RODMAN & RENSHAW CAPITAL GROUP, INC.
Form 10-Q
November 03, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

o **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	**84-1374481**
(State or Other Jurisdiction of Incorporation Or Organization)	**(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 x No o

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 o No o

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 o Accelerated Filer o Non-Accelerated Filer x Smaller Reporting Company o

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

As of November 3, 2009, there were 35,383,722 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, predicts, projects, potential, intends, 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 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

Condensed Consolidated Statements of Financial Condition as of September 30, 2009 (Unaudited) and December 31, 2008

Dollars in Thousands, Except Per Share Amounts	September 30, 2009 (Unaudited)	December 31, 2008
Assets		
Cash and cash equivalents		
Unrestricted	$ 19,034	$ 18,383
Restricted	1,038	3,371
Total cash and cash equivalents	20,072	21,754
Financial instruments owned, at fair value	63,095	13,872
Private placement and other fees receivable	7,616	1,975
Receivable from brokers, dealers & clearing agencies	2,869	2,714
Prepaid expenses	575	439
Property and equipment, net	2,066	1,390
Other assets	3,077	2,632
Goodwill and other intangible assets, net	2,167	2,906
Total Assets	$ 101,537	$ 47,682
Liabilities and Stockholders Equity		
Accrued compensation payable	$ 21,776	$ 4,882
Accounts payable and accrued expenses	4,646	5,954
Acquisitions related payables	3,311	4,950
Financial instruments sold, not yet purchased, at fair value	1,675	1,361
Total Liabilities	31,408	17,147
Commitments and contingencies (See Note 6)		
Stockholders Equity		
Common stock, $0.001, par value; 100,000,000 shares authorized; 35,918,222 and 35,044,670 issued as of September 30, 2009 and December 31, 2008, respectively	36	35
Preferred stock, $0.001 par value; 1,000,000 authorized; none issued		
Additional paid-in capital	75,849	70,441
Treasury Stock, 534,500 shares	(1,034)	(1,034)
Accumulated deficit	(19,722)	(38,907)
Total common stockholders equity	55,129	30,535
Non-controlling interest	15,000	
Total Stockholders Equity	70,129	30,535
Total Liabilities and Stockholders Equity	$ 101,537	$ 47,682

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 and Nine Month Periods Ended September 30, 2009 and 2008 (Unaudited)

Amounts in Thousands, Except Per Share Amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenues:				
Investment banking	$ 31,253	$ 11,924	$ 65,129	$ 43,109
Merchant banking	28,628		28,628	
Commissions	1,642	1,396	3,154	4,695
Conference fees	1,579		1,579	843
Principal transactions	2,400	(4,923)	6,073	3,858
Interest and other income	48	166	220	771
Total revenues	$ 65,550	$ 8,563	$ 104,784	$ 53,276
Operating expenses:				
Compensation and benefits	25,470	5,945	49,381	26,701
Conference fees	3,211		3,211	2,003
Professional and consulting fees	2,210	2,401	5,050	4,392
Occupancy and equipment rentals	764	999	2,341	1,905
Advertising and marketing	740	412	1,140	780
Communication and market research	715	719	2,018	1,882
Depreciation and amortization	516	762	1,891	1,216
Business development	468	798	1,491	2,899
Office supplies	186	151	446	392
Impairment of goodwill			1,327	1,065
Other	688	641	2,252	2,056
Total operating expenses	34,968	12,828	70,548	45,291
Income (loss) before income taxes	30,582	(4,265)	34,236	7,985
Income tax (expense) benefit	(42)	1,415	(51)	(3,734)
Net income (loss)	30,540	(2,850)	34,185	4,251
Less: Net income to non-controlling interest	(15,000)		(15,000)	
Net income (loss) to common stockholders	$ 15,540	$ (2,850)	$ 19,185	$ 4,251
Net income (loss) per common share:				
Net income (loss) to common stockholders				
Basic	$ 0.44	$ (0.08)	$ 0.54	$ 0.13
Diluted	$ 0.40	$ (0.08)	$ 0.51	$ 0.12
Weighted average common shares outstanding:				
Basic	35,645	33,733	35,373	33,224

Diluted	38,522	33,733	37,379	34,862

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 Nine Month Period Ended September 30, 2009 (Unaudited) and the Year Ended December 31, 2008

Amounts in Thousands	Nine Months Ended September 30, 2009	Year Ended December 31, 2008
Common stock:		
Balance, beginning of the period	$ 35	$ 34
Issuance of common stock	1	3
Conversion of common stock to RSUs		(2)
Balance, end of period	$ 36	$ 35
Additional paid-in-capital:		
Balance, beginning of the period	$ 70,441	$ 62,345
Stock based compensation	5,588	5,605
Forfeitures	(31)	
Conversion of common stock to RSUs		2
Additional paid-in-capital	(148)	2,491
Issuance of restricted stock		(2)
Issuance of common stock	(1)	
Balance, end of period	$ 75,849	$ 70,441
Accumulated deficit:		
Balance, beginning of the period	$ (38,907)	$ (1,470)
Net income (loss)	19,185	(37,437)
Balance, end of period	$ (19,722)	$ (38,907)
Treasury stock, at cost:		
Balance, beginning of the period	$ (1,034)	$
Purchases		(1,034)
Balance, end of period	$ (1,034)	$ (1,034)
Accumulated other comprehensive (loss) income:		
Balance, beginning of the period	$	$ (141)
Reclassification adjustment for unrealized gains (losses) on investments		141
Balance, end of period	$	$
Non-controlling interest:		
Balance, beginning of the period	$	$
Net income to non-controlling interest	15,000	

Balance, end of period	$	15,000	$	
Total stockholders equity	$	70,129	$	30,535
Comprehensive income:				
Net income (loss)	$	19,185	$	(37,437)
Other comprehensive income				141
Total comprehensive income (loss)	$	19,185	$	(37,296)

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 Nine month periods ended September 30, 2009 and 2008 (Unaudited)

Amounts in Thousands	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash flows from operating activities:		
Net income	$ 34,185	$ 4,251
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,891	1,216
Stock based compensation	5,588	4,110
Realized loss on available for sale investments		141
Impairment of goodwill	1,327	1,065
Deferred taxes, net		3,448
Changes in operating assets and liabilities:		
Restricted cash	2,333	(5,978)
Financial instruments owned, at fair value	(47,896)	(17,542)
Private placement and other fees receivable	(5,723)	(1,714)
Receivable from brokers, dealers & clearing agencies	(156)	(3,686)
Prepaid expenses	(136)	(1,312)
Other assets	(445)	(2,744)
Financial instruments sold not yet purchased, at fair value	315	1,995
Accrued compensation payable	16,894	(2,108)
Accounts payable and accrued expenses	(1,544)	179
Conference deposits		1,331
Net cash provided by (used in) operating activities	6,633	(17,348)
Cash flows from investing activities:		
Purchases of property and equipment	(1,698)	(938)
Acquisitions and earn out payments	(2,917)	(11,605)
Investments in portfolio companies	(1,367)	
Purchase of customer relationship intangible asset / trademark		(5,008)
Net cash used in investing activities	(5,982)	(17,551)
Cash used in financing activities:		
Purchase of treasury stock		(1,012)
Distributions to members		(1,440)
Net cash used in financing activities		(2,452)
Net increase (decrease) in cash and cash equivalents	651	(37,351)
Cash and cash equivalents beginning of period	18,383	54,834
Cash and cash equivalents end of period	$ 19,034	$ 17,483
Supplemental disclosures of cash flow information:		
Income taxes paid	$ 1	$ 175

Non-cash investing and financing activities:		
Accrued liabilities related to the acquisitions of Miller Mathis and COSCO	$ 30	$ 4,950
Additional paid-in-capital related to acquisition of COSCO	178	1,766
Cancellation of common stock in satisfaction of withholding tax requirements	300	

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

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - Organization, Nature of Operations and Basis of Presentation

General

Rodman & Renshaw Capital Group, Inc. (RRCG or the Company) is a Delaware holding company which, through its various subsidiaries, is engaged in the investment banking business. The Company s principal operating subsidiary is Rodman & Renshaw, LLC (R&R), a Delaware limited liability company formed on June 20, 2002. R&R is registered with the Financial Industry Regulatory Authority, Inc. (FINRA). RRCG and its subsidiaries, including R&R, are collectively referred to herein as the Company .

