

BGC Partners, Inc.
Form 10-Q
November 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2012

OR

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

Commission File Numbers: 0-28191, 1-35591

BGC Partners, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	13-4063515 (I.R.S. Employer Identification No.)
499 Park Avenue, New York, NY (Address of principal executive offices)	10022 (Zip Code)
(212) 610-2200 (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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

On November 2, 2012, the registrant had 117,096,496 shares of Class A common stock, \$0.01 par value, and 34,848,107 shares of Class B common stock, \$0.01 par value, outstanding.

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BGC PARTNERS, INC.

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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as may, will, should, estimates, predicts, potential, continue, strategy, believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements.

Our actual results and the outcome and timing of certain events may differ significantly from the expectations discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to:

pricing and commissions and market position with respect to any of our products and services and those of our competitors;

the effect of industry concentration and reorganization, reduction of customers and consolidation;

liquidity, regulatory and clearing capital requirements and the impact of credit market events;

market conditions, including trading volume and volatility, potential deterioration of the equity and debt capital markets and our ability to access the capital markets;

our relationships with Cantor Fitzgerald, L.P., which we refer to as Cantor and its affiliates, including Cantor Fitzgerald & Co., which we refer to as CF&Co, any related conflicts of interest, competition for and retention of brokers and other managers and key employees, any impact of Cantor's results on our credit ratings and/or the associated outlooks, support for liquidity and capital and other relationships, including Cantor's holding of our 8.75% Convertible Notes, CF&Co's acting as our sales agent under our controlled equity or other offerings, and CF&Co's acting as our financial advisor in connection with one or more business combinations or other transactions;

economic or geopolitical conditions or uncertainties;

extensive regulation of our businesses, changes in regulations relating to the financial services, real estate and other industries, and risks relating to compliance matters, including regulatory examinations, inspections, investigations and enforcement actions, and any resulting costs, fines, penalties, sanctions, enhanced oversight, increased financial and capital requirements, and changes to or restrictions or limitations on specific activities, operations, compensatory arrangements, and growth opportunities, including acquisitions, hiring, and new business, products, or services;

factors related to specific transactions or series of transactions, including credit, performance and unmatched principal risk, counterparty failure, and the impact of fraud and unauthorized trading;

costs and expenses of developing, maintaining and protecting our intellectual property, as well as employment and other litigation and their related costs, including judgments or settlements paid or received;

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certain financial risks, including the possibility of future losses and negative cash flows from operations, an increased need for short-term or long-term borrowings or other sources of cash, related to acquisitions or other matters, potential liquidity and other risks relating to our ability to obtain financing or refinancing of existing debt on terms acceptable to us, if at all, and risks of the resulting leverage, including potentially causing a reduction in our credit ratings and/or the associated outlooks given by the rating agencies to those credit ratings, increased borrowing costs, as well as interest and currency rate fluctuations;

our ability to enter new markets or develop new products, trading desks, marketplaces or services and to induce customers to use these products, trading desks, marketplaces or services and to secure and maintain market share;

our ability to enter into marketing and strategic alliances and business combination or other transactions in the financial services, real estate and other industries, including acquisitions, dispositions, reorganizations, partnering opportunities and joint ventures and to meet our financial reporting obligations with respect thereto, and the integration of any completed acquisition and the use of proceeds of any completed obligations;

our ability to hire and retain personnel;

our ability to expand the use of technology for hybrid and fully electronic trading;

our ability to effectively manage any growth that may be achieved, while ensuring compliance with all applicable regulatory requirements;

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our ability to identify and remediate any material weaknesses in our internal controls that could affect our ability to prepare financial statements and reports in a timely manner, control our policies, procedures, operations and assets, assess and manage our operational, regulatory, and financial risks, and integrate our acquired businesses;

the effectiveness of our risk management policies and procedures, and the impact of unexpected market moves and similar events;

the fact that the prices at which shares of our Class A common stock are sold in one or more of our controlled equity offerings or in other offerings or other transactions may vary significantly, and purchasers of shares in such offerings or transactions, as well as existing stockholders, may suffer significant dilution if the price they paid for their shares is higher than the price paid by other purchasers in such offerings or transactions;

our ability to meet expectations with respect to payments of dividends and distributions and repurchases of shares of our Class A common stock and purchases of limited partnership interests of BGC Holdings, L.P., which we refer to as BGC Holdings, or other equity interests in our subsidiaries, including from Cantor, our executive officers, other employees, partners, and others, and the net proceeds to be realized by us from offerings of our shares of Class A common stock;

the effect on the market for and trading price of our Class A common stock of various offerings and other transactions, including our controlled equity and other offerings of our Class A common stock and convertible or exchangeable debt securities, our repurchases of shares of our Class A common stock and purchases of BGC Holdings limited partnership interests or other equity interests of our subsidiaries, our payment of dividends on our Class A common stock and distributions on BGC Holdings limited partnership interests, convertible arbitrage, hedging, and other transactions engaged in by holders of our 4.50% convertible notes and counterparties to our capped call transactions, and resales of shares of our Class A common stock acquired from us or Cantor, including pursuant to our employee benefit plans, conversion or exchange of our convertible or exchangeable debt securities, and distributions from Cantor pursuant to Cantor's distribution rights obligations and other distributions to Cantor partners including deferred distribution rights shares; and

the risk factors described in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we refer to as the SEC, and any updates to those risk factors or new risk factors contained herein and in our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC.

The foregoing risks and uncertainties, as well as those risks and uncertainties set forth in this Quarterly Report on Form 10-Q, may cause actual results to differ materially from the forward-looking statements. Information in this Form 10-Q is given as of the date of filing the Form 10-Q with the SEC, and future events or circumstances could differ significantly from such information. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

Our Internet website address is www.bgcpartners.com. Through our Internet website, we make available, free of charge, the following documents as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: our Annual Reports on Form 10-K; our proxy statements for our annual and special stockholder meetings; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D filed on behalf of Cantor, our directors and our executive officers; and amendments to those documents. In addition, our Internet website is the primary location for press releases regarding our business, including our quarterly and year-end financial results.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(in thousands, except per share data)****(unaudited)**

	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$ 313,307	\$ 369,713
Cash segregated under regulatory requirements	6,286	2,968
Securities owned	32,303	16,282
Marketable securities		1,238
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	763,863	192,053
Accrued commissions receivable, net	249,870	222,293
Loans, forgivable loans and other receivables from employees and partners, net	210,214	192,658
Fixed assets, net	140,781	136,068
Investments	29,469	20,367
Goodwill	142,156	141,142
Other intangible assets, net	21,125	16,994
Receivables from related parties	6,400	5,754
Other assets	107,202	87,655
Total assets	\$ 2,022,976	\$ 1,405,185
Liabilities, Redeemable Partnership Interest, and Equity		
Short-term borrowings	\$	\$ 13,600
Accrued compensation	127,265	143,800
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	686,164	144,683
Payables to related parties	43,846	19,667
Accounts payable, accrued and other liabilities	246,596	250,552
Notes payable and collateralized borrowings	296,532	181,916
Notes payable to related parties	150,000	150,000
Total liabilities	1,550,403	904,218
Redeemable partnership interest	76,962	86,269
Equity		
Stockholders' equity:		
Class A common stock, par value \$0.01 per share; 500,000 shares authorized; 133,035 and 115,217 shares issued at September 30, 2012 and December 31, 2011, respectively; and 114,993 and 97,220 shares outstanding at September 30, 2012 and December 31, 2011, respectively	1,330	1,152
Class B common stock, par value \$0.01 per share; 100,000 shares authorized; 34,848 shares issued and outstanding at September 30, 2012 and December 31, 2011, convertible into Class A common stock	348	348
Additional paid-in capital	546,228	489,369
Contingent Class A common stock	16,050	20,133
Treasury stock, at cost: 18,042 and 17,997 shares of Class A common stock at September 30, 2012 and December 31, 2011, respectively	(110,090)	(109,870)
Retained deficit	(143,314)	(80,726)

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Accumulated other comprehensive loss	(4,809)	(3,752)
Total stockholders' equity	305,743	316,654
Noncontrolling interest in subsidiaries	89,868	98,044
Total equity	395,611	414,698
Total liabilities, redeemable partnership interest, and equity	\$ 2,022,976	\$ 1,405,185

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Commissions	\$ 303,124	\$ 261,496	\$ 883,642	\$ 745,342
Principal transactions	76,417	94,997	259,848	295,113
Real estate management services	33,953		66,519	
Fees from related parties	13,102	15,220	39,143	46,861
Market data	4,166	4,556	13,120	13,730
Software solutions	2,485	2,328	7,421	6,718
Interest income	1,397	1,730	5,135	4,090
Other revenues	8,668	1,283	18,091	2,397
Losses on equity investments	(2,995)	(1,675)	(8,103)	(4,735)
Total revenues	440,317	379,935	1,284,816	1,109,516
Expenses:				
Compensation and employee benefits	288,669	253,879	843,567	681,577
Allocations of net income to limited partnership units and founding/working partner units	56		7,945	18,437
Total compensation and employee benefits	288,725	253,879	851,512	700,014
Occupancy and equipment	40,010	29,943	115,331	94,969
Fees to related parties	2,837	3,297	9,525	8,916
Professional and consulting fees	18,062	19,625	56,896	48,177
Communications	22,863	21,508	66,223	64,639
Selling and promotion	22,153	19,507	65,112	59,136
Commissions and floor brokerage	5,675	6,539	17,188	19,566
Interest expense	9,758	6,754	24,894	15,917
Other expenses	26,622	23,365	51,161	54,645
Total expenses	436,705	384,417	1,257,842	1,065,979
Income (loss) from operations before income taxes	3,612	(4,482)	26,974	43,537
Provision (benefit) for income taxes	2,623	(1,338)	9,895	12,094
Consolidated net income (loss)	\$ 989	\$ (3,144)	\$ 17,079	\$ 31,443
Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	1,440	(1,111)	7,383	15,146
Net (loss) income available to common stockholders	\$ (451)	\$ (2,033)	\$ 9,696	\$ 16,297
Per share data:				
<i>Basic earnings per share</i>				
Net (loss) income available to common stockholders	\$ (451)	\$ (2,033)	\$ 9,696	\$ 16,297
Basic (loss) earnings per share	\$ 0.00	\$ (0.02)	\$ 0.07	\$ 0.15

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Basic weighted-average shares of common stock outstanding	146,703	124,279	141,104	111,515
<i>Fully diluted earnings per share</i>				
Net (loss) income for fully diluted shares	\$ (451)	\$ (2,033)	\$ 18,844	\$ 16,297
Fully diluted (loss) earnings per share	\$ 0.00	\$ (0.02)	\$ 0.07	\$ 0.15
Fully diluted weighted-average shares of common stock outstanding	146,703	124,279	275,159	111,778
Dividends declared per share of common stock	\$ 0.17	\$ 0.17	\$ 0.51	\$ 0.48
Dividends declared and paid per share of common stock	\$ 0.17	\$ 0.17	\$ 0.51	\$ 0.48

