

GLEACHER & COMPANY, INC.

Form 10-Q

November 08, 2013

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended September 30, 2013

- or -

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from to

Commission file number 014140

GLEACHER & COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

22-2655804

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(State or other jurisdiction of incorporation or organization)

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

1290 Avenue of the Americas, New York, New York
(Address of principal executive offices)

10104
(Zip Code)

Registrant's telephone number, including area code **(212) 273-7100**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

6,196,666 shares of Common Stock were outstanding as of the close of business on November 7, 2013

Table of Contents

GLEACHER & COMPANY, INC. AND SUBSIDIARIES

FORM 10-Q

INDEX

	Page
<u>Part I</u> <u>Financial Information</u>	
<u>Item 1.</u> <u>Financial Statements (unaudited)</u>	
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and September 30, 2012</u>	3
<u>Consolidated Statements of Financial Condition at September 30, 2013 and December 31, 2012</u>	4
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and September 30, 2012</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosure About Market Risk</u>	51
<u>Item 4.</u> <u>Controls and Procedures</u>	52
<u>Part II</u> <u>Other Information</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	53
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
<u>Item 5.</u> <u>Other Information</u>	54
<u>Item 6.</u> <u>Exhibits</u>	55

Table of Contents

GLEACHER & COMPANY, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

Part I Financial Information

Item 1. Financial Statements

(In thousands of dollars, except for per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<i>Revenue:</i>				
Investment gains/(losses), net	\$ 92	\$ 163	\$ (338)	\$ 156
Fees and other	163	222	495	710
Total revenue	255	385	157	866
<i>Expenses:</i>				
Compensation and benefits	2,876	2,968	7,516	9,149
Professional fees	3,923	3,196	9,521	8,543
Communications and data processing	280	480	974	1,525
Occupancy, depreciation and amortization	344	481	1,109	1,255
Other	4,176	928	5,376	2,485
Total expenses	11,599	8,053	24,496	22,957
Loss from continuing operations before income taxes and discontinued operations	(11,344)	(7,668)	(24,339)	(22,091)
Income tax expense/(benefit)	74	(2,223)	228	22,747
Loss from continuing operations	(11,418)	(5,445)	(24,567)	(44,838)
(Loss)/income from discontinued operations, net of taxes (Refer to Note 21)	(5,728)	2,677	(72,044)	(21,587)
Net loss	\$ (17,146)	\$ (2,768)	\$ (96,611)	\$ (66,425)
<i>Per share data:</i>				
<i>Basic (loss)/income per share</i>				
Continuing operations	\$ (1.85)	\$ (0.92)	(4.03)	\$ (7.54)
Discontinued operations	(0.92)	0.45	(11.81)	(3.63)
Net loss per share	\$ (2.77)	\$ (0.47)	\$ (15.84)	\$ (11.17)
<i>Diluted (loss)/income per share</i>				
Continuing operations	\$ (1.85)	\$ (0.92)	(4.03)	\$ (7.54)
Discontinued operations	(0.92)	0.45	(11.81)	(3.63)
Net loss per share	\$ (2.77)	\$ (0.47)	\$ (15.84)	\$ (11.17)
<i>Weighted average shares of common stock:</i>				
Basic	6,187	5,935	6,098	5,948
Diluted	6,187	5,935	6,098	5,948

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

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Table of Contents

GLEACHER & COMPANY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

(In thousands of dollars, except for share and per share amounts)	September 30, 2013	December 31, 2012
<i>Assets</i>		
Cash and cash equivalents	\$ 63,375	\$ 44,868
Cash and securities segregated for regulatory and other purposes	6,000	13,000
Receivables from:		
Brokers, dealers and clearing organizations	9,187	12,824
Related parties	1,546	1,474
Others	1,049	12,563
Financial instruments owned, at fair value (includes financial instruments pledged of \$0 and \$1,095,431 at September 30, 2013 and December 31, 2012, respectively)	883	1,096,181
Investments	17,884	20,478
Office equipment and leasehold improvements, net	186	5,311
Goodwill		1,212
Intangible assets		5,303
Income taxes receivable	4,387	7,394
Deferred tax assets, net		
Other assets	4,461	9,030
Total Assets	\$ 108,958	\$ 1,229,638
<i>Liabilities and Stockholders' Equity</i>		
<i>Liabilities</i>		
Payables to:		
Brokers, dealers and clearing organizations	\$	\$ 638,009
Related parties	1,025	2,944
Others	2,733	2,251
Securities sold under agreements to repurchase		159,386
Securities sold, but not yet purchased, at fair value		132,730
Secured borrowings, ClearPoint		64,908
Accrued compensation	3,003	34,199
Restructuring reserve (Refer to Note 20)	4,953	
Accounts payable and accrued expenses	5,766	9,866
Income taxes payable	3,970	3,755
Subordinated debt	409	595
Total Liabilities	21,859	1,048,643
<i>Commitments and Contingencies (Refer to Note 15)</i>		
<i>Stockholders' Equity</i>		
Common stock; \$.01 par value; authorized 10,000,000 shares, issued 6,688,387 and 6,688,387 shares; and outstanding 6,196,143 and 6,221,959 shares, at September 30, 2013 and December 31, 2012, respectively	1,337	1,337
Additional paid-in capital	456,003	453,938
Deferred compensation	101	124
Accumulated deficit	(360,188)	(263,577)
Treasury stock, at cost (492,244 shares and 466,428 shares, at September 30, 2013 and December 31, 2012, respectively)	(10,154)	(10,827)

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Total Stockholders' Equity		87,099		180,995
Total Liabilities and Stockholders' Equity	\$	108,958	\$	1,229,638

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

Table of Contents

GLEACHER & COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands of dollars)	Nine Months Ended September 30,	
	2013	2012
<i>Cash flows from operating activities:</i>		
Net loss	\$ (96,611)	\$ (66,425)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Amortization of stock-based compensation	5,883	4,538
Impairment of fixed assets restructuring	4,006	
Impairment of goodwill and intangible assets	3,969	21,096
Depreciation of fixed assets and amortization of leasehold improvements	683	1,455
Clawback of stock-based compensation awards subject to non-competition provisions	(556)	(2,497)
Investment (gains)/losses, net	338	(156)
Amortization of intangible assets	196	371
Deferred income taxes		24,630
<i>Changes in operating assets and liabilities:</i>		
Cash and securities segregated for regulatory and other purposes	7,000	5,612
Securities purchased under agreements to resell		1,390,619
Net receivable/payable from/to brokers, dealers and clearing organizations	(634,372)	(383,724)
Net receivable/payable from/to related parties	385	(4,397)
Net receivable from others	11,996	5,693
Financial instruments owned, at fair value	1,096,243	453,929
Income taxes receivable/payable, net	3,222	6,734
Other assets	4,554	749
Securities sold under agreements to repurchase	(159,386)	(1,374,519)
Securities sold, but not yet purchased, at fair value	(132,730)	77,278
Restructuring reserve (gross payments of \$35.5 million; Refer to Note 20)	4,953	
Accounts payable and accrued expenses	(5,158)	(3,530)
Accrued compensation	(31,196)	(9,071)
Drafts payable	1,058	318
Net cash provided by operating activities	84,477	148,703
<i>Cash flows from investing activities:</i>		
Return of capital Investments	3,202	
Purchase of investments	(947)	(800)
ClearPoint sale - net payment to Homeward Residential, Inc.	(510)	
Purchases of office equipment and leasehold improvements	(11)	(447)
Payment to former stockholders of Gleacher Partners, Inc. (Refer to Note 23)		(4,373)