ENTHRUST FINANCIAL SERVICES INC
Form 8-K/A
August 22, 2007

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

AMENDMENT NO. 2
TO

FORM 8-K

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

Date of Report (Date of earliest event reported): July 10, 2007

Enthrust Financial Services, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	0-23965	84-1374481
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1270 Avenue of the Americas, New York, New York 10020

(Address of Principal Executive Office) (Zip Code)

212-356-0500

Registrant s telephone number, including area code

47 School Street
Chatham, New Jersey 07928

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ENTHRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES

Amendment No. 2

Current Report on Form 8-K

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CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

This Current Report on Form 8-K (this Report) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), Section 21E of the Securities Exchange Act of 1934 (the Exchange Act) and the Private Securities Litigation Reform Act of 1995 (the PSLRA). 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 , cou expects , hopes , believes , plans , anticipates , estimates , predicts , projects , potential , intends , approximates or the negative o 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;
- competition;
- management s goals and plans for future operations; and
- other assumptions described in this Report 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. The safe harbors for forward-looking statements provided by the PSLRA are unavailable to issuers of penny stock. Our shares may be considered a penny stock and, as a result, the safe harbors may not be available to us.

EXPLANATORY NOTE

On July 10, 2007, the Registrant consummated the Exchange, as more particularly described in the Current Report on Form 8-K filed by the Registrant on July 11, 2007 (the Report), and in Amendment No. 1 to the Report filed on July 18, 2007 (Amendment No. 1). The purpose of this Amendment No. 2 to the Report is to update: (i) the unaudited financial information contained in the Report to include Holding s financial condition and operating results as at and for the three and six month periods ended June 30, 2007, as well as (ii) the pro forma selected combined financial data as at and for the six month period ended June 30, 2007.

All capitalized terms used in this Amendment No. 2 to the Report shall have the same meaning as ascribed to such terms in the Report and in Amendment No. 1.

Item 1.01 Entry into a Material Definitive Agreement

Incorporated by reference from the Report and Amendment No. 1.

Item 2.01 Completion of Acquisition or Disposition of Assets

Except as otherwise set forth below, incorporated by reference from the Report and Amendment No. 1.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Holding s audited and unaudited consolidated financial statements and the related notes and the pro forma financial information that appears elsewhere in this Report. In addition to the historical and pro forma information, this discussion includes forward-looking statements reflecting our current expectations that involve assumptions, risks and uncertainties. Actual results and the timing of events may differ significantly from those projected in the forward-looking statements due to a number of factors, including those set forth in the section entitled Risk Factors and elsewhere in the Report.

Prior to July 10, 2007 (the Exchange Date), Enthrust Financial Services, Inc. (Enthrust or the Company) was a shell company with no business or operations. On the Exchange Date, the Company entered into a reorganization transaction (the Exchange) in which it issued an aggregate of 24,649,373 shares of Common Stock and warrants to purchase 1,355,600 shares of Common Stock to the former beneficial holders of the debt and equity securities of Rodman & Renshaw Holding, LLC (Holding), a Delaware limited liability company engaged, together with its directly- and indirectly-owned subsidiaries, in the investment banking business. As a result of the Exchange: (i) Holding became a wholly-owned subsidiary of the Company; and (ii) the former beneficial owners of Holding s equity and debt securities own 98.6% of the issued and outstanding shares of the Company s Common Stock. In addition, as part of the Exchange, the Company s officers and directors resigned and Holding s officers and directors became the officers and directors of the Company. All references in this Amendment No. 2 to the Report to us, we and our refer to Holding and its direct and indirect subsidiaries before the Exchange and to the Company and its direct and indirect subsidiaries after the Exchange.

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. We also provide research and sales and trading services to institutional investor clients that focus on those types of companies. Since 2003, we have been a leading investment banking firm to the biotechnology sector, a capital intensive market segment, as well as a leader in the PIPE and RD transaction markets.