On July 10, 2007 Rodman & Renshaw Holding, LLC (Holding), consummated a reverse acquisition through an exchange transaction (the Exchange) with its subsidiary, Enthrust Financial Services, Inc. (Enthrust), which was a non-operating public shell company. For accounting purposes, Holding is treated as the continuing reporting entity and the acquisition has been treated as a recapitalization of Enthrust with Holding as the acquirer. On August 31, 2007, Enthrust changed its name to Rodman & Renshaw Capital Group, Inc. The historical financial statements of the Company prior to July 10, 2007 are those of Holding.

Miller Mathis & Co., LLC Acquisition

On March 24, 2008, the Company acquired Miller Mathis & Co., LLC (Miller Mathis), an independent mergers and acquisition advisor to the global steel industry. The total fixed consideration for the acquisition was $7.3 million, with $4.4 million paid in cash at closing, and the balance ($2.9 million) payable on the first anniversary of the closing date. The Company had to pay up to $0.4 million of the deferred consideration in cash, and at its election, had the right to pay up to $2.5 million of the deferred consideration in cash or common stock. Up to an additional $2.1 million of purchase price was payable in cash or common stock, or a combination thereof, on the second anniversary of the closing date, upon the achievement of significant growth targets.

As of March 1, 2009, the Company effected a modification to the agreements defining the ongoing obligations between Miller Mathis and the Company. Pursuant to the modification agreement, the $2.9 million deferred payment that was due to Miller Mathis on the first anniversary of the closing date was reduced to $1.0 million, which amount was paid on April 1, 2009. The remaining $1.9 million, which is recorded as an accrued liability of the Company, will be paid to Miller Mathis contingent upon future revenues generated by the metals and mining group, of which $0.6 million was paid through September 30, 2009.

COSCO Capital Management, LLC Acquisition

On June 2, 2008, the Company consummated the acquisition of all the operating assets of COSCO Capital Management LLC, COSCO Capital Texas LP and Private Energy Securities, Inc. (collectively, COSCO), related companies that provided investment banking services to the oil and gas sectors, principally in the United States and Canada.

Under the terms of the acquisition agreement, the fixed purchase price was $10.1 million, $8.1 million of which was paid at closing by the delivery of $6.1 million in cash and 1,121,138 shares of restricted common stock of the Company valued at $2.0 million. The $2.0 million balance of the fixed purchase price was payable over the two year period following the closing. Additionally, the Company was required to pay (a) up to a maximum of $4.0 million over the 21 month period following the closing in respect of certain revenue earned, but not yet received, under contracts acquired (of which $3.8 million was paid in cash and restricted stock through September 30, 2009), and (b) certain other incremental payments based upon the acquired business achieving performance targets during the two year period following the closing. In addition, the acquisition of COSCO contained a 21 month contingency for additional contingent consideration to the selling shareholders, based on future revenues. This additional consideration was payable annually in a mix of cash and equity.

As of May 1, 2009, the Company effected a modification to the agreements defining the ongoing obligations between COSCO and the Company. Pursuant to the modification agreement, the $2.0 million deferred payment that was due to COSCO in equal installments in June 2009 and 2010, respectively, will be paid to COSCO contingent upon future revenues generated by the COSCO group. Of this $2.0 million, the Company paid $0.1 million in contingent earn-out payments through September 30, 2009, and will pay the remaining balance of the earn-out payments as future revenues are generated.

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Aceras Partners LLC Formation

On May 12, 2008, the Company formed Aceras BioMedical LLC (Aceras BioMedical), a joint venture through which the Company, in partnership with Aceras Partners, LLC (Aceras Partners), will make principal investments in early-stage biotechnology and life sciences companies. In conjunction with the establishment of the joint venture, the Company formed a new wholly-owned subsidiary, Rodman Principal Investments, LLC (RPI), which holds a 50% stake in Aceras BioMedical and serves as the holding vehicle for all of the Company s principal-related businesses. RPI has made an initial investment commitment to Aceras BioMedical of up to $30.0 million over five years to fund operations and the joint venture s principal investments in life science companies. At September 30, 2009, RPI s remaining commitment to Aceras BioMedical to fund operations and the joint venture s principal investments in life science companies was $15.7 million. RPI receives 50% of Aceras BioMedical s economic interest in all investments made by Aceras.

Under the provisions of the Consolidation Topic of the Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC), the Company determined that Aceras Partners met the definition of a variable interest entity (VIE) because the total equity investment at risk is not sufficient to permit Aceras to finance its activities without additional subordinated financial support provided by Rodman. The Company is the primary beneficiary of Aceras BioMedical because the Company absorbs all of the entity s expected losses and therefore the Company is required to consolidate Aceras BioMedical.

As of May 1, 2009, the Company effected a modification to the agreements defining the ongoing obligations between Aceras BioMedical and the Company. Pursuant to the modification agreement, the annual fixed operating budget was reduced from $2.5 million to $1.0 million and the maximum targeted investment amount in each prospective investee was reduced from $2.0 million to $0.5 million. Potential investments in excess of $0.5 million require consent of the Company. See Note 6 of the Notes to Condensed Consolidated Financial Statements for further explanation.

Non-Controlling Interests

The provisions of the Consolidation Topic of FASB ASC 810-10 require reporting entities to present non-controlling (minority) interests as equity (as opposed to as a liability or mezzanine equity), present income allocated to both non-controlling interests and common stockholders, and provides guidance on the accounting for transactions between an entity and non-controlling interests. The portion of the consolidated interest in Aceras Biomedical which is not owned by the Company is reflected as non-controlling interest in the Company s Condensed Consolidated Statements of Financial Condition.

NOTE 2 - <u>Summary of Significant Accounting Policies</u>

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. In the opinion of management, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company s financial position as of September 30, 2009, the results of operations for the three and nine months ended September 30, 2009 and 2008, the changes in stockholders equity and comprehensive income (loss) for the nine months ended September 30, 2009 and the year ended December 31, 2008 and cash flows for the nine months ended September 30, 2009 and 2008. The results for the three months ended September 30, 2009 are not necessarily indicative of the results to be expected for any subsequent quarter or the full fiscal year ending December 31, 2009.

Certain information and footnote disclosures normally included in financial statements that are prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC).

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company s audited financial statements and notes thereto for the year ended December 31, 2008 as filed with the SEC.

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Principles of Consolidation

The Company s policy is to consolidate all entities in which it owns more than 50% of the outstanding voting stock and has control. In addition, in accordance with the Consolidation Topic of FASB ASC 810-10, the Company consolidates entities which lack characteristics of an operating entity or business for which it is the primary beneficiary. Under the Consolidation Topic of FASB ASC 810-10, the primary beneficiary is the party that absorbs a majority of the entity s expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests, directly or implied. In situations where the Company has significant influence but not control of an entity that does not qualify as a variable interest entity, the Company applies the equity method of accounting. In those cases where its investment is less than 20% and significant influence does not exist, the investments are carried at fair value. Significant influence generally is deemed to exist when the Company owns 20% to 50% of the voting equity of a corporation, or when it holds at least 3% of a limited partnership interest. If the Company doesn t consolidate an entity or applies the equity method of accounting, it accounts for the investment at fair value.

