

RODMAN & RENSHAW CAPITAL GROUP, INC.
Form 10-Q
May 14, 2008

**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, 2008

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.)

1270 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)

Edgar Filing: RODMAN & RENSHAW CAPITAL GROUP, INC. - Form 10-Q

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 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 x 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 12, 2008, there were 34,771,738 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, Section 21E of 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," "plans," "anticipates," "estimates," "potential," "intends," "approximates" or the negative or other variation of such terms and other comparable expressions. Forward-looking statements in this report may include statements about:

- future financial and operating results, including projections of revenues, income, expenditures, cash balances and other financial items;
- 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 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 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;
- our ability to execute our growth, expansion and acquisition strategies;
- 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;
- 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.

TABLE OF CONTENTS

	<u>Page</u>
<u>Part I. Financial Information</u>	
<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u> 1
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 20
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 26
<u>Item 4T.</u>	<u>Controls and Procedures</u> 27
<u>Part II. Other Information</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 28
<u>Item 1A.</u>	<u>Risk Factors</u> 30
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 30
<u>Item 6.</u>	<u>Exhibits</u> 30
	<u>Signatures</u> 32

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

**PART I
FINANCIAL INFORMATION**

Item 1. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Condition as of March 31, 2008
(unaudited) and December 31, 2007

Condensed Consolidated Statements of Operations for the
three month periods ended March 31, 2008 and 2007 (unaudited)

Condensed Consolidated Statement of Changes in Stockholders' Equity and Comprehensive Income for the three month
periods ended March 31, 2008 and 2007 (unaudited)

Condensed Consolidated Statements of Cash Flows for the three month periods ended
March 31, 2008 and 2007 (unaudited)

Notes to Condensed Consolidated Financial Statements

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition as of March 31, 2008 (unaudited)
and December 31, 2007

	March 31, 2008 (Unaudited)	December 31, 2007
<u>Assets</u>		
Cash and cash equivalents	\$ 38,774,139	\$ 54,834,189
Financial instruments owned, at fair value	16,879,197	9,011,405
Private placement and other fees receivable	2,552,774	967,473
Due from clearing broker	995,624	1,888,854
Prepaid expenses	2,078,934	688,550
Deferred taxes	1,540,829	2,258,301
Property and equipment, net	805,577	913,645
Other assets	265,870	244,790
Goodwill	7,458,065	1,065,000
<u>Total Assets</u>	\$ 71,351,009	\$ 71,872,207
<u>Liabilities and Stockholders' Equity</u>		
Accrued compensation payable	\$ 3,120,983	\$ 6,140,839
Accounts payable and accrued expenses	4,130,959	2,914,468
Conference deposits	739,996	15,443
Financial instruments sold, not yet purchased, at fair value	24,567	147,663
Distributions payable	-	1,440,000
Due to affiliate	701,987	382,963
Income taxes payable	-	48,067
<u>Total Liabilities</u>	8,718,492	11,089,443
Commitments and contingencies (See note 7)		
<u>Stockholders' Equity</u>		
Common stock, \$0.001, par value; 100,000,000 shares authorized; 35,220,238 and 33,750,000 issued as of March 31, 2008 and December 31, 2007, respectively	35,220	33,750
Preferred stock, \$0.001 par value; 1,000,000 authorized; none issued	-	-
Additional paid-in capital	63,582,380	62,345,072
Treasury Stock, 298,000 shares	(612,621)	-
Accumulated other comprehensive loss	-	(140,757)
Deficit	(372,462)	(1,469,905)
<u>Total Stockholders' Equity</u>	62,632,517	60,768,160
<u>Total Liabilities and stockholders' equity</u>	\$ 71,351,009	\$ 71,872,207

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

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations for the three
month period ended March 31, 2008 and 2007 (unaudited)