Through Acumen*BioFin* , our division dedicated exclusively to the life science sector, we provide a broad range of investment banking services to biotechnology companies, specialty pharmaceutical companies, medical device companies and other companies operating in the life science sector. Our present business began in 2002, when we made the strategic decision to focus on the biotechnology sector and to build an integrated investment banking platform to service this sector. This was based in part upon our belief that the biotechnology sector was underserved by the investment banking community as a result of: (i) the consolidation, beginning in the 1990 s, of well-established middle market and boutique investment banks with and into large financial institutions; and (ii) the significant downturn in capital market activity in the biotechnology sector beginning in 2001.

In furtherance of our strategy, we recruited investment bankers, research analysts, traders and institutional sales people with expertise in the biotechnology sector from other investment banks, from academia and from companies that operate in this sector. As a result, many members of our biotechnology team have PhDs or other advanced medical or scientific degrees. With this expertise, we have been able to better understand the potential performance of the products under development by and the regulatory environment impacting biotechnology companies and evaluate general economic and business trends affecting those companies. We believe the experience and talent of our professionals enable us to deliver the specialized advice and differentiated services our clients demand, which has resulted in a significant amount of repeat business.

As we continued to expand our capital raising efforts for biotechnology companies, we determined that many of the financing strategies and transaction structures that we have developed for companies in the biotechnology sector could be equally effective for companies operating in other sectors of the economy. Applying our financing know-how, understanding of the financing needs of capital intensive companies, and appreciation of the concerns and goals of institutional investors that invest in such companies, we have begun to leverage our performance and reputation as a leading investment bank in the biotechnology sector to expand our product-based expertise and business reach to other sectors with similar financing needs. During the past 18 months, we completed investment banking transactions for companies in the environmental services, business services, technology, security, oil and gas, retail and logistics sectors, in addition to continuing to grow our presence in the biotechnology sector.

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 asset management fees (eliminated upon consolidation in 2007 and 2006), interest and dividends.

While we have multiple sources of revenue, most of our revenues are 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 their 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, as well as general market conditions, can materially affect our financial performance. While we have experienced significant revenue growth over recent periods, 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.

Historically, the first and fourth quarters are our highest revenue-generating periods, although we cannot be certain that this trend will continue. The second quarter of 2007 was quite strong and exceeded revenue for the second quarter of 2006 by more than 300%. This increase is due almost entirely to larger transactions, which, we believe is a direct result of increases in the staffing of our investment banking group and our increasing visibility and credibility with both issuers and institutional investors, which has enabled us to seek and secure larger engagements. Recent volatility in the capital markets, however, may lead to disruptions that delay or eliminate revenue opportunities during the remainder of the fiscal year.

Revenues

Our principal sources of revenues are: (i) investment banking revenues, which include placement agent, underwriting and strategic advisory fees; (ii) principal transactions, which consists of unrealized gains and losses on securities held for investment; (iii) gains and losses realized from the sale of securities held for investment; (iv) commissions; (v) conference fees; and (vi) asset management fees (eliminated upon consolidation in 2007 and 2006), interest and dividends.

Investment banking

Investment banking revenues include fees earned in connection with private placement and underwritten financing transactions and advisory fees earned in connection with mergers, acquisitions, divestitures and similar transactions. We operate in a highly competitive environment where there rarely are long-term contracted sources of revenue, and each revenue-generating engagement, which typically relates to a single transaction, is separately awarded and negotiated. We gain new clients each year through our business development initiatives, including our life science conferences, and through referrals from current and former clients, directors, attorneys and other parties with whom we have relationships. We also obtain new engagements from previous clients and from the movement of their senior management to other companies.

Our investment banking revenues depend, to a large extent, on the successful completion of financing, merger, acquisition, divestiture or similar transactions. A transaction may fail to be completed for many reasons, including changes in market and/or general economic conditions, business reversals or setbacks, failure of the parties to agree upon final terms, failure to secure necessary board or stockholder approvals, failure to secure necessary financing, and failure to receive necessary regulatory approvals. In addition, an engagement initially undertaken for a particular type of transaction, such as a financing, may not generate revenue because the client decides to consummate a different transaction for which we are not entitled to a fee. Although we internally track placement agent, underwriting and strategic advisory fees separately, we do not treat them as separate lines of business and we do not track the related expenses separately.

