GLG Partners, Inc.
Form 10-Q
August 10, 2009

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2009

OR

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

For the Transition Period from __________ to __________

Commission File Number: 001-33217

GLG PARTNERS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5009693**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

399 Park Avenue, 38th Floor
New York, New York 10022
(Address of principal executive offices) (Zip code)
(212) 224-7200
(Registrant s telephone number, including area code)

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 þ No o

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

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	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 þ

As of August 5, 2009, there were 249,649,633 shares of the registrant s common stock outstanding.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q contains statements relating to our future results (including certain projections and business trends) that are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the safe harbor created by such section. Our actual results may differ materially from those projected as a result of certain risks and uncertainties. Our forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipates believe, continue, could, estimate, expect, may, might, plan, possible, potential, predict, project, should, would and similar expressions may id forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us and speak only as of the date of such statement. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under Part II, Item 1A, Risk Factors of this Quarterly Report on Form 10-Q and the following:

- the volatility in the financial markets;
- our financial performance;
- market conditions for the investment funds we manage, which we refer to as the GLG Funds;
- performance of GLG Funds, the related performance fees and the associated impacts on revenues, net income, cash flows and fund inflows and outflows;
- the impact of net inflows on our mix of assets under management and the associated impacts on revenues;
- the cost of retaining our key investment and other personnel or the loss of such key personnel;
- risks associated with the expansion of our business in size and geographically;
- operational risk, including counterparty risk;
- litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on our resources; and
- risks associated with the use of leverage, investment in derivatives, availability of credit, interest rates and currency fluctuations,

as well as other risks and uncertainties, including those set forth herein and those detailed from time to time in our other Securities and Exchange Commission filings. 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, except as otherwise required by law.

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GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(US Dollars in thousands, except per share amounts)

	June 30, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 258,289	$ 316,195
Restricted cash	13,376	13,315
Fees receivable	74,896	42,106
Prepaid expenses and other assets	59,605	32,751
Total Current Assets	**406,166**	**404,367**
Non-Current Assets		
Investments at fair value	32,773	65,484
Goodwill	587	587
Intangible assets (net of amortization of $833 and $0, respectively)	32,505	
Property and equipment (net of accumulated depreciation and amortization of $13,607 and $11,505 respectively)	13,232	14,076
Other non-current assets	9,466	3,868
Total Non-Current Assets	**88,563**	**84,015**
Total Assets	**$ 494,729**	**$ 488,382**
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities		
Rebates and sub-administration fees payable	$ 27,215	$ 26,234
Accrued compensation, benefits and profit share	71,309	148,531
Income taxes payable	19,027	15,633
Distributions payable	6,624	7,592
Accounts payable and other accruals	66,229	47,176
Revolving credit facility	12,281	40,000
Other liabilities	36,920	50,765
Total Current Liabilities	**239,605**	**335,931**
Non-Current Liabilities		
Loan payable (including unamortized gain on modification of $24,920 and $0, respectively)	298,139	530,000
Convertible notes	228,500	
Total Non-Current Liabilities	**526,639**	**530,000**
Total Liabilities	**766,244**	**865,931**

Stockholders Deficit:		
Common stock, $.0001 par value per share; 1,000,000,000 authorized, 2009: 250,254,800 issued and outstanding (2008: 245,784,390 issued and outstanding)	24	24
Series A voting preferred stock, $.0001 par value per share; 150,000,000 authorized, 2009: 58,904,993 issued and outstanding (2008: 58,904,993 issued and outstanding)	6	6
Additional paid in capital	1,384,396	1,176,054
Treasury stock, 2009: 21,418,568 shares of common stock (2008: 21,418,568)	(293,434)	(293,434)
Accumulated other comprehensive income	7,285	(17,141)
Accumulated deficit	(1,387,693)	(1,243,058)
Total Controlling Stockholders Deficit	**(289,416)**	**(377,549)**
Non-controlling interest	17,901	
Total Stockholders Deficit	**$ (271,515)**	**$ (377,549)**
Total Liabilities and Stockholders Deficit	**$ 494,729**	**$ 488,382**

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

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GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED
STATEMENTS OF OPERATIONS
(US Dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Net revenues and other income				
Management fees, net	$ 36,031	$ 90,600	$ 70,458	$ 189,356
Performance fees, net	37,942	78,194	48,759	82,929
Administration, service, and distribution fees, net	5,937	20,449	11,410	42,697
Other	6,232	(433)	7,229	5,208
Total net revenues and other income	**86,142**	**188,810**	**137,856**	**320,190**
Expenses				
Compensation, benefits and profit share	(171,930)	(236,703)	(318,586)	(549,742)
General, administrative and other	(25,426)	(30,230)	(47,743)	(60,533)
Amortization of intangible assets	(833)		(833)	
Third party distribution, administration and service fees	(665)		(665)	
Total expenses	**(198,854)**	**(266,933)**	**(367,827)**	**(610,275)**
Loss from operations	**(112,712)**	**(78,123)**	**(229,971)**	**(290,085)**
Realized loss on available-for-sale investments			(21,217)	
Gain on debt extinguishment	84,821		84,821	
Gain on business combination negative goodwill	21,122		21,122	
Interest income	291	1,555	649	4,641
Interest expense	(3,619)	(5,637)	(6,567)	(12,766)
Loss before income taxes	**(10,097)**	**(82,205)**	**(151,163)**	**(298,210)**
Income taxes	(1,934)	(3,296)	(2,552)	(9,496)
Net loss	**(12,031)**	**(85,501)**	**(153,715)**	**(307,706)**
Less non-controlling interests:				
Share of (income)/loss	(1,794)		20,227	
Cumulative dividends on exchangeable shares	(10,552)	(5,169)	(11,147)	(9,298)
Exchangeable shares dividend		(2,945)		(2,945)
Net loss attributable to common stockholders	**(24,377)**	**(93,615)**	**$ (144,635)**	**$ (319,949)**
Net loss per share basic and diluted	$ (0.11)	$ (0.44)	$ (0.67)	$ (1.51)
Weighted average common stock outstanding basic and diluted (in thousands)	216,814	211,454	216,789	211,327

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

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GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED
STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT
(US Dollars in thousands)

	Treasury Stock	Common Stock	Additional Paid in Capital	Preferred Stock	Accumulated Other Comprehensive Income/(Deficit)	Accumulated Income/(Deficit)	Non-controlling Interest	Total shareholders Equity/(Deficit)
Balance as of December 31, 2008	**$ (293,434)**	**$ 24**	**$ 1,176,054**	**$ 6**	**$ (17,141)**	**$ (1,241,758)**	**$**	**$ (376,249)**
Effect of adoption of FAS 141R (note 2)						(1,300)		(1,300)
Balance as of December 31, 2008 restated	**$ (293,434)**	**$ 24**	**$ 1,176,054**	**$ 6**	**$ (17,141)**	**$ (1,243,058)**	**$**	**$ (377,549)**
Comprehensive loss								
Net loss						(144,635)	(20,227)	(164,862)
Unrealized gains on cash flow hedges					1,928		461	2,389
Unrealized gain on available-for-sale investments (nil tax applicable)					668			668
Transfer to realized loss on available-for-sale investments on disposal (nil tax applicable)					10,345			10,345
Transfer to realized loss on available-for-sale investments on other than					10,872			10,872

temporary impairment (nil tax applicable)								
Foreign currency translation (nil tax applicable)					613		146	759
Total comprehensive loss					24,426	(144,635)	(19,620)	(139,829)
Share based compensation			208,802				37,521	246,323
Capital contributions			(136)					(136)
Issue of new shares			64,220					64,220
Shares repurchased			(64,544)					(64,544)
Balance as of June 30, 2009	**$ (293,434)**	**$ 24**	**$ 1,384,396**	**$ 6**	**$ 7,285**	**$ (1,387,693)**	**$ 17,901**	**$ (271,515)**

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

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GLG PARTNERS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS
(US Dollars in thousands)

	Six Months Ended June 30,	
	2009	**2008**
Cash Flows From Operating Activities		
Net loss	$ (153,715)	$ (307,706)
Adjustments to reconcile net loss to net cash (used in)/provided by operating activities:		
Gain on business combination negative goodwill	(21,122)	
Gain on debt extinguishment	(84,821)	
Depreciation and amortization	2,579	1,215
Share based compensation	246,323	389,946
Cumulative dividend	(11,147)	(9,298)
Foreign exchange movements on foreign currency bank accounts	(4,362)	(1,325)
Realized loss on available-for-sale investments	21,217	
Cash flows (net of assets and liabilities acquired in SGAM UK acquisition) due to changes in:		
Fees receivable	(25,542)	260,719
Prepaid expenses and other assets	(19,293)	(1,981)
Rebates and sub-administration fees payable	(739)	2,732
Accrued compensation, benefits and profit share	(16,440)	(299,254)
Income taxes payable	3,478	(12,963)
Distributions payable	(968)	9,344
Accounts payable and other accruals	(4,468)	1,798
Other liabilities	(19,990)	9,985
Net cash (used in)/ provided by operating activities	**(89,010)**	**43,212**
Cash Flows From Investing Activities		
Redemption of available-for-sale securities	35,748	
Purchase of subsidiary		(2,500)
Cash acquired (net of purchase consideration) of subsidiary	7,337	
Transfer to restricted cash	(61)	(165)
Purchase of property and equipment	(971)	(4,009)
Net cash provided by/(used in) investing activities	**42,053**	**(6,674)**
Cash Flows From Financing Activities		
Issue of convertible notes	228,500	
Loan repayment	(170,700)	(35,000)
Debt issue costs	(11,225)	
Warrant exercises		2,568
Warrant repurchases		(37,582)
Share repurchases	(64,544)	(3,987)
Capital contributions	(136)	93
Dividends paid		(7,532)

Acquisition-related transaction costs		(308)
Distributions to principals and trustees		(100,000)
Net cash used in financing activities	**(18,105)**	**(181,748)**
Net decrease in cash and cash equivalents	**(65,062)**	**(145,210)**
Effect of foreign currency translation on cash	7,156	1,237
Cash and cash equivalents at beginning of period	316,195	429,422
Cash and cash equivalents at end of period	**$ 258,289**	**$ 285,449**

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

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GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US Dollars in thousands, except per share amounts)

1. ORGANIZATION AND BASIS OF PRESENTATION

GLG Partners, Inc. (the Company) was incorporated in the state of Delaware on June 8, 2006 under the name Freedom Acquisition Holdings, Inc (Freedom). The Company was formed to acquire an operating business through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination. On November 2, 2007 the Company completed the acquisition (the Acquisition) of GLG Partners LP and its affiliated entities (collectively, GLG).

The Company is a U.S.-listed asset management company offering its clients a diverse range of alternative and traditional investment products and account management services. The Company s primary business is to provide investment management advisory services for various investment funds and companies (the GLG Funds) and accounts it manages. The Company s revenues are primarily derived from management fees and administration fees charged to the GLG Funds and accounts it manages based on the value of assets in and performance of those funds and accounts. The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US generally accepted accounting principles (US GAAP) have been condensed or omitted pursuant to the SEC s rules and regulations.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

The unaudited condensed consolidated financial statements are presented in US Dollars ($) and prepared under US GAAP. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Company have been included. The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated.

The Company operates in one business segment, the management of global funds and accounts. The Company uses a multi-strategy approach, offering a range of funds across, among other things, equity, credit, macro, convertible and emerging markets products. The Company does not own a substantive controlling interest in any of the GLG Funds it manages and as a result none of the GLG Funds are combined or consolidated by the Company.

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GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US Dollars in thousands, except per share amounts) (cont d)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Policy

On January 1, 2009, Statement of Financial Accounting Standards (SFAS) No. 141R, *Business Combinations* (SFAS 141R), became applicable. The Company had previously recognized transaction costs relating to the acquisition of Société Générale Asset Management UK (SGAM UK) as a prepaid expense and other asset as at December 31, 2008. Under the new standard, the Company is required to expense transaction costs relating to an acquisition in the period to which the cost relates.

The change in the accounting policy has the following effect on the financial statements:

	December 31, 2008 Adjusted (1)	December 31, 2008 As filed	Change
Balance sheet			
Assets:			
Prepaid expenses and other assets	$ 32,751	$ 34,051	$ (1,300)
Stockholders Deficit:			
Accumulated deficit	$ (1,243,058)	$ (1,241,758)	$ 1,300
Statement of Operations			
Consolidated net loss	$ (630,997)	$ (629,697)	$ 1,300

(1) The December 31, 2008 amounts were adjusted for comparability purposes to adjust for acquisition costs related to the acquisition of SGAM UK which was agreed to in December 2008 and completed in April 2009. Certain acquisition related costs were incurred in 2008.

Principles of Consolidation

Upon consummation of the Acquisition, the GLG Entities became wholly owned subsidiaries of the Company and from that date the financial statements have been prepared on a consolidated basis and consolidate those entities over which the legal parent, the Company, has control over significant operating, financial or investing decisions.

The Company consolidates certain entities it controls through a majority voting interest or otherwise in which the Company is presumed to have control pursuant to Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). All intercompany transactions and balances have been eliminated.

The Company has determined that the GLG Funds that it manages are Variable Interest Entities per the guidance of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46(R)) in that the management contract cannot be terminated by a simple majority of unrelated investors. The Company has determined that it is not the Primary Beneficiary and so does not consolidate any of the GLG Funds. The Company earns substantially all of its revenue from the GLG Funds and managed accounts. In addition, the Acquisition related cash compensation has been invested in two GLG Funds, and the Company s results are exposed to changes in the fair value of these funds as disclosed in Note 4.

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GLG PARTNERS, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US Dollars in thousands, except per share amounts) (cont d)

Non-controlling Interests in Consolidated Subsidiaries

FA Sub 2 Limited Exchangeable Shares

Upon consummation of the Acquisition, Noam Gottesman and the Gottesman GLG Trust received, in exchange for their interests in GLG Entities, 58,904,993 exchangeable Class B ordinary shares of FA Sub 2 Limited (the Exchangeable Shares) and 58,904,993 shares of the Company s Series A voting preferred stock (the Series A preferred stock), in addition to their proportionate share of the cash consideration.

The Exchangeable Shares are exchangeable for an equal number of shares of the Company s common stock at any time for no cash consideration at the holder s option. Upon exchange of the Exchangeable Shares, an equivalent number of shares of the Company s Series A preferred stock will be concurrently redeemed. The shares of Series A preferred stock are entitled to one vote per share and to vote with the common stockholders as a single class but have no economic rights. The Exchangeable Shares carry dividend rights but no voting rights except with respect to certain limited matters which will require the majority vote or written consent of the holders of Exchangeable Shares. The combined ownership of the Exchangeable Shares and the Series A preferred stock provides the holders of these shares with voting rights that are equivalent to those of the Company s common stockholders.

The holders of the Exchangeable Shares receive a cumulative dividend based on the Company s estimate of the net taxable income of FA Sub 2 Limited allocable to such holders multiplied by an assumed tax rate of 44.38%. The cumulative dividend rights of the holders of the Exchangeable Shares are in excess of those of the Company s common stockholders, and these rights are presented as an expense within non-controlling interest in the condensed consolidated statements of operations. The amount recorded in respect of the cumulative dividends for the six months ended June 30, 2009 was $11,147.

At the FA Sub 2 Limited level, the Exchangeable Shares have the same liquidation and income rights as other ordinary shareholders of FA Sub 2 Limited, and consequently the non-controlling interest is calculated as the Exchangeable Shareholder s proportionate share of net assets prospectively from January 1, 2009, the effective date of SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160). Prior to the adoption of SFAS 160, the non-controlling interest only shared in losses to the extent that they have available equity to absorb losses, in accordance with ARB No. 51. Following the adoption of SFAS 160, the non-controlling interest shares proportionately together with the controlling interest in the profits and losses, even if there is no contractua