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Consolidated net income (loss)	\$ 989	\$ (3,144)	\$ 17,079	\$ 31,443
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	635	(6,677)	(1,275)	(2,670)
Unrealized loss on securities available for sale		(35)		(2,344)
Total other comprehensive income (loss), net of tax	635	(6,712)	(1,275)	(5,014)
Comprehensive income (loss)	1,624	(9,856)	15,804	26,429
Less: comprehensive income (loss) attributable to noncontrolling interest in subsidiaries, net of tax	1,551	(2,414)	7,165	14,286
Comprehensive income (loss) attributable to common stockholders	\$ 73	\$ (7,442)	\$ 8,639	\$ 12,143

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	\$ 17,079	\$ 31,443
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Fixed asset depreciation and intangible asset amortization	38,254	36,203
Employee loan amortization	24,087	23,899
Equity-based compensation	89,427	98,130
Allocations of net income to limited partnership units and founding/working partner units	7,945	18,437
Losses on equity investments	8,103	4,735
Accretion of discount on convertible notes	3,271	792
Impairment of fixed assets	1,084	564
Impairment loss on marketable securities	291	
Deferred tax benefit	(5,139)	(621)
Recognition of deferred revenue		(1,454)
Sublease provision adjustment	(2,438)	4,244
Other	103	69
Decrease (increase) in operating assets:		
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	(569,979)	(275,377)
Loans, forgivable loans and other receivables from employees and partners, net	(52,090)	(52,689)
Accrued commissions receivable, net	13,791	(44,425)
Securities owned	(16,485)	(5,918)
Receivables from related parties	99	(5,379)
Cash segregated under regulatory requirements	(3,318)	(938)
Other assets	(8,587)	(18,474)
Increase (decrease) in operating liabilities:		
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	541,429	253,052
Payables to related parties	24,145	(1,884)
Accounts payable, accrued and other liabilities	(2,121)	(10,643)
Accrued compensation	(13,296)	(16,474)
Net cash provided by operating activities	\$ 95,655	\$ 37,292

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	\$ (29,417)	\$ (18,572)
Capitalization of software development costs	(8,886)	(11,523)
Investment in unconsolidated entities	(17,205)	(1,328)
Payments for acquisitions, net of cash acquired	(25,679)	322
Purchase of notes receivable	(22,000)	
Capitalization of trademarks, patent defense and registration costs	(1,180)	(520)
Sale of marketable securities	906	
Net cash used in investing activities	(103,461)	(31,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable and collateralized borrowings	111,345	9,453
Issuance of Convertible Notes		155,620
Purchase of capped call		(11,392)
Short-term borrowings	(13,600)	
Earnings distributions to limited partnership interests and other noncontrolling interests	(68,002)	(62,450)
Redemption of limited partnership interests	(14,074)	(1,813)
Dividends to stockholders	(72,284)	(55,199)
Proceeds from offering of Class A common stock, net	10,869	14,224
Partner purchase of working partner units		63
Repurchase of Class A common stock	(337)	(126)
Cancellation of restricted stock units in satisfaction of withholding tax requirements	(2,251)	(3,208)
Proceeds from exercises of stock options		8,506
Tax impact on exercise/delivery of equity awards		3,281
Net cash (used in) provided by financing activities	(48,334)	56,959
Effect of exchange rate changes on cash and cash equivalents	(266)	5,582
Net (decrease) increase in cash and cash equivalents	(56,406)	68,212
Cash and cash equivalents at beginning of period	369,713	364,104
Cash and cash equivalents at end of period	\$ 313,307	\$ 432,316
Supplemental cash information:		
Cash paid during the period for taxes	\$ 10,086	\$ 20,991
Cash paid during the period for interest	\$ 19,186	\$ 12,368
Supplemental non-cash information:		
Issuance of Class A common stock upon exchange of limited partnership interests	\$ 69,451	\$ 49,993
Donations with respect to Charity Day	7,446	12,076
Issuance of Class A common stock upon purchase of notes receivable	3,055	
Issuance of Class A common stock upon exchange of Cantor units		8,407
Issuance of Class B common stock upon exchange of Cantor units		8,407

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Use of notes receivable in business acquisition

25,492

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****For the Year Ended December 31, 2011****(in thousands, except share amounts)****(unaudited)**

	BGC Partners, Inc. Stockholders					Accumulated		Noncontrolling Interest in Subsidiaries	Total
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Class A Contingent Common Stock	Treasury Stock	Retained Earnings (Deficit)	Other Comprehensive Loss		
Balance, January 1, 2011	\$ 881	\$ 258	\$ 366,827	\$ 3,171	\$ (109,627)	\$ (23,616)	\$ (977)	\$ 94,939	\$ 331,856
Comprehensive income:									
Consolidated net income						20,137		18,223	38,360
Other comprehensive loss, net of tax									
Change in cumulative translation adjustment								(3,471)	(3,979)
Unrealized gain (loss) on securities available for sale								696	671
Comprehensive income						20,137	(2,775)	17,690	35,052
Equity-based compensation, 1,937,093 shares	19		4,337					4,365	8,721
Dividends to common stockholders						(77,244)			(77,244)
Earnings distributions to limited partnership interests								(69,816)	(69,816)
Grant of exchangeability and redemption of limited partnership interests, issuance of 12,259,184 shares	123		79,928					31,836	111,887
Issuance of Class A common stock (net of costs), 3,829,176 shares	39		14,774					11,952	26,765
Issuance of Class A common stock upon exchange of Cantor units, 9,000,000 shares	90		8,317					(8,407)	
Issuance of Class B common stock upon exchange of Cantor units, 9,000,000 shares		90	8,317					(8,407)	
Redemption of founding/working partner units, 236,741 units			(395)					(531)	(926)
Repurchase of Class A common stock, 60,929 shares					(243)			(149)	(392)
Capital contribution by founding/working partners with respect to Charity Day			5,130					3,046	8,176
Re-allocation of equity due to additional investment by founding/working partners								(6,121)	(6,121)

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Purchase of capped call, net of tax	(6,219)							(3,692)	(9,911)
Equity component of convertible notes, net of tax	10,073							5,980	16,053
Acquisition of CantorCO2e, L.P.	(1,255)							(745)	(2,000)
Issuance of contingent Class A common stock for acquisitions, 4,716,848 shares	236	16,962						9,580	26,778
Newmark noncontrolling interest								14,384	14,384
Other	(701)					(3)		2,140	1,436
Balance, December 31, 2011	\$ 1,152	\$ 348	\$ 489,369	\$ 20,133	\$ (109,870)	\$ (80,726)	\$ (3,752)	\$ 98,044	\$ 414,698

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BGC PARTNERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)**

For the Nine Months Ended September 30, 2012

(in thousands, except share amounts)

(unaudited)

	BGC Partners, Inc. Stockholders					Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Subsidiaries	Total
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Contingent Class A Common Stock	Treasury Stock				
Balance, January 1, 2012	\$ 1,152	\$ 348	\$ 489,369	\$ 20,133	\$ (109,870)	\$ (80,726)	\$ (3,752)	\$ 98,044	\$ 414,698
Comprehensive income:									
Consolidated net income						9,696		7,383	17,079
Other comprehensive income, net of tax									
Change in cumulative translation adjustment							(1,057)	(218)	(1,275)
Comprehensive income						9,696	(1,057)	7,165	15,804
Equity-based compensation, 1,172,546 shares	12		1,970					1,826	3,808
Dividends to common stockholders						(72,284)			(72,284)
Earnings distributions to limited partnership interests and other noncontrolling interests								(66,167)	(66,167)
Grant of exchangeability and redemption of limited partnership interests, issuance of 12,297,169 shares	123		45,426					46,647	92,196
Issuance of Class A common stock (net of costs), 2,969,927 shares	29		11,912					6,373	18,314
Issuance of Class A common stock upon purchase of notes receivable, 453,172 shares	5		1,991					1,059	3,055
Redemption of founding/working partner units, 2,027,762 units			(7,064)					(3,782)	(10,846)
Repurchase of Class A common stock, 44,013 shares					(220)			(117)	(337)
Cantor purchase of Cantor units from BGC Holdings upon redemption of founding/working partner units, 920,729 units								2,732	2,732
Re-allocation of equity due to additional investment by founding/working partners								(144)	(144)
Issuance of contingent and Class A common stock for acquisitions, 924,241 shares	9		4,949	(4,469)				236	725

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Newmark noncontrolling interest	(828)	386						(3,940)	(4,382)
Other	(1,497)							(64)	(1,561)

Balance, September 30, 2012 \$ 1,330 \$ 348 \$ 546,228 \$ 16,050 \$ (110,090) \$ (143,314) \$ (4,809) \$ 89,868 \$ 395,611

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements

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BGC PARTNERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Organization and Basis of Presentation

BGC Partners, Inc. (together with its subsidiaries, BGC Partners, BGC or the Company) is a leading global brokerage company primarily servicing the wholesale financial and real estate markets. The Company specializes in the brokering of a broad range of products, including fixed income securities, interest rate swaps, foreign exchange, equities, equity derivatives, credit derivatives, commercial real estate, commodities, futures and structured products. BGC Partners also provides a full range of services, including trade execution, broker-dealer services, clearing, processing, information, and other back-office services to a broad range of financial and non-financial institutions. BGC Partners' integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use voice, hybrid, or in many markets, fully electronic brokerage services in connection with transactions executed either over-the-counter (OTC) or through an exchange.

Through its eSpeed, BGC Trader and BGC Market Data brands, BGC Partners offers financial technology solutions, market data, and analytics related to select financial instruments and markets. Through its Newmark Grubb Knight Frank brand, the Company offers commercial real estate tenants, owners, investors and developers a wide range of brokerage services as well as property and facilities management. BGC Partners customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, property owners, real estate developers and investment firms. BGC Partners has offices in dozens of major markets, including New York and London, as well as in Atlanta, Beijing, Boston, Chicago, Copenhagen, Dubai, Hong Kong, Houston, Istanbul, Johannesburg, Los Angeles, Mexico City, Miami, Moscow, Nyon, Paris, Rio de Janeiro, São Paulo, Seoul, Singapore, Sydney, Tokyo, Toronto, Washington, D.C. and Zurich.

The Company's unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States (U.S.) Securities and Exchange Commission (SEC) and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company's unaudited condensed consolidated financial statements include the Company's accounts and all subsidiaries in which the Company has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements contain all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the unaudited condensed consolidated statements of financial condition, the unaudited condensed consolidated statements of operations, the unaudited condensed consolidated statements of comprehensive income, the unaudited condensed consolidated statements of cash flows and the unaudited condensed consolidated statements of changes in equity of the Company for the periods presented. The results of operations for the 2012 interim periods are not necessarily indicative of results to be expected for the entire fiscal year, which will end on December 31, 2012.

Recently Adopted Accounting Pronouncements:

Beginning with the quarter ended September 30, 2011, the Company early adopted the FASB's guidance on *Comprehensive Income Presentation of Comprehensive Income*. This guidance requires (i) presentation of other comprehensive income either in a continuous statement of comprehensive income or in a separate statement presented consecutively with the statement of operations and (ii) presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. The adoption of this FASB guidance did not have an impact on the Company's unaudited condensed consolidated financial statements as it requires only a change in presentation. The Company has presented other comprehensive income in a separate statement following the Company's unaudited condensed consolidated statements of operations.

