

RODMAN & RENSHAW CAPITAL GROUP, INC.
Form 10-Q
May 15, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2012
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ **to** _____

001-33737
(Commission File Number)

RODMAN & RENSHAW CAPITAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation
Or Organization)

84-1374481
(I.R.S. Employer Identification No.)

1251 Avenue of the Americas
New York, New York 10020

(Address of principal executive offices)

Registrant's telephone number: (212) 356-0500

(Former Name, Former Address and Former Fiscal Year, if Changes Since Last Report)

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

As of May 3, 2012, there were 32,805,399 shares of the registrant's common stock outstanding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect the current view about future events and financial performance based on certain assumptions. They include opinions, forecasts, projections, assumptions, guidance, expectations, beliefs or other statements that are not statements of historical fact. In some cases, forward-looking statements can be identified by words such as may, can, will, should, could, expects, hopes, believes, anticipates, estimates, predicts, projects, potential, intends, approximates or the negative or other variation of such terms and other combinations of words. Forward-looking statements in this report may include statements about:

- the successful development, implementation and adoption of our new DirectMarkets platform;
- future financial and operating results, including projections of revenues, income, expenditures, cash balances and our capital requirements and the need for additional financing;
- our ability to secure new client engagements;
- our ability to successfully consummate financing and merger and acquisition transactions on behalf of our clients;
- our ability to execute our growth, expansion and acquisition strategies;
- the outcome of various regulatory and legal proceedings in which we are currently involved;
- the performance of any of our financial products and their potential to generate revenues;
- development of new financial products;
- current and future economic and political conditions;
- overall industry and market performance and trends;
- competition;
- management's goals and plans for future operations;
- the impact of increased regulatory scrutiny on future operations;
- the revenue and profit volatility stemming from our operations;
- the performance of service providers upon which our operations rely;
- the additional risks and uncertainties stemming from entry into new businesses;
- our ability to protect our intellectual property rights and secure the right to use other intellectual property that we deem to be essential to the conduct of our business;
- the impact of expanded corporate governance on the number of available business opportunities;
- the impact of legal liability on future operations;
- the impact of employee misconduct on future operations;
- the increased risk of financial liability and reputational harm resulting from adverse regulatory action;
- the impact of the Investment Company Act of 1940 on future operations; and
- other assumptions described in this prospectus underlying or relating to any forward-looking statements.

The forward-looking statements in this report are only predictions. Actual results could, and likely will, differ materially from these forward-looking statements for many reasons, including the risks described under Risk Factors and elsewhere in this report. No guarantee about future results, performance or achievements can be made. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

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RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

PART I
FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition as of March 31, 2012 (Unaudited) and December 31, 2011
Dollars in Thousands, Except Per Share Amounts

	March 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents:		
Unrestricted	\$ 6,534	5,789
Restricted	1,762	1,602
Total cash and cash equivalents	8,296	7,391
Financial instruments owned, at fair value:		
Corporate equity securities	5,302	5,064
Merchant banking investments	4,722	9,559
Derivatives	5,904	4,767
Fixed income	2,713	1,093
Other investments	1,327	1,379
Total financial instruments owned, at fair value	19,968	21,862
Private placement and other fees receivable	3,113	1,766
Receivable from brokers, dealers & clearing agencies	3,427	1,828
Prepaid expenses	829	512
Property and equipment, net	2,717	3,027
Other assets	2,604	2,440
Goodwill and other intangible assets, net	986	
Total Assets	\$ 41,940	38,826
Liabilities and Stockholders Equity		
Accrued compensation payable	\$ 4,492	5,924
Accounts payable and accrued expenses	5,742	4,610
Financial instruments sold, not yet purchased, at fair value		
Corporate equity securities	2,916	1,643
Derivatives	533	
Total financial instruments sold, not yet purchased, at fair value	3,449	1,643
Long term convertible debt	5,781	5,997
Total Liabilities	19,464	18,174
Commitments and contingencies (See Note 7)		
Stockholders Equity		
Common stock, \$0.001, par value; 100,000,000 shares authorized; 33,027,699 and 33,672,699 issued as of March 31, 2012 and December 31, 2011, respectively	33	34
Preferred stock, \$0.001 par value; 1,000,000 authorized; none issued		
Additional paid-in capital	74,077	74,221
Treasury stock, 53,500 shares and 100,000 shares as of March 31, 2012 and December 31, 2011, respectively	(55)	(46)
Accumulated deficit	(51,579)	(53,557)

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Total Stockholders Equity	22,476	20,652
Total Liabilities and Stockholders Equity	\$ 41,940	38,826

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

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

**Consolidated Statements of Operations for the
Three Month Periods Ended March 31, 2012 and 2011 (Unaudited)
Amounts in Thousands, Except Per Share Amounts**

	Three Months Ended March 31,	
	2012	2011
Revenues:		
Investment banking	\$ 23,476	27,471
Merchant banking	(5,037)	566
Brokerage	6,510	1,162
Conference fees		446
Principal transactions	204	(2,315)
Interest and other income	291	15
	<u>25,444</u>	<u>27,345</u>
Total revenues		
Operating expenses:		
Compensation and benefits	13,882	17,863
Conference expense		2,907
Professional and consulting	2,688	1,574
Occupancy and equipment rentals	823	773
Advertising and marketing	187	307
Communication and market research	1,883	914
Execution and clearing	1,010	78
Depreciation and amortization	403	397
Business development	1,006	1,299
Interest expense	114	205
Bad debt expense		37
Hudson acquisition related expense		418
Other	1,470	862
	<u>23,466</u>	<u>27,634</u>
Total operating expenses		
Operating income (loss)	1,978	(289)
Income tax expense (benefit)		(103)
	<u>1,978</u>	<u>(186)</u>
Net income (loss)		
Net income (loss) per common share:		
Basic	\$ 0.05	(0.01)
Diluted	\$ 0.05	(0.01)
Weighted average common shares outstanding:		
Basic	36,423	35,208
Diluted	42,549	35,208

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

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

**Consolidated Statement of Changes in Stockholders' Equity for the
Three Month Period Ended March 31, 2012 (Unaudited) and the Year Ended December 31, 2011
Dollars in Thousands**

	Three Months Ended March 31, 2012	Year Ended December 31, 2011
Common stock:		
Balance, beginning of the period	\$ 34	33
Acquisition related issuance		3
Treasury stock retirement	(1)	(2)
Balance, end of the period	<u>\$ 33</u>	<u>34</u>
Additional paid-in-capital:		
Balance, beginning of the period	\$ 74,221	69,654
Stock based compensation	601	2,290
Treasury stock retirement	(518)	(3,134)
Acquisition related issuance		5,260
Other	(227)	151
Balance, end of the period	<u>\$ 74,077</u>	<u>74,221</u>
Accumulated deficit:		
Balance, beginning of the period	\$ (53,557)	(17,166)
Net income (loss)	1,978	(36,391)
Balance, end of the period	<u>\$ (51,579)</u>	<u>(53,557)</u>
Treasury stock, at cost:		
Balance, beginning of the period	\$ (46)	(260)
Treasury stock purchases	(528)	(2,923)
Treasury stock retirement	519	3,137