	For the Three Months Ended March 31,	
	2008	2007
Revenues:		
Investment banking	\$ 8,902,176	\$ 14,350,170
Principal transactions	4,341,699	3,179,166
Commissions	1,563,365	1,999,869
Interest and other income	373,772	93,521
Total Revenues	15,181,012	19,622,726
Interest Expense	-	198,215
Net revenues	\$ 15,181,012	\$ 19,424,511
Non-interest expenses:		
Employee compensation and benefits	8,251,226	10,036,163
Other employee benefits	110,722	93,640
Conference fees	308,845	175,631
Broker dealer commissions	92,945	43,888
Professional and consulting fees	948,539	514,975
Business development	811,586	584,610
Communication and market research	560,127	398,161
Office	125,417	193,951
Occupancy and equipment rentals	317,996	297,680
Clearance and execution charges	76,854	50,823
Depreciation and amortization	137,239	162,495
Impairment of goodwill	1,065,000	-
Other	289,788	252,891
Total non-interest expenses	13,096,284	12,804,908
Income from continuing operations before income taxes	2,084,728	6,619,603
Income tax (expense) benefit	(987,285)	39,319
Income from continuing operations	1,097,443	6,658,922
Income from discontinued operations	-	161,940
Net income	\$ 1,097,443	\$ 6,820,862
Weighted average common shares outstanding:		
Basic	32,927,297	18,159,147
Diluted	33,244,200	20,188,205
Net income per share □ basic		
Income from continuing operations	\$ 0.03	\$ 0.37
Income from discontinued operations	-	0.01
Net income	\$ 0.03	\$ 0.38
Net income per share □ diluted		
Income from continuing operations	\$ 0.03	\$ 0.33
Income from discontinued operations	-	0.01

Net income	\$	0.03	\$	0.34
------------	----	------	----	------

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

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

**Condensed Consolidated Statement of Changes in Stockholders' Equity and Comprehensive Income for
the three month period
ended March 31, 2008 and 2007 (unaudited)**

	For the Three Months Ended March 31,	
	2008	2007
<u>Common Stock:</u>		
Balance, beginning of the period	\$ 33,750	\$ 18,159
Issuance of restricted stock	1,470	-
Balance, end of period	\$ 35,220	\$ 18,159
<u>Additional Paid-in-capital:</u>		
Balance, beginning of the period	\$ 62,345,072	\$ 348,256
Issuance of warrants	-	1,134,615
Beneficial conversion features of debentures	-	1,134,657
Stock based compensation	1,238,778	286,528
Issuance of restricted stock	(1,470)	-
Balance, end of period	\$ 63,582,380	\$ 2,904,056
<u>Retained earnings (Deficit):</u>		
Balance, beginning of the period	\$ (1,469,905)	\$ 20,657,744
Distributions	-	(20,873,928)
Net income	1,097,443	6,820,862
Balance, end of period	\$ (372,462)	\$ 6,604,678
<u>Treasury Stock:</u>		
Balance, beginning of the period	\$ -	\$ -
Purchases	(612,621)	-
Balance, end of period	\$ (612,621)	\$ -
<u>Accumulated other comprehensive (loss) income:</u>		
Balance, beginning of the period	\$ (140,757)	\$ 1,001,664
Reclassification adjustment for unrealized gains (losses) on investments	140,757	(1,001,664)
Balance, end of period	\$ -	\$ -
Total Shareholders' Equity	\$ 62,632,517	\$ 9,526,893
<u>Comprehensive Income:</u>		
Net income	\$ 1,097,443	\$ 6,820,862
Other comprehensive income (loss)	140,757	(1,001,664)
Total comprehensive income	\$ 1,238,200	\$ 5,819,198

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

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 2008
and 2007 (unaudited)

	For The Three Months Ended March 31,	
	2008	2007
<u>Cash flows from operating activities:</u>		
Net income	\$ 1,097,443	\$ 6,820,862
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Income from discontinued operations	-	(161,940)
Depreciation and amortization	137,239	162,495
Stock based compensation	1,238,778	286,528
Realized loss (gain) on available for sale investments	140,757	(1,001,664)
Impairment of goodwill	1,065,000	-
Interest (amortization of debt discount and deferred financing costs)	-	198,215
Deferred taxes	717,472	(327,100)
Changes in operating assets and liabilities:		
Financial instruments owned at fair value	(7,867,792)	1,775,362
Private placement and other fees receivable	(1,585,301)	1,881,156
Due from clearing broker	893,229	(1,243,353)
Prepaid expenses	(1,390,384)	(1,029,486)
Other assets	(21,080)	(1,202)
Financial instruments sold not yet purchased, at fair value	(123,096)	1,593
Accrued compensation payable	(3,019,856)	(1,003,142)
Accounts payable and accrued expenses	(1,748,113)	(1,707,204)
Due to affiliate	319,023	-
Income taxes payable	(48,067)	162,587
Conference deposits	724,555	461,371
Net cash (used in) provided by operating activities	(9,470,193)	5,275,078
<u>Cash flows from investing activities</u>		
Purchases of property and equipment	(29,171)	(40,551)
Acquisition of Miller Mathis		