All material intercompany accounts and transactions are eliminated in consolidation.

Financial Instruments at Fair Value

The Fair Value Measurements and Disclosures Topic of FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. The Fair Value Measurements and Disclosures Topic of FASB ASC 820-10 defines fair value as the price that would be received to sell an asset and paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Additionally, the Fair Value Measurements and Disclosures Topic of FASB ASC 820-10 disallows the use of block discounts on positions traded in an active market.

Fair value generally is based on quoted market prices. If quoted market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent instruments and valuation pricing models. Among the factors considered in determining the fair value of financial instruments are discount margins, weighted average spreads, discounted anticipated cash flows, the terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, as well as other measurements. Certain financial instruments have bid and ask prices that can be observed in the marketplace. For financial instruments whose inputs are based on bid-ask prices, mid-market pricing is applied and adjusted to the point within the bid-ask range that meets the Company s best estimate of fair value. For offsetting positions in the same financial instrument, the same price within the bid-ask spread is used to measure both the long and short positions.

The valuation process for financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management s judgment, either the size of the position in the financial instrument in a non-active market or other features of the financial instrument such as its complexity, or the market in which the financial instrument is traded require that an adjustment be made to the value derived from the models. An adjustment may be made if a financial instrument is subject to sales restrictions that would result in a price less than the quoted market price. Adjustments from the price derived from a valuation model reflect management s judgment that other participants in the market for the financial instrument being measured at fair value would also consider in valuing that same financial instrument and are adjusted for assumptions about risk uncertainties and market conditions. Results from valuation models and valuation techniques in one period may not be indicative of future period fair value measurements.

Financial instruments owned and financial instruments sold, not yet purchased are stated at fair value, with related changes in unrealized appreciation or depreciation reflected in principal transactions, net in the accompanying Condensed Consolidated Statements of Operations. Equity interests in certain private equity securities and limited partnership interests are reflected in the Condensed Consolidated Financial Statements at fair value, which is often represented at initial cost until significant transactions or developments indicate that a change in the carrying value of the securities is appropriate. This represents the Company s best estimate of exit price as used in the Fair Value Measurements and Disclosures Topic of FASB ASC 820-10. Generally, the carrying values of these securities will be increased or decreased based on company performance in those instances where market values are readily ascertainable by reference to substantial transactions occurring in the marketplace or quoted market prices.

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As defined in Fair Value Measurements and Disclosures Topic of FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company utilizes assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial instrument assets and liabilities carried at fair value have been classified and disclosed in one of the following three categories:

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as listed equities.

Level 2 includes those financial instruments that are valued using models or other valuation methodologies calibrated to observable market inputs. These models are primarily industry-standard models that consider various assumptions, including discount margins, credit spreads, discounted anticipated cash flows, the terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, default rates, as well as other measurements. In order to be classified as Level 2, substantially all of these assumptions would need to be observable in the marketplace or able to be derived from observable data or supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category include certain warrants and restricted securities received in conjunction with the Company s investment banking activities.

Level 3 is comprised of financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are unobservable from objective sources. Included in this category are warrants, private securities and convertible notes received in conjunction with the Company s investment banking and merchant banking activities, loans receivable and limited partnership interests.

Use of Estimates

The preparation of condensed financial statements is in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Value of Underwriter and Placement Agent Warrants

As a part of the Company s compensation for its activities as underwriter or placement agent, it may receive warrants exercisable to purchase securities similar to those that are offered and sold in the financing transaction. The Fair Value Measurements and Disclosures Topic of FASB ASC 820-10 and dynamic market conditions prompted the Company to undertake a comprehensive review of its fair value accounting polices. Upon completion of this review, management determined that the Company s warrants should be valued using the Black-Scholes Option Pricing Model (Black-Scholes), rather than a fair value model based on historical entity specific criteria. Management concluded that Black-Scholes provides a measurement tool that is consistent with the definition of fair value in accordance with the Fair Value Measurements and Disclosures Topic of FASB ASC 820-10. The model requires management to use five inputs: price, risk-free interest rate, exercise price, time remaining on the warrant and price volatility. When the Company initially receives a new warrant in connection with, or prior to an initial public offering, its calculated volatility factor is based on the volatility of an index of comparable companies, since there is no price history for new publicly traded or private companies. As each warrant approaches its expiration date, its volatility factor is derived primarily from the historical prices of the underlying common stock. There can be no assurance that the Company will be able to liquidate any of its warrants in a manner that will result in it realizing the value attributed to the warrants in the financial statements through the application of Black-Scholes.

The change in estimate was implemented in the first quarter of 2008. The impact of the change in warrants valuation was accounted for on a prospective basis in accordance with the Accounting Changes and Error Corrections Topic of FASB ASC 250-10. As a result of the Company s change in this valuation technique, it recorded additional principal transaction revenue and investment banking revenue of $9.2 million and $1.5 million, respectively, during the first quarter of 2008.

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES
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The fair value of warrants is recorded in financial instruments owned, at fair value on the Company s Condensed Consolidated Statements of Financial Condition. When a new warrant is received, its fair value is included in investment banking revenue on the date on which it is earned. Subsequently, any change in fair value is recorded as principal transactions. When a warrant is exercised, the fair value is adjusted to reflect the value of the securities purchased, net of the exercise price, and the adjustment amount is recorded as income or loss for the relevant period. If a warrant expires unexercised, the fair value is adjusted to zero and the decrease is recorded as a principal transactions loss in the relevant period.

Revenue Recognition

Investment Banking. Underwriting and placement agent revenues and fees from mergers and acquisitions and other financial advisory assignments are recognized in the Condensed Consolidated Statements of Operations when the services related to the underlying transaction are completed under the terms of the engagement. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded. Underwriting and placement agent revenues are presented net of related expenses.

When the Company receives warrants as a component of its compensation for investment banking services, revenue is recognized based on the fair value of those instruments, in accordance with the Equity-Based Payments to Non-Employees Topic of FASB ASC 505-50. Revenue from the receipt of warrants is recognized on the date the warrants are received based on the estimated fair value of the securities received as estimated using Black-Scholes, which takes into account the exercise price, remaining life of the warrant, the current price and expected volatility of the underlying stock, expected dividends on the stock and the risk-free interest rate for the remaining term of the warrant. The following provides details of the Company s investment banking revenue for the three and nine months ended September 30, 2009:

Amounts in Thousands	Three months ended September 30, 2009	Nine months ended September 30, 2009
Private placement cash fees	$ 17,128	$ 33,900
Private placement warrant and note fees	8,960	19,985
Advisory cash fees	957	5,426
Underwriting cash fees	4,208	5,818
Total investment banking revenue	$ 31,253	$ 65,129

Merchant Banking Revenue. Merchant banking revenue, consisting of gains (or losses) on investments by the Company s Aceras Biomedical joint venture and other principal investments activity, was $28.6 million. Merchant banking revenue, net of non-controlling interest of $15.0 million, was $13.6 million. The Company recognizes revenue on investments in its merchant banking segment based on consolidated realized and unrealized gains (or losses) reported, including by Aceras. The value of Aceras assets was determined based on an independent valuation prepared as of September 30, 2009, taking into consideration the cost of the investment, market participant inputs, estimated cash flows based on entity specific criteria, purchase multiples paid in other comparable third-party transactions, market conditions, liquidity, operating results and other qualitative and quantitative factors. The values at which the Company s investments are carried on its books are adjusted to estimated fair value at the end of each quarter. The instability in general economic conditions, stock markets and regulatory conditions may result in significant changes in the estimated fair value of these investments from period to period.

