RODMAN & RENSHAW CAPITAL GROUP, INC.
Form 10-Q
August 12, 2008

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 June 30, 2008

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
1270 Avenue of the Americas New York, New York 10020
(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 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 August 4, 2008, there were 35,809,876 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,” “pro “potential,” “intends,” “approximates” or the negative 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 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 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;
- our ability to execute our growth, expansion and acquisition strategies;
- 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;
- 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.

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PART I
FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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1

RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition as of June 30, 2008 (unaudited) and December 31, 2007

Assets
Cash and cash equivalents
Cash and cash equivalents segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations
Financial instruments owned, at fair value
Private placement and other fees receivable
Due from clearing broker
Prepaid expenses
Deferred tax assets
Property and equipment, net
Other assets
Goodwill and other intangible assets
Total Assets
Liabilities and Stockholders Equity
Accrued compensation payable
Accounts payable and accrued expenses
Conference deposits
Financial instruments sold, not yet purchased, at fair value
Distributions payable
Due to affiliate
Income tax payable
Deferred tax liabilities
Total Liabilities
Commitments and contingencies (See note 7)
Stockholders Equity
Common stock, $0.001, par value; 100,000,000 shares authorized; 36,341,376 and 33,750,000 issued as of June 30, 2008 and December 31, 2007, respectively
Preferred stock, $0.001 par value; 1,000,000 authorized; none issued
Additional paid-in capital
Treasury Stock, 522,675 shares
Accumulated other comprehensive loss
Retained Earnings (Deficit)

Total Stockholders Equity

Total Liabilities and Stockholders equity

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

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RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations for the three month and six month periods ended June 30, 2008 and 2007 (unaudited)

	For the Three Months Ended June 30, 2008	For the Three Months Ended June 30, 2007	For the Six Months Ended June 30, 2008	For the Six Months Ended June 30, 2007
Revenues:				
Investment banking	$ 22,283,045	$ 24,142,483	$ 31,185,221	$ 38,492,653
Principal transactions	4,439,738	(442,109)	8,781,438	2,737,057
Commissions	1,735,089	1,606,368	3,298,454	3,606,237
Conference fees	842,865	719,009	842,865	719,009
Interest and other income	231,323	285,226	605,094	378,747
Total revenues	$ 29,532,060	$ 26,310,977	$ 44,713,072	$ 45,933,703
Operating expenses:				
Employee compensation and benefits	12,504,456	16,385,545	20,755,682	26,421,709
Other employee benefits	139,311	107,453	250,032	201,093
Conference fees	2,293,056	1,968,861	2,601,902	2,144,492
Broker dealer commissions	67,255	52,736	160,201	96,624
Professional and consulting fees	1,275,633	1,316,549	2,224,172	1,831,524
Business development	829,589	848,935	1,641,176	1,433,545
Communication and market research	603,451	491,246	1,163,578	889,407
Office	115,538	207,928	240,955	401,879
Occupancy and equipment rentals	587,293	307,718	905,288	605,398
Clearance and execution charges	146,733	47,027	223,587	97,850
Depreciation and amortization	316,617	162,318	453,855	324,813
Impairment of goodwill	-	-	1,065,000	-
Other	487,478	203,258	777,266	456,148
Total operating expenses	19,366,410	22,099,574	32,462,694	34,904,482
Operating income	10,165,650	4,211,403	12,250,378	11,029,221
Interest expenses	-	594,646	-	792,861
Income from continuing operations before income taxes	10,165,650	3,616,757	12,250,378	10,236,360
Income tax expense	(4,161,544)	(391,184)	(5,148,829)	(351,865)
Income from continuing operations	6,004,106	3,225,573	7,101,549	9,884,495
(Loss) income from discontinued operations	-	(19,330)	-	142,610
Net income	$ 6,004,106	$ 3,206,243	$ 7,101,549	$ 10,027,105

Weighted average common shares outstanding:

Basic		32,989,283		18,159,147		33,000,108		18,159,147
Diluted		34,109,190		24,218,617		34,327,527		24,203,713
Net income per share basic								
Income from continuing operations	$	0.18	$	0.18	$	0.22	$	0.54
Income from discontinued operations		-		-		-		0.01
Net income	$	0.18	$	0.18	$	0.22	$	0.55
Net income per share diluted								
Income from continuing operations	$	0.18	$	0.16	$	0.21	$	0.44
Income from discontinued operations		-		-		-		0.01
Net income	$	0.18	$	0.16	$	0.21	$	0.45

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

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RODMAN & RENSHAW CAPITAL GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Stockholders Equity and Comprehensive Income for the six month period ended June 30, 2008 and 2007 (unaudited)

	For the Six Months Ended June 30,			
		2008		2007
Common Stock:				
Balance, beginning of the period	$	33,750	$	18,159
Issuance of common stock		2,591		-
Balance, end of period	$	36,341	$	18,159
Additional Paid-in-capital:				
Balance, beginning of the period	$	62,345,087	$	348,256
Issuance of warrants		-		1,134,615
Beneficial conversion features of debentures		-		1,134,657
Stock based compensation		2,771,489		735,640
Additional paid-in-capital		1,496,193		-
Balance, end of period	$	66,612,769	$	3,353,168
Retained earnings (Deficit):				
Balance, beginning of the period	$	(1,469,905)	$	20,657,744
Distributions		-		(22,608,927)
Net income		7,101,549		10,027,105
Balance, end of period	$	5,631,644	$	8,075,922
Treasury Stock:				

Balance, beginning of the period	$	-	$	-
Purchases		(988,831)		-
Balance, end of period	$	(988,831)	$	-
Accumulated other comprehensive (loss) income:				
Balance, beginning of the period	$	(140,757)	$	1,001,664
Reclassification adjustment for unrealized gains (losses) on investments		140,757		(1,001,664)
Balance, end of period	$	-	$	-
Total Shareholders Equity	$	71,291,923	$	11,447,249
Comprehensive Income:				
Net income	$	7,101,549	$	10,027,105
Other comprehensive income (loss)		140,757		(1,001,664)
Total comprehensive income	$	7,242,306	$	9,025,441

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 six month periods ended June 30, 2008 and 2007 (unaudited)

	For The Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	$ 7,101,549	$ 10,027,105
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Income from discontinued operations	-	(142,610)
Depreciation and amortization	453,875	324,813
Cash and cash equivalent segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(2,446,695)	
Stock based compensation	2,771,489	735,640
Realized loss (gain) on available for sale investments	140,758	(1,001,664)
Impairment of goodwill	1,065,000	-
Interest (amortization of debt discount and deferred financing costs)	-	792,861
Deferred taxes, net	4,879,016	(327,100)
Changes in operating assets and liabilities:		
Financial instruments owned at fair value	(19,934,408)	993,240
Private placement and other fees receivable	(1,337,314)	(3,324,709)
Due from clearing broker	(1,297,885)	(3,416,280)
Prepaid expenses	(81,622)	(340,130)
Other assets	(3,234,405)	(2,368)
Financial instruments sold not yet purchased, at fair value	1,114,410	-
Accrued compensation payable	3,026,517	6,842,087
Accounts payable and accrued expenses	(344,055)	(435,290)
Due to affiliate	(53,057)	-

Income taxes payable	(48,067)	113,283
Conferences deposits	403,362	148,391
Net cash (used in) provided by operating activities	(7,821,532)	10,987,269
Cash flows from investing activities		
Purchases of property and equipment	(254,005)	(89,284)
Acquisition of Miller & Mathis LLC	(4,508,065)	-
Purchases of trademark	(7,875)	-
Acquisition of COSCO Capital Management LLC	(6,947,309)	-
Purchase of customer relationship intangible asset	(5,000,000)	-
Net cash used in investing activities	(16,717,254)	(89,284)
Cash provided by (used in) financing activities		
Proceeds from issuance of senior convertible debentures and warrants	-	20,000,000
Deferred financing costs	-	(1,070,039)
Purchase of treasury stock	(988,831)	-
Distributions to members	(1,440,000)	(12,475,000)
Net cash (used in) provided by financing activities	(2,428,831)	6,454,961
Net (decrease) increase in cash and cash equivalents	(26,967,617)	17,352,946
Cash and cash equivalents — beginning of period	54,834,189	10,386,868
Cash and cash equivalents — end of period	$ 27,866,572	$ 27,739,814
Supplemental disclosures of cash flow information		
Income taxes paid	$ 175,000	$ 520,947
Non-cash investing and financing activities		
Distribution of beneficial interest in securities	$ -	$ 10,133,927
Accrued liabilities related to the Acquisitions of Miller Mathis and COSCO	$ 4,950,000	$ -
Additional paid-in-capital related to acquisition of COSCO	$ 1,497,663	$ -
Issuance of restricted stock to former equity holders of COSCO	$ 1,121	$ -
Issuance of restricted stock to employees	$ 1,470	$ -

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

Rodman & Renshaw Capital Group, Inc. (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 (the "Broker-Dealer"), a Delaware limited liability company formed on June 20, 2002. The Broker-Dealer is registered with the Financial Industry Regulatory Authority, Inc. ("FINRA").