In May 2011, the FASB issued guidance on *Fair Value Measurement Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This guidance expands the disclosure requirements

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around fair value measurements categorized in Level 3 of the fair value hierarchy. It also clarifies and expands upon existing requirements for fair value measurements of financial assets and liabilities as well as instruments classified in stockholders' equity. This FASB guidance is effective for interim and annual periods beginning after December 15, 2011. The adoption of this FASB guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

Beginning with the year ended December 31, 2011, the Company adopted the FASB's guidance on *Intangibles - Goodwill and Other - Testing Goodwill for Impairment*, to simplify how entities test goodwill for impairment. This guidance allows entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a more than 50% likelihood exists that the fair value is less than the carrying amount, then a two-step goodwill impairment test must be performed. The adoption of this FASB guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

New Accounting Pronouncements:

In December 2011, the FASB issued guidance on *Disclosures about Offsetting Assets and Liabilities*, which will require entities to disclose information about offsetting and related arrangements to enable users of financial statements to evaluate the potential effect of netting arrangements on an entity's financial position, including the potential effect of rights of set-off. This FASB guidance is effective for interim and annual reporting periods beginning on or after January 1, 2013. The adoption of this FASB guidance is not expected to have a material impact on the Company's unaudited condensed consolidated financial statements, as this guidance only requires additional disclosures concerning offsetting and related arrangements.

In July 2012, the FASB issued guidance on *Intangibles - Goodwill and Other - Testing Indefinite-Lived Intangible Assets for Impairment*, which simplifies how entities test indefinite-lived intangible assets for impairment. This guidance allows entities to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If a more than 50% likelihood exists that an indefinite-lived intangible asset is impaired, then a quantitative impairment test must be performed by comparing the fair value of the asset with its carrying amount. This FASB guidance is effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The adoption of this FASB guidance is not expected to have a material impact on the Company's unaudited condensed consolidated financial statements.

2. Limited Partnership Interests in BGC Holdings

BGC Holdings, L.P. ("BGC Holdings") is a consolidated subsidiary of the Company for which the Company is the general partner. The Company and BGC Holdings jointly own BGC Partners, L.P. ("BGC US") and BGC Global Holdings L.P. ("BGC Global"), the two operating partnerships. Listed below are the limited partnership interests in BGC Holdings. The founding/working partner units, limited partnership units and Cantor units held by Cantor Fitzgerald, L.P. ("Cantor"), each as defined below, collectively represent all of the limited partnership interests in BGC Holdings.

Founding/Working Partner Units

Founding/working partners have a limited partnership interest in BGC Holdings. The Company accounts for founding/working partner units outside of permanent capital, as Redeemable partnership interest, in the Company's unaudited condensed consolidated statements of financial condition. This classification is applicable to founding/working partner units because founding/working partner units are redeemable upon termination of a partner, which includes the termination of employment, which can be at the option of the partner and not within the control of the issuer.

Founding/working partner units are held by limited partners who are employees and generally receive quarterly allocations of net income based on their weighted-average pro rata share of economic ownership of the operating subsidiaries. Upon termination of employment or otherwise ceasing to provide substantive services, the founding/working partner units are redeemed, and the unit holders are no longer entitled to participate in the quarterly cash distributed allocations of net income. Since these allocations of net income are cash distributed on a quarterly basis and are contingent upon services being provided by the unit holder, they are reflected as a separate component of compensation expense under Allocations of net income to limited partnership units and founding/working partner units in the Company's unaudited condensed consolidated statements of operations.

Limited Partnership Units

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Certain employees hold limited partnership interests in BGC Holdings (e.g., REUs, RPUs, PSUs, and PSIs, collectively the limited partnership units). Generally, such units receive quarterly allocations of net income based on their weighted-average pro rata share of economic ownership of the operating subsidiaries. These allocations are cash distributed on a

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quarterly basis and are generally contingent upon services being provided by the unit holders. As prescribed in FASB guidance, the quarterly allocations of net income on such limited partnership units are reflected as a separate component of compensation expense under "Allocations of net income to limited partnership units and founding/working partner units" in the Company's unaudited condensed consolidated statements of operations.

Certain of these limited partnership units entitle the holders to receive post-termination payments equal to the notional amount of the units in four equal yearly installments after the holder's termination. These limited partnership units are accounted for as post-termination liability awards, and in accordance with FASB guidance the Company records compensation expense for the awards based on the change in value at each reporting date in the Company's unaudited condensed consolidated statements of operations as part of "Compensation and employee benefits."

Cantor Units

Cantor's limited partnership interest (Cantor units) in BGC Holdings is reflected as a component of "Noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of financial condition. Cantor receives allocations of net income based on its weighted-average pro rata share of economic ownership of the operating subsidiaries for each quarterly period. This allocation is reflected as a component of "Net income attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of operations. In quarterly periods in which the Company has a net loss, the amount reflected as a component of "Net income attributable to noncontrolling interest in subsidiaries" represents the loss allocation for founding/working partner units, limited partnership units and Cantor units.

General

Certain of the limited partnership interests, described above, have been granted exchangeability into Class A common stock on a one-for-one basis (subject to adjustment); additional limited partnership interests may become exchangeable for Class A common stock on a one-for-one basis (subject to adjustment). Any exchange of limited partnership interests into Class A common shares would not impact the total number of shares and units outstanding. Because these limited partnership interests generally receive quarterly allocations of net income, such exchange would have no significant impact on the cash flows or equity of the Company. Each quarter, net income is allocated between the limited partnership interests and the common stockholders. In quarterly periods in which the Company has a net loss, the loss allocation for founding/working partner units, limited partnership units and Cantor units is reflected as a component of "Net income attributable to noncontrolling interest in subsidiaries." In subsequent quarters in which the Company has net income, the initial allocation of income to the limited partnership interests is to "Net income attributable to noncontrolling interests," to recover any losses taken in earlier quarters. The remaining income is allocated to the limited partnership interests based on their weighted-average pro rata share of economic ownership of the operating subsidiaries for the quarter. This income allocation process has no impact on the net income allocated to common stockholders.

3. Acquisitions

Newmark

On October 14, 2011, the Company completed the acquisition of Newmark. Certain former shareholders of Newmark have also agreed to transfer their interests in certain other related companies for nominal consideration at the request of BGC. The total consideration transferred for Newmark was \$90.1 million. The excess of the consideration transferred plus the fair value of the noncontrolling interest over the fair value of the net assets acquired has been recorded as goodwill of \$59.5 million and was allocated to the Company's Real Estate Services segment. The consideration transferred included approximately 4.83 million shares of the Company's Class A common stock that may be issued over a five-year period contingent on certain revenue targets being met, with an estimated fair value of \$26.8 million. The Company had total direct costs of approximately \$3.2 million related to the acquisition of Newmark.

During the nine months ended September 30, 2012, the Company purchased a majority interest in another affiliated company of Newmark for total consideration transferred of approximately \$2.1 million. As a result of such transaction, the Company recognized additional goodwill of approximately \$1.8 million, which was allocated to the Company's Real Estate Services segment. Also, during the nine months ended September 30, 2012, the Company purchased additional noncontrolling interests related to Newmark for approximately \$6.9 million.

The Company has made a preliminary allocation of the consideration transferred to the assets acquired and liabilities assumed as of the acquisition date. The Company expects to finalize its analysis of the intangible assets and receivables (including contingent receivables) acquired within the first year of the acquisition, and therefore adjustments to goodwill, intangible assets, brokerage receivables and commissions payable may occur.

Table of Contents**Grubb & Ellis**

On April 13, 2012, the Company completed the acquisition of substantially all of the assets of Grubb & Ellis Company (Grubb & Ellis).

The total consideration transferred for Grubb & Ellis was \$47.1 million.

The consideration transferred included the extinguishment of approximately \$30.0 million (principal amount) pre-bankruptcy senior secured debt (the Prepetition Debt), which the Company purchased at a discount, and which had a fair value of approximately \$25.6 million as of the acquisition date. The consideration transferred also included approximately \$5.5 million under debtor-in-possession term loans and \$16.0 million in cash to the bankruptcy estate for the benefit of Grubb & Ellis unsecured creditors. The Company had total direct costs of approximately \$2.8 million related to the acquisition of Grubb & Ellis. For the three and nine months ended September 30, 2012, Grubb & Ellis total U.S. GAAP revenues subsequent to its acquisition by the Company were \$62.6 million and \$128.3 million, respectively.

The Company has made a preliminary allocation of the consideration transferred to the assets acquired and liabilities assumed as of the acquisition date. The Company expects to finalize its analysis of the intangible assets and receivables (including contingent receivables) acquired within the first year of the acquisition, and therefore adjustments may occur.

The following unaudited pro forma summary presents consolidated information of the Company as if the acquisition of Grubb & Ellis had occurred on January 1, 2011. These pro forma results are not indicative of operations that would have been achieved, nor are they indicative of future results of operations. The pro forma results do not reflect any potential cost savings or other operational efficiencies that could result from the acquisition. The historical financials of Grubb & Ellis and the pro forma information contain unusual and non-recurring expenses incurred during the distressed period leading up to the Grubb & Ellis bankruptcy. The pro forma information also does not include any adjustments for expenses with respect to assets or liabilities not acquired or assumed by the Company.

<i>In millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2012	2011	2012
Pro forma revenues	\$ 505.4	\$ 1,367.7	\$ 1,475.2	
Pro forma consolidated net (loss) income	(11.7)	10.0	8.3	

The results of operations of Newmark and Grubb & Ellis have been included in the Company's unaudited condensed consolidated financial statements subsequent to their respective dates of acquisition.

4. Earnings Per Share

FASB guidance on *Earnings Per Share* (EPS) establishes standards for computing and presenting EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average shares of common stock outstanding. Net income is allocated to each of the economic ownership classes described above in Note 2 Limited Partnership Interests in BGC Holdings, and the Company's outstanding common stock, based on each class's pro rata economic ownership of the operating subsidiaries.

The Company's earnings for the three and nine months ended September 30, 2012 and 2011 were allocated as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net (loss) income available to common stockholders	\$ (451)	\$ (2,033)	\$ 9,696	\$ 16,297
Allocation of net income to limited partnership interests in BGC Holdings	\$ 85	\$ (1,992)	\$ 13,556	\$ 31,813

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The following is the calculation of the Company's basic EPS (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<i>Basic earnings per share:</i>				
Net (loss) income available to common stockholders	\$ (451)	\$ (2,033)	\$ 9,696	\$ 16,297
Basic weighted-average shares of common stock outstanding	146,703	124,279	141,104	111,515
Basic earnings per share	\$ 0.00	\$ (0.02)	\$ 0.07	\$ 0.15

Fully diluted EPS is calculated utilizing net income available for common stockholders plus net income allocations to the limited partnership interests in BGC Holdings, as well as adjustments related to the interest expense on the Convertible Notes (if applicable) (see Note 16 Notes Payable, Collateralized and Short-Term Borrowings) and expense related to dividend equivalents for certain restricted stock units (RSUs) (if applicable) as the numerator. The denominator is comprised of the Company's weighted-average outstanding shares of common stock and, if dilutive, the weighted-average number of limited partnership interests, and other contracts to issue shares of common stock, including Convertible Notes, stock options, RSUs and warrants. The limited partnership interests are potentially exchangeable into shares of Class A common stock; as a result, they are included in the fully diluted EPS computation to the extent that the effect would be dilutive.