Principal Transactions. Financial instruments owned and financial instruments sold, but not yet purchased (all of which are recorded on a trade-date basis) are carried at fair value with gains and losses reflected in principal transactions on a trade date basis.

Commissions. The Company s sales and trading business generates revenue from equity securities trading commissions paid by customers. Commissions are recognized on a trade date basis.

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Conference Fees. The Company receives conference deposits from presenters, which are recorded as a liability and then recognized as revenue when the conference is conducted. The Company also makes advance payments for conference facilities, entertainment and related costs, which are recorded as prepaid expenses and then recognized as expenses when the conference is conducted. During the third quarter of 2009, the Company recorded conference revenues of $1.6 million and conference expenses of $3.2 million.

Segment Reporting

Through June 30, 2009, the Company operated in one business segment. Commencing July 1, 2009, the Company began operating in two business segments, Capital Markets and Merchant Banking. See Note 12 of the Notes to Condensed Consolidated Financial Statements for further explanation.

Premises and Equipment

Premises and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets (generally three to ten years). Leasehold improvements are amortized using the straight-line method over the term of related leases or the estimated useful lives of the assets, whichever is shorter.

Goodwill and Other Intangible Assets

In accordance with the Intangibles - Goodwill and Other Topic of FASB ASC 350-20, goodwill is not amortized; instead, it is reviewed for impairment at least annually and written down when impaired. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit.

Intangible assets consist of customer relationships and a trade name. Customer relationships and a trade name acquired in business combinations under the purchase method of accounting are recorded at their fair values net of accumulated amortization since the acquisition date. Customer relationships acquired in the normal course of the Company s operations are recorded at cost net of accumulated amortization. Intangible assets are amortized over their useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Amortization is calculated using the straight line method over the estimated useful lives at the following annual rates:

Customer relationships	33%
Trade name	10%

Pursuant to the provisions of the Intangibles - Goodwill and Other Topic of FASB ASC 350-30, the Company reviews its finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of finite-lived intangible asset may not be recoverable. Recoverability of a finite-lived intangible asset is measured by a comparison of its carrying amount to the undiscounted future cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset, which is determined based on discounted cash flows.

Income Taxes

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Income Taxes Topic of FASB ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management does not believe that the Company has any material uncertain tax position requiring recognition or measurement in accordance with the provisions of Income Taxes Topic of FASB ASC 740-10.

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The Company s policy is to classify penalties and interest associated with uncertain tax positions, if required, as a component of its income tax provision. As a result of having no material uncertain tax positions, the Company has no material amounts for associated interest and penalties recorded on the Condensed Consolidated Statements of Financial Condition or the Condensed Consolidated Statements of Operations.

Legal Reserves

The Company recognizes a liability for a contingency when it is probable that a liability has been incurred and when the amount of a loss can be reasonably estimated. When a range of probable loss can be estimated, the Company accrues the most likely amount of such loss, and if such amount is not determinable, then the Company accrues the minimum of the range of probable loss.

Reserves related to legal proceedings are established and maintained in accordance with the Contingencies Topic of FASB ASC 450-10. The determination of these reserve amounts requires significant judgment on the part of management. The Company s management considers many factors including, but not limited to: the amount of the claim; the basis and validity of the claim; previous results in similar cases; and legal precedents and case law. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. As of September 30, 2009, there were no legal reserves accrued in the Condensed Consolidated Statements of Financial Condition.

Concentrations of Credit Risk

R&R is engaged in trading and provides a broad range of securities brokerage and investment services to institutional clients as well as private placement services to business entities. Counterparties to R&R s business activities include broker-dealers and clearing organizations, banks and other financial institutions.

R&R uses a clearing broker to process transactions and maintain client accounts on a fee basis. R&R permits the clearing firm to extend credit to a client secured by cash and securities in the client s account. R&R s exposure to credit risk associated with the non-performance by its clients and counterparties in fulfilling their contractual obligations can be directly impacted by volatile or illiquid trading markets, which may impair the ability of clients and counterparties to satisfy their obligations to R&R. R&R has agreed to indemnify its clearing broker for losses incurred while extending credit to R&R s clients. R&R s policy is to review, as necessary, the credit standing of its clients and counterparties. Amounts due from clients that are considered uncollectible are charged back to R&R by the clearing brokers when such amounts become determinable.

Financial instruments sold but not yet purchased commit R&R to deliver specified securities at predetermined prices. The transactions may result in market risk since, to satisfy the obligation, R&R must acquire the financial instruments at market prices, which may exceed the values reflected on the Consolidated Statements of Financial Condition.

Forgivable Loans

During the year ended December 31, 2008, the Company issued $3.3 million of forgivable loans as a retention vehicle to certain new employees. The Company issued an additional $2.0 million in forgivable loans in January 2009. These loans are subject to a substantive service requirement by the employees and are amortized over a three year service period on a straight-line basis. As of September 30, 2009, the balance of such forgivable loans was $3.0 million, which is included in other assets on the Condensed Consolidated Statements of Financial Condition. The Company recorded $0.5 million of compensation expense during the quarter ended September 30, 2009 related to the amortization of these forgivable loans.

Stock-Based Compensation

The Compensation Stock Compensation Topic of FASB ASC 718-10 requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the requisite service period. Expenses associated with such grants are generally recognized on a straight-line basis over the requisite service period, net of estimated forfeitures.

Deferred stock based compensation costs with respect to shares of restricted stock and restricted stock units granted are presented as part of stock based compensation in the Condensed Consolidated Statements of Stockholders Equity.

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Earnings Per Share

The Company computes earnings per share (EPS) in accordance with the Earnings per Share Topic of FASB ASC 260-10. Basic EPS is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding, which includes restricted stock and restricted stock units (RSUs) for which service has been provided. Diluted EPS includes the components of basic EPS and also includes the dilutive effects of restricted stock and RSUs for which service has not yet been provided and outstanding employee stock options.

NOTE 3 - Recent Accounting Pronouncements

FASB ASC 810-10. In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167), to amend certain requirements of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. The Statement is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is evaluating the impact of SFAS 167 on its Consolidated Financial Statements.

FASB ASC 105-10. In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (SFAS 168). SFAS 168 replaces SFAS 162 and establishes the FASB ASC (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification became the exclusive authoritative reference on September 30, 2009.

NOTE 4 - Financial Instruments, at Fair Value

The following is a summary of the fair value of financial instruments owned and financial instruments sold, not yet purchased, as of September 30, 2009 and December 31, 2008:

Amounts in Thousands	September 30, 2009		December 31, 2008	
	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased
Securities	$ 1,687	$ 1,675	$ 1,258	$ 1,361
Merchant banking investment	30,012			
Derivatives	25,397		7,484	
Investment in private securities	1,386		627	
Investments in shells	1,774		1,824	
Loans and loan commitments	1,715		1,917	
Other investments	1,124		762	
	$ 63,095	$ 1,675	$ 13,872	$ 1,361

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The following is a summary of the Company s financial assets and liabilities that are accounted for at fair value as of September 30, 2009 and December 31, 2008 by level within the fair value hierarchy:

Amounts in Thousands	As of September 30, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Financial instruments owned:				
Securities	$ 1,353	$ 407	$ 1,313	$ 3,073
Merchant banking investment			30,012	30,012
Derivatives		221	25,176	25,397
Investments in shells			1,774	1,774
Loans and loan commitments			1,715	1,715
Other investments			1,124	1,124
Total financial instruments owned	$ 1,353	$ 628	$ 61,114	$ 63,095
Liabilities:				
Financial instruments sold, not yet purchased	$ 1,675	$	$	$ 1,675
Total financial instruments sold, not yet purchased	$ 1,675	$	$	$ 1,675