On July 10, 2007 Rodman & Renshaw Holding, LLC ("Holding") consummated a reverse acquisition through an exchange transaction 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), a leading independent mergers and acquisition advisor to the global steel industry. Miller Mathis, which is based in New York City, has retained its brand name and will continue to be led by its co-founder, Robert Miller, as a subsidiary of the Company. The total fixed consideration for the acquisition was $7.3 million, with $4.4 million paid in cash at closing, and the balance payable in on the first anniversary of the closing date. The Company, at its election, may 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 is 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. The Company recorded $7.5 million of goodwill as a result of this acquisition. See Note 6 of the Notes to Condensed Consolidated Financial Statements for further explanation.

The allocation of the purchase price is preliminary and estimates and assumptions are subject to change. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of intangible assets and goodwill.

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 provide 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 Rodman valued at $2.0 million. The $2.0 million balance of the fixed purchase price is payable over the two year period following the closing. Additionally, Rodman will 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 being acquired, and (b) certain other incremental payments based upon the acquired business achieving performance targets during the two year period following the closing.

The acquisition of COSCO was accounted for using the purchase method under FASB No. 141, Business Combinations, and FASB No. 142, Goodwill and other intangible assets. The Companys consolidated statements of financial condition at June 30, 2008 include the accounts of COSCO Capital Management LLC, COSCO Capital Texas LP and Private Energy Securities, Inc.

The Company recorded $9.8 million of goodwill as a result of this acquisition. 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 will be paid in a mix of cash and equity annually. For the quarter ended June 30, 2008, the Company recorded an addition of $0.6 million of goodwill related to additional contingent consideration. See Note 6 of the Notes to Condensed Consolidated Financial Statements for further explanation.

The allocation of the purchase price is preliminary and estimates and assumptions are subject to change. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of intangible assets and goodwill.

The following table summarizes the amounts of the assets acquired and liabilities assumed, recognized at the acquisition date:

ASSETS ACQUIRED	
Cash and cash equivalents	$ 99,190
Account receivable and other current assets	109,536
Fixed assets	72,551
Total Assets Acquired	$ 281,277
LIABILITIES ASSUMED	
Accounts payable and other current liabilities	129,118
Net Assets Acquired	$ 152,159

The results of COSCO revenue and earnings included in the Company's consolidated statements of operations for the six months ended June 30, 2008 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2008, or January 1, 2007 are:

	Revenue	Earnings
Actual from January 1, 2008 – June 30, 2008	$ 44,713,072	$ 7,101,549
Supplemental pro forma from January 1, 2008 – June 30, 2008	$ 46,696,612	$ 7,370,365
Supplemental pro forma from January 1, 2007 – June 30, 2007	$ 50,754,949	$ 12,636,982

The results of COSCO earning per share included in the Company 's earning per share for the six months ended June 30, 2008 and June 30, 2007 of the combined entity had the acquisition date been January 1, 2008, or January 1, 2007 are:

Earning per share for the six months ended June 30, 2007:

Basic - $0.68

Diluted - $0.51

Earning per share for the six months ended June 30, 2008:

Basic - $0.22

Diluted - $0.21

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 has formed a new wholly-owned subsidiary, Rodman Principal Investments, LLC ("RPI"), which will hold a 50% stake in Aceras BioMedical and will going forward serve 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 million over five years to fund operations and the joint venture's principal investments in life science companies. RPI will have a 50% economic interest in all investments made by Aceras.

Under the provisions of FIN 46(R) *Consolidation of Variable Interest Entities* ("FIN 46(R)"), as revised, the Company determined that Aceras Partners meets the definition of a variable interest entity ("VIE"). See Note 2 of Notes to Condensed Consolidated Financial Statements, Principles of Consolidation, for further explanation. The Company is the primary beneficiary of Aceras Partners.

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

NOTE 2 - Summary of Significant Accounting Policies

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 Companys financial position as of June 30, 2008, the results of operations for the three and six months ended June 30, 2008 and 2007, the changes in stockholders equity and comprehensive income for the six months ended June 30, 2008 and 2007 and cash flows for the six months ended June 30, 2008 and 2007. The results for the six months ended June 30, 2008 are not necessarily indicative of the results to be expected for any subsequent quarter or the full fiscal year ending December 31, 2008.

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 Companys audited financial statements and notes thereto for the year ended December 31, 2007 as filed with the SEC.

Earnings Per Share

The Company computes earnings per share (EPS) in accordance with FASB No. 128, *Earnings per Share*. 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 employee stock options.

The table below reconciles weighted average number of common shares outstanding, basic and diluted, for the three and six month periods ended June 30, 2008 and 2007:

	For the three months ended June 30,		For the six months ended June 30,	
	2008	2007	2008	2007
Common shares outstanding, basic	32,989,283	18,159,547	33,000,108	18,159,547
Common shares upon exercise of options	195,186	528,838	197,647	513,934
Common shares upon exercise of warrants	-	130,017	-	130,017
Common shares upon vesting of non-vested shares	-	-	205,051	-
Common shares upon vesting of non-vested RSUs	924,721	-	924,721	-
Conversion of senior convertible debentures to common shares	-	5,400,215	-	5,400,215
Weighted average number of common shares outstanding, diluted	34,109,190	24,218,617	34,327,527	24,203,713

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

Reclassifications

Certain reclassifications have been made to previously reported balances to conform to the current presentation.

Starting in 2008, the Company's majority ownership interest in certain public "shell" companies ("shells") is classified on the Condensed Consolidated Statements of Financial Condition as Financial instruments owned, at fair value, rather than goodwill. The Company's investment in these shells is recorded as a component of financial instruments owned at fair value in accordance with the *AICPA Audit and Accounting Guide*, *Brokers and Dealers in Securities*. The Company believes that industry practice is not to consolidate majority-owned investee companies because control of such companies is likely to be temporary, particular where, as here, the investment is made with the intent to sell in a relatively short period of time, typically in connection with a reverse merger or similar transaction in which we have been retained as agent or advisor. This reclassification had the effect of reducing goodwill and increasing financial instruments owned at fair value by $1.0 million. The amounts involved are immaterial to the Condensed Consolidated Financial Statements.

Starting in 2008, syndicate expenses associated with investment banking transactions are recorded net of revenue rather than as a component of expense in accordance with the *AICPA Audit and Accounting Guide, Brokers and Dealers in Securities*. This reclassification had the effect of reducing investment banking revenues and reducing professional and consulting fees by $0.2 million, $0.3 million, $0.3 million and $0.9 million for the three and six month periods ended June 30, 2008 and 2007, respectively.

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 except, as previously described, with regard to our ownership interest in shells. In addition, in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), *Consolidation of Variable Interest Entities* ("FIN 46(R)"), as revised, the Company consolidates entities which lack characteristics of an operating entity or business for which we are the primary beneficiary. Under FIN 46(R), 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, direct or implied. In situations where we have significant influence but not control of an entity that does not qualify as a variable interest entity, we apply fair value accounting. As of June 30, 2008, the assets and liabilities held by VIEs which the Company consolidated were immaterial.

All material intercompany accounts and transactions are eliminated in consolidation.

Financial Instruments at Fair Value

The Company adopted FASB 157, *Fair Value Measurements*, as of January 1, 2008. FASB 157 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. FASB 157 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, FASB 157 disallows the use of block discounts on positions traded in an active market and nullifies certain guidance in Emerging Issues Task Force No. 02-3 regarding the recognition of inception gains on certain derivative transactions. See Note 3 of the Notes to Condensed Consolidated Financial Statements for a complete discussion of FASB 157.

Under FASB 157, 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.

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 Consolidated Statements of Operations. Equity interests in certain private equity securities and limited partnership interests are reflected in the 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 FASB 157. Generally, the carrying values of these securities will be increased 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 FASB 157, 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 restricted stock.

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 and convertible notes received in conjunction with our investment banking activities, private equity securities and limited partnership interests.

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 adoption of FASB 157 and recent 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 FASB 157. 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 its underlying common stock. Management cannot assure that it ultimately will be able to liquidate any of the Company□s warrants in a way that will realize the value attributed to the warrants in the financial statements through the application of Black-Scholes.