The following is the calculation of the Company's fully diluted EPS (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<i>Fully diluted earnings per share:</i>				
Net (loss) income available to common stockholders	\$ (451)	\$ (2,033)	\$ 9,696	\$ 16,297
Allocation of net income to limited partnership interests in BGC Holdings, net of tax			8,953	
Dividend equivalent expense on RSUs, net of tax			195	
Net (loss) income for fully diluted shares	\$ (451)	\$ (2,033)	\$ 18,844	\$ 16,297
Weighted-average shares:				
Common stock outstanding	146,703	124,279	141,104	111,515
Limited partnership interests in BGC Holdings			132,246	
RSUs (Treasury stock method)			618	
Other			1,191	263
Fully diluted weighted-average shares of common stock outstanding	146,703	124,279	275,159	111,778
Fully diluted earnings per share	\$ 0.00	\$ (0.02)	\$ 0.07	\$ 0.15

For the three months ended September 30, 2012 and 2011, approximately 188.6 million and 165.7 million shares underlying limited partnership units, founding/working partner units, Cantor units, contingent shares, Convertible Notes, stock options, RSUs, and warrants were not included in the computation of fully diluted EPS because their effect would have been anti-dilutive. Anti-dilutive securities for the three months ended September 30, 2012 included, on a weighted-average basis, 138.3 million shares underlying limited partnership interests, 39.4 million shares underlying Convertible Notes and 10.9 million other securities or other contracts to issue shares of common stock. Due to the exclusion of limited partnership units, founding/working partner units and Cantor units in the computation of fully diluted earnings per share during the three months ended September 30, 2012, the net (loss) income for fully diluted shares used in the calculation is equal to the net (loss) income available to common stockholders.

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Additionally, for the three months ended September 30, 2012 and 2011, respectively, approximately 3.5 million and 0.5 million shares of contingent Class A common stock were excluded from the computation of fully diluted EPS because the conditions for issuance had not been met by the end of the respective periods.

Table of Contents**5. Unit Redemptions and Stock Transactions*****Unit Redemptions and Stock Repurchase Program***

During the three months ended September 30, 2012, the Company redeemed approximately 4.7 million limited partnership units at an average price of \$5.06 per unit and approximately 0.1 million founding/working partner units at an average price of \$5.68 per unit. During the three months ended September 30, 2011, the Company redeemed approximately 4.0 million limited partnership units at an average price of \$6.71 per unit and approximately 0.2 million founding/working partner units at an average price of \$7.41 per unit.

During the nine months ended September 30, 2012, the Company redeemed approximately 10.2 million limited partnership units at an average price of \$5.89 per unit and approximately 1.4 million founding/working partner units at an average price of \$6.47 per unit. During the nine months ended September 30, 2011, the Company redeemed approximately 5.0 million limited partnership units at an average price of \$6.99 per unit and approximately 0.2 million founding/working partner units at an average price of \$7.81 per unit.

The Company did not repurchase any shares of Class A common stock during the three months ended September 30, 2012 or 2011.

During the nine months ended September 30, 2012, the Company repurchased 44,013 shares of Class A common stock at an aggregate purchase price of approximately \$337 thousand for an average price of \$7.66 per share. During the nine months ended September 30, 2011, the Company repurchased 14,445 shares of Class A common stock at an aggregate purchase price of approximately \$126 thousand for an average price of \$8.74 per share.

The Company's Board of Directors and Audit Committee have authorized repurchases of the Company's common stock and redemptions of BGC Holdings limited partnership interests or other equity interests in the Company's subsidiaries. On August 6, 2012, the Company's Board of Directors increased the BGC Partners share repurchase and unit redemption authorization to \$100 million. As of September 30, 2012, the Company had approximately \$85.7 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares or redeem units.

Unit redemption and share repurchase activity for the nine months ended September 30, 2012 was as follows:

Period	Total Number of Units Redeemed or Shares Repurchased	Average Price Paid per Unit or Share	Approximate Dollar Value of Units and Shares That May Yet Be Redeemed/ Purchased Under the Plan
Redemptions			
January 1, 2012 - March 31, 2012	3,833,973	\$ 6.60	
April 1, 2012 - June 30, 2012	2,922,241	6.60	
July 1, 2012 - July 31, 2012	1,625,968	5.69	
August 1, 2012 - August 31, 2012	1,214,516	4.76	
September 1, 2012 - September 30, 2012	2,004,427	4.77	
Total Redemptions	11,601,125	\$ 5.96	
Repurchases			
January 1, 2012 - March 31, 2012	44,013	\$ 7.66	
April 1, 2012 - June 30, 2012			
July 1, 2012 - July 31, 2012			
August 1, 2012 - August 31, 2012			
September 1, 2012 - September 30, 2012			
Total Repurchases	44,013	\$ 7.66	
Total Redemptions and Repurchases	11,645,138	\$ 5.97	\$ 85,734,900

Stock Issuances

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On various dates in 2010 and 2011, and most recently on February 15, 2012, the Company entered into controlled equity offering sales agreements with Cantor Fitzgerald & Co. (CF&Co) pursuant to which the Company may offer and

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sell up to an aggregate of 31.0 million shares of Class A common stock. CF&Co is a wholly-owned subsidiary of Cantor and an affiliate of the Company. Under these agreements, the Company has agreed to pay CF&Co 2% of the gross proceeds from the sale of shares.

During the three months ended September 30, 2012 and 2011, the Company issued 6,292,281 and 4,823,337 shares, respectively, of its Class A common stock related to redemptions and exchanges of limited partnership interests. During the nine months ended September 30, 2012 and 2011, the Company issued 12,297,169 and 6,827,756 shares, respectively, of its Class A common stock related to redemptions and exchanges of limited partnership interests. The issuances related to redemptions of limited partnership interests did not impact the total number of shares and units outstanding.

During the three months ended September 30, 2012, the Company issued 5,406 shares of its Class A common stock in connection with the Company's acquisitions. These shares were issued pursuant to the exemption from registration provided by Regulation S under the Securities Act. During the nine months ended September 30, 2012, the Company issued an aggregate of 924,241 shares of its Class A common stock in connection with the Company's acquisitions. Additionally, during the nine months ended September 30, 2012, the Company issued an aggregate of 453,172 shares of Class A common stock upon purchase of notes receivable in connection with the Company's acquisition of Grubb & Ellis. The Company did not issue any shares of its Class A common stock in connection with the Company's acquisitions during the three or nine months ended September 30, 2011.

During the three months ended September 30, 2012, the Company issued 296,257 shares of its Class A common stock related to vesting of RSUs. Additionally, during the three months ended September 30, 2012, the Company issued an aggregate of 17,766 shares of its Class A common stock in connection with the Company's Dividend Reinvestment and Stock Purchase Plan. During the three months ended September 30, 2012, no shares of the Company's Class A common stock were issued for general corporate purposes. The Company did not issue any shares of its Class A common stock related to the exercise of stock options during the three months ended September 30, 2012. During the three months ended September 30, 2011, the Company issued 241,226 shares of its Class A common stock related to vesting of RSUs and issued 124,209 shares of its Class A common stock related to the exercise of stock options. During the three months ended September 30, 2011, 80,013 shares of the Company's Class A common stock were issued for general corporate purposes. The Company issued an aggregate of 11,163 shares of its Class A common stock related in connection with the Company's Dividend Reinvestment and Stock Purchase Plan during the three months ended September 30, 2011.

During the nine months ended September 30, 2012 and 2011, the Company issued 1,172,546 and 1,710,625 shares, respectively, of its Class A common stock related to vesting of RSUs. Additionally, during the nine months ended September 30, 2012, the Company issued an aggregate of 43,290 shares of its Class A common stock in connection with the Company's Dividend Reinvestment and Stock Purchase Plan and 1,876,637 shares of its Class A common stock for general corporate purposes. The Company did not issue any shares of its Class A common stock related to the exercise of stock options during the nine months ended September 30, 2012. During the nine months ended September 30, 2011, the Company issued 1,774,793 shares of its Class A common stock related to the exercise of stock options and 1,215,243 shares of its Class A common stock for general corporate purposes. The Company issued an aggregate of 11,163 shares of its Class A common stock in connection with the Company's Dividend Reinvestment and Stock Purchase Plan during the nine months ended September 30, 2011.

During the nine months ended September 30, 2012, the Company issued and donated an aggregate of 1,050,000 shares of Class A common stock to the Relief Fund in connection with the Company's annual Charity Day, which shares have been registered for resale by the Relief Fund.

During the nine months ended September 30, 2011, the Company issued and donated an aggregate of 443,686 shares of Class A common stock to the Relief Fund in connection with the Company's annual Charity Day. These shares have been registered for resale by the Relief Fund. In addition, during the three and nine months ended September 30, 2011, three partners of BGC Holdings donated an aggregate of 995,911 shares of Class A common stock to the Relief Fund. The aggregate 995,911 shares of Class A common stock were issued by the Company on July 27, 2011.

During the nine months ended September 30, 2011, the Company issued 9.0 million shares of Class A common stock to Cantor upon Cantor's exchange of 9.0 million Cantor units. In addition, during the nine months ended September 30, 2011, the Company issued 9.0 million shares of Class B common stock of the Company to Cantor upon Cantor's exchange of 9.0 million Cantor units. All of these shares are restricted securities. These issuances did not change the fully diluted number of shares outstanding. In addition, the Company issued an aggregate of 11,111 shares of its Class A common stock to a former partner.

6. Securities Owned

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Securities owned primarily consist of unencumbered U.S. Treasury bills held for liquidity purposes. Total securities owned were \$32.3 million and \$16.3 million as of September 30, 2012 and December 31, 2011, respectively.

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Securities owned consisted of the following (in thousands):

	September 30, 2012	December 31, 2011
Government debt	\$ 32,020	\$ 16,007
Equities	283	275
Total	\$ 32,303	\$ 16,282

As of September 30, 2012, the Company has not pledged any of the securities owned to satisfy deposit requirements at exchanges or clearing organizations.

7. Marketable Securities

Marketable securities consist of the Company's ownership of various investments. The Company had no marketable securities as of September 30, 2012. As of December 31, 2011, the Company had \$1.2 million of marketable securities, which were classified as available-for-sale and recorded at fair value. During the three months ended March 31, 2012, the Company sold certain of its marketable securities for approximately \$0.9 million. In addition, the Company recorded impairment charges of \$0.3 million in the three months ended June 30, 2012. No impairment charges were recorded for the three and nine months ended September 30, 2011.

