993, the market value of securities loaned in excess of cash received was \$52,000 and \$10,000.

The Company, as a part of its normal brokerage activities, assumes short positions in its inventory. The establishment of short positions exposes the Company to risk in the event prices increase, as the Company may be obligated to acquire the securities at prevailing market prices. The Company does not engage in proprietary trading of derivative securities with the exception of options. At September 30, 1994, and September 24, 1993, securities sold, but not yet purchased amounted to \$3,724,000 and \$1,826,000, respectively.

The Company pledges unpaid customer securities as collateral for bank loans and to satisfy margin deposits of clearing organizations under contracts with these organizations. In the event such parties are unable to return customer securities pledged as collateral, the Company will be exposed to the risk of acquiring the securities at prevailing market prices. The Company seeks to reduce this risk by having the securities held by an independent securities custodian. At September 30, 1994, and September 24, 1993, customer securities pledged to collateralize bank loans and unused lines of credit were \$45,732,000 and \$36,819,000, respectively.

In accordance with industry practice, the Company records customer transactions on a settlement date basis, which is generally five business days after trade date. The Company is therefore exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of contract, in which case the Company may have to purchase or sell securities at prevailing market prices. Settlement of these transactions is not expected to have a significant effect upon the Company's financial position.

Securities that the Company has not received or delivered at the settlement date result in fails (Note 3). Should the other party to these transactions be unable to fulfill its obligations, the Company may be required to purchase or sell these securities at prevailing market prices.

The Company is a market maker in a number of securities and in this

capacity may have significant positions in its inventory or be required to purchase significant positions in a volatile market. In order to control this risk, security positions are monitored on at least a daily basis, and there are regulatory guidelines that limit the obligation of the market maker to purchase the securities in a volatile market. Should the Company find it necessary to sell such a security, it may not be able to realize the full carrying value of the security due to the significance of the position sold. The Company reduces its exposure to changes in securities valuation with the use of municipal bond index futures contracts. The contract amounts reflect the extent of involvement the Company has in these transactions and do not reflect exposure to credit risk. The Company controls the credit risk through credit approvals, limits, and monitoring procedures. As of September 30, 1994, the Company had sold contracts covering a total amount of \$1 million, which required a cash deposit in the amount of \$18,000.

First Albany Companies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The criterion for determining whether an individual security position represents a significant portion of the security issue is defined by SEC rule 15c3-1 and is referred to as "market blockage." At September 30, 1994, and September 25, 1993, the Company held no securities in inventory which met this criterion. Similarly, if a single security position held in inventory represents a significant portion of net capital, referred to as "undue concentration" as defined by SEC Rule 15c3-1, the Company may not be able to realize the full carrying value of the security if the entire position was required to be sold. At September 30, 1994, the Company had no securities in inventory which met this criterion. The total value of securities held in inventory at September 24, 1993, which met this criterion was \$4,792,000. The Company mitigated the risk of loss by hedging the position with a municipal bond index futures contract with a contract value of \$2,500,000.

The Company acts as a manager and co-manager in underwriting security transactions. In this capacity, there is risk if the potential customer does not fulfill the obligation to purchase the securities. The Company controls this risk by dealing primarily with institutional investors. In most cases, no one institutional customer subscribes to the majority of the securities being sold, thereby spreading the risk for this type of loss among many established customers. The Company also maintains credit limits for these activities and monitors compliance with applicable limits and industry regulations on a daily basis.

FIRST ALBANY COMPANIES INC.

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SUPPLEMENTARY DATA

SELECTED QUARTERLY FINANCIAL DATA

(Unaudited)

(In thousands of dollars, except per share data)

1994	Quarters Ended			
	Dec. 31	Mar. 25	June 24	Sept. 30
- - - - -	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Total revenues	\$29,749	\$27,154	\$24,590	\$26,191
Interest expense	(2,428)	(2,133)	(2,842)	(3,064)
Net revenues	27,321	25,021	21,748	23,127
Total expenses excluding interest	(24,343)	(22,993)	(20,912)	(21,601)
Income before income taxes	2,978	2,028	836	1,526
Income tax expense	(1,216)	(820)	(298)	(542)
Net income	\$1,762	\$ 1,208	\$538	\$984
Net income per common and common equivalent share:				
Primary	\$.41	\$.28	\$.13	\$.24
Fully diluted	\$.41	\$.28	\$.13	\$.24