The change in estimate was being implemented in the first quarter of 2008. The impact as a result of the change will be accounted for on a prospective basis in accordance with FASB 154, □*Accounting Changes and Error Corrections*.□ As a result of our change in this valuation technique, we recorded additional principal transaction revenue and investment banking revenue of $9.2 million and $1.5 million, respectively, during the first quarter of 2008.

The Company is required to estimate the value of all derivative securities that it holds at the date of any financial statements and to include that fair value, and changes in such fair value, in those financial statements. Accordingly, the fair value of warrants is recorded in financial instruments owned, at fair value on our 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 loss in the relevant period.

Short Sales

Beginning the second quarter the Company engaged in □short sales□ through a third party managed fund in order to hedge the market risk associated with its warrant portfolio. Short selling is the practice of selling securities that are borrowed from a third party. The Company is required to return securities equivalent to those borrowed for the short sale at its prime broker□s demand. Pending the return of such securities, the Company deposits with the prime broker as collateral the proceeds of the short sale plus additional cash. The amount of the required deposit, which earns interest, is adjusted periodically to reflect any change in the market price of the securities that the Company is required to return to the prime broker. As of June 30, 2008, short sales were collateralized by $1.5 million of cash and cash equivalents based on the requirements of the prime broker.

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 EITF 00-8, □*Accounting by a Grantee for an Equity Instrument to be received in Conjunction with Providing Goods or Services*.□ 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 six months ended June 30, 2008:

	For the three months ended June 30, 2008	For the six months ended June 30, 2008
Private placement cash fees	$ 11,702,155	$ 18,291,348
Private placement warrant and note fees	7,981,015	9,465,644
Advisory cash fees	1,483,393	2,212,265
Underwriting cash fees	1,116,482	1,215,964
Total investment banking revenue	$ 22,283,045	$ 31,185,221

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.

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 when the conference is conducted.

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 FASB 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized; instead, it is reviewed, on at least an annual basis, for impairment. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. While goodwill is no longer amortized, it is tested for impairment annually as of the fourth quarter or at the time of a triggering event requiring re-evaluation, if one were to occur. In light of recent economic conditions, management performed a goodwill impairment test during the first quarter of 2008 which resulted in the recognition of an impairment charge of $1.1 million.

Customer relationship assets with finite lives are amortized over their expected useful lives, which approximates three years.

Income Taxes

Income tax expense was $4,161,544 and $5,148,829 for the three and six months ended June 30, 2008, respectively, which equals an effective tax rate of 40.9% for the 3 months ended and 42.0% for the six months ended, compared to tax expense of $391,184 and $351,865 for the three and six months ended June 30, 2007, respectively.

Prior to the Exchange, Holding filed consolidated Federal income tax and combined New York State and New York City Unincorporated Business Tax (“UBT”) returns. However, as a limited liability company, Holding was not subject to Federal or state income taxes. Rather, Paul Revere and RRCG, the members of Holding, were taxed on Holding’s Federal and state taxable income. Accordingly, there was no provision or liability for Federal or state income taxes recorded, except for the UBT’s effective tax rate of 4%.

Subsequent to the Exchange, the Company is subject to Federal and state corporate income taxes and an appropriate provision has been made based upon a projected 2008 annual effective tax rate of approximately 41.2% .

Deferred tax assets and liabilities 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 bases. 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 tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income taxes are provided for temporary differences in reporting certain items. The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. Tax credits, if any, are recorded as a reduction of income taxes when realized.

In June 2006, the FASB issued Interpretation No. 48, *Accounting of Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109* (“FIN 48”). FIN 48 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. FIN 48 is effective for fiscal years beginning after December 31, 2006. The Company adopted FIN 48 effective with its 2007 year. Management does not believe that the Company has any material uncertain tax position requiring recognition or measurement in accordance with the provisions of FIN 48. Accordingly, the adoption of FIN 48 did not have a material effect on the Company’s financial statements. 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. Holding and its subsidiaries have filed annual federal and various state partnership tax returns beginning with the year ended December 31, 2004 through the year ended December 31, 2006. In addition, the Company filed federal and various state partnership tax returns for the period ended July 10, 2007. These income tax returns have not been examined by federal and state tax authorities and the applicable federal and state statutory periods to assess taxes, penalties and interest remain open. The Company and its subsidiaries will file a federal corporate consolidated return, and appropriate state corporate tax returns, for the period beginning July 11, 2007 through December 31, 2007. This period also remains open to the assessment of taxes, penalties and interest by federal and state tax authorities.

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.

Concentrations of Credit Risk

The Broker-Dealer 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 the Broker-Dealer’s business activities include broker-dealers and clearing organizations, banks and other financial institutions.

The Broker-Dealer uses a clearing broker to process transactions and maintain client accounts on a fee basis. The Broker-Dealer permits the clearing firm to extend credit to a client secured by cash and securities in the client□s account. The Broker-Dealer□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 the Broker-Dealer. The Broker-Dealer has agreed to indemnify its clearing brokers for losses incurred while extending credit to the Broker-Dealer□s clients. The Broker-Dealer□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 the Broker-Dealer by the clearing brokers when such amounts become determinable.

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

The Company maintains cash with major financial institutions. Cash is insured by the Federal Deposit Insurance Corporation up to $100,000 at each institution. The uninsured cash bank balances were approximately $20.4 million at June 30, 2008. The Company does not believe that it is exposed to any significant credit risks for cash.

Forgivable Loans

During the quarter ended June 30, 2008, the Company issued $3.1 million of forgivable loans as a retention vehicle to certain new employees. These notes are subject to a substantive service requirement by the employee and are amortized over a three year service period on a straight-line basis. As of June 30, 2008, the balance of the notes was $3.0 million which is included in other assets on the Condensed Consolidated Statements of Financial Condition. The Company recorded $0.1 million of compensation expense during the quarter ended June 30, 2008 related to the amortization of these forgivable loans.

NOTE 3 - Recent Accounting Pronouncements

In February 2007, the FASB issued FASB 159, *The Fair Value Option for Financial Assets and Financial Liabilities□Including an amendment of FASB Statement No. 115* (□FASB 159□). FASB 159 permits an entity to elect to measure various financial instruments and certain other items at fair value. It provides entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. FASB 159 requires that a business entity report unrealized gains and losses, on items for which the fair value option has been elected, in earnings at each subsequent reporting date. FASB 159 is effective as of the beginning of the first annual period beginning after November 15, 2007. The Company adopted FASB 159 as of the beginning of 2008. The Company elected to apply the fair value option on certain investments held by subsidiaries that are not registered broker-dealers as defined in the AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities and* loans and loan commitments. Investments had been accounted for by us by the equity method which approximated fair value prior to the adoption of FASB 159; therefore, there was no transition adjustment recorded to opening deficit related to these investments. Loans and loan commitments were accounted for at cost which approximated fair value prior to the adoption of FASB 159; therefore, there was no transition adjustment recorded to opening deficit related to these loans and loan commitments.

FASB 160. In December 2007, the FASB issued FASB 160, *Noncontrolling Interests in Consolidated Financial Statements □ an amendment of ARB No. 51* (□FASB 160□). FASB 160 requires an entity to clearly identify and present ownership interests in subsidiaries held by parties other than the entity in the Consolidated Financial Statements within the equity section but separate from the entity□s equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, we will adopt FASB 160 effective January 1, 2009. The Company is currently evaluating the impact of FASB 160 on our consolidated financial statements.

*FASB 161***.** In March 2008, the FASB issued FASB 161, *Disclosures about Derivative Instruments and Hedging Activities* (FASB 161). FASB 161 amends and expands the disclosure requirements of FASB 133, *Accounting for Derivative Instruments and Hedging Activities* , and requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair values and amounts of gains and losses on derivative contracts and disclosures about credit-risk-related contingent features in derivative agreements. FASB 161 is effective for the fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of FASB 160 on our consolidated financial statements.

FASB 162. In May 2008, the FASB issued FASB 162, *The Hierarchy of Generally Accepted Accounting Principles* (FASB 162). FASB 162 identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities (the Hierarchy). The Hierarchy within FASB 162 is consistent with that previously defined in the AICPA Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles (SAS 69). FASB 162 is effective 60 days following the United States Securities and Exchange Commissions (the SEC) approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The adoption of FASB 162 will not have a material effect on the Consolidated Financial Statements because the Company has utilized the guidance within SAS 69.