Principal transactions and realized gains and losses

Revenues described as principal transactions constitute net unrealized gains and losses on publicly traded unrestricted common stock that we have the ability to sell in the short term. Unrealized gains and losses on publicly traded unrestricted common stock that we cannot sell in the short term (i.e., 12 months) due to low volume or illiquidity are reported separately under other comprehensive income/loss.

Realized gains and losses reflect the net proceeds from the sale of securities in excess of or below our cost of those securities. Securities held for investment include: (i) warrants we received as compensation for acting as placement agent; (ii) securities and/or warrants we purchased in offerings for which we acted as placement agent; (iii) retained equity positions in former shell companies that have been merged with operating companies; and (iv) beginning January 1, 2006, securities held by the R&R Opportunity Fund, L.P. (the Fund), a hedge fund that we manage through the Rodman & Renshaw Fund Manager, LLC (the Fund Manager) and in which we have a 6.8% equity interest as of June 30, 2007. Principal transaction revenues and gains realized will vary from period-to-period and year-to-year, based on general market conditions and the performance of the companies in which we own securities and the amount of our compensation received in the form of warrants or securities rather than cash. The decision to hold or liquidate securities depends on a variety of factors, including market conditions, our assessment of the prospects of the issuer and our need for capital.

Commissions

Commissions constitute amounts paid by our investor clients from brokerage transactions in equity securities. Our commissions may vary from period-to-period, in part, depending on commission rates, trading volume and number of customers. The introduction of decimalization in securities trading since 2000 and the ability to execute trades electronically, through the Internet and through other alternative trading systems, have resulted in reductions in trading commissions and spreads generally. We expect this trend toward alternative trading systems and resulting pricing pressures on our brokerage business commissions to continue.

We are, to some extent, compensated through trading commissions for the value of our equity research and other value added services that we deliver to our clients. These bundled commission practices have been the subject of discussion among regulators, the investment banking community and brokerage clients. Some institutional investors have recently announced agreements with brokerage firms under which they will pay for research directly in cash instead of compensating these firms through trading commissions. Depending on the extent to which this practice is adopted, this trend could reduce our commission revenues by negatively affecting both trading volumes and commission rates.

Conference fees and other revenues

Conference revenues have increased over the years as more companies have participated in our two annual life science sector conferences and we have increased the fees charged for participation. However, conference revenues do not cover the entire cost directly associated with the conferences, such as facility usage costs, travel, entertainment and dining. We believe that the conferences are an important part of our marketing strategy and have contributed to our overall revenue growth. Interest and dividend income primarily consists of interest earned on our cash and short term investments.

We also earn asset management fees through the Fund Manager. However, those fees are eliminated in consolidation. The Fund Manager is managed by John J. Borer III, our Chief Executive Officer. Mr. Borer and members of his family constitute a majority of the investors in the Fund and have contributed most of the Fund s capital.

Operating Expenses

We view our operating expenses as falling into one of two categories: (i) employee compensation and benefits; or (ii) other operating expenses.

Employee compensation and benefits

Employee compensation and benefits is our largest category of expense, generally constituting more than 50% of our total expenses. Employee compensation and benefits include salaries, bonuses, benefits, employment taxes and other employee costs. It includes both cash and non-cash expenses. We generally pay our employees semi-monthly salaries during the year. We also pay discretionary bonuses based on a combination of the individual and the firm s performance, which, particularly for our senior professionals, makes up the largest portion of their total compensation. In some cases, discretionary bonuses are paid quarterly in arrears and, in other cases, annually, in arrears. Prior to the Exchange, we operated as a limited liability company, which was taxed as a partnership for federal and state income tax purposes. As a result, historically, we distributed a significant portion of our profits to our senior executive officers. For example, from January 1, 2007 through the Exchange Date, July 10, 2007, we distributed $17.5 million of profits to our members in their capacities as such. A significant portion of this amount went to our senior executives. From and after the Exchange, we have operated as a C corporation. Generally, distributions from a C corporation are taxable as compensation, dividends or capital gain. In addition, beginning with the current fiscal year, we are targeting our total compensation and benefits expense, excluding equity-based compensation granted prior to September 30, 2007, to approximately 55% of total consolidated revenues.