Amounts in Thousands	As of December 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Financial instruments owned:				
Securities	$ 1,258	$	$ 627	$ 1,885
Derivatives		1,862	5,622	7,484
Investments in shells			1,824	1,824
Loans and loan commitments			1,917	1,917
Other investments			762	762
Total financial instruments owned	$ 1,258	$ 1,862	$ 10,752	$ 13,872
Liabilities:				
Financial instruments sold, not yet purchased	$ 1,361	$	$	$ 1,361
Total financial instruments sold, not yet purchased	$ 1,361	$	$	$ 1,361

The following is a summary of changes in fair value of the Company s financial assets and liabilities that have been classified as Level 3 for the three months ended September 30, 2009 and 2008:

Amounts in Thousands	Three Months Ended September 30, 2009

	Derivatives Assets Instruments	Non-Derivatives Assets
Balance, June 30, 2009	$ 18,241	$ 5,747
Purchases/ issuances	9,072	1,426
Sales/ Settlements	1,159	
Realized and unrealized gains (1)	(3,296)	28,765
Balance, September 30, 2009	$ 25,176	$ 35,938
Change in unrealized gains/losses relating to instruments still held at September 30, 2009	$ 2,499	$ 28,765

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Amounts in Thousands	Three Months Ended September 30, 2008	
	Derivatives Assets Instruments	**Non-Derivatives Assets**
Balance, June 30, 2008	$ 18,907	$ 7,600
Purchases/ issuances	1,639	1,500
Realized and unrealized gains (1)	(3,592)	(1,667)
Balance, September 30, 2008	$ 16,954	$ 7,433
Change in unrealized gains/losses relating to instruments still held at September 30, 2008	$ (3,592)	$ (1,667)

(1) Reported in principal transactions in the Condensed Consolidated Statements of Operations per the Fair Value Measurements and Disclosures Topic of FASB ASC 820-10.

The following is a summary of changes in fair value of the Company s financial assets and liabilities that have been classified as Level 3 for the nine months ended September 30, 2009 and 2008:

Amounts in Thousands	Nine Months Ended September 30, 2009	
	Derivatives Assets Instruments	**Non-Derivatives Assets**
Balance, January 1, 2009	$ 5,622	$ 5,130
Purchases/ issuances	20,097	2,050
Sales/ Settlements	(6,426)	
Realized and unrealized gain (loss) (1)	5,883	28,758
Balance, September 30, 2009	$ 25,176	$ 35,938
Change in unrealized gains/losses relating to instruments still held at September 30, 2009	$ 6,882	$ 28,758

Amounts in Thousands	Nine Months Ended September 30, 2008	
	Derivatives Assets Instruments	**Non-Derivatives Assets**
Balance, January 1, 2008	$ 2,083	$ 5,807
Purchases/ issuances	9,830	2,954
Realized and unrealized gains (1)	5,040	(1,328)
Balance, September 30, 2008	$ 16,954	$ 7,433

Change in unrealized gains/losses relating to instruments still held at September 30, 2008	$ 5,040	$ (1,765)

(1) Reported in principal transactions in the Condensed Consolidated Statements of Operations per the Fair Value Measurements and Disclosures Topic of FASB ASC 820-10.

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NOTE 5 Goodwill and Other Intangible Assets

The Company performed an impairment test of goodwill as of December 31, 2008. Fair value of the reporting unit was determined using the weighted average of discounted cash flow, price to tangible book value multiple and market capitalization. The significant estimates used in the fair value methodologies include estimates of future cash flows, future growth rates and the weighted average cost of capital of the reporting unit. The impairment test resulted in the recognition of an impairment charge of $16.8 million related to Miller Mathis and COSCO, which was the total balance of goodwill related to those acquisitions.

The Company performed an impairment test of the customer relationships and trade name intangibles as of December 31, 2008 which resulted in the recognition of an impairment charge of $3.8 million of customer relationships.

Goodwill was tested again for impairment as of March 31, 2009 and as of June 30, 2009, after monitoring the relationship of the Company s market capitalization to both its book value and tangible book value and observing a decline in the Company s market capitalization related to both financial services industry-wide factors and to Company specific factors. The impairment tests resulted in the recognition of an impairment charge of $0.7 million and $0.6 million for the three months ended March 31, 2009 and June 30, 2009, respectively, related to a COSCO contingent earn-out paid in cash.

The Company completed its annual assessment of goodwill and other intangible assets as of September 30, 2009. After observing a significant increase in the Company s market capitalization related to both financial services industry-wide factors and Company specific factors no goodwill impairment was identified. In addition, there have been no identified triggering events which indicate that an impairment may exist in its customer relationships and trade name intangibles as of September 30, 2009.

The following table represents a summary of the changes to goodwill and other intangible assets from January 1, 2008 - September 30, 2009:

Amounts in Thousands	Goodwill	Customer Relationships	Trademark	Total
Balance, January 1, 2008	$ 1,065	$	$	$ 1,065
Additions	16,830	8,170	238	25,238
Impairment	(17,895)	(3,825)		(21,719)
Amortization		(1,660)	(17)	(1,677)
Balance, December 31, 2008		2,686	221	2,906
Additions	1,457			1,457
Impairment	(1,327)			(1,327)
Amortization		(852)	(18)	(869)
Balance, September 30, 2009	$ 130	$ 1,834	$ 203	$ 2,167

NOTE 6 - Commitments and Contingencies

Lease Commitments

The Company leases its headquarters and other office locations under non-cancelable lease agreements which expire between 2009 and 2013. As of September 30, 2009, there were no significant changes in the Company s lease agreements since December 31, 2008.

Letter of Credit

In connection with the lease for the 20th floor at 1251 Avenue of the Americas, New York, NY, the Company issued a letter of credit in favor of the landlord in the sum of $755,625, as a security deposit. The letter of credit expires in February 2010 but is subject to automatic extension.

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Equity Commitment

The Company made an initial investment commitment to Aceras Partners of up to $30.0 million over five years to fund operations and the joint venture s principal investments in life science companies. As of May 1, 2009, the Aceras joint venture agreement was modified to reduce the annual Aceras operating budget from $2.5 million to $1.0 million per year. This reduction, in conjunction with an Aceras portfolio investment in May 2009 and the transfer to the joint venture in May 2009 of a security position which the Company was carrying, reduced the Company s future funding commitment to the joint venture to approximately $17.4 million. As of September 30, 2009, the Company s remaining commitment to the joint venture was approximately $15.7 million.

NOTE 7 - <u>Net Capital Requirements</u>

R&R is subject to various regulatory requirements, including the SEC s Uniform Net Capital Rule (SEC Rule 15c3-1). These regulations place limitations on certain transactions, such as repaying subordinated borrowings, paying cash dividends, and making loans to a parent, affiliates or employees. Broker-dealers are prohibited from such transactions which would result in a reduction of its total net capital to less than 120% of its required minimum net capital. Moreover, broker-dealers are required to notify the SEC before entering into any such transactions, which if executed, would result in a reduction of 30% or more of its excess net capital (net capital less the minimum requirement). The SEC has the ability to prohibit or restrict such transactions if the result is detrimental to the financial integrity of the broker-dealer.

At September 30, 2009, R&R had net capital of $10.0 million, which was $9.8 million in excess of its required net capital of $250,000.

NOTE 8 - <u>Income Taxes</u>

In determining the possible future realization of deferred tax assets, the future taxable income from the following sources is taken into account: (a) the reversal of taxable temporary differences, (b) future operations exclusive of reversing temporary differences and (c) tax planning strategies that, if necessary, would be implemented to accelerate taxable income into years in which net operating losses might otherwise expire.