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NOTE 4 - Financial instruments, at fair value

The following is a summary of the fair value of financial instruments owned and sold, not yet purchased:

	June 30, 2008	
	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased
Securities	$ 4,686,182	$ 1,262,073
Derivatives	18,906,957	-
Investment in private securities	627,309	-
Investments in shells	1,823,826	-
Loans and loan commitments	477,500	-
Investments at fair value	2,424,040	-
	$ 28,945,814	$ 1,262,073

The following is a summary of our financial assets and liabilities that are accounted for at fair value as of June 30, 2008 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Financial instruments owned:				

Securities	$ 2,439,040	$ -	$ 2,874,451	$ 5,313,491
Derivatives	-	-	18,906,957	18,906,957
Investments in shells	-	-	1,823,826	1,823,826
Loans and loan commitments	-	-	477,500	477,500
Other investments	-	-	2,424,040	2,424,040
Total financial instruments owned	$ 2,439,040	$ -	$ 26,506,774	$ 28,945,814
Liabilities:				
Financial instruments sold, not yet purchased				
	$ 1,262,073	$ -	$ -	$ 1,262,073
Total financial instruments sold, not yet purchased	$ 1,262,073	$ -	$ -	$ 1,262,073

The following is a summary of changes in fair value of our financial assets and liabilities that have been classified as Level 3 for the six months ended June 30, 2008:

	Derivatives Instruments Assets	Non-Derivatives Assets
Balance, January 1, 2008	$ 2,083,469	$ 5,807,096
Received/ issuances	8,191,584	1,454,060
Realized and unrealized gain (loss) (1)	8,631,904	338,661
Balance, June 30, 2008	$ 18,906,957	$ 7,599,817
Change in unrealized gains/losses relating to instruments		
still held at June 30, 2008	$ 8,631,904	$ 139,232

(1) Realized and unrealized gains/ losses are reported in principal transactions in the Condensed Consolidated Statements of Earnings

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NOTE 5 **Discontinued Operations**

The Company operated in asset management on a limited basis through Rodman & Renshaw Fund Management (RRFM), a wholly owned subsidiary of the Company, which owned an interest in, was a general partner of, and managed Rodman & Renshaw Opportunity Fund (RROF), a New York limited partnership formed in February 2000 for the purpose of conducting a business of investing and trading its limited partners funds. Effective January 1, 2006 through November 30, 2007, and in accordance with Emerging Issued Task Force (EITF) 04-5, the Company consolidated RROF.

In October 2007, the Companys management, in consultation with the Board of Directors, determined that the Companys asset management operation, as constituted, was not central to its strategic development. Accordingly, the Company terminated its asset management operation in the fourth quarter of 2007. Effective December 1, 2007, an unaffiliated entity was appointed sole general partner of RROF. The Company retained its limited partner rights and interests.

In accordance with FASB 144, *Accounting For the Impairment or Disposal of Long Lived Assets* (FASB 144) and EITF 03-13, applying the conditions in paragraph 42 of FASB 144 in determining whether to report discontinued operations (EITF 03-13), the asset management operations are reported as discontinued as of November 30, 2007 since the Company has determined that RROF and its cash flows were clearly distinguished for financial reporting purposes from the rest of the Company and the Company will not have any significant continuing involvement in, or cash flows from, the operations of RROF.

The Company's ownership interest in the capital of RROF reflected a 7.34% interest as of December 31, 2007. Effective December 1, 2007, the Company had no significant influence over the entity's partnership operating and financial policies and is accounting for its interest on the equity method of accounting in accordance with EITF D-46. As of June 30, 2008, the investment in RROF was $279,046 and, such amount is included in financial instruments as other investment at fair value in the accompanying Consolidated Statement of Financial Condition (see Note 4).

The results of the discontinued operations for the three and six months ended June 30, 2007 are as follows:

	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
Principal transactions	$ (315,821)	$ 479,560
Interest and other income	(63,905)	(52,965)
	(379,726)	426,595
Operating expenses	51,402	(20,680)
Operating income	(328,324)	405,915
Income taxes benefit	20,832	14,085
Minority interest	288,162	(277,390)
Net income	$ 19,330	$ 142,610

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NOTE 6 – Goodwill and other intangible assets

Starting in 2008, the Company included its majority ownership interest in public shell companies is classified on the Condensed Consolidated Statements of Financial Condition as Financial instruments owned, at fair value, rather than goodwill, in accordance with the *AICPA Audit and Accounting Guide, Brokers and Dealers in Securities*. The Company believes that industry practice is not to consolidate majority-owned investee companies because control of such companies is likely to be temporary. The Company's investment in these public shells is made with the intent to sell in a relatively short period of time, typically in connection with a reverse merger or similar transaction in which we have been retained as agent or advisor. The reclassification of our ownership in public shells had the effect of reducing goodwill by $984,690 and increasing financial instruments owned at fair value by $984,690. The amounts involved are immaterial to the Condensed Consolidated Financial Statements.

In accordance with FASB 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized; instead, it is reviewed, on at least an annual basis, for impairment. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. While goodwill is no longer amortized, it is tested for impairment annually as of the fourth quarter or at the time of a triggering event requiring re-evaluation, if one were to occur. In light of recent economic conditions, management performed a goodwill impairment test during the first quarter of 2008, which resulted in the recognition of an impairment charge of $1.1 million. The Company recognized an impairment charge of $250,000 and $815,000 related to its R&R TechBio, LLC and Techvest, LLC subsidiaries, respectively.

On March 24, 2008, the Company acquired a 100% ownership interest in Miller Mathis & Co., LLC. The purchase price for the interest was $7.3 million. The total fixed consideration for the acquisition is $7.3 million, with $4.4 million paid in cash at the closing, and the balance payable in one year. The total amount of the purchase price of $7.3 million and the legal expenses associated with the acquisition of $158,065 was determined to be in excess of the value of the underlying assets acquired and was classified as $7.5 million goodwill. The allocation of the purchase price is preliminary and estimates and assumptions are subject to change. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of intangible assets and goodwill.

On June 2, 2008, the Company acquired all the operating assets of COSCO Capital Management LLC, COSCO Capital Texas LP and Private Energy Securities, Inc. (collectively, COSCO), related companies that provide 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 is $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 is payable over the two year period following the Closing Date. On June 2, 2008 the Company recorded $9.8 million of goodwill which includes the total amount of the purchase price less a 26% discount due to a six-month selling restriction on the restricted shares using a protective put model and $0.2 million of legal and accounting fees associated with the acquisition. In addition, from June 2, 2008 to June 30, 2008, the Company recorded additional contingent consideration under the terms of the purchase agreement of $0.6 million payable in cash and common stock. The allocation of the purchase price is preliminary and estimates and assumptions are subject to change. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of intangible assets and goodwill.

On June 2, 2008, the Company acquired a customer relationship intangible asset for a total cash payment of $5.0 million. The Company will amortize this customer relationship intangible asset over the expected useful life of three years using the straight line method.

On June 23, 2008 the Company purchased the RODM trademark for a cash payment of $7,875. The trademark will not be amortized until its useful life is no longer indefinite and will be tested for impairment if necessary in accordance with FASB 142.

The following table represents a summary of the changes to goodwill and other intangible assets since January 1, 2007:

	Goodwill	Customer Relationship	Trademark	Total
Balance, January 1, 2007	$ 1,938,714	$ -	$ -	$ 1,938,714
Additions	486,693	-	-	486,693
Reclassification of shells	(984,690)	-	-	(984,690)
Write-off	(375,717)	-	-	(375,717)
Balance, December 31, 2007	1,065,000	-	-	1,065,000
Additions	17,904,158	5,000,000	7,875	22,912,033
Write-off	(1,065,000)	-	-	(1,065,000)
Amortization	-	(173,993)	-	(173,993)
Balance, June 30, 2008	$ 17,904,158	$ 4,826,007	$ 7,875	$ 22,738,040

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NOTE 7 - Commitments and Contingencies

Lease Commitments

In June 1, 2008, the Company entered into a new lease agreement for approximately 40,300 square feet of office space on the 20th floor at 1251 Avenue of the Americas, New York, NY for a term which commenced in May 2008 and ends in October 2013. The monthly rental fee is $251,875, with the first monthly lease payment due six months after the lease commencement date. The monthly rent expense will be $228,625.

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 on February 2009 but is subject to automatic extension.

Aceras Partners

The Company, through RPI, has made an initial investment commitment to Aceras Partners of up to $30 million over five years to fund operations and the joint venture's principal investments in life science companies.