1993	Quarters Ended			
	Dec. 31	Mar. 26	June 25	Sept. 24
Total revenues	\$22,337	\$25,066	\$27,999	\$26,988
Interest expense	(1,060)	(1,115)	(1,408)	(1,674)
Net revenues	21,277	23,951	26,591	25,314
Total expenses excluding interest	(19,391)	(21,318)	(23,803)	(23,855)
Income before income taxes	1,886	2,633	2,788	1,459
Income tax expense	(671)	(1,043)	(1,093)	(568)
Net income	\$1,215	\$1,590	\$1,695	\$891
Net income per common and common equivalent share:				
Primary	\$.29	\$.37	\$.39	\$.21
Fully diluted	\$.29	\$.37	\$.39	\$.21

</TABLE>

All per share figures have been restated for common stock dividends declared through October 1994. The sum of the quarters' earnings per share amount does not always equal the full fiscal year's amount due to the effect of averaging the number of shares of common stock and common stock equivalents throughout the year.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There has been no Form 8-K filed within 24 months prior to the date of the most recent consolidated financial statements reporting a change of accountants and/or reporting disagreements on any matter of accounting principle or financial statement disclosure.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Except as set forth below, the information required by this item will be contained under the caption "Election of Directors" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on or about March 7, 1995. Such information is incorporated herein by reference to the proxy statement.

Information (not included in the Company's definitive proxy statement for the 1994 Annual Meeting of Stockholders) regarding certain executive officers of the Company is as follows:

Edwin T. Brondo, age 47, Senior Vice President and Chief Administrative Officer, joined First Albany Corporation in 1993 and was elected Vice President of First Albany Companies Inc. in 1994. He previously held senior management positions at Bankers Trust Company, Goldman Sachs, and Morgan Stanley.

David J. Cunningham, age 48, Senior Vice President and Chief Financial Officer, joined First Albany Corporation in 1975 and has served as Chief Financial Officer of First Albany Corporation since 1980 and First Albany Companies Inc. since fiscal 1986.

Michael R. Lindburg, age 45, Senior Vice President, Secretary and General Counsel, joined First Albany Companies Inc. in 1986 after previously serving as Vice President and General Counsel of the Boston Stock Exchange.

Item 11. Executive Compensation.

The information required by this item will be contained under the caption "Compensation of Executive Officers and Directors" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on or about March 7, 1995. Such information is incorporated herein by reference to the proxy statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item will be contained under the caption "Stock Ownership of Principal Owners and Management" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on or about March 7, 1995. Such information is incorporated herein by reference to the proxy statement.

Item 13. Certain Relationships and Related Transactions.

The information required by this item will be contained under the caption "Certain Transactions" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on or about March 7, 1995. Such information is incorporated herein by reference to the proxy statement.

Part IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) The following financial statements are included in Part II, Item 8:

Report of Independent Accountants

Financial Statements:

Consolidated Statements of Income, For the Years
Ended September 30, 1994, September 24, 1993, and
September 25, 1992.

Consolidated Statements of Financial Condition,
as of September 30, 1994, and September 24, 1993.

Consolidated Statements of Changes in
Stockholders' Equity, For the Years Ended
September 30, 1994, September 24, 1993, and
September 25, 1992.

Consolidated Statements of Cash Flows,
For the Years Ended September 30, 1994,
September 24, 1993, and September 25, 1992.

Notes to Consolidated Financial Statements

(2) The following financial schedules for the years 1994, 1993, and 1992 are submitted herewith:

Schedule I-Marketable Securities

Schedule VIII-Valuation and Qualifying Accounts

Schedule IX-Short-Term Borrowings

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits included herein:

Exhibit Number	Description
3.1	Certificate of Incorporation of First Albany Companies Inc. (filed as Exhibit No. 3.1 to Registration Statement No. 33-1353).
3.2	By-laws of First Albany Companies Inc. (filed as Exhibit No. 3.2 to Registration Statement No.33-1353).
3.2a	By-laws of First Albany Companies Inc., as amended. (filed as Exhibit No. 3.2a to Form 10-k for the Fiscal Year Ended 9/24/93).
4	Specimen Certificate of Common Stock, par value \$.01 per share (filed as Exhibit No. 4 to Registration Statement No. 33-1353).
10.2	Lease dated February 9, 1978, between MacFarland Construction Company Inc. and First Albany Corporation for office facilities at 41 State Street, Albany, New York (filed as Exhibit No. 10.2 to Registration Statement No. 33-1353).
10.6	Deferred Profit Sharing Plan of First Albany Corporation effective October 1, 1982, as amended by shareholder vote dated January 19, 1987 (filed as Exhibit 10.6 to Form 10-K for the fiscal year ended September 30, 1986).
10.7	Incentive Stock Option Plan of First Albany Corporation effective October 1, 1982, as amended by shareholder vote dated January 19, 1987 (filed as Exhibit 10.7 to Form 10-K for the fiscal year ended September 30, 1987).
10.10	First Albany Companies Inc. Stock Bonus Plan effective July 8, 1987 (filed as Registration Statement No. 33-15220 (Form B) dated July 8, 1987).
10.10a	First Albany Companies Inc. Stock Bonus Plan, as amended, effective June 25, 1990 (filed as Registration Statement No. 33-35166 (Form S-8) dated June 25, 1990).
10.10b	First Albany Companies Inc. Stock Bonus Plan, as amended, effective February 4, 1994 (filed as Registration Statement 33-521353 (Form S-8) dated February 4, 1994).
10.12	First Albany Companies Inc. 1989 Stock Incentive Plan effective February 27, 1989, as approved by shareholder vote dated February 27, 1989 (filed as Exhibit 10.12 to Form 10-K for the fiscal year ended September 30, 1989).
10.13	Term Loan Agreement dated December 28, 1989, between First Albany Companies Inc. and Norstar Bank of Upstate NY (filed as Exhibit 10.13 to Form 10-K for the fiscal year ended September 30, 1990).
10.14	Senior Subordinated Loan Agreement dated July 16, 1990, between First Albany Corporation and Norstar Bank of Upstate NY, as corrected December 2, 1991 (filed as Exhibit 10.14 to Form 10-K for the fiscal year ended September 27, 1991).
10.15	Lease dated June 12, 1992, between First Albany Companies Inc. and Olympia and York Limited Partnership for office space at 53 State Street, Boston, Massachusetts (filed as Exhibit 10.15 to Form 10-K for the fiscal year ended September 25, 1992).
10.16	The First Albany Companies Inc. Restricted Stock Plan as adopted by the Company on April 27,1992 (filed as Exhibit 10.16 to Form 10-K for the fiscal year ended September 25, 1992).

- 11 Computation of per share earnings
- 22 List of Subsidiaries of First Albany Companies Inc.
- 24 Consent of experts
- 27 Financial Data Schedule BD
- (b) Reports on Form 8-K:

No reports on Form 8-K have been filed by the Registrant during the last quarter of the period covered by this report.

<TABLE>
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FIRST ALBANY COMPANIES INC.
SCHEDULE I -- MARKETABLE SECURITIES--OTHER INVESTMENTS
SEPTEMBER 30, 1994

COL. A	COL. B	COL. C	COL. D	COL. E
Name of Issuer and Title of Each Issue	Number of Shares or Units Principal Amount of Bonds & Notes	Cost of Each Issue	Market Value of Each Issue at Balance Sheet Date	Amount at Which Each Portfolio of Equity Security Issues and Each Other Security Issue Carried in the Balance Sheet
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
U.S. Government obligations	51 Issues	\$ 2,949,000	\$ 2,943,000	\$ 2,943,000
State and Municipal Bonds	167 Issues	11,003,000	10,943,000	10,943,000
Corporate obligations	106 Issues	2,888,000	2,698,000	2,698,000
Corporate stocks	173 Issues	2,821,000	4,404,000	4,404,000
		\$ 19,661,000	\$ 20,988,000	\$ 20,988,000

</TABLE>

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FIRST ALBANY COMPANIES INC.
SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 1994,
SEPTEMBER 24, 1993, AND SEPTEMBER 25, 1992

COL. A	COL. B	COL. C	COL. D	COL. E
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
-----	-----	-----	-----	-----
Allowance for doubtful accounts -- deducted from receivables from customers:	<C>	<C>	<C>	<C>

1994	\$ 125,000	\$ 120,000	\$ 139,000	\$ 106,000
1993	\$ 189,000	\$ 120,000	\$ 184,000	\$ 125,000
1992	\$ 118,000	\$ 71,000	\$ 0	\$ 189,000

</TABLE>

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FIRST ALBANY COMPANIES INC.
SCHEDULE IX -- SHORT-TERM BORROWINGS
YEARS ENDED SEPTEMBER 30, 1994,
SEPTEMBER 24, 1993, AND SEPTEMBER 25, 1992