The Company has recorded a valuation allowance of $5.9 million against the deferred tax asset as of September 30, 2009, after considering all available evidence and potential tax-planning strategies related to the amount of the tax asset that is more likely than not to be realized.

The Company does not anticipate any change in the amount of unrecognized tax benefits within the next twelve months.

NOTE 9 - <u>Stock-Based Compensation</u>

From February 4 though March 17, 2008, the Company granted a total of 1,470,238 restricted shares to employees.

From May 23 through June 2, 2008, the Company granted to certain new employees a total of 3,252,338 performance and service based RSUs in two tranches. In the first tranche, the Company granted 2,877,338 RSUs which vest over a 20 month period; in the second tranche, the Company granted 375,000 RSUs which vest over a 27 month period. All of these grants have sale restrictions until August 2010. The fair value of these RSUs is net of a 52% discount for lack of marketability based on a protective put method model.

In August 2008, the Company granted to certain employees a total of 807,842 performance and service based RSUs. The RSUs vest over a three year period and have sale restrictions for an additional two year period subsequent to vesting. The fair value of these RSUs is net of a 49% discount for lack of marketability based on a protective put method model.

In October 2008, the Company granted to certain employees and directors a total of 1,858,502 performance and service based RSUs. The RSUs granted to employees vest over a three year period. The RSUs granted to directors vest immediately. All RSUs have sale restrictions for an additional two year period subsequent to vesting. The fair value of these RSUs is net of a 63% discount for lack of marketability based on a protective put method model.

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In February 2009, the Company granted to certain employees a total of 779,942 service based RSUs. The RSUs vest over a three year period and have sale restrictions for an additional two year period subsequent to vesting. The fair value of these RSUs is net of a 65% discount for lack of marketability based on a protective put method model.

The Company recorded $665,000 and $5.6 million of stock-based compensation for the three and nine month periods ended September 30, 2009, respectively, and $1.3 million and $4.1 million of stock-based compensation for the three and nine month periods ended September 30, 2008, respectively. The unamortized deferred stock-based compensation balance as of September 30, 2009 was $2.3 million and will be fully amortized through 2012.

There were no option grants in the first nine months of 2009. A summary of options outstanding as of September 30, 2009 is as follows:

Stock Options
Shares in Thousands

	Number Of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2008	5,077	$ 4.04	$ 1.08		
Granted					
Exercised					
Canceled	(220)	0.22	0.10		
Outstanding at September 30, 2009	4,857	$ 4.22	$ 1.13	3.5 Years	$ 8.8 million
Exercisable at September 30, 2009	4,817	$ 4.21	$ 1.12	3.5 Years	$ 8.7 million

Total compensation cost associated with stock options was $53,000 and $1.3 million for the three and nine months ended September 30, 2009, respectively, and $415,000 and $1.7 million for the three and nine months ended September 30, 2008, respectively.

The following table details the activity of restricted stock:

Restricted Stock
Shares in Thousands

	Number of Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2008	432	$ 2.31
Granted		
Forfeited	(95)	2.28
Vested	(144)	2.31
Balance at September 30, 2009	193	$ 2.33

Total compensation cost associated with the grant of restricted stock was $56,000 and $179,000 for the three and nine months ended September 30, 2009, respectively, and $429,000 and $1.7 million for the three and nine months ended September 30, 2008, respectively.

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The following tables detail the activity of restricted stock units:

Restricted Stock Units
Shares in Thousands

	Nine Months Ended September 30, 2009 (Shares)		Weighted Average Grant Date Fair Value	
	Future Service Required	No Future Service Required (1)	Future Service Required	No Future Service Required
Balance at December 31, 2008	7,245		$ 1.37	$
Granted	780		0.24	
Forfeited	(1,986)		0.56	
Vested	(1,409)	1,409	3.26	3.26
Distribution of underlying shares		(882)		4.52
Balance at September 30, 2009	4,630	527	$ 0.95	$ 1.16

(1) Represents fully vested restricted stock units which are still subject to transferability restrictions.

Total compensation cost associated with the grant of RSUs was $556,000 and $4.1 million for the three and nine months ended September 30, 2009, and $494,000 and $648,000 for the three months and nine months ended September 30, 2008.

NOTE 10 - Weighted Average Shares Outstanding

The table below reconciles weighted average number of common shares outstanding, basic and diluted, for the three and nine month periods ended September 30, 2009 and 2008:

Shares in Thousands		Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Shares outstanding (weighted average)	(1)	35,381	39,372	34,936	36,798
Unearned restricted stock	(2)	(192)	(5,639)	(244)	(3,574)
Earned restricted stock units	(3)	456		681	
Common shares outstanding, basic		35,645	33,733	35,373	33,224
Common shares upon exercise of options	(4)			51	197
Common shares upon vesting of non-vested restricted stocks and RSUs	(4)	2,877		1,955	1,441
Weighted average number of common shares outstanding, diluted		38,522	33,733	37,379	34,862

(1) Shares outstanding represents shares issued less shares repurchased in treasury stock. Shares outstanding includes public and private offerings, earned and unearned restricted stock, distributions related to restricted stock units and stock option exercises. Shares outstanding do not include undistributed earned and unearned restricted stock units.

(2) As restricted stock is contingent upon a future service condition, unearned shares are removed from shares outstanding in the calculation of basic EPS as the Company s obligation to issue these shares remains contingent.

(3) As earned restricted stock units are no longer contingent upon a future service condition and are issuable upon a certain date in the future, earned restricted stock units are added to shares outstanding in the calculation of basic EPS.

(4) Calculated under the treasury stock method in accordance with the Earnings per Share Topic of FASB ASC 260-10. The treasury stock method assumes the issuance of only a net incremental number of shares as proceeds from issuance are assumed to be used to repurchase shares at the average stock price for the period.

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NOTE 11 Warrants

On March 1, 2007, the Company, in a private placement transaction, issued the debentures and the warrants to the investors in exchange for $20,000,000 in cash. The debentures had a maturity date of December 31, 2009 and bore interest at 6% per annum, payable at the earlier of the maturity date or at the time of conversion or redemption of the debentures. The debentures, including any accrued interest, were convertible into shares of Holding s common stock, at any time, at the election of the holders, at a conversion price of $7.00 per share, subject to certain adjustments. The warrants were exercisable at any time on or before March 1, 2010, at the election of the holder, and entitled the holders to purchase up to 714,286 shares of Holding s common stock at an exercise price of $7.70 per share, subject to certain adjustments.

As part of the Exchange, the holders of the debentures and the warrants exchanged those securities (and accrued interest on the debentures) for an aggregate of 5,970,099 shares of Common Stock and warrants to purchase 1,355,600 shares of Common Stock at an exercise price of $7.00 per share, subject to certain adjustments. As a result of such adjustments, at September 30, 2009, the warrants covered the right to purchase 1,494,886 shares at an exercise price of $6.35. Subsequent to September 30, 2009, the Company extended to the warrant holders the ability to exercise the warrants on a cashless basis prior to their expiration on March 1, 2010.

In connection with the sale of the Debentures and the Warrants, the Company agreed to enter into a Registration Rights Agreement with the holders of the Debentures, which would require it or its successor to file a resale registration statement with the SEC within 90 days after certain trigger events. The Exchange was a trigger event and, in connection therewith, the Company entered into a Registration Rights Agreement with the former holders of the Debentures. In furtherance of the Company s obligations under the Registration Rights Agreement, the holders shares were included in the Registration Statement that was declared effective by the SEC on October 16, 2007. The Company has no on-going obligations under the Registration Rights Agreement.

