

COWEN GROUP, INC.  
Form 10-Q  
August 13, 2010

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

**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 June 30, 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

Edgar Filing: COWEN GROUP, INC. - Form 10-Q

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 August 12, 2010 there were 75,030,510 shares of the registrant's common stock outstanding.

---

Table of Contents

**TABLE OF CONTENTS**

<b>Item No.</b>	<b>Page No.</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<b><u>1. Unaudited Condensed Consolidated Financial Statements</u></b>	<u>4</u>
<u>Condensed Consolidated Statements of Financial Condition</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>5</u>
<u>Condensed Consolidated Statements of Changes in Equity</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<b><u>2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<u>51</u>
<b><u>3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	<u>84</u>
<b><u>4. Controls and Procedures</u></b>	<u>84</u>
<b><u>PART II. OTHER INFORMATION</u></b>	
<b><u>1. Legal Proceedings</u></b>	<u>85</u>
<b><u>1A. Risk Factors</u></b>	<u>86</u>
<b><u>2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<u>87</u>
<b><u>3. Defaults Upon Senior Securities</u></b>	<u>87</u>
<b><u>4. (Removed and Reserved)</u></b>	<u>87</u>
<b><u>5. Other Information</u></b>	<u>87</u>
<b><u>6. Exhibits</u></b>	<u>87</u>
<b><u>SIGNATURES</u></b>	<u>88</u>
<b><u>EXHIBIT INDEX</u></b>	<u>89</u>
Exhibit 10.1	
Exhibit 10.2	
Exhibit 10.3	
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32	

Table of Contents

**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 and six months ended June 30, 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 June 30, 2010	As of December 31, 2009
<b>Assets</b>		
Cash and cash equivalents	\$ 15,350	\$ 147,367
Cash collateral pledged	501	7,246
Securities owned, at fair value	222,133	54,153
Other investments	26,276	28,490
Receivable from brokers	44,222	32,525
Fees receivable	17,121	22,446
Due from related parties (see Note 17)	14,601	14,860
Fixed assets, net of accumulated depreciation and amortization of \$27,364 and \$16,449, respectively	29,445	32,603
Goodwill	27,179	27,179
Intangible assets, net of accumulated amortization of \$6,326 and \$4,506, respectively	14,574	16,394
Other assets	18,795	24,199
<i>Consolidated Funds</i>		
Cash and cash equivalents	11,458	625
Securities owned, at fair value	10,790	
Other investments, at fair value	482,192	550,407
Other assets	693	947
<b>Total Assets</b>	<b>\$ 935,330</b>	<b>\$ 959,441</b>
<b>Liabilities and Stockholders' Equity</b>		
Securities sold, not yet purchased, at fair value	\$ 31,380	\$ 14,812
Securities sold under agreement to repurchase	28,640	
Payable to brokers	105,286	3,817
Compensation payable	28,894	80,923
Note payable and short-term borrowings	18,000	49,746
Fees payable (see Note 17)	1,564	5,387
Due to related parties (see Note 17)	7,303	8,103
Accounts payable, accrued expenses and other liabilities	44,824	65,599
<i>Consolidated Funds</i>		
Capital withdrawals payable	44,477	26,312
Redemptions received in advance	9,490	
Accounts payable, accrued expenses and other liabilities	1,053	392
<b>Total Liabilities</b>	<b>320,911</b>	<b>255,091</b>
Commitments and Contingencies (see Note 12)		
<b>Redeemable non-controlling interests</b>	<b>165,825</b>	<b>230,825</b>
<b>Stockholders' equity</b>		
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, 74,965,589 and	726	726

Edgar Filing: COWEN GROUP, INC. - Form 10-Q

74,743,163 shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively (including 2,202,634 and 2,554,182 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	493,182	483,872
Accumulated deficit	(44,726)	(10,553)
Accumulated other comprehensive loss	(588)	(520)

**Total stockholders' equity** **448,594** **473,525**

**Total Liabilities and Stockholders' Equity** **\$ 935,330** **\$ 959,441**

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

Table of Contents

## Cowen Group, Inc.

## Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Revenues</b>				
Investment banking	\$ 9,938	\$	\$ 15,943	\$
Brokerage	29,793		59,369	
Management fees	8,881	10,923	18,151	22,434
Incentive income	(100)		1,994	
Interest and dividends	1,380	87	2,183	178
Reimbursement from affiliates	1,741	2,096	3,484	5,490
Other	398	669	1,020	1,688
<i>Consolidated Funds</i>				
Interest and dividends	2,965	3,241	8,746	7,867
Other	4	16	370	100
<b>Total revenues</b>	<b>55,000</b>	<b>17,032</b>	<b>111,260</b>	<b>37,757</b>
<b>Expenses</b>				
Employee compensation and benefits	38,547	13,879	81,980	28,786
Floor brokerage and trade execution	3,945		8,973	
Interest and dividends	621	338	1,067	687
Professional, advisory and other fees	2,879	7,162	5,267	9,170
Service fees	4,034		7,853	
Communications	3,153	253	6,454	527
Occupancy and equipment	5,845	2,542	11,474	5,073
Depreciation and amortization	2,390	1,198	4,884	2,434
Client services and business development	4,379	1,828	8,544	3,313
Other	4,710	2,514	12,092	5,253
<i>Consolidated Funds</i>				
Interest and dividends	(177)	2,221	1,390	4,631
Professional, advisory and other fees	831	867	1,509	1,707
Floor brokerage and trade execution	285		994	
Other	243	55	447	182
<b>Total expenses</b>	<b>71,685</b>	<b>32,857</b>	<b>152,928</b>	<b>61,763</b>
<b>Other income (loss)</b>				
Net gains (losses) on securities, derivatives and other investments	249	(4,235)	1,774	(3,976)
<i>Consolidated Funds</i>				
Net realized and unrealized gains (losses) on investments and	(8,211)	19,620	11,006	32,287

Edgar Filing: COWEN GROUP, INC. - Form 10-Q

other transactions				
Net realized and unrealized gains (losses) on derivatives	720	(7,543)	500	(24,898)
Net gains (losses) on foreign currency transactions	777	(2,818)	52	(1,477)
<b>Total other income (loss)</b>	<b>(6,465)</b>	<b>5,024</b>	<b>13,332</b>	<b>1,936</b>
<b>Income (loss) before income taxes</b>	<b>(23,150)</b>	<b>(10,801)</b>	<b>(28,336)</b>	<b>(22,070)</b>
Income tax expense (benefit)	599	17	333	(49)
<b>Net income (loss)</b>	<b>(23,749)</b>	<b>(10,818)</b>	<b>(28,669)</b>	<b>(22,021)</b>
Net (income) loss attributable to non-controlling interests in consolidated subsidiaries				