Litigation

During the year ended December 31, 2006, as a result of actions taken by a former employee against the Company, the Company filed a proceeding against the former employee with FINRA and the United States District Court for the Southern District of New York ("SDNY"), in which it alleged various claims against the employee including but not limited to; trademark infringement and dilution, cyber-squatting, cyber-piracy, defamation and tortuous interference with business relations. In connection with each of these actions, the Company is seeking compensatory and punitive damages of approximately $75 million. In response to these actions filed against the former employee by the Company, the employee filed counterclaims with the SDNY seeking compensatory and punitive damages of approximately $3 million against the Company for breach of contract, defamation and declaratory relief. The Company is not in a position to predict or assess the likely outcome of these proceedings, nor is it in a position to estimate the range of any potential loss. As of June 30, 2008, there have been no material developments with respect to the litigation.

By letter dated April 10, 2006, FINRA advised the Company that it was reviewing matters related to the circumstances surrounding the termination of the former employee and requested that the Company produce documents in connection with that review. By letter dated April 11, 2006, FINRA withdrew its request, to avoid regulatory duplication, upon learning that the SEC was also reviewing the same events. However, in 2007 the Company received certain letters from FINRA requesting certain information, documentation and interviews. The Company produced all information and documentation requested and continues to cooperate fully with FINRA's investigation.

NOTE 8 - <u>Net Capital Requirements</u>

The Broker-Dealer 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 June 30, 2008, the Broker-Dealer had net capital of $5,586,327, which was $5,336,327 in excess of its required net capital of $250,000.

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NOTE 9 - Income Taxes

Through the Exchange Date, the Company was an LLC, subject to UBT income taxes at a 4% effective tax rate. Beginning July 11, 2007, the Company is subject to Federal, New York State and New York City corporate income taxes, at an estimated 45% combined effective tax rate. Holding will file partnership tax returns for the periods beginning on January 1, 2007 and ending on the Exchange Date and the Company will file corporate tax returns for the period beginning July 11, 2007 and ending on December 31, 2007.

In connection with the Exchange, the Company entered into a Tax Indemnification Agreement with Paul Revere, RRCG and the stockholders of RRCG (the Indemnities) pursuant to which the Company agreed to indemnify the Indemnities for any increased taxes attributable to any adjustment to Holdings tax returns through the Exchange Date. The Company believes that the likelihood of any payment under the indemnification agreement is remote.

The Company and its subsidiaries filed consolidated Federal and various state partnership income tax returns in which the initial period of tax reporting for these entities occurred during the year ended December 31, 2004. These income tax returns have not been examined by the applicable Federal and state tax authorities.

NOTE 10 - Stock-Based Compensation

Effective January 1, 2006, the Company adopted FASB 123R, *Stock Based Compensation*, and adopted the modified prospective method with respect to its accounting for the transition to FASB 123R.

From May 23 through June 2, 2008, the Company granted to certain new employees a total of 3,252,338 of performance and service based restricted stock units 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 of RSUs which vest over a 27 month period. Both series are not sellable 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.

The Company recorded $1,532,726, $449,112, $2,771,489 and $735,640 of stock-based compensation for the three and six month periods ended June 30, 2008 and 2007, respectively. The unamortized deferred stock-based compensation balance as of June 30, 2008 was $10,919,176 and will be fully amortized through 2011.

As of June 30, 2008, there was $8,383,085 of total unrecognized compensation cost related to non vested share based awards, which is expected to be recognized over a remaining weight-average vesting period of approximately 2.3 years.

There were no option grants in the first six months of 2008. A summary of options (with retroactive effect given for the Exchange) outstanding as of June 30, 2008 is as follows:

Stock Options	**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, 2007	6,088,072	$3.91	$1.04		
Granted	--	--	--		
Exercised,	--	--	--		
Forfeited	--	--	--		
Outstanding at June 30, 2008	6,088,072	$3.91	$1.04	4.7 Years	$537,107
Exercisable at June 30, 2008	3,382,347	$3.55	$0.82	4.3 Years	$537,107

Total compensation cost associated with stock option was $610,798 and $1,331,852 for the three and six months ended June 30, 2008, respectively.

The following tables detail the activity of restricted stock:

Restricted Stock	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Balance at December 31, 2007	750,000	$ 5.00
Granted	1,470,238	2.27
Forfeited	--	--
Vested	(132,341)	2.28
Balance at June 30, 2008	2,087,897	$ 3.25

Total compensation cost associated with restricted stock was $765,529 and $1,285,866 for the three and six months ended June 30, 2008, respectively.

Restricted Stock Units	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Balance at December 31, 2007	--	$ --
Granted	3,252,338	0.98
Forfeited	--	--
Vested	--	--
Balance at June 30, 2008	3,252,338	$ 0.98

Total compensation cost associated with RSU was $153,771 for the three and six months ended June 30, 2008.

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 investment banking services to companies that have significant recurring capital needs due to their growth and development strategies, along with research and sales and trading services to institutional investor clients that focus on such companies. We are a leading investment banking firm to the biotechnology sector, a capital intensive market segment, as well as a leader in the PIPE (private investment in public equity) and RD (registered direct placements) transaction markets.

Our activities as an investment banking firm constitute a single business segment, with 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, most of our revenue is derived from our investment banking services and consist 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 prepare report or 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 life science conferences generate fees from attendees and presenters but also have expenses related to facility usage, food and beverage, and entertainment.

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. Declining valuations in various sectors, notably the life science sector, unprecedented volatility and lack of liquidity in certain sectors of the capital markets, as well as a slowing of economic growth generally has led to declines in financing activity, smaller financing transactions, and a resulting decline in revenue from prior periods. It is not possible to predict whether, and to what degree, these conditions will continue, abate, or reverse, and capital markets activity for 2008 in unlikely to match the level of activity of 2007. In addition, 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.

Critical Accounting Policies

The Condensed Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles, 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, impairment of goodwill assessment and our use of estimates related to compensation and benefits during the year.

Valuation of Financial Instruments

Our financial instruments are recorded at fair value. The fair value of a financial instrument is the amount 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 (the exit price). The use of fair value to measure financial instruments is fundamental to our financial statements and is our most critical accounting policy. Unrealized gains or losses are generally recognized in principal transactions in our Condensed Consolidated Statements of Operations. Financial instruments are valued at quoted market prices, if available. For financial instruments that do not have readily determinable fair values through quoted market prices, the determination of fair value is based upon consideration of available information, including types of financial instruments, current financial information, restrictions on dispositions, fair values of underlying financial instruments and quotations for similar instruments.

We adopted FASB 157 and FASB 159 as of the beginning of 2008. See Notes 2 and 4 of the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on FASB 157 and FASB 159, including the impact of adoption.

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, which are finalized at mid-year and year end. 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 expected with confidence. Consequently, we generally accrue interim compensation and benefits based on annual targeted compensation amounts and interim revenues received.

Goodwill Impairment

At least annually, we are required to assess whether goodwill has been impaired. 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 completed our last impairment test on goodwill as of March 31, 2008 when we recognized an impairment charge of $1.1 million related to our R&R TechBio, LLC and Techvest, LLC subsidiaries. The remaining goodwill after certain reclassifications and the impairment charge amounts to $17.9 million as of June 30, 2008 related solely to our acquisition of Miller Mathis & Co., LLC on March 24, 2008 and COSCO on June 2, 2008.

Results of Operations

The following table sets forth the results of operations for the three months ended June 30, 2008 and 2007:

	For the Three Months Ended June 30,					
	2008			2007		
Revenues:			% of net Revenue			% of Reve
Investment banking	$	22,283,045		$	24,142,483	
Principal transactions		4,439,738			(442,109)	
Commissions		1,735,089			1,606,368	
Conference fees		842,865			719,009	
Interest and other income		231,323			285,226	
Total revenues	$	29,532,060		$	26,310,977	

Operating expenses:						
Employee compensation and benefits		12,504,456	42.3%		16,385,545	62.
Other employee benefits		139,311	0.5%		107,453	0.
Conference fees		2,293,056	7.8%		1,968,861	7.
Broker dealer commissions		67,255	0.2%		52,736	0.
Professional and consulting fees		1,275,633	4.3%		1,968,861	5.
Business development		829,589	2.8%		848,935	3.
Communication and market research		603,451	2.0%		491,246	1.
Office		115,538	0.4%		207,928	0.
Occupancy and equipment rentals		587,293	2.0%		307,718	1.
Clearance and execution charges		146,733	0.5%		47,027	0.
Depreciation and amortization		316,617	1.1%		162,318	0.
Other		487,477	1.7%		203,258	0.
Total operating expenses		19,366,410	65.6%		22,099,574	84.
Operating income		10,165,650	34.4%		4,211,403	16.
Interest expenses		-			594,646	
Income from continuing operations before income taxes		10,165,650			3,616,757	
Income tax expense		(4,161,544)			(391,184)	
Income from continuing operations		6,004,106			3,225,573	
Income(loss) from discontinued operations		-			(19,330)	
Net income	$	6,004,106		$	3,206,243	

Our net income for the three months ended June 30, 2008 and 2007 included the following non-cash items:

	Three Months Ended			
	June 30, 2008		June 30, 2007	
Stock-based compensation	$	1,532,726	$	449,112
Depreciation and amortization		316,617		162,318
Total	$	1,849,343	$	611,430

Total Revenues

We operate our business as a single segment. However, we derive revenues from two primary sources investment banking and sales and trading.