8. Receivables from and Payables to Broker-Dealers, Clearing Organizations, Customers and Related Broker-Dealers

Receivables from and Payables to broker-dealers, clearing organizations, customers and related broker-dealers primarily represent amounts due for undelivered securities, cash held at clearing organizations and exchanges to facilitate settlement and clearance of matched principal transactions, spreads on matched principal transactions that have not yet been remitted from/to clearing organizations and exchanges and amounts related to open derivative contracts. The Receivables from and Payables to broker-dealers, clearing organizations, customers and related broker-dealers consisted of the following (in thousands):

	September 30, 2012	December 31, 2011
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to deliver	\$ 693,321	\$ 130,675
Receivables from clearing organizations	48,585	48,681
Other receivables from broker-dealers and customers	11,581	8,060
Open derivative contracts	1,160	1,185
Net pending trades	9,216	3,452
Total	\$ 763,863	\$ 192,053
Payables to broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to receive	\$ 625,014	\$ 124,282
Payables to clearing organizations	13,032	5,077
Other payables to broker-dealers and customers	47,821	14,990
Open derivative contracts	297	334
Total	\$ 686,164	\$ 144,683

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A portion of these receivables and payables are with Cantor. See Note 12 Related Party Transactions, for additional information related to these receivables and payables.

Substantially all open fails to deliver, open fails to receive and pending trade transactions as of September 30, 2012 have subsequently settled at the contracted amounts.

Table of Contents**9. Notes Receivable, Net**

In connection with the Company's agreement to acquire substantially all of the assets of Grubb & Ellis, on February 17, 2012, the Company purchased notes with a principal amount of approximately \$30.0 million. The Company recorded interest income associated with the notes in Interest income on the Company's unaudited condensed consolidated statements of operations. There was no interest income recognized for the three months ended September 30, 2012, and there was approximately \$0.6 million of interest income recognized related to the notes for the nine months ended September 30, 2012. The Company did not recognize any interest income for the three or nine months ended September 30, 2011. The notes were a component of the consideration transferred with respect to the acquisition of Grubb & Ellis on April 13, 2012 and were effectively settled as a result of the acquisition. Prior to the acquisition of Grubb & Ellis, the notes were recorded at fair value and recorded in Notes receivable, net in the Company's unaudited condensed consolidated statements of financial condition.

10. Derivatives

In the normal course of operations the Company enters into derivative contracts. These derivative contracts primarily consist of interest rate and foreign exchange swaps. The Company enters into derivative contracts to facilitate client transactions, to hedge principal positions and to facilitate hedging activities of affiliated companies.

Derivative contracts can be exchange-traded or OTC. Exchange-traded derivatives typically fall within Level 1 or Level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The Company generally values exchange-traded derivatives using the closing price of the exchange-traded derivatives. OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. Such instruments are typically classified within Level 2 of the fair value hierarchy.

The Company does not designate any derivative contracts as hedges for accounting purposes. FASB guidance requires that an entity recognize all derivative contracts as either assets or liabilities in the unaudited condensed consolidated statements of financial condition and measure those instruments at fair value. The fair value of all derivative contracts is recorded on a net-by-counterparty basis where a legal right to offset exists under an enforceable netting agreement. Derivative contracts are recorded as part of Receivables from or payables to broker-dealers, clearing organizations, customers and related broker-dealers in the Company's unaudited condensed consolidated statements of financial condition. The change in fair value of derivative contracts is reported as part of Principal transactions in the Company's unaudited condensed consolidated statements of operations.

The fair value of derivative financial instruments, computed in accordance with the Company's netting policy, is set forth below (in thousands):

	September 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	\$ 1,160	\$	\$ 1,185	\$
Foreign exchange swaps		297		334
	\$ 1,160	\$ 297	\$ 1,185	\$ 334

The notional amounts of the interest rate swap transactions at September 30, 2012 and December 31, 2011 were \$434.1 million and \$1.2 billion, respectively. These represent matched customer transactions settled through and guaranteed by a central clearing organization.

All of the Company's foreign exchange swaps are with Cantor. The notional amounts of the foreign exchange swap transactions at September 30, 2012 and December 31, 2011 were \$328.7 million and \$234.1 million, respectively.

The replacement cost of contracts in a gain position at September 30, 2012 was \$1.9 million.

As described in Note 16 Notes Payable, Collateralized and Short-Term Borrowings, on July 29, 2011, the Company issued an aggregate of \$160.0 million principal amount of 4.50% Convertible Senior Notes due 2016 (the 4.50% Convertible Notes), containing an embedded conversion feature. The conversion feature meets the requirements to be accounted for as an equity instrument, and the Company classifies the conversion feature within Additional paid-in capital in the Company's unaudited condensed consolidated statements of financial condition. The

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embedded conversion feature was measured in the amount of approximately \$19.0 million on a pre-tax basis (\$16.1 million net of taxes and issuance costs) at the issuance of the 4.50% Convertible Notes as the difference between the proceeds received and the fair value of a similar liability without the conversion feature and is not subsequently remeasured.

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Also in connection with the issuance of the 4.50% Convertible Notes, the Company entered into capped call transactions. The capped call transactions meet the requirements to be accounted for as equity instruments, and the Company classifies the capped call transactions within Additional paid-in capital in the Company's unaudited condensed consolidated statements of financial condition. The purchase price of the capped call transactions resulted in a decrease to Additional paid-in capital of \$11.4 million on a pre-tax basis (\$9.9 million on an after-tax basis) at the issuance of the 4.50% Convertible Notes, and such capped call transactions are not subsequently remeasured.

11. Fair Value of Financial Assets and Liabilities

The following tables set forth by level within the fair value hierarchy financial assets and liabilities, including marketable securities and those pledged as collateral, accounted for at fair value under FASB guidance at September 30, 2012 (in thousands):

	Assets at Fair Value at September 30, 2012 (1)				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Government debt	\$ 32,020	\$	\$	\$	\$ 32,020
Interest rate swaps		1,160			1,160
Securities owned - Equities	283				283
Total	\$ 32,303	\$ 1,160	\$	\$	\$ 33,463

	Liabilities at Fair Value at September 30, 2012 (1)				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Foreign exchange swaps	\$	\$ 297	\$	\$	\$ 297
Total	\$	\$ 297	\$	\$	\$ 297

(1) As required by FASB guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth by level within the fair value hierarchy financial assets and liabilities, including marketable securities and those pledged as collateral, accounted for at fair value under FASB guidance at December 31, 2011 (in thousands):

	Assets at Fair Value at December 31, 2011 (1)				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Government debt	\$ 16,007	\$	\$	\$	\$ 16,007
Marketable securities	1,238				1,238
Interest rate swaps		1,185			1,185
Securities owned - Equities	275				275
Total	\$ 17,520	\$ 1,185	\$	\$	\$ 18,705

	Liabilities at Fair Value at December 31, 2011 (1)			
	Level 1	Level 2	Level 3	Total

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				Netting and Collateral	
Foreign exchange swaps	\$	\$ 334	\$	\$	\$ 334
Total	\$	\$ 334	\$	\$	\$ 334

- (1) As required by FASB guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Table of Contents**12. Related Party Transactions*****Service Agreements***

Throughout Europe and Asia, the Company provides Cantor with administrative services, technology services and other support for which it charges Cantor based on the cost of providing such services plus a mark-up, generally 7.5%. In the U.K., the Company provides these services to Cantor through Tower Bridge. The Company owns 52% of Tower Bridge and consolidates it, and Cantor owns 48%. Cantor's interest in Tower Bridge is reflected as a component of Noncontrolling interest in subsidiaries in the Company's unaudited condensed consolidated statements of financial condition, and the portion of Tower Bridge's income attributable to Cantor is included as part of Net income attributable to noncontrolling interest in subsidiaries in the Company's unaudited condensed consolidated statements of operations. In the U.S., the Company provides Cantor with technology services for which it charges Cantor based on the cost of providing such services.

The Company, together with other leading financial institutions, formed ELX Futures, L.P. (ELX), a limited partnership that has established a fully-electronic futures exchange. The Company accounts for ELX under the equity method of accounting (see Note 13 Investments for more details). During the nine months ended September 30, 2012, the Company made a \$16.0 million equity investment in ELX. During the nine months ended September 30, 2011, the Company made no equity investments in ELX. The Company has entered into a technology services agreement with ELX pursuant to which the Company provides software technology licenses, monthly maintenance support and other technology services as requested by ELX. For the three months ended September 30, 2012 and 2011, the Company recognized related party revenues of \$13.1 million and \$15.2 million, respectively, for the services provided to Cantor and ELX. For the nine months ended September 30, 2012 and 2011, the Company recognized related party revenues pursuant to these agreements of \$39.1 million and \$46.9 million, respectively. These revenues are included as part of Fees from related parties in the Company's unaudited condensed consolidated statements of operations.

In the U.S., Cantor and its affiliates provide the Company with administrative services and other support for which Cantor charges the Company based on the cost of providing such services. In connection with the services Cantor provides, the Company and Cantor entered into an employee lease agreement whereby certain employees of Cantor are deemed leased employees of the Company. For the three months ended September 30, 2012 and 2011, the Company was charged \$9.4 million and \$10.1 million, respectively, for the services provided by Cantor and its affiliates, of which \$6.6 million and \$6.8 million, respectively, were to cover compensation to leased employees for the three months ended September 30, 2012 and 2011. For the nine months ended September 30, 2012 and 2011, the Company was charged \$26.5 million and \$27.3 million, respectively, for the services provided by Cantor and its affiliates, of which \$17.0 million and \$18.4 million, respectively, were to cover compensation to leased employees for the nine months ended September 30, 2012 and 2011. The fees paid to Cantor for administrative and support services, other than those to cover the compensation costs of leased employees, are included as part of Fees to related parties in the Company's unaudited condensed consolidated statements of operations. The fees paid to Cantor to cover the compensation costs of leased employees are included as part of Compensation and employee benefits in the Company's unaudited condensed consolidated statements of operations.

For the three months ended September 30, 2012 and 2011, Cantor's share of the net profit in Tower Bridge was \$1.0 million and \$0.9 million, respectively. For the nine months ended September 30, 2012 and 2011, Cantor's share of the net profit in Tower Bridge was \$1.4 million and \$1.8 million, respectively. Cantor's noncontrolling interest is included as part of Noncontrolling interest in subsidiaries in the Company's unaudited condensed consolidated statements of financial condition.

Clearing Agreement

The Company receives certain clearing services (Clearing Services) from Cantor pursuant to its clearing agreement (Clearing Agreement). These Clearing Services are provided in exchange for payment by the Company of third-party clearing costs and allocated costs. The costs associated with these payments are included as part of Fees to related parties in the Company's unaudited condensed consolidated statements of operations.

Table of Contents***Receivables from and Payables to Related Broker-Dealers***

Amounts due from or to Cantor and Freedom International Brokerage are for transactional revenues under a technology and services agreement with Freedom International Brokerage as well as for open derivative contracts. These are included as part of Receivables from broker-dealers, clearing organizations, customers and related broker-dealers or Payables to broker-dealers, clearing organizations, customers and related broker-dealers in the Company's unaudited condensed consolidated statements of financial condition. As of September 30, 2012 and December 31, 2011, the Company had receivables from Cantor and Freedom International Brokerage of \$4.0 million and \$3.7 million, respectively. As of both September 30, 2012 and December 31, 2011, the Company had payables to Cantor of \$0.3 million related to open derivative contracts.

