

LABRANCHE & CO INC  
Form 10-Q  
August 09, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended June 30, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-15251

**LABRANCHE & Co INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-4064735**  
(I.R.S. Employer  
Identification No.)

**One Exchange Plaza, New York, New York**  
(Address of principal executive offices)

**10006**  
(Zip Code)

**(212) 425-1144**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The number of shares of the registrant's common stock outstanding as of August 7, 2007 was 61,471,300.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****LaBRANCHE & CO INC. and SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(000 s omitted except per share data)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
<b>REVENUES:</b>				
Net gain on principal transactions	\$ 63,754	\$ 24,822	\$ 112,649	\$ 89,787
Commissions and other fees	12,187	18,540	24,971	38,684
Net (loss) gain on investments	(53,673)	(30,429)	(58,528)	148,815
Stock borrow interest	59,270	35,262	116,652	61,673
Other interest	8,078	5,539	15,354	10,715
Other	1,158	(518)	1,282	78
Total revenues	90,774	53,216	212,380	349,752
Interest expense	91,956	55,948	175,680	96,001
Total revenues, net of interest expense	(1,182)	(2,732)	36,700	253,751
<b>EXPENSES:</b>				
Employee compensation and related benefits	24,188	9,382	48,086	43,523
Exchange, clearing and brokerage fees	10,597	12,564	19,651	22,574
Lease of exchange memberships and trading license fees	630	1,260	1,312	2,311
Depreciation and amortization	3,617	3,078	7,129	6,060
Goodwill impairment	164,100		164,100	
Specialist stock list impairment	335,264		335,264	
Restructuring costs	849		1,073	
Other	10,059	10,594	19,565	21,086
Total expenses	549,304	36,878	596,180	95,554
(Loss) income before (benefit) provision for income taxes	(550,486)	(39,610)	(559,480)	158,197
(BENEFIT) PROVISION FOR INCOME TAXES	(181,542)	(17,222)	(184,981)	68,300
Net (loss) income applicable to common stockholders	\$ (368,944)	\$ (22,388)	\$ (374,499)	\$ 89,897
Weighted-average common shares outstanding:				
Basic	61,471	60,734	61,370	60,713
Diluted	61,471	60,734	61,370	61,399
(Loss) Earnings per share:				
Basic	\$ (6.00)	\$ (0.37)	\$ (6.10)	\$ 1.48
Diluted	\$ (6.00)	\$ (0.37)	\$ (6.10)	\$ 1.46

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



**Table of Contents****LaBRANCHE & CO INC. and SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(000 s omitted except per share data)

	As of	
	June 30,	December 31,
	2007	2006
	(unaudited)	(audited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 501,202	\$ 557,352
Cash and securities segregated under federal regulations	3,443	7,413
Securities purchased under agreements to resell	5,000	35,000
Receivable from brokers, dealers and clearing organizations	75,865	87,183
Receivable from customers	438	2,859
Financial instruments owned, at fair value	4,553,751	3,993,560
Commissions and other fees receivable	71	3,601
Exchange memberships owned, at adjusted cost (market value of \$6,071 and \$4,411, respectively)	1,315	1,314
Office equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$15,390 and \$13,950, respectively	18,434	18,069
Intangible assets, net of accumulated amortization:		
Specialist stock lists, net of accumulated amortization of \$65,738 at December 31, 2006		340,452
Trade name	25,011	25,011
Goodwill	84,218	250,569
Deferred tax assets	44,638	22,713
Income tax receivable	9,886	5,449
Other assets	22,136	24,344
<b>Total assets</b>	<b>\$ 5,345,408</b>	<b>\$ 5,374,889</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Payable to brokers and dealers and clearing organizations	\$ 816,526	\$ 123,346
Payable to customers	649	4,816
Financial instruments sold, but not yet purchased, at fair value	3,397,670	3,568,363
Accrued compensation	18,994	12,027
Accounts payable and other accrued expenses	21,867	29,220
Other liabilities	15,133	15,175
Deferred tax liabilities	98,189	256,394
Short term debt	11,000	24,635
Long term debt	459,811	459,811
Subordinated indebtedness	2,700	6,395
<b>Total liabilities</b>	<b>4,842,539</b>	<b>4,500,182</b>
Commitments and contingencies		
Common stock, \$.01 par value, 200,000,000 shares authorized; 61,471,300 and 60,733,889 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	615	607
Additional paid-in capital	697,087	694,434
(Accumulated deficit)/retained earnings	(194,833)	179,666
<b>Total stockholders equity</b>	<b>502,869</b>	<b>874,707</b>

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Total liabilities and stockholders' equity	\$ 5,345,408	\$ 5,374,889
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**Table of Contents****LaBRANCHE & CO INC. and SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(000 s omitted)

	<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (374,499)	\$ 89,897
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,129	6,060
Amortization of debt issuance costs and bond discount	997	939
Compensation expense related to stock-based compensation	2,661	2,503
Deferred taxes, net	(180,130)	54,960
Goodwill impairment	164,100	
Stock list impairment	335,264	
Changes in operating assets and liabilities:		
Cash and securities segregated under federal regulations	3,970	(1,876)
Securities purchased under agreements to resell	30,000	34,000
Receivable from brokers, dealers and clearing organizations	11,318	427,219
Receivable from customers	2,421	121
Financial instruments owned, at fair value	(560,191)	(1381,078)
Commissions and other fees receivable	3,530	322
Other assets	(3,218)	(9,614)
Payable to brokers and dealers	693,180	517,234
Payable to customers	(4,167)	2,820
Financial instruments sold, but not yet purchased, at fair value	(170,693)	445,530
Accrued compensation	6,967	(17,056)
Accounts payable and other accrued expenses	(7,353)	4,226
Other liabilities	(42)	4,609
Income taxes payable		259
Tax benefit from vesting of stock based compensation	(99)	
Net cash (used in) provided by operating activities	(38,855)	181,075
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of office equipment and leasehold improvements	(2,305)	(4,666)
Payments for purchases of exchange memberships	(1)	(150)
Proceeds from sale of business unit	2,250	
Net cash used in investing activities	(56)	(4,816)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments of subordinated debt	(3,695)	(3,000)
Principal payments of short term debt	(13,643)	
Tax benefit from vesting of stock based compensation	99	61
Net cash used in financing activities	(17,239)	(2,939)
(Decrease) increase in cash and cash equivalents	(56,150)	173,320
CASH AND CASH EQUIVALENTS, beginning of period	557,352	427,284



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CASH AND CASH EQUIVALENTS, end of period	\$ 501,202	\$ 600,604
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**SUPPLEMENTAL DISCLOSURE OF CASH PAID DURING THE PERIOD FOR:**

Interest	\$ 179,164	\$ 94,337
Income taxes	\$ 2,268	\$ 14,051

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Net decrease (increase) in corporate equities, not readily marketable from NYX exchange transaction.	\$ 23,816	\$ (192,717)
Net increase from exchange of NYSE memberships for NYX common stock	\$	\$ 58,500

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

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**LaBRANCHE & CO INC. and SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**