Total revenue for the three months ended June 30, 2008 was $29.5 million, representing an increase of 12.2% from $26.3 million in the comparable period of 2007. The increase was primarily due to a $4.9 million increase in principal transactions revenues, partially offset by a $1.9 million, or a 7.7%, decrease in investment banking revenues.

Investment Banking Revenue

Our investment banking revenue is derived from private placement and underwriting activities and strategic advisory services. The following table sets forth our revenue and transaction volumes from our investment banking activities for the three months ended June 30, 2008 and 2007:

	Three Months Ended	
	June 30, 2008	June 30, 2007
Revenue:		
Private placement and underwriting	$ 20,799,587	$ 21,891,991
Financial advisory	1,483,458	2,250,492
Total investment banking revenue	$ 22,283,045	$ 24,142,483
Transactions Volumes:		
Private placement and underwriting		
Capital raised	$ 316,468,648	$ 746,878,307
Number of transactions	14	25

Investment banking revenue was $22.3 million for the three months ended on June 30, 2008, which included $8.0 million related to warrants received as compensation for activities as underwriter or placement agent valued using Black-Scholes, as compared to revenue of $24.1 million in the comparable period of 2007:

- Private placement and underwriting revenue for the quarter was $20.8 million, including $8.0 million of fair value related to warrants received, compared to $21.9 million in the comparable period of 2007. During the 2008 period, the Company completed 14 financing transactions with an average transaction size of $22.6 million.
- Strategic advisory fees for the three months ended June 30, 2008 were $1.5 million, compared to $2.3 million for the first quarter of 2007.

Sales and Trading

Commissions - Commissions revenues increased by $0.1 million, or 8.0%, to $1.7 million for the three months ended June 30, 2008, compared with $1.6 million for the three months ended June 30, 2007.

Principal Transactions **-** Principal transactions revenue increased $4.8 million to $4.4 million for the three months ended June 30, 2008 compared with a loss of $0.4 million for the three months ended June 30, 2007. The increase was primarily attributable to an unrealized gain in a single financial instrument obtained through an investment banking transaction during the second quarter of 2008.

Compensation and Benefits

Compensation and benefits decreased $3.9 million, or 23.8%, the ratio of compensation to net revenues was 42.3% for three months ended at June 30, 2008 as compared to 62.3% for comparable period of 2007. The decrease in compensation and benefits is attributed to: (1) a migration from a fixed compensation structure to a variable compensation structure during the second quarter of 2008 whereby certain senior bankers are subject to draws rather than fixed salaries; (2) limitations on the granting of sign-on and guaranteed payments not based on service and performance; and (3) reduction in pay-out on non-cash based revenue.

Non-Compensation Expenses

Non-compensation expense was $6.7 million for the three months ended June 30, 2008 versus $5.6 million for the prior year period, or 22.7% of net revenues for the 2008 period versus 21.3% of net revenues for the comparable period of 2007. Non-personnel expenses increased due to: (1) increases in conferences expenses due the expansion of our Monaco Global Healthcare Conference and increased exchange ratio between the EURO and the U.S. dollar; (2) increases in rental expenses due to the expansion of our platform and headcount; and (3) an increase in amortization expenses due to customer relationship intangible assets which the company purchased during second quarter of 2008.

The following table sets forth the results of operations for the six months ended June 30, 2008 and 2007:

	For the six Months Ended June 30,			
	2008		2007	
Revenues:		% of net Revenue		% of Reve
Investment banking	$ 31,185,221		$ 38,492,653	
Principal transactions	8,781,438		2,737,057	
Commissions	3,298,454		3,606,237	
Conference fees	842,865		719,009	
Interest and other income	605,094		378,747	
Total revenues	$ 44,713,072		$ 45,933,703	
Operating expenses:				
Employee compensation and benefits	20,755,682	46.4%	26,421,709	57.
Other employee benefits	250,032	0.6%	201,093	0.
Conference fees	2,601,902	5.8%	2,144,492	4.
Broker dealer commissions	160,201	0.4%	96,624	0.
Professional and consulting fees	2,224,172	5.0%	1,831,524	4.
Business development	1,641,176	3.7%	1,433,545	3.
Communication and market research	1,163,578	2.6%	889,407	1.
Office	240,955	0.5%	401,879	0.
Occupancy and equipment rentals	905,288	2.0%	605,398	1.
Clearance and execution charges	223,587	0.5%	97,850	0.
Depreciation and amortization	453,855	1.0%	324,813	0.
Impairment of goodwill	1,065,000	2.4%	-	
Other	777,265	1.7%	456,148	1.
Total operating expenses	32,462,694	72.6%	34,904,482	76.
Operating income	12,250,378	27.4%	11,029,221	24.
Interest expenses	-		792,861	
Income from continuing operations before income taxes	12,250,378		10,236,360	
Income tax expense	(5,148,829)		(351,865)	
Income from continuing operations	7,101,549		9,884,495	
Income(loss) from discontinued operations	-		142,610	
Net income	$ 7,101,549		$ 10,027,105	

Our net income for the six months ended June 30, 2008 and 2007 included the following non-cash items:

	Six Months Ended	
	June 30, 2008	June 30, 2007
Stock-based compensation	$ 2,771,489	$ 735,640

Depreciation and amortization		453,875		324,813
Impairment of goodwill		1,065,000		-
Total	$	4,290,364	$	1,060,453

Total Revenues

We operate our business as a single segment. However, we derive revenues from two primary sources investment banking and sales and trading.

Total revenue for the six months ended June 30, 2008 was $44.7 million, representing a decrease of 2.6% from $45.9 million in the comparable six month period of 2007. The decrease was primarily due to a $7.3 million, or a 19.0%, decrease in investment banking revenues, partially offset by a $6.0 million increase in principal transaction revenues.

Investment Banking Revenue

Our investment banking revenue is derived from private placement and underwriting activities and strategic advisory services. The following table sets forth our revenue and transaction volumes from our investment banking activities for the six months ended June 30, 2008 and 2007:

	Six Months Ended				
	June 30, 2008			June 30, 2007	
Revenue:					
Private placement and underwriting	$	28,972,955		$	35,705,432
Financial advisory		2,212,266			2,787,221
Total investment banking revenue	$	31,185,221		$	38,492,653
Transactions Volumes:					
Private placement and underwriting					
Capital raised	$	457,383,181	(1)	$	2,511,711,977
Number of transactions		27			41

(1) Includes capital raised as co-agent.

Investment banking revenue was $31.2 million for the six months period ended June 30, 2008, which included $9.5 million of warrants received as compensation for activities as underwriter or placement agent valued using Black-Scholes, as compared to revenue of $38.5 million in comparable period of 2007:

- Private placement and underwriting revenue for the six month was $29.0 million, including $9.5 million of fair value related to warrants received, compared to $35.7 million in the comparable period of 2007. During the six month period ended June 30, 2008, the Company completed 27 financing transactions with an average transaction size of $16.9 million.
- Strategic advisory fees for the six months period of 2008 were $2.2 million, compared to $2.8 million for the comparable period of 2007.

Sales and Trading

Commissions - Commissions revenues decreased $0.3 million, or 8.3%, to $3.3 million for the six months ended June 30, 2008, compared with $3.6 million for the six months ended June 30, 2007, with the difference primarily attributable to a large customer facilitation transaction that occurred in the first quarter of 2007.

Principal Transactions **-** Principal transactions revenue increased $6.0 million to $8.8 million for the six months ended June 30, 2008 compared with revenue of $2.7 million for the six months ended June 30, 2007. The increase was primarily attributable to an unrealized gain in a single financial instrument obtained through an investment banking transaction during the 2nd quarter of 2008.

Compensation and Benefits

Compensation and benefits decreased $5.7 million, or 21.4%, while net revenues decreased 1.2%for the first half of 2008. The ratio of compensation to net revenues was approximately 46.4% for 2008 period as compared to 57.5% for 2007 period. The decrease in compensation and benefits is attributed to: (1) a migration from a fixed compensation structure to a variable compensation structure during the second quarter of 2008 whereby certain senior bankers are subject to draws rather than fixed salaries; (2) limitations on the grant of sign-on and guaranteed payments not based on service and performance; and (3) reductions in the pay-outs on non-cash based revenue.