Loans, Forgivable Loans and Other Receivables from Employees and Partners, Net

The Company has entered into various agreements with certain of its employees and partners whereby these individuals receive loans which may be either wholly or in part repaid from the distribution earnings that the individual receives on some or all of their limited partnership interests or may be forgiven over a period of time. The forgivable portion of these loans is recognized as compensation expense over the life of the loan. From time to time, the Company may also enter into agreements with employees and partners to grant bonus and salary advances or other types of loans. These advances and loans are repayable in the timeframes outlined in the underlying agreements.

As of September 30, 2012 and December 31, 2011, the aggregate balance of these employee loans was \$210.2 million and \$192.7 million, respectively, and is included as Loans, forgivable loans and other receivables from employees and partners, net in the Company's unaudited condensed consolidated statements of financial condition. This increase was primarily due to employee loans related to recent acquisitions. Compensation expense for the above mentioned employee loans for the three months ended September 30, 2012 and 2011, was \$9.0 million and \$7.7 million, respectively. Compensation expense for the above mentioned employee loans for the nine months ended September 30, 2012 and 2011, was \$24.1 million and \$23.9 million, respectively. The compensation expense related to these employee loans is included as part of Compensation and employee benefits in the Company's unaudited condensed consolidated statements of operations.

8.75% Convertible Notes

On April 1, 2010 BGC Holdings issued an aggregate of \$150.0 million principal amount of 8.75% Convertible Senior Notes due 2015 (the 8.75% Convertible Notes) to Cantor in a private placement transaction. The Company used the proceeds of the 8.75% Convertible Notes to repay at maturity \$150.0 million aggregate principal amount of Senior Notes due April 1, 2010. The Company recorded interest expense related to the 8.75% Convertible Notes in the amount of \$3.3 million for both the three months ended September 30, 2012 and the three months ended September 30, 2011. The Company recorded interest expense related to the 8.75% Convertible Notes in the amount of \$9.8 million for both the nine months ended September 30, 2012 and the nine months ended September 30, 2011. See Note 16 Notes Payable, Collateralized and Short-Term Borrowings, for more information.

Controlled Equity Offerings/Payment of Commissions to CF&Co

As discussed in Note 5 Unit Redemptions and Stock Transactions, the Company has entered into controlled equity offering agreements with CF&Co, as the Company's sales agent. For the three months ended September 30, 2012 and 2011, the Company was charged approximately \$0.5 million and \$0.6 million, respectively, for services provided by CF&Co. For the nine months ended September 30, 2012 and 2011, the Company was charged approximately \$1.4 million and \$0.9 million, respectively, for services provided by CF&Co. These expenses are included as part of Professional and consulting fees in the Company's unaudited condensed consolidated statements of operations.

Cantor Rights to Purchase Limited Partnership Interests from BGC Holdings

Cantor has the right to purchase limited partnership interests (Cantor units) from BGC Holdings upon redemption of non-exchangeable founding/working partner units redeemed by BGC Holdings upon termination or bankruptcy of the founding/working partner. Any such Cantor units purchased by Cantor are exchangeable for shares of Class B common stock or, at Cantor's election or if there are no additional authorized but unissued shares of Class B common stock, shares of Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

During the nine months ended September 30, 2012, in connection with the redemption by BGC Holdings of an aggregate of 431,985 non-exchangeable founding partner units from founding partners of BGC Holdings for an aggregate consideration of \$1,282,045, Cantor purchased 431,985 exchangeable limited partnership interests from BGC Holdings for an aggregate of \$1,282,045. The redemption of the non-exchangeable founding partner units and issuance of an equal number of exchangeable limited partnership

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interests did not change the fully diluted number of shares outstanding. In addition, pursuant to the Sixth Amendment to the BGC Holdings Limited Partnership Agreement, during the nine months ended September 30, 2012, Cantor purchased 488,744 exchangeable limited partnership interests from BGC Holdings for an aggregate consideration of \$1,449,663 in connection with the grant of exchangeability and exchange of 488,744 founding partner units. Such exchangeable limited partnership interests are exchangeable by Cantor at any time on a one-for-one basis (subject to adjustment) for shares of Class A common stock of the Company.

As of September 30, 2012, there were 286,624 non-exchangeable founding/working partner units remaining in which BGC Holdings had the right to redeem and Cantor had the right to purchase an equivalent number of Cantor units.

BGC Partners Acquisition of CantorCO2e, L.P.

On August 2, 2011, the Company's Board of Directors and Audit Committee approved the Company's acquisition from Cantor of its North American environmental brokerage business, CantorCO2e, L.P. (CO2e). On August 9, 2011, the Company completed the acquisition of CO2e from Cantor for the assumption of approximately \$2.0 million of liabilities and announced the launch of BGC Environmental Brokerage Services. Headquartered in New York, BGC Environmental Brokerage Services focuses on environmental commodities, offering brokerage, escrow and clearing, consulting, and advisory services to clients throughout the world in the industrial, financial and regulatory sectors.

Other Transactions

The Company is authorized to enter into loans, investments or other credit support arrangements for Aqua Securities L.P. (Aqua), an alternative electronic trading platform which offers new pools of block liquidity to the global equities markets, of up to \$5.0 million in the aggregate; such arrangements would be proportionally and on the same terms as similar arrangements between Aqua and Cantor. A \$2.0 million increase in this amount was authorized on November 1, 2010. Aqua is 51% owned by Cantor and 49% owned by the Company. Aqua is accounted for under the equity method of accounting. During the nine months ended September 30, 2012 and 2011, the Company made \$1.2 million and \$1.3 million, respectively, in cash contributions to Aqua. These contributions are recorded as part of Investments in the Company's unaudited condensed consolidated statements of financial condition.

On June 21, 2012, the Company signed an agreement with Thesys Technologies, the infrastructure affiliate of Tradeworx, Inc., to invest in the creation of high-speed microwave data networks for the financial community. In connection with the agreement, the Company has committed to fund up to approximately \$13.0 million to Epsilon Networks, LLC, an equity method investment of the Company, as it meets certain milestone targets. During the nine months ended September 30, 2012, the Company made loans of approximately \$6.2 million to Epsilon Networks, LLC, which are recorded in Other assets in the Company's unaudited condensed consolidated statements of financial condition.

The Company is authorized to enter into short-term arrangements with Cantor to cover any failed U.S. Treasury securities transactions and to share equally any net income resulting from such transactions, as well as any similar clearing and settlement issues. As of September 30, 2012, the Company had not entered into any arrangements to cover any failed U.S. Treasury transactions.

To more effectively manage the Company's exposure to changes in foreign exchange rates, the Company and Cantor agreed to jointly manage the exposure. As a result, the Company is authorized to divide the quarterly allocation of any profit or loss relating to foreign exchange currency hedging between Cantor and the Company. The amount allocated to each party is based on the total net exposure for the Company and Cantor. The ratio of gross exposures of Cantor and the Company will be utilized to determine the shares of profit or loss allocated to each for the period. During the nine months ended September 30, 2012, the Company recognized its share of foreign exchange loss of \$54.7 thousand. This loss is included as part of Other expenses in the Company's unaudited condensed consolidated statements of operations.

In March 2009, the Company and Cantor were authorized to utilize each other's brokers to provide brokerage services for securities not brokered by such entity, so long as, unless otherwise agreed, such brokerage services were provided in the ordinary course and on terms no less favorable to the receiving party than such services are provided to typical third-party customers.

During the year ended December 31, 2011, the Company issued 9.0 million shares of Class A common stock to Cantor upon Cantor's exchange of 9.0 million Cantor units. In addition, during the year ended December 31, 2011, the Company issued 9.0 million shares of Class B common stock to Cantor upon Cantor's exchange of 9.0 million Cantor units. These issuances did not impact the total number of shares and units outstanding. As a result of these exchanges and the transactions described above, as of September 30, 2012, Cantor held an aggregate of 48,782,933 Cantor units. (See Note 5 Unit Redemptions and Stock Transactions.)

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On October 14, 2011, the Company completed the acquisition of Newmark (see Note 3 Acquisitions). In connection with this acquisition, the Company paid an advisory fee of \$1.4 million to CF&Co. This fee was recorded as part of Professional and consulting fees in the Company s unaudited condensed consolidated statements of operations.

On April 13, 2012, the Company completed the acquisition of Grubb & Ellis (see Note 3 Acquisitions). In connection with this acquisition, the Company paid an advisory fee of \$1.0 million to CF&Co. This fee was recorded as part of Professional and consulting fees in the Company s unaudited condensed consolidated statements of operations.

On June 26, 2012, the Company issued an aggregate \$112.5 million principal amount of 8.125% Senior Notes due 2042 (the 8.125% Senior Notes). In connection with this issuance, the Company paid underwriting fees of approximately \$0.2 million to CF&Co. This fee was recorded as a debt issuance cost, which is amortized as interest expense over the term of the notes.

During the year ended December 31, 2011, Howard W. Lutnick, the Company s Chief Executive Officer, exercised an employee stock option with respect to 1,500,000 shares of Class A common stock at an exercise price of \$5.10 per share. The exercise price was paid in cash from Mr. Lutnick s personal funds.

During the year ended December 31, 2011, other executive officers of the Company exercised employee stock options with respect to 152,188 shares of Class A common stock at an average exercise price of \$5.10 per share. A portion of these shares were withheld to pay the option exercise price and the applicable tax obligations. During the year ended December 31, 2011, these executive officers sold 6,454 of these shares of Class A common stock that they acquired upon exercise of options to the Company at an average price of \$8.50 per share.

During the nine months ended September 30, 2012, the Company repurchased 44,013 shares of Class A common stock, at an average price of \$7.66 per share. An aggregate of 41,523 of such shares were purchased from Stephen M. Merkel, the Company s Executive Vice President, General Counsel and Secretary, and certain family trusts.

During the year ended December 31, 2011, the Company repurchased 60,929 shares of Class A common stock, at an average price of \$6.43 per share, from a director, executive officers, and employees of the Company.

During the nine months ended September 30, 2012, the Company issued and donated an aggregate of 1,050,000 shares of Class A common stock to the Relief Fund in connection with the Company s annual Charity Day, which shares have been registered for resale by the Relief Fund.

During the year ended December 31, 2011, the Company issued and donated an aggregate of 443,686 shares of Class A common stock to the Relief Fund. During the year ended December 31, 2011, three partners of BGC Holdings donated an aggregate of 995,911 shares of Class A common stock to the Relief Fund. The aggregate 995,911 shares of Class A common stock were issued by the Company on July 27, 2011.

13. Investments***Equity Method Investments***

	September 30, 2012	December 31, 2011
Equity method investments (in thousands)	\$ 29,469	\$ 20,367

The Company s share of losses related to its investments was \$3.0 million and \$1.7 million for the three months ended September 30, 2012 and 2011, respectively. The Company s share of losses related to its investments was \$8.1 million and \$4.7 million for the nine months ended September 30, 2012 and 2011, respectively. The Company s share of the losses is reflected in Losses on equity investments in the Company s unaudited condensed consolidated statements of operations.