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period (1)	Weighted Average Amount Outstanding During the Period (2)	Average Interest Rate During the Period (3)
Short-term bank loans:					
<S>	<C>	<C>	<C>	<C>	<C>
1994	\$ 38,921,000	5.82%	\$ 69,631,000	\$ 30,685,000	5.93%
1993	\$ 9,931,000	3.63%	\$106,831,000	\$ 28,508,000	3.70%
1992	\$ 8,831,000	5.50%	\$ 54,661,000	\$ 19,329,330	6.18%

</TABLE>

Short-term bank loans are made under a variety of committed and uncommitted lines of credit totaling \$85,000,000 which are limited to financing securities eligible for collateralization under these arrangements including Company securities owned and certain customer owned securities purchased on margin, subject to certain regulatory formulae.

- (1) The maximum amount outstanding during the period was the maximum amount outstanding at any month-end.
- (2) The average amount outstanding during the period was computed by dividing the total month-end outstanding principal balances by the number of months in the period.
- (3) The average interest rate during the period was computed by dividing the actual interest expense by the daily average amount outstanding during the period.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

FIRST ALBANY COMPANIES INC.

By: /s/ George C. McNamee

George C. McNamee,
Chairman of the Board

Date: December 16, 1994.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ George C. McNamee	Chairman of the Board	December 16, 1994
/s/ Alan P. Goldberg	President and Director	December 16, 1994
/s/ J. Anthony Boeckh	Director	December 16, 1994
/s/ Hugh L. Carey	Director	December 16, 1994
/s/ Edwin T. Brondo	Vice President	December 16, 1994
/s/ David J. Cunningham	Vice President and Chief Financial Officer (Principal Accounting Officer)	December 16, 1994
/s/ Hugh A. Johnson, Jr.	Senior Vice President and Director	December 16, 1994
/s/ Michael R. Lindburg	Vice President General Counsel	December 16, 1994
/s/ Daniel V. McNamee	Director	December 16, 1994
/s/ Robert F. Vagt	Director	December 16, 1994
/s/ Benaree P. Wiley	Director	December 16, 1994

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FIRST ALBANY COMPANIES INC. AND SUBSIDIARIES

Computation of Per Share Earnings *
(In thousands, except per share amounts)
(unaudited)

Primary:

	September 30, 1994	September 24, 1993	September 25, 1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Primary:			
Net income	\$4,492	\$5,391	\$5,567
Weighted average number of shares outstanding during the period	4,049	4,078	4,032
Incremental shares under stock options computed under the treasury stock method using the average market price of the issuer's stock during the period	194	209	120
Weighted average shares and common equivalent shares outstanding	4,243	4,287	4,152
Net income per share	\$ 1.06	\$ 1.26	\$ 1.34
Fully diluted:			
Net income	\$4,492	\$5,391	\$5,567
Weighted average number of shares outstanding during the period	4,049	4,078	4,032
Incremental shares under stock options computed under the treasury stock method using the higher of the average or ending market price of the issuer's stock at the end of the period	194	223	129
Weighted average shares and common equivalent shares outstanding	4,243	4,301	4,161
Net income per share	\$ 1.06	\$ 1.25	\$ 1.34

</TABLE>

* All per share figures have been restated for common stock

dividends declared through October 1994.

SUBSIDIARIES OF FIRST ALBANY COMPANIES INC.

COMPANY NAME - - - - -	STATE OF INCORPORATION -----
FIRST ALBANY CORPORATION	NEW YORK
FIRST ALBANY ASSET MANAGEMENT CORPORATION	NEW YORK
NORTHEAST BROKERAGE SERVICES CORPORATION	NEW YORK

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of First Albany Companies Inc. on Form S-8 related to the First Albany Companies Inc. Stock Bonus Plan (Registration No. 33-15220, Registration No. 33-35166, and Registration No. 33-52153) of our report dated November 4, 1994, on our audits of the consolidated financial statements and financial statement schedules of First Albany Companies Inc. as of September 30, 1994 and September 24, 1993, and for the years ended September 30, 1994, September 24, 1993 and September 25, 1992, which report is included in this Annual Report on Form 10-K. We also consent to the reference to our firm under the caption "Experts."

COOPERS & LYBRAND, L. L. P.

Albany, New York
December 12, 1994.

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EXHIBIT 27

Selected Financial Data Schedule BD -- Exhibit 27
(in thousands of dollars except per share amounts)

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