Non-Compensation Expenses

Non-compensation expense was $11.5 million for the first six months of 2008 versus $8.3 million for the prior year period, or 25.7% of net revenues for the first six months of 2008 versus 18.1% of net revenues for the prior year period. Non-personnel expenses increased due to: (1) an impairment charge of $1.1 million related to our R&R TechBio, LLC and Techvest, LLC subsidiaries; (2) incremental public company costs including legal, accounting and auditing and other consulting fees; (3) recruiting expenses related to the hiring of senior level employees; (4) an increase in rental expenses due to expansion of our platform and headcount; (5) an increase in conferences expenses due to exchange ratio between the EURO and the U.S. dollar; and (6) an increase in amortization expenses due to customer relationship intangible assets which the Company purchased during second quarter of 2008.

Income Taxes

Income tax expense were, respectively, $4.2 million and $5.1 million for the three and six months ended June 30, 2008. During the first half of 2008 we commenced an evaluation of our past state and local tax practices during which we determined that we should be incurring income taxes in the jurisdiction where the revenue is generated rather than the location of our employees. As a result of this state and local tax review, which we expect to complete during the third quarter of 2008, we have decreased our effective tax rate from 45% for the year ended 2007 to 42% for the first half of 2008.

Liquidity and Capital Resources

We have historically satisfied our capital and liquidity requirements through cash generated internally from operations. In addition, in March 2007, we completed a $20 million private placement to accredited investors (the Private Placement), and in October 2007 we completed the Offering, which generated net proceeds of approximately $37.2 million.

At June 30, 2008, we had liquid assets, consisting of cash and cash equivalents, cash segregated and due from clearing broker, of $31.1 million and working capital of $44.2 million. At December 31, 2007, we had liquid assets of $56.7 million and working capital of $58.6 million.

The timing of bonus and retention compensation payments to our employees may significantly affect our cash position and liquidity from period-to-period. While our employees are generally paid salaries and draws on a semi-monthly basis during the year, bonus payments, which make up a significant portion of total compensation, are generally paid semi-annually, although in some cases annually.

As a registered securities broker-dealer, we are subject to the net capital requirements of the uniform net capital requirement set forth in Rule 15c3-1 promulgated by the United States Securities and Exchange Commission (SEC) pursuant to the Securities and Exchange Act of 1934, as amended (the Exchange Act). SEC regulations also provide that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. At June 30, 2008 and December 31, 2007, we had excess net capital of $5.3million and $9.0 million, respectively. Regulatory net capital requirements may change based on investment and underwriting activities.

Because of the nature of settlement transactions in our investment banking and brokerage business, we regularly monitor our liquidity position, including our cash and net capital positions. We believe that our current level of equity capital, combined with funds anticipated to be provided by operating activities, will be adequate to meet our liquidity and regulatory capital requirements for at least the next 12 months.

Cash Flows

For the six months ended June 30, 2008, we had a net decrease in cash and cash equivalents of $27.0 million. Operating activities used cash of $7.8 million; investing activities used cash of $16.8 million; and financing activities used cash of $2.4 million. The primary components of cash used by operating activities were: (a) an increase in financial instruments of $19.9 million; (b) an increased of $3.3 million in other assets; and (c) a $2.4 million increase in cash segregated offset by: (i) share based compensation of $2.8 million; (ii) an increase in accrued compensation payable of $3.0 million; (iii) net income of $7.1 million; and (iv) an increase in deferred taxes of $4.9million. The primary components of cash used by investing activities were: (i) $4.5 million in connection with the acquisition of Miller Mathis & Co. LLC; (ii) $7.0 million in connection with the acquisition of COSCO; and (iii) $5.0 million purchase of a customer list. The primary components of cash used by financing activities were $1.0 million for purchasing of treasury stock and a $1.4 million distribution to former members.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may result from the change in value of a financial instrument due to fluctuations in its market price. Market risk is inherent in all financial instruments. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Our exposure to market risk is directly related to our role as a financial intermediary in customer trading and to our market-making and investment activities.

We trade in equity securities as an active participant in both listed and OTC equity markets. We maintain securities in inventory to facilitate our market-making activities and customer order flow. Although we do not engage in proprietary trading, we may use a variety of risk management techniques and hedging strategies in the ordinary course of our trading business, including establishing position limits by product type and industry sector, closely monitoring inventory turnover, maintaining long and short positions in related securities, and using exchange-traded equity options and other derivative instruments. We do not use derivatives for speculative purposes.

In connection with our trading business, management also reviews reports appropriate to the risk profile of specific trading activities. Typically, market conditions are evaluated and transaction details and securities positions are reviewed. These activities seek to ensure that trading strategies are within acceptable risk tolerance parameters, particularly when we commit our own capital to facilitate client trading. Our accounting department is actively involved in ensuring the integrity and clarity of the daily profit and loss statements, to the extent that we maintain trading positions for a period longer than one day. Activities include price verification procedures, position reconciliation and review of transaction booking. We believe that these procedures, which stress timely communications between our traders and senior management, are important elements of the risk management process.

Equity Price Risk

Equity price risk represents the potential loss in value due to adverse changes in the level or volatility of equity prices. We are exposed to equity price risk through our trading activities in both listed and OTC equity markets as well as our investment portfolio. We attempt to reduce the risk of loss inherent in our inventory of equity securities by establishing position limits and monitoring inventory turnover to mitigate our market risk profile. In any period, we may experience losses as a result of price declines, lack of trading volume, and illiquidity. From time to time, we may engage in a large block trade in a single security or maintain large position concentrations in a single security or warrant, securities of a single issuer, or securities of issuers engaged in a specific industry. Any downward price movement in these securities could result in a reduction of our revenues and profits. In addition, we may engage in hedging transactions that, if not successful, could result in losses.

Interest Rate Risk

Interest rate risk represents the potential loss from adverse changes in market interest rates. As we may hold U.S. Treasury securities and other fixed income securities as well as convertible debt securities and incur interest-sensitive liabilities from time to time, we are exposed to interest rate risk arising from changes in the level and volatility of interest rates and in the shape of the yield curve. Interest rate risk is managed through the use of short positions in U.S. government and corporate debt securities and other instruments.

Credit Risk

Our Broker-Dealer places and executes customer orders. The orders are then settled by an unrelated clearing organization that maintains custody of customers securities and provides financing to customers.

Through indemnification provisions in our agreement with our clearing organization, customer activities may expose us to off-balance-sheet credit risk. We may be required to purchase or sell financial instruments at prevailing market prices in the event a customer fails to settle a trade on its original terms or in the event cash and securities in customer margin accounts are not sufficient to fully cover customer obligations. We seek to control the risks associated with brokerage services for our customers through customer screening and selection procedures as well as through requirements that customers maintain margin collateral in compliance with governmental and self-regulatory organization regulations and clearing organization policies.

Most of our cash is held in two depository institutions. Our accounts are insured by the U.S. government but only up to a maximum of $100,000 per account. Our cash balances vary from time to time based on a variety of factors but in most cases are significantly in excess of the insurable limit. As a result, we have exposure on these accounts in the event these financial institutions become insolvent.

Item 4T. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SECs rules and forms; and (ii) accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We face significant legal risks in our businesses and, in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against investment banking firms have been increasing. These risks include potential liability under Federal securities and other laws in connection with securities offerings and other transactions, as well as advice and opinions we may provide concerning strategic transactions. In addition, like most investment banking firms, we could be the subject of claims made by current and former employees arising out of their employment or termination of employment with us. These claims often relate to dissatisfaction with an employee’s bonus or separation payment, or involve allegations that the employee was the subject of some form of discrimination, retaliation or other unlawful employment practice.

The following constitute our material pending legal proceedings as of the date of this report:

On or about October 18, 2006, we, as claimant, filed a statement of claim with FINRA against Matthew N. Murray (“Murray”), a former research analyst whom we terminated on March 2, 2006 for engaging in unprofessional conduct (*Rodman & Renshaw, LLC v. Mathew N. Murray,* FINRA Dispute Resolution Arbitration No. 06–04643). The petition at that time asserted claims for defamation, tortious interference with business relations, breach of fiduciary duty, conversion, breach of contract, and prima facie tort. In that proceeding, we seek compensatory damages against Murray of at least $10 million, plus punitive damages of at least $15 million, together with certain injunctive relief. The claims relate to wrongful activities allegedly undertaken by Murray.