Table of Contents**Investments in Variable Interest Entities**

Certain of the Company's equity method investments included in the equity method investment table above are considered variable interest entities (VIE), as defined under the accounting guidance for consolidation. The Company is not considered the primary beneficiary of, and therefore does not consolidate, any of the variable interest entities in which it holds a variable interest. The Company's involvement with such entities is in the form of direct equity interests and related agreements. The Company's maximum exposure to loss with respect to the variable interest entities is its investment in such entities as well as a credit facility and other funding commitments. The following table sets forth the Company's investment in its unconsolidated variable interest entities and the maximum exposure to loss with respect to such entities as of September 30, 2012 and December 31, 2011. The amounts presented in the Investment column below are included in, and not in addition to, the equity method investment table above (in thousands):

	September 30, 2012		December 31, 2011	
	Investment	Maximum Exposure to Loss	Investment	Maximum Exposure to Loss
Variable interest entities(1)	\$ 17,793	\$ 46,793	\$	\$

- (1) In addition to its equity investments, the Company has entered into a credit agreement to lend one of its variable interest entities (ELX) up to \$16.0 million. The commitment period for such credit facility extends through March 28, 2015. Additionally, the Company has committed to fund up to approximately \$13.0 million to another variable interest entity (Epsilon Networks, LLC) as it meets certain milestone targets. The Company's maximum exposure to loss with respect to its variable interest entities is the sum of its equity investment plus the \$16.0 million credit facility and the funding commitment of approximately \$13.0 million.

14. Fixed Assets, Net

Fixed assets, net consisted of the following (in thousands):

	September 30, 2012	December 31, 2011
Computer and communications equipment	\$ 218,954	\$ 198,322
Software, including software development costs	148,620	138,845
Leasehold improvements and other fixed assets	123,224	111,573
	490,798	448,740
Less: accumulated depreciation and amortization	350,017	312,672
Fixed assets, net	\$ 140,781	\$ 136,068

Depreciation expense was \$9.5 million and \$8.5 million for the three months ended September 30, 2012 and 2011, respectively. Depreciation expense was \$27.7 million and \$25.2 million for the nine months ended September 30, 2012 and 2011, respectively. Depreciation is included as part of Occupancy and equipment in the Company's unaudited condensed consolidated statements of operations.

In accordance with FASB guidance, the Company capitalizes qualifying computer software development costs incurred during the application development stage and amortizes them over their estimated useful life of three years on a straight-line basis. For the three months ended September 30, 2012 and 2011, software development costs totaling \$2.2 million and \$4.6 million, respectively, were capitalized. For the nine months ended September 30, 2012 and 2011, software development costs totaling \$8.9 million and \$11.5 million, respectively, were capitalized. Amortization of software development costs totaled \$3.2 million and \$2.8 million for the three months ended September 30, 2012 and 2011, respectively. Amortization of software development costs totaled \$7.9 million and \$8.4 million for the nine months ended September 30, 2012 and 2011, respectively. Amortization of software development costs is included as part of Occupancy and equipment in the Company's unaudited condensed consolidated statements of operations.

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Impairment charges of \$0.1 million and \$0.3 million were recorded for the three months ended September 30, 2012 and 2011, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges of \$1.1 million and \$0.6 million were recorded for the nine months ended September 30, 2012 and 2011, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges related to capitalized software and fixed assets are reflected in Occupancy and equipment in the Company's unaudited condensed consolidated statements of operations.

Table of Contents**15. Goodwill and Other Intangible Assets, Net**

The changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2012 were as follows (in thousands):

	Financial Services	Real Estate Services	Total
Balance at December 31, 2011	\$ 81,602	\$ 59,540	\$ 141,142
Goodwill related to a Newmark affiliate		1,829	1,829
Cumulative translation adjustment	(815)		(815)
Balance at September 30, 2012	\$ 80,787	\$ 61,369	\$ 142,156

The Company acquired substantially all of the assets of Grubb & Ellis following the April 13, 2012 approval of the transaction by the U.S. Bankruptcy Court for the Southern District of New York. Based on the Company's preliminary allocation of the consideration transferred to the assets acquired and liabilities assumed, the Company does not expect to recognize any goodwill from the acquisition.

Goodwill is not amortized and is reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with FASB guidance on *Goodwill and Other Intangible Assets*.

Other intangible assets consisted of the following (in thousands):

	September 30, 2012	December 31, 2011
Definite life intangible assets:		
Patents	\$ 36,257	\$ 35,944
Customer base/relationships	15,066	15,280
Internally developed software	5,722	5,722
Noncompete agreements	3,418	3,418
All other	3,786	3,778
Total gross definite life intangible assets	64,249	64,142
Less: accumulated amortization	55,309	52,996
Net definite life intangible assets	8,940	11,146
Indefinite life intangible assets:		
Trade name	10,685	4,348
Horizon license	1,500	1,500
Total net intangible assets	\$ 21,125	\$ 16,994

Intangible amortization expense was \$0.9 million and \$0.8 million for the three months ended September 30, 2012 and 2011, respectively. Intangible amortization expense was \$2.7 million and \$2.6 million for the nine months ended September 30, 2012 and 2011, respectively. Intangible amortization is included as part of "Other expenses" in the Company's unaudited condensed consolidated statements of operations.

16. Notes Payable, Collateralized and Short-Term Borrowings

Notes payable, collateralized and short-term borrowings consisted of the following (in thousands):

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	September 30, 2012	December 31, 2011
8.75% Convertible Notes	\$ 150,000	\$ 150,000
4.50% Convertible Notes	142,247	138,976
8.125% Senior Notes	108,755	
Collateralized borrowings	45,530	42,940
Short-term borrowings		13,600
 Total	 \$ 446,532	 \$ 345,516

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The Company's Convertible Notes and 8.125% Senior Notes are recorded at amortized cost. The carrying amounts and estimated fair values of the Company's Convertible Notes and 8.125% Senior Notes were as follows (in thousands):

	September 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
8.75% Convertible Notes	\$ 150,000	\$ 164,667	\$ 150,000	\$ 172,538
4.50% Convertible Notes	142,247	149,600	138,976	142,400
8.125% Senior Notes	108,755	118,215		
Total	\$ 401,002	\$ 432,482	\$ 288,976	\$ 314,938

The fair value of the 8.75% Convertible Notes was estimated based on a jump-diffusion convertible pricing model, which among other inputs incorporates the scheduled coupon and principal payments, the conversion feature inherent in the 8.75% Convertible Notes, the Company's stock price and a stock price volatility assumption. The stock price volatility assumptions are based on the historic volatility of the Company's common stock. The fair value measurements of the 8.75% Convertible Notes are based on significant inputs observable in the market and are considered Level 2 within the fair value hierarchy. The fair values of the 8.125% Senior Notes and 4.50% Convertible Notes were determined using observable market prices as these securities are traded and are considered Level 1 and Level 2, respectively, within the fair value hierarchy, based on whether they are deemed to be actively traded.

Convertible Notes

On April 1, 2010, BGC Holdings issued an aggregate of \$150.0 million principal amount of the 8.75% Convertible Notes to Cantor in a private placement transaction. The Company used the proceeds of the 8.75% Convertible Notes to repay \$150.0 million principal amount of Senior Notes that matured on April 1, 2010. The 8.75% Convertible Notes are senior unsecured obligations and rank equally and ratably with all existing and future senior unsecured obligations of the Company. The 8.75% Convertible Notes bear an annual interest rate of 8.75%, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2010, and are currently convertible into 23,276,803 million shares of Class A common stock. The 8.75% Convertible Notes will mature on April 15, 2015, unless earlier repurchased, exchanged or converted. The Company recorded interest expense related to the 8.75% Convertible Notes of \$3.3 million for both the three months ended September 30, 2012 and the three months ended September 30, 2011, and \$9.8 million for both the nine months ended September 30, 2012 and the nine months ended September 30, 2011.

The 8.75% Convertible Notes are currently convertible, at the holder's option, at a conversion rate of 155.1787 shares of Class A common stock per \$1,000 principal amount of notes, subject to customary adjustments upon certain corporate events, including stock dividends and stock splits on the Class A common stock and the Company's payment of a quarterly cash dividend in excess of \$0.10 per share of Class A common stock. The conversion rate will not be adjusted for accrued and unpaid interest to the conversion date.

On July 29, 2011, the Company issued an aggregate of \$160.0 million principal amount of 4.50% Convertible Senior Notes due 2016. The 4.50% Convertible Notes are general senior unsecured obligations of BGC Partners, Inc. The 4.50% Convertible Notes pay interest semiannually at a rate of 4.50% per annum and were priced at par. The 4.50% Convertible Notes will mature on July 15, 2016, unless earlier repurchased, exchanged or converted. The Company recorded interest expense related to the 4.50% Convertible Notes of \$2.9 million and \$2.0 million for the three months ended September 30, 2012 and 2011, respectively. The Company recorded interest expense related to the 4.50% Convertible Notes of \$8.7 million and \$2.0 million for the nine months ended September 30, 2012 and 2011, respectively.

The 4.50% Convertible Notes are currently convertible, at the holder's option, at a conversion rate of 101.6260 shares of Class A common stock per \$1,000 principal amount of notes, subject to adjustment in certain circumstances, including stock dividends and stock splits on the Class A common stock and the Company's payment of a quarterly cash dividend in excess of \$0.17 per share of Class A common stock. This conversion rate is equal to a conversion price of approximately \$9.84 per share, a 20% premium over the \$8.20 closing price of BGC's Class A common stock on the NASDAQ on July 25, 2011. Upon conversion, the Company will pay or deliver, cash, shares of the Company's Class A common stock, or a combination thereof at the Company's election. The 4.50% Convertible Notes are currently convertible into approximately 16.3 million shares of Class A common stock.

As prescribed by FASB guidance, *Debt*, the Company recognized the value of the embedded conversion feature of the 4.50% Convertible Notes as an increase to Additional paid-in capital of approximately \$19.0 million on a pre-tax basis (\$16.1 million net of taxes and issuance costs). The

embedded conversion feature was measured as the difference between the proceeds received and the

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fair value of a similar liability without the conversion feature. The value of the conversion feature is treated as a debt discount and reduced the initial carrying value of the 4.50% Convertible Notes to \$137.2 million, net of debt issuance costs of \$3.8 million allocated to the debt component of the instrument. The discount is amortized as interest cost and the carrying value of the notes will accrete up to the face amount over the term of the notes.

In connection with the offering of the 4.50% Convertible Notes, the Company entered into capped call transactions, which are expected generally to reduce the potential dilution of the Company's Class A common stock upon any conversion of the 4.50% Convertible Notes in the event that the market value per share of the Company's Class A common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions (which corresponds to the initial conversion price of the 4.50% Convertible Notes and is subject to certain adjustments similar to those contained in the 4.50% Convertible Notes). The capped call transactions have a cap price equal to \$12.30 per share (50% above the last reported sale price of the Company's Class A common stock on the NASDAQ on July 25, 2011). The purchase price of the capped call transactions resulted in a decrease to Additional paid-in capital of \$11.4 million on a pre-tax basis (\$9.9 million on an after-tax basis). The capped call transactions cover approximately 16.3 million shares of BGC's Class A common stock.