Other operating expenses

Other operating expenses include all operating expenses other than those constituting employee compensation and benefits, such as fees, costs and expenses relating to the life science conferences, such as facility usage fees and travel, entertainment and dining expenses, business development costs, office supplies, subscription fees, occupancy and rental costs, brokerage and trade execution costs, professional fees, communications, data processing and information services, travel and entertainment, depreciation and amortization, recruiting and insurance. Clearance and execution charges are directly related to our trading unit. Other operating expenses have been relatively modest in proportion to revenues as a result of the relatively small number of staff and related costs (including travel, office space, communications, broker/dealer costs, depreciation and professional services) that we incur. Other operating expenses as a percentage of revenues vary as a result of a variety of factors, including fluctuation in quarterly revenues, the amount of recruiting and business development activity and the amount and timing of reimbursement of engagement-related expenses by clients. Accordingly, other operating expenses as a percentage of revenues in any particular quarter may not be indicative of those expenses as a percentage of revenues in any future period. We monitor these expenses carefully and expect that they will increase after the Exchange as a result of additional auditing, legal, insurance, printing and other expenses related to being a publicly-traded reporting company.

Results of Operations

The following table sets forth our revenues, expenses, net income (loss) and comprehensive income (loss) for the three and six month periods ended June 30, 2007 and 2006, which are derived from our unaudited condensed consolidated financial statements included elsewhere in this Report.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)			
Revenues:				
Private placement, underwriting and strategic advisory fees	$ 24,754	$ 4,077	$ 39,374	$ 17,234
As a percentage of total revenues	*93.3%*	*63.9%*	*83.4%*	*64.0%*
Principal transactions, net	(760)	(1,538)	(340)	1,480
As a percentage of total revenues	*(2.9%)*	*(24.1%)*	*(0.7%)*	*5.5%*
Realized gains (losses) on securities, net	(6)	1, 765	3,540	5,068
As a percentage of total revenues	*(0.00%)*	*27.6%*	*7.5%*	*18.8%*
Commissions	1,606	1,281	3,606	2,327
As a percentage of total revenues	*6.1%*	*20.1%*	*7.6%*	*8.6%*
Conference fees	719	749	719	749
As a percentage of total revenues	*2.7%*	*11.7%*	*1.5%*	*2.8%*
Other revenues	222	51	326	82
As a percentage of total revenues	*0.8%*	*0.8%*	*0.7%*	*0.3%*
Total Revenues	$ 26,535	$ 6,385	$ 47,225	$ 26,940
Expenses:				
Employee compensation and benefits	$ 16,390	$ 3,577	$ 26,542	$ 9,508
As a percentage of total revenues	*61.8%*	*56.0%*	*56.2%*	*35.3%*
Conference fees	1,969	1,595	2,144	1,670
As a percentage of total revenues	*7.4%*	*25.0%*	*4.5%*	*6.2%*
Professional fees	1,959	1,728	2,713	2,488
As a percentage of total revenues	*7.4%*	*27.1%*	*5.7%*	*9.2%*
Business development	849	514	1,434	880
As a percentage of total revenues	*3.2%*	*8.1%*	*3.0%*	*3.3%*
Communication and data processing	491	267	889	628
As a percentage of total revenues	*1.9%*	*4.2%*	*1.9%*	*2.3%*
Other expenses	1,033	759	2,084	1,374
As a percentage of total revenues	*3.9%*	*11.9%*	*4.4%*	*5.1%*
Total Expenses	$ 22,691	$ 8,440	$ 35,806	$ 16,548
As a percentage of total revenues	*85.5%*	*132.2%*	*75.8%*	*61.4%*
Operating income (loss)	$ 3,844	$ (2,055)	$ 11,419	$ 10,392
Interest expense	$ 563		$ 793	
Income (loss) before income taxes and minority interests	$ 3,281	$ (2,055)	$ 10,626	$ 10,392
As a percentage of total revenues	*12.4%*	*(32.2%)*	*22.5%*	*38.6%*
Income taxes expense (benefit)	(370)	136	(338)	(349)
Minority interest in (income) loss of subsidiaries	295	(718)	(261)	(1,718)
Net income (loss)	$ 3,206	$ (2,637)	$ 10,027	$ 8,325
As a percentage of total revenues	*12.1%*	*(41.3%)*	*21.2%*	*30.9%*
Reclassification adjustment for realized gains on investments			(1,002)	
Comprehensive income (loss)	$ 3,206	$ (2,637)	$ 9,025	$ 8,325
As a percentage of total revenues	*12.1%*	*(41.3%)*	*19.1%*	*30.9%*

