

Pzena Investment Management, Inc.  
Form 10-Q  
May 04, 2011

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2011

Or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33761

PZENA INVESTMENT MANAGEMENT, INC.  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

20-8999751  
(I.R.S. Employer  
Identification No.)

120 West 45th Street  
New York, New York 10036  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (212) 355-1600

Not Applicable

(Former name, former address, and former fiscal year if changed 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  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

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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

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of May 4, 2011, there were 9,904,187 outstanding shares of the registrant’s Class A common stock, par value \$0.01 per share.

As of May 4, 2011, there were 54,668,082 outstanding shares of the registrant’s Class B common stock, par value \$0.000001 per share.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements provide our current expectations, or forecasts, of future events. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as “anticipate,” “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors described in Item 1A, “Risk Factors” in Part I of our Annual Report on Form 10-K for our fiscal year ended December 31, 2010. Accordingly, you should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report. We undertake no obligation to publicly revise any forward-looking statements to reflect circumstances or events after the date of this Quarterly Report, or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission, or SEC, after the date of this Quarterly Report on Form 10-Q.

Forward-looking statements include, but are not limited to, statements about:

- our anticipated future results of operations and operating cash flows;
- our business strategies and investment policies;
- our financing plans and the availability of short- or long-term borrowing, or equity financing;
- our competitive position and the effects of competition on our business;
- potential growth opportunities available to us;
- the recruitment and retention of our employees;
- our expected levels of compensation for our employees;
- our potential operating performance, achievements, efficiency, and cost reduction efforts;
- our expected tax rate;
- changes in interest rates;
- our expectation with respect to the economy, capital markets, the market for asset management services, and other industry trends; and
- the impact of future legislation and regulation, and changes in existing legislation and regulation, on our business.

The reports that we file with the SEC, accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov), identify additional factors that can affect forward-looking statements.



## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

PZENA INVESTMENT MANAGEMENT, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(in thousands, except share and per-share amounts)

	March 31, 2011 (unaudited)	As of December 31, 2010
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 22,054	\$ 16,381
Restricted Cash	1,421	1,420
Due from Broker	980	30
Advisory Fees Receivable	16,142	15,275
Investments, at Fair Value	6,893	3,323
Receivable from Related Parties	44	63
Other Receivables	85	210
Prepaid Expenses and Other Assets	734	914
Deferred Tax Asset, Net of Valuation Allowance of \$60,641 and \$59,431, respectively	9,324	8,834
Property and Equipment, Net of Accumulated Depreciation of \$2,830 and \$2,727, respectively	1,966	1,952
<b>TOTAL ASSETS</b>	<b>\$ 59,643</b>	<b>\$ 48,402</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Expenses	\$ 5,798	\$ 3,879
Due to Broker	1,774	-
Liability to Selling and Converting Shareholders	9,580	9,287
Deferred Compensation Liability	339	875
Other Liabilities	558	565
<b>TOTAL LIABILITIES</b>	<b>18,049</b>	<b>14,606</b>
<b>Equity:</b>		
Preferred Stock (Par Value \$0.01; 200,000,000 Shares Authorized; None Outstanding)	-	-
Class A Common Stock (Par Value \$0.01; 750,000,000 Shares Authorized; 9,904,187 and 9,367,659 Shares Issued and Outstanding in 2011 and 2010, respectively)	98	93
Class B Common Stock (Par Value \$0.000001; 750,000,000		

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Shares Authorized; 54,485,046 and 55,012,324

Shares

Issued and Outstanding in 2011 and 2010,  
respectively)

	-	-
Additional Paid-In Capital	11,257	10,836
Retained Earnings/(Accumulated Deficit)	1,019	(357 )
Total Pzena Investment Management, Inc.'s Equity	12,374	10,572
Non-Controlling Interests	29,220	23,224
<b>TOTAL EQUITY</b>	<b>41,594</b>	<b>33,796</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 59,643</b>	<b>\$ 48,402</b>

See accompanying notes to consolidated financial statements.

PZENA INVESTMENT MANAGEMENT, INC.  
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except share and per-share amounts)

For the Three Months