

COWEN GROUP, INC.
Form 10-Q
November 06, 2014

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 September 30, 2014
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)

599 Lexington Avenue

New York, New York

(Address of Principal Executive Offices)

(646) 562-1000

(Registrant's telephone number, including area code)

27-0423711

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

10022

(Zip 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

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	<input type="radio"/>	Accelerated filer	<input checked="" type="radio"/>	Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>
				(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 Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of November 5, 2014 there were 113,635,176 shares of the registrant's common stock outstanding.

Table of Contents

Item No.	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	<u>4</u>
<u>1. Unaudited Condensed Consolidated Financial Statements</u>	<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 Comprehensive Income (Loss)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Changes in Equity</u>	<u>7</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>51</u>
<u>3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>82</u>
<u>4. Controls and Procedures</u>	<u>82</u>
<u>PART II. OTHER INFORMATION</u>	<u>82</u>
<u>1. Legal Proceedings</u>	<u>82</u>
<u>1A. Risk Factors</u>	<u>83</u>
<u>2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>85</u>
<u>3. Defaults Upon Senior Securities</u>	<u>86</u>
<u>4. Mine Safety Disclosures</u>	<u>86</u>
<u>5. Other Information</u>	<u>86</u>
<u>6. Exhibits</u>	<u>86</u>
<u>SIGNATURES</u>	<u>87</u>
<u>EXHIBIT INDEX</u>	<u>E - 1</u>

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,” “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, 2013 as well as Item 1A of this periodic report on Form 10-Q for the quarterly period ended September 30, 2014.

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 and nine months ended September 30, 2014 and 2013. The Consolidated Financial Statements as of December 31, 2013 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

(dollars in thousands, except share and per share data)

(unaudited)

	As of September 30, 2014	As of December 31, 2013
Assets		
Cash and cash equivalents	\$66,166	\$54,720
Cash collateral pledged	8,862	10,907
Securities owned, at fair value	660,602	311,039
Receivable on derivative contracts, at fair value	35,966	10,075
Securities borrowed	2,321,556	927,773
Other investments	130,584	99,483
Receivable from brokers	95,149	66,980
Fees receivable, net of allowance	43,566	45,067
Due from related parties	29,716	26,910
Fixed assets, net of accumulated depreciation and amortization of \$24,437 and \$21,853, respectively	27,390	26,999
Goodwill	37,240	37,240
Intangible assets, net of accumulated amortization of \$26,189 and \$26,610, respectively	9,985	12,094
Other assets	26,622	17,561
Consolidated Funds		
Cash and cash equivalents	368	2,048
Other investments	197,001	187,480
Other assets	691	5,624
Total Assets	\$3,691,464	\$1,842,000
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	\$209,089	\$130,954
Securities sold under agreement to repurchase	—	3,657
Payable for derivative contracts, at fair value	31,369	7,674
Securities loaned	2,324,682	918,577
Payable to brokers	246,797	75,420
Compensation payable	66,140	51,807
Short-term borrowings and other debt	4,608	2,564
Convertible debt	117,031	—
Fees payable	10,164	6,324
Due to related parties	413	382
Accounts payable, accrued expenses and other liabilities	50,774	45,290
Consolidated Funds		
Capital withdrawals payable	—	5,222
Accounts payable, accrued expenses and other liabilities	94	549
Total Liabilities	3,061,161	1,248,420
Commitments and Contingencies (Note 13)		
Redeemable non-controlling interests	91,429	85,814
Stockholders' equity		

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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, 135,143,171 shares issued and 113,634,803 outstanding as of September 30, 2014 and 130,900,182 shares issued and 115,026,633 outstanding as of December 31, 2013, respectively (including 424,479 and 482,522 restricted shares, respectively)	1,160	1,160	
Class B common stock, par value \$0.01 per share: 250,000,000 authorized, no shares issued and outstanding	—	—	
Additional paid-in capital	766,961	737,341	
(Accumulated deficit) retained earnings	(158,498) (183,243)
Accumulated other comprehensive income (loss)	272	592	
Less: Class A common stock held in treasury, at cost, 21,508,368 and 15,873,549 shares, respectively	(71,021) (48,084)
Total Stockholders' Equity	538,874	507,766	
Total Liabilities and Stockholders' Equity	\$3,691,464	\$1,842,000	

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

Table of Contents

Cowen Group, Inc.
 Condensed Consolidated Statements of Operations
 (dollars in thousands, except per share data)
 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues				
Investment banking	\$45,799	\$27,694	\$125,653	\$70,431
Brokerage	34,334	28,462	100,475	86,583
Management fees	9,796	9,327	28,412	28,518