Three months ended June 30, 2007 and 2006

Net Income (loss)

Net income for the quarter ended June 30, 2007 was $3.2 million compared to a net loss of $2.6 million for the quarter ended June 30, 2006. This change was attributable to a $20.2 million increase in total revenues, primarily consisting of private placement, underwriting and strategic advisory fees. In addition, for the quarter ended June 30, 2007, total expenses (including interest expense) as a percentage of revenues decreased by

44.6% compared to the same period in 2006. Finally, net income for the three months ended June 30, 2006 was adversely impacted by a minority interest charge primarily relating to the Fund of $0.8 million as compared to minority interest income of $0.3 million for the three months ended June 30, 2007.

Revenues

Investment banking revenues for the three months ended June 30, 2007 were $24.8 million compared to $4.1 million for the three months ended June 30, 2006, representing an increase of $20.7 million, or 504.9%. The increase in investment banking revenues was primarily attributable to larger financing transactions. In the 2007 period, we were the sole or lead manager in connection with 12 financing transactions, which raised an aggregate of $726 million. In the second quarter of 2006, we were the sole or lead manager in connection with 11 financing transactions, which raised an aggregate of $133 million. We earned investment banking revenues from 35 different clients in the second quarter of 2007 compared to 16 clients in the second quarter of 2006. In the second quarter of 2007, $22.5 million of investment banking revenues constituted placement agent or underwriting fees and $2.3 million constituted strategic advisory fees. In the second quarter of 2006, $4.0 million of investment banking revenues constituted placement agent or underwriting fees and $0.1 million constituted strategic advisory fees. For the second quarter of 2007, 74.1% of our investment banking revenue was derived from clients in the life science sector compared to 64.0% in the second quarter of 2006.

Principal transaction revenues were negative $0.7 million for the second quarter of 2007 and negative $1.5 million for the second quarter of 2006, reflecting unrealized losses in our investment portfolio. For the second quarter of 2007, we had realized losses of $.006 million compared to $1.8 million of realized gains for the second quarter 2006. In the second quarter of 2007, the Fund had unrealized losses of $0.4 million and nominal net realized gains. In the second quarter of 2006, the Fund had unrealized gains of $0.1 million and net realized gains of $0.9 million.

We earned commissions of $1.6 million for the three months ended June 30, 2007 compared to $1.3 million for the three months ended June 30, 2006, an increase of $0.3 million, or 23.1%. The increase was primarily attributable to an increase in the volume of shares traded for our customers, which, in turn, is attributable to a number of factors including the overall strength of the capital markets, an increase in the number of traders and institutional sales personnel and increasing investor interest in our research products.

Conference fees and other revenues for the three months ended June 30, 2007 totaled $0.9 million compared to $0.8 million for the three months ended June 30, 2006, an increase of $0.1 million. Conference fees for the three months ended June 30, 2007 and 2006 were each $0.7 million. These fees are related to our spring Global Healthcare conference and include fees paid by participants and presenters. Other revenues for the second quarter of 2007 and 2006 consisted primarily of interest and dividend income.

Expenses (including interest expense)

Total expenses for the second quarter ended June 30, 2007 were $23.3 million compared to $8.4 million for the three months ended June 30, 2006, an increase of $14.9 million, or 177.4%. For the 2007 period, total expenses constituted 87.6% of revenues as compared to 132.2% for the 2006 period. The overall increase in expenses generally reflects an expansion of our operating platform while the decrease in total expenses relative to total revenues demonstrates an efficiency accompanying this expansion as we continue to focus on growth.

