

COWEN GROUP, INC.
Form 10-Q
May 14, 2010

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**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, 2010

or

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

**For the transition period from _____ to _____
Commission File Number: 001-34516**

Cowen Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

27-0423711

(I.R.S. Employer Identification No.)

**599 Lexington Avenue
New York, New York**

(Address of Principal Executive Offices)

10022

(Zip Code)

(212) 845-7900

(Registrant's telephone number, including area code)

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 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

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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 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
(Do not check if a
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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of May 12, 2010 there were 74,656,513 shares of the registrant's common stock outstanding.

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Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q (including in "Management's Discussion and Analysis of Financial Condition and Results of Operations") that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking terms such as "may," "might," "will," "would," "could," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "possible," "potential," "intend," "seek" or "continue," the negative of these terms and other comparable terminology or similar expressions. In addition, our management may make forward-looking statements to analysts, representatives of the media and others. These forward-looking statements represent only the Company's beliefs regarding future events (many of which, by their nature, are inherently uncertain and beyond our control) and are predictions only, based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the risks contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations.

Unaudited Condensed Consolidated Financial Statements are presented for the three months ended March 31, 2010 and 2009. The Consolidated Financial Statements as of December 31, 2009 were audited.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Unaudited Condensed Consolidated Financial Statements****Cowen Group, Inc.****Condensed Consolidated Statements of Financial Condition****(in thousands, except share and per share data)****(unaudited)**

	As of March 31, 2010	As of December 31, 2009
Assets		
Cash and cash equivalents	\$ 12,855	\$ 147,367
Cash collateral pledged	501	7,246
Securities owned, at fair value	141,960	54,153
Other investments	25,376	28,490
Receivable from brokers	62,377	32,525
Fees receivable	16,029	22,446
Due from related parties (see Note 16)	10,568	14,860
Fixed assets, net of accumulated depreciation and amortization of \$18,033 and \$16,449, respectively	30,822	32,603
Goodwill	27,179	27,179
Intangible assets, net of accumulated amortization of \$5,416 and \$4,506, respectively	15,484	16,394
Other assets	25,674	24,199
<i>Consolidated Funds</i>		
Cash and cash equivalents	1,031	625
Securities owned, at fair value	8,628	
Other investments, at fair value	515,195	550,407
Other assets	1,431	947
Total Assets	\$ 895,110	\$ 959,441
Liabilities and Stockholders' Equity		
Securities sold, not yet purchased, at fair value	\$ 58,298	\$ 14,812
Payable to brokers	28,523	3,817
Compensation payable	25,078	80,923
Note payable and short-term borrowings	18,000	49,746
Fees payable (see Note 16)	3,417	5,387
Due to related parties (see Note 16)	7,924	8,103
Accounts payable, accrued expenses and other liabilities	49,986	65,599
<i>Consolidated Funds</i>		
Capital withdrawals payable	23,531	26,312
Accounts payable, accrued expenses and other liabilities	348	392
Total Liabilities	215,105	255,091
Commitments and Contingencies (see Note 11)		
Redeemable non-controlling interests	215,400	230,825
Stockholders' equity		
Preferred stock, par value \$0.01 per share; 10,000,000 shares authorized, no shares issued and outstanding		
Class A common stock, par value \$0.01 per share: 250,000,000 shares authorized, 74,743,163 shares issued and outstanding as of March 31, 2010 and December 31, 2009 (including 2,298,204 and 2,323,116	726	726

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restricted shares, respectively)

Class B common stock, par value \$0.01 per share:
250,000,000 authorized, no shares issued and
outstanding

Additional paid-in capital	488,082	483,872
Accumulated deficit	(23,529)	(10,553)
Accumulated other comprehensive loss	(674)	(520)

Total stockholders' equity **464,605** **473,525**

Total Liabilities and Stockholders' Equity **\$ 895,110** **\$ 959,441**

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

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Cowen Group, Inc.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2010	2009
Revenues		
Investment banking	\$ 6,005	\$
Brokerage	29,575	
Management fees	9,270	11,511
Incentive income	2,093	
Interest and dividends	804	91
Reimbursement from affiliates	1,742	3,394
Other	622	1,019
<i>Consolidated Funds</i>		
Interest and dividends	5,781	4,626
Other	366	84
Total revenues	56,258	20,725
Expenses		
Employee compensation and benefits	43,433	14,907
Floor brokerage and trade execution	5,028	
Interest and dividends	446	349
Professional, advisory and other fees	2,388	1,402
Service fees	3,812	606
Communications	3,302	274
Occupancy and equipment	5,629	2,531
Depreciation and amortization	2,494	1,236
Client services and business development	4,164	1,485
Other	7,386	2,739
<i>Consolidated Funds</i>		
Interest and dividends	1,568	2,410
Professional, advisory and other fees	678	840
Floor brokerage and trade execution	709	
Other	204	127
Total expenses	81,241	28,906
Other income (loss)		
Net gains (losses) on securities, derivatives and other investments	1,524	259
<i>Consolidated Funds:</i>		
Net realized and unrealized gains (losses) on investments and other transactions	19,218	12,667
Net realized and unrealized gains (losses) on derivatives	(220)	(17,355)
Net gains (losses) on foreign currency transactions	(725)	1,341
Total other income (loss)	19,797	(3,088)
Income (loss) before income taxes	(5,186)	(11,269)
Income tax expense (benefit)	(266)	(66)
Net income (loss)	(4,920)	(11,203)

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Net (income) loss attributable to non-controlling interests in consolidated subsidiaries	(8,056)	2,404
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Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ (12,976)	\$ (8,799)
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Weighted average common shares outstanding:

Basic	72,509	37,537
Diluted	72,509	37,537

Earnings (loss) per share:

Basic	\$ (0.18)	\$ (0.23)
Diluted	\$ (0.18)	\$ (0.23)

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

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Cowen Group, Inc.
Condensed Consolidated Statements of Changes in Equity
(in thousands, except share data)
(unaudited)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings/ Accumulated deficit	Total Stockholders' Equity	Redeemable Noncontrolling Interest	Total Comprehensive Income (Loss)
Balance, December 31, 2009	74,743,163	\$ 726	\$ 483,872	\$ (520)	\$ (10,553)	\$ 473,525	\$ 230,825	
Comprehensive income (loss):								
Net income (loss)					(12,976)	(12,976)	8,056	(4,920)
Defined Benefit Plans			 					