On October 6, 2006, we and our senior officers filed an action (the “SDNY Action”) in the U.S. Federal District Court for the Southern District of New York (*Rodman & Renshaw, LLC, John Borer, Edward Rubin, Michael Vasinkevich, and Wesley K. Clark v. Mathew N. Murray,* U.S. District Court, Southern District of New York, 06 CV 8210 (WHP)), alleging various claims for trademark dilution, trademark infringement, cybersquatting, cyberpiracy, and false designation of origin as a result of various websites allegedly created by or at the instance of Murray using, among other things, the given names and surnames of certain of our principals and high ranking employees. The action, among other things, sought permanent injunctive relief restraining Murray from continuing the acts complained of, as well as compensatory and punitive damages, each in the amount of at least $10,000,000. On October 6, 2006, we and the other plaintiffs moved for a temporary restraining order and preliminary injunction seeking an order enjoining Murray from continuing to maintain the offending websites and directing that the sites be taken down and the domain names transferred to us and to the other plaintiffs. Murray signed an order on October 10, 2006, effectively agreeing to all of our demands, which document was so-ordered by the Court on October 11, 2006. On or about October 17, 2006, Murray filed an answer and counterclaims, which he amended on November 14, 2006, for breach of contract, defamation, and declaratory relief, seeking at least $1,000,000 each in compensatory damages and punitive damages in an amount to be determined at trial. Murray also alleges that he was promised an option to purchase two percent “of Rodman” for “book value.”

On or about November 17, 2006, the plaintiffs in the SDNY Action moved to sever and dismiss Murray’s counterclaims and Murray moved to stay and preliminarily enjoin the FINRA proceeding or, in the alternative, to stay the SDNY Action. The court heard oral argument on the motions on December 21, 2006, and issued an order dated December 22, 2006, declining to stay the FINRA proceeding; declining to sever and dismiss Murray’s counterclaims; and directing that the SDNY Action be stayed pending the full adjudication of FINRA proceeding.

On April 9, 2007, the statement of claim in the FINRA proceeding was amended to include the claims first set forth in the complaint in the SDNY Action and to include the individual plaintiffs in the SDNY Action as additional claimants in the FINRA proceeding. On May 24, 2007, Murray filed a motion to dismiss the amended statement of claim, as well as an answer and three counterclaims. Two of the counterclaims seek damages for breach of contract of at least $1.0 million; the third counterclaim seeks damages for defamation of at least $1.0 million, plus additional, but unspecified, compensatory and punitive damages, plus expungement of the Form U-5 that we filed in connection with Murray’s termination. Murray also seeks a declaration concerning his rights and our conduct in connection with the allegations in his answer and counterclaims and in connection with our right to adjudicate our claims in the arbitration. On August 2, 2007, claimants filed a reply to Murray’s counterclaims, an opposition to Murray’s motion to dismiss claimants’ amended statement of claim and a motion to dismiss two of Murray’s counterclaims (the counterclaim seeking damages for breach of contract in connection with Murray’s claim that he had been promised an option to purchase two percent “of Rodman” for “book value” and the counterclaim seeking damages for defamation) as well as his claims for declaratory relief. On or about August 31, 2007, Murray filed an opposition to claimants’ motion to dismiss his counterclaims and claims for declaratory relief, as well as a reply in further support of his motion to dismiss the amended statement of claim. On December 6, 2007, claimants filed a reply in further support of their motion to dismiss the second and third counterclaims asserted by Murray. On January 14, 2008, claimants filed a second amended statement of claim. On January 16, 2008, Murray filed an answer and motion to dismiss the second amended statement of claim. In December 2007 and January 2008, the Panel denied both parties’ motions to dismiss. The Panel has set hearing dates (for the FINRA arbitration proceeding) for November 24 through 26, 2008, inclusive, December 2 through 4, 2008 inclusive, January 20 through 22, 2009 inclusive, with additional hearing dates to be scheduled in the future.

The actions concerning Murray are at a preliminary stage, and although we believe that claimants will prevail on their claims and that they have meritorious defenses to Murray’s counterclaims, we are not in a position at this stage to predict or assess the likely outcome of these proceedings.

As a result of allegations by Mr. Murray that we terminated him in violation of NASD Rule 2711 (“Rule 2711”) and SEC Regulation AC (“Reg AC”) in retaliation for his desire to downgrade an issuer that he provided research coverage on, the Committee on Finance of the U.S. Senate (“SFC”) and the SEC commenced inquiries, the AG issued a subpoena and FINRA initiated an investigation.

The SFC, by letter dated May 25, 2006 from its former chairman, Senator Charles E. Grassley (“Grassley”), requested that our Chairman make himself available for an interview with Grassley’s staff and respond to certain questions in connection with Murray’s termination. By letter of the same date, Grassley, along with Senator Max Baucus, who was at that time the ranking member of the SFC, wrote to Christopher Cox, then chairman of the SEC, asking the SEC to conduct a “comprehensive and thorough examination” into our termination of Murray. Both the letter to us and the letter to Cox reference possible violations of Rule 2711 and Reg AC. We responded to the letter from Grassley and our Chairman voluntarily appeared for an interview by Grassley’s staff in July 2006. The last written correspondence from Grassley’s offices to us with respect to this matter occurred in September 2006. Neither former chairman Grassley nor the SFC has contacted us since that date, and the SFC has not, to our knowledge, issued any subpoena in connection with its inquiry.

By letter dated March 27, 2006, the SEC advised us that it was undertaking an inquiry of us and it requested that we produce documents in connection with that inquiry. Although the letter from the SEC does not specifically reference either Rule 2711 or Reg AC, the documents they requested and our counsel’s conversation with the SEC staff indicated that the focus of the inquiry was Mr. Murray’s allegations. We responded to the SEC inquiry and produced responsive documents to the SEC. In addition, we produced our chief compliance officer for an interview at the SEC.

By letter dated April 18, 2007, the SEC advised us that its inquiry had been terminated and that no enforcement action had been recommended.

On or about July 7, 2006, the AG served us with a subpoena containing a number of requests for information and documents concerning, among other things, the termination of Murray. The subpoena does not specifically reference either Rule 2711 or Reg AC. We produced documents and information responsive to the subpoena (including all of the documents that we also had previously provided to the SEC). To our knowledge, the AG has not interviewed any of our employees and we have not received any communication from the AG since the end of August 2006.

By letter dated April 10, 2006, FINRA advised us that it was reviewing matters related to the circumstances surrounding the termination of Mr. Murray and requested that we produce documents in connection with that review. By letter dated April 11, 2006, FINRA withdrew its request to avoid regulatory duplication upon learning that the SEC was also reviewing the same events. Thereafter, by letter dated May 1, 2007, following the SEC’s termination of its inquiry and in connection with its own investigation, FINRA requested the production of certain information and documentation. We have produced all information and documentation responsive to the May 1, 2007 letter. Subsequently, by letter dated July 24, 2007, FINRA requested additional information and documentation. We produced all information and documentation responsive to the July 24, 2007 letter. By letter dated August 6, 2007, FINRA requested the interviews of certain employees of our Broker-Dealer. We complied with the request for the interviews. Subsequently, by letter dated November 9, 2007, FINRA requested further information and documentation. We produced all information and documentation responsive to the November 9, 2007 letter. We have not received any further communication from FINRA since December 2007.

Item 1A. Risk Factors

RISK FACTORS

Information regarding our risk factors appears in Part I, Item 1A. of our annual report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC on March 14, 2008. These risk factors describe some of the assumptions, risks, uncertainties and other factors that could adversely affect our business or that could otherwise result in changes that differ materially from our expectations. Other than as described below, there have been no material changes to the risk factors contained in our annual report.

Our results may be adversely affected in future periods by the volatility of securities in our portfolio.

We may engage in large block trades in a single security or maintain large position concentrations in a single security, securities of a single issuer, or securities of issuers engaged in a specific industry. Any downward price movement in these securities could result in a reduction of our revenues and profits in the future. At June 30, 2008, we owned a warrant valued at $10.8 million in a single issuer which is 37.4% of our financial instruments value.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities.

On February 20, 2008, we announced that our Board of Directors had approved a stock repurchase plan in which we may buy back up to one million shares. The following table sets forth information with respect to purchases made under the plan during the three month period ended June, 30, 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Numbe Shares that May Ye Purchased Under the
April 1 – 30, 2008	137,500	$1.47		
May 1 – 31, 2008	75,000	$1.96		
June 1 – 30, 2008	12,175	$2.00		
Total	224,675	$1.66	522,675	477,325

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 12, 2008

RODMAN & RENSHAW CAPITAL GROUP, INC.

By: /s/ Michael Lacovara
Name: Michael Lacovara
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ David Horin
Name: David J. Horin
Title: Chief Financial Officer
(Principal Financial Officer)