Employee compensation and benefits for the three months ended June 30, 2007 was $16.4 million compared to $3.6 million for the three months ended June 30, 2006, an increase of $12.8 million, or 355.6%. These amounts do not include distributions to members which totaled $1.7 million for the 2007 period and $4.2 million for the 2006 period. Employee compensation and benefits for the 2007 period constituted 61.8% of revenues compared to 56.0% for the 2006 period. The increase in employee compensation and benefits is due primarily to an overall increase in personnel from June 30, 2006 to June 30, 2007. For the current year, we have targeted employee compensation and benefits expense at 55% of total revenues, not taking into account equity awards granted prior to September 30, 2007.

For the three months ended June 30, 2007, other operating and interest expenses were $6.9 million compared to $4.9 million for three months ended June 30, 2006, an increase of $2.0 million, or 40.8%. The key components of this increase were interest expense of $0.6 million with respect to the issuance of senior convertible debentures on March 1, 2007, consisting of accrued interest and amortization of debt discount and deferred financing costs, conference expenses, which increased by $0.4 million, business development expenses, which increased by $0.3 million, occupancy and equipment expenses, which increased by $0.2 million and professional fees, which increased by $0.2 million.

Six months ended June 30, 2007 and 2006

Net Income

Net income for the six months ended June 30, 2007 was $10.0 million compared to $8.3 million for the comparable 2006 period, representing an increase of $1.7 million, or 20.5%. This increase was attributable to a $20.3 million increase in total revenue, offset in part by a $20.1 million increase in total expenses. The largest contributor to this increase in expenses was compensation and benefits, which increased by $17.0 million. In addition, 2006 net income was adversely impacted by a minority interest charge relating to the Fund of $1.7 million compared to a minority interest charge of $0.3 million for the 2007 period.

Revenues

Investment banking revenues for the six months ended June 30, 2007 were $39.4 million compared to $17.2 million for the six months ended June 30, 2006, representing an increase of $22.2 million, or 129.1%. The increase in our investment banking revenues was primarily attributable to larger financing transactions. In the 2007 period, we were the sole or lead manager in connection with 19 financing transactions, which raised an aggregate of $865.0 million. In the first half of 2006, we were the sole or lead manager in connection with 23 financing transactions, which raised an aggregate of $437.6 million. We earned investment banking revenues from 63 different clients in the six months ended June 30, 2007 as compared to 37 clients in the comparable 2006 period. For the six months ended June 30, 2007, $36.6 million of investment banking revenues constituted placement agent or underwriting fees and $2.8 million constituted strategic advisory fees as compared to $16.9 million of investment banking revenues or underwriting fees and $0.3 million of strategic advisory fees during the 2006 period. For the six months of 2007, 74.6% of our investment banking revenues was derived from clients in the life science sector compared to 67.0% in the comparable 2006 period.

For the six months ended June 30, 2007, principal transaction revenues were negative $0.3 million, which reflected unrealized losses in our investment portfolio. In comparison, for the six months ended June 30, 2006, principal transaction revenues were $1.5 million, reflecting unrealized gains in our investment portfolio. For the 2007 period, realized gains were $3.5 million compared to $5.1 million for the 2006 period. The realized gains during the six months ended June 30, 2006 was primarily the result of two warrant positions having been exercised and sold for an aggregate gain of approximately $3.6 million. In the 2007 period, gains relating to the exercise and sale of warrant positions were $2.2 million. In the 2007 period, the Fund had unrealized losses of $0.08 million and net realized gains of $0.5 million compared to unrealized gains of $0.8 million and net realized gains of $1.2 million generated during the 2006 period. Also, during the first six months of 2007, we recorded $1.0 million of realized gains on publicly traded unrestricted common stock that we cannot sell in the short-term (*i.e.*, 12 months), representing a reclassification of the unrealized gains recorded as other comprehensive income in 2006.