Below is a summary of the Company's Convertible Notes (in thousands, except share and per share amounts):

	4.50% Convertible Notes		8.75% Convertible Notes	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Principal amount of debt component	\$ 160,000	\$ 160,000	\$ 150,000	\$ 150,000
Unamortized discount	(17,753)	(21,024)		
Carrying amount of debt component	142,247	138,976	150,000	150,000
Carrying amount of equity component	18,972	18,972		
Effective interest rate	7.61%	7.61%	8.75%	8.75%
Maturity date (period through which discount is being amortized)	7/15/2016	7/15/2016	4/15/2015	4/15/2015
Conversion price	\$ 9.84	\$ 9.84	\$ 6.44	\$ 6.66
Number of shares to be delivered upon conversion	16,260,160	16,260,160	23,276,803	22,508,095
Amount by which the notes if-converted value exceeds their principal amount	\$	\$	\$	\$

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Below is a summary of the interest expense related to the Company's Convertible Notes (in thousands):

	4.50% Convertible Notes				8.75% Convertible Notes			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Coupon interest	\$ 1,800	\$ 1,240	\$ 5,400	\$ 1,240	\$ 3,281	\$ 3,281	\$ 9,844	\$ 9,843
Amortization of discount	1,099	792	3,271	792				
Total interest expense	\$ 2,899	\$ 2,032	\$ 8,671	\$ 2,032	\$ 3,281	\$ 3,281	\$ 9,844	\$ 9,843

Senior Notes

On June 26, 2012, the Company issued an aggregate of \$112.5 million principal amount of 8.125% Senior Notes due 2042 pursuant to the Company's effective Shelf Registration Statement on Form S-3, as amended. The 8.125% Senior Notes are senior unsecured obligations of BGC Partners, Inc. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company's option, at any time and from time to time, until maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date. The 8.125% Senior Notes are listed on the New York Stock Exchange under the symbol BGCA. The Company used the proceeds to repay short-term borrowings under its unsecured revolving credit facility and for general corporate purposes, including acquisitions.

The initial carrying value of the 8.125% Senior Notes was \$108.7 million, net of debt issuance costs of \$3.8 million. The issuance costs are amortized as interest cost and the carrying value of the notes will accrete up to the face amount over the term of the notes. The Company recorded interest expense related to the 8.125% Senior Notes of \$2.3 million and \$2.4 million for the three and nine months ended September 30, 2012, respectively. There was no interest expense related to the 8.125% Senior Notes for the three and nine months ended September 30, 2011.

Collateralized Borrowings

On various dates beginning in 2009 and most recently on June 29, 2012, the Company entered into secured loan arrangements under which it pledged certain fixed assets in exchange for loans. The secured loan arrangements have fixed rates between 2.62% and 8.09% per annum and are repayable in consecutive monthly installments with the final payments due in June 2016. The outstanding balance of the secured loan arrangements was \$31.1 million and \$20.6 million as of September 30, 2012 and December 31, 2011, respectively. The value of the fixed assets pledged was \$27.0 million and \$18.0 million as of September 30, 2012 and December 31, 2011, respectively. The secured loan arrangements are guaranteed by the Company. The Company recorded interest expense related to the secured loan arrangements of \$0.5 million and \$0.2 million for the three months ended September 30, 2012 and 2011, respectively. The Company recorded interest expense related to the secured loan arrangements of \$1.3 million and \$0.6 million for the nine months ended September 30, 2012 and 2011, respectively.

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On various dates during the years ended December 31, 2011 and 2010, the Company sold certain furniture, equipment and software for \$34.2 million, net of costs and concurrently entered into agreements to lease the property back. The principal and interest on the leases are repayable in equal monthly installments for terms of 36 months (software) and 48 months (furniture and equipment) with maturities through September 2014. The outstanding balance of the leases was \$14.4 million and \$22.4 million as of September 30, 2012 and December 31, 2011, respectively. The value of the fixed assets pledged was \$10.0 million and \$17.0 million as of September 30, 2012 and December 31, 2011, respectively. The Company recorded interest expense of \$0.2 million and \$0.4 million for the three months ended September 30, 2012 and 2011, respectively. The Company recorded interest expense of \$0.9 million and \$1.1 million for the nine months ended September 30, 2012 and 2011, respectively.

Because assets revert back to the Company at the end of the leases, the transactions were capitalized. As a result, consideration received from the purchaser is included in the Company's unaudited condensed consolidated statements of financial condition as a financing obligation, and payments made under the lease are being recorded as interest expense (at an effective rate of approximately 6%). Depreciation on these fixed assets will continue to be charged to Occupancy and equipment in the Company's unaudited condensed consolidated statements of operations.

Credit Agreement

On June 23, 2011, the Company entered into a credit agreement with a bank syndicate (the Credit Agreement) which provides for up to \$130.0 million of unsecured revolving credit through June 23, 2013. Borrowings under the Credit Agreement will bear interest at a per annum rate equal to, at the Company's option, either (a) a base rate equal to the greatest of (i) the prime rate as established by the Administrative Agent from time to time, (ii) the average federal funds rate plus 0.5%, and (iii) the reserve adjusted one month LIBOR reset daily plus 1.0%, or (b) the reserve adjusted LIBOR for interest periods of one, two, three or six months, as selected by the Company, in each case plus an applicable margin. The applicable margin will initially be 2.0% with respect to base rate borrowings in (a) above and 3.0% with respect to borrowings selected as LIBOR borrowings in (b) above, but may increase to a maximum of 3.0% and 4.0%, respectively, depending upon the Company's credit rating. The Credit Agreement also provides for an unused facility fee and certain upfront and arrangement fees. The Credit Agreement requires that the outstanding loan balance be reduced to zero every 270 days for three days. The Credit Agreement further provides for certain financial covenants, including minimum equity, tangible equity and interest coverage, as well as maximum levels for total assets to equity capital and debt to equity. The Credit Agreement also contains certain other affirmative and negative covenants. As of September 30, 2012 and December 31, 2011, there were no borrowings and \$13.6 million, respectively, outstanding under the Credit Agreement. The Company recorded interest expense related to the Credit Agreement of \$0.1 million and \$1.1 million for the three and nine months ended September 30, 2012, respectively. The Company recorded interest expense related to the Credit Agreement of \$0.1 million for both the three and nine months ended September 30, 2011.

17. Compensation**Limited Partnership Units**

A summary of the activity associated with limited partnership units is as follows:

	Number of Units
Balance at December 31, 2011	45,814,354
Granted	31,646,404
Redeemed/Exchanged units	(12,052,194)
Forfeited units	(806,662)
Balance at September 30, 2012	64,601,902

Certain limited partnership units are granted exchangeability into Class A common stock on a one-for-one basis (subject to adjustment). Upon grant of exchangeability, the limited partnership units are cancelled, and the partner is granted a partnership unit that is exchangeable for shares of the Company's Class A common stock. At the time exchangeability is granted, the Company recognizes an expense based on the fair value of the award on that date which is included in Compensation and employee benefits in the Company's unaudited condensed consolidated statements of operations. During the three months ended September 30, 2012 and 2011, the Company granted exchangeability on 4.4 million and 7.2 million limited partnership units for which the Company incurred compensation expense, before associated income taxes, of \$24.0 million and \$50.4 million, respectively. During the nine months ended September 30, 2012 and 2011, the Company granted exchangeability on 14.5 million and 10.9 million limited partnership units for which the Company incurred compensation expense, before associated income taxes,

of \$88.1 million and \$84.4 million, respectively.

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The number of unvested limited partnership units as of September 30, 2012 and December 31, 2011 was 5.1 million and 2.6 million, respectively.

As of September 30, 2012 and December 31, 2011, the number of limited partnership units exchangeable into shares of Class A common stock at the discretion of the unit holder was 5.6 million and 1.8 million, respectively.

Compensation expense related to limited partnership units with a post-termination pay-out amount is recognized over the stated service period. These units generally vest between three and five years from the date of the grant. The Company recognized a pre-tax compensation expense of \$1.4 million and \$3.4 million for the three months ended September 30, 2012 and 2011, respectively, related to limited partnership units that were not redeemed. The Company recognized a pre-tax compensation expense of \$2.8 million and \$6.7 million for the nine months ended September 30, 2012 and 2011, respectively, related to limited partnership units that were not redeemed. As of September 30, 2012 and December 31, 2011, the notional value of the applicable limited partnership units was \$49.9 million and \$37.6 million, respectively. As of September 30, 2012 and December 31, 2011, the aggregate estimated fair value of the limited partnership units held by executives and non-executive employees, awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses, was \$14.3 million and \$16.5 million, respectively.

Restricted Stock Units

A summary of the activity associated with RSUs is as follows:

	Restricted Stock Units	Weighted- Average Grant Date Fair Value	Weighted- Average Remaining Contractual Term (Years)
Balance at December 31, 2011	2,721,820	\$ 5.96	1.76
Granted	1,498,396	5.48	
Delivered units	(1,381,639)	4.93	
Forfeited units	(197,218)	5.64	
Balance at September 30, 2012	2,641,359	\$ 6.25	1.95

The fair value of RSUs awarded to employees and directors is determined on the date of grant based on the market value of Class A common stock (adjusted if appropriate based upon the award's eligibility to receive dividends), and is recognized, net of the effect of estimated forfeitures, ratably over the vesting period. The Company uses historical data, including historical forfeitures and turnover rates, to estimate expected forfeiture rates for both employee and director RSUs. Each RSU is settled in one share of Class A common stock upon completion of the vesting period.

During the nine months ended September 30, 2012 and 2011, the Company granted 1.5 million and 1.2 million, respectively, of RSUs with aggregate estimated grant date fair values of approximately \$8.2 million and \$10.3 million, respectively, to employees and directors. These RSUs were awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses. RSUs granted to these individuals generally vest over a two to four-year period.

For RSUs that vested during the nine months ended September 30, 2012, the Company withheld shares valued at \$2.3 million to pay payroll taxes due at the time of vesting.

As of September 30, 2012 and December 31, 2011, the aggregate estimated grant date fair value of outstanding RSUs was approximately \$16.5 million and \$16.2 million, respectively.

Compensation expense related to RSUs, before associated income taxes, was approximately \$2.1 million and \$2.7 million for the three months ended September 30, 2012 and 2011, respectively. Compensation expense related to RSUs, before associated income taxes, was approximately \$6.1 million and \$6.9 million for the nine months ended September 30, 2012 and 2011, respectively. As of September 30, 2012, there was approximately \$13.1 million of total unrecognized compensation expense related to unvested RSUs.

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A summary of the activity associated with stock options is as follows:

	Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at December 31, 2011	8,256,066	\$ 14.07	2.9	\$
Forfeited options	(148,197)	9.18		
Balance at September 30, 2012	8,107,869	\$ 14.16	2.2	\$
Options exercisable at September 30, 2012	8,107,869	\$ 14.16	2.2	\$

The Company did not grant any stock options during the nine months ended September 30, 2012 and 2011. During the nine months ended September 30, 2012, there were no exercises of options. During the nine months ended September 30, 2011, the aggregate intrinsic value of options exercised was \$0.1 million, determined as of the date of option exercise. The exercise prices for these options equaled the closing price of the Company's Class A common stock on the date of grant of each option. Cash received from option exercises during the