NOTE 12 Segment Reporting

Through June 30, 2009, the Company operated in one business segment. Commencing July 1, 2009, the Company began operating in two business segments, Capital Markets and Merchant Banking. The Capital Markets reportable segment includes our investment banking, sales and trading activities and research. The Capital Markets reportable segment is managed as a single operating segment that provides the following principal sources of revenue:

- investment banking fees, which are derived from corporate finance activities and strategic advisory services;
- realized and unrealized gains with respect to securities held for the Company s own account;
- commissions on sales and trading activities;
- conference fees; and
- other miscellaneous sources of revenues, such as interest.

Although the Company has multiple sources of revenue derived within Capital Markets, most of its revenue is derived from investment banking services and consists of private placement, underwriting and strategic advisory fees earned upon the successful completion of financing or other types of corporate transactions, such as mergers, acquisitions and dispositions. The Company does not separately analyze financial data or operating results, such as operating expenses, profit and loss or assets, for our various operating units. For example, our sales and trading unit generates commission revenues and incurs various expenses specifically related to its activities, such as execution and clearing charges. Similarly, the Company s conferences generate fees from attendees and presenters but also have expenses related to facility usage, food and beverage, and entertainment.

The Merchant Banking segment is primarily comprised of operating activities related to Aceras BioMedical. On May 12, 2008, the Company formed Aceras BioMedical, a joint venture through which it, in partnership with Aceras Partners, LLC, make principal investments in early-stage biotechnology and life sciences companies. In conjunction with the establishment of the joint venture, the Company formed a new wholly-owned subsidiary, RPI, which holds a 50% stake in Aceras BioMedical and serves as the holding vehicle for all of its principal-related businesses. At September 30, 2009, RPI s outstanding investment commitment to Aceras BioMedical over five years to fund operations and the joint venture s principal investments in life science companies was $15.7 million. RPI receives 50% of Aceras BioMedical s economic interest in all investments made.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Our net revenues, expenses, and total assets by segment are summarized below:

Dollars in Millions	Capital Markets	Merchant Banking	Non-Controlling Interest	Total
2009				
Three months ended September 30				
Net revenues	$ 36.9	$ 13.6	$ 15.0	$ 65.5
Expenses	$ 29.3	$ 5.7	$	$ 35.0
Nine months ended September 30				
Net revenues	$ 76.2	$ 13.6	$ 15.0	$ 104.8
Expenses	$ 63.3	$ 7.2	$	$ 70.5
Segment assets	$ 71.5	$ 15.0	$ 15.0	$ 101.5
2008				
Three months ended September 30				
Net revenues	$ 8.6	$	$	$ 8.6
Expenses	$ 12.4	$ 0.4	$	$ 12.8
Nine months ended September 30				
Net revenues	$ 53.3	$	$	$ 53.3
Expenses	$ 44.7	$ 0.6	$	$ 45.3
Segment assets	$ 87.2	$	$	$ 87.2

NOTE 13 Subsequent Events

On October 21, 2009 the Company filed a Shelf Registration Statement on Form S-3 with the SEC, covering the prospective sale by the Company of up to $75 million of securities, from time to time, and the prospective sale of up to three million shares of common stock, from time to time, by specified selling stockholders.

On October 27, 2009 the Company announced that its affiliate, Aceras, sold its portfolio company, Huxley Pharmaceuticals Inc. (Huxley), to BioMarin Pharmaceutical Inc. (Nasaq: BMRN). Huxley was established by Aceras in August 2008. Under the terms of the agreement, BioMarin paid Huxley stockholders $15.0 million on October 23, 2009. An additional $7.5 million is payable upon the achievement of regulatory milestones. Further, Huxley stockholders may also receive up to an additional $36.0 million in milestone payments if certain annual, cumulative sales and U.S. development milestones are met. Aceras owned 95% of Huxley s stock at the time of the transaction. As such, the Company received $7.1 million on October 23, 2009, net of non-controlling interest, and has a right to receive 47.5% net of any additional purchase price when paid.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report.

Overview

We are a full-service investment bank dedicated to providing corporate finance, strategic advisory and related services to public and private companies across multiple sectors and regions. The sectors that we currently serve include life science/healthcare, energy, metals and mining, financial services and cleantech, and the regions we currently serve include the United States and China. Our primary product and service offerings include financing transactions, including private placements and public offerings. We also provide research and sales and trading services to institutional investors. We are the leader in the PIPE (private investment in public equity) and RD (registered direct offering) transaction markets. We have been ranked the #1 Placement Agent in terms of the aggregate number of PIPE and RD financing transactions completed every year since 2005 and in 2009 year-to-date.

Business Environment

Market conditions and valuations for companies in the life science sector and other sectors in which we are active, as well as general market conditions, can materially affect our financial performance. From mid-2007 through the first quarter of 2009, declining valuations, extreme volatility and lack of liquidity in certain sectors of the capital markets, notably the life science sector, as well as a slowing of economic growth generally led to declines in financing activity, smaller financing transactions, and a resulting decline in our revenue. Beginning in the second quarter of 2009, market conditions have improved as evidenced by an increased number of financing transactions and an increase in the size of the transactions.

Although on September 15, 2009, Ben Bernanke, the Chairman of the Federal Reserve Bank, announced that the recession in the United States had ended and the recovery had begun, it is not possible to predict the breadth or depth of the recovery or whether it is even sustainable. It is also difficult to forecast whether the recent improvement in market conditions will continue and for how long. Despite these concerns, we remain cautiously optimistic about our short-term prospects. This optimism is based on our performance and that of the financial markets over the last six months. During the third quarter of 2009, we completed 32 financing transactions raising $634.7 million compared to five financing transactions raising $58.4 million in the first quarter of the year. In addition, we are not burdened with exposure to commercial paper or real estate risk and hold no investments in structured products or vehicles that have undergone client revaluations, such as collateralized debt obligations and credit default swaps. On the other hand, the nature of our revenue generation, including the size of transactions, the timing of transaction closings and the sectors in which those transactions occur, make future performance difficult to predict and potentially highly variable. Revenues for many of the services we provide are earned only upon the successful completion of a transaction. Accordingly, revenues and net income in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year-to-year and quarter-to-quarter depending on whether and when transactions are completed and the number, size and type of transactions completed.

Business Segments

Through June 30, 2009, we operated in one business segment. Commencing July 1, 2009, we began operating in two business segments, Capital Markets and Merchant Banking. The Capital Markets reportable segment includes our investment banking, sales and trading activities and research. The Capital Markets reportable segment is managed as a single operating segment that provides the following principal sources of revenue:

- investment banking fees, which are derived from corporate finance activities and strategic advisory services;
- realized and unrealized gains with respect to securities held for our own account;
- commissions on sales and trading activities;
- conference fees; and
- other miscellaneous sources of revenues, such as interest.

Although we have multiple sources of revenue derived within Capital Markets, most of our revenue is derived from our investment banking services and consists of private placement, underwriting and strategic advisory fees earned upon the successful completion of financing or other types of corporate transactions, such as mergers, acquisitions and dispositions. We do not separately analyze financial data or operating results, such as operating expenses, profit and loss or assets, for our various operating units. For example, our sales and trading unit generates commission revenues and incurs various expenses specifically related to its activities,

such as execution and clearing charges. Similarly, our conferences generate fees from attendees and presenters but also have expenses related to facility usage, food and beverage, and entertainment.

The Merchant Banking segment is primarily comprised of operating activities related to Aceras BioMedical. On May 12, 2008, we formed Aceras BioMedical, a joint venture through which we, in partnership with Aceras Partners, LLC, make principal investments in early-stage biotechnology and life sciences companies. In conjunction with the establishment of the joint venture, we formed a new wholly-owned subsidiary, RPI, which holds a 50% stake in Aceras BioMedical and serves as the holding vehicle for all of our principal-related businesses. At September 30, 2009, RPI s outstanding investment commitment to Aceras BioMedical over five years to fund operations and the joint venture s principal investments in life science companies was $15.7 million. RPI receives 50% of Aceras BioMedical s economic interest in all investments made.

Critical Accounting Policies

Our Condensed Consolidated Financial Statements are prepared in conformity with GAAP, which require management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and related notes. Actual results can and will differ from estimates. These differences could be material to the financial statements.

We believe our application of accounting policies and the estimates required therein are reasonable. These accounting policies and estimates are constantly re-evaluated, and adjustments are made when facts and circumstances dictate a change. Historically, actual results have not differed materially from those determined using necessary estimates.

Our management believes that our critical accounting policies (policies that are both material to the financial condition and results of operations and require management s most difficult subjective or complex judgments) are our valuation of financial instruments, valuation of goodwill and other intangible assets, income taxes and our use of estimates related to compensation and benefits during the year.

Valuation of Financial Instruments

The Fair Value Measurements and Disclosures Topic of FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. The Fair Value Measurements and Disclosures Topic of FASB ASC 820-10 defines fair value as the price that would be received to sell an asset and paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Additionally, the Fair Value Measurements and Disclosures Topic of FASB ASC 820-10 disallows the use of block discounts on positions traded in an active market.

Fair value generally is based on quoted market prices. If quoted market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent instruments and valuation pricing models. Among the factors considered in determining the fair value of financial instruments are discount margins, weighted average spreads, discounted anticipated cash flows, the terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, as well as other measurements. Certain financial instruments have bid and ask prices that can be observed in the marketplace. For financial instruments whose inputs are based on bid-ask prices, mid-market pricing is applied and adjusted to the point within the bid-ask range that meets our best estimate of fair value. For offsetting positions in the same financial instrument, the same price within the bid-ask spread is used to measure both the long and short positions.

The valuation process for financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in our judgment, either the size of the position in the financial instrument in a non-active market or other features of the financial instrument such as its complexity, or the market in which the financial instrument is traded require that an adjustment be made to the value derived from the models. An adjustment may be made if a financial instrument is subject to sales restrictions that would result in a price less than the quoted market price. Adjustments from the price derived from a valuation model reflect management s judgment that other participants in the market for the financial instrument being measured at fair value would also consider in valuing that same financial instrument and are adjusted for assumptions about risk uncertainties and market conditions. Results from valuation models and valuation techniques in one period may not be indicative of future period fair value measurements.

Financial instruments owned and financial instruments sold, not yet purchased are stated at fair value, with related changes in unrealized appreciation or depreciation reflected in principal transactions, net in the accompanying Condensed Consolidated Statements of Operations. Equity interests in certain private equity securities and limited partnership interests are reflected in the Condensed Consolidated Financial Statements at fair value, which is often represented at initial cost until significant transactions or developments indicate that a change in the carrying value of the securities is appropriate. This represents our best estimate of exit price as used in the Fair Value Measurements and Disclosures Topic of FASB ASC 820-10. Generally, the carrying values of these securities will be increased or decreased based on company performance in those instances where market values are readily ascertainable by reference to substantial transactions occurring in the marketplace or quoted market prices.

As defined in Fair Value Measurements and Disclosures Topic of FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, we use various methods including market, income and cost approaches. Based on these approaches, we utilize assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, we are required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial instrument assets and liabilities carried at fair value have been classified and disclosed in one of the following three categories:

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as listed equities.

Level 2 includes those financial instruments that are valued using models or other valuation methodologies calibrated to observable market inputs. These models are primarily industry-standard models that consider various assumptions, including discount margins, credit spreads, discounted anticipated cash flows, the terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, default rates, as well as other measurements. In order to be classified as Level 2, substantially all of these assumptions would need to be observable in the marketplace or able to be derived from observable data or supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category include certain warrants and restricted securities received in conjunction with our investment banking activities.

Level 3 is comprised of financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are unobservable from objective sources. Included in this category are warrants, private securities and convertible notes received in conjunction with our investment banking and merchant banking activities, loans receivable and limited partnership interests.

Compensation and Benefits

The use of estimates is important in determining compensation and benefits expenses for interim and year end periods. A substantial portion of our compensation and benefits represents discretionary bonuses. In addition to the level of net revenues, our overall compensation expense in any given year is influenced by prevailing labor markets, revenue mix and our use of equity-based compensation programs. We believe the most appropriate way to allocate estimated annual discretionary bonuses among interim periods is in proportion to net revenues earned or reasonably expected. Consequently, we generally accrue interim compensation and benefits based on annual targeted compensation amounts and interim revenues received.

Goodwill and Other Intangible Assets Impairment

At least annually, we are required to assess goodwill for impairment by comparing the estimated fair value of the reporting unit with its net book value. Periodically estimating the fair value of a reporting unit requires significant judgment and often involves the use of significant estimates and assumptions. These estimates and assumptions could have a significant effect on whether an impairment charge is recorded and the magnitude of such a charge. We estimate the fair value of the reporting unit based on valuation methodologies we believe market participants would use, including the market value of our common stock which we believe to be the most relevant indicator of value. A two-step test is used to determine whether goodwill is impaired. The first step is to compare our carrying value with our fair value. If our carrying value exceeds our fair value, the second step is applied. The second step is to compare the carrying amount of the goodwill with the implied fair value of the goodwill as determined in accordance with the Intangibles - Goodwill and Other Topic of FASB ASC 350-20. Goodwill impairment is recognized if carrying value exceeds implied fair value. The determination of fair value includes considerations of projected cash flows, relevant trading multiples of comparable exchange listed corporations, and the trading price of our common shares.

Pursuant to the Intangibles - Goodwill and Other Topic of FASB ASC 350-30, we review our finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any finite-lived intangible asset may not be recoverable.

Income Taxes

We compute our provision for income tax expense in accordance with the principles of the Income Taxes Topic of FASB ASC 740-10.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

In accordance with the Income Taxes Topic of FASB ASC 740-10, at least quarterly we evaluate the realizability of the aforementioned deferred tax assets and liabilities and evaluate the need to record or reverse a valuation allowance. The evaluation includes weighing all the available positive and negative evidence in ascertaining whether it is more likely than not that its net deferred tax assets will be realized. In the first quarter of 2009, we determined that it was not more likely than not that its net deferred tax assets would be realized and accordingly we recorded a valuation allowance fully offsetting our net deferred tax assets and liabilities, reducing them to zero. We will continue to review the value of our net deferred tax assets and may reverse a portion of our valuation allowance associated with these net deferred tax assets if we continue to generate operating income in the future.

The Income Taxes Topic of FASB ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management on an ongoing basis, at least quarterly, evaluates our tax positions and ascertains whether those tax positions that may be uncertain require de-recognition or re-measurement. Management does not believe that the Company has any material uncertain tax position requiring de-recognition or measurement in accordance with the provisions of the Income Taxes Topic of FASB ASC 740-10.

Third quarter of 2009 compared to third quarter of 2008

Results of Operations

The following table sets forth the results of operations for the three months ended September 30, 2009 and 2008:

Dollars in Thousands	Three Months Ended			
	September 30, 2009		September 30, 2008	
		% of net Revenue		% of net Revenue
Revenues:				
Investment banking	$ 31,253		$ 11,924	
Merchant banking	28,628			
Commissions	1,642		1,396	
Conference fees	1,579			
Principal transactions	2,400		(4,923)	
Interest and other income	48		166	
Total revenues	$ 65,550		$ 8,563	
Operating expenses:				
Compensation and benefits	25,470	38.8%	5,945	69.4%
Conference fees	3,211	4.9%		%
Professional and consulting fees	2,210	3.4%	2,401	28.0%
Occupancy and equipment rentals	764	1.2%	999	11.7%
Advertising and marketing	740	1.1%		