In March 2007, we distributed 85% of the beneficial interests in certain equity securities, including stock and warrants, which we held in 62 companies, to our members; we distributed a 59.5% interest to Paul Revere, LLC (Revere), a Delaware limited liability company, and a 25.5% interest to R&R Capital Group, Inc. (RRCG), a Delaware S corporation. We retained the remaining 15% interest in these securities. We then, together with Revere and RCG, contributed our interests in these securities to RRPR, LLC (RRPR), a Delaware limited liability company, in exchange for membership interests in RRPR that mirrored our respective direct interests in the securities. As a result of the Exchange, we own 40.5% of RRPR, 15.0% directly and 25.5% through our ownership of RRCG. Because we no longer own 100% of these securities, principal transaction revenues in future periods will be lower than it would have been if we continued to hold a 100% interest in these securities.

We earned commissions of $3.6 million for the six months ended June 30, 2007 compared to $2.3 million for the six months ended June 30, 2006, an increase of $1.3 million, or 56.5%. The increase was primarily attributable to an increase in the volume of shares traded for our customers, which, in turn, is attributable to a number of factors including the overall strength of the capital markets, an increase in the number of traders and institutional sales personnel and increasing investor interest in our research products.

Conference fees and other revenues for the six months ended June 30, 2007 totaled $1.0 million compared to $0.8 million for the six months ended June 30, 2006, an increase of $0.2 million. Conference fees for the six months ended June 30, 2007 and 2006 were each $0.7 million. These fees are related to our spring Global Healthcare conference and include fees paid by participants and presenters. Other revenues for the six months ended June 30, 2007 and 2006 consisted primarily of interest and dividend income.

Expenses (including interest expense)

Total expenses for the six months ended June 30, 2007 were $36.6 million compared to $16.5 million for the comparable 2006 period, an increase of $20.1 million, or 121.8%. For the 2007 period total expenses constituted 77.5% of revenues compared to 61.4% for the 2006 period. The increase in expenses generally reflects an expansion in personnel and related costs as we continue to focus on growth.

Employee compensation and benefits for the six months ended June 30, 2007 was $26.5 million compared to $9.5 million for the 2006 period, an increase of $17.0 million, or 178.9%. These amounts do not include profit distributions to members which totaled $12.5 million for the 2007 period and $4.2 million for the 2006 period. Employee compensation and benefits for the 2007 period constituted 56.2% of revenues compared to a 35.3% for the comparable 2006 period. The overall increase in employee compensation and benefits and the higher ratio is due primarily to: (i) an overall increase in personnel and related expenses; and (ii) payouts to senior managing directors hired in 2006. For the current year, we have targeted employee compensation and benefits expense at 55% of total revenues, not taking into account equity awards granted prior to September 30, 2007.

For the six months ended June 30, 2007, other operating and interest expenses were $10.1 million compared to $7.0 million for comparable 2006 period, an increase of $3.1 million, or 44.3%. The key components of this increase were interest expense of $0.8 million with respect to the issuance of senior convertible debentures on March 1, 2007, consisting of accrued interest and amortization of debt discount and deferred financing costs, conference expenses, which increased by $0.5 million, business development expenses, which increased by $0.6 million, occupancy and equipment expenses, which increased by $0.4 million and professional fees, which increased by $0.2 million.

Pro Forma Information

Prior to the Exchange, we were owned 70% by Revere and 30% by RRCG. As part of the Exchange, Revere contributed its interests in us to Enthrust and the stockholders of RRCG contributed their interests in RRCG to Enthrust. In addition, through an affiliate, we owned 80% of Enthrust. Immediately after the Exchange, those shares were cancelled. As a result, RRCG became a wholly-owned subsidiary of Enthrust and Enthrust owned 70% of Holding directly and the other 30% through RRCG. Giving retroactive effect to the Exchange, on a pro forma combined basis, combining our operations with the results of Enthrust and RRCG, our statement of income and comprehensive income is as follows:

	Six Months Ended June 30, 2007
	(in thousands, except earnings per share and weighted number of shares data)
Revenues	$ 47,283
Operating expenses	36,760
Operating income	10,523
Income taxes expense	899
Minority interest	261
Net income	9,363
Other comprehensive income	(1,002)
Comprehensive income	$ 8,361
Earnings per share, basic and diluted	$ .37
Weighted average number of shares outstanding basic and diluted	25,000,000

The information in the table above reflects the following adjustments:

transaction costs of $800,000 relating to the Exchange;

eliminating Enthrust s operating expenses of $54,943 for the six month period ended June 30, 2007;

eliminating $792,861 of interest expense, amortization of debt discount and deferred financing costs relating to the Debentures in the six month period ended June 30, 2007;

applying a 40% effective tax rate resulting in a tax of $898,898 for the six months ended June 30, 2007; and

eliminating RRCG s income taxes benefit of $24,229 for the six months ended June 30, 2007.

Prior to the Exchange, we operated as a limited liability company, which is taxed as a partnership for federal and state income tax purposes. As such, we were not subject to federal or state income taxes, other than the New York State Unincorporated Business Tax (the UBT) and our members, Revere and RRCG, reported their allocable share of our income, gains, losses (if any) and deductions on their federal and state income tax returns in accordance with the Internal Revenue Code and the regulations promulgated thereunder as well as applicable state tax statutes and rules. In addition, RRCG elected to be taxed under subchapter S of the Internal Revenue Code, as a result of which, it too was generally not subject to federal and state corporate income taxes. As a result of the Exchange, we now operate as a C corporation and, as such, we are subject to federal and state corporate income taxes. Assuming the Exchange was consummated on January 1, 2007 and further assuming an effective tax rate of 40%, we

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would have recorded a tax expense of $0.9 million and net income and comprehensive income of $9.4 million and $8.4 million, respectively, for the six months ended June 30, 2007.

Our historical results do not reflect any costs associated with operating as a public company. We expect to incur increases in our operating costs associated with the regulatory and reporting requirements imposed by the SEC, the stock exchange on which our common stock is listed and for complying with the requirements of Section 404 of S-Ox. These costs include legal and accounting fees, consulting fees, stock exchange listing fees, printing and mailing costs, insurance and additional costs associated with hiring new financial, administrative and compliance personnel. We estimate that these additional costs will range from $1.0 million to $2.0 million per year.

Liquidity and Capital Resources

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

At June 30, 2007, we had liquid assets, consisting of cash and cash equivalents and due from clearing broker, of $33.2 million and working capital of $22.9 million. At June 30, 2006, liquid assets consisted of $8.4 million and working capital of $4.9 million.

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

As a registered securities broker-dealer, we are subject to the net capital requirements of the SEC uniform net capital requirement rule described elsewhere in this Report. 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, 2007 and 2006, we had excess net capital of $9.1 million, and $3.4 million, respectively. Regulatory net capital requirements 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

June 30, 2007. For the six months ended June 30, 2007, we had a net increase in cash and cash equivalents of $17.4 million. Operating activities provided cash of $9.0 million and financing activities provided cash of $8.5 million. The primary components of cash provided by operating activities were net income of $10.0 million in combination with an overall increase in operating payables of approximately $6.3 million, offset by realized gain on available for sale investments of $1.0 million and an increase in due from clearing broker and private placement and other fees receivables of approximately $6.4 million. Cash provided by financing activity constituted $20.0 million of gross proceeds from the Private Placement and a $2.0 million contribution by minority owners of subsidiary offset by $12.5 million of distributions to members and deferred financing costs of $1.0 million. Our cash and cash equivalents were $27.7 million at June 30, 2007.

Contractual Obligations

Our commitments and contingencies include: (i) real property leases; (ii) employment agreements; and (iii) equipment leases. Our principal offices are located at 1270 Avenue of the Americas, New York, New York where we lease the 16th and 28th floors, or approximately 33,000 square feet in the aggregate. The lease for the 16th floor expires in July 2008 and the lease for the 28th floor expired in June 2007. In July 2007, we vacated the 28th floor. We are exploring options for leasing new office space in New York City.

The following table sets forth information relating to our contractual obligations as of June 30, 2007: