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ANNUAL REPORT

COWEN
G R O U P

Locations

UNITED STATES

New York	CowenGroup, Inc./Ramius LLC/ Cowen and Company, LLC/ATM Execution LLC 599 Lexington Avenue New York, NY 10022 TEL: 212 845 7990
New York	Algorithmic Trading Management, LLC 599 Lexington Avenue New York, NY 10022
Atlanta	Cowen and Company, LLC (Branch) Corporate Office Centers 3399 Peachtree Road NE Suite 417 Atlanta, GA 30326 TEL (Toll Free): 866 544 7009
Boston	Cowen and Company, LLC (Branch) Two International Place Boston, MA 02110 TEL: 617 946 3700 TEL (Toll Free): 800 343 7068
Chicago	Cowen and Company, LLC (Branch) 181 West Madison Street, Suite 3135 Chicago, IL 60602 TEL: 312 577 2240
Cleveland	Cowen and Company, LLC (Branch) 20006 Detroit Road, Suite 100 Rocky River, OH 44116 TEL: 440 331 3531
Houston	Cowen and Company, LLC (Branch) 600 Travis, Suite 1970 Houston, TX 77002 TEL: 440 331 3531
San Francisco	Cowen and Company, LLC (Branch) 555 California Street, 5th Floor San Francisco, CA 94104 TEL: 415 646 7200 TEL (Toll Free): 800 858 9316

INTERNATIONAL

Hong Kong	Cowen and Company (Asia) Limited Suite 1401 Henley Building No. 5 Queen's Road Central Central, Hong Kong TEL: +852 3752 2333
Northern Ireland	Cowen International Limited (Branch) Centrepont 24 Ormeau Avenue Belfast, BT2 8HS Northern Ireland
London	Cowen International Limited/Ramius UK Ltd 1 Snowden Street - 11th Floor London EC2A 2DQ England TEL: (+44) 20 7071 7500
Luxembourg	RCG International Opportunitues S.à.r.l. 97, rue Jean-Pierre Michels L-4243 Esch-Sur-Alzette Luxembourg TEL: +352 26 17 35

Dear Friends, Colleagues and Shareholders:

2014 marked the fifth anniversary of the formation of Cowen Group. During this period, our organization meaningfully increased its revenues and long-term capital base by significantly transforming all aspects of the business. As we reflect upon our strong operating performance in 2014, I thought it would be constructive to review the decisions we made five years ago that brought us to where we are today.

The financial crisis was a period of challenge and change for both our Alternative Investment business, Ramius, and our Investment Bank, Cowen and Company. Given our outlook for the economy and investment environment at the time, we recognized that Ramius would need to transition from its 15-year heritage as a multi-strategy and multi-manager fund complex to an alternative investment platform consisting of separate products with differentiated investment strategies suited to the future investment climate. Similarly, Cowen and Company needed to reshape its business focus in order to maintain relevance in an industry that was consolidating. In both instances, access to permanent capital would enable us to execute on these transformations.

As such, we formed Cowen Group with a vision of creating a new financial services organization that would harness the strengths of both Ramius and Cowen and Company at a time when our larger competitors were decidedly turned inward at the expense of client service. Bank holding companies and their investment banking arms were, and continue to be, under pressure to reduce risk assets and maintain a minimum capital cushion. Many of these firms exited certain business areas and deemphasized the importance of other areas, such as equity research. Furthermore, increased financial regulation has curtailed their ability to use capital to build their investment management businesses.

Because Cowen Group has more flexibility than many other financial services and banking firms, we saw a unique opportunity to expand our core competency of helping our clients to generate positive investment returns that outperform passive indices. We focused on building alpha-generating research to drive investment banking and sales and trading. We used our capital to seed and grow our investment management business.

In 2014, we delivered shareholders our strongest financial results since the Cowen/Ramius business combination, and for the first time, we were profitable in each quarter. Of note, Ramius successfully grew assets under management (AUM) by broadening our investment capabilities and introducing new product formats. Incentive fees doubled, demonstrating the elasticity within the business. Cowen and Company furthered its position in investment banking as we actively participated in a strong new issuance calendar. Equities expanded its market share despite a shrinking commission wallet and we emerged as a partner of choice with long only equity and hedge fund customer alike. Our invested capital also continued its consistent performance and contribution to earnings.

It has been a multi-year journey but with our transformation complete, we believe our businesses are in a strong position to succeed and thrive in the years ahead. The following outlines in greater clarity what we achieved in 2014, as well as over the last five years, and why our optimism is as great today as it has ever been.

In 2014, Cowen Group produced economic revenue of \$497.6 million and economic income of \$44.2 million compared to \$343.8 million and \$6.5 million, respectively, in 2013. Economic

income per diluted share was \$0.37 compared to \$0.05 for 2013.¹ On a GAAP basis, 2014 net income was \$167.2 million, which included an increase in our income tax benefit due to the release of our deferred tax valuation allowance, compared to \$4.6 million in 2013. Diluted earnings per common share was \$1.40 compared with \$0.04 for 2013. Stockholders' equity increased by \$170 million to \$678 million. Book value per share, which includes the deferred tax asset, was \$6.07 at December 31, 2014.

Ramius completed the year with \$12.5 billion in AUM, up 32% from 2013 and growth of over \$4 billion since 2009. The increase was driven by positive investment performance and strong interest in our alpha generating investment strategies, demonstrating Ramius' successful transition to a platform consisting of individual strategies. Over the last year, Ramius Alternative Solutions (RASL), hedge fund strategies and Healthcare Royalties grew AUM by the largest amount since the transformation of the Ramius business. RASL experienced particular success in winning large mandates, ending the year with \$3.8 billion in AUM, up almost \$850 million. Our hedge fund strategies, which includes the activist and event driven capabilities, had \$4.2 billion in AUM at year end, a \$1 billion increase from 2013. Healthcare Royalties, a unique asset class with a limited number of players and high barriers to entry, grew AUM by \$1.1 billion and ended the year with \$2.6 billion in assets under management. Real estate strategies had \$1.7 billion in AUM at December 31st as we closed on our fifth real estate debt fund.

To expand capacity, we launched or enhanced five new products that furthered our reach across the liquidity spectrum. We introduced one new investment capability through our newly-minted partnership with Quadratic Capital Management LLC, a woman-owned investment company that pursues a fundamental global macro strategy. We intend to continue to opportunistically onboard talented, emerging investment teams while also seeking partnerships with mature alternative businesses who can work with us to develop new products. We offer these investment teams an opportunity to partner with our vanguard platform, providing the long-term business support necessary to scale and, ultimately, succeed. While the impact of these new partnerships will be de minimis as they scale, they will serve as an important driver of growth and diversification in performance fees in the years to come.

Cowen and Company, which includes investment banking, institutional sales and trading and equity research, had a rewarding 2014 with revenue reaching \$337 million, more than double the \$151 million in revenue achieved for 2010. While market conditions were favorable to the services that we provide, our performance was very much a manifestation of changes implemented in recent years. In particular, we added depth and scale to the business through acquisitions (e.g. Dahlman Rose in 2013 and Algorithmic Trading Management in 2012) and greenfield initiatives (e.g. debt capital markets in 2010). We also sharpened our focus on providing impactful equity research, non-conflicted trading capabilities, high-quality capital markets transactions and differentiated financing and advisory services while aligning our resources to provide a level of client service that is unmatched by others. During this period, we also brought on board new leadership in each of the investment banking, equities and research divisions.

In 2014, investment banking and capital markets revenue grew 62% year over year to \$171 million. We completed 157 transactions across all of our product groups and verticals, exceeding the prior year's transaction count by 54%. We were a top underwriter in our focus sectors with our health care franchise again leading the way. We were the top issuer for book run and lead managed life sciences equity offerings in the US.² Our brokerage business grew

¹ Unless otherwise stated, financial figures are presented on an Economic Income basis. Economic income is a non-GAAP financial measure. Please refer to our 10-K for a reconciliation to GAAP.

² ECM Analytics. Includes IPO and follow-on transactions

revenue 21% year over year to \$146 million, a noteworthy accomplishment given the industry's general consolidation of commissions to the top brokers. Recognizing that we cannot be all things to all people, we gained market share by aligning ourselves with those commission paying clients that truly value our equity research product. Today, we are one of a handful of firms with a deep commitment to agenda-setting research, and with over 800 stocks under coverage, we are one of the largest providers of equity research outside of the bulge bracket firms. This is a far cry from where we were five years ago when we were a \$39 million investment banking and \$112 million brokerage business with less than 400 stocks under coverage.

I am proud of the work we have done to lay a strong foundation for Cowen's future. Even as our businesses delivered positive operating results in each of the past two years, the evolving nature of the industry requires that we constantly invest and optimize our business to ensure we are in the best position possible to win, regardless of market conditions. To that end, we are as focused as ever on driving growth, managing costs and creating value for shareholders.

During the year, we enhanced our capital base by adding more than \$210 million from two long-term fixed rate financings to support the investment in all aspects of our existing businesses. With \$890 million in total capital at year end, we have an even stronger capital base than we did in 2009³ enabling us to evolve in ways that are difficult to replicate by less-capitalized firms and insulating the organization against economic adversity. Though many others in the investment management and investment banking businesses continue to consolidate, we have distinguished ourselves from our peers with a strong balance sheet and robust operating platform that can support accretive acquisitions, asset growth and expanded activities in providing alpha for all of our clients.

We continue to drive returns to our investors not only through operational performance, but by methodically repurchasing common shares under our share purchase program, which has totaled \$86 million, and by purchasing shares through net share settlement related to the vesting of equity awards.⁴ In 2014, the total cost of all buybacks was \$31.7 million at an average cost of \$4.15. Since 2011 we repurchased \$78.0 million of our shares at an average cost of \$3.38.⁵

As we look forward to the rest of 2015, interest rates, currency and global political issues, among other factors, may create uncertainties in the market. We have all seen what short-term volatility can do to markets, but in the wake of such pullbacks, we believe there is a great opportunity for organizations with staying power to establish leadership positions. Our goal has always been to be one of those firms by creating a focused platform that will perform well over an extended cycle, regardless of market conditions. Our banking and capital markets business, which can be cyclical in nature, is focused on key sectors of the US economy that we believe are exhibiting characteristics of sustainable growth over the next decade. Our asset management business offers a broad range of differentiated investment capabilities that we believe are highly relevant in the current environment. We will endeavor to onboard additional teams who we think have alpha-producing characteristics.

Our most important differentiating asset continues to be our culture, which is driven by integrity, client service and execution. Our culture has never been more alive as these values underpin everything we do as an organization. Each one of our colleagues has played a critical role in

³ \$474 million as of December 31, 2009

⁴ On February 25, 2015, Cowen's Board of Directors approved an increase in the existing share purchase program to \$86 million from \$71.3 million. Initial share repurchase program announced in July 2011 for \$20 million. As of February 25, 2015, \$25.0 million remained available for repurchase.

⁵ \$31.7 million includes \$26.0 million under the share purchase program. \$78 million includes \$61 million under the share repurchase program.

driving the firm to achieve new levels of success. I am grateful for their commitment to Cowen and look forward to the new heights we will reach together.

Finally, as I think about our colleagues and their commitment to the organization over the years, I am saddened by the recent passing of a member of our family, Morgan Stark, our longtime friend and business partner at Ramius. Morgan was instrumental in the building of Ramius and the formation of Cowen Group. His impact on our organization is indelible. With a long list of professional accomplishments, he was justifiably one of the most respected and knowledgeable investors in our industry. His inspirational outlook provided a calming presence in an otherwise challenging environment. He was full of compassion and generosity with a great love for life, knowledge and sharing. Morgan was a gentleman and a man of extraordinary integrity. We are privileged to have had him as our friend and are dedicated to keeping his memory alive through our culture at Cowen Group.

I'd like to express my thanks to our clients, shareholders, bondholders and others who have supported our firm. I am energized about our future and our ability to deliver long term value to colleagues and investors in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter A. Cohen", with a long horizontal flourish extending to the right.

Peter A. Cohen
Chairman and Chief Executive Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended: **December 31, 2014**

Commission file number: **001-34516**

Cowen Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-0423711
(I.R.S. Employer
Identification No.)

599 Lexington Avenue
New York, New York 10022
(212) 845-7900

(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Exchange on Which Registered</u>
Class A Common Stock, par value \$0.01 per share	The Nasdaq Global Market
8.25% Senior Notes due 2021	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Annual Report on Form 10-K or any amendment to the Annual Report on Form 10-K. ☒

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.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐
(Do not check if a smaller
reporting company)

Smaller reporting company ☐

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

The aggregate market value of Class A common stock held by non-affiliates of the registrant on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the Class A common stock on the NASDAQ Global Market on that date was \$448,508,183.

As of February 25, 2015 there were 111,735,837 shares of the registrant's common stock outstanding.

Documents incorporated by reference:

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its 2015 Annual Meeting of Stockholders.

TABLE OF CONTENTS

Item No.	Page No.
<u>PART I</u>	
1. <u>Business</u>	<u>1</u>
1A. <u>Risk Factors</u>	<u>7</u>
1B. <u>Unresolved Staff Comments</u>	<u>22</u>
2. <u>Properties</u>	<u>22</u>
3. <u>Legal Proceedings</u>	<u>23</u>
4. <u>Mine Safety Disclosures</u>	<u>23</u>
<u>PART II</u>	
5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>24</u>
6. <u>Selected Financial Data</u>	<u>26</u>
7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>61</u>
8. <u>Financial Statements and Supplementary Data</u>	<u>63</u>
9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>63</u>
9A. <u>Controls and Procedures</u>	<u>63</u>
9B. <u>Other Information</u>	<u>64</u>
<u>PART III</u>	
10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>64</u>
11. <u>Executive Compensation</u>	<u>64</u>
12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>64</u>
13. <u>Certain Relationships and Related Transactions</u>	<u>64</u>
14. <u>Principal Accountant Fees and Services</u>	<u>64</u>
<u>PART IV</u>	
15. <u>Exhibits and Financial Statement Schedules</u>	<u>64</u>
<u>Consolidated Financial Statements and Notes</u>	<u>F- 1</u>
<u>Supplemental Financial Information</u>	<u>F- 64</u>
<u>SIGNATURES</u>	
<u>EXHIBIT INDEX</u>	

Special Note Regarding Forward-Looking Statements

We have included or incorporated by reference into our Annual Report on Form 10-K (the "Annual Report"), and from time to time may make in our public filings, press releases or other public documents, certain statements, including (without limitation) those under Item 1—"Business," Item 1A—"Risk Factors," Item 3—"Legal Proceedings," Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A—"Quantitative and Qualitative Disclosures about Market Risk" that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking terms such as "may," "might," "will," "would," "could," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "possible," "potential," "intend," "seek" or "continue," the negative of these terms and other comparable terminology or similar expressions. In addition, our management may make forward-looking statements to analysts, representatives of the media and others. These forward-looking statements represent only the Company's beliefs regarding future events (many of which, by their nature, are inherently uncertain and beyond our control) and are predictions only, based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the risks outlined under Item 1A—"Risk Factors" in this Annual Report.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations.

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PART I

When we use the terms "we," "us," "Cowen Group" and the "Company," we mean Cowen Group, Inc., a Delaware corporation, its consolidated subsidiaries and entities in which it has a controlling financial interest, taken as a whole, as well as any predecessor entities, unless the context otherwise indicates.

Item 1. Business

Overview

Cowen Group, Inc. (the "Company"), a Delaware corporation formed in 2009, is a diversified financial services firm and, together with its consolidated subsidiaries (collectively, "Cowen", "Cowen Group" or the "Company"), provides alternative investment management, investment banking, research, and brokerage (including market-making and sales and trading) through its two business segments: alternative investment and broker-dealer. The alternative investment segment includes hedge funds, replication products, liquid alternative risk premia products, customized solutions, mutual funds, managed futures funds, fund of funds, real estate and healthcare royalty funds. The broker-dealer segment offers industry focused investment banking for growth-oriented companies including advisory and global capital markets origination and domain knowledge-driven research and a sales and trading platform for institutional investors, primarily under the Cowen name. For a discussion of certain financial information by segment, please see the notes to the Company's consolidated financial statements.

Ramius is an alternative investment platform offering innovative products and solutions across the liquidity spectrum to institutional and private clients. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been a registered investment adviser under the Investment Advisers Act of 1940 since 1997. Ramius offers investors access to strategies to meet their specific needs including activism, healthcare royalties, customized solutions, real estate, managed futures, event driven equity, and global macro. Ramius focuses on attracting and retaining talented in-house and affiliated investment teams and providing them with institutional infrastructure, robust sales and marketing and industry knowledge. A significant portion of the Company's capital is invested alongside Ramius's alternative investment clients. Our alternative investment business had approximately \$12.5 billion of assets under management as of January 1, 2015.

Our broker-dealer businesses include research, brokerage and investment banking services to companies and institutional investor clients primarily in our target sectors ("Target Sectors"): which include healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, real estate investment trusts ("REITs"), clean technology, energy, metals and mining, transportation, chemicals and agriculture. We provide research and brokerage services to over 1,000 domestic and international clients seeking to trade securities, principally in our target sectors. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies.

Principal Business Lines

Alternative Investment Products and Services

Hedge Fund Strategies

The Company's hedge fund strategies are focused on addressing the needs of institutional investors and high net worth individuals to preserve and grow allocated capital. The Company and its affiliates manage a number of single strategy vehicles, including merger arbitrage, activism and global macro. A subsidiary of the Company also serves as investment advisor to Ramius Event Driven Equity Fund, a mutual fund that offers U.S. investors exposure to a broad spectrum of transformative corporate events with a core focus on shareholder activism, merger arbitrage and special situations. The Company and its affiliates also manage certain multi-strategy hedge funds that are currently in wind-down. The majority of assets remaining in these funds include private investments in public companies, investments in private companies, real estate investments and special situations.

Alternative Solutions

The Company's alternative solutions business offers a range of customized hedge fund investment and advisory solutions, including customized and commingled fund of funds, hedge fund replication, liquid alternative risk premia products, customized solutions and mutual funds to a global institutional client base. The Company's alternative solutions business also develops and manages customized investment portfolios, which may include a combination of direct hedge fund investments, liquid alternative risk premia products and hedging overlays. The Company's alternative solutions business also manages two mutual funds, Hedged Alpha Fund (formerly Ramius Dynamic Replication Fund) and Ramius Strategic Volatility Fund, which offer U.S. investors access to liquid alternative investment strategies.

Ramius Trading Strategies

The Company's managed futures fund business serves as investment adviser to various commodity pools including the State Street/Ramius Managed Futures Strategy Fund, a mutual fund advised by Ramius Trading Strategies LLC and sub-advised by SSgA Funds Management Inc. (an affiliate of State Street Global Advisors), that offers U.S. investors access to a multi-manager strategy that seeks to capture returns tied to a combination of global macroeconomic trends in the commodity futures and financial futures markets and interest income and capital appreciation. The mutual fund is sub-advised by SSgA Funds Management Inc. and seeks to offer investors access to returns with low correlation to the public equity and debt markets by allocating capital to various third party commodity trading advisors that pursue a managed futures strategy in a managed account format.

Real Estate

The Company's real estate business focuses on generating attractive, risk adjusted returns by using our owner/manager approach to underwriting, structuring, financing and redevelopment of all real estate property types since 1999. This approach emphasizes a focus on real estate fundamentals and potential market inefficiencies. The RCG Longview platform provides senior bridge loans, subordinated mortgages, mezzanine loans, and preferred equity through its debt fund series, and makes equity investments through its equity fund. As of December 31, 2014, the members of the general partners of the RCG Longview platform and its affiliates, independent of the RCG Longview funds, collectively owned interests in and/or manage over 22,000 apartments and approximately 25 million square feet of commercial space for their own accounts. As of December 31, 2014, the Ramius Urban American funds owned interests in and managed approximately 3,400 multi family housing units in the New York metropolitan area. The Company's ownership interests in the various general partners of the RCG Longview funds and Ramius Urban American Funds range from 17% to 55%.

HealthCare Royalty Partners ("HRP")

The Company's healthcare royalties business invests principally in commercial-stage biopharmaceutical products and companies through the purchase of royalty or synthetic royalty interests and structured debt and equity instruments (through the funds managed by HRP (the "HRP Funds")). The HRP Funds seek these royalty interests in end-user sales of commercial-stage or near commercial-stage medical products such as pharmaceuticals, biotechnology products and medical devices. We share the net management fees from the HRP Funds equally with the founders of the HRP Funds. In addition, we have interests in the general partners of the HRP Funds ranging from 25% to 40.2%.

Broker-Dealer Business

Investment Banking

Our investment banking professionals are focused on providing strategic advisory and capital raising services to U.S. and international public and private companies in our Target Sectors. By focusing on our Target Sectors over a long period of time, we have developed a significant understanding of the unique challenges and demands with respect to public and private capital raising and strategic advice in these sectors. Our advisory and capital raising capabilities begin at the early stages of a private company's accelerated growth phase and continue through its evolution as a public company. Our advisory business focuses on mergers and acquisitions, including providing fairness opinions and providing advice on other strategic transactions. Our capital markets capabilities include equity, including private investments in public equity and registered direct offerings, credit and fixed income, including public and private debt placements, exchange offers, consent solicitations and tender offers, as well as origination and distribution capabilities for convertible securities. We have a unified capital markets group which we believe allows us to be effective in providing cohesive solutions for our clients. Historically, a significant majority of our investment banking revenue has been earned from high-growth small and mid-capitalization companies. The Company, from time to time, may invest in private capital raising transactions of its clients.

Brokerage

Our team of brokerage professionals serves institutional investor clients in the United States and internationally. We trade common stocks, listed options and equity-linked securities on behalf of our clients. We also provide our clients with an electronic execution suite. We provide global, multi-asset class algorithmic execution trading models to both buy side and sell side clients and also offer execution capabilities relating to these trading models through ATM Execution LLC ("ATM Execution"). In addition, through January 2015, we engaged in the securities lending business through Cowen Equity Finance LP ("Cowen Equity Finance") (See Recent Developments). We have relationships with over 1,000 institutional investor clients. Our brokerage team is comprised of experienced professionals dedicated to our Target Sectors, which allows us to develop a level of knowledge and focus that we believe differentiates our brokerage capabilities from those of many of our competitors. We tailor our account coverage to the unique needs of our clients. We believe that our sector traders are able to provide superior execution because of their knowledge of the interests of our institutional investor clients in specific companies in our Target Sectors.

Our sales professionals also provide our institutional investor clients with access to the management of our investment banking clients outside the context of financing transactions. These meetings are commonly referred to as non-deal road shows. Non-deal road shows allow our investment banking clients to increase their visibility within the institutional investor community while providing our institutional investor clients with the opportunity to further educate themselves on companies and industries through meetings with management. We believe our deep relationships with company management teams and our sector-focused approach provide us with broad access to management for the benefit of our institutional investor and investment banking clients.

Research

As of December 31, 2014, we had a research team of 45 senior analysts covering approximately 775 companies. Within our coverage universe, approximately 25% are healthcare companies, 21% are TMT (technology, media and telecom) companies, 12% are energy companies, 16% are capital goods and industrial companies, 12% are basic materials companies, 9% are consumer companies, and 5% are REITs. Our differentiated approach to research focuses our analysts' efforts toward delivering specific investment ideas and de-emphasizes maintenance research. We sponsor a number of conferences every year that are focused on our Target Sectors and sub-sectors. During these conferences we highlight our investment research and provide significant investor access to corporate management teams.

Information About Geographic Areas

We are principally engaged in providing alternative investment services to global institutional investors and investment banking sales and trading and research services to corporations and institutional investor clients primarily in the United States. We provide investment banking services to companies and institutional investor clients in Europe through our U.K. broker-dealer, Cowen International Limited ("CIL").

Employees

As of February 25, 2015, the Company had 664 employees.

Competition

We compete with many other firms in all aspects of our business, including raising funds, seeking investment opportunities and hiring and retaining professionals, and we expect our business will continue to be highly competitive. The alternative investment and investment banking industries are currently undergoing contraction and consolidation, reducing the number of industry participants and generally resulting in the larger firms being better positioned to retain and gain market share. We compete in the United States and globally for investment opportunities, investor capital, client relationships, reputation and talent. We face competitors that are larger than we are and have greater financial, technical and marketing resources. Certain of these competitors continue to raise additional amounts of capital to pursue investment strategies that may be similar to ours. Some of these competitors may also have access to liquidity sources that are not available to us, which may pose challenges for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances or make different risk assessments than we do, allowing them to consider a wider variety of investments and establish broader networks of business relationships. Our competitive position depends on our reputation, our investment performance and processes, the breadth of our business platform and our ability to continue to attract and retain qualified employees while managing compensation and other costs. For additional information regarding the competitive risks that we face, see "Item 1A Risk Factors-Risks Related to the Company's Alternative Investment Business" and "Risk Factors-Risks Related to the Company's Broker-Dealer Business."

Regulation

Our businesses, as well as the financial services industry generally, are subject to extensive regulation, including periodic examinations by governmental and self-regulatory organizations, in the United States and the jurisdictions in which we operate around the world. As a publicly traded company in the United States, we are subject to the U.S. federal securities laws and regulation by the Securities and Exchange Commission ("SEC").

Virtually all aspects of our business are subject to various laws and regulations both inside and outside the United States, some of which are summarized below. Regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. Governmental authorities in the United States and in the other countries in which we operate have proposed or adopted additional disclosure requirements and regulation of alternative investment funds and alternative asset managers. The rules governing the regulation of the various aspects of our business are very detailed and technical. Accordingly, the discussion below is general in nature, does not purport to be complete and is current only as of the date of this report.

Investment Advisory Business

Most of the investment advisers of our alternative investment funds are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements of the Investment Advisers Act of 1940 (the "Advisers Act") and the regulations promulgated thereunder. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, operational and marketing requirements, disclosure obligations and prohibitions on fraudulent activities.

Our alternative investment funds' trading and investment activities are also subject to regulation under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities Act of 1933, as amended (the "Securities Act"), and various other statutes as well as the rules of various United States and non-United States securities exchanges and self-regulatory organizations, including laws governing trading on inside information, market manipulation and a broad number of technical requirements (e.g., short sale limits, volume limitations, reporting obligations) and market regulation policies in the United States and globally. Congress, regulators, tax authorities and others continue to explore and implement, on their own and in response to demands from the investment community and the public, increased regulation including changes with respect to investor eligibility, certain limitations on trading activities, record-keeping and reporting, the scope of anti-fraud protections, safekeeping of client assets and a variety of other matters.

Certain of our investment advisers act as a "fiduciaries" under the Employee Retirement Income Security Act of 1974 ("ERISA") with respect to benefit plan clients. As such, the advisers, and certain of the alternative investment funds they advise, may be subject to ERISA and to regulations promulgated thereunder. ERISA and applicable provisions of the Internal Revenue Code impose duties on persons who are fiduciaries under ERISA, prohibit specified transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions.

In addition, many of the investment advisers to our alternative investment funds are also registered as commodity pool operators ("CPOs") and therefore subject to regulation by the National Futures Association (the "NFA") and the U.S. Commodity Futures Trading Commission (the "CFTC"). Most of our registered investment advisers have been reporting certain information about a number of their private funds to the SEC and certain information about a number of their commodity pools to the CFTC, pursuant to systemic risk reporting requirements adopted by both agencies. The NFA and CFTC each also administer a comparable regulatory system covering futures contracts and various other financial instruments, including swaps in which certain alternative investment funds may invest.

In the aftermath of the financial crisis of the late 2000's, significant regulatory reforms have been enacted. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law in the United States. The Dodd-Frank Act is expansive in scope and has led to the adoption of extensive regulations by the SEC and other governmental agencies and additional regulations are anticipated in the future. We are continuing to review what impact the Dodd-Frank Act legislation and related rule making will have on our business, financial condition, and results of operations.

The Dodd-Frank Act establishes the Financial Services Oversight Council (the "FSOC") to identify threats to the financial stability of the United States; promote market discipline; and respond to emerging risks to the stability of the United States financial system. The FSOC is empowered to determine whether the material financial distress or failure of a non-bank financial company would threaten the stability of the United States financial system, and such a determination can subject a non-banking finance company to supervision by the Board of Governors of the Federal Reserve and the imposition of standards and supervision including stress tests, liquidity requirements and enhanced public disclosures. The FSOC has released a proposed rule regarding its authority to require the supervision and regulation of systemically significant non-bank financial companies. We do not believe we are at risk of being considered a systematically significant non-bank financial company.

The full implementation of regulations under the Dodd-Frank Act relating to regulation of swaps and derivatives could impact the manner by which our alternative investment funds and accounts use and trade swaps and other derivatives, and could significantly increase the costs of derivatives trading conducted on behalf of our clients. Moreover, applicability of CFTC rules and regulations to our alternative investment funds and accounts and requirements to centrally clear certain swap transactions and to execute certain swap transactions only on or through CFTC-registered trading venues will impact our advisory business. We are also preparing for the implementation of trade reporting, documentation, and mandated central clearing of swaps requirements in the EU and other jurisdictions globally. Inconsistencies and potential contradictions in the rules adopted by various global regulators will increase the operational and legal risks associated with trading in derivatives. See "Item 1A Risk Factors" for more information.

Another example of recent changes in the regulatory landscape that affect our business was the IRS' implementation of Foreign Account Tax Compliance Act ("FATCA"). FATCA was enacted in 2010 and is intended to address tax compliance issues associated with U.S. taxpayers with foreign accounts. FATCA requires foreign financial institutions to report to the IRS information about financial accounts held by United States taxpayers and imposes withholding, documentation and reporting requirements on foreign financial institutions. In many instances, however, the precise nature of what needs to be implemented

will be governed by bilateral Intergovernmental Agreements ("IGAs") between the United States and the countries in which we do business. While many of these IGAs have been put into place, others have yet to be concluded. FATCA could result in significant administrative and compliance costs and subject clients to United States tax withholding.

Given our investment activities are carried out around the globe, we are subject to a variety of regulatory regimes that vary country by country. Certain of our investment advisers are subject to the U.K. Financial Conduct Authority ("FCA") in the United Kingdom and the Commission de Surveillance du Secteur Financier in Luxembourg. Also, our captive insurance and reinsurance companies are regulated by the New York State Department of Finance and the Luxembourg Commissariat aux Assurances, respectively. European Union ("EU") financial reforms included a number of initiatives to be reflected in new or updated directives, regulations and recommendations of the pan-European regulatory regime established by the Markets in Financial Instruments Directive ("MiFID"), which became effective on November 1, 2007 and regulates the provision of investment services and activities throughout the European Economic Area (the "EEA"). In addition, the Alternative Investment Fund Managers Directive ("AIFMD"), which became effective on July 21, 2011 and was required to be implemented by EU member states by July 22, 2013, regulates managers of, and service providers to, a broad range of alternative investment funds domiciled within and (depending on the precise circumstances) outside the EU as well as regulates the marketing of all alternative investment funds inside the EEA. AIFMD is being implemented in stages through 2018. Compliance with the AIFMD's requirements will impact our alternative investment fund marketing efforts in the EEA and will place additional compliance and disclosure obligations on any funds we actively market in the EEA and for funds domiciled in the EU, may also necessitate, among other requirements, the use of EU domiciled depositories and custodians. Additionally, certain individual EU Member States, such as France and Italy, have enacted national financial transaction taxes ("FTTs"), and a group of Member States also could adopt a FTT under an EU Enhanced Cooperation procedure that would apply in those Member States.

Our businesses have operated for many years within a legal framework that requires us to be able to monitor and comply with a broad range of legal and regulatory developments that affect our activities both in the United States and abroad. As noted above, certain of our businesses are subject to compliance with laws and regulations of United States federal and state governments, foreign governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Additional legislation, changes in rules promulgated by the SEC, the CFTC, our other regulators and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect the mode of our operation and profitability. The United States and non-United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion or deregulation of a broker-dealer, an investment advisor or its directors, officers or employees. Occasionally, we have been subject to investigations and proceedings, and sanctions have been imposed for infractions of various regulations relating to our activities.

Broker Dealer Business

Cowen and Company, LLC ("Cowen and Company") is a registered broker-dealer with the SEC and in all 50 states, the District of Columbia and Puerto Rico. Self-regulatory organizations, including the Financial Industry Regulatory Authority ("FINRA"), adopt and enforce rules governing the conduct and activities of its member firms, including Cowen and Company, ATM Execution, ATM USA, LLC ("ATM USA") and Cowen Equity Finance. In addition, state securities regulators have regulatory or oversight authority over our broker-dealer entities. Accordingly, Cowen and Company, ATM Execution, ATM USA and Cowen Equity Finance are subject to regulation and oversight by the SEC and FINRA. Cowen and Company is also a member of, and subject to regulation by, the New York Stock Exchange ("NYSE"), the NASDAQ OMX PHLX, the NYSE MKT LLC, the International Stock Exchange and the Nasdaq Stock Market. ATM Execution is a member of, and subject to regulation by, the NYSE and the Nasdaq Stock Market. Additionally, CIL is primarily regulated by the FCA in the United Kingdom.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds, securities and information, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as registered broker-dealers and members of various self-regulatory organizations, Cowen and Company, ATM Execution, ATM USA and Cowen Equity Finance are subject to the SEC's uniform net capital rule. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule requires us to give prior notice to the SEC for certain withdrawals of capital. As a result, our ability to withdraw capital from our broker-dealer subsidiaries may be limited.

The research functions of investment banks have been, and continue to be, the subject of regulatory scrutiny. In 2002 and 2003, acting in part pursuant to a mandate contained in the Sarbanes-Oxley Act of 2002, the SEC, the NYSE and the predecessor to FINRA adopted rules imposing heightened restrictions on the interaction between equity research analysts and investment banking personnel at member securities firms. The requirements resulting from these regulations have necessitated the development and enhancement of corresponding policies and procedures. In 2012, the JOBS Act was passed which, among other things, liberalized a number of the restrictions between equity research analysts and investment banking personnel with respect to emerging growth companies.

The effort to combat money laundering and terrorist financing is a priority in governmental policy with respect to financial institutions. The Bank Secrecy Act ("BSA"), as amended by Title III of the USA PATRIOT Act of 2001 and its implementing regulations ("Patriot Act"), requires broker-dealers and other financial services companies to maintain an anti-money laundering compliance program that includes written policies and procedures, designated compliance officer(s), appropriate training, independent review of the program, standards for verifying client identity at account opening and obligations to report suspicious activities and certain other financial transactions. Through these and other provisions, the BSA and Patriot Act seek to promote the identification of parties that may be involved in financing terrorism or money laundering. We must also comply with sanctions programs administered by the U.S. Department of Treasury's Office of Foreign Asset Control, which may include prohibitions on transactions with designated individuals and entities and with individuals and entities from certain countries.

Anti-money laundering laws outside the United States contain certain similar provisions. The obligation of financial institutions, including us, to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures and controls that have increased, and may continue to increase, our costs. Any failure with respect to our programs in this area could subject us to serious regulatory consequences, including substantial fines, and potentially other liabilities.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture and risk management. In addition, disclosure controls and procedures and internal controls over financial reporting are documented, tested and assessed for design and operating effectiveness in compliance with the Sarbanes-Oxley Act of 2002. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of conduct, compliance systems, communication of compliance guidance and employee education and training. Our corporate risk management function further analyzes our business, investment and other key risks, reinforcing their importance in our environment. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our General Counsel supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities. Our compliance group also monitors the information barriers that we maintain between each of our different businesses. We believe that our various businesses' access to the intellectual capital, contacts and relationships that reside throughout our firm benefits all of our businesses. However, in order to maximize that access without compromising our legal and contractual obligations, our compliance group oversees and monitors the communications between or among our firm's different businesses.

Available Information

We routinely file annual, quarterly and current reports, proxy statements and other information required by the Exchange Act with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings also are available to the public from the SEC's internet site at <http://www.sec.gov>.

We maintain a public internet site at <http://www.cowen.com> and make available free of charge through this site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers, as well as any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also post on our website the charters for our Board of Directors' Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as our Corporate Governance Guidelines, our Code of Business Conduct and Ethics governing our directors, officers and employees and other related materials. The information on our website is not incorporated by reference into this Annual Report.

Item 1A. Risk Factors

RISK FACTORS

Risks Related to the Company's Businesses and Industry

For purposes of the following risk factors, references made to the Company's funds include hedge funds and other alternative investment products, services and solutions offered by the Company, investment vehicles through which the Company invests its own capital, funds in the Company's fund of funds business and real estate funds. References to the Company's broker-dealer business include Cowen and Company, ATM Execution, ATM USA, Cowen Equity Finance and CIL.

The Company

While the Company's alternative investment and broker-dealer businesses were profitable for the year ended December 31, 2014, they have incurred losses in recent periods and may incur losses in the future.

While the Company's broker-dealer and alternative investment businesses were profitable for the year ended December 31, 2014, they have incurred losses in recent periods. For example, the Company's broker-dealer business incurred losses in each of the years ended December 31, 2013 and 2012. In addition, the Company's alternative investment business incurred losses in each of the years ended December 31, 2009 and 2008. The Company may incur losses in any of its future periods. Future losses may have a significant effect on the Company's liquidity as well as our ability to operate.

In addition, we may incur significant expenses in connection with any expansion, strategic acquisition or investment with respect to our businesses. Specifically, we have invested, and will continue to invest, in our broker-dealer business, including hiring a number of senior professionals to expand our research and sales and trading product offerings. Accordingly, the Company will need to increase its revenues at a rate greater than its expenses to achieve and maintain profitability. If the Company's revenues do not increase sufficiently, or even if its revenues increase but it is unable to manage its expenses, the Company will not achieve and maintain profitability in future periods. As an alternative to increasing its revenues, the Company may seek additional capital through the sale of additional common stock or other forms of debt or equity financing. The Company cannot be certain that it would have access to such financing on acceptable terms.

The Company depends on its key senior personnel and the loss of their services would have a material adverse effect on the Company's businesses and results of operations, financial condition and prospects.

The Company depends on the efforts, skill, reputations and business contacts of its principals and other key senior personnel, the information and investment activity these individuals generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by the Company's senior professionals. Accordingly, the Company's continued success will depend on the continued service of these individuals. Key senior personnel may leave the Company in the future, and we cannot predict the impact that the departure of any key senior personnel will have on our ability to achieve our investment and business objectives. The loss of the services of any of them could have a material adverse effect on the Company's revenues, net income and cash flows and could harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future. Our senior and other key personnel possess substantial experience and expertise and have strong business relationships with investors in its funds, clients and other members of the business community. As a result, the loss of such personnel could have a material adverse effect on the Company's businesses and results of operations, financial condition and prospects.

The Company's ability to retain its senior professionals is critical to the success of its businesses, and its failure to do so may materially affect the Company's reputation, business and results of operations.

Our people are our most valuable resource. Our success depends upon the reputation, judgment, business generation capabilities and project execution skills of our senior professionals. Our employees' reputations and relationships with our clients are critical elements in obtaining and executing client engagements. The Company may encounter intense competition for qualified employees from other companies inside and outside of their industries. From time to time, the Company has experienced departures of professionals. Losses of key personnel have occurred and may occur in the future. In addition, if any of our client-facing employees or executive officers were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of the services of the Company.

The success of our businesses is based largely on the quality of our employees and we must continually monitor the market for their services and seek to offer competitive compensation. In challenging market conditions, such as have occurred in recent years, it may be difficult to pay competitive compensation without the ratio of our compensation and benefits expense to revenues becoming higher. In addition, a portion of the compensation of many of our employees takes the form of restricted stock or deferred cash that vest over a period of years, which is not as attractive to existing and potential employees as

compensation consisting solely of cash or a lesser percentage of stock or other deferred compensation that may be offered by our competitors.

Difficult market conditions, market disruptions and volatility have adversely affected, and may in the future adversely affect, the Company's businesses, results of operations and financial condition.

The Company's businesses, by their nature, do not produce predictable earnings, and all of the Company's businesses may be materially affected by conditions in the global financial markets and by global economic conditions, such as interest rates, the availability of credit, inflation rates, economic uncertainty, changes in laws, commodity prices, asset prices (including real estate), currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts, protests or security operations). Challenging market conditions could affect the level and volatility of securities prices and the liquidity and the value of investments in the Company's funds, including Ramius Enterprise LP ("Enterprise Fund"), Cowen Overseas Investment LP ("COIL"), Ramius Optimum Investments LLC ("ROIL"), Starboard Partners Fund LP, and other investments, respectively, in which the Company has investments of its own capital, and the Company may not be able to effectively manage its alternative investment business's exposure to challenging market conditions. Losses in the Enterprise Fund, COIL or other private investments could adversely affect our results of operations.

Volatility in the value of the Company's investments and securities portfolios or other assets and liabilities or negative returns from the investments made by the Company could adversely affect the Company's results of operations and statement of financial condition.

The Company invests a significant portion of its capital base to help drive results and facilitate growth of its alternative investment and broker-dealer businesses. As of December 31, 2014, the Company's invested capital amounted to a net value \$665.1 million (supporting a long market value of \$1,062.5 million), representing approximately 98% of Cowen Group's stockholders' equity presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). In accordance with US GAAP, we define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP also establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Changes in fair value are reflected in the statement of operations at each measurement period. Therefore, continued volatility in the value of the Company's investments and securities portfolios or other assets and liabilities, including funds, will result in volatility of the Company's results. In addition, the investments made by the Company may not generate positive returns. As a result, changes in value or negative returns from investments made by the Company may have an adverse effect on the Company's financial condition or operations in the future.

If the Company were deemed an "investment company" under the U.S. Investment Company Act, applicable restrictions could make it impractical for the Company to continue its respective businesses as contemplated and could have a material adverse effect on the Company's businesses and prospects.

We do not believe that we are an "investment company" as defined in the U.S. Investment Company Act of 1940, as amended, because the nature of our assets and the sources of our income exclude us from the definition of an investment company under the Investment Company Act and we are primarily engaged in a non-investment company business.

The Investment Company Act and the rules thereunder contain detailed requirements for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. The Company intends to conduct its operations so that the Company will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause the Company to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on its capital structure, ability to transact business with affiliates (including subsidiaries) and ability to compensate key employees, could make it impractical for the Company to continue its business as currently conducted, impair the agreements and arrangements between and among it, its subsidiaries and its senior personnel, or any combination thereof, and materially adversely affect its business, financial condition and results of operations. Accordingly, the Company may be required to limit the amount of investments that it makes as a principal or otherwise conduct its business in a manner that does not subject the Company to the registration and other requirements of the Investment Company Act.

Limitations on access to capital by the Company and its subsidiaries could impair its liquidity and its ability to conduct its businesses.

Liquidity, or ready access to funds, is essential to the operations of financial services firms. Failures of financial institutions have often been attributable in large part to insufficient liquidity. Liquidity is of particular importance to Cowen and Company's trading business and perceived liquidity issues may affect the willingness of the Company's investment banking clients and counterparties to engage in brokerage transactions with Cowen and Company. Cowen and Company's liquidity

could be impaired due to circumstances that the Company may be unable to control, such as a general market disruption or an operational problem that affects Cowen and Company, its trading clients or third parties. Furthermore, the Company's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

The Company is a holding company and primarily depends on its subsidiaries to fund its operations. Cowen and Company, ATM Execution, ATM USA and Cowen Equity Finance are subject to the net capital requirements of the SEC and various self-regulatory organizations of which they are members. These requirements typically specify the minimum level of net capital a broker-dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. CIL, the Company's U.K. registered broker-dealer subsidiary, is subject to the capital requirements of the U.K. Financial Conduct Authority (the "FCA"). Cowen and Company (Asia) Limited ("Cowen Asia") is subject to the financial resources requirements of the SFC of Hong Kong. Any failure to comply with these capital requirements could impair the Company's ability to conduct its investment banking business.

The Company and its funds and/or Cowen and Company and the Company's other broker-dealer subsidiaries may become subject to additional regulations which could increase the costs and burdens of compliance or impose additional restrictions which could have a material adverse effect on the Company's businesses and the performance of the funds in its alternative investment business.

Firms in the financial services industry have been subject to an increasingly regulated environment. The industry has experienced increased scrutiny from a variety of regulators, including the SEC, CFTC, FINRA, the NYSE and state attorneys general. Penalties and fines sought by regulatory authorities have increased substantially over the last several years. In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. The Company may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. The Company also may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other United States or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. The Company could be fined, prohibited from engaging in some of its business activities or subjected to limitations or conditions on its business activities. In addition, the Company could incur significant expense associated with compliance with any such legislation or regulations or the regulatory and enforcement environment generally. Substantial legal liability or significant regulatory action against the Company could have a material adverse effect on the financial condition and results of operations of the Company or cause significant reputational harm to the Company, which could seriously affect its business prospects.

The Company may need to modify the strategies or operations of its alternative investment business, face increased constraints or incur additional costs in order to satisfy new regulatory requirements or to compete in a changed business environment. The Company's alternative investment business is subject to regulation by various regulatory authorities both within and outside the United States that are charged with protecting the interests of investors. The activities of certain of the Company's subsidiaries are regulated primarily within the United States by the SEC, FINRA, the NFA and the CFTC, as well as various state agencies, and are also subject to regulation by other agencies in the various jurisdictions in which they operate and are offered, including the FCA, the German Federal Financial Supervisory Authority, the Commission de Surveillance du Secteur Financier in Luxembourg and the European Securities and Markets Authority. The activities of our investment advisor entities are all regulated by the SEC due to their registrations as U.S. investment advisers. Certain of these entities are also all registered as CPOs and/or CTAs with the NFA. In July 2014, certain of our investment advisers marketing alternative investment funds to investors domiciled in the European Union and/or advising alternative investment funds domiciled in the European Union became subject to the Alternative Investment Fund Managers Directive, or AIFMD.

In addition, the Company's alternative investment business is subject to regulation in the jurisdictions in which it organizes and offers its various investment products. These and other regulators in these jurisdictions have broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to make inquiries of companies regarding compliance with applicable regulations, to grant permits and to regulate marketing and sales practices and the maintenance of adequate financial resources as well as significant reporting obligations to regulatory authorities. The Company is also subject to applicable anti-money laundering regulations and net capital requirements in the jurisdictions in which it operates. Additionally, the regulatory environment in which the Company operates frequently changes and has seen significant increased regulation in recent years and it is possible that this trend may continue. In addition, in July 2013, CFTC rules relating to portfolio reconciliation and swap trading relationship documentation went into effect. Such additional regulation could, among other things, increase compliance costs or limit our ability to pursue investment opportunities and strategies.

The regulatory environment continues to be turbulent. There is an extraordinary volume of regulatory discussion papers, draft directives and proposals being issued around the world and these initiatives are not always coordinated. The European Commission has issued the new AIFMD, recommendations on directors' pay and financial services sector compensation and proposals on packaged retail investment products. In addition, the predecessor to the FCA has issued a discussion paper entitled

"A Regulatory Response to the Global Banking Crisis" as well as undertaken an exercise to collect data to assess the systemic risk that hedge funds may or may not pose. The Bank of England is also collecting data on the systemic risk of hedge funds. Recent rulemaking by the SEC and other regulatory authorities outside the United States have imposed trading restrictions and reporting requirements on short selling, which have impacted certain of the investment strategies of the Company's investment funds and managed accounts, and continued restrictions on or further regulations of short sales could negatively impact the performance of the investment funds and managed accounts.

In addition, financial services firms are subject to numerous perceived or actual conflicts of interest, which have drawn and which we expect will continue to draw scrutiny from the SEC and other federal and state regulators. For example, the research areas of investment banks have been and remain the subject of heightened regulatory scrutiny, which has led to increased restrictions on the interaction between equity research analysts and investment banking personnel at securities firms. More recently, regulations have been focusing on the use of experts and expert networks and potential conflicts of interest or issues relating to impermissible disclosure of material nonpublic information. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if it fails to do so. Such policies and procedures to address or limit actual or perceived conflicts may also result in increased costs, additional operational personnel and increased regulatory risk. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation.

The Company is subject to third party litigation risk and regulatory risk which could result in significant liabilities and reputational harm which, in turn, could materially adversely affect its business, results of operations and financial condition.

The Company depends to a large extent on its reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with the Company's services, it may be more damaging in its business than in other businesses. Moreover, the Company's role as advisor to clients on underwriting or merger and acquisition transactions involves complex analysis and the exercise of professional judgment, including rendering "fairness opinions" in connection with mergers and other transactions. Such activities may subject the Company to the risk of significant legal liabilities to clients and aggrieved third parties, including stockholders of clients who could commence litigation against the Company. Although the Company's investment banking engagements typically include broad indemnities from its clients and provisions to limit exposure to legal claims relating to such services, these provisions may not protect the Company, may not be enforceable, or may be with foreign companies requiring enforcement in foreign jurisdictions which may raise the costs and decrease the likelihood of enforcement. As a result, the Company may incur significant legal and other expenses in defending against litigation and may be required to pay substantial damages for settlements and/or adverse judgments. Substantial legal liability or significant regulatory action against the Company could have a material adverse effect on our results of operations or cause significant reputational harm, which could seriously harm our business and prospects.

In general, the Company is exposed to risk of litigation by investors in its alternative investment business if the management of any of its funds is alleged to have engaged in negligence or dishonesty. Investors could sue to recover amounts lost by the Company's funds due to any alleged misconduct, up to the entire amount of the loss. In addition, the Company faces the risk of litigation from investors in the Company's funds if restrictions applicable to such funds are violated. We may also be exposed to litigation by investors in the Company's alternative solutions platform for losses resulting from similar conduct at an underlying fund. Furthermore, the Company may be subject to litigation arising from investor dissatisfaction with the performance of the Company's funds and the funds invested in by the Company's alternative solutions platform. In addition, the Company is exposed to risks of litigation or investigation relating to transactions that presented conflicts of interest that were not properly addressed. In the majority of such actions the Company would be obligated to bear legal, settlement and other costs, which may be in excess of any available insurance coverage. In addition, although the Company is indemnified by the Company's funds, our rights to indemnification may be challenged. If the Company is required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds, if any, or fails to obtain indemnification from its funds, our business, results of operations and financial condition could be materially adversely affected. In its alternative investment business, the Company is exposed to the risk of litigation if a fund suffers catastrophic losses due to the failure of a particular investment strategy or due to the trading activity of an employee who has violated market rules or regulations. Any litigation arising in such circumstances is likely to be protracted, expensive and surrounded by circumstances which are materially damaging to the Company's reputation and businesses.

The potential for conflicts of interest within the Company, and a failure to appropriately identify and deal with conflicts of interest could adversely affect our businesses.

Due to the combination of our alternative investment and investment banking businesses, we face an increased potential for conflicts of interest, including situations where our services to a particular client or investor or our own interests in our investments conflict with the interests of another client. Such conflicts may also arise if our investment banking business has access to material non-public information that may not be shared with our alternative investment business or vice versa.

Additionally, our regulators have the ability to scrutinize our activities for potential conflicts of interest, including through detailed examinations of specific transactions.

Appropriately identifying and dealing with conflicts of interest is complex and difficult, and the willingness of clients to enter into transactions or engagements in which such a conflict might arise may be affected if we fail to identify and appropriately address potential conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or enforcement actions.

Employee misconduct could harm the Company by, among other things, impairing the Company's ability to attract and retain investors and subjecting the Company to significant legal liability, reputational harm and the loss of revenue from its own invested capital.

It is not always possible to detect and deter employee misconduct. The precautions that the Company takes to detect and prevent this activity may not be effective in all cases, and we may suffer significant reputational harm and financial loss for any misconduct by our employees. The potential harm to the Company's reputation and to our business caused by such misconduct is impossible to quantify.

There is a risk that the Company's employees or partners, or the managers of funds invested in by the Company's alternative solutions platform, could engage in misconduct that materially adversely affects the Company's business, including a decrease in returns on its own invested capital. The Company is subject to a number of obligations and standards arising from its businesses. The violation of these obligations and standards by any of the Company's employees could materially adversely affect the Company and its investors. For instance, the Company's businesses require that the Company properly deal with confidential information. If the Company's employees were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships. If one of the Company's employees were to engage in misconduct or were to be accused of such misconduct, the business and reputation of the Company could be materially adversely affected.

The Company may be unable to successfully identify, manage and execute future acquisitions, investments and strategic alliances, which could adversely affect our results of operations.

We intend to continually evaluate potential acquisitions, investments and strategic alliances to expand our alternative investment and broker-dealer businesses. In the future, we may seek additional acquisitions, investments, strategic alliances or similar arrangements, which may expose us to risks such as:

- the difficulty of identifying appropriate acquisitions, investments, strategic allies or opportunities on terms acceptable to us;
- the possibility that senior management may be required to spend considerable time negotiating agreements and monitoring these arrangements;
- potential regulatory issues applicable to the financial services business;
- the loss or reduction in value of the capital investment;
- our inability to capitalize on the opportunities presented by these arrangements; and
- the possibility of insolvency of a strategically.

Furthermore, any future acquisitions of businesses could entail a number of risks, including:

- problems with the effective integration of operations;
- inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

There can be no assurance that we would successfully overcome these risks or any other problems encountered with these acquisitions, investments, strategic alliances or similar arrangements.

The Company's future results will suffer if the Company does not effectively manage its expanded operations.

The Company may continue to expand its operations through new product and service offerings and through additional strategic investments, acquisitions or joint ventures, some of which may involve complex technical and operational challenges. The Company's future success depends, in part, upon its ability to manage its expansion opportunities, which pose numerous risks and uncertainties, including the need to integrate new operations into its existing business in an efficient and timely manner, to combine accounting and data processing systems and management controls and to integrate relationships with customers and business partners. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of common stock of the Company, which may dilute the ownership of the Company's stockholders.

The Company's failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on the Company's financial condition, results of operations and business and the price of our Class A common stock.

The Sarbanes-Oxley Act and the related rules require our management to conduct an annual assessment of the effectiveness of our internal control over financial reporting and require a report by our independent registered public accounting firm addressing our internal control over financial reporting. To comply with Section 404 of the Sarbanes-Oxley Act, we are required to document formal policies, processes and practices related to financial reporting that are necessary to comply with Section 404. Such policies, processes and practices are important to ensure the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and activities within our organization.

If we fail for any reason to comply with the requirements of Section 404 in a timely manner, our independent registered public accounting firm may, at that time, issue an adverse report regarding the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Any such event could adversely affect our financial condition, results of operations and business, and result in a decline in the price of our Class A common stock.

Certain provisions of the Company's amended and restated certificate of incorporation and bylaws and Delaware law may have the effect of delaying or preventing an acquisition by a third party.

The Company's amended and restated certificate of incorporation and bylaws contain several provisions that may make it more difficult for a third party to acquire control of the Company, even if such acquisition would be financially beneficial to the Company's stockholders. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in the Company's stockholders receiving a premium over the then-current trading price of our common stock. For example, the Company's amended and restated certificate of incorporation authorizes its board of directors to issue up to 10,000,000 shares of "blank check" preferred stock. Without stockholder approval, the board of directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for a third party to acquire the Company. In addition, the Company's amended and restated bylaws provide for an advance notice procedure with regard to the nomination of candidates for election as directors and with regard to business to be brought before a meeting of stockholders. The Company is also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an "interested stockholder," the Company may not enter into a "business combination" with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For the purposes of Section 203, "interested stockholder" means, generally, someone owning 15% or more of the Company's outstanding voting stock or an affiliate of the Company that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may adversely impact the Company's business.

The Dodd-Frank Act, signed into law on July 21, 2010, represents a comprehensive overhaul of the financial services industry within the United States and is being implemented through extensive rulemaking by the SEC and other governmental agencies. In addition, the Dodd-Frank Act established the federal Bureau of Consumer Financial Protection (the "BCFP") and the FSOC and will require the BCFP and FSOC, among other federal agencies, to implement new rules and regulations. Some of these new rules have already been adopted, including new rules which require certain investment advisers to file information under Form PF and rules that require certain registered investment advisers which are also registered CPOs and CTAs to file Form CPO-PQR and Form CTA-PR, respectively, with the CFTC. These filings require extensive information and we may incur significant costs to satisfy these new filing requirements. As these rules and resulting changes are recent developments, it is not practical at this time to assess the full impact that the Dodd-Frank Act or the resulting rules and regulations will have on the Company's business or the financial services industry within the United States.

Heightened cyber-security risks may disrupt our businesses, result in losses or limit our growth.

We may be subject to cyber-attacks on our critical data and we may not be able to anticipate or prevent all such attacks. We may incur increasing costs in an effort to minimize these risks and could be held liable for any security breach or loss. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information and communication systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information or communication systems could damage our reputation, result in a loss of business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

Risks relating to the Company's recent financing transactions.

Our indebtedness has increased significantly as a result of the Cash Convertible Note financing (Cash Convertible Notes) issued in March 2014 and Senior Notes financing (2021 Notes) issued in October 2014 (together referred to as Notes) and servicing this indebtedness requires a significant amount of cash. We may not have sufficient cash flow from our business to service our indebtedness.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We operate with a significant amount of indebtedness, which is subject to variable interest rates and contains restrictive covenants.

The 2021 Notes were issued pursuant to an Indenture, dated as of October 10, 2014 (the “Senior Indenture”), by and among the Company and The Bank of New York Mellon, as trustee. The Senior Indenture contains covenants that, among other things, limit (subject to certain exceptions) the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the Senior Indenture) to: (1) incur debt (including certain preferred stock), if the incurrence of such indebtedness would cause the Company’s consolidated fixed charge coverage ratio, as defined in the Senior Indenture, to fall below 2.0 to 1.0, (2) pay dividends or make distributions on its capital stock, or purchase, redeem or otherwise acquire its capital stock, and (3) grant liens securing indebtedness of the Company without securing the 2021 Notes equally and ratably. If certain conditions are met, certain of these covenants may be suspended.

The conditional conversion feature of the Cash Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Cash Convertible Notes is triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option. If one or more holders elect to convert their notes, we would be required to pay cash to settle any such conversion, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting for the Cash Convertible Notes will result in our having to recognize interest expense significantly greater than the stated interest rate of the notes and may result in volatility to our Consolidated Statements of Operations.

We will settle conversions of the Cash Convertible Notes entirely in cash. Accordingly, the conversion option that is part of the Cash Convertible Notes is accounted for as a derivative pursuant to accounting standards relating to derivative instruments and hedging activities. In general, this results in an initial valuation of the conversion option, which is bifurcated from the debt component of the Cash Convertible Notes, resulting in an original issue discount. The original issue discount will be accreted to interest expense over the term of the Cash Convertible Notes, which will result in an effective interest rate reported in our financial statements significantly in excess of the stated coupon rate of the Cash Convertible Notes. This accounting treatment will reduce our US GAAP earnings and could adversely affect the price at which our Class A common stock trades, but it will not affect the amount of cash interest paid to holders of the Cash Convertible Notes or our cash flows.

For each financial statement period after issuance of the Cash Convertible Notes, a gain (or loss) will be reported in our Consolidated Statements of Operations to the extent the valuation of the conversion option changes from the previous period. The Cash Convertible Notes economic hedge transaction we entered into in connection with the issuance of the Cash Convertible Notes will also be accounted for as a derivative instrument, offsetting the gain (or loss) associated with changes to the valuation of the conversion option. Although we do not expect there to be a material net impact to our financial statements as a result of our issuing the Cash Convertible Notes and entering into the Cash Convertible Notes economic hedge transaction, we cannot assure you that these transactions will be completely offset, which may result in volatility to our financial statements.

Risks Related to the Company's Alternative Investment Business.

The Company's profitability may be adversely affected by decreases in revenue relating to changes in market and economic conditions.

Market conditions have been and remain inherently unpredictable and outside of the Company's control, and may result in reductions in the Company's revenue and results of operations. Such reductions may be caused by a decline in assets under management, resulting in lower management fees and incentive income, an increase in the cost of financial instruments, lower investment returns or reduced demand for assets held by the Company's funds, which would negatively affect the funds' ability to realize value from such assets or continued investor redemptions, resulting in lower fees and increased difficulty in raising new capital.

These factors may reduce the Company's revenue, revenue growth and income and may slow the growth of the alternative investment business or may cause the contraction of the alternative investment business. In particular, negative fund performance reduces assets under management, which decreases the management fees and incentive income that the Company earns. Negative performance of the Enterprise Fund, COIL and other private investments also decreases revenue derived from the Company's returns on investment of its own capital.

The Company's ability to increase revenues and improve profitability will depend on increasing assets under management in existing products and developing and marketing new products and strategies, including identifying and hiring or affiliating with new investment teams.

The Company's alternative investment business generates management and incentive fee income based on its assets under management. If the Company is unable to increase its assets under management in its existing products it may be difficult to increase its revenues. The Company has recently developed and launched several new products, including a global macro strategy. The Company may also launch funds and hire or affiliate with new investment teams focusing on new investment strategies. If these products or strategies are not successful, or if the Company is unable to hire or affiliate with new investment teams, or successfully manage its relationships with its affiliated investment teams, the Company's profitability could be adversely affected.

The Company's revenues and, in particular, its ability to earn incentive income, would be adversely affected if its funds or managed accounts fall beneath their "high-water marks" as a result of negative performance.

Incentive income, which has historically comprised a substantial portion of the Company's alternative investment business annual revenues, is, in most cases, subject to "high-water marks" whereby incentive income is earned by the Company only to the extent that the net asset value of a fund or managed account at the end of a measurement period exceeds the highest net asset value as of the end of a preceding measurement period for which the Company earned incentive income. The Company's incentive allocations are also subject, in some cases, to performance hurdles or benchmarks. To the extent the Company's funds or managed accounts experience negative investment performance, the investors in these funds or managed accounts would need to recover cumulative losses before the Company can earn incentive income with respect to the investments of those investors who previously suffered losses.

It may be difficult for the Company's alternative investment business to retain investment professionals during periods where market conditions make it more difficult to generate positive investment returns.

Certain of the Company's funds face particular retention issues with respect to investment professionals whose compensation is tied, often in large part, to such performance thresholds. This retention risk is heightened during periods where market conditions make it more difficult to generate positive investment returns. For example, several investment professionals receive performance-based compensation at the end of each year based upon their annual investment performance, and this performance-based compensation represents substantially all of the compensation the professional is entitled to receive during the year. If the investment professional's annual performance is negative, the professional may not be entitled to receive any performance-based compensation for the year. If investment professionals or funds, as the case may be, produce investment results that are negative (or below the applicable hurdle or benchmark), the affected investment professionals may be incentivized to join a competitor because doing so would allow them to earn performance-based compensation without the requirement that they first satisfy the high-water mark.

Investors in the Company's funds and investors with managed accounts can generally redeem investments with prior notice. The rate of redemptions could accelerate at any time. Historically, redemptions have created difficulties in managing the liquidity of certain of the Company's funds and managed accounts, reduced assets under management and adversely affected the Company's revenues, and may do so in the future.

Investors in the Company's funds and investors with managed accounts may generally redeem their investments with prior notice, subject to certain initial holding periods. Investors may reduce the aggregate amount of their investments, or transfer their investments to other funds or asset managers with different fee rate arrangements, for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. Furthermore, investors in the Company's funds may be investors in products managed by other alternative asset managers where redemptions have been restricted or suspended. Such investors may redeem capital from Company's funds, even if the Company's funds'

performance is superior, due to an inability to redeem capital from other managers. Increased volatility in global markets could accelerate the pace of fund and managed account redemptions. Redemptions of investments in the Company's funds could also take place more quickly than assets may be sold by those funds to meet the price of such redemptions, which could result in the relevant funds and/or the Company being in breach of applicable legal, regulatory and contractual requirements in relation to such redemptions, resulting in possible regulatory and investor actions against the Company and/or the Company's funds. If the Company's funds or managed accounts underperform, existing investors may decide to reduce or redeem their investments or transfer asset management responsibility to other asset managers and the Company may be unable to obtain new alternative investment business. Any such action could potentially cause further redemptions and/or make it more difficult to attract new investors.

The redemption of investments in the Company's funds or in managed accounts could also adversely affect the revenues of the Company's alternative investment business, which are substantially dependent upon the assets under management in the Company's funds. If redemptions of investments cause revenues to decline, they would likely have a material adverse effect on our business, results of operations or financial condition. If market conditions, negative performance or other factors cause an increased level of redemption activity returns, it could become more difficult to manage the liquidity requirements of the Company's funds, making it more difficult or more costly for the Company's funds to liquidate positions rapidly to meet redemption requests or otherwise. This in turn may negatively impact the Company's returns on its own invested capital.

In addition to the impact on the market value of assets under management, illiquidity and volatility of the global financial markets could negatively affect the ability of the Company's alternative investment business to manage inflows and outflows from the Company's funds. Several alternative investment managers, including the Company's alternative investment business, have in the past exercised, and may in the future exercise, their rights to limit, and in some cases, suspend, redemptions from the funds they manage. The Company's alternative investment business has also negotiated, and may in the future negotiate, with investors or exercise such rights in an attempt to limit redemptions or create a variety of other investor structures to bring fund assets and liquidity requirements into a more manageable balance. To the extent that the Company's alternative investment business has negotiated with investors to limit redemptions, it may be likely that such investors will continue to seek further redemptions in the future. Such actions may have an adverse effect on the ability of the Company's funds to attract new capital to existing funds or to develop new investment platforms. The Company's fund of funds platform may also be adversely impacted as the hedge funds in which it invests themselves face similar investor redemptions or if such hedge funds exercise their rights to limit or suspend the Company's redemptions from such funds. Poor performance relative to other asset management firms may result in reduced investments in the Company's funds and managed accounts and increased redemptions from the Company's funds and managed accounts. As a result, investment underperformance would likely have a material adverse effect on the Company's results of operations and financial condition.

Hedge fund investments, including the investments of the Company's own capital in the Enterprise Fund, COIL and other private investments, are subject to other additional risks.

Investments by the Company's funds (including the Enterprise Fund, COIL and other private investments, in which the Company's own capital is invested) are subject to certain risks that may result in losses. Decreases to assets under management as a result of investment losses or client redemptions may have a material adverse effect on the Company's revenues, net income and cash flows and could harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future. Additional risks include the following:

- Generally, there are few limitations on hedge funds' investment strategies, which are often subject to the sole discretion of the management company or the general partner of such funds.
- Hedge funds may engage in short selling, which is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security sold short may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions. Furthermore, by the SEC and other regulatory authorities outside the United States have imposed trading restrictions and reporting requirements on short selling, which in certain circumstances may impair hedge funds' ability to use short selling effectively.
- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position through a combination of financial instruments. A hedge fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the fund might only be able to acquire some but not all of the components of the position, or if the overall position were in need of adjustment, the fund might not be able to make such an adjustment. As a result, a hedge fund would not be able to achieve the market position selected by the management company or general partner of such fund, and might incur a loss in liquidating its position.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their respective liquidity or operational needs, so that a default by one institution causes a series of defaults by the

other institutions. This "systemic risk" may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms, other counterparties and exchanges) with which the hedge funds interact on a daily basis.

- Hedge funds are subject to risks due to the potential illiquidity of assets. Hedge funds may make investments or hold trading positions in markets that are volatile and which may become illiquid. The timely sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which they may be a party, and changes in industry and government regulations. It may be impossible or highly costly for hedge funds to liquidate positions rapidly to meet margin calls, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time, if the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limitations on the market. In addition, increased levels of redemptions may result in increased illiquidity as more liquid assets are sold to fund redemptions. Moreover, these risks may be exacerbated for the Company's alternative solutions platform. For example, if the Company's alternative solutions platform invested in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for the Company's alternative solutions portfolios would be compounded. Furthermore, certain of the investments of the Company's alternative solutions platform were in third party hedge funds that halted redemptions in the recent past in the face of illiquidity and other issues, and could do so again in the future.
- Hedge fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade.

If the Company's or managed account's counterparty for any of its derivative or non-derivative contracts defaults on the performance of those contracts, the Company may not be able to cover its exposure under the relevant contract.

The Company's funds and managed accounts enter into numerous types of financing arrangements with a wide array of counterparties around the world, including loans, hedge contracts, swaps, repurchase agreements and other derivative and non-derivative contracts. The terms of these contracts are generally complex and often customized and generally are not subject to regulatory oversight. The Company is subject to the risk that the counterparty to one or more of these contracts may default, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur at any time without notice. Additionally, the Company may not be able to take action to cover its exposure if a counterparty defaults under such a contract, either because of a lack of the contractual ability or because market conditions make it difficult to take effective action. The impact of market stress or counterparty financial condition may not be accurately foreseen or evaluated and, as a result, the Company may not take sufficient action to reduce its risks effectively.

Counterparty risk is accentuated where the fund or managed account has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds are not restricted from concentrating any or all of their transactions with one counterparty. Moreover, the Company's internal review of the creditworthiness of their counterparties may prove inaccurate. The absence of a regulated market to facilitate settlement and the evaluation of creditworthiness may increase the potential for losses.

In addition, these financing arrangements often contain provisions that give counterparties the ability to terminate the arrangements if any of a number of defaults occurs with respect to the Company or its funds or managed accounts, as the case may be, including declines in performance or assets under management and losses of key management personnel, each of which may be beyond our control. In the event of any such termination, the Company's funds or managed accounts may not be able to enter into alternative arrangements with other counterparties and our business may be materially adversely affected.

The Company may suffer losses in connection with the insolvency of prime brokers, custodians, administrators and other agents whose services the Company uses and who may hold assets of the Company's funds.

All of the Company's funds use the services of prime brokers, custodians, administrators or other agents to carry out certain securities transactions and to conduct certain business of the Company's funds. In the event of the insolvency of a prime broker and/or custodian, the Company's funds might not be able to recover equivalent assets in full as they may rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, the Company's funds' cash held with a prime broker or custodian (if any) may not be segregated from the prime broker's or custodian's own cash, and the funds will therefore rank as unsecured creditors in relation thereto.

Operational risks relating to the failure of data processing systems and other information systems and technology may disrupt our alternative investment business, result in losses and/or limit the business's operations and growth.

The Company's alternative investment business and its funds rely heavily on financial, accounting, trading and other data processing systems to, among other things, execute, confirm, settle and record transactions across markets and geographic locations in a time-sensitive, efficient and accurate manner. If any of these systems does not operate properly or are disabled, the Company could suffer financial loss, a disruption of its business, liability to the Company's funds, regulatory intervention and/or reputational damage. In addition, the Company's alternative investment business is highly dependent on information systems and technology, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate the operational needs of the Company's alternative investment business, or an increase in costs related to such information systems, could have a material adverse effect on the Company, both with respect to a decrease in the operational performance of its alternative investment business and an increase in costs that may be necessary to improve such systems.

The Company depends on its presence in New York, New York, where most of the Company's alternative investment personnel are located, for the continued operation of its business. We have taken precautions to limit the impact that a disruption to operations at our New York headquarters could cause (for example, by ensuring that the Company can operate independently of offices in other geographic locations). Although these precautions have been taken, a disaster or a disruption in the infrastructure that supports our alternative investment business, including a disruption involving electronic communications or other services used by the third parties with whom the Company's alternative investment business conducts business (including the funds invested in by the Company's fund of funds platform), or directly affecting the New York, New York, headquarters, could have a material adverse impact on the Company's ability to continue to operate its alternative investment business without interruption. The Company's disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance might only partially reimburse us for our losses, if at all. Finally, the Company relies on third party service providers for certain aspects of its business, including for certain information systems and technology and administration of the Company's funds. Severe interruptions or deteriorations in the performance of these third parties or failures of their information systems and technology could impair the quality of the Company's alternative investment business operations and could impact the Company's reputation and materially adversely affect our alternative investment business.

Certain of the Company's funds may invest in relatively high-risk, illiquid assets, and the Company may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amounts of these investments.

Certain of the Company's funds and managed accounts (including the Enterprise Fund, COIL, ROIL, Starboard Partners Fund LP, and other investments) invest a portion of their assets in securities that are not publicly traded and funds invested in by the Company's alternative solutions platform may do the same. In many cases, such funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or there may not be a public market for such securities. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the disposition period. Accordingly, under certain conditions, the Company's funds, or funds invested in by the Company's alternative solutions platform, may be forced to either sell securities at lower prices than they had expected to realize or defer, potentially for a considerable period of time, sales that they had planned to make. Investing in these types of investments can involve a high degree of risk, and the Company's funds (including the Enterprise Fund, COIL and other private investments) may lose some or all of the principal amount of such investments, including our own invested capital.

Risk management activities may materially adversely affect the return on the Company's funds' investments if such activities do not effectively limit a fund's exposure to decreases in investment values or if such exposure is overestimated.

When managing the Company's funds' exposure to market risks, the relevant fund (or one of the funds invested in by the Company's alternative solutions platform) may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative financial instruments to limit its exposure to changes in the relative values of investments that may result from market developments, including changes in interest rates, currency exchange rates and asset prices. The success of such derivative transactions generally will depend on the Company's (or the underlying fund manager's) ability to accurately predict market changes in a timely fashion, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, these transactions may result in poorer overall investment performance than if they had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases. A perfect correlation between the instruments used in a hedging or other derivative transaction and the position being hedged may not be attained. An imperfect correlation could give rise to a loss. Also, it may not be possible to fully or perfectly limit exposure against all changes in the value of an investment because the value of an investment is likely to fluctuate as a result of a number of factors, many of which will be beyond the Company's (or the underlying fund manager's) control or ability to hedge.

Fluctuations in currency exchange rates could materially affect the Company's alternative investment business and its results of operations and financial condition.

The Company uses U.S. dollars as its reporting currency. Investments in the Company's funds and managed accounts are made in different currencies, including Euros, Pounds Sterling, Australian Dollar and Yen. In addition, the Company's funds and managed accounts hold investments denominated in many foreign currencies. To the extent that the Company's revenues from its alternative investment business are based on assets under management denominated in such foreign currencies, our reported revenues may be significantly affected by the exchange rate of the U.S. dollar against these currencies. Typically, an increase in the exchange rate between U.S. dollars and these currencies will reduce the impact of revenues denominated in these currencies in the financial results of our alternative investment business. For example, management fee revenues derived from each Euro and Australian Dollar of assets under management denominated in Euros and Australian Dollar will decline in U.S. dollar terms if the value of the U.S. dollar appreciates against the Euro and Australian Dollar. In addition, the calculation of the amount of assets under management is affected by exchange rate movements as assets under management denominated in foreign currencies are converted to U.S. dollars. The Company's alternative investment business also incurs a portion of its expenditures in currencies other than U.S. dollars. As a result, our alternative investment business is subject to the effects of exchange rate fluctuations with respect to any currency conversions and the Company's ability to hedge these risks and the cost of such hedging or the Company's decision not to hedge could impact the performance of the Company's funds and our alternative investment business and its results of operations and financial condition.

The due diligence process that the Company's alternative investment business undertakes in connection with investments by the Company's funds is inherently limited and may not reveal all facts that may be relevant in connection with making an investment.

Before making investments, particularly investments in securities that are not publicly traded, the Company endeavors to conduct a due diligence review of such investment that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company is often required to evaluate critical and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment bankers and financial analysts may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company is limited to the resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigation that the Company conducts with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful, which may adversely affect the performance of the Company's funds and managed accounts and the Company's ability to generate returns on its own invested capital from any such investment.

The Company's real estate business is subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

The Company's real estate business is subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with general and local economic conditions, changes in supply of and demand for competing properties in an area, changes in environmental regulations and other laws, various uninsured or uninsurable risks, natural disasters, changes in real property tax rates, changes in interest rates, the reduced availability of mortgage financing which may render the sale or refinancing of properties difficult or impracticable, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond our control. Further, the U.S. Environmental Protection Agency has found that global climate change could increase the severity and perhaps the frequency of extreme weather events, which could subject real property to increased weather-related risks in the coming years. There are also presently a number of current and proposed regulatory initiatives, both domestically and globally, that are geared towards limiting and scaling back the emission of greenhouse gases, which certain scientists have linked to global climate change. Although not known with certainty at this time, such regulation could adversely affect the costs to construct and operate real estate in the coming years, such as through increased energy costs.

In recent years commercial real estate markets in the United States generally experienced major disruptions due to the unprecedented lack of available capital, in the form of either debt or equity, and declines in value as a result of the overall economic decline. If these conditions were to occur again transaction volume may drop precipitously, negatively impacting the valuation and performance of the Company's real estate investments significantly. Additionally, if the Company's real estate business acquires direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost, potential for cost overruns and timely completion of construction (including risks beyond the control of the investor, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

The alternative investment industry is intensely competitive, which may adversely affect the Company's ability to attract and retain investors and investment professionals.

The alternative investment industry is extremely competitive. Competition includes numerous international, national, regional and local asset management firms and broker-dealers, commercial bank and thrift institutions, and other financial institutions. Many of these institutions offer products and services that are similar to, or compete with, those offered by us and have substantially more personnel and greater financial resources than the Company does. The key areas for competition include historical investment performance, the ability to identify investment opportunities, the ability to attract and retain the best investment professionals and the quality of service provided to investors. The Company's ability to compete may be adversely affected if it underperforms in comparison to relevant benchmarks, peer groups or competing asset managers. The competitive market environment may result in increased downward pressure on fees, for example, by reduced management fee and incentive allocation percentages. The future results of operations of the Company's alternative investment business are dependent in part on its ability to maintain appropriate fee levels for its products and services. In the current economic environment, many competing asset managers experienced substantial declines in investment performance, increased redemptions, or counterparty exposures which impaired their businesses. Some of these asset managers have reduced their fees in an attempt to avoid additional redemptions. Competition within the alternative investment industry could lead to pressure on the Company to reduce the fees that it charges its clients for alternative investment products and services. A failure to compete effectively may result in the loss of existing clients and business, and of opportunities to generate new business and grow assets under management, each of which could have a material adverse effect on the Company's alternative investment business and results of operations, financial condition and prospects. Furthermore, consolidation in the alternative investment industry may accelerate, as many asset managers are unable to withstand the substantial declines in investment performance, increased redemptions, and other pressures impacting their businesses, including increased regulatory, compliance and control requirements. Some competitors may acquire or combine with other competitors. The combined business may have greater resources than the Company does and may be able to compete more effectively against the Company and rapidly acquire significant market share.

Increased regulatory focus could result in regulation that may limit the manner in which the Company and the Company's funds invest and the types of investors that may invest in the Company's funds, materially impacting the Company's business.

The Company's alternative investment business may be adversely affected if new or revised legislation or regulations are enacted, or by changes in the interpretation or enforcement of existing rules and regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets and their participants. Such changes could place limitations on the type of investor that can invest in alternative investment funds or on the conditions under which such investors may invest. Further, such changes may limit the scope of investing activities that may be undertaken by alternative investment managers as well as their funds. It is impossible to determine the extent of the impact of any new or recently enacted laws, including the Dodd-Frank Act, or any regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be difficult and expensive and affect the manner in which the Company's alternative investment business conducts itself, which may adversely impact its results of operations, financial condition and prospects.

Additionally, as a result of highly publicized financial scandals, investors, regulators and the general public have exhibited concerns over the integrity of both the U.S. financial markets and the regulatory oversight of these markets. As a result, the business environment in which Company's alternative investment business operates is subject to heightened regulation. With respect to alternative investment funds, in recent years, there has been debate in both U.S. and foreign governments about new rules or regulations, including increased oversight or taxation, in addition to the recently enacted legislation described above. As calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative investment funds, including the Company's funds. Such investigations may impose additional expenses on the Company, may require the attention of senior management and may result in fines if any of the Company's funds are deemed to have violated any regulations.

The Company's alternative investment business may suffer as a result of loss of business from key investors.

The loss of all or a substantial portion of the business provided by key investors could have a material impact on income derived from management fees and incentive allocations and consequently have a material adverse effect on our alternative investment business and results of operations or financial condition.

Risks Related to the Company's Broker-Dealer Business

The Company's broker-dealer business focuses principally on specific sectors of the economy, and deterioration in the business environment in these sectors or a decline in the market for securities of companies within these sectors could materially affect our broker-dealer business.

The Company focuses principally on the Target Sectors of the economy. Therefore, volatility in the business environment in these sectors or in the market for securities of companies within these sectors could substantially affect the Company's financial results. The business environment for companies in these sectors has been subject to substantial volatility, and the Company's financial results have consequently been subject to significant variations from year to year. The market for securities in each of the Company's target sectors may also be subject to industry-specific risks. For example, changes in policies of the United States Food and Drug Administration, along with changes in Medicare and government reimbursement policies, may affect the market for securities of healthcare companies.

As an investment bank which focuses primarily on specific growth sectors of the economy, the Company also depends significantly on private company transactions for sources of revenues and potential business opportunities. To the extent the pace of these private company transactions slows or the average size declines due to a decrease in private equity financings, difficult market conditions in the Company's target sectors or other factors, the Company's business and results of operations may be adversely affected.

The financial results of the Company's broker-dealer business may fluctuate substantially from period to period.

The Company has experienced, and we expect to experience in the future, significant periodic variations in its revenues and results of operations. These variations may be attributed in part to the fact that its investment banking revenues are typically earned upon the successful completion of a transaction, the timing of which is uncertain and beyond the Company's control. In most cases, the Company receives little or no payment for investment banking engagements that do not result in the successful completion of a transaction. As a result, our investment banking business is highly dependent on market conditions as well as the decisions and actions of its clients and interested third parties. For example, a client's acquisition transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other problems in the client's or counterparty's business. If the parties fail to complete a transaction on which the Company is advising or an offering in which the Company is participating, we will earn little or no revenue from the transaction, and we may incur significant expenses that may not be recouped. This risk may be intensified by the Company's focus on growth companies in the Target Sectors as the market for securities of these companies has experienced significant variations in the number and size of equity offerings. Many companies initiating the process of an IPO are simultaneously exploring other strategic alternatives, such as a merger and acquisition transaction. The Company's investment banking revenues would be adversely affected in the event that an IPO for which it is acting as an underwriter is preempted by the company's sale if the Company is not also engaged as a strategic advisor in such sale. As a result, our investment banking business is unlikely to achieve steady and predictable earnings on a quarterly basis.

Pricing and other competitive pressures may impair the revenues of the Company's brokerage business.

The Company's brokerage business accounted for approximately 43% of the broker dealer segment's revenues during 2014. Along with other firms, the Company has experienced price competition in this business in recent years. In particular, the ability to execute trades electronically and through alternative trading systems has increased the pressure on trading commissions and spreads. We expect to continue to experience competitive pressures in these and other areas in the future as some of our competitors in the investment banking industry seek to obtain market share by competing on the basis of price or use their own capital to facilitate client trading activities. In addition, the Company faces pressure from larger competitors, who may be better able to offer a broader range of complementary products and services to clients in order to win their trading business. We are committed to maintaining and improving the Company's comprehensive research coverage to support its brokerage business and the Company may be required to make additional investments in the Company's research capabilities.

The Company faces strong competition from larger firms.

The research, brokerage and investment banking industries are intensely competitive, and the Company expects them to remain so. The Company competes on the basis of a number of factors, including client relationships, reputation, the abilities of the Company's professionals, market focus and the relative quality and price of the Company's services and products. The Company has experienced intense price competition in some of its businesses, including trading commissions and spreads in its brokerage business. In addition, pricing and other competitive pressures in investment banking, including the trends toward multiple book runners, co-managers and financial advisors, and a larger share of the underwriting fees and discounts being allocated to the book-runners, could adversely affect the Company's revenues from its investment banking business.

The Company is a relatively small investment bank. Many of the Company's competitors in the research, brokerage and investment banking industries have a broader range of products and services, greater financial resources, larger customer bases, greater name recognition and marketing resources, a larger number of senior professionals to serve their clients' needs, greater global reach and more established relationships with clients than the Company has. These larger competitors may be better able to respond to changes in the research, brokerage and investment banking industries, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally.

The scale of our competitors in the investment banking industry has increased in recent years as a result of substantial consolidation among companies in the research, brokerage and investment banking industries. In addition, a number of large commercial banks and other broad-based financial services firms have established or acquired underwriting or financial advisory practices and broker-dealers or have merged with other financial institutions. These firms have the ability to offer a wider range of products than the Company does which may enhance their competitive position. They also have the ability to support their investment banking and advisory groups with commercial banking and other financial services in an effort to gain market share, which has resulted, and could further result, in pricing pressure in the Company's businesses. If we are unable to compete effectively with our competitors in the investment banking industry, the Company's business and results of operations may be adversely affected.

The Company's capital markets and strategic advisory engagements are singular in nature and do not generally provide for subsequent engagements.

The Company's investment banking clients generally retain the Company on a short-term, engagement-by-engagement basis in connection with specific capital markets or mergers and acquisitions transactions, rather than on a recurring basis under long-term contracts. As these transactions are typically singular in nature and the Company's engagements with these clients may not recur, the Company must seek out new engagements when its current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If the Company is unable to generate a substantial number of new engagements that generate fees from new or existing clients, the Company's investment banking business and results of operations would likely be adversely affected.

Larger and more frequent capital commitments in the Company's trading and underwriting businesses increase the potential for significant losses.

There has been a trend toward larger and more frequent commitments of capital by financial services firms in many of their activities. For example, in order to compete for certain transactions, investment banks may commit to purchase large blocks of stock from publicly traded issuers or significant stockholders, instead of the more traditional marketed underwriting process in which marketing is completed before an investment bank commits to purchase securities for resale. To the extent the total net capital of the Company's broker-dealers allows it, the Company anticipates participating in this trend and, as a result, the Company will be subject to increased risk as it commits capital to facilitate business. As of December 31, 2014, the Company has total net capital of approximately \$42.9 million. Furthermore, the Company may suffer losses as a result of the positions taken in these transactions even when economic and market conditions are generally favorable for others in the industry.

The Company may enter into large transactions in which it commits its own capital as part of its trading business to facilitate client trading activities. The number and size of these large transactions may materially affect the Company's results of operations in a given period. Market fluctuations may also cause the Company to incur significant losses from its trading activities. To the extent that the Company owns assets (*i.e.*, has long positions), a downturn in the value of those assets or in the markets in which those assets are traded could result in losses. Conversely, to the extent that the Company has sold assets it does not own (*i.e.*, has short positions), in any of those markets, an upturn in the value of those assets or in markets in which those assets are traded could expose the Company's investment banking business to potentially large losses as it attempts to cover short positions by acquiring assets in a rising market.

Operational risks relating to the failure of data processing systems and other information systems and technology or other infrastructure may disrupt the Company's broker-dealer business, result in losses or limit the our operations and growth in the industry.

The Company's broker-dealer business is highly dependent on its ability to process, on a daily basis, a large number of transactions across diverse markets, and the transactions that the Company processes have become increasingly complex. The inability of the Company's systems to accommodate an increasing volume of transactions could also constrain the Company's ability to expand its broker-dealer business. If any of these systems do not operate properly or are disabled, or if there are other shortcomings or failures in the Company's internal processes, people or systems, the Company could suffer impairments, financial loss, a disruption of its broker-dealer business, liability to clients, regulatory intervention or reputational damage.

The Company has outsourced certain aspects of its technology infrastructure including data centers and wide area networks, as well as some trading applications. The Company is dependent on its technology providers to manage and monitor those functions. A disruption of any of the outsourced services would be out of the Company's control and could negatively impact our broker-dealer business. The Company has experienced disruptions on occasion, none of which has been material to the Company's operations and results. However, there can be no guarantee that future material disruptions with these providers will not occur.

The Company also faces the risk of operational failure of or termination of relations with any of the clearing agents, exchanges, clearing houses or other financial intermediaries that the Company uses to facilitate its securities transactions. Any such failure or termination could adversely affect the Company's ability to effect transactions and to manage its exposure to risk.

In addition, the Company's ability to conduct its broker-dealer business may be adversely impacted by a disruption in the infrastructure that supports Company and the communities in which we are located. This may affect, among other things, the Company's financial, accounting or other data processing systems. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which the Company conducts business, whether due to fire, other natural disaster, power or communications failure, act of terrorism or war or otherwise. Nearly all of our broker-dealer employees in our primary locations in New York, Boston, San Francisco and London work in close proximity to each other. Although the Company has a formal disaster recovery plan in place, if a disruption occurs in one location and our broker-dealer employees in that location are unable to communicate with or travel to other locations, the Company's ability to service and interact with its clients may suffer, and the Company may not be able to implement successfully contingency plans that depend on communication or travel.

Our investment banking business also relies on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Company's computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this could jeopardize our or our broker-dealer clients' or counterparties' confidential and other information processed and stored in, and transmitted through, the Company's computer systems and networks, or otherwise cause interruptions or malfunctions in our broker-dealer business', its clients', its counterparties' or third parties' operations. The Company may be required to expend significant additional resources to modify its protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications, and the Company may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by the Company.

The market structure in which our market-making business operates may make it difficult for this business to maintain profitability.

Market structure changes have had an adverse effect on the results of operations of our market-making business. These changes may make it difficult for us to maintain and/or predict levels of profitability of, or may cause us to generate losses in, our market-making business.

The growth of electronic trading and the introduction of new technology in the markets in which our market-making business operates may adversely affect this business and may increase competition.

The continued growth of electronic trading and the introduction of new technologies is changing our market-making business and presenting new challenges. Securities, futures and options transactions are increasingly occurring electronically, through alternative trading systems. It appears that the trend toward alternative trading systems will continue to accelerate. This acceleration could further increase program trading, increase the speed of transactions and decrease our ability to participate in transactions as principal, which would reduce the profitability of our market-making business. Some of these alternative trading systems compete with our market-making business and with our algorithmic trading platform, and we may experience continued competitive pressures in these and other areas. Significant resources have been invested in the development of our electronic trading systems, which includes our ATM business, but there is no assurance that the revenues generated by these systems will yield an adequate return on the investment, particularly given the increased program trading and increased percentage of stocks trading off of the historically manual trading markets.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principle offices, all of which are leased, are located in New York City, Boston, San Francisco and London. Our other offices, all of which are leased, are located in Atlanta, Chicago, Cleveland, Greenwich, Houston, Jersey City, Menlo Park, Port Orange, Stamford, Purchase, Luxembourg, Belfast, Hong Kong, and other various New York City Locations. Our corporate headquarters are located in New York, New York and comprise approximately 91,000 square feet of leased space pursuant to lease agreements expiring in 2022. We lease approximately 19,000 square feet of space in Boston pursuant to a lease agreement expiring in 2023, which is used primarily by our broker-dealer segment. In San Francisco, we lease approximately 29,072 square feet of space, pursuant to a lease agreement expiring in September 2015 which is used by our broker-dealer segment. As of January 2015, the Company signed a new San Francisco lease (effective October 2015) for

approximately 22,000 square feet of space, expiring in 2025, which is used by our broker-dealer segment. Our London offices are subject to lease agreements expiring in 2017 which are used by our alternative investment and broker-dealer segments.

Item 3. Legal Proceedings

In the ordinary course of business, we are named as defendants in, or as parties to, various legal actions and proceedings. Certain of these actions and proceedings assert claims or seek relief in connection with alleged violations of securities, banking, anti-fraud, anti-money laundering, employment and other statutory and common laws. Certain of these actual or threatened legal actions and proceedings include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief.

In the ordinary course of business, we are also subject to governmental and regulatory examinations, information gathering requests (both formal and informal), certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. Certain of our affiliates and subsidiaries are investment banks, registered broker-dealers, futures commission merchants, investment advisers or other regulated entities and, in those capacities, are subject to regulation by various U.S., state and foreign securities, commodity futures and other regulators. In connection with formal and informal inquiries by these regulators, we receive requests, and orders seeking documents and other information in connection with various aspects of our regulated activities.

Due to the global scope of our operations, and presence in countries around the world, we may be subject to litigation, and governmental and regulatory examinations, information gathering requests, investigations and proceedings (both formal and informal), in multiple jurisdictions with legal and regulatory regimes that may differ substantially, and present substantially different risks, from those we are subject to in the United States.

The Company seeks to resolve all litigation and regulatory matters in the manner management believes is in the best interests of the Company and its shareholders, and contests liability, allegations of wrongdoing and, where applicable, the amount of damages or scope of any penalties or other relief sought as appropriate in each pending matter.

In accordance with US GAAP, the Company establishes reserves for contingencies when the Company believes that it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. The Company discloses a contingency if there is at least a reasonable possibility that a loss may have been incurred and there is no reserve for the loss because the conditions above are not met. The Company's disclosure includes an estimate of the reasonably possible loss or range of loss for those matters, for which an estimate can be made. Neither a reserve nor disclosure is required for losses that are deemed remote.

The Company appropriately reserves for certain matters where, in the opinion of management, the likelihood of liability is probable and the extent of such liability is reasonably estimable. Such amounts are included within accounts payable, accrued expenses and other liabilities in the accompanying consolidated statements of financial condition. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, the Company's defenses and its experience in similar cases or proceedings as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. The Company may increase or decrease its legal reserves in the future, on a matter-by-matter basis, to account for developments in such matters. The Company accrues legal fees as incurred.

The following information reflects developments with respect to the Company's legal proceedings that occurred in the year ended December 31, 2014.

On May 28, 2014, Energy Intelligence Group, Inc. and Energy Intelligence Group UK (collectively, "EIG") filed a lawsuit against Cowen and Company, LLC in the United States Court for the Southern District of New York (Energy Intelligence Group, Inc. and Energy Intelligence Group UK v. Cowen and Company, LLC, No. 14-CV-3789). The complaint alleges copyright infringement based on alleged impermissible distribution of EIG's publication, Oil Daily, by Cowen and Company, LLC, and Dahlman Rose & Company, LLC, as Cowen's alleged predecessor-in-interest. EIG is seeking statutory damages based on alleged willful infringement of their copyrights. The Company believes it has substantial defenses to the claims asserted and intends to vigorously defend itself against this lawsuit if a satisfactory settlement is not ultimately approved. On July 22, 2014, the action was referred to a federal Magistrate Judge for the purpose of settlement, staying Cowen's time to answer until the parties have completed settlement discussions. On September 18, 2014, the parties attended a mediation before the federal Magistrate Judge. The case is in its preliminary stages so the Company cannot predict the outcome. The Company does not currently expect this case to have a material effect on its financial position.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Price Information and Stockholders

Our Class A common stock is listed and trades on the NASDAQ Global Market under the symbol "COWN." As of February 25, 2015, there were approximately 62 holders of record of our Class A common stock. This number does not include stockholders for whom shares were held in "nominee" or "street" name.

The following table contains historical quarterly price information for the year ended December 31, 2014. On February 25, 2015, the last reported sale price of our Class A common stock was \$4.91.

2014 Fiscal Year	High	Low
First Quarter	\$ 4.83	\$ 3.77
Second Quarter	4.62	3.69
Third Quarter	4.46	3.68
Fourth Quarter	4.81	3.52
2013 Fiscal Year	High	Low
First Quarter	\$ 2.95	\$ 2.4
Second Quarter	3.29	2.45
Third Quarter	3.69	2.92
Fourth Quarter	4.13	3.45

Dividend Policy

We have never declared or paid any cash dividends on Class A common stock or any other class of stock. Any payment of cash dividends on stock in the future will be at the discretion of our board of directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions and other factors deemed relevant by our board of directors. We currently intend to retain any future earnings to fund the operation, development and expansion of our business, and therefore we do not anticipate paying any cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities: Sales of Unregistered Securities

As of February 25, 2015, the Company's Board of Directors has approved a share repurchase program that authorizes the Company to purchase up to \$86.0 million of Cowen Class A common stock from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. During the year ended December 31, 2014, through the share repurchase program, the Company repurchased 6,257,871 shares of Cowen Class A common stock at an average price of \$4.16 per share.

The table below sets forth the information with respect to purchases made by or on the behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act, as amended), of our common stock during the year ended December 31, 2014.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
Month 1 (January 1, 2014 – January 31, 2014)				
Common stock repurchases(1)	—	\$ —	—	(3)
Employee transactions(2)	—	\$ —	—	—
Total	—			
Month 2 (February 1, 2014 – February 28, 2014)				
Common stock repurchases(1)	—	\$ —	—	(3)
Employee transactions(2)	—	\$ —	—	—
Total	—			

Month 3 (March 1, 2014 – March 31, 2014)					
Common stock repurchases(1)	810,072	\$	4.21	—	(3)
Employee transactions(2)	452,809	\$	4.24	—	—
Total	1,262,881	\$	4.22		
Month 4 (April 1, 2014 – April 30, 2014)					
Common stock repurchases(1)	—	\$	—	—	(3)
Employee transactions(2)	17,778	\$	4.41	—	—
Total	17,778				
Month 5 (May 1, 2014 – May 31, 2014)					
Common stock repurchases(1)	1,678,555	\$	3.97	—	(3)
Employee transactions(2)	284,526	\$	3.83	—	—
Total	1,963,081	\$	3.95		
Month 6 (June 1, 2014 – June 30, 2014)					
Common stock repurchases(1)	297,219	\$	4.10	—	(3)
Employee transactions(2)	547,227	\$	4.13	—	—
Total	844,446	\$	4.12		
Month 7 (July 1, 2014 – July 31, 2014)					
Common stock repurchases(1)	—	\$	—	—	(3)
Employee transactions(2)	—	\$	—	—	—
Total	—	\$	—		
Month 8 (August 1, 2014 – August 31, 2014)					
Common stock repurchases(1)	818,461	\$	4.06	—	(3)
Employee transactions(2)	64,922	\$	4.02	—	—
Total	883,383	\$	4.06		
Month 9 (September 1, 2014 – September 30, 2014)					
Common stock repurchases(1)	663,250	\$	4.08	—	(3)
Employee transactions(2)	—	\$	—	—	—
Total	663,250	\$	4.08		
Month 10 (October 1, 2014 – October 31, 2014)					
Common stock repurchases(1)	—	\$	—	—	(3)
Employee transactions(2)	—	\$	—	—	—
Total	—	\$	—		
Month 11 (November 1, 2014 – November 30, 2014)					
Common stock repurchases(1)	—	\$	—	—	(3)
Employee transactions(2)	—	\$	—	—	—
Total	—	\$	—		
Month 12 (December 1, 2014 – December 31, 2014)					
Common stock repurchases(1)	1,990,314	\$	4.38	—	(3)
Employee transactions(2)	8,974	\$	4.30	—	—
Total	1,999,288	\$	4.38		
Total (January 1, 2014 – December 31, 2014)					
Common stock repurchases(1)	6,257,871	\$	4.16	—	(3)
Employee transactions(2)	1,376,236	\$	4.10	—	—
Total	7,634,107	\$	4.15		

- (1) The Company's Board of Directors have authorized the repurchase, subject to market conditions, of up to \$86.0 million of the Company's outstanding common stock.

- (2) Represents shares of common stock withheld in satisfaction of tax withholding obligations upon the vesting of equity awards or other similar transactions.
- (3) Board approval of repurchases is based on dollar amount. The Company cannot estimate the number of shares that may yet be purchased.

Item 6. Selected Financial Data

The following table sets forth our selected consolidated financial and other data for the years ended December 31, 2014, 2013, 2012, 2011, and 2010. The selected consolidated statements of financial condition data and consolidated statements of operations data as of and for the years ended December 31, 2014, 2013, 2012, 2011, and 2010 have been derived from our audited consolidated financial statements. Our selected consolidated financial data are only a summary and should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands except per share data)				
Consolidated Statements of Operations Data:					
Revenues					
Investment banking	\$ 170,506	\$ 105,333	\$ 71,762	\$ 50,976	\$ 38,965
Brokerage	140,132	114,593	91,167	99,611	112,217
Management fees	40,627	37,303	38,116	52,466	38,844
Incentive income	2,785	12,586	5,411	3,265	11,363
Interest and dividends	48,870	39,454	24,608	22,306	11,547
Reimbursement from affiliates	12,495	10,434	6,274	4,322	6,816
Other revenues	9,446	5,418	3,668	1,583	1,936
Consolidated Funds revenues	2,915	3,398	509	749	12,119
Total revenues	427,776	328,519	241,515	235,278	233,810
Expenses					
Employee compensation and benefits	305,483	207,248	194,034	203,767	194,919
Non-compensation expense	180,740	151,630	131,190	161,955	136,902
Goodwill impairment	2,334	—	—	7,151	—
Consolidated Funds expenses	1,634	2,039	1,676	2,782	8,121
Total expenses	490,191	360,917	326,900	375,655	339,942
Other income (loss)					
Net gain (loss) on securities, derivatives and other investments	104,928	39,651	54,630	15,128	21,980
Bargain purchase gain	—	—	—	22,244	—
Consolidated Funds net gains (losses)	15,323	11,044	7,246	4,395	31,062
Total other income (loss)	120,251	50,695	61,876	41,767	53,042
Income (loss) before income taxes	57,836	18,297	(23,509)	(98,610)	(53,090)
Income tax expense (benefit)	(124,944)	457	448	(20,073)	(21,400)
Net income (loss) from continuing operations	182,780	17,840	(23,957)	(78,537)	(31,690)
Net income (loss) from discontinued operations, net of tax	—	—	—	(23,646)	—
Net income (loss)	182,780	17,840	(23,957)	(102,183)	(31,690)
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	15,564	13,193	(72)	5,827	13,727
Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ 167,216	\$ 4,647	\$ (23,885)	\$ (108,010)	\$ (45,417)
Weighted average common shares outstanding:					
Basic	114,926	116,703	114,400	95,532	73,149
Diluted	119,486	121,117	114,400	95,532	73,149
Earnings (loss) per share:					
Basic					
Income (loss) from continuing operations	\$ 1.45	\$ 0.04	\$ (0.21)	\$ (0.88)	\$ (0.62)
Income (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ (0.25)	\$ —
Diluted					
Income (loss) from continuing operations	\$ 1.40	\$ 0.04	\$ (0.21)	\$ (0.88)	\$ (0.62)
Income (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ (0.25)	\$ —

Consolidated Statements of Financial Condition Data:	As of December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands)				
Total assets	\$ 2,405,676	\$ 1,842,000	\$ 1,638,476	\$ 1,535,838	\$ 1,247,170
Total liabilities	1,641,925	1,248,420	1,057,664	922,786	653,568
Redeemable non-controlling interests	86,076	85,814	85,703	104,587	144,346
Total Stockholders' Equity	\$ 677,675	\$ 507,766	\$ 495,109	\$ 508,465	\$ 449,256

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes that appear elsewhere in this Annual Report. In addition to historical information, this discussion includes forward-looking information that involves risks and assumptions, which could cause actual results to differ materially from management's expectations. See "Special Note Regarding Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K.

Overview

Cowen Group, Inc. (the "Company") is a diversified financial services firm and, together with its consolidated subsidiaries (collectively, "Cowen", "Cowen Group" or the "Company"), provides alternative investment management, investment banking, research, and brokerage (including market-making, sales and trading and securities lending services) through its two business segments: alternative investment and broker-dealer. The alternative investment segment includes hedge funds, replication products, liquid alternative risk premia products, customized solutions, mutual funds, managed futures funds, fund of funds, real estate and healthcare royalty funds. The broker-dealer segment offers industry focused investment banking for growth-oriented companies including advisory and global capital markets origination and domain knowledge-driven research and a sales and trading platform for institutional investors, primarily under the Cowen name.

Ramius is an alternative investment platform offering innovative products and solutions across the liquidity spectrum to institutional and private clients. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been a registered investment adviser under the Investment Advisers Act of 1940 since 1997. Ramius offers investors access to strategies to meet their specific needs including activism, healthcare royalties, customized solutions, real estate, managed futures, event driven equity, and global macro. Ramius focuses on attracting and retaining talented in-house and affiliated investment teams and providing them with institutional infrastructure, robust sales and marketing and industry knowledge. A significant portion of the Company's capital is invested alongside Ramius's alternative investment clients. Our alternative investment business had approximately \$12.5 billion of assets under management as of January 1, 2015.

Our broker-dealer businesses include research, brokerage and investment banking services to companies and institutional investor clients primarily in our target sectors ("Target Sectors") which include healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, REITs, clean technology, energy, metals and mining, transportation, chemicals and agriculture. We provide research and brokerage services to over 1,000 domestic and international clients seeking to trade securities, principally in our Target Sectors. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies.

Certain Factors Impacting Our Business

Our alternative investment business and results of operations are impacted by the following factors:

- *Assets under management.* Our revenues from management fees are directly linked to assets under management. As a result, the future performance of our alternative investment business will depend on, among other things, our ability to retain assets under management and to grow assets under management from existing and new products. In addition, positive performance increases assets under management which results in higher management fees.
- *Investment performance.* Our revenues from incentive income are linked to the performance of the funds and accounts that we manage. Performance also affects assets under management because it influences investors' decisions to invest assets in, or withdraw assets from, the funds and accounts managed by us.
- *Fee and allocation rates.* Our management fee revenues are linked to the management fee rates we charge as a percentage of assets under management. Our incentive income revenues are linked to the incentive allocation rates we charge as a percentage of performance-driven asset growth. Our incentive allocations are generally subject to "high-water marks," whereby incentive income is generally earned by us only to the extent that the net asset value of a fund at the end of a measurement period exceeds the highest net asset value as of the end of the earlier measurement period for which we earned incentive income. Our incentive allocations, in some cases, are subject to performance hurdles.
- *Investment performance of our own capital.* We invest our own capital and the performance of such invested capital affects our revenues. As of December 31, 2014, we had investments in Enterprise Fund (an entity which invests its capital in Ramius Enterprise Master Fund Ltd), COIL, ROIL, Starboard Partners Fund LP, and other investments, respectively. Enterprise Fund is a fund vehicle that currently has external investors, is closed to new investors and is in liquidation. COIL and ROIL are wholly owned entities managed by Ramius which the Company uses solely for the firm's invested capital.

Our broker-dealer business and results of operations are impacted by the following factors:

- *Underwriting, private placement and strategic/financial advisory fees.* Our revenues from investment banking are directly linked to the underwriting fees we earn in equity and debt securities offerings in which the Company acts as an underwriter, private placement fees earned in non-underwritten transactions, sales commissions earned in at-the-market offerings and success fees earned in connection with advising both buyers and sellers, principally in mergers and acquisitions. As a result, the future performance of our investment banking business will depend on, among other things, our ability to secure lead manager and co-manager roles in clients capital raising transactions as well as our ability to secure mandates as a client's strategic financial advisor.
- *Commissions.* Our commission revenues depend for the most part on our customer trading volumes.
- *Principal transactions.* Principal transactions revenue includes net trading gains and losses from the Company's market-making activities and net trading gains and losses on inventory and other firm positions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk.
- *Equity research fees.* Equity research fees are paid to the Company for providing equity research. The Company also permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. Our ability to generate revenues relating to our equity research depends on the quality of our research and its relevance to our institutional customers and other clients.
- *Investment performance of our own capital.* Investment income in the broker dealer business includes gains and losses generated by the capital the Company invests in private capital raising transactions of its investment banking clients. Our revenues from investment income are linked to the performance of the underlying investments.

External Factors Impacting Our Business

Our financial performance is highly dependent on the environment in which our businesses operate. We believe a favorable business environment is characterized by many factors, including a stable geopolitical climate, transparent financial markets, low inflation, low interest rates, low unemployment, strong business profitability and high business and investor confidence. Unfavorable or uncertain economic or market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability (or increases in the cost of) credit and capital, increases in inflation or interest rates, exchange rate volatility, unfavorable global asset allocation trends, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in the capital markets, or a combination of these or other factors. Our businesses and profitability have been and may continue to be adversely affected by market conditions in many ways, including the following:

- Our broker-dealer business has been, and may continue to be, adversely affected by market conditions. Increased competition continues to affect our investment banking and capital markets businesses. The same factors also affect trading volumes in secondary financial markets, which affect our brokerage business. Commission rates, market volatility, increased competition from larger financial firms and other factors also affect our brokerage revenues and may cause these revenues to vary from period to period.
- Our broker-dealer business focuses primarily on small to mid-capitalization and private companies in specific industry sectors. These sectors may experience growth or downturns independent of general economic and market conditions, or may face market conditions that are disproportionately better or worse than those impacting the economy and markets generally. In addition, increased government regulation has had, and may continue to have, a disproportionate effect on capital formation by smaller companies. Therefore, our broker-dealer business could be affected differently than overall market trends.
- Our alternative investment business can be adversely affected by unanticipated levels of requested redemptions. We experienced significant levels of requested redemptions during the 2008 financial crisis and, while the environment for investing in alternative investment products has since improved, it is possible that we could intermittently experience redemptions above historical levels, regardless of fund performance.

Our businesses, by their nature, do not produce predictable earnings. Our results in any period can be materially affected by conditions in global financial markets and economic conditions generally. We are also subject to various legal and regulatory actions that impact our business and financial results.

Recent Developments

On December 31 2014, Ramius completed the sale of its interests in Orchard Square Partners LLC with Neuberger Berman. Immediately prior to the sale, Orchard Square Partners LLC, which manages a global long/short credit investment strategy, had approximately \$420.8 million in client assets.

During the fourth quarter of 2014, due to the Company's reassessment of the most efficient uses of capital, the Company made a decision to wind down the operations of its securities lending business.

After a careful review of our previously announced plan to establish a commercial finance company focused on middle market commercial borrowers, we have decided not to continue to pursue a commercial finance company at this time. Our decision is based, in part, on our current view of the credit markets, their competitiveness from a lender's perspective and the amount and terms of leverage being offered to, and taken by, middle market companies. In addition, we also based our decision on a further evaluation of the near-term market opportunity compared to other opportunities we see in our business as well as the unexpected death of the executive we had identified to lead our commercial finance company. We intend to use the proceeds from the offering of our 8.25% senior notes due 2021 to pursue other direct investment and financing opportunities, to continue expanding our existing businesses and for other general corporate purposes.

Basis of presentation

The Company's consolidated financial statements are prepared in accordance with US GAAP as promulgated by the Financial Accounting Standards Board ("FASB") through Accounting Standards Codification as the source of authoritative accounting principles in the preparation of financial statements, of the Company appearing in Part IV of this Form 10-K include the accounts of the Company, its subsidiaries, and entities in which the Company has a controlling financial interest or a substantive, controlling general partner interest. All material intercompany transactions and balances have been eliminated in consolidation. Certain fund entities that are consolidated in the consolidated financial statements, are not subject to these consolidation provisions with respect to their own investments pursuant to their specialized accounting.

The Company serves as the managing member/general partner and/or investment manager to affiliated fund entities which it sponsors and manages. Certain of these funds in which the Company has a substantive, controlling general partner interest are consolidated with the Company pursuant to US GAAP as described below (the "Consolidated Funds"). Consequently, the Company's consolidated financial statements reflect the assets, liabilities, income and expenses of these funds on a gross basis. The ownership interests in these funds which are not owned by the Company are reflected as redeemable non-controlling interests in consolidated subsidiaries in the consolidated financial statements appearing elsewhere in this Form 10-K. The management fees and incentive income earned by the Company from these funds are eliminated in consolidation.

Acquisitions

The March 11, 2013 acquisition of Dahlman Rose & Company, LLC ("Dahlman"), (subsequently renamed to Cowen Securities LLC ("Cowen Securities")) was accounted for under the acquisition method of accounting in accordance with US GAAP. As such, results of operations for Cowen Securities are included in the accompanying statements of operations since the date of acquisition, and the assets acquired and liabilities assumed and the resulting goodwill were recorded at their estimated fair values. The Cowen Securities business was subsequently fully integrated into the Company. During the fourth quarter of 2013, the Company finalized its purchase price allocation with insignificant adjustments to the recognized amounts on the accompanying consolidated statements of financial condition. The purchase price allocation was based upon all information available to us at the present time, and was based upon management's estimates of the fair values using valuation techniques including income, cost and market approaches.

Revenue recognition

Our principal sources of revenue are derived from two segments: an alternative investment segment and a broker-dealer segment, as more fully described below.

Our alternative investment segment generates revenue through three principal sources: management fees, incentive income and investment income from the Company's own capital.

Our broker-dealer segment generates revenue through three principal sources: investment banking, brokerage and investment income.

Management fees

The Company earns management fees from affiliated funds and certain managed accounts that it serves as the investment manager based on assets under management. The actual management fees received vary depending on distribution fees or fee splits paid to third parties either in connection with raising the assets or structuring the investment.

Management fees are generally paid on a quarterly basis at the beginning of each quarter in arrears and are prorated for capital inflows and redemptions. While some investors may have separately negotiated fees, in general the management fees are as follows:

- **Hedge Funds.** Management fees for the Company's hedge funds are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.
- **Mutual Funds.** Management fees for the Company's mutual funds (State Street/Ramius Managed Futures Strategy Fund, Ramius Event Driven Equity Fund, Ramius Hedged Alpha Fund and Ramius Strategic Volatility Fund) are generally charged at an annual rate of up to 1.35% of assets under management (subject to an overall expense cap of up to 1.9%).
- **Alternative Solutions.** Management fees for the Alternative Solutions business are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income or based on assets under management at the beginning of the month. Management fees earned from the Alternative Solutions business are based and initially calculated on estimated net asset values and actual fees ultimately earned could be impacted to the extent of any changes in these estimates.
- **Real Estate.** Management fees from the Company's real estate business are generally charged by their general partners at an annual rate from 0.75% to 1.50% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period. The general partners of the funds on the RCG Longview platform are owned jointly by the Company and third parties. Accordingly, the management fees (in addition to incentive income and investment income) generated by these real estate funds are split between the Company and the other general partners. Pursuant to US GAAP, these fees and other income received by the general partners that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.
- **HealthCare Royalty Partners.** During the investment period (as defined in the management agreement of the HealthCare Royalty Partners' funds), management fees for the funds advised by HealthCare Royalty Partners are generally charged at an annual rate of up to 2% of committed capital. After the investment period, management fees are generally charged at an annual rate of up to 2% of the net asset value or invested capital of the funds or the aggregate cost basis of the unrealized investments held by the funds. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.
- **Ramius Trading Strategies.** Management fees and platform fees for the Company's private commodity trading advisory business are generally charged at an annual rate of up to 0.5%. Management and platform fees are generally calculated monthly based on each account's notional trading level at the end of each month.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) with respect to certain of the Company's funds and managed accounts, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have been carried forward from prior years. For the products we offer, incentive income earned is typically up to 20% for hedge funds and up to 10% for alternative solutions products (in certain cases on performance in excess of a benchmark), of the net profits earned for the full year that are attributable to each fee-paying investor. Generally, incentive income on real estate funds is earned after the investor has received a full return of their invested capital, plus a preferred return. However, for certain real estate funds, the Company is entitled to receive incentive fees earlier, provided that the investors have received their preferred return on a current basis. These funds are subject to a potential clawback of these incentive fees upon the liquidation of the fund if the investor has not received a full return of its invested capital plus the preferred return thereon. Incentive income in the HealthCare Royalty Partners funds is earned only after investors receive a full return of their capital plus a preferred return.

In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a “high-water mark.” The Company has elected to record incentive income revenue in accordance with “Method 2” of US GAAP. Under Method 2, the incentive income from the Company's funds and managed accounts for any period is based upon the net profits of those funds and managed accounts at the reporting date. Any incentive income recognized in the accompanying consolidated statement of operations may be subject to future reversal based on subsequent negative performance prior to the conclusion of the fiscal year, when all contingencies have been resolved.

Carried interest in the real estate funds is subject to clawback to the extent that the carried interest actually distributed to date exceeds the amount due to the Company based on cumulative results. As such, the accrual for potential repayment of previously received carried interest, which is a component of accounts payable, accrued expenses and other liabilities, represents all amounts previously distributed to the Company, less an assumed tax liability, that would need to be repaid to certain real estate funds if these funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual clawback liability does not become realized until the end of a fund's life.

Investment Banking

The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's Target Sectors.

Investment banking revenue consists of underwriting fees, strategic/financial advisory fees and placement and sales agent fees.

- **Underwriting fees.** The Company earns underwriting revenues in securities offerings in which the Company acts as an underwriter, such as initial public offerings, follow-on equity offerings, debt offerings, and convertible security offerings. Underwriting revenues include management fees, selling concessions and underwriting fees. Fee revenue relating to underwriting commitments is recorded when all significant items relating to the underwriting process have been completed and the amount of the underwriting revenue has been determined. This generally is the point at which all of the following have occurred: (i) the issuer's registration statement has become effective with the SEC, or the other offering documents are finalized; (ii) the Company has made a firm commitment for the purchase of securities from the issuer; and (iii) the Company has been informed of the number of securities that it has been allotted.

When the Company is not the lead manager for an underwriting transaction, management must estimate the Company's share of transaction-related expenses incurred by the lead manager in order to recognize revenue. Transaction-related expenses are deducted from the underwriting fee and therefore reduce the revenue the Company recognizes as co-manager. Such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically within 90 days following the closing of the transaction.

- **Strategic/financial advisory fees.** The Company's strategic advisory revenues include success fees earned in connection with advising companies, principally in mergers and acquisitions and liability management transactions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.
- **Placement and sales agent fees.** The Company earns agency placement fees and sales agent commissions in non-underwritten transactions such as private placements of loans and debt and equity securities, including, private investment in public equity transactions (“PIPEs”), and as sales agent in at-the-market offerings of equity securities. The Company records placement revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. The Company records sales agent commissions on a trade date basis. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

Brokerage revenue consists of commissions, principal transactions and equity research fees.

- **Commissions.** Commission revenue includes fees from executing client transactions. These fees are recognized on a trade date basis. The Company permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. Commissions on soft dollar brokerage are recorded net of the related expenditures on an accrual basis. Commission revenues also includes fees from making algorithms available to

clients. During the years ended December 31, 2014, 2013, and 2012, the Company earned \$95.4 million, \$79.7 million and \$63.0 million of revenues from commissions, respectively.

- **Principal Transactions.** Principal transactions revenue include net trading gains and losses from the Company's market-making activities in over-the-counter equity securities, trading of convertible securities, and trading gains and losses on inventory and other firm positions, which include warrants previously received as part of investment banking transactions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration. During the years ended December 31, 2014, 2013, and 2012, the Company earned \$36.6 million, \$28.1 million and \$22.5 million of revenues from principal transactions, net, respectively.
- **Equity Research Fees.** Equity research fees are paid to the Company for providing equity research. Revenue is recognized once an arrangement exists, access to research has been provided, the fee amount is fixed or determinable, and collection is reasonably assured. During the years ended December 31, 2014, 2013, and 2012, the Company earned \$8.1 million, \$6.8 million and \$5.7 million of revenues from equity research fees, respectively.

Investment Income

Investment income earned by the alternative investment and broker dealer segments are earned from investing the Company's capital in various strategies and from investments in private capital raising transactions of its investment banking clients.

Interest and dividends

Interest and dividends are earned by the Company from various sources. The Company receives interest and dividends primarily from investments held by its Consolidated Funds and its brokerage balances from invested capital and securities lending business. Interest is recognized on an accrual basis and interest income is recognized on the debt of those issuers that is deemed collectible. Interest income and expense includes premiums and discounts amortized and accreted on debt investments based on criteria determined by the Company using the effective yield method, which assumes the reinvestment of all interest payments. Dividends are recognized on the ex-dividend date.

Reimbursement from affiliates

The Company allocates, at its discretion, certain expenses incurred on behalf of its hedge fund, fund of funds and real estate businesses. These expenses relate to the administration of such subsidiaries and assets that the Company manages for its funds. In addition, pursuant to the funds' offering documents, the Company charges certain allowable expenses to the funds, including charges and personnel costs for legal, compliance, accounting, tax compliance, risk and technology expenses that directly relate to administering the assets of the funds. Such expenses that have been reimbursed at their actual costs are included in the consolidated statements of operations as employee compensation and benefits, professional, advisory and other fees, communications, occupancy and equipment, client services and business development and other.

Expenses

The Company's expenses consist of compensation and benefits, interest expense and general, administrative and other expenses.

- **Compensation and Benefits.** Compensation and benefits is comprised of salaries, benefits, discretionary cash bonuses and equity-based compensation. Annual incentive compensation is variable, and the amount paid is generally based on a combination of employees' performance, their contribution to their business segment, and the Company's performance. Generally, compensation and benefits comprise a significant portion of total expenses, with annual incentive compensation comprising a significant portion of total compensation and benefits expenses.
- **Interest and Dividends.** Interest and dividend expense relates primarily to trading activity with respect to the Company's investments and interest expense on debt issued during March and October 2014.
- **General, Administrative and Other.** General, administrative and other expenses are primarily related to professional services, occupancy and equipment, business development expenses, communications, insurance and other miscellaneous expenses. These expenses may also include certain one-time charges and non-cash expenses.
- **Consolidated Funds Expenses.** Certain funds are consolidated by the Company pursuant to US GAAP. As such, the Company's consolidated financial statements reflect the expenses of these consolidated entities and the portion attributable to other investors is allocated to a redeemable non-controlling interest.

Income Taxes

The taxable results of the Company's U.S. operations are subject to U.S. federal, state and city taxation as a corporation. The Company is also subject to foreign taxation on income it generates in certain countries.

The Company records deferred tax assets and liabilities for the future tax benefit or expense that will result from differences between the carrying value of its assets for income tax purposes and for financial reporting purposes, as well as for operating or capital loss and tax credit carryovers. A valuation allowance is recorded to bring the net deferred tax assets to a level that, in management's view, is more likely than not to be realized in the foreseeable future. This level will be estimated based on a number of factors, especially the amount of net deferred tax assets of the Company that are actually expected to be realized, for tax purposes, in the foreseeable future. Deferred tax liabilities that cannot be realized in a similar future time period and thus that cannot offset the Company's deferred tax assets are not taken into account when calculating the Company's net deferred tax assets.

Redeemable Non-controlling Interests

Redeemable non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities. Due to the fact that the non-controlling interests are redeemable at the option of the holder they have been classified as temporary equity.

Assets Under Management and Fund Performance

Assets Under Management

Assets under management refer to all of our alternative investment products, solutions and services including hedge funds, replication products, liquid alternative risk premia products, customized solutions, mutual funds, managed futures funds, fund of funds, real estate and healthcare royalty funds. Assets under management also include the fair value of assets we manage pursuant to separately managed accounts, collateralized debt obligations for which we are the collateral manager, and, as indicated in the footnotes to the table below, proprietary assets which the Company has invested in these products. Also, as indicated, assets under management for certain products represent committed capital and certain products where the Company owns a portion of the general partners.

As of January 1, 2015, the Company had assets under management of \$12.5 billion, a 32.4% increase as compared to assets under management of \$9.4 billion as of January 1, 2014. The \$3.1 billion increase in assets under management during the year ended 2014 primarily resulted from \$0.8 billion in our alternative solutions product, \$1.1 billion related to our healthcare royalty products and \$1.1 billion related to our hedge fund products.

The following table is a breakout of total assets under management by platform as of January 1, 2015 (which excludes cross investments from other Ramius platforms):

	Platform						Total
	Hedge Funds (a) (b) (j) (p)	Alternative Solutions (a) (c) (k)	Ramius Trading Strategies (d) (l)	Real Estate (a) (m)	Healthcare Royalty Partners (e) (f) (n)	Other (g) (o)	
	(dollars in millions)						
January 1, 2012	\$ 1,917	\$ 2,750	\$ 262	\$ 1,628	\$ 1,473	\$ 2,235	\$ 10,265
Subscriptions	392	1,407	—	—	—	3,163	4,962
Redemptions	(333)	(1,777)	(111)	(95)	—	(5,293)	(7,609)
Performance (h)	373	85	(5)	—	—	—	453
Net Return (i)	19.46%	3.09 %	(1.91)%	—%	—%	—%	4.41%
January 1, 2013	2,349	2,465	146	1,533	1,473	105	8,071
Subscriptions	819	1,450	—	222	50	—	2,541
Redemptions	(368)	(792)	(53)	(116)	—	(38)	(1,367)
Performance (h)	368	(187)	1	—	—	—	182
Net Return (i)	15.67%	(7.59)%	0.68 %	—%	—%	—%	2.25%
January 1, 2014	3,168	2,936	94	1,639	1,523	67	9,427
Subscriptions	1,132	1,326	35	249	1,059	—	3,801
Redemptions	(935)	(272)	—	(181)	—	(19)	(1,407)
Performance (h)	853	(206)	18	—	—	—	665
Net Return (i)	26.93%	(7.02)%	19.15 %	—%	—%	—%	7.05%
January 1, 2015	\$ 4,218	\$ 3,784	\$ 147	\$ 1,707	\$ 2,582	\$ 48	\$ 12,486

- (a) The Company owns between 20% and 55% of the general partners or managing members of the real estate business, the activist business, the long/short credit business (as of July 2013) (the single strategy hedge funds) and the alternative solutions business (as of September 2013).
- (b) These amounts include the Ramius Event Driven Equity Fund and the Company's invested capital of approximately \$172.2 million, \$155.6 million and \$147.3 million as of January 1, 2015, January 1, 2014 and January 1, 2013, respectively.
- (c) These amounts include the Company's invested capital of approximately \$2.5 million as of January 1, 2013, respectively. There are no amounts related to the Company's invested capital as of January 1, 2014.
- (d) These amounts include Ramius Trading Strategies Managed Futures Fund and the Company's invested capital of approximately \$19.4 million as of January 1, 2013. RTS Global 3X was liquidated on March 31, 2013, therefore, the notional amount of the Company's investment in RTS Global 3X Fund LP is only included in the Company's assets under management as of January 1, 2013 and prior years.
- (e) These amounts include the Company's invested capital of approximately \$20.7 million, \$16.4 million and \$16.0 million as of January 1, 2015, January 1, 2014 and January 1, 2013, respectively.
- (f) This amount reflects committed capital.
- (g) The Company's cash management services business provided clients with investment guidelines for managing cash and established investment programs for managing their cash in separately managed accounts. Given the current focus of the Company's alternative investment business and the areas where the Company believes it can achieve long term growth, as of November 1, 2012, the Company no longer offered cash management services and arranged for the transfer of the remaining assets under management related to such business to another asset manager. This transfer was completed in December 2012. The Company continues to provide mortgage advisory services where the Company manages collateralized debt obligations held by investors.
- (h) Performance and net returns are net of all management and incentive fees and includes the effect of any foreign exchange translation adjustments and leverage in certain funds.

- (i) Net returns are calculated on the platform as a whole. Net return of individual funds will vary based on the timing and strategy the respective funds.
- (j) The Company's actively marketed hedge fund products have varying liquidity terms typically ranging from daily to quarterly liquidity with less liquidity applying to certain co-investment vehicles. In 2010, the Company suspended redemption rights with respect to certain hedge funds that are being wound down. The hedge funds that have suspended redemption rights represent approximately 8.55% of the total hedge fund assets under management.
- (k) The Company's actively marketed alternative solutions products have varying liquidity terms typically ranging from daily to quarterly liquidity. Since 2008, the Company has suspended redemption rights for a number of alternative solutions funds that are being wound down. The alternative solutions funds that have suspended redemption rights represent approximately 0.35% of the total alternative solutions assets under management.
- (l) The Ramius Trading Strategies products offer investors daily liquidity.
- (m) The real estate business does not provide investors with redemption rights. Investors receive distributions upon dispositions of the underlying real estate investments.
- (n) The Healthcare Royalty funds do not provide investors with redemption rights. Investors receive distributions upon realizations of the funds' investments.
- (o) The collateralized debt obligations managed by the Company is an amortizing pool of assets with cash returned to investors in periodic distributions as it becomes available.
- (p) Due to the close of the sale of its interest in Orchard Square Partners (the Company's former credit business), effective December 31, 2014, redemptions include \$420.8 million of assets under management related to this business.

Fund Performance

For the year ended December 31, 2014, the Company's hedge fund vehicles had positive results relative to their respective benchmarks. The activist strategy had strong performance in 2014 both on an absolute and relative basis. Given the significant amount of assets invested in this strategy, the performance of the activist strategy had a meaningful effect on the Company's financial results for the year ended December 31, 2014. The merger arbitrage fund had positive results for 2014 and performed well within its strategy, but has not yet reached the scale necessary to be a significant economic contributor to our overall business.

The liquid alternative mutual funds (offering exposure to hedge fund alpha, multi-manager managed futures access, a long volatility strategy and a new event-driven equity fund) had varying results for 2014 and all still have relatively modest amounts of invested assets, which means the performance of these funds does not have a significant impact on the Company's results of operations. The hedge fund alpha vehicle's results have been negative and lagged its representative, investable hedge fund index (HFRXEH), in part due to an ongoing hedge which strips away the effects of market beta, which were positive in 2014. The strategic volatility fund lagged its benchmark in another year of low equity volatility. The event-driven equity fund had modestly negative performance for the year and only slightly lagged its benchmark index. The managed futures fund had substantially positive results for the year, taking advantage of an environment that has begun to present opportunities to the asset class, and for the year to modestly underperformed its benchmark CTA index. The Company recently announced the engagement of State Street Global Advisors ("State Street") as sub-advisor to the managed futures fund, which was re-named the State Street/Ramius Managed Futures Strategy Fund. We believe this partnership will help grow the assets invested in the managed futures fund, which was already the largest of our liquid alternative mutual funds.

The Company's alternative solutions business contributed both management fees and incentive income in 2014. The solutions business is based on institutional customized accounts and, as a result, performance varies depending on the underlying objectives of each account. The solutions business performed satisfactorily in its specialized assignments. The internally managed multi-strategy funds maintained their focus on capital preservation, while executing opportunistic transactions linked to certain assets in order to make distributions to investors. In terms of longer-dated investment vehicles, the Longview real estate debt and equity funds were positive contributors in 2014 and have enjoyed substantial recoveries in valuation from the lows of 2009. In another longer-term alternative asset class, our health care royalty strategy raised a substantial amount of capital in 2014 and continues to produce management fees and continues to make progress towards reaching the hurdles above which it will generate incentive fees.

Invested Capital

The Company invests a significant portion of its capital base to help drive results and facilitate the growth of its alternative investment and broker/dealer businesses. Management allocates capital to three primary investment categories:

(i) trading strategies; (ii) merchant banking investments; and (iii) real estate investments. The Company seeks to make strategic and opportunistic investments in varying capital structures across a diverse array of businesses, hedge funds and mutual funds. Much of the Company's trading strategy portfolio is invested along side the Company's alternative investment clients and includes liquid investment strategies such as corporate credit trading, event driven, macro trading, and enhanced cash management. Within its merchant banking investments, management generally takes a long-term view that typically involves investing directly in public and private companies globally, private equity funds and along side its alternative investment clients. In addition, from time to time the Company makes investments in private capital raising transactions of its investment banking clients. The Company's real estate investment strategy focuses on making investments along side the alternative investment clients invested in the RCG Longview funds, as well as in direct investments in commercial real estate projects.

As of December 31, 2014, the Company's invested capital amounted to a net value of \$665.1 million (supporting a long market value of \$1,062.5 million), representing approximately 98% of Cowen Group's stockholders' equity presented in accordance with US GAAP. The table below presents the Company's invested equity capital by strategy and as a percentage of Cowen Group's stockholders' equity as of December 31, 2014. The net values presented in the table below do not tie to Cowen Group's consolidated statement of financial condition as of December 31, 2014 because they are included in various line items of the accompanying consolidated statement of financial condition, including “securities owned, at fair value”, “other investments”, “cash and cash equivalents”, and “consolidated funds-securities owned, at fair value”.

<u>Strategy</u>	<u>Net Value</u>	<u>% of Stockholders' Equity</u>
	<u>(dollars in millions)</u>	
Trading	\$ 479.6	71%
Merchant Banking	136.0	20%
Real Estate	49.5	7%
Total	665.1	98%
Stockholders' Equity	\$ 677.7	100%

The allocations shown in the table above will change over time.

Results of Operations

To provide comparative information of the Company's operating results for the periods presented, a discussion of Economic Income (Loss) of our alternative investment and broker-dealer segments follows the discussion of our total consolidated US GAAP results. Economic Income (Loss) reflects, on a consistent basis for all periods presented in the Company's consolidated financial statements, income earned from the Company's funds and managed accounts and from its own invested capital. Economic Income (Loss) excludes certain adjustments required under US GAAP. See the section titled “Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company-Segment Analysis and Economic Income (Loss),” and Note 23 to the Company's consolidated financial statements, appearing elsewhere in this Form 10-K, for a reconciliation of Economic Income (Loss) to total Company US GAAP net income (loss).

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

	Consolidated Statements of Operations			
	Year Ended December 31,		Period to Period	
	2014	2013	\$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	\$ 170,506	\$ 105,333	\$ 65,173	62 %
Brokerage	140,132	114,593	25,539	22 %
Management fees	40,627	37,303	3,324	9 %
Incentive income	2,785	12,586	(9,801)	(78)%
Interest and dividends	48,870	39,454	9,416	24 %
Reimbursement from affiliates	12,495	10,434	2,061	20 %
Other revenues	9,446	5,418	4,028	74 %
<i>Consolidated Funds revenues</i>	2,915	3,398	(483)	(14)%
Total revenues	427,776	328,519	99,257	30 %
Expenses				
Employee compensation and benefits	305,483	207,248	98,235	47 %
Interest and dividends	42,752	27,299	15,453	57 %
General, administrative and other expenses	137,988	124,331	13,657	11 %
Goodwill impairment	2,334	—	2,334	NM
<i>Consolidated Funds expenses</i>	1,634	2,039	(405)	(20)%
Total expenses	490,191	360,917	129,274	36 %
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	104,928	39,651	65,277	165 %
<i>Consolidated Funds net gains (losses)</i>	15,323	11,044	4,279	39 %
Total other income (loss)	120,251	50,695	69,556	137 %
Income (loss) before income taxes	57,836	18,297	39,539	216 %
Income taxes expense (benefit)	(124,944)	457	(125,401)	(27,440)%
Net income (loss)	182,780	17,840	164,940	925 %
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	15,564	13,193	2,371	18 %
Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ 167,216	\$ 4,647	\$ 162,569	3,498 %

Revenues

Investment Banking

Investment banking revenues increased \$65.2 million to \$170.5 million for the year ended December 31, 2014 compared with \$105.3 million in the prior year period. During the year ended December 31, 2014, the Company completed 129 underwriting transactions, 12 strategic advisory transactions and 16 debt capital market transactions. During the year ended December 31, 2013, the Company completed 78 underwriting transactions, seven strategic advisory transactions and 17 debt capital market transactions. The average underwriting fee per transactions was 14.6% greater in 2014 than 2013.

Brokerage

Brokerage revenues increased \$25.5 million to \$140.1 million for the year ended December 31, 2014 compared with \$114.6 million in the prior year period. This was attributable to higher commission revenue due to an increase in customer trading volume in our cash equities and options businesses as well as an increase in electronic trading revenues. Customer trading volumes across the industry (according to Bloomberg) increased 8% for the year ended December 31, 2014 compared to the prior year period.

Management Fees

Management fees increased \$3.3 million to \$40.6 million for the year ended December 31, 2014 compared with \$37.3 million in the prior year period. This increased is primarily related to an increase in fees from our healthcare funds.

Incentive Income

Incentive income decreased \$9.8 million to \$2.8 million for the year ended December 31, 2014, compared with \$12.6 million in the prior year period. This decrease was related to a decrease in performance fees from our alternative solutions and formerly managed credit business.

Interest and Dividends

Interest and dividends increased \$9.4 million to \$48.9 million for the year ended December 31, 2014 compared with \$39.5 million in the prior year period. This was attributable to the activity in our securities lending business and an increase in the number of investments in interest bearing securities in 2014 compared with 2013.

Reimbursements from Affiliates

Reimbursements from affiliates increased \$2.1 million to \$12.5 million for the year ended December 31, 2014 compared with \$10.4 million in the prior year period.

Other Revenues

Other revenues increased \$4.0 million to \$9.4 million for the year ended December 31, 2014 compared with \$5.4 million in the prior year period. The increase is primarily related to the sale of our credit business and reduction of liabilities associated with the wind down of our securities lending business during the fourth quarter of 2014 partially offset with an amount in 2013 representing a reversal of withholding taxes.

Consolidated Funds Revenues

Consolidated Funds revenues decreased \$0.5 million to \$2.9 million for the year ended December 31, 2014 compared with \$3.4 million in the prior year period.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased \$98.2 million to \$305.5 million for the year ended December 31, 2014 compared with \$207.2 million in the prior year period. The increase is primarily due to \$99.3 million higher revenues during 2014 as compared to 2013 and thus resulting in a higher compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio. The Company's head count increased 6.5%. The compensation to revenue ratio, based on total revenues only, was 71% for the year ended December 31, 2014, compared with 63% in the prior year period. The compensation to revenue ratio, including other income (loss), was 56% for the year ended December 31, 2014, compared with 55% in the prior year period.

Interest and Dividends

Interest and dividend expenses increased \$15.5 million to \$42.8 million for the year ended December 31, 2014 compared with \$27.3 million in the prior year period. Interest and dividends expenses relate to trading activity with respect to the Company's investments, activity in our securities lending business and interest on debt. The increase primarily relates to the convertible debt and other note payable issued during the first quarter and fourth quarter of 2014.

General, Administrative and Other Expenses

General, administrative and other expenses increased \$13.7 million to \$138.0 million for the year ended December 31, 2014 compared with \$124.3 million in the prior year period. This was primarily due to a) higher professional fees related to the debt issuances during the first and fourth quarter of 2014, b) syndication costs related to a capital raise by an alternative investment asset fund c) an increase in client services and business development, which are variable expenses, related to higher revenues, and d) costs associated with the wind down of our securities lending business.

Goodwill Impairment

During the fourth quarter of 2014, the Company made a decision to wind down the operations of its securities lending business, therefore, the Company recorded a goodwill impairment charge of \$2.3 million.

Consolidated Funds Expenses

Consolidated Funds expenses decreased \$0.4 million to \$1.6 million for the year ended December 31, 2014 compared with \$2.0 million in the prior year period.

Other Income (Loss)

Other income (loss) increased \$69.6 million to \$120.3 million for the year ended December 31, 2014 compared with \$50.7 million in the prior year period. The increase primarily relates to an increase in the Company's own invested capital driven by increases in performance in certain investment strategies including activist and increases in performance in our equity investments. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to redeemable non-controlling interests.

Income Taxes

Income tax benefit increased \$125.4 million to \$124.9 million for the year ended December 31, 2014 from a tax expense of \$0.5 million in the prior year period. This increase is primarily attributable to the release, in 2014, of the Company's valuation allowance that was previously recorded against the Company's US federal and state deferred tax assets.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests increased \$2.4 million to \$15.6 million for the year ended December 31, 2014 compared with \$13.2 million in the prior year period. The period over period change was primarily from the result of additional non-controlling interests related to the consolidation of the Merger Fund in the second quarter of 2013. Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities.

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

	Consolidated Statements of Operations			
	Year Ended December 31,		Period to Period	
	2013	2012	\$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	\$ 105,333	\$ 71,762	\$ 33,571	47 %
Brokerage	114,593	91,167	23,426	26 %
Management fees	37,303	38,116	(813)	(2) %
Incentive income	12,586	5,411	7,175	133 %
Interest and dividends	39,454	24,608	14,846	60 %
Reimbursement from affiliates	10,434	6,274	4,160	66 %
Other revenues	5,418	3,668	1,750	48 %
Consolidated Funds revenues	3,398	509	2,889	568 %
Total revenues	328,519	241,515	87,004	36 %
Expenses				
Employee compensation and benefits	207,248	194,034	13,214	7 %
Interest and dividends	27,299	12,137	15,162	125 %
General, administrative and other expenses	124,331	119,053	5,278	4 %
Consolidated Funds expenses	2,039	1,676	363	22 %
Total expenses	360,917	326,900	34,017	10 %
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	39,651	54,630	(14,979)	(27) %
Consolidated Funds net gains (losses)	11,044	7,246	3,798	52 %
Total other income (loss)	50,695	61,876	(11,181)	(18) %
Income (loss) before income taxes	18,297	(23,509)	41,806	(178) %
Income taxes expense (benefit)	457	448	9	2 %
Net income (loss)	17,840	(23,957)	41,797	(174) %
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	13,193	(72)	13,265	(18,424) %
Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ 4,647	\$ (23,885)	\$ 28,532	(119) %

Revenues

Investment Banking

Investment banking revenues increased \$33.5 million to \$105.3 million for the year ended December 31, 2013 compared with \$71.8 million in 2012. During the year ended December 31, 2013, the Company completed 78 underwriting transactions, seven strategic advisory transactions and 17 debt capital market transactions. During the year ended December 31, 2012, the Company completed 56 underwriting transactions, six strategic advisory transactions and 12 debt capital market transactions.

Brokerage

Brokerage revenues increased \$23.4 million to \$114.6 million for the year ended December 31, 2013 compared with \$91.2 million in 2012. This was attributable to higher commissions due to an increase in customer trading volume (even though there was an industry wide decline in volume), which was partially related to an increase in stocks covered due to the Company's acquisition of Dahlman (subsequently renamed to Cowen Securities) during the first quarter of 2013, fees related to the Company's acquisition of ATM in the second quarter of 2012 and equity finance revenues related to the acquisition of KDC Securities (subsequently renamed to Cowen Equity Finance) in November 2012. Customer trading volumes across the industry (according to Bloomberg) decreased 5% in the year ended December 31, 2013 compared to the prior year.

Management Fees

Management fees decreased \$0.8 million to \$37.3 million for the year ended December 31, 2013 compared with \$38.1 million in 2012.

Incentive Income

Incentive income increased \$7.2 million to \$12.6 million for the year ended December 31, 2013, compared with \$5.4 million in 2012. This increase was primarily related to an increase in performance fees from certain alternative solutions products and our formerly managed credit fund.

Interest and Dividends

Interest and dividends increased \$14.9 million to \$39.5 million for the year ended December 31, 2013 compared with \$24.6 million in 2012. This was primarily attributable to the activity in our securities lending business which began in the fourth quarter of 2012.

Reimbursements from Affiliates

Reimbursements from affiliates increased \$4.1 million to \$10.4 million for the year ended December 31, 2013 compared with \$6.3 million in 2012.

Other Revenues

Other revenues increased \$1.7 million to \$5.4 million for the year ended December 31, 2013 compared with \$3.7 million in 2012.

Consolidated Funds Revenues

Consolidated Funds revenues increased \$2.9 million to \$3.4 million for the year ended December 31, 2013 compared with \$0.5 million in 2012.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased \$13.2 million to \$207.2 million for the year ended December 31, 2013 compared with \$194.0 million in 2012. The increase is primarily due to \$86.8 million higher revenues during 2013 as compared to 2012 and thus resulting in a higher compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio. The increase is also related to an increase in headcount due to the acquisition of Dahlman (subsequently renamed to Cowen Securities) in the first quarter of 2013. The compensation to revenue ratio, based on total revenues only, was 63% for the year ended December 31, 2013, compared with 81% in 2012. The decrease in the compensation to revenue ratio resulted from a 36% increase in total revenues from the prior year and an increase in non-controlling interest to partners in certain businesses. The increase in non-controlling interests is due to two business restructurings, during 2013, where certain amounts that were in compensation in prior years are now shown as non-controlling interests. The compensation to revenue ratio, including other income (loss), was 55% for the year ended December 31, 2013, compared with 64% in 2012. Average headcount increased by 7.2% for the year ended December 31, 2013 compared to the prior year.

Interest and Dividends

Interest and dividends expense increased \$15.2 million to \$27.3 million for the year ended December 31, 2013 compared with \$12.1 million in 2012. Interest and dividends expense relates to trading activity with respect to the Company's investments and activity in our securities lending business which began in the fourth quarter of 2012.

General, Administrative and Other Expenses

General, administrative and other expenses increased \$5.3 million to \$124.3 million for the year ended December 31, 2013 compared with \$119.1 million in 2012. This was primarily due to increased communications and floor brokerage and trade execution costs due to:

- two acquisitions completed during second and fourth quarter of 2012 and one in the first quarter of 2013 which
 - required additional market data services and
 - generated increased trading costs.
- Marketing and business development expenses have increased due to increased marketing activity firm wide.
- Occupancy and depreciation and amortization costs increased due to the Dahlman acquisition completed during the first quarter of 2013.

Consolidated Funds Expenses

Consolidated Funds expenses increased \$0.3 million to \$2.0 million for the year ended December 31, 2013 compared with \$1.7 million in 2012.

Other Income (Loss)

Other income (loss) decreased \$11.2 million to \$50.7 million for the year ended December 31, 2013 compared with \$61.9 million in 2012. The decrease primarily relates to an increase in the Company's own invested capital driven by decreases in performance in certain investment strategies including our credit and equities strategies. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to redeemable non-controlling interests.

Income Taxes

Income tax expense increased \$0.1 million to \$0.5 million for the year ended December 31, 2013 compared with \$0.4 million in 2012.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests increased by \$13.3 million to an income of \$13.2 million for the year ended December 31, 2013 compared with a loss of \$0.1 million in 2012. The period over period change was primarily from the result of an extension of the partnership with our former credit business and our alternative solutions business which resulted in a profit split and therefore more allocations of income to non-controlling interest holders.

Segment Analysis and Economic Income (Loss)

Segments

The Company conducts its operations through two segments: an alternative investment segment and a broker-dealer segment. The Company's alternative investment segment currently includes its hedge funds, replication products, liquid alternative risk premia products, customized solutions, mutual funds, managed futures funds, fund of funds, real estate and healthcare royalty funds. The Company's broker-dealer segment offers research, brokerage and investment banking services to companies and institutional investor clients.

Economic Income (Loss)

The performance measure used by the Company for each segment is Economic Income (Loss), which management uses to evaluate the financial performance of and make operating decisions for the firm as a whole and each segment. Accordingly, management assesses its business by analyzing the performance of each segment and believes that investors should review the same performance measure that it uses to analyze its segment and business performance. In addition, management believes that Economic Income (Loss) is helpful to gain an understanding of its segment results of operations because it reflects such results on a consistent basis for all periods presented.

Our Economic Income (Loss) may not be comparable to similarly titled measures used by other companies. We use Economic Income (Loss) as a measure of each segment's operating performance, not as a measure of liquidity. Economic

Income (Loss) should not be considered in isolation or as a substitute for operating income, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with US GAAP. As a result of the adjustments made to arrive at Economic Income (Loss), Economic Income (Loss) has limitations in that it does not take into account certain items included or excluded under US GAAP, including our Consolidated Funds. Economic Income (Loss) is considered by management as a supplemental measure to the US GAAP results to provide a more complete understanding of each segment's performance as measured by management. For a reconciliation of Economic Income (Loss) to US GAAP net income (loss) for the periods presented and additional information regarding the reconciling adjustments discussed above, see Note 23 to the Company's consolidated financial statements included in this 10-K.

In general, Economic Income (Loss) is a pre-tax measure that (i) eliminates the impact of consolidation for consolidated funds, (ii) excludes certain acquisition-related and/or reorganization expenses, (iii) and excludes goodwill and intangible impairment. In addition, Economic Income (Loss) revenues include investment income that represents the income the Company has earned in investing its own capital, including realized and unrealized gains and losses, interest and dividends, net of associated investment related expenses. For US GAAP purposes, these items are included in each of their respective line items. Economic Income (Loss) revenues also include management fees, incentive income and investment income earned through the Company's investment as a general partner in certain real estate entities and the Company's investment in the Value and Opportunity business. For US GAAP purposes, all of these items are recorded in other income (loss). In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for US GAAP purposes is presented gross as part of revenue.

Economic Income (Loss) Revenues

The Company's principal sources of Economic Income (Loss) revenues are derived from activities in the following business segments:

Our alternative investment segment generates Economic Income (Loss) revenues through three principal sources: management fees, incentive income and investment income from our own capital. Management fees are directly impacted by any increase or decrease in assets under management, while incentive income is impacted by our funds' performance and resulting increase or decrease in assets under management. Investment income from the Company's own capital is impacted by the performance of the funds and other securities in which our capital is invested. The Company periodically receives other Economic Income (Loss) revenue which is unrelated to our own invested capital or our activities on behalf of the Company's funds.

Our broker-dealer segment generates Economic Income (Loss) revenues through two principal sources: investment banking and brokerage. The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's Target Sectors: healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, REITs, clean technology, energy, metals and mining, transportation, chemicals and agriculture. The Company's brokerage revenues consist of commissions, principal transactions and fees paid for equity research. Management reviews brokerage revenue on a combined basis as the vast majority of the revenue is derived from the same group of clients. The Company derives its brokerage revenue primarily from trading equity and equity-linked securities on behalf of institutional investors. The majority of the Company's trading gains and losses are a result of activities that support the facilitation of client orders in both listed and over-the-counter securities, although all trading gains and losses are recorded in brokerage in the accompanying consolidated statement of operations.

Economic Income (Loss) Expenses

The Company's Economic Income expenses consist of non-interest expenses and interest expense. Non interest expenses consist of compensation and benefits and non-compensation expenses (fixed and variable), less reimbursement from affiliates. Interest expense is primarily interest from indebtedness, not trading activity (which is included within investment income (loss)).

Non-controlling Interests

Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the partners of such entities.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

	Economic Income (Loss)															
	Year Ended December 31,															
	2014			2013			Total Period-to-Period									
	Alternative Investment	Broker- Dealer	Total	Alternative Investment	Broker- Dealer (a)	Total										
							\$ Change	% Change								
(dollars in thousands)																
Economic Income Revenues																
Investment banking	\$	—	\$	170,506	\$	170,506	\$	—	\$	105,333	\$	105,333	\$	65,173	62	%
Brokerage		55		146,192		146,247		—		121,065		121,065		25,182	21	%
Management fees		64,774		—		64,774		56,984		—		56,984		7,790	14	%
Incentive income (loss)		45,708		—		45,708		21,205		—		21,205		24,503	116	%
Investment income (loss)		45,193		20,022		65,215		30,713		5,947		36,660		28,555	78	%
Other income (loss)		4,645		523		5,168		524		2,010		2,534		2,634		NM
Total economic income revenues		160,375		337,243		497,618		109,426		234,355		343,781		153,837	45	%
Non-interest expenses		115,601		320,261		435,862		86,054		237,841		323,895		111,967	35	%
Interest expense		7,804		1,994		9,798		231		119		350		9,448		NM
Non-controlling interest		(7,802)		—		(7,802)		(12,995)		—		(12,995)		5,193		(40)%
Economic income (loss)	\$	29,168	\$	14,988	\$	44,156	\$	10,146	\$	(3,605)	\$	6,541	\$	37,615	575	%

(a) For the year ended December 31, 2013, the Company has reflected \$7.6 million of investment income and related compensation expense of \$2.5 million within the broker-dealer segment in proportion to its capital.

Economic Income Revenues

Total Economic Income revenues were \$497.6 million for the year ended December 31, 2014, an increase of \$153.8 million compared to Economic Income (Loss) revenues of \$343.8 million in the prior year period. The increase was across all parts of the firm's business lines. For purposes of the following section, all references to revenue refer to Economic Income (Loss) revenues.

Alternative Investment Segment

Alternative investment segment Economic Income (Loss) revenues were \$160.4 million for the year ended December 31, 2014, an increase of \$50.9 million compared to Economic Income (Loss) revenues of \$109.4 million in the prior year period.

Management Fees. Management fees for the segment increased \$7.8 million to \$64.8 million for the year ended December 31, 2014 compared with \$57.0 million in the prior year period. This increase was primarily related to an increase in management fees for our activist and healthcare businesses.

Incentive Income (Loss). Incentive income for the segment increased \$24.5 million to \$45.7 million for the year ended December 31, 2014 compared with \$21.2 million in the prior year period. This increase was primarily related to an increase in performance fees from our activist funds partially offset by a decrease in performance fees from our formerly managed credit business.

Investment Income (Loss). Investment income for the segment increased \$14.5 million to \$45.2 million for the year ended December 31, 2014 compared with \$30.7 million in the prior year period. The increase primarily relates to an increase in the Company's own invested capital driven by increases in performance in certain investment strategies including activist and increases in performance in our equity investments.

Other Income (Loss). Other income (loss) for the segment increased \$4.1 million to \$4.6 million for the year ended December 31, 2014, compared with \$0.5 million in the prior year period. This was primarily related to the sale of our credit business during the fourth quarter of 2014.

Broker-Dealer Segment

Broker-dealer segment Economic Income (Loss) revenues were \$337.2 million for the year ended December 31, 2014, an increase of \$102.9 million compared with Economic Income (Loss) revenues of \$234.4 million in the prior year.

Investment Banking. Investment banking revenues increased \$65.2 million to \$170.5 million for the year ended December 31, 2014 compared with \$105.3 million in the prior year period. During the year ended December 31, 2014, the Company completed 129 underwriting transactions, 12 strategic advisory transactions and 16 debt capital market transactions. During the year ended December 31, 2013, the Company completed 78 underwriting transactions, seven strategic advisory transactions and 17 debt capital market transactions. The average underwriting fee per transactions was 14.6% greater in 2014 than 2013.

Brokerage. Brokerage revenues increased \$25.1 million to \$146.2 million for the year ended December 31, 2014, compared with \$121.1 million in the prior year period. This was attributable to higher commission revenue due to an increase in customer trading volume in our cash equities and options businesses as well as an increase in electronic trading revenues. Customer trading volumes across the industry (according to Bloomberg) increased 8% for the year ended December 31, 2014 compared to the prior year period.

Investment Income (Loss). Investment income for the segment increased \$14.1 million to income of \$20.0 million for the year ended December 31, 2014, compared with income of \$5.9 million in the prior year period. The increase is a result of an increase in investment income from investments in private capital raising transactions of its investment banking clients.

Other Income (Loss). Other income (loss) for the segment decreased \$1.5 million to \$0.5 million for the year ended December 31, 2014, compared with \$2.0 million in the prior year period. The 2013 amount represented a reversal of withholding taxes.

Non-Interest Expenses

Non-interest expenses. Total non-interest expenses increased \$112.0 million to \$435.9 million for the year ended December 31, 2014, compared with \$323.9 million in the prior year period.

Compensation and benefits expenses. Compensation and benefits expenses, included within non-interest expenses, increased \$97.4 million to \$302.2 million for the year ended December 31, 2014 compared with \$204.8 million in the prior year period. The increase is due to \$153.8 million higher revenues during 2014 as compared to 2013 and thus resulting in a higher compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio. The compensation to revenue ratio was 61% for year ended December 31, 2014 compared with 60% for 2013.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses, included within non-interest expenses, increased \$7.6 million to \$95.5 million for the year ended December 31, 2014 compared with \$87.9 million in the prior year period. This increase was primarily due to higher professional fees related to the debt issuances during the first and fourth quarter of 2014 and an increase in costs from equity method investments.

The following table shows the components of the non-compensation expenses—fixed, for the year ended December 31, 2014 and 2013:

	Year Ended December 31,		Period-to-Period	
	2014	2013	\$ Change	% Change
(dollars in thousands)				
Non-compensation expenses—fixed:				
Communications	\$ 13,046	\$ 12,711	\$ 335	3 %
Professional, advisory and other fees	14,634	11,082	3,552	32 %
Occupancy and equipment	24,177	23,197	980	4 %
Depreciation and amortization	9,301	10,202	(901)	(9)%
Service fees	8,065	9,708	(1,643)	(17)%
Expenses from equity investments	17,726	11,769	5,957	51 %
Other	8,527	9,245	(718)	(8)%
Total	\$ 95,476	\$ 87,914	\$ 7,562	9 %

Non-compensation Expenses—Variable. Variable non-compensation expenses, included within non-interest expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased \$8.2 million to \$45.7 million for the year ended December 31, 2014 compared with \$37.5 million in the prior year period. The increase is primarily related to syndication costs related to a capital raise by an alternative investment asset fund and increased firm wide marketing activity.

The following table shows the components of the non-compensation expenses—variable, for the year ended December 31, 2014 and 2013:

	Year Ended December 31,		Period-to-Period	
	2014	2013	\$ Change	% Change
(dollars in thousands)				
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	\$ 19,273	\$ 17,852	\$ 1,421	8 %
HealthCare Royalty Partners syndication costs	2,311	—	2,311	NM
Expenses related to Luxembourg reinsurance companies	2,855	2,092	763	36 %
Marketing and business development	19,862	16,473	3,389	21 %
Other	1,436	1,108	328	30 %
Total	\$ 45,737	\$ 37,525	\$ 8,212	22%

Reimbursement from Affiliates. Reimbursements from affiliates, included within non-interest expenses, which relate to the alternative investment segment, increased \$1.2 million to \$7.6 million for the year ended December 31, 2014 compared with \$6.4 million in the prior year period. The increase is primarily related to an increase in reimbursements from our activist business.

Interest expense

Interest expense, which primarily relates to debt issued during the first and fourth quarters of 2014, increased \$9.4 million to \$9.8 million for the year ended December 31, 2014 compared with \$0.4 million in the prior year period.

Non-Controlling Interest

Income (loss) attributable to redeemable non-controlling interests decreased by \$5.2 million to \$7.8 million for the year ended December 31, 2014 compared with \$13.0 million in the prior year period. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to partners.

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

	Year Ended December 31,						Total Period-to-Period									
	2013			2012												
	Alternative Investment	Broker- Dealer (a)	Total 2013	Alternative Investment	Broker- Dealer (a)	Total 2012	\$ Change	% Change								
	(dollars in thousands)															
Economic Income Revenues																
Investment banking	\$	—	\$	105,333	\$	105,333	\$	—	\$	71,762	\$	71,762	\$	33,571	47	%
Brokerage		—		121,065		121,065		—		93,903		93,903		27,162	29	%
Management fees		56,984		—		56,984		56,381		—		56,381		603	1	%
Incentive income (loss)		21,205		—		21,205		14,518		—		14,518		6,687	46	%
Investment income (loss)		30,713		5,947		36,660		40,374		9,742		50,116		(13,456)	(27)	%
Other income (loss)		524		2,010		2,534		844		404		1,248		1,286	103	%
Total economic income revenues		109,426		234,355		343,781		112,117		175,811		287,928		55,853	19	%
Non-interest expense		86,054		237,841		323,895		90,949		211,729		302,678		21,217	7	%
Interest Expense		231		119		350		151		188		339		11	3	%
Non-controlling interest		(12,995)		—		(12,995)		(2,480)		—		(2,480)		(10,515)	424	%
Economic income (loss)	\$	10,146	\$	(3,605)	\$	6,541	\$	18,537	\$	(36,106)	\$	(17,569)	\$	24,110	(137)	%

(a) For the years ended December 31, 2013 and 2012, the Company has reflected \$7.6 million and \$10.2 million of investment income, respectively, and related compensation expense of \$2.5 million and \$3.4 million, respectively, within the broker-dealer segment in proportion to its capital.

Economic Income Revenues

Total Economic Income revenues were \$343.8 million for the year ended December 31, 2013, an increase of \$55.9 million compared to Economic Income (Loss) revenues of \$287.9 million in 2012. For purposes of the following section, all references to revenue refer to Economic Income (Loss) revenues. The increase was primarily related to an increase in investment banking and brokerage revenues offset partially by a decrease in investment income.

Alternative Investment Segment

Alternative investment segment Economic Income (Loss) revenues were \$109.4 million for the year ended December 31, 2013, a decrease of \$2.7 million compared to Economic Income (Loss) revenues of \$112.1 million in 2012.

Management Fees. Management fees for the segment increased \$0.6 million to \$57.0 million for the year ended December 31, 2013 compared with \$56.4 million in 2012. This increase was primarily related to an increase in management fees from our healthcare, global credit, real estate and activist funds offset partially by various smaller hedge fund and fund of fund products.

Incentive Income (Loss). Incentive income for the segment increased \$6.7 million to \$21.2 million for the year ended December 31, 2013 compared with \$14.5 million in 2012. This increase was primarily related to an increase in performance fees from certain alternative solutions products, and our formerly managed credit and activist funds.

Investment Income (Loss). Investment income for the segment decreased \$9.7 million to \$30.7 million for the year ended December 31, 2013, compared with \$40.4 million in 2012. The decrease primarily relates to a decrease in the Company's own invested capital driven by decreases in performance in certain investment strategies including our credit and equities strategies.

Other income (loss). Other revenues for the segment decreased \$0.3 million to \$0.5 million for the year ended December 31, 2013, compared with \$0.8 million in 2012.

Broker-Dealer Segment

Broker-dealer segment Economic Income (Loss) revenues were \$234.4 million for the year ended December 31, 2013, an increase of \$58.6 million compared with Economic Income (Loss) revenues of \$175.8 million in 2012.

Investment Banking. Investment banking revenues increased \$33.5 million to \$105.3 million for the year ended December 31, 2013 compared with \$71.8 million in 2012. During the year ended December 31, 2013, the Company completed 78 underwriting transactions, seven strategic advisory transactions and 17 debt capital market transactions. During the year ended December 31, 2012, the Company completed 56 underwriting transactions, six strategic advisory transactions and 12 debt capital market transactions.

Brokerage. Brokerage revenues increased \$27.2 million to \$121.1 million for the year ended December 31, 2013, compared with \$93.9 million in 2012. This was attributable to higher commissions due to an increase in customer trading volume (even though there was an industry wide decline in volume), which was partially related to an increase in stocks covered due to the Company's acquisition of Dahlman (subsequently renamed to Cowen Securities) during the first quarter of 2013, fees related to the Company's acquisition of ATM in the second quarter of 2012 and equity finance revenues related to the acquisition of KDC Securities (subsequently renamed to Cowen Equity Finance) in November 2012. Customer trading volumes across the industry (according to Bloomberg) decreased 5% in the year ended December 31, 2013 compared to the prior year.

Investment Income (Loss). Investment income for the segment decreased \$3.8 million to \$5.9 million for the year ended December 31, 2013, compared with \$9.7 million in 2012. The decrease is a result of a decrease in overall investment income available for allocation.

Other income (loss). Other revenues for the segment increased \$1.6 million to \$2.0 million for the year ended December 31, 2013, compared with \$0.4 million in 2012. The increase primarily relates to reversal of withholding taxes that previously reduced revenues.

Non-Interest Expenses

Non-interest expenses. Total non-interest expenses increased \$21.2 million to \$323.9 million for the year ended December 31, 2013, compared with \$302.7 million in the prior year period. The increase is primarily due to \$55.9 million higher revenues during 2013 as compared to 2012 and thus resulting in a higher compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio. Average headcount increased by 7.2% for the year ended December 31, 2013 compared to the prior year.

Compensation and benefits expenses. Compensation and benefits expenses, included within non-interest expenses, increased \$16.6 million to \$204.8 million for the year ended December 31, 2013 compared with \$188.2 million in the prior year period. The increase is due to \$55.9 million higher revenues during 2013 as compared to 2012 and thus resulting in a higher compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio. The compensation to revenue ratio was 60% for year ended December 31, 2013 compared with 65% for 2012.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses, included within non-interest expenses, increased \$1.0 million to \$87.9 million for the year ended December 31, 2013 compared with \$86.9 million in 2012. This was primarily due to increased occupancy and depreciation and amortization costs and communication costs due to the Dahlman (subsequently renamed to Cowen Securities) acquisition completed during the first quarter of 2013. These expense increases were offset by a reduction in professional fees related to lower accounting, legal and recruitment fees.

The following table shows the components of the non-compensation expenses—fixed, for the year ended December 31, 2013 and 2012:

	Year Ended December 31,		Period-to-Period	
	2013	2012	\$ Change	% Change
(dollars in thousands)				
Fixed expenses:				
Communications	12,711	11,791	920	8 %
Professional, advisory and other fees	11,082	11,220	(138)	(1)%
Occupancy and equipment	23,197	20,617	2,580	13 %
Depreciation and amortization	10,202	9,422	780	8 %
Service fees	9,708	11,303	(1,595)	(14)%
Expenses from equity investments	11,769	12,417	(648)	(5)%
Other	9,245	10,169	(924)	(9)%
Total	\$ 87,914	\$ 86,939	\$ 975	1 %

Non-compensation Expenses—Variable. Variable non-compensation expenses, included within non-interest expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased \$4.4 million to \$37.5 million for the year ended December 31, 2013 compared with \$33.1 million in 2012. The increase in floor brokerage and trade execution relate to two acquisitions completed during second and fourth quarter of 2012 and one in the first quarter of 2013 which generated increased trading costs. Marketing and business development expenses have increased due to increased marketing activity firm wide.

The following table shows the components of the non-compensation expenses—variable, for the year ended December 31, 2013 and 2012:

	Year Ended December 31,		Period-to-Period	
	2013	2012	\$ Change	% Change
(dollars in thousands)				
Variable expenses:				
Floor brokerage and trade execution	\$ 17,852	\$ 15,154	\$ 2,698	18 %
Expenses related to Luxembourg reinsurance companies	2,092	2,603	(511)	(20)%
Marketing and business development	16,473	13,060	3,413	26 %
Other	1,108	2,294	(1,186)	(52)%
Total	\$ 37,525	\$ 33,111	\$ 4,414	13 %

Reimbursement from Affiliates. Reimbursements from affiliates, included within non-interest expenses, which relate to the alternative investment segment, increased \$0.9 million to \$6.4 million for the year ended December 31, 2013 compared with \$5.5 million in 2012.

Interest expense

Interest expense, increased remained fairly flat at \$0.4 million for the year ended December 31, 2013 compared with \$0.3 million in the prior year period.

Non-Controlling Interest.

Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to other investors. The period over period change was the result of an extension of the partnership

with our former credit business and our alternative solutions business which resulted in a profit split and therefore more allocations of income to our partners.

Liquidity and Capital Resources

We continually monitor our liquidity position. The working capital needs of the Company's business have been met through current levels of equity capital, current cash and cash equivalents, and anticipated cash generated from our operating activities, including management fees, incentive income, returns on the Company's own capital, investment banking fees and brokerage commissions. The Company expects that its primary working capital liquidity needs over the next twelve months will be:

- pay our operating expenses, primarily consisting of compensation and benefits, interest on debt and other general and administrative expenses; and
- provide capital to facilitate the growth of our existing business.

Based on our historical results, management's experience, our current business strategy and current assets under management, the Company believes that its existing cash resources will be sufficient to meet its anticipated working capital and capital expenditure requirements for at least the next twelve months. Our cash reserves include cash, cash equivalents and assets readily convertible into cash such as our securities held in inventory. Securities inventories are stated at fair value and are generally readily marketable. As of December 31, 2014, we had cash and cash equivalents of \$129.5 million and net liquid investment assets of \$421.1 million. Cash and cash equivalents and short-term investments held by foreign subsidiaries as of December 31, 2014 and December 31, 2013 were \$10.5 million and \$12.1 million, respectively. The Company intends to permanently reinvest the capital and accumulated earnings of its foreign subsidiaries in the respective subsidiary, but remits the current earnings of its foreign subsidiaries to the United States to the extent permissible under local regulatory rules. The undistributed earnings of the Company's foreign subsidiaries totaled \$1.1 million and \$1.1 million as of December 31, 2014 and 2013, respectively, and the tax liability that would arise if these earnings were remitted to the United States would be approximately \$0.2 million and \$0.2 million, respectively.

The timing of cash bonus payments to our employees may significantly affect our cash position and liquidity from period to period. While our employees are generally paid salaries semi-monthly during the year, cash bonus payments, which can make up a significant portion of total compensation, are generally paid once a year by March 15th.

As of December 31, 2014, the Company had unfunded commitments of \$12.4 million pertaining to capital commitments in four real estate investments held by the Company, all of which pertain to related party investments. Such commitments can be called at any time, subject to advance notice. The Company, as a limited partner of the HealthCare Royalty Partners funds and also as a member of HealthCare Royalty Partners General Partners, has committed to invest \$45.4 million in the Healthcare Royalty Partners funds which are managed by Healthcare Royalty Management. This commitment is expected to be called over a two to five year period. The Company will make its pro-rata investment in the HealthCare Royalty Partners funds along with the other limited partners. Through December 31, 2014, the Company has funded \$35.1 million towards these commitments. In April 2013, the Company committed \$1.0 million to Starboard Leaders Fund LP, which may increase or decrease over time, and, as of December 31, 2014, has funded \$0.9 million towards this commitment. As of December 31, 2014, the Company has an unfunded commitment to Formation 8 Partners Fund I LP of \$2.7 million. The remaining capital commitment is expected to be called over a four year period.

Due to the nature of the securities business and our role as a market-maker and execution agent, the amount of our cash and short-term investments, as well as operating cash flow, may vary considerably due to a number of factors, including the dollar value of our positions as principal, whether we are net buyers or sellers of securities, the dollar volume of executions by our customers and clearing house requirements, among others. Certain regulatory requirements constrain the use of a portion of our liquid assets for financing, investing or operating activities. Similarly, due to the nature of our business lines, the capital necessary to maintain current operations and our current funding needs subject our cash and cash equivalents to different requirements and uses.

As registered broker-dealers, Cowen and Company, ATM Execution, ATM USA, and Cowen Equity Finance are subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. Under the alternative method permitted by the Rule, Cowen and Company's minimum net capital requirement, as defined, is \$1.0 million. Under the alternative method, ATM Execution, ATM USA and Cowen Equity Finance are each required to maintain minimum net capital, as defined, equal to \$250,000. The broker-dealers are not permitted to withdraw equity if certain minimum net capital requirements are not met. As of December 31, 2014, Cowen and Company had total net capital of approximately \$42.9 million, which was approximately \$41.9 million in excess of its minimum net capital requirement of \$1.0 million. As of December 31, 2014, ATM Execution had total net capital of approximately \$3.1 million, which was approximately \$2.8 million in excess of its minimum net capital requirement of \$250,000. As of December 31, 2014, ATM USA had total net capital of approximately \$1.1 million, which was approximately \$0.8 million in excess of its minimum net capital requirement of

\$250,000. As of December 31, 2014, Cowen Equity Finance had total net capital of approximately \$14.9 million which was approximately \$14.6 million in excess of its minimum net capital requirement of \$250,000. In January 2015, ATM USA and Cowen Equity Finance each filed form BDW Uniform Requests for Withdrawal from Broker-Dealer Registration with FINRA which have not yet been approved. Accordingly both broker dealers were still subject to the SEC's Uniform Net Capital Rule 15c3-1 as of December 31, 2014.

Cowen and Company and ATM Execution claim exemption from the provisions of Rule 15c3-3 under the Exchange Act as their activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule. Similarly, ATM USA and Cowen Equity Finance claim exemption from the provisions of Rule 15c3-3 under (k)(2)(i).

Proprietary accounts of broker dealers ("PAB") held at the clearing broker are considered allowable assets for net capital purposes, pursuant to agreements between Cowen and Company and ATM Execution and the clearing broker, which require, among other things, that the clearing broker performs computations for PAB and segregates certain balances on behalf of Cowen and Company and ATM Execution, if applicable.

Ramius UK Ltd. ("Ramius UK") and CIL are subject to the capital requirements of the Financial Conduct Authority ("FCA") of the UK. Financial Resources, as defined, must exceed the requirement of the FCA. As of December 31, 2014, Ramius UK's Financial Resources of \$0.32 million exceeded its minimum requirement of \$0.11 million by \$0.21 million. As of December 31, 2014, CIL's Financial Resources of \$3.3 million exceeded its minimum requirement of \$2.2 million by \$1.1 million.

Cowen Asia is subject to the financial resources requirements of the Securities and Futures Commission ("SFC") of Hong Kong. Financial Resources, as defined, must exceed the Total Financial Resources requirement of the SFC. As of December 31, 2014, Cowen Asia's Financial Resources of \$0.5 million exceeded the minimum requirement of \$0.4 million by \$0.1 million.

The Company may also incur additional indebtedness or raise additional capital under certain circumstances to respond to market opportunities and challenges. Current market conditions may make it more difficult or costly to borrow additional funds or raise additional capital.

Cash Flows Analysis

The Company's primary sources of cash are derived from its operating activities, fees and realized returns on its own invested capital. The Company's primary uses of cash include compensation and general and administrative expenses.

Operating Activities. Net cash used in operating activities of \$66.7 million for the year ended December 31, 2014 was primarily related to purchases of securities partially offset by an increase in cash held at other brokers. Net cash provided by operating activities of \$150.6 million for the year ended December 31, 2013 was predominately related to proceeds from sales of securities owned partially offset by a) purchases of securities owned and b) cash paid related to an increase in cash held at other brokers. Net cash used by operating activities of \$103.9 million for the year ended December 31, 2012 was predominately related to a) cash paid related to an increase in cash held at other brokers, b) cash used to pay for year end bonuses and c) cash used to purchase short sales and cover short investments partially offset by cash received from sales of securities held at the broker dealer.

Investing Activities. Net cash used in investing activities of \$37.5 million for the year ended December 31, 2014 was primarily related to the cash convertible note economic hedge transaction and purchase of fixed assets. Net cash provided by investing activities of \$8.7 million for the year ended December 31, 2013 was primarily related to the proceeds from sales of other investments offset partially by purchases of other investments. Net cash provided by investing activities of \$152.0 million for the year ended December 31, 2012 was primarily related to increased repurchase agreement activity partially offset by cash used for acquisitions.

Financing Activities. Net cash provided by financing activities for the year ended December 31, 2014 of \$179.0 million was primarily related to the issuance of Cash Convertible Notes and a Note Payable offset partially by the purchase of treasury stock. Net cash used in financing activities for the year ended December 31, 2013 of \$188.1 million was primarily related to increased repurchase agreement activity, the purchase of treasury stock and payment by the consolidated funds to investors for capital withdrawals. Net cash used in financing activities for the year ended December 31, 2012 of \$93.4 million was primarily related to increase repurchase agreement activity, the purchase of treasury stock and payment by the consolidated funds to investors for capital withdrawals.

Debt

Convertible Debt

On March 10, 2014, the Company issued \$149.5 million of 3.0% cash convertible senior notes ("Convertible Notes"). The Convertible Notes are due on March 15, 2019 unless earlier repurchased by the Company or converted by the holder into

cash in accordance with their terms prior to such date. The interest on the Convertible Notes is payable semi-annually on March 15 and September 15 of each year. The Convertible Notes are senior unsecured obligations and rank senior in right of payments to other obligations. The Convertible Notes may be converted into cash, upon the occurrence of certain events, whereby a holder will receive, per \$1,000 principal amount of notes being converted, an amount equal to the sum of principal amount outstanding and the conversion amount based on the current conversion price (the "Conversion Option"). The Convertible Notes were issued with an initial conversion price of \$5.33 per share.

The Company recorded interest expense related to the coupon of \$3.6 million for the year ended December 31, 2014. The initial unamortized discount on the Convertible Notes was \$35.7 million and is shown net in convertible debt in the accompanying consolidated statements of financial condition. Amortization on the discount for the year ended December 31, 2014, included within interest expense in the accompanying consolidated statements of operations is \$4.7 million, based on an effective interest rate of 8.89%. The Company capitalized the debt issuance costs in the amount of \$3.7 million, which is included in other assets in the accompanying consolidated statements of financial condition, and will be amortized over the life of the Convertible Notes. As of December 31, 2014, the Company is in compliance with all covenants included in the indenture governing the Convertible Notes.

Of the net proceeds from the sale of the Convertible Notes, approximately \$20.5 million was applied to pay the net cost of a cash convertible note economic hedge and warrant transaction which increases the effective conversion price to \$7.18 (See Note 5 of the Company's consolidated financial statements), and approximately \$0.3 million was applied to repurchase shares of Cowen Class A common stock. The remainder of the net proceeds is being used for general corporate purposes.

Note Payable

On October 10, 2014 the Company completed its public offering of \$63.3 million aggregate principal amount of 8.25% senior notes due on October 15, 2021 ("2021 Notes"). Interest on the 2021 Notes is payable quarterly in arrears on January 15, April 15, July 15 and October 15, commencing on January 15, 2015. The Company recorded interest expense related to the coupon of \$1.2 million for the year ended December 31, 2014. The Company capitalized debt issuance costs of approximately \$2.9 million which is included in other assets in the accompanying consolidated statements of financial condition and will be amortized over the life of the 2021 Notes. As of December 31, 2014, the Company is in compliance with all covenants included in the indenture governing the 2021 Notes. The Company intend to use the proceeds from the offering of our 2021 Notes to pursue other direct investment and financing opportunities, to continue expanding our existing businesses and for other general corporate purposes. (See Recent Developments)

The 2021 Notes were issued pursuant to an Indenture, dated as of October 10, 2014 (the "Senior Indenture"), by and among the Company and The Bank of New York Mellon, as trustee. The Senior Indenture contains covenants that, among other things, limit (subject to certain exceptions) the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the Senior Indenture) to: (1) incur debt (including certain preferred stock), if the incurrence of such indebtedness would cause the Company's consolidated fixed charge coverage ratio, as defined in the Senior Indenture, to fall below 2.0 to 1.0, (2) pay dividends or make distributions on its capital stock, or purchase, redeem or otherwise acquire its capital stock, and (3) grant liens securing indebtedness of the Company without securing the 2021 Notes equally and ratably. If certain conditions are met, certain of these covenants may be suspended. As of December 31, 2014, the Company was in compliance with these covenants.

Other Note Payable

During January 2014, the Company borrowed \$2.0 million to fund insurance premium payments. This note bears interest at 1.55% and was due on December 1, 2014, with monthly payment requirements of \$0.2 million. As of December 31, 2014, the outstanding balance on this note payable was fully repaid. Interest expense for the years ended December 31, 2014 was insignificant.

Capital Lease Obligations

The Company entered into several capital leases for computer equipment during the fourth quarter of 2010 and one in January 2014. These leases amount to \$7.6 million and are recorded in fixed assets and as capital lease obligations, which are included in short-term borrowings and other debt in the accompanying consolidated statements of financial condition, and have lease terms that range from 48 to 60 months and interest rates that range from 0.60% to 6.03%. As of December 31, 2014, the remaining balance on these capital leases was \$3.9 million. Interest expense was \$0.2 million, \$0.1 million and \$0.2 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Letters of Credit

As of December 31, 2014, the Company has the following seven irrevocable letters of credit related to leased office space, for which there is cash collateral pledged, with respect to which the Company pays a fee on the stated amount of the letter of credit.

Location	Amount	Maturity
(dollars in thousands)		
San Francisco	\$ 82	May 2015
Boston	\$ 382	March 2015
New York	\$ 893	August 2015
New York	\$ 3,935	December 2015
New York	\$ 1,000	February 2015
New York	\$ 1,861	June 2015
New York	\$ 127	September 2015

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of December 31, 2014 and December 31, 2013, there were no amounts due related to these letters of credit.

Contractual Obligations

The following tables summarize the Company's contractual cash obligations as of December 31, 2014:

	Total	< 1 Year	1-3 Years	4-5 Years	More Than 5 Years
(dollars in thousands)					
Equipment Leases, Service Payments and Facility Leases					
Real Estate	\$ 114,987	\$ 18,555	\$ 43,001	\$ 24,995	\$ 28,436
Service Payments	32,981	13,946	17,638	1,397	—
Capital leases	4,323	1,343	2,901	79	—
Aircraft	5,773	1,260	3,779	734	—
Total	158,064	35,104	67,319	27,205	28,436
Debt					
Convertible Debt	169,683	4,485	13,455	151,743	—
Note Payable	99,849	5,291	15,654	10,436	68,468
Total	\$ 269,532	\$ 9,776	\$ 29,109	\$ 162,179	\$ 68,468

Clawback obligations

For financial reporting purposes, the general partners have recorded a liability for potential clawback obligations to the limited partners of a real estate fund, due to changes in the unrealized value of the fund's remaining investments and where the fund's general partner has previously received carried interest distributions.

The actual clawback liability, however, does not become realized until the end of a fund's life. The life of the real estate fund's with a potential clawback obligation is currently in a winding-up phase whereby the remaining assets of the fund are being liquidated as promptly as possible so as to maximize value, however a final date for liquidation has not been set.

As of December 31, 2014, the clawback obligations were \$6.2 million (See Notes 18 and 25 to the Company's consolidated financial statements).

Minimum payments for all debt outstanding

Annual scheduled maturities of debt and minimum payments for all debt outstanding as of December 31, 2014, is as follows:

	Convertible Debt	Note Payable	Capital Lease Obligation
	(dollars in thousands)		
2015	\$ 4,485	\$ 5,291	\$ 1,343
2016	4,485	5,218	1,025
2017	4,485	5,218	938
2018	4,485	5,218	938
2019	151,743	5,218	79
Thereafter	—	73,686	—
Subtotal	169,683	99,849	4,323
Less: Amount representing interest (a)	(51,208)	(36,599)	(429)
Total	\$ 118,475	\$ 63,250	\$ 3,894

(a) Amount necessary to reduce net minimum payments to present value calculated at the Company's implicit rate at inception. This amount also includes the unamortized discount on the convertible debt.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as of December 31, 2014. However, through indemnification provisions in our clearing agreement, customer activities may expose us to off-balance-sheet credit risk. Pursuant to the clearing agreement, we are required to reimburse our clearing broker, without limit, for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. However, these transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date.

Cowen and Company and ATM Execution are members of various securities exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the exchange, all other members would be required to meet the shortfall. The Company's liability under these arrangements is not quantifiable. Accordingly, no contingent liability is carried in the accompanying consolidated statements of financial condition for these arrangements.

Securities lending indemnifications

Through the Company's securities lending program, the Company can borrow and lend customers' securities, via custodial and non-custodial arrangements, to third parties. As part of this program, the Company provides a guarantee in an aggregate amount of \$150 million to counterparties of the securities lending agreements, which protects the lender against the failure of the third-party borrower to return the lent securities in the event the Company did not obtain sufficient collateral. To minimize its liability under these indemnification agreements, the Company obtains cash collateral with a value exceeding 100% of the market value of the securities on loan from the borrower. Collateral is marked to market daily to assure that collateralization is adequate. Additional collateral is called from the borrower if a shortfall exists, or collateral may be released to the borrower in the event of overcollateralization. If a borrower defaults, the Company would use the collateral held to purchase replacement securities in the market or to credit the lending customer with the cash equivalent thereof.

In conjunction with the acquisition of Dahlman, the Company has agreed to guarantee loans which were issued to employees of Cowen Securities by a third-party bank prior to the acquisition that closed in March 2013. The value of these loans at December 31, 2014 was \$0.2 million.

Critical Accounting Policies and Estimates

Critical accounting policies are those that require the Company to make significant judgments, estimates or assumptions that affect amounts reported in its consolidated financial statements or the notes thereto. The Company bases its judgments, estimates and assumptions on current facts, historical experience and various other factors that the Company believes to be reasonable and prudent. Actual results may differ materially from these estimates.

The following is a summary of what the Company believes to be its most critical accounting policies and estimates.

Consolidation

These consolidated financial statements include the accounts of the Company, its subsidiaries, and entities in which the Company has a controlling financial interest, including the Consolidated Funds, in which the Company has a controlling general partner interest. All material intercompany transactions and balances have been eliminated in consolidation. The Company's funds are not subject to these consolidation provisions with respect to their investments pursuant to their specialized accounting.

The Company's consolidated financial statements reflect the assets, liabilities, revenues, expenses and cash flows of the Consolidated Funds on a gross basis. The management fees and incentive income earned by the Company from the Consolidated Funds were eliminated in consolidation; however, the Company's allocated share of net income from these funds was increased by the amount of this eliminated income. Hence, the consolidation of these funds had no net effect on the Company's net earnings.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting operating entity ("VOE") or a variable interest entity ("VIE") under US GAAP.

Voting Operating Entities—VOEs are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders at risk have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact the entity's economic performance.

Under US GAAP, the usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. Accordingly, the Company consolidates VOEs in which it owns a majority of the entity's voting shares or units. US GAAP also provides that a general partner of a limited partnership (or a managing member, in the case of a limited liability company) is presumed to control the partnership, and thus should consolidate it, unless a simple majority of the limited partners has the right to remove the general partner without cause or to terminate the partnership. In accordance with these standards, the Company presently consolidates five entities deemed to be VOEs for which it acts as the general partner and investment manager.

As of and during the period ended December 31, 2014 the Company consolidated the following funds: Ramius Enterprise LP ("Enterprise LP") and Ramius Merger Fund LLC (the "Merger Fund") (collectively the "2014 Consolidated Funds"). As of December 31, 2013, the Company consolidated the following funds: Enterprise LP, Ramius Multi-Strategy Master FOF LP ("Multi-Strat Master FOF"), Ramius Vintage Multi-Strategy Master FOF LP ("Vintage Master FOF"), Ramius Levered Multi-Strategy FOF LP ("Levered FOF"), and the Merger Fund (collectively the "2013 Consolidated Funds"). As of December 31, 2013, Levered FOF, Multi-Strat Master FOF and Vintage Master FOF, all of which are investment companies managed by Ramius Alternative Solutions LLC, were fully liquidated. RTS Global 3X LP was consolidated through March 31, 2013 when it was liquidated. Collectively, the 2013 Consolidated Funds and the 2014 Consolidated Funds are referred to as the "Consolidated Funds".

The Company also consolidates two investment companies; RCG Linkem II LLC, formed to make an investment in a wireless broadband communication provider in Italy and Cowen AV Investment LLC, formed to make an investment in a biotechnology company focused on developing gene therapies for certain medical needs. The Company determined that RCG Linkem II and Cowen AV Investment LLC are VOE's due to its controlling equity interests held through the managing member and/or affiliates and control exercised by the managing member who is not subject to substantive removal rights.

Variable Interest Entities—VIEs are entities that lack one or more of the characteristics of a VOE. In accordance with US GAAP, an enterprise must consolidate all VIEs of which it is the primary beneficiary. Under the US GAAP consolidation model for VIEs, an enterprise that (1) has the power to direct the activities of a VIE that most significantly impacts the VIE's economic performance, and (2) has an obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE, is considered to be the primary beneficiary of the VIE and thus is required to consolidate it.

However, the FASB has deferred the application of the revised consolidation model for VIEs that meet the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, Investment Companies, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with investment companies, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The Company's involvement with its funds is such that all three of the above conditions are met for substantially all of the funds managed by the Company. Where the VIEs have qualified for the deferral, the analysis is based on previous consolidation rules. These rules require an analysis to (a) determine whether an entity in which the Company

holds a variable interest is a variable interest entity and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIEs expected residual returns, or both. If these conditions are met, the Company is considered to be the primary beneficiary of the VIE and thus is required to consolidate it.

The Company reconsiders whether it is the primary beneficiary of a VIE by performing a periodic qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, contractual agreements between the Company and the VIE, the economic interests that create or absorb variability, related party relationships and the design of the VIE. As of December 31, 2014 the Company consolidated two VIEs and as of December 31, 2013, the Company consolidates three VIEs. As of December 31, 2014 and December 31, 2013, the total net assets of the consolidated VIEs are \$2.0 million and \$11.3 million, respectively. The VIEs act as managing members/general partners and/or investment managers to affiliated fund entities which they sponsor and/or manage. The VIEs are financed through their operations and/or loan agreements with the Company.

As of December 31, 2014 and December 31, 2013, the Company holds a variable interest in Ramius Enterprise Master Fund Ltd ("Enterprise Master") through one of its Consolidated Funds, Enterprise LP and the Company holds a variable interest in Ramius Merger Master Fund Ltd through one of its Consolidated Funds, Merger Fund, (the "Unconsolidated Master Funds"). Investment companies, which account for their investments under the specialized industry accounting guidance for investment companies prescribed under US GAAP, are not subject to the consolidation provisions for their investments. Therefore, the Company has not consolidated the Unconsolidated Master Funds.

In the ordinary course of business, the Company also sponsors various other entities that it has determined to be VIEs. These VIEs are primarily funds and real estate entities for which the Company serves as the general partner, managing member and/or investment manager with decision-making rights.

The Company does not consolidate any of these funds or real estate entities that are VIEs as it has concluded that it is not the primary beneficiary in each instance. Fund investors are entitled to all of the economics of these VIEs with the exception of the management fee and incentive income, if any, earned by the Company. The Company's involvement with funds and real estate entities that are unconsolidated VIEs is limited to providing investment management services in exchange for management fees and incentive income. Although the Company may advance amounts and pay certain expenses on behalf of the funds and real estate entities that it considers to be VIEs, it does not provide, nor is it required to provide, any type of substantive financial support to these entities outside of regular investment management services. (See Note 6 to the Company's consolidated financial statements for additional disclosures on VIEs)

Equity Method Investments—For operating entities over which the Company exercises significant influence but which do not meet the requirements for consolidation as outlined above, the Company uses the equity method of accounting. The Company's investments in equity method investees are recorded in other investments in the accompanying consolidated statements of financial condition. The Company's share of earnings or losses from equity method investees is included in net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.

The Company evaluates for impairment its equity method investments whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its estimated fair value is recognized as an impairment charge when the loss in value is deemed other than temporary.

Other—If the Company does not consolidate an entity, apply the equity method of accounting or account for an investment under the cost method, the Company accounts for such entities (primarily, all securities of such entity which are bought and held principally for the purpose of selling them in the near term as trading securities) in accordance with US GAAP, at fair value with unrealized gains (losses) resulting from changes in fair value reflected within net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.

Retention of Specialized Accounting—The Consolidated Funds are investment companies and apply specialized industry accounting for investment companies. The Company has retained this specialized accounting for these funds pursuant to US GAAP. The Company reports its investments on the consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected within net realized and unrealized gains (losses) on investments and other transactions. Accordingly, the accompanying consolidated financial statements reflect different accounting policies for investments depending on whether or not they are held through a consolidated investment company. In addition, the Company's broker-dealer subsidiaries, Cowen and Company, ATM Execution, ATM USA, and Cowen Equity Finance, apply the specialized industry accounting for brokers and dealers in securities also prescribed under US GAAP. The Company also retains specialized accounting in consolidation.

Valuation of investments and derivative contracts

US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3 Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. The determination of fair value for assets and liabilities in this category requires significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company's perceived risk of that instrument.

The Company and its operating subsidiaries act as the manager for the Consolidated Funds. Both the Company and the Consolidated Funds hold certain investments which are valued by the Company, acting as the investment manager. The fair value of these investments is generally estimated based on proprietary models developed by the Company, which include discounted cash flow analysis, public market comparables, and other techniques and may be based, at least in part, on independently sourced market information. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, timing of, and estimated proceeds from expected financings. Significant judgment and estimation goes into the selection of an appropriate valuation methodology as well as the assumptions used in these models, and the timing and actual values realized with respect to investments could be materially different from values derived based on the use of those estimates. The valuation methodologies applied impact the reported value of the Company's investments and the investments held by the Consolidated Funds in the consolidated financial statements. Certain of the Company's investments are relatively illiquid or thinly traded and may not be immediately liquidated on demand if needed. Fair values assigned to these investments may differ significantly from the fair values that would have been used had a ready market for the investments existed and such differences could be material.

The Company primarily uses the "market approach" to value its financial instruments measured at fair value. In determining an instrument's level within the hierarchy, the Company categorizes the Company's financial instruments into three categories: securities, derivative contracts and other investments. To the extent applicable, each of these categories can further be divided between those held long or sold short.

Securities— Securities with values based on quoted market prices in active markets for identical assets are classified within level 1 of the fair value hierarchy. These securities include active listed equities, certain U.S. government and sovereign obligations, ETF's, mutual funds and certain money market securities. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Certain positions for which trading activity may not be readily visible, consisting primarily of convertible debt, corporate debt and loans and restricted equities are stated at fair value and classified within level 2 of the fair value hierarchy. The estimated fair values assigned by management are determined in good faith and are based on available information considering, trading activity, broker quotes, quotations provided by published pricing services, counterparties and other market participants, and pricing models using quoted inputs, and do not necessarily represent the amounts which might ultimately be realized. As level 2 investments include positions that are not always traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability.

Derivative contracts—Derivative contracts can be exchange-traded or privately negotiated over-the-counter ("OTC"). Exchange-traded derivatives, such as futures contracts and exchange-traded option contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded. OTC

derivatives, such as generic forwards, swaps and options, have inputs which can generally be corroborated by market data and are therefore classified within level 2. OTC derivatives, such as swaps, and options where market data is not readily available or observable are classified as level 3.

Other investments—Other investments consist primarily of portfolio funds, real estate investments and equity method investments, which are valued as follows:

- i. **Portfolio funds**—Portfolio funds (“Portfolio Funds”) include interests in funds and investment companies which may be managed by the Company or its affiliates. The Company follows US GAAP regarding fair value measurements and disclosures relating to investments in certain entities that calculate net asset value (“NAV”) per share (or its equivalent). The guidance permits, as a practical expedient, an entity holding investments in certain entities that either are investment companies as defined by the AICPA Audit and Accounting Guide, Investment Companies, or have attributes similar to an investment company, and calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment.

The Company categorizes its investments in Portfolio Funds within the fair value hierarchy dependent on its ability to redeem the investment. If the Company has the ability to redeem its investment at NAV at the measurement date or within the near term, the Portfolio Fund is categorized as a level 2 investment within the fair value hierarchy. If the Company does not know when it will have the ability to redeem its investment or cannot do so in the near term, the Portfolio Fund is categorized as a level 3 investment within the fair value hierarchy.

- ii. **Real estate investments**—Real estate debt and equity investments are valued at fair value. The fair value of real estate investments are estimated based on the price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Real estate investments without a public market are valued based on assumptions and valuation techniques used by the Company. Such valuation techniques may include discounted cash flow analysis, prevailing market capitalization rates or earnings multiples applied to earnings from the investment, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties, consideration of the amount that currently would be required to replace the asset, as adjusted for obsolescence, as well as independent external appraisals. In general, the Company considers several valuation techniques when measuring the fair value of a real estate investment. However, in certain circumstances, a single valuation technique may be appropriate. Real estate investments are reviewed on a quarterly basis by the Company for significant changes at the property level or a significant change in the overall market which would impact the value of the real estate investment resulting in unrealized appreciation or depreciation.

Real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. In addition, the Company invests in real estate and real estate related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily ascertainable. Amounts ultimately realized by the Company from investments sold may differ from the fair values presented, and the differences could be material.

The Company's real estate investments are typically categorized as a level 3 investment within the fair value hierarchy as management uses significant unobservable inputs in determining their estimated fair value.

Revenue recognition

The Company's principal sources of revenue are derived from two segments: an alternative investment segment and a broker-dealer segment, as more fully described below.

Our alternative investment segment generates revenue through three principal sources: management fees, incentive income and investment income from the Company's own capital.

Our broker-dealer segment generates revenue through three principal sources: investment banking, brokerage and investment income.

Management fees

The Company earns management fees from affiliated funds and certain managed accounts that it serves as the investment manager based on assets under management. The actual management fees received vary depending on distribution fees or fee splits paid to third parties either in connection with raising the assets or structuring the investment. Management fees are generally paid on a quarterly basis at the beginning of each quarter in arrears and are prorated for capital inflows and redemptions. While some investors may have separately negotiated fees, in general the management fees are as follows:

- **Hedge Funds.** Management fees for the Company's hedge funds are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.
- **Mutual Funds.** Management fees for the Company's mutual funds (State Street/Ramius Managed Futures Strategy Fund, Ramius Event Driven Equity Fund, Ramius Hedged Alpha Fund and Ramius Strategic Volatility Fund) are generally charged at an annual rate of up to 1.35% of assets under management (subject to an overall expense cap of up to 1.9%).
- **Alternative Solutions.** Management fees for the Alternative Solutions business are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income or based on assets under management at the beginning of the month. Management fees earned from the Alternative Solutions business are based and initially calculated on estimated net asset values and actual fees ultimately earned could be impacted to the extent of any changes in these estimates.
- **Real Estate.** Management fees from the Company's real estate business are generally charged by their general partners at an annual rate from 0.75% to 1.50% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period. The general partners of the funds on the RCG Longview platform are owned jointly by the Company and third parties. Accordingly, the management fees (in addition to incentive income and investment income) generated by these real estate funds are split between the Company and the other general partners. Pursuant to US GAAP, these fees and other income received by the general partners that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.
- **HealthCare Royalty Partners.** During the investment period (as defined in the management agreement of the HealthCare Royalty Partners' funds), management fees for the funds advised by HealthCare Royalty Partners are generally charged at an annual rate of up to 2% of committed capital. After the investment period, management fees are generally charged at an annual rate of up to 2% of the net asset value or invested capital of the funds or the aggregate cost basis of the unrealized investments held by the funds. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.
- **Ramius Trading Strategies.** Management fees and platform fees for the Company's private commodity trading advisory business are generally charged at an annual rate of up to 0.5%. Management and platform fees are generally calculated monthly based on each account's notional trading level at the end of each month.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) with respect to certain of the Company's funds and managed accounts, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have been carried forward from prior years. For the products we offer, incentive income earned is typically up to 20% for hedge funds and up to 10% for alternative solutions products (in certain cases on performance in excess of a benchmark), of the net profits earned for the full year that are attributable to each fee-paying investor. Generally, incentive income on real estate funds is earned after the investor has received a full return of their invested capital, plus a preferred return. However, for certain real estate funds, the Company is entitled to receive incentive fees earlier, provided that the investors have received their preferred return on a current basis. These funds are subject to a potential clawback of these incentive fees upon the liquidation of the fund if the investor has not received a full return of its invested capital plus the preferred return thereon. Incentive income in the HealthCare Royalty Partners funds is earned only after investors receive a full return of their capital plus a preferred return.

In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a "high-water mark." The Company has elected to record incentive income revenue in accordance with "Method 2" of US GAAP. Under Method 2, the incentive income from the Company's funds and managed accounts for any period is based upon the net profits of those funds and managed accounts at the reporting date. Any incentive income recognized in the accompanying consolidated statement of operations may be subject to future reversal based on subsequent negative performance prior to the conclusion of the fiscal year, when all contingencies have been resolved.

Carried interest in the real estate funds is subject to clawback to the extent that the carried interest actually distributed to date exceeds the amount due to the Company based on cumulative results. As such, the accrual for potential repayment of previously received carried interest, which is a component of accounts payable, accrued expenses and other liabilities, represents all amounts previously distributed to the Company, less an assumed tax liability, that would need to be repaid to certain real estate funds if these funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual clawback liability does not become realized until the end of a fund's life.

Investment Banking

The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's Target Sectors.

Investment banking revenue consists of underwriting fees, strategic/financial advisory fees and placement and sales agent fees.

- **Underwriting fees.** The Company earns underwriting revenues in securities offerings in which the Company acts as an underwriter, such as initial public offerings, follow-on equity offerings, debt offerings, and convertible security offerings. Underwriting revenues include management fees, selling concessions and underwriting fees. Fee revenue relating to underwriting commitments is recorded when all significant items relating to the underwriting process have been completed and the amount of the underwriting revenue has been determined. This generally is the point at which all of the following have occurred: (i) the issuer's registration statement has become effective with the SEC, or the other offering documents are finalized; (ii) the Company has made a firm commitment for the purchase of securities from the issuer; and (iii) the Company has been informed of the number of securities that it has been allotted.

When the Company is not the lead manager for an underwriting transaction, management must estimate the Company's share of transaction-related expenses incurred by the lead manager in order to recognize revenue. Transaction-related expenses are deducted from the underwriting fee and therefore reduce the revenue the Company recognizes as co-manager. Such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically within 90 days following the closing of the transaction.

- **Strategic/financial advisory fees.** The Company's strategic advisory revenues include success fees earned in connection with advising companies, principally in mergers and acquisitions and liability management transactions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.
- **Placement and sales agent fees.** The Company earns agency placement fees and sales agent commissions in non-underwritten transactions such as private placements of loans and debt and equity securities, including, private investment in public equity transactions ("PIPEs"), and as sales agent in at-the-market offerings of equity securities. The Company records placement revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. The Company records sales agent commissions on a trade date basis. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

Brokerage revenue consists of commissions, principal transactions and equity research fees.

- **Commissions.** Commission revenue includes fees from executing client transactions. These fees are recognized on a trade date basis. The Company permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. Commissions on soft dollar brokerage are recorded net of the related expenditures on an accrual basis. Commission revenues also includes fees from making algorithms available to clients.
- **Principal Transactions.** Principal transactions revenue include net trading gains and losses from the Company's market-making activities in over-the-counter equity securities, trading of convertible securities, and trading gains and losses on inventory and other firm positions, which include warrants previously received as part of investment banking transactions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other

side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration.

- **Equity Research Fees.** Equity research fees are paid to the Company for providing equity research. Revenue is recognized once an arrangement exists, access to research has been provided, the fee amount is fixed or determinable, and collection is reasonably assured.

Investment Income

Investment income earned by the alternative investment and broker dealer segments are earned from investing the Company's capital in various strategies and from investments in private capital raising transactions of its investment banking clients.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price consideration of acquired companies over the estimated fair value assigned to the individual assets acquired and liabilities assumed. Goodwill is allocated to the Company's reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identifiable with the reporting unit. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit.

In accordance with US GAAP, the Company tests goodwill for impairment on an annual basis or at an interim period if events or changed circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Under US GAAP, the Company first assesses the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amounts as a basis for determining if it is necessary to perform the two-step approach. The first step requires a comparison of the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the related goodwill is not considered impaired and no further analysis is required. If the carrying value of the reporting unit exceeds the fair value, there is an indication that the related goodwill might be impaired and the step two is performed to measure the amount of impairment, if any.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess. Goodwill impairment tests involve significant judgment in determining the estimates of future cash flows, discount rates, economic forecast and other assumptions which are then used in acceptable valuation techniques, such as the market approach (earning and or transactions multiples) and / or income approach (discounted cash flow method). Changes in these estimates and assumptions could have a significant impact on the fair value and any resulting impairment of goodwill.

Intangible assets with finite lives are amortized over their estimated average useful lives. The Company does not have any intangible assets deemed to have indefinite lives. Intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that an asset or asset group's carrying value may not be fully recoverable. An impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized in the accompanying consolidated statements of operations if the sum of the estimated discounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

Legal Reserves

The Company estimates potential losses that may arise out of legal and regulatory proceedings and records a reserve and takes a charge to income when losses with respect to such matters are deemed probable and can be reasonably estimated, in accordance with US GAAP. These amounts are reported in other expenses, net of recoveries, in the accompanying consolidated statements of operations. See Note 18 "Commitments and Contingencies" in our accompanying consolidated financial statements for the year ended December 31, 2014 for further discussion. As the successor of the named party in these litigation matters, the Company recognizes the related legal reserve in the accompanying consolidated statements of financial condition.

Recently adopted and future adoption of accounting pronouncements

For a detailed discussion, see Note 3 "Recently issued accounting pronouncements" in our accompanying consolidated financial statements for the year ended December 31, 2014.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company's primary exposure to market risk is a function of our role as investment manager for our funds and managed accounts, our role as a financial intermediary in customer trading and market making activities, as well as the fact that a significant portion of our own capital is invested in securities. Adverse movements in the prices of securities that are either owned or sold short may negatively impact the Company's management fees and incentive income, as well as the value of our own invested capital.

The market value of the assets and liabilities in our funds and managed accounts, as well as the Company's own securities, may fluctuate in response to changes in equity prices, interest rates, credit spreads, currency exchange rates, commodity prices, implied volatility, dividends, prepayments, recovery rates and the passage of time. The net effect of market value changes caused by fluctuations in these risk factors will result in gains (losses) for our funds and managed accounts which will impact our management fees and incentive income and for the Company's securities which will impact the value of our own invested capital as well as the capital utilized in facilitating customer trades.

The Company's risk measurement and risk management processes are an integral part of our proprietary investment process as well as market making and customer facilitation trading activities. These processes are implemented at the individual position, strategy and total portfolio levels and are designed to provide a complete picture of the risks of the Company's balance sheet. The key elements of our risk reporting include sensitivities, exposures, stress testing and profit and loss attribution. As a result of our views of levels of risk being taken, the firm may undertake to hedge out some or all of any or all risks at either the individual position, strategy or total portfolio levels.

Impact on Management Fees

The Company's management fees are generally based on the net asset value of the Company's funds and managed accounts. Accordingly, management fees will change in proportion to changes in the market value of investments held by the Company's funds and managed accounts.

Impact on Incentive Income

The Company's incentive income is generally based on a percentage of the profits of the Company's various funds and managed accounts, which is impacted by global economies and market conditions as well as other factors. Consequently, incentive income cannot be readily predicted or estimated.

Custody and prime brokerage risks

There are risks involved in dealing with the custodians or prime brokers who settle trades. Under certain circumstances, including certain transactions where the Company's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where the Company's assets are held at a non-U.S. prime broker, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical or timing problems associated with enforcing the Company's rights to its assets in the case of an insolvency of any such party.

Market risk

Market risk represents the risk of loss that may result from the change in value of a financial instrument due to fluctuations in its market price. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Our exposure to market risk is primarily related to the fluctuation in the fair values of securities owned and sold, but not yet purchased in the Company's funds and our role as a financial intermediary in customer trading and to our market making and investment activities. Market risk is inherent in financial instruments and risks arise in options, warrants and derivative contracts from changes in the fair values of their underlying financial instruments. Securities sold, but not yet purchased, represent obligations of the Company's funds to deliver specified securities at contracted prices and thereby create a liability to repurchase the securities at prevailing future market prices. We trade in equity securities as an active participant in both listed and over the counter markets. We typically maintain securities in inventory to facilitate our market making activities and customer order flow. We may use a variety of risk management techniques and hedging strategies in the ordinary course of our trading business to manage our exposures. In connection with our trading business, management also reviews reports appropriate to the risk profile of specific trading activities. Typically, market conditions are evaluated and transaction details and securities positions are reviewed. These activities are intended to ensure that our trading strategies are conducted within acceptable risk tolerance parameters, particularly when we commit our own capital to facilitate client trading. Activities include price verification procedures, position reconciliations and reviews of transaction booking. We believe these procedures, which stress timely communications between traders, trading management and senior management, are important elements of the risk management process.

A 10% change in the fair value of the investments held by the Company's funds as of December 31, 2014 would result in a change of approximately \$1.2 million in our assets under management and would impact management fees by approximately \$7.18 million on an annual basis. This number is an estimate. The amount would be dependent on the fee structure of the particular fund or funds that experienced such a change.

Currency risk

The Company is also exposed to foreign currency fluctuations. Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of such financial instruments, including direct or indirect investments in securities of non-U.S. companies. A 10% weakening or strengthening of the U.S. dollar against all or any combination of currencies to which the Company's investments or the Company's funds have exposure to exchange rates would not have a material effect on the Company's revenues, net loss or Economic Income.

Inflation risk

Because our assets are, to a large extent, liquid in nature, they are not significantly affected by inflation. However, the rate of inflation affects such expenses as employee compensation and communications charges, which may not be readily recoverable in the prices of services we offer. To the extent inflation results in rising interest rates and has other adverse effects on the securities markets, it may adversely affect our financial condition and results of operations in certain businesses.

Leverage and interest rate risk

There is no guarantee that the Company's borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Company. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Company. In addition, a decline in market value of the Company's assets may have particular adverse consequences in instances where we have borrowed money based on the market value of those assets. A decrease in market value of those assets may result in the lender (including derivative counterparties) requiring the Company to post additional collateral or otherwise sell assets at a time when it may not be in the Company's best interest to do so.

Credit risk

The Company clears all of its securities transactions through clearing brokers on a fully disclosed basis. Pursuant to the terms of the agreements between the Company and the clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, we believe there is no maximum amount assignable to this right. Accordingly, at December 31, 2014, the Company had recorded no liability.

Credit risk is the potential loss the Company may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. The Company's exposure to credit risk at any point in time is represented by the fair value of the amounts reported as assets at such time.

In the normal course of business, our activities may include trade execution for our clients as well as agreements to borrow or lend securities. These activities may expose us to risk arising from price volatility which can reduce clients' ability to meet their obligations. To the extent investors are unable to meet their commitments to us, we may be required to purchase or sell financial instruments at prevailing market prices to fulfill clients' obligations.

In accordance with industry practice, client trades are settled generally three business days after trade date. Should either the client or the counterparty fail to perform, we may be required to complete the transaction at prevailing market prices.

We manage credit risk by monitoring the credit exposure to and the standing of each counterparty, requiring additional collateral where appropriate, and using master netting agreements whenever possible.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. We outsource all or a portion of certain critical business functions, such as clearing. Accordingly, we negotiate our agreements with these firms with attention focused not only on the delivery of core services but also on the safeguards afforded by back-up systems and disaster recovery capabilities. We make specific inquiries on any relevant exceptions noted in a service provider's Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization report on the state of its internal controls.

Our service offerings in electronic and algorithmic trading require us to maintain consistent levels of speed and accuracy in the management of orders generated by our models. We monitor these activities on a continuous basis and do not believe that they comprise a material risk.

Our Internal Audit department oversees, monitors, measures, analyzes and reports on operational risk across the Company. The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the Company's system of internal controls and is sufficiently broad to help determine whether the Company's network of risk management, control and governance processes, as designed by management, is adequate and functioning as intended. Internal Audit works with the senior management to help ensure a transparent, consistent and comprehensive framework exists for managing operational risk within each area, across the Company and globally.

We are focused on maintaining our overall operational risk management framework and minimizing or mitigating these risks through a formalized control assessment process to ensure awareness and adherence to key policies and control procedures. Primary responsibility for management of operational risk is with the businesses and the business managers therein. The business managers, generally, maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. As new products and business activities are developed and processes are designed and modified, operational risks are considered.

Legal risk

Legal risk includes the risk of non-compliance with applicable legal and regulatory requirements and standards. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. The Company has established procedures based on legal and regulatory requirements that are designed to achieve compliance with applicable statutory and regulatory requirements. The Company, principally through the Legal and Compliance Division, also has established procedures that are designed to require that the Company's policies relating to conduct, ethics and business practices are followed. In connection with its businesses, the Company has and continuously develops various procedures addressing issues such as regulatory capital requirements, sales and trading practices, new products, potential conflicts of interest, use and safekeeping of customer funds and securities, money laundering, privacy and recordkeeping. In addition, the Company has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The legal and regulatory focus on the financial services industry presents a continuing business challenge for the Company.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by this item are listed in Item 15—"Exhibits and Financial Statement Schedules" of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2014, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

For Management's report on internal control over financial reporting see page F-2, and attestation report of our independent registered public accounting firm see page F-3.

In addition, there were no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred in the fourth quarter.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information in the definitive proxy statement for our 2015 annual meeting of stockholders under the captions "Executive Officers," "Board of Directors," "Information Regarding the Board of Directors and Corporate Governance—Committees of the Board—Audit Committee," "Information Regarding the Board of Directors and Corporate Governance—Director Nomination Process," "Information Regarding the Board of Directors and Corporate Governance—Procedures for Nominating Director Candidates," "Information Regarding the Board of Directors and Corporate Governance—Code of Business Conduct and Ethics" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

Item 11. Executive Compensation

The information in the definitive proxy statement for our 2015 annual meeting of stockholders under the captions "Executive Compensation—Compensation and Benefits Committee Report," "Certain Relationships and Related Transactions—Compensation and Benefits Committee Interlocks and Insider Participation" and "Information Regarding the Board of Directors and Corporate Governance—Compensation Program for Non-Employee Directors" is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information in the definitive proxy statement for our 2015 annual meeting of stockholders under the captions "Security Ownership—Beneficial Ownership of Directors, Nominees and Executive Officers," "Security Ownership—Beneficial Owners of More than Five Percent of our Common Stock" and "Securities Authorized for Issuance Under Equity Compensation Plans" are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information in the definitive proxy statement for our 2015 annual meeting of stockholders under the captions "Information Regarding the Board of Directors and Corporate Governance—Director Independence," "Certain Relationships and Related Transactions—Transactions with Related Persons," and "Certain Relationships and Related Transactions—Review and Approval of Transactions with Related Persons" is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information in the definitive proxy statement for our 2015 annual meeting of stockholders under the captions "Audit Committee Report and Payment of Fees to Our Independent Auditor—Auditor Fees" and "Audit Committee Report and Payment of Fees to Our Independent Auditor—Auditor Services Pre-Approval Policy" is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in the Annual Report on Form 10-K are listed on page F-1 hereof. The required financial statements appear on pages F-1 through F-64 hereof.

2. Financial Statement Schedules

Separate financial statement schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements.

3. Exhibits

See the Exhibit Index on pages E-1 through E-2 for a list of the exhibits being filed or furnished with or incorporated by reference into this Annual Report on Form 10-K.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Consolidated Financial Statements</u>	<u>Page</u>
<u>Management's Report on Internal Control over Financial Reporting</u>	<u>F- 2</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F- 3</u>
<u>Consolidated Statements of Financial Condition</u>	<u>F- 4</u>
<u>Consolidated Statements of Operations</u>	<u>F- 5</u>
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	<u>F- 6</u>
<u>Consolidated Statements of Changes in Equity</u>	<u>F- 7</u>
<u>Consolidated Statements of Cash Flows</u>	<u>F- 8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F- 10</u>
<u>Note 1—Organization and Business</u>	<u>F- 10</u>
<u>Note 2—Acquisition and Divestitures</u>	<u>F- 10</u>
<u>Note 3—Significant Accounting Policies</u>	<u>F- 10</u>
<u>Note 4—Cash Collateral Pledged</u>	<u>F- 22</u>
<u>Note 5—Investments of Operating Entities and Consolidated Funds</u>	<u>F- 22</u>
<u>Note 6—Fair Value Measurements for Operating Entities and Consolidated Funds</u>	<u>F- 34</u>
<u>Note 7—Receivable from and Payable to Brokers</u>	<u>F- 39</u>
<u>Note 8—Fixed Assets</u>	<u>F- 40</u>
<u>Note 9—Goodwill and Intangible Assets</u>	<u>F- 40</u>
<u>Note 10—Other Assets</u>	<u>F- 42</u>
<u>Note 11—Accounts Payable, Accrued Expenses and Other Liabilities</u>	<u>F- 43</u>
<u>Note 12—Redeemable Non-controlling Interests in Consolidated Subsidiaries and Funds</u>	<u>F- 43</u>
<u>Note 13—Other Revenues and Expenses</u>	<u>F- 43</u>
<u>Note 14—Share-Based and Deferred Compensation and Employee Ownership Plans</u>	<u>F- 44</u>
<u>Note 15—Defined Benefit Plan</u>	<u>F- 46</u>
<u>Note 16—Defined Contribution Plans</u>	<u>F- 49</u>
<u>Note 17—Income Taxes</u>	<u>F- 49</u>
<u>Note 18—Commitments and Contingencies</u>	<u>F- 51</u>
<u>Note 19—Convertible Debt and Notes Payable</u>	<u>F- 53</u>
<u>Note 20—Stockholders' Equity</u>	<u>F- 55</u>
<u>Note 21—Accumulated Other Comprehensive Income (Loss)</u>	<u>F- 56</u>
<u>Note 22—Earnings Per Share</u>	<u>F- 56</u>
<u>Note 23—Segment Reporting</u>	<u>F- 57</u>
<u>Note 24—Regulatory Requirements</u>	<u>F- 61</u>
<u>Note 25—Related Party Transactions</u>	<u>F- 61</u>
<u>Note 26—Guarantees and Off-Balance Sheet Arrangements</u>	<u>F- 62</u>
<u>Note 27—Subsequent Events</u>	<u>F- 63</u>

Management's Report on Internal Control over Financial Reporting

Management of Cowen Group, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of the Company's 2014 fiscal year, management conducted an assessment of the Company's internal control over financial reporting based on the framework established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2014 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

The Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2014.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cowen Group, Inc.

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows present fairly, in all material respects, the financial position of Cowen Group, Inc. and its subsidiaries (the Company) at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing on page F-2. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 26, 2015

Cowen Group, Inc.
Consolidated Statements of Financial Condition
(dollars in thousands, except share and per share data)

	As of December 31, 2014	As of December 31, 2013
Assets		
Cash and cash equivalents	\$ 129,509	\$ 54,720
Cash collateral pledged	8,306	10,907
Securities owned, at fair value	792,206	311,039
Receivable on derivative contracts, at fair value	49,877	10,075
Securities borrowed	676,100	927,773
Other investments	167,464	99,483
Receivable from brokers	84,679	69,146
Fees receivable, net of allowance	46,498	45,067
Due from related parties	26,315	26,910
Fixed assets, net of accumulated depreciation and amortization of \$25,968 and \$21,853, respectively	26,388	26,999
Goodwill	34,906	37,240
Intangible assets, net of accumulated amortization of \$25,581 and \$26,610, respectively	8,483	12,094
Deferred tax asset, net	129,400	—
Other assets	34,230	15,395
<i>Consolidated Funds</i>		
Cash and cash equivalents	501	2,048
Other investments	189,377	187,480
Other assets	1,437	5,624
Total Assets	\$ 2,405,676	\$ 1,842,000
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	\$ 207,875	\$ 130,954
Securities sold under agreement to repurchase	—	3,657
Payable for derivative contracts, at fair value	41,330	7,674
Securities loaned	682,493	918,577
Payable to brokers	335,822	77,235
Compensation payable	134,289	51,807
Notes payable and other debt	67,144	2,564
Convertible debt	118,475	—
Fees payable	6,331	6,324
Due to related parties	474	382
Accounts payable, accrued expenses and other liabilities	46,606	43,475
<i>Consolidated Funds</i>		
Capital withdrawals payable	864	5,222
Accounts payable, accrued expenses and other liabilities	222	549
Total Liabilities	1,641,925	1,248,420
Commitments and Contingencies (Note 18)		
Redeemable non-controlling interests	86,076	85,814
Stockholders' equity		
Preferred stock, par value \$0.01 per share; 10,000,000 shares authorized, no shares issued and outstanding	—	—
Class A common stock, par value \$0.01 per share: 250,000,000 shares authorized, 135,198,855 shares issued and 111,691,199 outstanding as of December 31, 2014 and 130,900,182 shares issued and 115,026,633 outstanding as of December 31, 2013, respectively (including 424,479 and 482,522 restricted shares, respectively)	1,160	1,160
Class B common stock, par value \$0.01 per share: 250,000,000 authorized, no shares issued and outstanding	—	—
Additional paid-in capital	772,296	737,341
(Accumulated deficit) retained earnings	(16,027)	(183,243)
Accumulated other comprehensive income (loss)	17	592
Less: Class A common stock held in treasury, at cost, 23,507,656 and 15,873,549 shares, respectively	(79,771)	(48,084)
Total Stockholders' Equity	677,675	507,766
Total Liabilities and Stockholders' Equity	\$ 2,405,676	\$ 1,842,000

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

Cowen Group, Inc.
Consolidated Statements of Operations
(dollars in thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Revenues			
Investment banking	\$ 170,506	\$ 105,333	\$ 71,762
Brokerage	140,132	114,593	91,167
Management fees	40,627	37,303	38,116
Incentive income	2,785	12,586	5,411
Interest and dividends	48,870	39,454	24,608
Reimbursement from affiliates	12,495	10,434	6,274
Other revenues	9,446	5,418	3,668
<i>Consolidated Funds</i>			
Interest and dividends	2,189	1,185	136
Other revenues	726	2,213	373
Total revenues	427,776	328,519	241,515
Expenses			
Employee compensation and benefits	305,483	207,248	194,034
Floor brokerage and trade execution	23,425	22,709	20,226
Interest and dividends	42,752	27,299	12,137
Professional, advisory and other fees	18,724	14,625	16,339
Service fees	8,071	9,768	11,281
Communications	13,449	13,434	11,932
Occupancy and equipment	26,025	24,729	22,087
Depreciation and amortization	10,188	10,227	9,437
Client services and business development	22,897	17,353	14,069
Goodwill impairment	2,334	—	—
Other expenses	15,209	11,486	13,682
<i>Consolidated Funds</i>			
Interest and dividends	788	345	22
Professional, advisory and other fees	620	1,157	1,361
Floor brokerage and trade execution	16	285	—
Other expenses	210	252	293
Total expenses	490,191	360,917	326,900
Other income (loss)			
Net gains (losses) on securities, derivatives and other investments	104,928	39,651	54,630
<i>Consolidated Funds</i>			
Net realized and unrealized gains (losses) on investments and other transactions	12,890	10,678	6,376
Net realized and unrealized gains (losses) on derivatives	2,451	365	877
Net gains (losses) on foreign currency transactions	(18)	1	(7)
Total other income (loss)	120,251	50,695	61,876
Income (loss) before income taxes	57,836	18,297	(23,509)
Income tax expense (benefit)	(124,944)	457	448
Net income (loss)	182,780	17,840	(23,957)
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	15,564	13,193	(72)
Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ 167,216	\$ 4,647	\$ (23,885)
Weighted average common shares outstanding:			
Basic	114,926	116,703	114,400
Diluted	119,486	121,117	114,400
Earnings (loss) per share:			
Basic	\$ 1.45	\$ 0.04	\$ (0.21)
Diluted	\$ 1.40	\$ 0.04	\$ (0.21)

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

Cowen Group, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands)

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
Net income (loss)	\$	182,780	\$	17,840	\$	(23,957)
Other comprehensive income (loss), net of tax:						
Foreign currency translation	(231)		(10)		148	
Defined benefit pension plan:						
Net gain/(loss) arising during the period	(344)		(137)		459	
Effect of curtailment	—		360		(59)	
Add: amortization of prior service cost included in net periodic pension cost	—	(344)	23	246	23	423
Total other comprehensive income, net of tax		(575)		236		571
Comprehensive income (loss)	\$	182,205	\$	18,076	\$	(23,386)

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

Cowen Group, Inc.
Consolidated Statements of Changes in Equity
(dollars in thousands, except share data)

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ (Accumulated deficit)	Total Stockholders' Equity	Redeemable Non- controlling Interest
Balance, December 31, 2011	114,047,637	\$ 1,135	\$ (16,902)	\$ 688,427	\$ (215)	\$ (163,980)	\$ 508,465	\$ 104,587
Net income (loss)	—	—	—	—	—	(23,885)	(23,885)	(72)
Defined benefit plans	—	—	—	—	423	—	423	—
Foreign currency translation	—	—	—	—	148	—	148	—
Capital contributions	—	—	—	—	—	—	—	500
Capital withdrawals	—	—	—	—	—	—	—	(20,729)
Deconsolidation of entities	—	—	—	—	—	—	—	(17,104)
Consolidation of entities	—	—	—	—	—	—	—	18,521
Restricted stock awards issued	4,346,472	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(5,946,217)	—	(14,826)	—	—	—	(14,826)	—
Amortization of share based compensation	—	—	—	24,784	—	—	24,784	—
Balance, December 31, 2012	112,447,892	1,135	(31,728)	713,211	356	(187,865)	495,109	85,703
Net income (loss)	—	—	—	—	—	4,647	4,647	13,193
Defined benefit plans	—	—	—	—	246	—	246	—
Foreign currency translation	—	—	—	—	(10)	—	(10)	—
Capital contributions	—	—	—	—	—	—	—	15,181
Capital withdrawals	—	—	—	—	—	—	—	(28,263)
Restricted stock awards issued	4,668,423	—	—	—	—	—	—	—
Common stock issued upon acquisition (See Note 2)	2,491,647	25	—	6,215	—	—	6,240	—
Purchase of treasury stock, at cost	(4,606,073)	—	(16,446)	—	—	—	(16,446)	—
Treasury stock re-issuance	24,744	—	90	—	—	(25)	65	—
Amortization of share based compensation	—	—	—	17,915	—	—	17,915	—
Balance, December 31, 2013	115,026,633	\$ 1,160	\$ (48,084)	\$ 737,341	\$ 592	\$ (183,243)	\$ 507,766	\$ 85,814
Net income (loss)	—	—	—	—	—	167,216	167,216	15,564
Defined benefit plan	—	—	—	—	(344)	—	(344)	—
Foreign currency translation	—	—	—	—	(231)	—	(231)	—
Capital contributions	—	—	—	—	—	—	—	10,441
Capital withdrawals	—	—	—	—	—	—	—	(24,585)
Deconsolidation of entity (See Note 13)	—	—	—	—	—	—	—	(1,158)
Restricted stock awards issued	4,265,339	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(7,634,107)	—	(31,687)	—	—	—	(31,687)	—
Warrants issued (see Note 5)	—	—	—	15,218	—	—	15,218	—
Stock options exercised (See Note 14)	33,334	—	—	116	—	—	116	—
Income tax effect from share based compensation	—	—	—	1,324	—	—	1,324	—
Amortization of share based compensation	—	—	—	18,297	—	—	18,297	—
Balance, December 31, 2014	111,691,199	\$ 1,160	\$ (79,771)	\$ 772,296	\$ 17	\$ (16,027)	\$ 677,675	\$ 86,076

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

Cowen Group, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income (loss) from continuing operations	\$ 182,780	\$ 17,840	\$ (23,957)
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:			
Depreciation and amortization	10,188	10,227	9,437
Amortization of debt discount	4,685	—	—
Tax benefits from share-based payment arrangements	1,324	—	—
Share-based compensation	18,297	17,915	24,784
Deferred tax benefit	(130,724)	—	—
Deferred rent obligations	(2,348)	(3,770)	(1,938)
Net loss on disposal of fixed assets	1,575	410	30
Net gain on disposal of capital leases	(1,261)	—	—
Goodwill impairment	2,334	—	—
Contingent liability adjustment	(2,055)	—	—
Purchases of securities owned, at fair value	(4,722,554)	(6,765,271)	(6,129,663)
Proceeds from sales of securities owned, at fair value	4,272,785	7,057,506	6,204,613
Proceeds from sales of securities sold, not yet purchased, at fair value	1,992,965	2,740,372	4,253,982
Payments to cover securities sold, not yet purchased, at fair value	(1,898,102)	(2,774,696)	(4,388,039)
Net (gains) losses on securities, derivatives and other investments	(97,013)	(44,741)	(43,443)
<i>Consolidated Funds</i>			
Purchases of securities owned, at fair value	—	(298,220)	(366,388)
Proceeds from sales of securities owned, at fair value	—	287,412	369,209
Proceeds from sales of securities sold, not yet purchased, at fair value	—	42,701	—
Payments to cover securities sold, not yet purchased, at fair value	—	(42,387)	—
Purchases of other investments	(19,736)	(4,497)	(9,785)
Proceeds from sales of other investments	34,225	56,873	42,071
Net realized and unrealized (gains) losses on investments and other transactions	(16,386)	(14,153)	(8,608)
(Increase) decrease in operating assets:			
Cash acquired upon transaction	—	10,747	290
Cash at deconsolidated entity	(784)	—	—
Cash collateral pledged	2,601	135	625
Securities owned, at fair value, held at broker dealer	(3,939)	20,080	34,632
Receivable on derivative contracts, at fair value	(4,092)	10,673	35,828
Securities borrowed	251,673	(521,447)	121,528
Receivable from brokers	(15,533)	5,218	(1,365)
Fees receivable, net of allowance	(1,406)	(9,975)	(5,642)
Due from related parties	(109)	(5,888)	(3,570)
Other assets	(15,925)	2,818	10,056
<i>Consolidated Funds</i>			
Cash and cash equivalents	1,547	1,511	(2,326)
Other assets	4,187	(5,528)	1,370
Increase (decrease) in operating liabilities:			
Securities sold, not yet purchased, at fair value, held at broker dealer	(21,633)	(10,994)	8,322
Payable for derivative contracts, at fair value	(2,055)	(2,374)	(34,356)
Securities loaned	(236,084)	509,605	(134,397)
Payable to brokers	258,587	(113,023)	(23,102)
Compensation payable	78,264	(13,036)	(29,047)
Fees payable	(129)	1,047	(985)
Due to related parties	92	(280)	(1,252)
Accounts payable, accrued expenses and other liabilities	7,375	(13,404)	(12,954)
<i>Consolidated Funds</i>			
Payable to brokers	—	1,030	—
Due to related parties	—	—	25
Accounts payable, accrued expenses and other liabilities	(327)	146	149
Net cash provided by / (used in) operating activities	\$ (66,711)	\$ 150,582	\$ (103,866)

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

Cowen Group, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,		
	2014	2013	2012
<i>(continued)</i>			
Cash flows from investing activities:			
Securities purchased under agreement to resell	\$ —	\$ —	\$ 166,260
Purchases of other investments	(81,597)	(20,031)	(14,848)
Cash convertible note economic hedge transaction	(35,710)	—	—
Proceeds from sales of other investments	82,072	29,890	13,298
Purchase of business, net of cash acquired (Note 2)	—	—	(10,853)
Purchase of fixed assets	(2,224)	(1,141)	(1,902)
Net cash provided by / (used in) investing activities	(37,459)	8,718	151,955
Cash flows from financing activities:			
Securities sold under agreement to repurchase	(3,657)	(162,288)	(62,838)
Proceeds from issuance of convertible debt	149,500	—	—
Deferred debt issuance cost	(3,720)	—	—
Proceeds from sale of warrant	15,218	—	—
Borrowings on notes and other debt	65,392	2,044	—
Repayments on notes and other debt	(3,627)	(3,613)	(1,518)
Tax benefits from share-based payment arrangements	1,324	—	—
Proceeds from stock options exercised	116	—	—
Purchase of treasury stock	(26,038)	(12,732)	(10,838)
Cash paid to acquire net assets (contingent liability payment)	(800)	(779)	—
Capital contributions by redeemable non-controlling interests in operating entities	705	501	—
Capital withdrawals to redeemable non-controlling interests in operating entities	(8,279)	(3,058)	(3,167)
Consolidated Funds			
Capital contributions by redeemable non-controlling interests in Consolidated Funds	9,736	14,680	—
Capital withdrawals to redeemable non-controlling interests in Consolidated Funds	(16,911)	(22,873)	(15,065)
Net cash provided by / (used in) financing activities	178,959	(188,118)	(93,426)
Change in cash and cash equivalents	74,789	(28,818)	(45,337)
Cash and cash equivalents at beginning of period	54,720	83,538	128,875
Cash and cash equivalents at end of period	\$ 129,509	\$ 54,720	\$ 83,538
Supplemental information			
Cash paid during the year for interest	\$ 32,032	\$ 24,644	\$ 9,419
Cash paid during the year for taxes	\$ 547	\$ 72	\$ 611
Supplemental non-cash information			
Net assets (liabilities) acquired upon acquisition (net of cash)	\$ —	\$ —	\$ 9,995
Non compete agreements and covenants with limiting conditions acquired (see Note 2)	\$ —	\$ 460	\$ 167
Common stock issuance upon close of acquisition (see Note 2)	\$ —	\$ 6,240	\$ —
Purchase of treasury stock, at cost, through net settlement (see Note 20)	\$ 5,649	\$ 3,649	\$ 3,988
Cash conversion option (See Note 5)	\$ 35,710	\$ —	\$ —
Asset acquired under capital lease	\$ 4,075	\$ —	\$ —
Re-issuance of treasury stock for services provided	\$ —	\$ 65	\$ —
Net assets transferred to Merger Master (see Note 5)	\$ —	\$ 22,152	\$ —
Net assets of consolidated entities	\$ —	\$ —	\$ 18,521
Net assets of deconsolidated entities	\$ 1,544	\$ —	\$ 17,104

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

Cowen Group, Inc.

Notes to Consolidated Financial Statements

1. Organization and Business

Cowen Group, Inc., a Delaware corporation formed in 2009, is a diversified financial services firm and, together with its consolidated subsidiaries (collectively, "Cowen," "Cowen Group" or the "Company"), provides alternative investment management, investment banking, research, and brokerage (including market-making and sales and trading) through its two business segments: alternative investment and broker-dealer. Ramius, the Company's alternative investment segment, includes hedge funds, replication products, liquid alternative risk premia products, customized solutions, mutual funds, managed futures funds, fund of funds, real estate and healthcare royalty funds. Cowen, the Company's broker-dealer segment offers research, brokerage and investment banking services to companies and institutional investor clients primarily in the healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, real estate investment trusts ("REITs"), clean technology, energy, metals and mining, transportation, chemicals and agriculture sectors.

2. Acquisitions and Divestitures

Acquisition

On March 11, 2013, the Company completed its acquisition of all of the outstanding interests in Dahlman Rose & Company, LLC ("Dahlman"), a privately-held investment bank specializing in the energy, metals and mining, transportation, chemicals and agriculture sectors. This acquisition was an all-stock transaction. In the aggregate, the purchase price, assets acquired and liabilities assumed were not significant and the near term impact to the Company and its consolidated results of operations and cash flows was not expected to be significant. Dahlman was subsequently renamed to Cowen Securities LLC ("Cowen Securities"). Following the acquisition, the Cowen Securities broker-dealer ceased operations and its business was fully integrated into Cowen and Company, LLC ("Cowen and Company").

The acquisition was accounted for under the acquisition method of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). As such, results of operations for Cowen Securities are included in the accompanying consolidated statements of operations since the date of the acquisition, and the assets acquired, liabilities assumed and the resulting goodwill were recorded at their fair values within their respective line items on the accompanying consolidated statement of financial condition. The goodwill is fully deductible for tax purposes.

Divestitures

During the fourth quarter of 2014, the Company made a decision to wind down the operations of the the securities lending business. The Company recorded impairment of goodwill in the amount of \$2.3 million and impairment of unamortized intangibles of \$0.9 million (See Note 9). The Company also wrote off the contingent liability due to the principals of the former entity of \$2.1 million which is included in other revenues in the accompanying consolidated statements of operations. The Company also recognized certain expenses related to the termination of services. The Company considered the guidance for discontinued operations and determined that winding down the securities lending business does not represent a significant strategic shift in operations, therefore, the Company did not present it as discontinued operations.

On September 29, 2014, the Company entered into an agreement with Neuberger Berman to sell its interest in Orchard Square Partners ("OSP"), which manages a global long/short credit investment strategy with approximately \$420.8 million in client assets. The transaction closed on December 31, 2014 and therefore OSP was deconsolidated on that date. During the year ended December 31, 2014, the Company consolidated the results of operations. As of December 31, 2014, the total assets, liabilities and net assets attributable to the Company and non-controlling interest holders were not material. In accordance with the terms of the sale agreement all of the net assets of OSP as of December 31, 2014 were allocated to the Company and the non-controlling members of OSP in accordance with the respective ownership interests and will be distributed soon thereafter. The total sale price was \$4.5 million which is included in other revenues in the accompanying consolidated statements of operations. In addition, in accordance with the terms of the agreement, Neuberger Berman is also required to pay the Company a portion of future net revenues of the credit business if certain revenue targets are achieved through 2018.

3. Significant Accounting Policies

a. Basis of Presentation

These consolidated financial statements are prepared in accordance with US GAAP as promulgated by the Financial Accounting Standards Board ("FASB") through Accounting Standards Codification as the source of authoritative accounting principles in the preparation of financial statements, and include the accounts of the Company, its operating and other

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

subsidiaries, and entities in which the Company has a controlling financial interest or a substantive, controlling general partner interest. All material intercompany transactions and balances have been eliminated on consolidation. Certain fund entities that are consolidated in these accompanying consolidated financial statements, as further discussed below, are not subject to the consolidation provisions with respect to their own controlled investments pursuant to their specialized accounting.

The Company serves as the managing member/general partner and/or investment manager to affiliated fund entities which it sponsors and manages. Funds in which the Company has a controlling financial interest are consolidated with the Company pursuant to US GAAP as described below. Consequently, the Company's consolidated financial statements reflect the assets, liabilities, income and expenses of these funds on a gross basis. The ownership interests in these funds that are not owned by the Company are reflected as redeemable non-controlling interests in consolidated subsidiaries in the accompanying consolidated financial statements. The management fees and incentive income earned by the Company from these funds are eliminated in consolidation.

Certain reclassifications have been made to prior period amounts in order to conform to current period presentation. During 2014, prior-period amounts for various costs relating to trading and execution activities previously presented as other expenses and communications (client connectivity charges) are now presented as floor brokerage and trade execution costs in the consolidated statements of operations to conform to the current year's presentation.

b. Principles of consolidation

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting operating entity ("VOE") or a variable interest entity ("VIE") under US GAAP.

Voting Operating Entities—VOEs are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders at risk have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact the entity's economic performance.

Under US GAAP, the usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. Accordingly, the Company consolidates VOEs in which it owns a majority of the entity's voting shares or units. US GAAP also provides that a general partner of a limited partnership (or a managing member, in the case of a limited liability company) is presumed to control the partnership, and thus should consolidate it, unless a simple majority of the limited partners has the right to remove the general partner without cause or to terminate the partnership. In accordance with these standards, the Company presently consolidates five entities deemed to be VOEs for which it acts as the general partner and investment manager.

As of and during the period ended December 31, 2014 the Company consolidated the following funds: Ramius Enterprise LP ("Enterprise LP") and Ramius Merger Fund LLC (the "Merger Fund") (collectively the "2014 Consolidated Funds"). As of December 31, 2013, the Company consolidated the following funds: Enterprise LP, Ramius Multi-Strategy Master FOF LP ("Multi-Strat Master FOF"), Ramius Vintage Multi-Strategy Master FOF LP ("Vintage Master FOF"), Ramius Levered Multi-Strategy FOF LP ("Levered FOF"), and the Merger Fund (collectively the "2013 Consolidated Funds"). As of December 31, 2013, Levered FOF, Multi-Strat Master FOF and Vintage Master FOF, all of which are investment companies managed by Ramius Alternative Solutions LLC, were fully liquidated. RTS Global 3X LP was consolidated through March 31, 2013 when it was liquidated. Collectively, the 2013 Consolidated Funds and the 2014 Consolidated Funds are referred to as the "Consolidated Funds".

As of December 31, 2014, the Company also consolidated two investment companies i) RCG Linkem II LLC, formed to make an investment in a wireless broadband communication provider in Italy and ii) Cowen AV Investment LLC, formed to make an investment in a biotechnology company focused on developing gene therapies for certain medical needs. Ramius Co-Investment I LLC, an entity that invested in a biomedical company that develops gene therapies for severe genetic disorders, was consolidated as of December 31, 2013 but was deconsolidated during the first quarter of 2014 when Ramius Co-Investment I LLC was liquidated. Ramius Co-Investment II LLC, an entity formed for the same purpose as Ramius Co-Investment I LLC, was consolidated but was liquidated during the quarter ended September 30, 2014. The Company determined that RCG Linkem II, LLC, Ramius Co-Investment I LLC (up until the first quarter of 2014), Ramius Co-Investment II LLC (up until the third quarter of 2014) and Cowen AV Investment LLC are VOE's due to its controlling equity interests held through the managing member and/or affiliates and control exercised by the managing member who is not subject to substantive removal rights.

Variable Interest Entities—VIEs are entities that lack one or more of the characteristics of a VOE. In accordance with US GAAP, an enterprise must consolidate all VIEs of which it is the primary beneficiary. Under the US GAAP consolidation

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

model for VIEs, an enterprise that (1) has the power to direct the activities of a VIE that most significantly impacts the VIE's economic performance, and (2) has an obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE, is considered to be the primary beneficiary of the VIE and thus is required to consolidate it.

However, the FASB has deferred the application of the revised consolidation model for VIEs that meet the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, Investment Companies, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with investment companies, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The Company's involvement with its funds is such that all three of the above conditions are met for substantially all of the funds managed by the Company. Where the VIEs have qualified for the deferral, the analysis is based on previous consolidation rules. These rules require an analysis to (a) determine whether an entity in which the Company holds a variable interest is a variable interest entity and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIEs expected residual returns, or both. If these conditions are met, the Company is considered to be the primary beneficiary of the VIE and thus is required to consolidate it.

The Company reconsiders whether it is the primary beneficiary of a VIE by performing a periodic qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, contractual agreements between the Company and the VIE, the economic interests that create or absorb variability, related party relationships and the design of the VIE. As of December 31, 2014, the Company consolidated two VIEs and as of December 31, 2013 the Company consolidated three VIEs. As of December 31, 2014 and December 31, 2013, the total net assets of the consolidated VIEs are \$2.0 million and \$11.3 million, respectively. The VIEs act as managing members/general partners and/or investment managers to affiliated fund entities which they sponsor and/or manage. The VIEs are financed through their operations and/or loan agreements with the Company.

As of December 31, 2014 and December 31, 2013, the Company holds a variable interest in Ramius Enterprise Master Fund Ltd ("Enterprise Master") through one of its Consolidated Funds, Enterprise LP and the Company holds a variable interest in Ramius Merger Master Fund Ltd through one of its Consolidated Funds, Merger Fund, (the "Unconsolidated Master Funds"). Investment companies, which account for their investments under the specialized industry accounting guidance for investment companies prescribed under US GAAP, are not subject to the consolidation provisions for their investments. Therefore, the Company has not consolidated the Unconsolidated Master Funds.

In the ordinary course of business, the Company also sponsors various other entities that it has determined to be VIEs. These VIEs are primarily funds and real estate entities for which the Company serves as the general partner, managing member and/or investment manager with decision-making rights.

The Company does not consolidate any of these funds or real estate entities that are VIEs as it has concluded that it is not the primary beneficiary in each instance. Fund investors are entitled to all of the economics of these VIEs with the exception of the management fee and incentive income, if any, earned by the Company. The Company's involvement with funds and real estate entities that are unconsolidated VIEs is limited to providing investment management services in exchange for management fees and incentive income. Although the Company may advance amounts and pay certain expenses on behalf of the funds and real estate entities that it considers to be VIEs, it does not provide, nor is it required to provide, any type of substantive financial support to these entities outside of regular investment management services. (See Note 5 for additional disclosures on VIEs)

Equity Method Investments—For operating entities over which the Company exercises significant influence but which do not meet the requirements for consolidation as outlined above, the Company uses the equity method of accounting. The Company's investments in equity method investees are recorded in other investments in the accompanying consolidated statements of financial condition. The Company's share of earnings or losses from equity method investees is included in net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.

The Company evaluates for impairment its equity method investments whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its estimated fair value is recognized as an impairment charge when the loss in value is deemed other than temporary.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Other—If the Company does not consolidate an entity, apply the equity method of accounting or account for an investment under the cost method, the Company accounts for such entities (primarily, all securities of such entity which are bought and held principally for the purpose of selling them in the near term as trading securities) in accordance with US GAAP, at fair value with unrealized gains (losses) resulting from changes in fair value reflected within net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.

Retention of Specialized Accounting—The Consolidated Funds are investment companies and apply specialized industry accounting for investment companies. The Company has retained this specialized accounting for these funds pursuant to US GAAP. The Company reports its investments on the consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected within net realized and unrealized gains (losses) on investments and other transactions. Accordingly, the accompanying consolidated financial statements reflect different accounting policies for investments depending on whether or not they are held through a consolidated investment company. In addition, the Company's broker-dealer subsidiaries, Cowen and Company, ATM Execution LLC ("ATM Execution"), ATM USA, LLC ("ATM USA"), and Cowen Equity Finance LP ("Cowen Equity Finance"), apply the specialized industry accounting for brokers and dealers in securities also prescribed under US GAAP. The Company also retains specialized accounting in consolidation.

c. Use of estimates

The preparation of the accompanying consolidated financial statements in conformity with US GAAP requires the management of the Company to make estimates and assumptions that affect the fair value of securities and other investments, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements, the accounting for goodwill and identifiable intangible assets and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

d. Cash and cash equivalents

The Company considers investments in money market funds and other highly liquid investments with original maturities of three months or less which are deposited with a bank or prime broker to be cash equivalents. Cash and cash equivalents held at Consolidated Funds, although not legally restricted, are not available to fund the general liquidity needs of the Company. The Company may also be exposed to credit risk as a result of cash being held at several banks.

e. Valuation of investments and derivative contracts

US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3 Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. The determination of fair value for assets and liabilities in this category requires significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company's perceived risk of that instrument.

The Company and its operating subsidiaries act as the manager for the Consolidated Funds. Both the Company and the Consolidated Funds hold certain investments which are valued by the Company, acting as the investment manager. The fair

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

value of these investments is generally estimated based on proprietary models developed by the Company, which include discounted cash flow analysis, public market comparables, and other techniques and may be based, at least in part, on independently sourced market information. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, timing of, and estimated proceeds from expected financings. Significant judgment and estimation goes into the selection of an appropriate valuation methodology as well as the assumptions used in these models, and the timing and actual values realized with respect to investments could be materially different from values derived based on the use of those estimates. The valuation methodologies applied impact the reported value of the Company's investments and the investments held by the Consolidated Funds in the consolidated financial statements. Certain of the Company's investments are relatively illiquid or thinly traded and may not be immediately liquidated on demand if needed. Fair values assigned to these investments may differ significantly from the fair values that would have been used had a ready market for the investments existed and such differences could be material.

The Company primarily uses the "market approach" to value its financial instruments measured at fair value. In determining an instrument's level within the hierarchy, the Company categorizes the Company's financial instruments into three categories: securities, derivative contracts and other investments. To the extent applicable, each of these categories can further be divided between those held long or sold short.

Securities—Securities with values based on quoted market prices in active markets for identical assets are classified within level 1 of the fair value hierarchy. These securities include active listed equities, certain U.S. government and sovereign obligations, ETF's, mutual funds and certain money market securities. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Certain positions for which trading activity may not be readily visible, consisting primarily of convertible debt, corporate debt and loans and restricted equities are stated at fair value and classified within level 2 of the fair value hierarchy. The estimated fair values assigned by management are determined in good faith and are based on available information considering, trading activity, broker quotes, quotations provided by published pricing services, counterparties and other market participants, and pricing models using quoted inputs, and do not necessarily represent the amounts which might ultimately be realized. As level 2 investments include positions that are not always traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability.

Derivative contracts—Derivative contracts can be exchange-traded or privately negotiated over-the-counter ("OTC"). Exchange-traded derivatives, such as futures contracts and exchange-traded option contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded. OTC derivatives, such as generic forwards, swaps and options, have inputs which can generally be corroborated by market data and are therefore classified within level 2. OTC derivatives, such as swaps, and options where market data is not readily available or observable are classified as level 3.

Other investments—Other investments consist primarily of portfolio funds, real estate investments and equity method investments, which are valued as follows:

- i. **Portfolio funds**—Portfolio funds ("Portfolio Funds") include interests in funds and investment companies which may be managed by the Company or its affiliates. The Company follows US GAAP regarding fair value measurements and disclosures relating to investments in certain entities that calculate net asset value ("NAV") per share (or its equivalent). The guidance permits, as a practical expedient, an entity holding investments in certain entities that either are investment companies as defined by the AICPA Audit and Accounting Guide, Investment Companies, or have attributes similar to an investment company, and calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment.

The Company categorizes its investments in Portfolio Funds within the fair value hierarchy dependent on its ability to redeem the investment. If the Company has the ability to redeem its investment at NAV at the measurement date or within the near term, the Portfolio Fund is categorized as a level 2 investment within the fair value hierarchy. If the Company does not know when it will have the ability to redeem its investment or cannot do so in the near term, the Portfolio Fund is categorized as a level 3 investment within the fair value hierarchy. See Notes 5 and 6 for further details of the Company's investments in Portfolio Funds.

- ii. **Real estate investments**—Real estate debt and equity investments are valued at fair value. The fair value of real estate investments are estimated based on the price that would be received to sell an asset in an orderly transaction between

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

marketplace participants at the measurement date. Real estate investments without a public market are valued based on assumptions and valuation techniques used by the Company. Such valuation techniques may include discounted cash flow analysis, prevailing market capitalization rates or earnings multiples applied to earnings from the investment, analysis of recent comparable sales transactions, actual sale negotiations and bona fide purchase offers received from third parties, consideration of the amount that currently would be required to replace the asset, as adjusted for obsolescence, as well as independent external appraisals. In general, the Company considers several valuation techniques when measuring the fair value of a real estate investment. However, in certain circumstances, a single valuation technique may be appropriate. Real estate investments are reviewed on a quarterly basis by the Company for significant changes at the property level or a significant change in the overall market which would impact the value of the real estate investment resulting in unrealized appreciation or depreciation.

Real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. In addition, the Company invests in real estate and real estate related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily ascertainable. Amounts ultimately realized by the Company from investments sold may differ from the fair values presented, and the differences could be material. The Company's real estate investments are typically categorized as a level 3 investment within the fair value hierarchy as management uses significant unobservable inputs in determining their estimated fair value.

See Notes 5 and 6 for further information regarding the Company's investments, including equity method investments, and fair value measurements.

f. Due from/due to related parties

The Company may advance amounts and pay certain expenses on behalf of employees of the Company or other affiliates of the Company. These amounts settle in the ordinary course of business. Such amounts are included in due from and due to related parties, respectively, on the accompanying consolidated statements of financial condition.

g. Receivable from and payable to brokers

Receivable from and payable to brokers, includes cash held at clearing brokers, amounts receivable or payable for unsettled transactions, monies borrowed and proceeds from short sales equal to the fair value of securities sold, but not yet purchased. Pursuant to the Company's prime broker agreements, these balances are presented net (assets less liabilities) across balances with the same broker.

h. Securities borrowed and securities loaned

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced or received on a gross basis. The related rebates are recorded in the statement of operations as interest income and interest expense. Securities borrowed transactions require the Company to deposit cash collateral with the lender. With respect to securities loaned, the Company receives cash collateral from the borrower. The initial collateral advanced or received approximates or is greater than the market value of securities borrowed or loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or returned, as necessary. Securities borrowed and loaned may also result in credit exposures for the Company in an event that the counterparties are unable to fulfill their contractual obligations. The Company minimizes its credit risk by continuously monitoring its credit exposure and collateral values by demanding additional or returning excess collateral in accordance with the netting provisions available in the master securities lending contracts in place with the counterparties.

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis. In cases where the fair value basis of accounting is elected, any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method. At December 31, 2014 and December 31, 2013, the Company does not have any securities lending transactions for which fair value basis of accounting was elected.

i. Securities purchased under agreements to resell and securities sold under agreements to repurchase

The Company uses securities purchased under agreements to resell and securities sold under agreements to repurchase ("Repurchase Agreements") as part of its liquidity management activities and to support its trading and risk management activities. In particular, securities purchased and sold under Repurchase Agreements are used for short-term liquidity purposes. As of December 31, 2013, Repurchase Agreements were secured predominantly by liquid corporate credit and/or government

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

issued securities. The use of Repurchase Agreements will fluctuate with the Company's need to fund short term credit or obtain competitive short term credit financing. The Company's securities sold under agreements to repurchase were transacted pursuant to agreements with one counterparty as of December 31, 2013. The Company does not hold any Repurchase Agreements as of December 31, 2014.

Collateral is valued daily and the Company and its counterparties may adjust the collateral or require additional collateral to be deposited when appropriate. Collateral held by counterparties may be sold or re-hypothecated by such counterparties, subject to certain limitations sometimes imposed by the Company and in accordance with the master netting agreements in place with the counterparty. Collateralized Repurchase Agreements may result in credit exposure in the event the counterparties to the transactions are unable to fulfill their contractual obligations. The Company minimizes the credit risk associated with this activity by monitoring credit exposure and collateral values, and by requiring additional collateral to be promptly deposited with or returned to the Company when deemed necessary.

j. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation or amortization. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful life or lease term. When the Company commits to a plan to abandon fixed assets or leasehold improvements before the end of its original useful life, the estimated depreciation or amortization period is revised to reflect the shortened useful life of the asset. Other fixed assets are depreciated on a straight-line basis over their estimated useful lives.

Asset	Depreciable Lives	Principal Method
Telephone and computer equipment	3-5 years	Straight-line
Computer software	3-5 years	Straight-line
Furniture and fixtures	3-8 years	Straight-line
Leasehold improvements	1-10 years	Straight-line
Capitalized lease asset	5 years	Straight-line

k. Goodwill and intangible assets

Goodwill represents the excess of the purchase price consideration of acquired companies over the estimated fair value assigned to the individual assets acquired and liabilities assumed. Goodwill is allocated to the Company's reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identifiable with the reporting unit. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit.

In accordance with US GAAP, the Company tests goodwill for impairment on an annual basis, at December 31st each year, or at an interim period if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Under US GAAP, the Company tests goodwill for impairment by assessing the qualitative factors including, macroeconomic environment, industry and market specific conditions, financial performance and events specific to the reporting unit to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Based on the results of the qualitative assessment the Company performs the two-step goodwill impairment test. The first step requires a comparison of the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the related goodwill is not considered impaired and no further analysis is required. If the carrying value of the reporting unit exceeds the fair value, there is an indication that the related goodwill might be impaired and the step two is performed to measure the amount of impairment, if any.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess. Goodwill impairment tests involve significant judgment in determining the estimates of future cash flows, discount rates, economic forecast and other assumptions which are then used in acceptable valuation techniques, such as the market approach (earning and or transactions multiples) and / or income approach (discounted cash flow method). Changes in these estimates and assumptions could have a significant impact on the fair value and any resulting impairment of goodwill. See Note 9 for further discussion.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Intangible assets with finite lives are amortized over their estimated average useful lives. The Company does not have any intangible assets deemed to have indefinite lives. Intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that an asset or asset group's carrying value may not be fully recoverable. Similar to goodwill impairment test, an impairment loss, calculated as the difference between the estimated fair value and the carrying value of an asset or asset group, is recognized in the accompanying consolidated statements of operations if the sum of the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

l. Debt

Long-term debt is carried at the principal amount borrowed net of any discount/premium. The discount is accreted to interest expense using the effective interest method over the remaining life of the underlying debt obligations. Accrued but unpaid coupon interest is included in accrued expenses and other liabilities in the accompanying consolidated statements of financial condition.

m. Deferred rent

Deferred rent primarily consists of step rent, allowances from landlords and valuing the Company's lease properties in accordance with US GAAP. Step rent represents the difference between actual operating lease payments due and straight-line rent expense, which is recorded by the Company over the term of the lease, including the build-out period. This amount is recorded as deferred rent in the early years of the lease, when cash payments are generally lower than straight-line rent expense, and reduced in the later years of the lease when payments begin to exceed the straight-line expense. Landlord allowances are generally comprised of amounts received and/or promised to the Company by landlords and may be received in the form of cash or free rent. These allowances are part of the negotiated terms of the lease. The Company records a receivable from the landlord and a deferred rent liability when the allowances are earned. This deferred rent is amortized into income (through lower rent expense) over the term (including the pre-opening build-out period) of the applicable lease, and the receivable is reduced as amounts are received from the landlord. Liabilities resulting from valuing the Company's leased properties acquired through business combinations are quantified by comparing the current fair value of the leased space to the current rental payments on the date of acquisition. Deferred rent, included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated statements of financial condition, as of December 31, 2014 and December 31, 2013 is \$13.1 million and \$14.6 million, respectively.

n. Legal reserves

In accordance with US GAAP, the Company establishes reserves for contingencies when the Company believes that it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. The Company discloses a contingency if there is at least a reasonable possibility that a loss may have been incurred and there is no reserve for the loss because the conditions above are not met. The Company's disclosure includes an estimate of the reasonably possible loss or range of loss for those matters, for which an estimate can be made. Neither reserve nor disclosure is required for losses that are deemed remote.

o. Capital withdrawals payable

Capital withdrawals from the Consolidated Funds are recognized as liabilities, net of any incentive income, when the amount requested in the withdrawal notice represents an unconditional obligation at a specified or determined date (or dates) or upon an event certain to occur. This generally may occur either at the time of the receipt of the notice, or on the last day of a reporting period, depending on the nature of the request. As a result, withdrawals paid after the end of the year, but based upon year-end capital balances are reflected as liabilities at the balance sheet date.

p. Redeemable non-controlling interests in consolidated subsidiaries

Redeemable non-controlling interests represent the pro rata share of the book value of the financial positions and results of operations attributable to the other owners of the consolidated subsidiaries. Redeemable non-controlling interests related to Consolidated Funds are generally subject to annual, semi-annual or quarterly withdrawals or redemptions by investors in these funds, sometimes following the expiration of a specified period of time (generally one year), or may only be withdrawn subject to a redemption fee (generally ranging from 1% to 5%). Likewise, non-controlling interests related to certain other consolidated entities are generally subject to withdrawal, redemption, transfer or put/call rights that permit such non-controlling investors to withdraw from the entities on varying terms and conditions. Because these non-controlling interests are redeemable at the option of the non-controlling interests, they have been classified as temporary equity in the accompanying consolidated statements of financial condition. When redeemed amounts become legally payable to investors on a current basis, they are reclassified as a liability.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

q. Treasury stock

In accordance with the US GAAP relating to repurchases of an entity's own outstanding common stock, the Company records the purchases of stock held in treasury at cost and reports them separately as a deduction from total stockholders' equity on the accompanying consolidated statements of financial condition and changes in equity.

r. Comprehensive income (loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). The Company's other comprehensive income (loss) is comprised of valuation adjustments to the Company's defined benefit plans and foreign currency cumulative translation adjustments.

s. Revenue recognition

The Company's principal sources of revenue are derived from two segments: an alternative investment segment and a broker-dealer segment, as more fully described below.

Our alternative investment segment generates revenue through three principal sources: management fees, incentive income and investment income from the Company's own capital.

Our broker-dealer segment generates revenue through three principal sources: investment banking, brokerage and investment income.

Management fees

The Company earns management fees from affiliated funds and certain managed accounts that it serves as the investment manager based on assets under management. The actual management fees received vary depending on distribution fees or fee splits paid to third parties either in connection with raising the assets or structuring the investment.

Management fees are generally paid on a quarterly basis at the beginning of each quarter in arrears and are prorated for capital inflows and redemptions. While some investors may have separately negotiated fees, in general the management fees are as follows:

- **Hedge Funds.** Management fees for the Company's hedge funds are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.
- **Mutual Funds.** Management fees for the Company's mutual funds (State Street/Ramius Managed Futures Strategy Fund, Ramius Event Driven Equity Fund, Ramius Hedged Alpha Fund and Ramius Strategic Volatility Fund) are generally charged at an annual rate of up to 1.35% of assets under management (subject to an overall expense cap of up to 1.9%).
- **Alternative Solutions.** Management fees for the Alternative Solutions business are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income or based on assets under management at the beginning of the month. Management fees earned from the Alternative Solutions business are based and initially calculated on estimated net asset values and actual fees ultimately earned could be impacted to the extent of any changes in these estimates.
- **Real Estate.** Management fees from the Company's real estate business are generally charged by their general partners at an annual rate from 0.75% to 1.50% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period. The general partners of the funds on the RCG Longview platform are owned jointly by the Company and third parties. Accordingly, the management fees (in addition to incentive income and investment income) generated by these real estate funds are split between the Company and the other general partners. Pursuant to US GAAP, these fees and other income received by the general partners that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.
- **HealthCare Royalty Partners.** During the investment period (as defined in the management agreement of the HealthCare Royalty Partners' funds), management fees for the funds advised by HealthCare Royalty Partners are

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

generally charged at an annual rate of up to 2% of committed capital. After the investment period, management fees are generally charged at an annual rate of up to 2% of the net asset value or invested capital of the funds or the aggregate cost basis of the unrealized investments held by the funds. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.

- **Ramius Trading Strategies.** Management fees and platform fees for the Company's private commodity trading advisory business are generally charged at an annual rate of up to 0.5%. Management and platform fees are generally calculated monthly based on each account's notional trading level at the end of each month.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) with respect to certain of the Company's funds and managed accounts, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have been carried forward from prior years. For the products the Company offers, incentive income earned is typically up to 20% for hedge funds and up to 10% for alternative solutions products (in certain cases on performance in excess of a benchmark), of the net profits earned for the full year that are attributable to each fee-paying investor. Generally, incentive income on real estate funds is earned after the investor has received a full return of their invested capital, plus a preferred return. However, for certain real estate funds, the Company is entitled to receive incentive fees earlier, provided that the investors have received their preferred return on a current basis. These funds are subject to a potential clawback of these incentive fees upon the liquidation of the fund if the investor has not received a full return of its invested capital plus the preferred return thereon. Incentive income in the HealthCare Royalty Partners funds is earned only after investors receive a full return of their capital plus a preferred return.

In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a "high-water mark." The Company has elected to record incentive income revenue in accordance with "Method 2" of US GAAP. Under Method 2, the incentive income from the Company's funds and managed accounts for any period is based upon the net profits of those funds and managed accounts at the reporting date. Any incentive income recognized in the accompanying consolidated statement of operations may be subject to future reversal based on subsequent negative performance prior to the conclusion of the fiscal year, when all contingencies have been resolved.

Carried interest in the real estate funds is subject to clawback to the extent that the carried interest actually distributed to date exceeds the amount due to the Company based on cumulative results. As such, the accrual for potential repayment of previously received carried interest, which is a component of accounts payable, accrued expenses and other liabilities, represents all amounts previously distributed to the Company, less an assumed tax liability, that would need to be repaid to certain real estate funds if these funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual clawback liability does not become realized until the end of a fund's life.

Investment Banking

The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's target sectors of healthcare, technology, media and telecommunications, consumer, aerospace and defense, industrials, REITs and clean technology.

Investment banking revenue consists of underwriting fees, strategic/financial advisory fees and private placement fees.

- **Underwriting fees.** The Company earns underwriting revenues in securities offerings in which the Company acts as an underwriter, such as initial public offerings, follow-on equity offerings, debt offerings, and convertible security offerings. Underwriting revenues include management fees, selling concessions and underwriting fees. Fee revenue relating to underwriting commitments is recorded when all significant items relating to the underwriting process have been completed and the amount of the underwriting revenue has been determined. This generally is the point at which all of the following have occurred: (i) the issuer's registration statement has become effective with the SEC, or the other offering documents are finalized; (ii) the Company has made a firm commitment for the purchase of securities from the issuer; and (iii) the Company has been informed of the number of securities that it has been allotted.

When the Company is not the lead manager for an underwriting transaction, management must estimate the Company's share of transaction-related expenses incurred by the lead manager in order to recognize revenue. Transaction-related expenses are deducted from the underwriting fee and therefore reduce the revenue the Company

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

recognizes as co-manager. Such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically within 90 days following the closing of the transaction.

- **Strategic/financial advisory fees.** The Company's strategic advisory revenues include success fees earned in connection with advising companies, principally in mergers and acquisitions and liability management transactions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.
- **Private placement fees.** The Company earns agency placement fees in non-underwritten transactions such as private placements of debt and equity securities, including, private investment in public equity transactions ("PIPEs") and registered direct offerings. The Company records private placement revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

Brokerage revenue consists of commissions, principal transactions and equity research fees.

- **Commissions.** Commission revenue includes fees from executing client transactions. These fees are recognized on a trade date basis. The Company permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. Commissions on soft dollar brokerage are recorded net of the related expenditures on an accrual basis. Commission revenues also includes fees from making algorithms available to clients. During the years ended December, 2014, 2013, and 2012, the Company earned \$95.4 million, \$79.7 million and \$63.0 million of revenues from commissions, respectively.
- **Principal transactions.** Principal transactions revenue include net trading gains and losses from the Company's market-making activities in over-the-counter equity securities, trading of convertible securities, and trading gains and losses on inventory and other firm positions, which include warrants previously received as part of investment banking transactions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration. During the years ended December 31, 2014, 2013, and 2012, the Company earned \$36.6 million, \$28.1 million and \$22.5 million of revenues from principal transactions, net, respectively.
- **Equity research fees.** Equity research fees are paid to the Company for providing equity research. Revenue is recognized once an arrangement exists, access to research has been provided, the fee amount is fixed or determinable, and collection is reasonably assured. During the years ended December 31, 2014, 2013, and 2012, the Company earned \$8.1 million, \$6.8 million and \$5.7 million of revenues from equity research fees, respectively.

Investment Income

Investment income earned by the alternative investment and broker dealer segments are earned from investing the Company's capital in various strategies and from investments in private capital raising transactions of its investment banking clients.

Interest and dividends

Interest and dividends are earned by the Company from various sources. The Company receives interest and dividends primarily from investments held by its Consolidated Funds and its brokerage balances from invested capital and from its security lending program. Interest is recognized on an accrual basis and interest income is recognized on the debt of those issuers that is deemed collectible. Interest income and expense includes premiums and discounts amortized and accreted on debt investments based on criteria determined by the Company using the effective yield method, which assumes the reinvestment of all interest payments. Dividends are recognized on the ex-dividend date.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Reimbursement from affiliates

The Company allocates, at its discretion, certain expenses incurred on behalf of its hedge fund, fund of funds and real estate businesses. These expenses relate to the administration of such subsidiaries and assets that the Company manages for its funds. In addition, pursuant to the funds' offering documents, the Company charges certain allowable expenses to the funds, including charges and personnel costs for legal, compliance, accounting, tax compliance, risk and technology expenses that directly relate to administering the assets of the funds. Such expenses that have been reimbursed at their actual costs are included in the accompanying consolidated statements of operations as employee compensation and benefits, professional, advisory and other fees, communications, occupancy and equipment, client services and business development and other.

t. Investments transactions and related income/expenses

Purchases and sales of securities, net of commissions, and derivative contracts, and the related revenues and expenses are recorded on a trade date basis with net trading gains and losses included as a component of net gains (losses) on securities, derivatives and other investments, and with respect to the Consolidated Funds and other real estate entities as a component of net realized and unrealized gains (losses) on investments and other transactions and net realized and unrealized gains (losses) on derivatives, in the accompanying consolidated statements of operations.

u. Share-based compensation

The Company accounts for its share-based awards granted to individuals as payment for employee services in accordance with US GAAP and values such awards based on grant date fair value. Unearned compensation associated with share-based awards is amortized over the vesting period of the option or award. The Company estimates forfeiture for equity-based awards that are not expected to vest. See Note 14 for further information regarding the Company's share-based compensation plans.

v. Employee benefit plans

The Company recognizes, in its accompanying consolidated statements of financial condition, the funded status of its defined benefit plans, measured as the difference between the fair value of the plan assets and the benefit obligation. The Company recognizes changes in the funded status of a defined benefit plan within accumulated other comprehensive income (loss), net of tax, to the extent such changes are not recognized in earnings as components of periodic net benefit cost. See Note 15 for further information regarding the Company's defined benefit plan.

w. Leases

The Company leases certain facilities and equipment used in its operations. The Company evaluates and classifies its leases as operating or capital leases for financial reporting purposes. Assets held under capital leases are included in fixed assets. Operating lease expense is recorded on a straight-line basis over the lease term. Landlord incentives are recorded as deferred rent and amortized, as reductions to lease expense, on a straight-line basis over the life of the applicable lease.

x. Income taxes

The Company accounts for income taxes in accordance with US GAAP which requires the recognition of tax benefits or expenses based on the estimated future tax effects of temporary differences between the financial statement and tax basis of its assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date. Valuation allowances are established to reduce deferred tax assets to an amount that is more likely than not to be realized.

US GAAP clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, requiring the Company to determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company recognizes accrued interest and penalties related to its uncertain tax positions as a component of income tax expense.

In accordance with federal and state tax laws, the Company and its subsidiaries file consolidated federal, state, and local income tax returns as well as stand-alone state and local tax returns. The Company also has subsidiaries that are resident in foreign countries where tax filings generally have to be submitted on a stand-alone basis. These subsidiaries are subject to tax in their respective countries and the Company is responsible for and, thus, reports all taxes incurred by these subsidiaries in the consolidated statement of operations. The countries where the Company owns subsidiaries and has tax filing obligations are the United Kingdom, Luxembourg, and Hong Kong.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

y. Foreign currency transactions

The Company consolidates certain foreign subsidiaries that have designated a foreign currency as their functional currency. For entities that have designated a foreign currency as their functional currency, assets and liabilities are translated into U.S. dollars based on current rates, which are the spot rates prevailing at the end of each statement of financial condition date, and revenues and expenses are translated at historical rates, which are the average rates for the relevant periods. The resulting translation gains and losses, and the tax effects of such gains and losses, are recorded in accumulated other comprehensive income (loss), a separate component of stockholders' equity.

For subsidiaries that have designated the U.S. Dollar as their functional currency, securities and other assets and liabilities denominated in foreign currencies are translated into U.S. Dollar amounts at the date of valuation. Purchases and sales of securities and other assets and liabilities and the related income and expenses denominated in foreign currencies are translated into U.S. Dollar amounts on the respective dates of the transactions. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on these balances from fluctuations arising from changes in market prices of securities and other assets/liabilities held or sold. Such fluctuations are included in the accompanying consolidated statements of operations as a component of net gains (losses) on securities, derivatives and other investments. Gains and losses primarily relating to foreign currency broker balances are included in net gains (losses) on foreign currency transactions in the accompanying consolidated statements of operations.

z. Recently issued accounting pronouncements

In April 2014, the FASB issued a new pronouncement regarding reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The guidance changes the criteria for disposals to qualify as discontinued operations and requires new disclosures about disposals of both discontinued operations and certain other disposals that do not meet the new definition. The Company early adopted the guidance during the fourth quarter of 2014.

In May 2014, the FASB issued guidance which amends and supersedes the revenue recognition requirements and most industry-specific guidance and creates a single source of revenue guidance. The new guidance outlines the principles an entity must apply to measure and recognize revenue and related cash flows. The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets. The guidance is effective for reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of this guidance on the Company's financial condition, results of operations and cash flows.

In August 2014, the FASB issued guidance which requires all entities to perform an interim and annual assessment of their ability to continue as a going concern for one year from the date of issuance of the financial statements. The guidance also requires disclosures if there is "substantial doubt" of the entity's ability to continue as a going concern. The guidance is effective for reporting periods beginning after December 31, 2016. The Company does not expect this guidance to have a material impact on our financial position and results of operations.

In November 2014, the FASB issued a new pronouncement regarding Pushdown Accounting. The new guidance provides an acquired company the option to apply pushdown accounting in their separate financial statements. An acquired entity may elect the option to apply pushdown accounting as a change in accounting principal in the reporting period in which the change in control event occurs and use the new basis to measure its assets, liabilities and equity. The guidance is effective upon issuance and will not have any impact on consolidated financial position or results of operations. The Company will consider this guidance for its future acquisition related activities.

4. Cash Collateral Pledged

As of December 31, 2014 and 2013, the Company pledged cash collateral in the amount of \$8.3 million and \$10.9 million, respectively, which relates to letters of credit issued to the landlords of the Company's premises in New York City, Boston and San Francisco (see Note 19).

5. Investments of Operating Entities and Consolidated Funds

a. Operating Entities

Securities owned, at fair value

Securities owned, at fair value are held by the Company and are considered held for trading. Substantially all equity securities are pledged to the clearing broker under terms which permit the clearing broker to sell or re-pledge the securities to others subject to certain limitations.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

As of December 31, 2014 and 2013, securities owned, at fair value consisted of the following:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
U.S. Government securities (a)	\$ 2,010	\$ 9
Preferred stock	15,070	324
Common stocks	579,349	176,939
Restricted common stock	18,127	—
Convertible bonds (b)	900	5,958
Corporate bonds (c)	159,557	121,372
Warrants and rights	1,417	5,912
Mutual funds	15,776	525
	\$ 792,206	\$ 311,039

- (a) As of December 31, 2014, maturities ranged from May 2015 to April 2016 with interest rates ranged between 0% to 5.95%. As of December 31, 2013, the maturity was April 2016 with an interest rate of 5.95%.
- (b) As of December 31, 2014, the maturity was February 2015 with an interest rate of 10.00%. As of December 31, 2013, maturities ranged from May 2014 to October 2014 and interest rates ranged between 5.00% to 10.00% .
- (c) As of December 31, 2014, maturities ranged from February 2015 to February 2046 and interest rates ranged between 5.63% to 11.54%. As of December 31, 2013, maturities ranged from January 2014 to February 2046 and interest rates ranged between 3.38% to 11.75%.

Receivable on and Payable for derivative contracts, at fair value

The Company's direct involvement with derivative financial instruments includes futures, currency forwards, equity swaps, and options. Open equity positions in futures transactions are recorded as receivables from and payables to broker-dealers or clearing brokers, as applicable. The Company's derivatives trading activities exposes the Company to certain risks, such as price and interest rate fluctuations, volatility risk, credit risk, counterparty risk, foreign currency movements and changes in the liquidity of markets.

Upon issuance of the Company's cash convertible unsecured senior notes ("Convertible Notes") (see Note 19), the Company recognized the embedded cash conversion option at fair value of \$35.7 million which is valued as of December 31, 2014 at \$36.8 million and is included in payable for derivative contracts in the accompanying consolidated statement of financial condition. Also, on the date of issuance of the Convertible Notes, the Company entered into a separate cash convertible note economic hedge transaction (the "Hedge Transaction") with a counterparty (the "Option Counterparty") whereby, the Company purchased a cash settled option contract with terms identical to the conversion option embedded in the Convertible Notes and simultaneously sold an equity settled warrant with a higher strike price. The Hedge Transaction is expected to reduce the Company's exposure to potential cash payments in excess of the principal amount of converted notes that the Company may be required to make upon conversion of the Convertible Notes. The Company paid a premium of \$35.7 million for the option under the Hedge Transaction and received a premium of \$15.2 million for the equity settled warrant transaction, for a net cost of \$20.5 million. The Hedge Transaction is valued at \$36.8 million as of December 31, 2014 and is included in receivable on derivative contracts in the accompanying consolidated statement of financial condition. Aside from the initial premium paid, the Company will not be required to make any cash payments under the Hedge Transaction and could be entitled to receive an amount of cash from the Option Counterparty generally equal to the amount by which the market price per share of common stock exceeds the strike price of the Hedge Transaction during the relevant valuation period. The warrants cover 28,048,786 shares of the Company's Class A common stock and have an initial exercise price of \$7.18 per share. The warrants expire over a period of 80 trading days beginning on November 14, 2018. The warrant transaction could have a dilutive effect to the extent that the market value per share of the Company's Class A common stock exceeds the applicable strike price of the warrants.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

The Company's long and short exposure to derivatives is as follows:

Receivable on derivative contracts

	As of December 31,			
	2014		2013	
	Number of contracts / Notional Value	Fair value	Number of contracts / Notional Value	Fair value
	(dollars in thousands)			
Commodity Future	\$ 3,041	\$ 75	\$ 11,762	\$ 285
Currency forwards	\$ 23,961	310	\$ 3,270	22
Equity Swap	\$ 12,904	251	\$ 10,996	70
Options other (a)	367,441	48,201	71,129	9,698
Foreign currency options	\$ 32,200	1,040	—	—
		<u>\$ 49,877</u>		<u>\$ 10,075</u>

(a) Options other include index, equity, commodity future and cash conversion options.

Payable for derivative contracts

	As of December 31,			
	2014		2013	
	Number of contracts / Notional Value	Fair value	Number of contracts / Notional Value	Fair value
	(dollars in thousands)			
Futures	\$ 2,213	\$ 33	\$ 13,856	\$ 275
Currency forwards	\$ —	—	\$ 21,867	301
Equity and credit default swaps	\$ 18,352	1,603	\$ 17,271	525
Options (a)	22,043	39,694	38,221	6,573
		<u>\$ 41,330</u>		<u>\$ 7,674</u>

(a) Options include index, equity, commodity future and cash conversion options.

The following tables present the gross and net derivative positions and the related offsetting amount, as of December 31, 2014 and 2013.

				Gross amounts not offset in the Statement of Financial Condition		
	Gross amounts recognized	Gross amounts offset on the Consolidated Statements of Financial Condition (a)	Net amounts included on the Consolidated Statements of Financial Condition	Financial instruments	Cash Collateral pledged (b)	Net amounts
	(dollars in thousands)					
As of December 31, 2014						
Receivable on derivative contracts, at fair value	\$ 49,877	\$ —	\$ 49,877	\$ —	\$ 2,588	\$ 47,289
Payable for derivative contracts, at fair value	41,330	—	41,330	—	1,603	39,727
As of December 31, 2013						
Receivable on derivative contracts, at fair value	10,075	—	10,075	—	92	9,983
Payable for derivative contracts, at fair value	7,674	—	7,674	—	826	6,848

(a) Includes financial instruments subject to enforceable master netting provisions that are permitted to be offset to the extent an event of default has occurred.

(b) Includes the amount of collateral held or posted.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

The realized and unrealized gains/(losses) related to derivatives trading activities were \$(0.5) million, \$4.4 million and \$7.8 million for the years ended December 31, 2014, 2013 and 2012, respectively, and are included in other income in the accompanying consolidated statements of operations.

Pursuant to the various derivatives transactions discussed above, except for the cash convertible note hedge (See Note 19) and exchange traded derivatives, the Company is required to post/receive collateral. As of December 31, 2014 and 2013, collateral consisting of \$4.2 million and \$10.0 million of cash, respectively, is included in receivable from brokers and payable to brokers on the accompanying consolidated statements of financial condition. As of December 31, 2014 and 2013 all derivative contracts were with multiple major financial institutions.

Other investments

As of December 31, 2014 and 2013, other investments included the following:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
(1) Portfolio Funds, at fair value	\$ 103,466	\$ 71,051
(2) Real estate investments, at fair value	2,175	2,088
(3) Equity method investments	61,443	25,966
(4) Lehman claims, at fair value	380	378
	<u>\$ 167,464</u>	<u>\$ 99,483</u>

(1) Portfolio Funds, at fair value

The Portfolio Funds, at fair value as of December 31, 2014 and 2013, included the following:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
HealthCare Royalty Partners (a)(*)	\$ 11,935	\$ 9,741
HealthCare Royalty Partners II (a)(*)	6,648	4,961
Orchard Square Partners Credit Fund LP (b)	11,532	12,674
Starboard Value and Opportunity Fund LP (c)(*)	21,792	17,495
Starboard Partners Fund LP (d)(*)	14,652	—
Starboard Leaders Fund LP (e)(*)	1,367	552
Formation 8 Partners Fund I (f)	11,283	2,788
RCG LV Park Lane LLC (g) (*)	642	678
RCGL 12E13th LLC (h) (*)	638	558
RCG Longview Debt Fund V, L.P. (h) (*)	12,876	11,979
Other private investment (i)	7,324	7,772
Other affiliated funds (j)(*)	2,777	1,853
	<u>\$ 103,466</u>	<u>\$ 71,051</u>

* These portfolio funds are affiliates of the Company.

The Company has no unfunded commitments regarding the portfolio funds held by the Company except as noted in Note 18.

- (a) HealthCare Royalty Partners, L.P. and HealthCare Royalty Partners II, L.P. are private equity funds and therefore distributions will be made when cash flows are received from the underlying investments, typically on a quarterly basis.
- (b) Orchard Square Partners Credit Fund LP has a quarterly redemption policy with a 60 day notice period and a 4% penalty on redemptions of investments of less than a year in duration.
- (c) Starboard Value and Opportunity Fund LP permits quarterly withdrawals upon 90 days notice.
- (d) Starboard Partners Fund LP permits redemptions on a semi-annual basis on 180 days prior written notice subsequent to an initial two year period when redemptions are not permitted.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

- (e) Starboard Leaders Fund LP does not permit withdrawals, but instead allows terminations with respect to capital commitments upon 30 days prior written notice at any time following the first anniversary of an investors initial capital contribution.
- (f) Formation 8 Partners Fund I is a private equity fund which invests in equity of early stage and growth transformational information and energy technology companies. Distributions will be made when the underlying investments are liquidated.
- (g) RCG LV Park Lane LLC is a single purpose entity formed to participate in a joint venture which acquired, at a discount, the mortgage notes on a portfolio of multifamily real estate properties located in Birmingham, Alabama. RCG LV Park Lane LLC is a private equity structure and therefore distributions will be made when the underlying investments are liquidated.
- (h) RCGL 12E13th LLC and RCG Longview Debt Fund V, L.P. are real estate private equity structures and therefore distributions will be made when the underlying investments are liquidated.
- (i) Other private investment represents the Company's closed end investment in a portfolio fund that invests in a wireless broadband communication provider in Italy.
- (j) The majority of these funds are affiliates of the Company or are managed by the Company and the investors can redeem from these funds as investments are liquidated.

(2) Real estate investments, at fair value

Real estate investments as of December 31, 2014 and 2013 are carried at fair value and include real estate equity investments held by RCG RE Manager, LLC ("RE Manager"), a real estate operating subsidiary of the Company, of \$2.2 million and \$2.1 million, respectively.

(3) Equity method investments

Equity method investments include investments held by the Company in several operating companies whose operations primarily include the day to day management of a number of real estate funds, including the portfolio management and administrative services related to the acquisition, disposition, and active monitoring of the real estate funds' underlying debt and equity investments. The Company's ownership interests in these equity method investments range from 20% to 55%. The Company holds a majority of the outstanding ownership interest (i.e., more than 50%) in three of these entities: RCG Longview Debt Fund IV Management, LLC, RCG Longview Debt Fund IV Partners, LLC and RCG Longview Partners II, LLC. The operating agreements that govern the management of day-to-day operations and affairs of each of these three entities stipulate that certain decisions require support and approval from other members in addition to the support and approval of the Company. As a result, all operating decisions made in these three entities require the support of both the Company and an affirmative vote of a majority of the other managing members who are not affiliates of the Company. As the Company does not possess control over any of these entities, the presumption of consolidation has been overcome pursuant to current accounting standards and the Company accounts for these investments under the equity method of accounting. Also included in equity method investments are the investments in (a) HealthCare Royalty Partners General Partners (b) an investment in the CBOE (Chicago Board Options Exchange) Stock Exchange LLC ("CBOE SE") representing a 9.5% stake in the exchange service provider for which the Company exercises significant influence over through representation on the CBOE Board of Directors, and (c) Starboard Value (and certain related parties) which serves as an operating company whose operations primarily include the day to day management (including portfolio management) of several activist hedge fund and related managed accounts.

During the second quarter of 2014, CBOE SE initiated a plan to wind down its operations and liquidate its assets and liabilities. As a result, the Company determined that the carrying value of its investment in CBOE SE was no longer recoverable and reassessed it for impairment. The Company recognized an impairment loss of \$0.8 million, during the second quarter of 2014, which was deemed to be other than temporary. The impairment loss was measured based on the estimated recovery under the liquidation plan submitted to the creditors and the regulators and potential sale to a third party and is included in other income (loss) on the accompanying consolidated statement of operations. The Company recorded no other impairment charges in relation to its equity method investments for the years ended December 31, 2014, 2013 and 2012.

The Company does not hold significant financial interest in Starboard Value entities. The independent portfolio managers are responsible for activities which are significant to the overall business and hold the majority of the equity interest. The Starboard Value entities were formed to provide a full range of investment advisory and management services and act as a general partner, investment advisor, and pension advisor or in similar capacity to clients. In accordance with the respective

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

offering documents of the underlying funds, Starboard Value entities are entitled to a fixed percentage of management fee and performance fees.

The following table summarizes equity method investments held by the Company:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
RCG Longview Debt Fund IV Management, LLC	\$ 676	\$ 1,533
RCG Longview Debt Fund V Partners, LLC	2,684	1,497
HealthCare Royalty GP, LLC	973	794
HealthCare Royalty GP II, LLC	1,125	840
HealthCare Royalty GP III, LLC	62	47
CBOE Stock Exchange, LLC	611	1,351
Starboard Value LP	48,772	14,263
RCG Longview Partners, LLC	237	1,839
RCG Longview Management, LLC	1,117	308
RCG Urban American, LLC	422	316
RCG Urban American Management, LLC	379	238
RCG Longview Equity Management, LLC	316	292
Urban American Real Estate Fund II, LLC	2,329	1,785
RCG Kennedy House, LLC	509	502
Other	1,231	361
	\$ 61,443	\$ 25,966

For the year ended December 31, 2014, Starboard Value A LP has met the significance criteria as defined under Regulation S-X Rule 4-08(g) of the SEC guidance. As such, the Company is presenting the following summarized financial information:

Starboard Value A LP

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Assets		
Cash	\$ 197	\$ 14
Performance fee receivable	93,610	25,214
Investments in Portfolio Funds, at fair value	3,538	2,201
Liabilities	—	—
Equity	\$ 97,345	\$ 27,429

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Performance fee revenues	\$ 90,905	\$ 23,098	\$ 20,448
Net realized and unrealized gains (losses)	734	283	254
Net Income	\$ 91,639	\$ 23,381	\$ 20,702

For the period ended December 31, 2014, equity method investments held by the Company in aggregate have met the significance criteria as defined under SEC guidance. As such, the Company is required to present summarized financial information for these significant investees for the years ended December 31, 2014, 2013 and 2012 and such information is as follows.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Other equity method investments

	As of December 31,		
	2014	2013	
	(dollars in thousands)		
Assets	\$ 190,261	\$ 114,110	
Liabilities	21,037	25,309	
Equity	<u>\$ 169,224</u>	<u>\$ 88,801</u>	

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Revenues	\$ 157,187	\$ 78,217	\$ 75,046
Expenses	(46,563)	(49,334)	(42,663)
Net realized and unrealized gains (losses)	11,894	18,056	2,091
Net Income	<u>\$ 122,518</u>	<u>\$ 46,939</u>	<u>\$ 34,474</u>

As of December 31, 2014 and 2013, the Company's share of losses in its equity method investment in RCG Longview Partners II, LLC has exceeded the carrying amount recorded in this investee. These amounts are included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated statements of financial condition. RCG Longview Partners II, LLC, as general partner to a real estate fund, has reversed previously recorded incentive income allocations and has recorded a current clawback obligation to the limited partners in the fund. This obligation is due to a change in unrealized value of the fund on which there have previously been distributed carried interest realizations; however, the settlement of a potential obligation is not due until the end of the life of the respective fund. As the Company is obligated to return previous distributions it received from RCG Longview Partners II, LLC, it has continued to record its share of gains/losses in the investee including reflecting its share of the clawback obligation in the amount of \$6.2 million.

The Company's income (loss) from equity method investments was \$49.1 million, \$16.1 million, and \$15.6 million for the years ended December 31, 2014, 2013, and 2012, respectively, and is included in net gains (losses) on securities, derivatives and other investments on the accompanying consolidated statements of operations.

(4) Lehman Claims, at fair value

Lehman Brothers International (Europe) ("LBIE"), through certain affiliates, was a prime broker to the Company, and the Company held cash and cash equivalent balances with LBIE. On September 15, 2008, LBIE was placed into administration (the "Administration") in the United Kingdom and, as a result, the assets held by the Company in its LBIE accounts were frozen at LBIE. The assets which the Company believed were held at LBIE at the time of Administration (the "Total Net Equity Claim") consisted of \$1.0 million, which represented an unsecured claim against LBIE. The total amounts received to date in respect of the Company's unsecured claim against LBIE are approximately \$1.0 million, representing 100.0% of its agreed claim. The Company may receive further distributions in respect of its claim, but the amount and timing of these distributions remains uncertain. The Company does not expect future distributions to be material. The claim described above does not include claims held by the Company against LBIE through its investment in Enterprise Master discussed in Note 5b(2).

Securities sold, not yet purchased, at fair value

Securities sold, not yet purchased, at fair value represent obligations of the Company to deliver a specified security at a contracted price and, thereby, create a liability to purchase that security at prevailing prices. The Company's liability for securities to be delivered is measured at their fair value as of the date of the consolidated financial statements. However, these transactions result in off-balance sheet risk, as the Company's ultimate cost to satisfy the delivery of securities sold, not yet purchased, at fair value may exceed the amount reflected in the accompanying consolidated statements of financial condition. Substantially all equity securities and options are pledged to the clearing broker under terms which permit the clearing broker to sell or re-pledge the securities to others subject to certain limitations. As of December 31, 2014 and 2013, securities sold, not yet purchased, at fair value consisted of the following:

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Common stocks	\$ 207,815	\$ 130,899
Corporate bonds (a)	60	55
	\$ 207,875	\$ 130,954

(a) As of December 31, 2014 and 2013, the maturity was January 2026 with an interest rate of 5.55%.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

The Company held no securities purchased under agreements to resell or securities sold under agreements to repurchase as of December 31, 2014. The following table represents the Company's securities sold under agreements to repurchase as of December 31, 2013.

	As of December 31, 2013	
	(dollars in thousands)	
Securities sold under agreements to repurchase		
Agreements with Royal Bank of Canada bearing interest of 1.75% due June 2015 to November 2015	\$	3,657
	\$	3,657

The following tables present the gross and net repurchase agreements and the related offsetting amount, as of December 31, 2013.

As of December 31, 2013						
	Gross amounts recognized	Gross amounts offset on the Consolidated Statements of Financial Condition (a)	Net amounts included on the Consolidated Statements of Financial Condition	Gross amounts not offset in the Statement of Financial Condition		
				Financial instruments	Collateral pledged (b)	Net amounts
	(dollars in thousands)					
Securities sold under agreements to repurchase	\$ 3,657	\$ —	\$ 3,657	\$ —	\$ 3,657	\$ —

(a) Includes financial instruments subject to enforceable master netting provisions that are permitted to be offset to the extent an event of default has occurred.

(b) Includes the amount of collateral held or posted.

For all of the Company's holdings of repurchase agreements as of December 31, 2013, the repurchase dates were open and the agreement could be terminated by either party at any time. The agreements rolls over on a day-to-day basis.

In connection with repurchase/resell agreements, as of December 31, 2013, the Company had pledged collateral of \$4.6 million (consisting of corporate bonds), which is included in securities owned, at fair value in the accompanying consolidated statements of financial condition.

Securities lending and borrowing transactions

The following tables present the contractual gross and net securities borrowing and lending agreements and the related offsetting amount, as of December 31, 2014 and 2013.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

	Gross amounts not offset in the Statement of Financial Condition						
	Gross amounts recognized	Gross amounts offset on the Consolidated Statements of Financial Condition (a)	Net amounts included on the Consolidated Statements of Financial Condition	Additional Amounts Available	Financial instruments	Cash Collateral pledged (b)	Net amounts
	(dollars in thousands)						
As of December 31, 2014							
Securities borrowed	\$ 676,100	\$ —	\$ 676,100	\$ (15,655)	\$ (660,445)	\$ —	\$ —
Securities loaned	682,493	—	682,493	(2,441)	(680,052)	—	—
As of December 31, 2013							
Securities borrowed	927,773	—	927,773	(34,973)	(892,800)	—	—
Securities loaned	918,577	—	918,577	(36,877)	(881,700)	—	—

(a) Includes financial instruments subject to enforceable master netting provisions that are permitted to be offset to the extent an event of default has occurred.

(b) Includes the amount of cash collateral held/posted.

Variable Interest Entities

The total assets and liabilities of the variable interest entities for which the Company has concluded that it holds a variable interest, but for which it is not the primary beneficiary, are \$2.9 billion and \$445.8 million as of December 31, 2014 and \$1.7 billion and \$242.4 million as of December 31, 2013, respectively. In addition, the maximum exposure relating to these variable interest entities as of December 31, 2014 was \$210.3 million, and as of December 31, 2013 was \$206.9 million, all of which is included in other investments, at fair value in the accompanying consolidated statements of financial condition. The exposure to loss primarily relates to the Consolidated Feeder Funds' investment in their Unconsolidated Master Funds as of December 31, 2014 and 2013.

b. Consolidated Funds

Other investments, at fair value

As of December 31, 2014 and 2013 other investments, at fair value, held by the Consolidated Funds are comprised of:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
(1) Portfolio Funds	\$ 188,884	\$ 182,638
(2) Lehman claims	493	4,842
	\$ 189,377	\$ 187,480

(1) Investments in Portfolio Funds, at fair value

As of December 31, 2014 and 2013, investments in Portfolio Funds, at fair value, included the following:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Investments of Enterprise LP	\$ 138,253	\$ 155,530
Investments of Merger Fund	50,631	26,963
Investments of consolidated fund of funds	—	145
	\$ 188,884	\$ 182,638

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Consolidated investments of Enterprise LP

Enterprise LP operates under a “master-feeder” structure, whereby Enterprise Master's shareholders are Enterprise LP and RCG II Intermediate Fund, L.P. The consolidated investments in Portfolio Funds include Enterprise LP's investment of \$138.3 million and \$155.5 million in Enterprise Master as of December 31, 2014 and 2013, respectively. On May 12, 2010, the Company announced its intention to close Enterprise Master. Prior to this announcement, strategies utilized by Enterprise Master included merger arbitrage and activist investing, investments in distressed securities, convertible hedging, capital structure arbitrage, equity market neutral, investments in private placements of convertible securities, proprietary mortgages, structured credit investments, investments in mortgage backed securities and other structured finance products, investments in real estate and real property interests, structured private placements and other relative value strategies. Enterprise Master had broad investment powers and maximum flexibility in seeking to achieve its investment objective. Enterprise Master was permitted to invest in equity securities, debt instruments, options, futures, swaps, credit default swaps and other derivatives. As Enterprise Master winds down its positions it will return capital to its investors. There are no unfunded commitments at Enterprise LP.

Consolidated investments of Merger Fund

The Merger Fund operates under a “master-feeder” structure, whereby Ramius Merger Master Ltd's ("Merger Master") shareholders are Merger Fund and Ramius Merger Fund Ltd. The consolidated investments in Portfolio Funds include Merger Fund's investment of \$50.6 million and \$27.0 million in Merger Master as of December 31, 2014 and 2013, respectively. The Merger Master's investment objective is to achieve consistent absolute returns while emphasizing the preservation of investor capital. The Merger Master seeks to achieve these objectives by taking a fundamental, research-driven approach to investing, primarily in the securities of issuers engaged in, or subject to, announced (or unannounced but otherwise anticipated) extraordinary corporate transactions, which may include, but are not limited to, mergers, acquisitions, leveraged buyouts, tender offers, hostile takeover bids, sale processes, exchange offers, and recapitalizations. Merger Master invests in the securities of one or more issuers engaged in or subject to such extraordinary corporate transactions. Merger Master typically seeks to derive a profit by realizing the price differential, or “spread,” between the market price of securities purchased or sold short and the market price or value of securities realized in connection with the completion or termination of the extraordinary corporate transaction, or in connection with the adjustment of market prices in anticipation thereof, while seeking to minimize the market risk associated with the aforementioned investment activities. Merger Master will, depending on markets conditions, generally focus the majority of its investment program on announced transactions. If the investment manager of Merger Master considers it necessary, it may either alone or as part of a group, also initiate shareholder actions seeking to maximize value. Such shareholder actions may include, but are not limited to, re-orienting management's focus or initiating the sale of the company (or one or more of its divisions) to a third party. There are no unfunded commitments at Merger Fund.

Investment of a consolidated fund of funds investment company

The investment of the consolidated fund of fund investment company was \$0.1 million as of December 31, 2013, which was the remaining investment of Vintage Master FOF that was transferred to a third party during the first quarter of 2014. Vintage Master FOF's investment objective was to allocate its capital among portfolio managers that invest through investment pools or managed accounts thereby forming concentrated investments in high conviction managers designed to achieve attractive risk adjusted returns with moderate relative volatility. The investment held at December 31, 2013 was a hedged equity strategy held in an externally managed portfolio fund. The hedged equity strategy focused on equity strategies with some directional market exposure. The strategy attempted to profit from market efficiencies and direction. There are no fund of fund investment companies consolidated as of December 31, 2014.

(2) Lehman Claims, at fair value

With respect to the aforementioned Lehman claims, the Total Net Equity Claim of Enterprise Master based on the value of assets at the time of Lehman's insolvency held directly by Enterprise Master and through Enterprise Master's ownership interest in affiliated funds consisted of \$24.3 million. As of December 31, 2014, Enterprise Master has received distributions totaling approximately \$36.2 million in respect of its claim. After giving effect to the distributions received by the Enterprise Master, the remaining Net Equity Claim for Enterprise Master held directly and through its ownership interest in affiliated funds was \$0.7 million as of December 31, 2014. Of the \$0.7 million current valuation of Enterprise Master's claim, \$0.5 million was attributable to Enterprise LP based on its ownership percentage in Enterprise Master at the time of the Administration. The Company expects Enterprise Master to receive additional distributions from LBIE, but the amount and timing of those distributions remains uncertain.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Indirect Concentration of the Underlying Investments Held by Consolidated Funds

From time to time, either directly or indirectly through its investments in the Consolidated Funds, the Company may maintain exposure to a particular issue or issuer (both long and/or short) which may account for 5% or more of the Company's equity. Based on information that is available to the Company as of December 31, 2014 and 2013, the Company assessed whether or not its interests in an issuer for which the Company's pro-rata share exceeds 5% of the Company's equity. There were no indirect concentrations that exceed 5% of the Company's equity as of December 31, 2014 or 2013.

Net realized and unrealized gains (losses)

Net realized gains (losses) and net unrealized gains (losses) on investments and other transactions and on derivatives for Consolidated Funds for the years ended December 31, 2014, 2013 and 2012 were as follows:

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
<i>Consolidated Funds net gains (losses) on investments and other transactions:</i>			
Net realized gains (losses) on investments and other transactions	\$ 1,861	\$ 6,050	\$ (8,121)
Net unrealized gains (losses) on investments and other transactions	11,029	4,628	14,497
<i>Consolidated Funds net gains (losses) on derivatives:</i>			
Net realized gains (losses) on derivatives	\$ 2,250	\$ 521	\$ 915
Net unrealized gains (losses) on derivatives	201	(156)	(38)

Underlying Investments of Unconsolidated Funds Held by Consolidated Funds

Enterprise Master and Merger Master

Enterprise LP's investment in Enterprise Master represents Enterprise LP's proportionate share of Enterprise Master's net assets; as a result, the investment balances of Enterprise Master reflected below may exceed the net investment which Enterprise LP has recorded. Merger Fund's investment in Merger Master represents Merger Fund's proportionate share of Merger Master's net assets; as a result, the investment balances of Merger Master reflected below may exceed the net investment which Merger Fund has recorded. The following tables present summarized investment information for the underlying investments and derivatives held by Enterprise Master and Merger Master as of December 31, 2014 and 2013:

Securities owned by Enterprise Master, at fair value

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Bank debt	\$ 20	\$ 5
Common stock	1,659	2,677
Preferred stock	576	973
Private equity	587	406
Restricted stock	124	124
Rights	2,802	2,528
Trade claims	128	128
	<u>\$ 5,896</u>	<u>\$ 6,841</u>

Receivable on derivative contracts, at fair value, owned by Enterprise Master

Description	As of December 31,	
	2014	2013
	(dollars in thousands)	
Currency forwards	\$ 64	\$ (21)
	<u>\$ 64</u>	<u>\$ (21)</u>

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Portfolio Funds, owned by Enterprise Master, at fair value

		As of December 31,	
		2014	2013
	Strategy	(dollars in thousands)	
RCG Longview Equity Fund, LP*	Real Estate	\$ 9,090	\$ 8,470
RCG Longview II, LP*	Real Estate	747	800
RCG Longview Debt Fund IV, LP*	Real Estate	5,348	17,641
RCG Longview, LP*	Real Estate	40	319
RCG Soundview, LLC*	Real Estate	452	442
RCG Urban American Real Estate Fund, L.P.*	Real Estate	1,161	1,812
RCG International Sarl*	Multi-Strategy	2,113	1,795
RCG Special Opportunities Fund, Ltd*	Multi-Strategy	92,405	82,119
RCG Endeavour, LLC*	Multi-Strategy	—	6
RCG Energy, LLC *	Energy	2,294	2,842
RCG Renegys, LLC*	Energy	1	1
Other Private Investments	Various	12,057	12,952
Other Real Estate Investments (*)	Real Estate	10,138	15,024
		<u>\$ 135,846</u>	<u>\$ 144,223</u>

* Affiliates of the Company.

Merger Master

Securities owned by Merger Master, at fair value

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Common stocks	\$ 133,510	\$ 33,901
Corporate bonds (a)	3,383	14,444
Options	541	200
	<u>\$ 137,434</u>	<u>\$ 48,545</u>

- (a) As of December 31, 2014, maturities ranged from February 2017 to June 2019 and interest rates ranged between 8.50% and 9.75%. As of December 31, 2013, maturities ranged from April 2016 to October 2020 and interest rates ranged between 7.00% and 10.88%.

Securities sold, not yet purchased, by Merger Master, at fair value

As of December 31, 2014 and 2013, Merger Master held common stock, sold not yet purchased, of \$39.9 million and \$19.5 million, respectively and options, sold not yet purchased, of \$0.2 million and \$0.1 million, respectively.

Receivable on derivative contracts, at fair value, owned by Merger Master

Description	As of December 31,	
	2014	2013
	(dollars in thousands)	
Equity swaps	\$ 78	\$ 30
	<u>\$ 78</u>	<u>\$ 30</u>

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Payable for derivative contracts, at fair value, owned by Merger Master

Description	As of December 31,	
	2014	2013
	(dollars in thousands)	
Currency forwards	\$ —	\$ 11
Equity swaps	58	125
	<u>\$ 58</u>	<u>\$ 136</u>

6. Fair Value Measurements for Operating Entities and Consolidated Funds

The following table presents the assets and liabilities that are measured at fair value on a recurring basis on the accompanying consolidated statements of financial condition by caption and by level within the valuation hierarchy as of December 31, 2014 and 2013:

Operating Entities

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities owned				
US Government securities	\$ 2,010	\$ —	\$ —	\$ 2,010
Preferred stock	—	—	12,517	15,070
Common stocks	578,934	3	412	579,349
Restricted common stocks	—	18,127	—	18,127
Convertible bonds	—	—	900	900
Corporate bonds	—	159,557	—	159,557
Warrants and rights	95	—	1,322	1,417
Mutual funds	15,776	—	—	15,776
Receivable on derivative contracts, at fair value				
Futures	75	—	—	75
Currency forwards	—	310	—	310
Equity swaps	—	251	—	251
Options	10,462	1,972	36,807	49,241
Other investments				
Portfolio Funds	—	37,195	66,271	103,466
Real estate investments	—	—	2,175	2,175
Lehman claim	—	—	380	380
	\$ 607,352	\$ 219,968	\$ 120,784	\$ 948,104

	Liabilities at Fair Value as of December 31, 2014				
	Level 1	Level 2	Level 3	Total	
	(dollars in thousands)				
Securities sold, not yet purchased					
Common stocks	\$ 207,815	\$ —	\$ —	\$ 207,815	
Corporate bonds	—	60	—	60	
Payable for derivative contracts, at fair value					
Futures	33	—	—	33	
Equity and credit default swaps	—	1,603	—	1,603	
Options	2,887	—	36,807	39,694	
Accounts payable, accrued expenses and other liabilities					
Contingent consideration liability (a)	\$ —	\$ —	\$ 4,083	\$ 4,083	
	\$ 210,735	\$ 1,663	\$ 40,890	\$ 253,288	

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

(a) In accordance with the terms of purchase agreements for acquisitions that closed during 2012, the Company is required to pay to the sellers a portion of future net income of the acquired businesses, if certain revenue targets are achieved through the period ended October 2016. The Company estimated the contingent consideration liability using the income approach (discounted cash flow method) which requires the Company to make estimates and assumptions regarding the future cash flows and profits. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. The undiscounted amounts as of December 31, 2014 can range from \$0.9 million to \$7.1 million.

Assets at Fair Value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities owned				
US Government securities	\$ 9	\$ —	\$ —	\$ 9
Preferred stock	—	—	324	324
Common stocks	171,277	2,103	3,559	176,939
Convertible bonds	—	4,008	1,950	5,958
Corporate bonds	—	121,372	—	121,372
Warrants and rights	107	—	5,805	5,912
Mutual funds	525	—	—	525
Receivable on derivative contracts, at fair value				
Futures	285	—	—	285
Currency forwards	—	22	—	22
Equity swaps	—	70	—	70
Options	9,698	—	—	9,698
Other investments				
Portfolio Funds	—	19,402	51,649	71,051
Real estate investments	—	—	2,088	2,088
Lehman claim	—	—	378	378
	<u>\$ 181,901</u>	<u>\$ 146,977</u>	<u>\$ 65,753</u>	<u>\$ 394,631</u>
Liabilities at Fair Value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities sold, not yet purchased				
Common stocks	\$ 130,899	\$ —	\$ —	\$ 130,899
Corporate bonds	—	55	—	55
Payable for derivative contracts, at fair value				
Futures	275	—	—	275
Currency forwards	—	301	—	301
Equity swaps	—	525	—	525
Options	6,573	—	—	6,573
Accounts payable, accrued expenses and other liabilities				
Contingent consideration liability (a)	—	—	6,937	6,937
	<u>\$ 137,747</u>	<u>\$ 881</u>	<u>\$ 6,937</u>	<u>\$ 145,565</u>

(a) In accordance with the terms of purchase agreements for acquisitions that closed during 2012, the Company is required to pay to the sellers a portion of future net income of the acquired businesses, if certain revenue targets are achieved through the period ended October 2016. The Company estimated the contingent consideration liability using the income approach (discounted cash flow method) which requires the Company to make estimates and assumptions regarding the future cash flows and profits. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. The undiscounted amounts can range from \$2.1 million to \$13.8 million.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Consolidated Funds' investments

Assets at Fair Value as of December 31, 2014					
	Level 1	Level 2	Level 3	Total	
	(dollars in thousands)				
Other investments					
Portfolio Funds	\$ —	\$ 50,631	\$ 138,253	\$	188,884
Lehman claims	—	—	493		493
	\$ —	\$ 50,631	\$ 138,746	\$	189,377

Assets at Fair Value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Other investments				
Portfolio Funds	—	26,964	155,674	182,638
Lehman claims	—	—	4,842	4,842
	\$ —	\$ 26,964	\$ 160,516	\$ 187,480

The following table includes a rollforward of the amounts for the years ended December 31, 2014, 2013, and 2012, for financial instruments classified within level 3. The classification of a financial instrument within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

	Year Ended December 31, 2014									
	Balance at December 31, 2013	Transfers in	Transfers out		Purchases/ (covers)	(Sales)/ shorts	Realized and Unrealized gains/losses	Balance at December 31, 2014	Change in unrealized gains/ losses relating to instruments still held (1)	
	(dollars in thousands)									
Operating Entities										
Preferred stock	\$ 324	\$ —	\$ (2,000)	(b)	\$ 14,396	\$ —	\$ (203)	\$ 12,517	\$	(203)
Common stocks	3,559	—	(3,150)	(b)	12	(1)	(8)	412		(135)
Convertible bonds	1,950	—	—		—	(200)	(850)	900		(850)
Options, asset	—	—	—		35,710	—	1,097	36,807		1,097
Options, liability	—	—	—		35,710	—	1,097	36,807		1,097
Warrants and Rights	5,805	—	(1,288)		57	(97)	(3,155)	1,322		(1,415)
Portfolio Funds	51,649	—	—		13,453	(9,940)	11,109	66,271		9,704
Real estate	2,088	—	—		50,000	(50,168)	255	2,175		255
Lehman claim	378	—	—		—	(76)	78	380		79
Contingent consideration liability	6,937	—	—		21	(820)	(2,055)	4,083		—
Consolidated Funds										
Portfolio Funds	155,674	—	—		—	(28,466)	11,045	138,253		9,996
Lehman claim	4,842	—	—		—	(4,711)	362	493		(3,897)

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

		Year Ended December 31, 2013															
		Balance at December 31, 2012	Transfers in		Transfers out		Purchases/ (covers)	(Sales)/ shorts	Realized and Unrealized gains/ losses	Balance at December 31, 2013	Change in unrealized gains/ losses relating to instruments still held (1)						
		(dollars in thousands)															
Operating Entities																	
Preferred stock	\$	2,332	\$	—	\$	(2,000)	(b)	\$	—	\$	—	\$	(8)	\$	324	\$	(8)
Common stocks		2,549		—		—			4		(275)		1,281		3,559		1,451
Convertible bonds		—		—		—			3,938		(1,988)		—		1,950		—
Corporate Bond		515		—		—			2,735		(3,346)		96		—		—
Warrants and Rights, asset		1,713		291	(a)	—			166		(110)		3,745		5,805		4,011
Warrants and Rights, liability		3		—		—			—		—		(3)		—		—
Portfolio Funds		25,670		13,128	(c)	—			16,914		(9,001)		4,938		51,649		3,568
Real estate		1,864		—		—			—		(124)		348		2,088		348
Lehman claim		706		—		—			—		(607)		279		378		279
Contingent consideration liability		8,116		—		—			(779)		—		(400)		6,937		—
Consolidated Funds																	
Portfolio Funds		182,920		—		—			—		(33,504)		6,258		155,674		10,984
Lehman claim		14,124		—		—			—		(13,377)		4,095		4,842		(7,781)

(1) Unrealized gains/losses are reported in other income (loss) in the accompanying consolidated statements of operations.

(a) The security was acquired through an acquisition (See Note 2).

(b) The company completed an initial public offering.

(c) The investment was transferred into level 3 due to the Company's commitment as part of its long term extension of its partnership with credit funds.

All realized and unrealized gains (losses) in the table above are reflected in other income (loss) in the accompanying consolidated statements of operations.

Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above.

The Company recognizes all transfers and the related unrealized gain (loss) at the beginning of the reporting period.

Transfers between level 1 and 2 generally relate to whether the principal market for the security becomes active or inactive. Transfers between level 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurements or due to change in liquidity restrictions for the investments.

During the years ended December 31, 2014, 2013 and 2012, there were no transfers between level 1 and level 2 assets and liabilities.

The following table includes quantitative information as of December 31, 2014 and 2013 for financial instruments classified within level 3. The table below quantifies information about the significant unobservable inputs used in the fair value measurement of the Company's level 3 financial instruments.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at December 31, 2014	Valuation techniques	Unobservable Inputs	Range
<i>Level 3 Assets</i>				
Common and preferred stocks	\$ 12,269	Market multiples and option pricing method	Volatility Market multiples	45% 1x to 6x
Warrants and rights, net	1,322	Model based	Volatility	20% to 60% (weighted average 34%)
Options	36,807	Option pricing models	Volatility Credit spreads	30% to 40% 500bps - 750 bps
Other level 3 assets (a)	209,132			
Total level 3 assets	259,530			
<i>Level 3 Liabilities</i>				
Options	36,807	Option pricing models	Volatility Credit spreads	30% to 40% 500bps - 750 bps
Contingent consideration	4,083	Discounted cash flows	Projected cash flow and discount rate	9%
Total level 3 liabilities	\$ 40,890			

Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at December 31, 2013	Valuation techniques	Unobservable Inputs	Range
<i>Level 3 Assets</i>				
Common and preferred stocks	\$ 3,474	Discounted cash flows, market multiples, recent transactions, bid levels, and comparable transactions	Market multiples	2x to 3x
Warrants and rights, net	5,805	Model based	Volatility	20% to 100% (weighted average 37%)
Other level 3 assets (a)	216,990			
Total level 3 assets	226,269			
<i>Level 3 Liabilities</i>				
Contingent consideration	6,937	Discounted cash flows	Projected Cash Flow and DCF rate	0% to 15%
Total level 3 liabilities	6,937			

- (a) Quantitative disclosures of unobservable inputs and assumptions are not required for investments for which NAV per share is used as a practical expedient to determine fair value, as their redemption features rather than observability of inputs cause them to be classified as a level 3 type asset within the fair value hierarchy. In addition, the fair value of the Consolidated Funds' investments are determined based on net asset value and therefore quantitative disclosures are not included in the table above. The quantitative disclosures also exclude financial instruments for which the determination of fair value is based on prices from prior transactions.

During the second quarter of 2014, the Company wrote down the value of its investment in CBOE SE as a result of an impairment which was considered other than temporary. The level of impairment was based on the fair value of the investment as measured on a non-recurring basis (See Note 5). The Company classifies its investment in CBOE as level 3. The fair value reflects the weighted average of both the indicative bid level and the liquidation value.

The Company has established valuation policies and procedures and an internal control infrastructure over its fair value measurement of financial instruments which includes ongoing oversight by the valuation committee as well as periodic audits performed by the Company's internal audit group. The valuation committee is comprised of senior management, including non-investment professionals, who are responsible for overseeing and monitoring the pricing of the Company's investments, including the review of the results of the independent price verification process, approval of new trading asset classes and use of applicable pricing models and approaches.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

The US GAAP fair value leveling hierarchy is designated and monitored on an ongoing basis. In determining the designation, the Company takes into consideration a number of factors including the observability of inputs, liquidity of the investment and the significance of a particular input to the fair value measurement. Designations, models, pricing vendors, third party valuation providers and inputs used to derive fair market value are subject to review by the valuation committee and the internal audit group. The Company reviews its valuation policy guidelines on an ongoing basis and may adjust them in light of, improved valuation metrics and models, the availability of reliable inputs and information, and prevailing market conditions. The Company reviews a daily profit and loss report, as well as other periodic reports, and analyzes material changes from period-to-period in the valuation of its investments as part of its control procedures. The Company also performs back testing on a regular basis by comparing prices observed in executed transactions to previous valuations.

The fair market value for level 3 securities may be highly sensitive to the use of industry standard models, unobservable inputs and subjective assumptions. The degree of fair market value sensitivity is also contingent upon the subjective weight given to specific inputs and valuation metrics. The Company holds various equity and debt instruments where different weight may be applied to industry standard models representing standard valuation metrics such as: discounted cash flows, market multiples, comparative transactions, capital rates, recovery rates and timing, and bid levels. Generally, changes in the weights ascribed to the various valuation metrics and the significant unobservable inputs in isolation may result in significantly lower or higher fair value measurements. Volatility levels for warrants and options are not readily observable and subject to interpretation. Changes in capital rates, discount rates and replacement costs could significantly increase or decrease the valuation of the real estate investments. The interrelationship between unobservable inputs may vary significantly amongst level 3 securities as they are generally highly idiosyncratic. Significant increases (decreases) in any of those inputs in isolation can result in a significantly lower (higher) fair value measurement.

Other financial assets and liabilities measured at fair value

The following table presents the carrying values and estimated fair values, at December 31, 2014 and 2013, of financial assets and liabilities and information on their classification within the fair value hierarchy which are measured at fair value on a recurring basis. For additional information regarding the financial instruments within the scope of this disclosure, and the methods and significant assumptions used to estimate their fair value, see Note 3.

	December 31, 2014		December 31, 2013		
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
	(dollars in thousands)				
Financial Assets					
Operating companies					
Cash and cash equivalents	\$ 129,509	\$ 129,509	\$ 54,720	\$ 54,720	Level 1
Cash collateral pledged	8,306	8,306	10,907	10,907	Level 2
Securities borrowed	676,100	660,445	927,773	892,792	Level 1
Consolidated funds					
Cash and cash equivalents	501	501	2,048	2,048	Level 1
Financial Liabilities					
Securities sold under agreement to repurchase	—	—	3,657	3,657 (a)	Level 2
Securities loaned	682,493	661,533	918,577	881,690	Level 1
Convertible debt	118,475 (b)	160,713 (c)	—	—	Level 2
Notes payable and other debt	67,144	69,548	2,564	2,564	Level 2

(a) Transactions involving the purchase or sale of securities under repurchase/resell agreements are carried at their contract value, which approximates fair value, and are accounted for as collateralized financings.

(b) The carrying amount of the convertible debt includes unamortized discount of \$31.0 million.

(c) The Convertible Notes include the conversion option and is based on the last broker quote available.

7. Receivables from and Payable to Brokers

Receivables from and payable to brokers includes cash held at the clearing brokers, amounts receivable or payable for unsettled transactions, monies borrowed and proceeds from short sales (including commissions and fees related to securities transactions) equal to the fair value of securities sold, not yet purchased, which are restricted until the Company purchases the securities sold short. Pursuant to the master netting agreements the Company entered into with its brokers, these balances are

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

presented net (assets less liabilities) across balances with the same broker. As of December 31, 2014 and 2013, receivable from brokers was \$84.7 million and \$69.1 million, respectively. Payable to brokers was \$335.8 million and \$77.2 million as of December 31, 2014 and 2013, respectively. The Company's receivables from and payable to brokers balances are held at multiple financial institutions.

8. Fixed Assets

As of December 31, 2014 and 2013, fixed assets consisted of the following:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Telephone and computer equipment	\$ 5,466	\$ 5,923
Computer software	1,305	2,079
Furniture and fixtures	5,692	5,418
Leasehold improvements	32,256	29,047
Assets acquired under capital leases—equipment	7,637	6,337
Other	—	48
	52,356	48,852
Less: Accumulated depreciation and amortization	(25,968)	(21,853)
	<u>\$ 26,388</u>	<u>\$ 26,999</u>

Depreciation and amortization expense related to fixed assets was \$6.6 million, \$6.5 million and \$6.7 million for the years ended December 31, 2014, 2013, and 2012, respectively and are included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Assets acquired under capital leases were \$7.6 million and \$6.3 million as of December 31, 2014 and 2013, respectively. If the assets acquired under capital leases transfer title at the end of the lease term or contain a bargain purchase option, the assets are amortized over their estimated useful lives; otherwise, the assets are amortized over the respective lease term. The depreciation of assets capitalized under capital leases is included in depreciation and amortization expenses and was \$1.5 million, \$1.3 million, and \$1.3 million for the years ended December 31, 2014, 2013, and 2012, respectively.

9. Goodwill and Intangible Assets

Goodwill

In accordance with US GAAP, the Company tests goodwill for impairment on an annual basis or at an interim period if events or changed circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Under US GAAP, the Company first assesses the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amounts as a basis for determining if it is necessary to perform the two-step approach. Periodically estimating the fair value of a reporting unit requires significant judgment and often involves the use of significant estimates and assumptions. These estimates and assumptions could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge.

The Company estimated the fair value using the income and market approach which involves estimates of future cash flows, discount rates, economic forecast and other assumption which are then used in the market approach (earning and / or transactions multiples) and / or income approach (discounted cash flow method).

Based on the results of the impairment analysis as of December 31, 2014 the Company did not recognize any impairment relating to the alternative investment reporting unit. However, the Company recognized an impairment charge of \$2.3 million for its broker dealer reporting unit. The impairment charge is due to the securities lending business which the Company decided to wind down during the fourth quarter of 2014. The Company determined that the securities lending business represented a standalone business. After winding it down, the reporting unit will not be able to realize the benefits of the acquired goodwill. Therefore, the Company recognized an impairment charge for the goodwill associated with the securities lending business.

As a result of the Company's acquisition of Dahlman, during the first quarter of 2013, the Company recognized goodwill in the amount of \$8.7 million within the broker dealer reporting unit (See Note 2).

No impairment charges for goodwill were recognized during the years ended December 31, 2013, and 2012, respectively.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

For the year ended December, 31, 2014 the Company elected to bypass Step 0 and perform Step 1 of the goodwill impairment analysis, which includes determining whether the carrying amount of a reporting unit, including goodwill, exceeds its estimated fair value.

The following table presents the changes in the Company's goodwill balance, by reporting unit for the years ended December 31, 2014, 2013, and 2012:

	Alternative Investment	Broker- Dealer	Total
	(dollars in thousands)		
Beginning balance - December 31, 2012			
Goodwill	\$ 30,228	\$ 15,668	\$ 45,896
Accumulated impairment charges	(10,200)	(7,151)	(17,351)
Net	20,028	8,517	28,545
Activity: 2013			
Recognized goodwill	—	8,695	8,695
Goodwill impairment charges	—	—	—
Ending balance: December 31, 2013			
Goodwill	30,228	24,363	54,591
Accumulated impairment charges	(10,200)	(7,151)	(17,351)
Net	20,028	17,212	37,240
Activity: 2014			
Recognized goodwill	—	—	—
Goodwill impairment charges	—	(2,334)	(2,334)
Ending balance: December 31, 2014			
Goodwill	30,228	24,363	54,591
Accumulated impairment charges	(10,200)	(9,485)	(19,685)
Net	\$ 20,028	\$ 14,878	\$ 34,906

Intangible assets

Information for the Company's intangible assets that are subject to amortization is presented below as of December 31, 2014 and 2013. The Company recognized trade name, customer relationships, and customer contracts in connection with the transactions in prior years. As a result of the acquisition of Dahlman during the period ended December 31, 2013 (see Note 2) the Company recognized intangible assets in the amount of \$2.8 million. These intangibles include trade name and customer relationships with weighted average useful lives of 4.7 years.

		December 31, 2014			December 31, 2013		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in years)		(in thousands)			(in thousands)	
Investment contracts	5	\$ 3,900	\$ (3,900)	\$ —	\$ 3,900	\$ (3,900)	\$ —
Trade names	5 - 7.5	9,612	(8,305)	1,307	9,612	(7,747)	1,865
Customer relationships	4 - 10	13,284	(8,936)	4,348	14,744	(8,375)	6,369
Customer contracts	1.2	800	(800)	—	800	(800)	—
Non compete agreements and covenants with limiting conditions acquired	1 - 10	31	(21)	10	2,697	(2,583)	114
Intellectual property	3 - 10	6,437	(3,619)	2,818	6,951	(3,205)	3,746
		<u>\$ 34,064</u>	<u>\$ (25,581)</u>	<u>\$ 8,483</u>	<u>\$ 38,704</u>	<u>\$ (26,610)</u>	<u>\$ 12,094</u>

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

The Company tests intangible assets for impairment if events or circumstances suggest that the asset groups carrying value may not be fully recoverable. For the year ended December 31, 2013, no impairment charge for intangible assets was recognized.

During the year ended December 31, 2014 the Company wrote off \$0.9 million representing the remaining intangible assets related to the securities lending business. These intangibles were assessed for impairment when the Company decided to wind down the business during the fourth quarter of 2014. The Company does not expect to derive future benefits from these intangible assets. The impairment charge is recorded in depreciation and amortization expense within the accompanying consolidated statements of operations for the year ended December 31, 2014.

Amortization expense related to intangible assets was \$3.6 million (including impairment charges of \$0.9 million) related to the broker-dealer segment), \$3.7 million and \$2.7 million for the years ended December 31, 2014, 2013 and 2012, respectively, which is included in depreciation and amortization expense in the accompanying consolidated statements of operations. All of the Company's intangible assets have finite lives.

The estimated future amortization expense for the Company's intangible assets as of December 31, 2014 is as follows:

	(dollars in thousands)
2015	\$ 1,941
2016	1,811
2017	1,411
2018	849
2019	760
Thereafter	1,711
	<u>\$ 8,483</u>

10. Other Assets

Other assets in Operating Entities are as follows:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Deposits	\$ 10,689	\$ 683
Prepaid expenses	6,340	5,097
Tax receivables	126	1,911
Deferred rent asset	512	897
Deferred charges - debt	5,958	—
Interest and dividends receivable	3,484	2,550
Miscellaneous receivables (See Note 2)	4,400	—
Other	2,721	4,257
	<u>\$ 34,230</u>	<u>\$ 15,395</u>

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

11. Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities in Operating Entities are as follows:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Deferred rent obligations (see Note 3(m))	\$ 13,142	\$ 14,554
Deferred income	1,033	1,147
Equity in RCG Longview Partners II, LLC (see Note 6a(3))	5,878	5,938
Professional fees payable	3,889	3,063
Placement and other fees payable	3,615	1,879
Contingent consideration payable (see Note 2)	4,083	6,937
Interest and dividends payable	3,366	258
Accrued expenses and accounts payable	7,846	7,196
Accrued tax liabilities	3,754	2,503
	<u>\$ 46,606</u>	<u>\$ 43,475</u>

12. Redeemable Non-Controlling Interests in Consolidated Subsidiaries and Funds

Redeemable non-controlling interests in consolidated subsidiaries and funds and the related net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds are comprised as follows:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
<i>Redeemable non-controlling interests in consolidated subsidiaries and funds</i>		
Operating companies	\$ 9,619	\$ 12,009
Consolidated funds	76,457	73,805
	\$ 86,076	\$ 85,814

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
<i>Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds</i>			
Operating companies	\$ 10,094	\$ 10,461	\$ 301
Consolidated funds	5,470	2,732	(373)
	\$ 15,564	\$ 13,193	\$ (72)

13. Other Revenues and Expenses

Upon closing of the sale of the Company's credit business, on December 31, 2014, the company recorded a gain of \$4.5 million included in other revenues in the accompanying consolidated statements of operations (See Note 2).

The company adjusted the value of the contingent liability related to the securities lending business by \$2.1 million due to the Company's decision during the fourth quarter of 2014 to wind down the operations of the business. This amount is included in other revenues in the accompanying consolidated statements of operations (See Note 2).

During June 2008, the Company sold its fractional share ownership of a business aircraft for a net gain of \$0.5 million. In the same month, October LLC, a wholly owned subsidiary of the Company, also sold an aircraft through a sale-leaseback transaction. The Company recognized a deferred net gain of \$2.8 million and amortized it over a period of sixty-seven months, the term of the lease. During the years ended December 31, 2013 and 2012, the amount of the gain recognized in other revenue in the accompanying consolidated statements of operations was \$0.5 million each year, respectively. The lease expired on January 31, 2014 and the associated net gain of \$2.8 million was fully recognized.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Other expenses, during the years ended December 31, 2014, 2013, and 2012, are primarily the general administrative expenses of the various operating company subsidiaries or the Consolidated Funds.

14. Share-Based and Deferred Compensation and Employee Ownership Plans

The Company issues share based compensation under the 2006 Equity and Incentive Plan, the 2007 Equity and Incentive Plan (both established prior to the November 2009 transaction between Ramius and Cowen) and the Cowen Group, Inc. 2010 Equity and Incentive Plan (collectively, the "Equity Plans"). The Equity Plans permit the grant of options, restricted shares, restricted stock units, stock appreciation rights ("SAR's") and other equity based awards to the Company's employees, consultants and directors for up to 17,725,000 shares of common stock plus any approved additional shares in accordance with the Equity Plans. Stock options granted generally vest over two-to-five-year periods and expire seven years from the date of grant. Restricted shares and restricted share units issued may be immediately vested or may generally vest over a two-to-five-year period. SAR's vest and expire after five years from grant date. Awards are subject to the risk of forfeiture. As of December 31, 2014, there were approximately 1.2 million shares available for future issuance under the Equity Plans.

Under the 2010 Equity Plan, the Company awarded \$29.3 million of deferred cash awards to its employees during the year ended December 31, 2014. These awards vest over a period of five years and accrue interest between 0.70% to 0.75% per year. As of December 31, 2014, the Company had unrecognized compensation expense related to deferred cash awards of \$33.8 million.

The Company measures compensation cost for share based awards according to the equity method. In accordance with the expense recognition provisions of those standards, the Company amortizes unearned compensation associated with share based awards on a straight-line basis over the vesting period of the option or award. In relation to awards under the Equity Plans, the Company recognized expense of \$18.3 million, \$17.9 million, and \$19.9 million for the years ended December 31, 2014, 2013, and 2012, respectively. The income tax effect recognized for the Equity Plans was a benefit of \$6.0 million, \$9.7 million, and \$11.3 million for the years ended December 31, 2014, 2013, and 2012, respectively; however, for 2013 and 2012, these benefits were offset by a valuation allowance.

In relation to awards under the RCG Grants, the Company recognized expense of \$4.9 million for the year ended December 31, 2012. The income tax effect recognized for the RCG Grants was a benefit of \$1.9 million for the year ended December 31, 2012.

Stock Options and Stock Appreciation Rights

The Company values options and SAR's on grant date using the Black-Scholes valuation model which requires the Company to make assumptions regarding the expected term, volatility, risk-free rate and dividend yield:

Expected term. Expected term represents the period of time that awards granted are expected to be outstanding. The Company elected to use the "simplified" calculation method, as applicable to companies that lack extensive historical data. The mid-point between the vesting date and the contractual expiration date is used as the expected term under this method.

Expected volatility. The Company bases its expected volatility on its own stock price history.

Risk free rate. The risk-free rate for periods within the expected term of the award is based on the interest rate of a traded zero-coupon U.S. Treasury bond with a term equal to the awards' expected term on the date of grant.

Dividend yield. The Company has not paid and does not expect to pay dividends in the foreseeable future. Accordingly, the assumed dividend yield is zero.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

The following table summarizes the Company's stock option activity for the year ended December 31, 2014:

	Shares Subject to Option	Weighted Average Exercise Price/Share	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value(1) (dollars in thousands)
Balance outstanding at December 31, 2012	773,763	\$ 12.58	1.6	\$ —
Options granted	—	—	—	—
Options exercised	—	—	—	—
Options expired	(473,757)	16.00	—	—
Balance outstanding at December 31, 2013	300,006	\$ 7.19	2.40	\$ 41
Options granted	—	—	—	—
Options exercised	(33,334)	3.50	—	—
Options expired	(50,000)	16.27	—	—
Balance outstanding at December 31, 2014	216,672	\$ 5.65	1.60	\$ 87
Options exercisable at December 31, 2013	300,006	\$ 7.19	2.40	\$ —
Options exercisable at December 31, 2014	216,672	\$ 5.65	1.60	\$ —

(1) Based on the Company's closing stock price of \$4.80 on December 31, 2014 and \$3.91 on December 31, 2013.

As of December 31, 2014, the unrecognized compensation expense related to the Company's grant of stock options was insignificant.

The following table summarizes the Company's SAR's for the year ended December 31, 2014:

	Shares Subject to Option	Weighted Average Exercise Price/Share	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value(1) (dollars in thousands)
Balance outstanding at December 31, 2012	—	\$ —	0	\$ —
SAR's granted	400,000	\$ 2.90	—	—
SAR's acquired	—	—	—	—
SAR's expired	—	—	—	—
Balance outstanding at December 31, 2013	400,000	\$ 2.90	4.21	608
SAR's granted	—	—	—	—
SAR's acquired	—	—	—	—
SAR's expired	—	—	—	—
Balance outstanding at December 31, 2014	400,000	\$ 2.90	3.21	\$ 913
SAR's exercisable at December 31, 2014	—	\$ —	\$ —	—

(1) Based on the Company's closing stock price of \$4.80 on December 31, 2014 and \$3.91 on December 31, 2013.

As of December 31, 2014 and 2013, the unrecognized compensation expense related to the Company's grant of SAR's was \$0.2 million and \$0.3 million, respectively.

Restricted Shares and Restricted Stock Units Granted to Employees

Restricted shares and restricted stock units are referred to collectively as restricted stock. The following table summarizes the Company's restricted share and restricted stock unit activity for the year ended December 31, 2014:

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

	Nonvested Restricted Shares and Restricted Stock Units	Weighted-Average Grant Date Fair Value
Balance outstanding at December 31, 2012	10,252,023	\$ 4.15
Granted (1)	7,939,924	2.63
Vested	(4,463,990)	3.86
Canceled	—	—
Forfeited	(176,413)	3.15
Balance outstanding at December 31, 2013	13,551,544	\$ 3.37
Granted	9,674,496	3.89
Vested	(4,071,120)	3.27
Canceled	—	—
Forfeited	(1,500,338)	3.07
Balance outstanding at December 31, 2014 (1)	17,654,582	\$ 3.70

- (1) Performance linked restricted stock units of 1,925,750 were awarded to employees of the Company in December 2013 and January 2014. Of the awards granted, 281,250 have been forfeited during the year ended December 31, 2014. The remaining awards, included in the outstanding balance as of December 31, 2014, will vest on June 10, 2019 and will be earned only to the extent that the Company attains specified performance goals relating to its volume-weighted average share price and the aggregate net income for the years from 2014 to 2018. The actual number of RSUs ultimately earned could vary from zero, if performance goals are not met, to as much as 100% of the targeted award. Each RSU is equal to the one share of the Company's Class A common stock. Compensation expense is recognized to the extent that it is probable that the Company will attain the performance goals.

The fair value of restricted stock (excluding performance linked units which are valued using the Monte Carlo valuation model) is determined based on the number of shares granted and the quoted price of the Company's common stock on the date of grant.

As of December 31, 2014, there was \$43.4 million of unrecognized compensation expense related to the Company's grant of nonvested restricted shares and restricted stock units to employees. Unrecognized compensation expense related to nonvested restricted shares and restricted stock units granted to employees is expected to be recognized over a weighted-average period of 1.75 years.

Restricted Shares and Restricted Stock Units Granted to Non-employee Board Members

There were 158,791 restricted stock units awarded during the year ended December 31, 2014. Vested awards of 216,834 were delivered during the year ended December 31, 2014. As of December 31, 2014 there were 424,479 restricted stock units outstanding.

15. Defined Benefit Plan

On December 1, 2005, the Company adopted a defined benefit plan ("Cash Balance Plan") to provide retirement income to all eligible employees of the Company and its subsidiaries in accordance with the terms and conditions in the plan document. As previously stated, the Company made the decision to terminate the Cash Balance Plan effective December 31, 2013. On May 12, 2014 Cowen received a favorable determination letter from the IRS approving the termination of the Ramius LLC Cash Balance Plan. Subsequently, steps were taken to process the distributions based on participant distribution elections by December 15, 2014 and the Company is filing a final Form 5500 for the Plan Year 2014.

The Plan blended the features of a traditional defined benefit plan with the features of a defined contribution plan. In this plan, hypothetical individual accounts periodically received a contribution credit and an interest credit. The contribution credits were a flat dollar amount that vary with age. Investment policies and strategies of the Cash Balance Plan were set by the Retirement Plan Committee and approved by the plan trustees. The plan trustee oversaw the actual investment of plan assets into permitted asset classes to achieve targeted plan returns. Hypothetical participant balances were vested at all times. The method of payment for Cash Balance Plan was an annuity unless the participant elects an alternate choice of payment. The Cash Balance Plan was developed to meet the requirements of Section 401(a) and Section 501(a) of the Internal Revenue Code.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

In addition, Ramius Japan Ltd. also established a defined benefit plan (the "Retirement Allowance Plan") covering its employees. There are no plan assets associated with this plan and the benefits were based on years of credited service and a percentage of the employees' compensation. This plan was liquidated during the fourth quarter of 2012.

The amounts contained in the following table relate to the Company's defined benefit plan(s) for the years ended December 31, 2014, 2013, and 2012:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Projected benefit obligation		
Benefit obligation at beginning of year	\$ 3,592	\$ 4,436
Service cost	—	—
Interest cost	84	207
Actuarial loss (gain)	(2)	(93)
Benefits paid	(3,791)	(48)
Curtailments	—	—
Lump sum settlement	117	(910)
Effect of change in currency conversion	—	—
Benefit obligation at end of year	<u>\$ —</u>	<u>\$ 3,592</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 4,389	\$ 5,230
Actual return on plan assets	306	153
Employer contributions	—	1
Benefits paid	(3,791)	(956)
Transfer to qualified replacement plan	(874)	—
Expenses paid from the plan	(30)	(39)
Fair value of plan assets at the end of year	<u>\$ —</u>	<u>\$ 4,389</u>
Funded balance at end of year	<u>\$ —</u>	<u>\$ 797</u>
Amounts recognized in the consolidated statement of financial condition		
Asset	\$ —	\$ 797
Accumulated benefit obligation	\$ —	\$ 3,592

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Components of net periodic benefit cost included in employee compensation and benefits			
Service cost	\$ —	\$ —	\$ 53
Interest cost	84	207	216
Expected return on plan assets	(299)	(251)	(235)
Amortization of loss / (gain)	(205)	—	—
Amortization of prior service cost	—	21	20
Effect of settlement	—	(95)	(95)
Net periodic benefit cost	\$ (420)	\$ (118)	\$ (41)
Other changes in plan assets and benefit obligations recognized in other comprehensive loss			
Net loss (gain)	\$ 344	\$ 137	\$ (557)
Effect of curtailment	—	(360)	59
Effect of settlement	—	—	98
Amortization of loss / (gain)	—	—	—
Amortization of prior service cost	—	(23)	(23)
Total recognized in other comprehensive income (loss)	\$ 344	\$ (246)	\$ (423)
Total recognized in net periodic benefit cost and other comprehensive loss	\$ (76)	\$ (364)	\$ (464)
Amounts recognized in accumulated other comprehensive loss			
Net gain (loss)	\$ —	\$ 344	\$ 479
Prior service cost	—	—	(381)
Effect of change in currency conversion	—	—	—
Total recognized in accumulated other comprehensive income (loss)	\$ —	\$ 344	\$ 98
Estimated amounts to be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year			
Prior service cost	\$ —	\$ —	\$ 19
Net gain (loss)	\$ —	\$ —	\$ —

The assumed long term rate of return on the Cash Balance Plan assets was 6% as of December 31, 2013 and 2012. The Company's approach in determining the long-term rate of return for plan assets is based upon historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

All assets in the Cash Balance Plan as of December 31, 2014 were distributed or transferred out. The composition of plan assets by asset category for the Cash Balance Plan as of December 31, 2013 are as follows:

	As of December 31,	
	2013	
	(dollars in thousands)	
Ramius Multi-Strategy Fund Ltd(a)	\$	390
Ramius Merger Fund Ltd		2,279
Orchard Square Partners Credit Fund Ltd(b)		1,640
External Mutual Funds—Total return(c)		7
External Mutual Funds—Real Return(d)		34
External Mutual Funds—Conservative(e)		39
	<u>\$</u>	<u>4,389</u>

- (a) Ramius Multi-Strategy Fund Ltd invests substantially all of its capital through a "master feeder" structure in Ramius Intermediate Fund, L.P. which invests in funds that employ a variety of diversified, non-directional investment strategies that seek to achieve, over the long term, a target return with low volatility.
- (b) Orchard Square Partners Credit Fund Ltd invests substantially all of its capital through a "master-feeder" structure in Orchard Square Partners Credit Intermediate Fund, LP which invests in a fund whose objective is to seek to achieve superior returns.
- (c) External Mutual Funds—Total Return's main objective is to achieve maximum total return by investing assets in a diversified portfolio of fixed income instruments of varying maturities which may be represented by derivatives.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

- (d) External Mutual Funds—Real Return's main objective is to seek to achieve maximum total return after inflation consistent with preservation of real capital and prudent investment management.
- (e) External Mutual Funds—Conservative's main objective is to seek to achieve a high level of current income with some consideration given to the growth of capital by investing in fixed-income securities.

The investment approach of the Cash Balance Plan was to generate a return equal to or greater than the 30-year treasury rate with relatively low risk by investing in a variety of vehicles. The Company had valued the assets in the Cash Balance Plan at fair value in accordance with the Company's investment policies (see Note 3e). The assets in the Cash Balance Plan were categorized in level 2 of the fair value hierarchy. Investment risk was measured and monitored on an ongoing basis through semi-annual retirement committee meetings and annual liability measurements.

16. Defined Contribution Plans

The Company sponsors a Retirement and Savings Plan which is a defined contribution plan pursuant to Section 401(k) of the Internal Revenue Code (the "401k Plans"). All full-time employees of the Company can contribute on a tax deferred basis to the 401k Plans up to 100% of their annual compensation, subject to certain limitations. The Company provides matching contributions for certain employees that are equal to a specified percentage of the eligible participant's contribution as defined by the 401k Plans. For the years ended December 31, 2013, and 2012, the Company's contributions to the Plans were \$0.4 million and \$1.4 million, respectively. The Company did not contribute to the Plans during the year ended December 31, 2014.

17. Income Taxes

The taxable results of the Company's U.S. operations are included in the consolidated income tax returns of Cowen Group, Inc. as well as stand-alone state and local tax returns. The Company has subsidiaries that are resident in foreign countries where tax filings have to be submitted on a stand-alone basis. These subsidiaries are subject to tax in their respective countries and the Company is responsible for and, thus, reports all taxes incurred by these subsidiaries. The countries where the Company owns subsidiaries with tax filing obligations in United Kingdom, Luxembourg, and Hong Kong.

The components of the Company's income tax expense for the years ended December 31, 2014, 2013 and 2012 are as follows:

	Year ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Current tax expense/(benefit)			
Federal	\$ 2,247	\$ —	\$ —
State and local	573	241	(133)
Foreign	341	188	569
Total	<u>\$ 3,161</u>	<u>\$ 429</u>	<u>\$ 436</u>
Deferred tax expense/(benefit)			
Federal	\$ (99,284)	\$ —	\$ 8
State and local	(28,825)	—	2
Foreign	4	28	2
Total	<u>(128,105)</u>	<u>28</u>	<u>12</u>
Total Tax expense/(benefit)	<u><u>\$ (124,944)</u></u>	<u><u>\$ 457</u></u>	<u><u>\$ 448</u></u>

Consolidated U.S. income/(loss) before income taxes was \$56.7 million in 2014, \$11.9 million in 2013, and \$(25.9) million in 2012. The corresponding amounts for non-U.S.-based income/(loss) were \$1.1 million in 2014, \$6.4 million in 2013, and \$2.4 million in 2012.

The reconciliations of the Company's federal statutory rate to the effective income tax rate for the years ended December 31, 2014, 2013, and 2012 are as follows:

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

	2014	2013	2012
Pre-tax loss at U.S. statutory rate	35.0 %	35.0%	35.0 %
Stock compensation	—	12.6	(28.1)
Change in valuation allowance	(252.7)	(27.2)	(7.6)
State and foreign tax	5.8	—	—
Minority interest reversal	(9.4)	(25.2)	(0.1)
Other, net	5.3	7.3	(1.1)
Total	(216.0)%	2.5%	(1.9)%

As of December 31, 2014, the Company has net income taxes receivable of approximately \$0.1 million representing state tax overpayments which is included in other assets on the accompanying consolidated statements of financial condition. The Company also has alternative minimum and foreign income taxes payable of \$2.5 million, which is included in other liabilities on the accompanying consolidated statements of financial condition.

The components of the Company's deferred tax assets and liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013
	(dollars in thousands)	
Deferred tax assets, net of valuation allowance		
Net operating loss	\$ 94,628	\$ 130,562
Deferred compensation	56,069	22,538
Goodwill	8,434	9,937
Tax credits	2,668	1,820
Acquired lease liability	5,164	3,336
Other	2,394	4,081
Total deferred tax assets	169,357	172,274
Valuation allowance	(2,263)	(148,816)
Deferred tax assets, net of valuation allowance	167,094	23,458
Deferred tax liabilities		
Basis difference on investments	(15,352)	(15,352)
Unrealized gains on investments	(21,739)	(6,354)
Intangible assets	(537)	(1,177)
Other	(66)	(602)
Total deferred tax liabilities	(37,694)	(23,485)
Deferred tax assets/(liabilities), net	\$ 129,400	\$ (27)

Deferred tax assets, net of valuation allowance, are reported in other assets in the accompanying consolidated statements of financial condition. In addition to the deferred tax balances in the table above, the Company records balances related to its operating losses in Luxembourg, which are discussed below.

The Company records deferred tax assets and liabilities for the future tax benefit or expense that will result from differences between the carrying value of its assets for income tax purposes and for financial reporting purposes, as well as for operating or capital loss and tax credit carryovers. A valuation allowance is recorded to bring the net deferred tax assets to a level that, in management's view, is more likely than not to be realized in the foreseeable future. This level will be estimated based on a number of factors, especially the amount of net deferred tax assets of the Company that are actually expected to be realized, for tax purposes, in the foreseeable future. The Company recorded a valuation allowance of \$2.3 million against its deferred tax assets of \$169.4 million as of December 31, 2014 and approximately \$148.8 million against its deferred tax assets of \$172.3 million as of December 31, 2013. Separately, the Company has deferred tax liabilities of \$37.7 million as of December 31, 2014, and \$23.5 million as of December 31, 2013.

The deferred tax benefit of \$128.1 million recorded in 2014 predominantly represented the release of the Company's US federal and state valuation allowance due to the anticipation of future profits. During the fourth quarter of 2014, the Company emerged from a three-year cumulative deficit which had caused the Company to record a full valuation allowance until September 30, 2014. As of December 31, 2014, the Company recorded a valuation allowance against its foreign deferred tax assets related to net operating losses in these jurisdictions. For the years ended December 31, 2013 and 2012, the deferred tax expense recorded by the Company was immaterial.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

The Company has the following net operating loss carryforwards at December 31, 2014:

	Federal	New York	Hong Kong
Jurisdiction:			
Net operating loss (in millions)	\$ 230	\$ 295	\$ 14
Year of expiration	2033	2033	Indefinite

In addition to the net operating loss carryforwards in the table above, the Company also has net operating loss carryforwards in Luxembourg. These loss carryforwards are only accessible to the extent of taxable income generated by the Luxembourg reinsurance companies, including any deferred income that will be generated in the future. Consequently, the Company recorded a deferred tax asset of \$183.4 million, net of deferred tax liabilities of \$204.2 million in connection with future taxable income, and an offsetting valuation allowance of \$183.4 million against its Luxembourg net operating loss carryforwards that are in excess of such taxable income.

On June 28, 2011, the Company acquired a subsidiary, causing an ownership change of the subsidiary under Section 382 of the Internal Revenue Code ("Section 382"). As such, net operating losses this subsidiary had generated as of the date of its acquisition were subject to an annual Section 382 limitation of \$6.7 million. As of December 31, 2014, the unused portion of the subsidiary's net operating losses that are subject to this annual limitation is \$64 million. The Company is not expected to lose any of these net operating losses as a result of the Section 382 limitation.

The Company adopted the accounting guidance for accounting for uncertainty in income taxes as which clarifies the criteria that must be met prior to recognition of the financial statement benefit of a position taken in a tax return. The Company does not have any uncertain tax positions recorded for the years ended December 31, 2014, 2013, and 2012. Further, the Company did not record any additions to its unrecognized tax benefit balances as a result of current or prior year tax positions or reductions due to expired statute of limitations during the years ended December 31, 2014, 2013, and 2012.

The Company is subject to examination by the United States Internal Revenue Service, the United Kingdom Inland Revenue Service as well as state, local and foreign tax authorities in jurisdictions where the Company has significant business operations, such as New York. Currently, the Company is under audit by New York State for the 2009-2012 tax years. The Company does not expect to incur material tax liabilities from these audits.

The Company intends to permanently reinvest the capital and accumulated earnings of its foreign subsidiaries in the respective subsidiary, but remits the current earnings of its foreign subsidiaries to the United States to the extent permissible under local regulatory rules. The undistributed earnings of the Company's foreign subsidiaries totaled \$1.1 million and \$1.1 million as of December 31, 2014 and 2013, respectively, and the tax liability that would arise if these earnings were remitted to the United States would be approximately \$0.2 million and \$0.2 million, respectively.

18. Commitments and Contingencies

Lease Obligations

The Company has entered into leases for office space and equipment. These leases contain rent escalation clauses. The Company records rent expense on a straight-line basis over the lease term, including any rent holiday periods. Rent expense was \$16.8 million, \$15.6 million, and \$14.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, future minimum annual lease and service payments for the Company were as follows:

	Equipment Leases (a)	Service Payments	Facility Leases (b)
	(dollars in thousands)		
2015	\$ 2,603	\$ 13,946	\$ 18,555
2016	2,284	8,844	16,715
2017	2,198	4,710	13,281
2018	2,198	4,084	13,005
2019	813	1,397	12,461
Thereafter	—	—	40,970
	<u>\$ 10,096</u>	<u>\$ 32,981</u>	<u>\$ 114,987</u>

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

- (a) Equipment Leases include the Company's commitments relating to operating and capital leases. See Note 19 for further information on the capital lease minimum payments which are included in the table.
- (b) The Company has entered into various agreements to sublease certain of its premises. The Company recorded sublease income related to these leases of \$1.8 million, \$1.5 million, and \$1.2 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Clawback Obligations

For financial reporting purposes, the general partners have recorded a liability for potential clawback obligations to the limited partners of a real estate fund, due to changes in the unrealized value of the fund's remaining investments and where the fund's general partner has previously received carried interest distributions. The actual clawback liability, however, does not become realized until the end of the fund's life. The fund is currently winding-down and as of both December 31, 2014 and 2013, the clawback obligation was \$6.2 million.

The Company serves as the general partner/managing member and/or investment manager to various affiliated and sponsored funds. As such, the Company is contingently liable for obligations for those entities. These amounts are not included above as the Company believes that the assets in these funds are sufficient to discharge any liabilities.

Unfunded Commitments

As of December 31, 2014, the Company had unfunded commitments of \$12.4 million pertaining to capital commitments in four real estate investments held by the Company, all of which pertain to related party investments. Such commitments can be called at any time, subject to advance notice. The Company, as a limited partner of the HealthCare Royalty Partners funds and also as a member of HealthCare Royalty Partners General Partners, has committed to invest \$45.4 million in the Healthcare Royalty Partners funds which are managed by Healthcare Royalty Management. This commitment is expected to be called over a two to five year period. The Company will make its pro-rata investment in the HealthCare Royalty Partners funds along with the other limited partners. Through December 31, 2014, the Company has funded \$35.1 million towards these commitments. In April 2013, the Company committed \$1.0 million to Starboard Leaders Fund LP, which may increase or decrease over time, and, as of December 31, 2014, has funded \$0.9 million towards this commitment. As of December 31, 2014, the Company has an unfunded commitment to Formation 8 Partners Fund I LP of \$2.7 million. The remaining capital commitment is expected to be called over a four year period.

Litigation

In the ordinary course of business, the Company and its affiliates and subsidiaries and current and former officers, directors and employees (the "Company and Related Parties") are named as defendants in, or as parties to, various legal actions and proceedings. Certain of these actions and proceedings assert claims or seek relief in connection with alleged violations of securities, banking, anti-fraud, anti-money laundering, employment and other statutory and common laws. Certain of these actual or threatened legal actions and proceedings include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief.

In the ordinary course of business, the Company and Related Parties are also subject to governmental and regulatory examinations, information gathering requests (both formal and informal), certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. Certain affiliates and subsidiaries of the Company are investment banks, registered broker-dealers, futures commission merchants, investment advisers or other regulated entities and, in those capacities, are subject to regulation by various U.S., state and foreign securities, commodity futures and other regulators. In connection with formal and informal inquiries by these regulators, the Company and such affiliates and subsidiaries receive requests, and orders seeking documents and other information in connection with various aspects of their regulated activities.

Due to the global scope of the Company's operations, and its presence in countries around the world, the Company and Related Parties may be subject to litigation, and governmental and regulatory examinations, information gathering requests, investigations and proceedings (both formal and informal), in multiple jurisdictions with legal and regulatory regimes that may differ substantially, and present substantially different risks, from those the Company and Related Parties are subject to in the United States.

The Company seeks to resolve all litigation and regulatory matters in the manner management believes is in the best interests of the Company and its shareholders, and contests liability, allegations of wrongdoing and, where applicable, the amount of damages or scope of any penalties or other relief sought as appropriate in each pending matter.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

In accordance with US GAAP, the Company establishes reserves for contingencies when the Company believes that it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. The Company discloses a contingency if there is at least a reasonable possibility that a loss may have been incurred and there is no reserve for the loss because the conditions above are not met. The Company's disclosure includes an estimate of the reasonably possible loss or range of loss for those matters, for which an estimate can be made. Neither a reserve nor disclosure is required for losses that are deemed remote.

The Company appropriately reserves for certain matters where, in the opinion of management, the likelihood of liability is probable and the extent of such liability is reasonably estimable. Such amounts are included within accounts payable, accrued expenses and other liabilities in the accompanying consolidated statements of financial condition. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, the Company's defenses and its experience in similar cases or proceedings as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. The Company may increase or decrease its legal reserves in the future, on a matter-by-matter basis, to account for developments in such matters. The Company accrues legal fees as incurred.

The following information reflects developments with respect to the Company's legal proceedings that occurred in the year ended December 31, 2014.

On May 28, 2014, Energy Intelligence Group, Inc. and Energy Intelligence Group UK (collectively, "EIG") filed a lawsuit against Cowen and Company, LLC in the United States Court for the Southern District of New York (Energy Intelligence Group, Inc. and Energy Intelligence Group UK v. Cowen and Company, LLC, No. 14-CV-3789). The complaint alleges copyright infringement based on alleged impermissible distribution of EIG's publication, Oil Daily, by Cowen and Company, LLC, and Dahlman Rose & Company, LLC, as Cowen's alleged predecessor-in-interest. EIG is seeking statutory damages based on alleged willful infringement of their copyrights. The Company believes it has substantial defenses to the claims asserted and intends to vigorously defend itself against this lawsuit if a satisfactory settlement is not ultimately approved. On July 22, 2014, the action was referred to a federal Magistrate Judge for the purpose of settlement, staying Cowen's time to answer until the parties have completed settlement discussions. On September 18, 2014, the parties attended a mediation before the federal Magistrate Judge. The case is in its preliminary stages so the Company cannot predict the outcome. The Company does not currently expect this case to have a material effect on its financial position.

19. Convertible Debt and Notes Payable

As of December 31, 2014 and 2013, the Company's outstanding debt was as follows:

	As of December 31,	
	2014	2013
	(dollars in thousands)	
Convertible debt	\$ 118,475	\$ —
Note Payable	63,250	—
Other Note payable	—	41
Capital lease obligations	3,894	2,523
	<u>\$ 185,619</u>	<u>\$ 2,564</u>

Convertible Debt

On March 10, 2014, the Company issued \$149.5 million of 3.0% cash convertible senior notes ("Convertible Notes"). The Convertible Notes are due on March 15, 2019 unless earlier repurchased by the Company or converted by the holder into cash in accordance with their terms prior to such date. The interest on the Convertible Notes is payable semi-annually on March 15 and September 15 of each year. The Convertible Notes are senior unsecured obligations and rank senior in right of payments to other obligations. The Convertible Notes may be converted into cash, upon the occurrence of certain events, whereby a holder will receive, per \$1,000 principal amount of notes being converted, an amount equal to the sum of principal amount outstanding and the conversion amount based on the current conversion price (the "Conversion Option"). The Convertible Notes were issued with an initial conversion price of \$5.33 per share.

The Company recorded interest expense related to the coupon of \$3.6 million for the year ended December 31, 2014. The initial unamortized discount on the Convertible Notes was \$35.7 million and is shown net in convertible debt in the accompanying consolidated statements of financial condition. Amortization on the discount for the year ended December 31, 2014, included within interest expense in the accompanying consolidated statements of operations is \$4.7 million, based on an effective interest rate of 8.89%. The Company capitalized the debt issuance costs in the amount of \$3.7 million, which is

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

included in other assets in the accompanying consolidated statements of financial condition, and will be amortized over the life of the Convertible Notes. As of December 31, 2014, the Company is in compliance with all covenants included in the indenture governing the Convertible Notes.

Of the net proceeds from the sale of the Convertible Notes, approximately \$20.5 million was applied to pay the net cost of a cash convertible note economic hedge and warrant transaction which increases the effective conversion price to \$7.18 (See Note 5), and approximately \$0.3 million was applied to repurchase shares of Cowen Class A common stock. The remainder of the net proceeds is being used for general corporate purposes.

Note Payable

On October 10, 2014 the Company completed its public offering of \$63.3 million aggregate principal amount of 8.25% senior notes due on October 15, 2021 ("2021 Notes"). Interest on the 2021 Notes is payable quarterly in arrears on January 15, April 15, July 15 and October 15, commencing on January 15, 2015. The Company recorded interest expense related to the coupon of \$1.2 million for the year ended December 31, 2014. The Company capitalized debt issuance costs of approximately \$2.9 million which is included in other assets in the accompanying consolidated statements of financial condition and will be amortized over the life of the 2021 Notes. As of December 31, 2014, the Company is in compliance with all covenants included in the indenture governing the 2021 Notes. The Company intend to use the proceeds from the offering of our 2021 Notes to pursue other direct investment and financing opportunities, to continue expanding our existing businesses and for other general corporate purposes. As of December 31, 2014, the Company is in compliance with all covenants included in the indenture governing the 2021 Notes.

Other Note Payable

During January 2014, the Company borrowed \$2.0 million to fund insurance premium payments. This note bears interest at 1.55% and was due on December 1, 2014, with monthly payment requirements of \$0.2 million. As of December 31, 2014, the outstanding balance on this note payable was fully repaid. Interest expense for the years ended December 31, 2014 was insignificant.

Capital Lease Obligations

The Company entered into several capital leases for computer equipment during the fourth quarter of 2010 and one in January 2014. These leases amount to \$7.6 million and are recorded in fixed assets and as capital lease obligations, which are included in short-term borrowings and other debt in the accompanying consolidated statements of financial condition, and have lease terms that range from 48 to 60 months and interest rates that range from 0.60% to 6.03%. As of December 31, 2014, the remaining balance on these capital leases was \$3.9 million. Interest expense was \$0.2 million, \$0.1 million and \$0.2 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Annual scheduled maturities of debt and minimum payments for all debt outstanding as of December 31, 2014, is as follows:

	Convertible Debt	Note Payable	Capital Lease Obligation
	(dollars in thousands)		
2015	\$ 4,485	\$ 5,291	\$ 1,343
2016	4,485	5,218	1,025
2017	4,485	5,218	938
2018	4,485	5,218	938
2019	151,743	5,218	79
Thereafter	—	73,686	—
Subtotal	169,683	99,849	4,323
Less: Amount representing interest (a)	(51,208)	(36,599)	(429)
Total	<u>\$ 118,475</u>	<u>\$ 63,250</u>	<u>\$ 3,894</u>

(a) Amount necessary to reduce net minimum payments to present value calculated at the Company's implicit rate at inception. This amount also includes the unamortized discount on the convertible debt.

Letters of Credit

As of December 31, 2014, the Company has the following seven irrevocable letters of credit related to leased office space, for which there is cash collateral pledged, which the Company pays a fee on the stated amount of the letter of credit.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Location	Amount	Maturity
	(dollars in thousands)	
San Francisco	\$ 82	May 2015
Boston	\$ 382	March 2015
New York	\$ 893	August 2015
New York	\$ 3,935	December 2015
New York	\$ 1,000	February 2015
New York	\$ 1,861	June 2015
New York	\$ 127	September 2015

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of December 31, 2014 and 2013, there were no amounts due related to these letters of credit.

20. Stockholders' Equity

The Company is authorized to issue 500,000,000 shares of common stock, which shall consist of 250,000,000 shares of Class A common stock, par value \$0.01 per share, and 250,000,000 shares of Class B common stock, par value \$0.01 per share. The Company is also authorized to issue 10,000,000 shares of preferred stock, par value \$0.01 per share. Subject to the rights of holders of any outstanding preferred stock, the number of authorized shares of common stock or preferred stock may be increased or decreased by the affirmative vote of the holders of a majority of the shares entitled to vote on such matters, but in no instance can the number of authorized shares be reduced below the number of shares then outstanding.

Common stock

The certificate of incorporation of the Company provides for two classes of common stock, and for the conversion of each class into the other, to provide a mechanism by which holders of Class A common stock of the Company who may be limited in the amount of voting common stock of the Company they can hold pursuant to federal, state or foreign bank laws, to convert their shares into non-voting Class B common stock to prevent being in violation of such laws. Each holder of Class A common stock is entitled to one vote per share in connection with the election of directors and on all other matters submitted to a stockholder vote, provided, however, that, except as otherwise required by law, holders of Class A common stock are not entitled to vote on any amendment to the Company's amended and restated certificate of incorporation that relates solely to the terms of one or more outstanding series of the Company's preferred stock, if holders of the preferred stock series are entitled to vote on the amendment under the Company's certificate of incorporation or Delaware law. No holder of Class A common stock may accumulate votes in voting for directors of the Company.

Each holder of Class B common stock is not entitled to vote except as otherwise provided by law, provided however that the Company must obtain the consent of a majority of the holders of Class B common stock to effect any amendment, alteration or repeal of any provision of the Company's amended and restated certificate of incorporation or amended and restated by-laws that would adversely affect the voting powers, preferences or rights of holders of Class B common stock. Except as otherwise provided by law, Class B common stock shares will not be counted as shares held by stockholders for purposes of determining whether a vote or consent has been approved or given by the requisite percentage of shares.

Each share of Class A common stock is convertible at the option of the holder and at no cost into one share of Class B common stock, and each share of Class B common stock is convertible at the option of the holder and at no cost into one share of Class A common stock. The conversion ratios will be adjusted proportionally to reflect any stock split, stock dividend, merger, reorganization, recapitalization or other change in the Class A common stock and Class B common stock. Upon conversion, converted shares resume the status of authorized and unissued shares.

Subject to the preferences of the holders of any of the Company's preferred stock that may be outstanding from time to time, each share of Class A common stock and Class B common stock will have an equal and ratable right to receive dividends and other distributions in cash, property or shares of stock as may be declared by the Company's board of directors out of assets or funds legally available for the payment of dividends and other distributions.

In the event of the liquidation, dissolution or winding up of the Company, subject to the preferences of the holders of any preferred stock of the Company that may be outstanding from time to time, holders of Class A common stock and Class B common stock will be entitled to share equally and ratably in the assets available for distribution to the Company's stockholders. There are no redemption or sinking fund provisions applicable to the Class A or the Class B common stock.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Preferred stock

The Company's amended and restated certificate of incorporation permits the Company to issue up to 10,000,000 shares of preferred stock in one or more series with such designations, titles, voting powers, preferences and rights and such qualifications, limitations and restrictions as may be fixed by the board of directors of the Company without any further action by the Company's stockholders. The Company's board of directors may increase or decrease the number of shares of any series of preferred stock following the issuance of that series of preferred stock, but in no instance can the number of shares of a series of preferred stock be reduced below the number of shares of the series then outstanding.

Treasury stock

Treasury stock of \$79.8 million as of December 31, 2014, compared to \$48.1 million as of December 31, 2013, resulted from \$5.6 million acquired through repurchases of shares to cover employee minimum tax withholding obligations related to stock compensation vesting events under the Company's Equity Plan or other similar transactions and \$26.0 million purchased in connection with a share repurchase program.

The following represents the activity relating to the treasury stock held by the Company during the year ended December 31, 2014:

	Treasury stock shares	Cost (dollars in thousands)	Average cost per share
Balance outstanding at December 31, 2013	15,873,549	\$ 48,084	\$ 3.03
Shares purchased for minimum tax withholding under the Equity Plan or other similar transactions	1,376,236	5,649	4.10
Treasury stock reissued	—	—	—
Purchase of treasury stock	6,257,871	26,038	4.16
Balance outstanding at December 31, 2014	23,507,656	\$ 79,771	\$ 3.39

21. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income includes the after tax change in unrealized gains and losses on foreign currency translation adjustments and net gain (loss) and amortization of prior service costs related to the Company's defined benefit plans.

	Foreign currency translation (a)	Defined benefit plans (a)	Total
	(dollars in thousands)		
Balance at January 1, 2012	\$ 110	\$ (325)	\$ (215)
Net change	148	423	571
Balance at December 31, 2012	258	98	356
Net change	(10)	246	236
Balance at December 31, 2013	248	344	592
Net change	(231)	(344)	(575)
Balance at December 31, 2014	\$ 17	\$ —	\$ 17

(a) During the periods presented, the Company did not have material reclassifications out of other comprehensive income.

22. Earnings Per Share

The Company calculates its basic and diluted earnings per share in accordance with US GAAP. Basic earnings per common share is calculated by dividing net income attributable to the Company's stockholders by the weighted average number of common shares outstanding for the period. As of December 31, 2014, there were 111,691,199 shares outstanding. The Company has included 424,479 fully vested, unissued restricted stock units in its calculation of basic earnings per share.

Diluted earnings per common share are calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive nonvested restricted stock and stock options. The Company uses the treasury stock method to reflect the potential dilutive effect of the unvested restricted shares, restricted stock units, unexercised stock options, warrants and SAR's. In calculating the number of dilutive shares outstanding, the shares of common stock underlying unvested restricted shares and restricted stock units are assumed to have been delivered, and options and warrants are assumed to have been exercised, on the grant date. The assumed proceeds from the assumed vesting, delivery and exercising were calculated as the sum of (a) the amount of compensation cost attributed to future services and not yet recognized and (b) the amount of tax

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

benefit that would be credited to additional paid-in capital assuming vesting and delivery of the restricted stock. The tax benefit is the amount resulting from a tax deduction for compensation in excess of compensation expense recognized for financial statement reporting purposes. All outstanding stock options and warrants were not included in the computation of diluted net income (loss) per common share for the years ended December 31, 2014, 2013, and 2012, respectively, as their inclusion would have been anti-dilutive.

The computation of earnings per share is as follows:

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands, except per share data)		
Net income (loss)	\$ 182,780	\$ 17,840	\$ (23,957)
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	15,564	13,193	(72)
Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ 167,216	\$ 4,647	(23,885)
Shares for basic and diluted calculations:			
Weighted average shares used in basic computation	114,926	116,703	114,400
Warrants	—	—	—
Stock options	—	—	—
Stock appreciation rights	60	306	—
Restricted stock	4,500	4,108	—
Weighted average shares used in diluted computation	119,486	121,117	114,400
Earnings (loss) per share:			
Basic	\$ 1.45	\$ 0.04	\$ (0.21)
Diluted	\$ 1.40	\$ 0.04	\$ (0.21)

23. Segment Reporting

The Company conducts its operations through two segments: the alternative investment segment and the broker-dealer segment. These activities are conducted primarily in the United States and substantially all of its revenues are generated domestically. The performance measure for these segments is Economic Income (Loss), which management uses to evaluate the financial performance of and make operating decisions for the segments including determining appropriate compensation levels. Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount, square footage and other factors.

In general, Economic Income (Loss) is a pre-tax measure that (i) eliminates the impact of consolidation for consolidated funds and (ii) excludes certain other acquisition-related and/or reorganization expenses (See Note 2). In addition, Economic Income (Loss) revenues include investment income that represents the income the Company has earned in investing its own capital, including realized and unrealized gains and losses, interest and dividends, net of associated investment related expenses. For US GAAP purposes, these items are included in each of their respective line items. Economic Income (Loss) revenues also include management fees, incentive income and investment income earned through the Company's investment as a general partner in certain real estate entities and the Company's investment in the activist business. For US GAAP purposes, all of these items are recorded in other income (loss). In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for US GAAP purposes is presented gross as part of revenue.

As further stated below, one major difference between Economic Income (Loss) and US GAAP net income (loss) is that Economic Income (Loss) presents the segments' results of operations without the impact resulting from the full consolidation of any of the Consolidated Funds. Consolidation of these funds results in including in income the pro rata share of the income or loss attributable to other owners of such entities which is reflected in net income (loss) attributable to redeemable non-controlling interest in consolidated subsidiaries in the accompanying consolidated statements of operations. This pro rata share has no effect on the overall financial performance for the alternative investment segment, as ultimately, this income or loss is not income or loss for the alternative investment segment itself. Included in Economic Income (Loss) is the actual pro rata share of the income or loss attributable to the Company as an investor in such entities, which is relevant in management making operating decisions and evaluating financial performance.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

The following tables set forth operating results for the Company's alternative investment and broker dealer segments and related adjustments necessary to reconcile the Company's Economic Income (Loss) measure to arrive at the Company's consolidated US GAAP net income (loss):

Year Ended December 31, 2014							
	Alternative Investment	Broker- Dealer (1)	Total Economic Income/(Loss)	Adjustments			US GAAP
				Funds Consolidation	Other Adjustments		
				(dollars in thousands)			
Revenues							
Investment banking	\$ —	\$ 170,506	\$ 170,506	\$ —	\$ —		\$ 170,506
Brokerage	55	146,192	146,247	—	(6,115)	(e)	140,132
Management fees	64,774	—	64,774	(963)	(23,184)	(a)	40,627
Incentive income	45,708	—	45,708	(281)	(42,642)	(a)	2,785
Investment income	45,193	20,022	65,215	—	(65,215)	(c)	—
Interest and dividends	—	—	—	—	48,870	(c)(e)	48,870
Reimbursement from affiliates	—	—	—	(342)	12,837	(f)	12,495
Other revenue	4,645	523	5,168	—	4,278	(c)	9,446
<i>Consolidated Funds revenues</i>	—	—	—	2,915	—		2,915
Total revenues	160,375	337,243	497,618	1,329	(71,171)		427,776
Expenses							
Non interest expense	115,601	320,261	435,862	—	7,609	(c)(d)(g)	443,471
Goodwill impairment	—	—	—	—	2,334	(g)	2,334
Interest and dividends	7,804	1,994	9,798	—	32,954	(c)(e)	42,752
<i>Consolidated Funds expenses</i>	—	—	—	1,634	—		1,634
Total expenses	123,405	322,255	445,660	1,634	42,897		490,191
Total other income (loss)	—	—	—	5,775	114,476	(c)	120,251
Income taxes expense / (benefit)	—	—	—	—	(124,944)	(b)	(124,944)
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(7,802)	—	(7,802)	(5,470)	(2,292)		(15,564)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	\$ 29,168	\$ 14,988	\$ 44,156	\$ —	\$ 123,060		\$ 167,216

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Year Ended December 31, 2013

	Year Ended December 31, 2019					
	Alternative Investment	Broker- Dealer (1)	Total Economic Income/(Loss)	Adjustments		US GAAP
				Funds Consolidation	Other Adjustments	
	(dollars in thousands)					
Revenues						
Investment banking	\$ —	\$ 105,333	\$ 105,333	\$ —	\$ —	\$ 105,333
Brokerage	—	121,065	121,065	—	(6,472) (e)	114,593
Management fees	56,984	—	56,984	(1,146)	(18,535) (a)	37,303
Incentive income	21,205	—	21,205	—	(8,619) (a)	12,586
Investment income	30,713	5,947	36,660	—	(36,660) (c)	—
Interest and dividends	—	—	—	—	39,454 (c)(e)	39,454
Reimbursement from affiliates	—	—	—	(99)	10,533 (f)	10,434
Other revenue	524	2,010	2,534	—	2,884 (c)	5,418
Consolidated Funds revenues	—	—	—	3,398	—	3,398
Total revenues	109,426	234,355	343,781	2,153	(17,415)	328,519
Expenses						
Non interest expense	86,054	237,841	323,895	—	7,684 (c)(d)	331,579
Interest and dividends	231	119	350	—	26,949 (c)(e)	27,299
Consolidated Funds expenses	—	—	—	2,039	—	2,039
Total expenses	86,285	237,960	324,245	2,039	34,633	360,917
Total other income (loss)	—	—	—	2,618	48,077 (c)	50,695
Income taxes expense / (benefit)	—	—	—	—	457 (b)	457
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(12,995)	—	(12,995)	(2,732)	2,534	(13,193)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	\$ 10,146	\$ (3,605)	\$ 6,541	\$ —	\$ (1,894)	\$ 4,647

(1) For the year ended December 31, 2013, the Company has reflected \$7.6 million of investment income and related compensation expense of \$2.5 million within the broker-dealer segment in proportion to that segment's capital.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Year Ended December 31, 2012

				Adjustments			
	Alternative Investment	Broker- Dealer (1)	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments	US GAAP	
	(dollars in thousands)						
Revenues							
Investment banking	\$ —	\$ 71,762	\$ 71,762	\$ —	\$ —	\$ 71,762	
Brokerage	—	93,903	93,903	—	(2,736) (e)	91,167	
Management fees	56,381	—	56,381	(1,474)	(16,791) (a)	38,116	
Incentive income	14,518	—	14,518	—	(9,107) (a)	5,411	
Investment income	40,374	9,742	50,116	—	(50,116) (c)	—	
Interest and dividends	—	—	—	—	24,608 (c)(e)	24,608	
Reimbursement from affiliates	—	—	—	(288)	6,562 (f)	6,274	
Other revenue	844	404	1,248	—	2,420 (c)	3,668	
Consolidated Funds revenues	—	—	—	509	—	509	
Total revenues	112,117	175,811	287,928	(1,253)	(45,160)	241,515	
Expenses							
Non interest expense	90,949	211,729	302,678	—	10,409 (c)(d)	313,087	
Interest and dividends	151	188	339	—	11,798 (c)(e)	12,137	
Consolidated Funds expenses	—	—	—	1,676	—	1,676	
Total expenses	91,100	211,917	303,017	1,676	22,207	326,900	
Total other income (loss)	—	—	—	2,556	59,320 (c)	61,876	
Income taxes expense / (benefit)	—	—	—	—	448 (b)	448	
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(2,480)	—	(2,480)	373	2,179	72	
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	\$ 18,537	\$ (36,106)	\$ (17,569)	\$ —	\$ (6,316)	\$ (23,885)	

(1) For the year ended December 31, 2012, the Company has reflected \$10.2 million of investment income and related compensation expense of \$3.4 million within the broker-dealer segment in proportion to that segment's capital.

The following is a summary of the adjustments made to US GAAP net income (loss) for the segment to arrive at Economic Income (Loss):

Funds Consolidation: The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income (Loss). Adjustments to reconcile to US GAAP net income (loss) include elimination of incentive income and management fees earned from the Consolidated Funds and addition of fund expenses excluding management fees paid, fund revenues and investment income (loss).

Other Adjustments:

- (a) Economic Income (Loss) recognizes revenues (i) net of distribution fees paid to agents and (ii) our proportionate share of management and incentive fees of certain real estate operating entities and the activist business.
- (b) Economic Income (Loss) excludes income taxes as management does not consider this item when evaluating the performance of the segment.
- (c) Economic Income (Loss) recognizes Company income from proprietary trading net of related expenses.
- (d) Economic Income (Loss) recognizes the Company's proportionate share of expenses for certain real estate and other operating entities for which the investments are recorded under the equity method of accounting for investments.
- (e) Economic Income (Loss) recognizes stock borrow/loan activity and other brokerage dividends as brokerage revenue.
- (f) Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.
- (g) Economic Income (Loss) excludes goodwill impairment and other reorganization expenses.

For the years ended December 31, 2014, 2013, and 2012, there was no one fund or other customer which represented more than 10% of the Company's total revenues.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

24. Regulatory Requirements

As registered broker-dealers, Cowen and Company, ATM Execution, ATM USA, and Cowen Equity Finance are subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. Under the alternative method permitted by the Rule, Cowen and Company's minimum net capital requirement, as defined, is \$1.0 million. Under the alternative method, ATM Execution, ATM USA and Cowen Equity Finance are each required to maintain minimum net capital, as defined, equal to \$250,000. The broker-dealers are not permitted to withdraw equity if certain minimum net capital requirements are not met. As of December 31, 2014, Cowen and Company had total net capital of approximately \$42.9 million, which was approximately \$41.9 million in excess of its minimum net capital requirement of \$1.0 million. As of December 31, 2014, ATM Execution had total net capital of approximately \$3.1 million, which was approximately \$2.8 million in excess of its minimum net capital requirement of \$250,000. As of December 31, 2014, ATM USA had total net capital of approximately \$1.1 million, which was approximately \$0.8 million in excess of its minimum net capital requirement of \$250,000. As of December 31, 2014, Cowen Equity Finance had total net capital of approximately \$14.9 million which was approximately \$14.6 million in excess of its minimum net capital requirement of \$250,000. In January 2015, ATM USA and Cowen Equity Finance each filed form BDW Uniform Requests for Withdrawal from Broker-Dealer Registration with FINRA which have not yet been approved. Accordingly both broker dealers were still subject to the SEC's Uniform Net Capital Rule 15c3-1 as of December 31, 2014.

Cowen and Company and ATM Execution claim exemption from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as their activities are limited to those set forth in the conditions for exemption appearing in paragraph (k) (2)(ii) of the Rule. Similarly, ATM USA and Cowen Equity Finance claim exemption from the provisions of Rule 15c3-3 under (k)(2)(i).

Proprietary accounts of broker dealers ("PAB") held at the clearing broker are considered allowable assets for net capital purposes, pursuant to agreements between Cowen and Company and ATM Execution and the clearing broker, which require, among other things, that the clearing broker performs computations for PAB and segregates certain balances on behalf of Cowen and Company and ATM Execution, if applicable.

Ramius UK Ltd. ("Ramius UK") and Cowen International Limited ("CIL") are subject to the capital requirements of the Financial Conduct Authority ("FCA") of the UK. Financial Resources, as defined, must exceed the requirement of the FCA. As of December 31, 2014, Ramius UK's Financial Resources of \$0.32 million exceeded its minimum requirement of \$0.11 million by \$0.21 million. As of December 31, 2014, CIL's Financial Resources of \$3.3 million exceeded its minimum requirement of \$2.2 million by \$1.1 million.

Cowen and Company (Asia) Limited ("Cowen Asia") is subject to the financial resources requirements of the Securities and Futures Commission ("SFC") of Hong Kong. Financial Resources, as defined, must exceed the Total Financial Resources requirement of the SFC. As of December 31, 2014, Cowen Asia's Financial Resources of \$0.5 million exceeded the minimum requirement of \$0.4 million by \$0.1 million.

25. Related Party Transactions

The Company and its affiliated entities are the managing member, general partner and/or investment manager to the Company's alternative asset management products and certain managed accounts. Management fees and incentive income are primarily earned from affiliated entities. As of December 31, 2014 and 2013, \$5.1 million and \$18.9 million, respectively, included in fees receivable are earned from related parties. The Company may, at its discretion, reimburse certain fees charged to the funds that it manages to avoid duplication of fees when such funds have an underlying investment in another affiliated investment fund. For the years ended December 31, 2014, 2013, and 2012, the Company reimbursed the funds it manages \$0.7 million, \$1.7 million, and \$1.5 million, respectively, which were recorded net in management fees and incentive income in the accompanying consolidated statements of operations. As of December 31, 2014 and 2013, related amounts still payable were \$0.1 million and \$1.7 million, respectively, and were reflected in fees payable in the accompanying consolidated statements of financial condition. Fees receivable and fees payable are recorded at carrying value, which approximates fair value.

The Company may also make loans to employees or other affiliates, excluding executive officers of the Company. These loans are interest bearing and settle pursuant to the agreed-upon terms with such employees or affiliates and are included in due from related parties in the accompanying consolidated statements of financial condition. As of December 31, 2014 and 2013, loans to employees of \$6.1 million and \$6.0 million, respectively, were included in due from related parties on the accompanying consolidated statements of financial condition. Of these amounts \$3.9 million and \$3.8 million, respectively, are related to forgivable loans. These forgivable loans provide for a cash payment up-front to employees, with the amount due back to the Company forgiven over a vesting period. An employee that voluntarily ceases employment, or is terminated with cause, is generally required to pay back to the Company any unvested forgivable loans granted to them. The forgivable loans are

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

recorded as an asset to the Company on the date of grant and payment, and then amortized to compensation expense on a straight-line basis over the vesting period. The vesting period on forgivable loans is generally one to three years. The Company recorded compensation expense of \$4.4 million, \$3.2 million, and \$1.9 million, for the years ended December 31, 2014, 2013, and 2012, respectively. This expense is included in employee compensation and benefits in the accompanying consolidated statement of operations. For the years ended December 31, 2014, and 2013, the interest income was insignificant for all loans and advances. The remaining balance included in due from related parties primarily relates to amounts due to the Company from affiliated funds and real estate entities due to expenses paid on their behalf.

In April 2011, the Company entered into a credit agreement with Starboard Value LP (see Note 5), whereby the Company was able to loan up to \$3.0 million to Starboard Value LP at an interest rate of LIBOR plus 3.75% (payable quarterly). This loan matured on March 30, 2014 and was fully repaid. As of December 31, 2013, \$1.5 million, related to this loan, was included in due from related parties in the accompanying consolidated statement of financial condition. For the years ended December 31, 2014, and 2013, interest charged for this loan was insignificant.

Included in due to related parties is approximately \$0.5 million and \$0.4 million as of December 31, 2014 and December 31, 2013, respectively, related to a subordination agreement with an investor in certain real estate funds. This total is based on a hypothetical liquidation of the real estate funds as of the balance sheet date.

The Company entered into three real estate loan participation agreements during the first and second quarters of 2014 with related parties amounting to \$50.0 million. All principal and interest balances were repaid to the Company as of June 30, 2014. Interest earned on these loans was \$0.5 million for the years ended December 31, 2014.

26. Guarantees and Off-Balance Sheet Arrangements

Guarantees

US GAAP requires the Company to disclose information about its obligations under certain guarantee arrangements. Those standards define guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying security (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. Those standards also define guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of loss to be remote.

The Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make significant payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

The Company is a member of various securities exchanges. Under the standard membership agreements, members are required to guarantee the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the exchange, all other members would be required to meet the shortfall. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, management believes that the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is recorded in the accompanying consolidated statements of financial condition for these arrangements.

The Company also provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

estimated. However, the Company believes it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the accompanying consolidated financial statements for these indemnifications.

Through the Company's securities lending program (see Note 5(a)), the Company can borrow and lend customers' securities, via custodial and non-custodial arrangements, to third parties. As part of this program, the Company provides a guarantee in an aggregate amount of \$150.0 million to counterparties of the securities lending agreements, which protects the lender against the failure of the third-party borrower to return the lent securities in the event the Company did not obtain sufficient collateral. To minimize its liability under these indemnification agreements, the Company obtains cash collateral with a value exceeding 100% of the market value of the securities on loan from the borrower. Collateral is marked to market daily to assure that collateralization is adequate. Additional collateral is called from the borrower if a shortfall exists, or collateral may be released to the borrower in the event of overcollateralization. If a borrower defaults, the Company would use the collateral held to purchase replacement securities in the market or to credit the lending customer with the cash equivalent thereof.

In conjunction with the acquisition of Dahlman (See Note 2) the Company has agreed to guarantee loans which were issued to employees of Cowen Securities by a third-party bank prior to the acquisition that closed in March 2013. The value of these loans at December 31, 2014 was \$0.2 million.

Off-Balance Sheet Arrangements

The Company has no material off-balance sheet arrangements as of December 31, 2014 and December 31, 2013. However, through indemnification provisions in the clearing agreement, customer activities may expose the Company to off-balance-sheet credit risk. Pursuant to the clearing agreement, the Company is required to reimburse the Company's clearing broker, without limit, for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. However, these transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date.

In addition, during the normal course of business, the Company has exposure to a number of risks including market risk, currency risk, credit risk, operational risk, liquidity risk and legal risk. As part of the Company's risk management process, these risks are monitored on a regular basis throughout the course of the year.

27. Subsequent Events

On February 25, 2015, the Company's Board of Directors approved a \$14.7 million increase in the Company's share repurchase program (See Note 20) bringing the total remaining shares available for repurchase to \$25 million.

The Company has evaluated events that have occurred after the balance sheet date but before the financial statements are issued and has determined that there were no additional subsequent events requiring adjustment or disclosure in the consolidated financial statements.

Cowen Group, Inc.
Notes to Consolidated Financial Statements (Continued)

Supplemental Financial Information

The following table presents unaudited quarterly results of operations for 2014 and 2013. These quarterly results reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results. Revenues and net income (loss) can vary significantly from quarter to quarter due to the nature of the Company's business activities.

Cowen Group, Inc.
Quarterly Financial Information (Unaudited)

	Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(in thousands)			
Total revenues	\$ 106,677	\$ 92,902	\$ 107,101	\$ 121,096
Net Income (loss) before income taxes	14,106	13,644	10,670	19,416
Income tax expense (benefit)	79	46	141	(125,210)
Net income (loss) from continuing operations	14,027	13,598	10,529	144,626
Net Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	4,187	5,216	4,006	2,155
Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ 9,840	\$ 8,382	\$ 6,523	\$ 142,471
Earnings (loss) per share:				
Basic	\$ 0.09	\$ 0.07	\$ 0.06	\$ 1.26
Diluted	\$ 0.08	\$ 0.07	\$ 0.05	\$ 1.21
Weighted average number of common shares:				
Basic	115,680	115,569	114,969	113,492
Diluted	122,898	120,199	118,801	118,222

	Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(in thousands)			
Total revenues	\$ 68,329	\$ 81,933	\$ 81,912	\$ 96,345
Net Income (loss) before income taxes	1,095	3,506	8,324	5,372
Income tax expense (benefit)	176	158	(46)	169
Net income (loss) from continuing operations	919	3,348	8,370	5,203
Net Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	3,495	2,255	4,759	2,684
Net income (loss) attributable to Cowen Group, Inc. stockholders	\$ (2,576)	\$ 1,093	\$ 3,611	\$ 2,519
Earnings (loss) per share:				
Basic	\$ (0.02)	\$ 0.01	\$ 0.03	\$ 0.02
Diluted	\$ (0.02)	\$ 0.01	\$ 0.03	\$ 0.02
Weighted average number of common shares:				
Basic	113,798	117,235	118,359	117,514
Diluted	113,798	120,901	122,708	123,573

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COWEN GROUP, INC.

By: /s/ PETER A. COHEN

Name: Peter A. Cohen

Title: *Chairman of the Board, Chief Executive Officer and President*

Date: February 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ PETER A. COHEN</u> Peter A. Cohen	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	February 26, 2015
<u>/s/ STEPHEN A. LASOTA</u> Stephen A. Lasota	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2015
<u>/s/ KATHERINE E. DIETZE</u> Katherine E. Dietze	Director	February 26, 2015
<u>/s/ STEVEN KOTLER</u> Steven Kotler	Director	February 26, 2015
<u>/s/ JEROME S. MARKOWITZ</u> Jerome S. Markowitz	Director	February 26, 2015
<u>/s/ JACK H. NUSBAUM</u> Jack H. Nusbaum	Director	February 26, 2015
<u>/s/ JEFFREY M. SOLOMON</u> Jeffrey M. Solomon	Director	February 26, 2015
<u>/s/ JOSEPH R. WRIGHT</u> Joseph R. Wright	Director	February 26, 2015

Exhibit No.	Description
2.1	Transaction Agreement and Agreement and Plan of Merger, dated as of June 3, 2009, by and among Cowen Group, Inc., Lexington Park Parent Corp., Lexington Merger Corp., Park Exchange LLC and Ramius LLC (included as Appendix A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 filed on July 10, 2009).
2.2	Agreement and Plan of Merger, dated as of February 16, 2011, by and among the Company, Louisiana Merger Sub, Inc. and LaBranche (previously filed as Exhibit 2.1 to Form 8-K filed on February 17, 2011).
3.1	Amended and Restated Certificate of Incorporation of Cowen Group, Inc. (previously filed as Exhibit 3.1 to the Form 10-Q filed November 25, 2009).
3.2	Amended and Restated By-Laws of Cowen Group, Inc. (previously filed as Exhibit 3.1 to the Form 10-Q filed November 25, 2009).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Cowen Group, Inc. (previously filed as Exhibit 3.1 to the Form 10-Q filed November 25, 2009).
4.1	Form of Class A Common Stock Certificate (previously filed as Exhibit 4.1 to Amendment No. 2 to Form S-1 filed on December 14, 2009).
4.2	Indenture, dated March 10, 2014 by and between Cowen Group, Inc., as Issuer and The Bank of New York Mellon, as Trustee (previously filed as Exhibit 4.1 to Form 8-K filed on March 11, 2014).
4.3	First Supplemental Indenture by and between Cowen Group, Inc., as Issuer and The Bank of New York Mellon, as Trustee (previously filed as Exhibit 4.1 to the Form 10-Q filed May8, 2014).
4.4	Senior Notes Indenture dated October 10, 2014, by and between Cowen Group, Inc. and The Bank of New York Mellon (previously filed as Exhibit 4.1 to Form 8-K filed on October 10, 2014).
4.5	First Supplemental Indenture dated October 10, 2014, by and between Cowen Group, Inc. and The Bank of New York Mellon (previously filed as Exhibit 4.2 to Form 8-K filed on October 10, 2014).
10.1	Employment Agreement of Peter A. Cohen, dated as of June 3, 2009, by and among Peter A. Cohen, Ramius LLC, Cowen Group, Inc. and RCG Holdings LLC (previously filed as Exhibit 10.3 to the First Amendment to the Registration Statement on Form S-4 filed August 17, 2009).*
10.2	Employment Agreement of Thomas Strauss, dated as of June 3, 2009, by and among Thomas Strauss, Ramius LLC, Cowen Group, Inc. and RCG Holdings LLC (previously filed as Exhibit 10.6 to the First Amendment to the Registration Statement on Form S-4 filed August 17, 2009).*
10.3	Lease, dated as of June 22, 2007 by and between 599 Lexington Avenue LLC and Ramius LLC (as successor in interest to RCG Holdings LLC (f/k/a Ramius Capital Group, LLC)), as amended by the First Amendment to Lease, dated as of June 9, 2008, by and between BP 599 Lexington Avenue LLC and Ramius LLC (as successor in interest to RCG Holdings LLC (f/k/a Ramius LLC)) (previously filed as Exhibit 10.14 to Amendment No. 2 to Form S-1 filed on December 14, 2009).
10.4	Indemnification Agreement, dated as of July 11, 2006, by and among Société Générale, SG Americas Securities Holdings, Cowen and Company, LLC and Cowen Holdings, Inc. (f/k/a Cowen Group, Inc.) (previously filed as Exhibit 10.18 to Amendment No. 2 to Form S-1 filed on December 14, 2009).
10.5	Cowen Group, Inc. 2006 Equity and Incentive Plan (previously filed as Exhibit 10.20 to Amendment No. 2 to Form S-1 filed on December 14, 2009).*
10.6	Cowen Group, Inc. 2007 Equity and Incentive plan (previously filed as Exhibit 10.21 to Amendment No. 2 to Form S-1 filed on December 14, 2009).*
10.7	Form of RSU Award Agreement. (previously filed as Exhibit 10.23 to the Form 10-K filed on March 25, 2010).*
10.8	Cowen Group, Inc. 2010 Equity and Incentive Plan (incorporated by reference to Appendix A to the Definitive Proxy Statement of Cowen Group, Inc., on Schedule 14A for the year ended December 31, 2009, as filed on April 30, 2010).*
10.9	Form of Equity Award Agreement (previously filed as Exhibit 10.2 to the Form 8-K filed on June 10, 2010).*
10.10	Second Amendment to Lease dated August 20, 2010 between BP 599 Lexington Avenue and the Company, amending that certain Lease dated as of June 22, 2007 by and between 599 Lexington Avenue LLC and Ramius LLC (as successor in interest to RCG Holdings LLC (f/k/a Ramius Capital Group, LLC)), as amended by the First Amendment to Lease, dated as of June 9, 2008, by and between BP 599 Lexington Avenue LLC and Ramius LLC (previously filed as Exhibit 10.2 to Form 8-K filed August 24, 2010).
10.11	Form of Restricted Stock Unit and Deferred Cash Award Agreement (previously filed as Exhibit 10.18 to the Form 10-K filed on March 9, 2012).*

Exhibit No.	Description
10.12	Employment Agreement, dated as of May 31, 2012, by and between Cowen Group, Inc. and Jeffrey Solomon (previously filed as Exhibit 10.1 to the Form 8-K filed June 1, 2012).*
10.13	Employment Agreement, dated as of August 2, 2012, by and between Cowen Group, Inc. and Stephen Lasota (previously filed as Exhibit 10.1 to the Form 8-K filed August 3, 2012).*
10.14	Employment Agreement, dated as of August 2, 2012, by and between Cowen Group, Inc. and Owen Littman (previously filed as Exhibit 10.2 to the Form 8-K filed August 3, 2012).*
10.15	Form of Stock Appreciation Right Award Agreement (previously filed as Exhibit 10.16 to the Form 10-K filed March 7, 2013).*
10.16	Convertible note hedge transaction confirmation, dated as of March 4, 2014, by and between Cowen Group, Inc. and Nomura Global Financial Products Inc. (previously filed as Exhibit 10.1 to Form 8-K filed on March 10, 2014).
10.17	Amendment to convertible note hedge transaction, dated as of March 5, 2014, by and between Cowen Group, Inc. and Nomura Global Financial Products Inc. (previously filed as Exhibit 10.2 to Form 8-K filed on March 10, 2014)
10.18	Warrant transaction confirmation, dated as of March 4, 2014, by and between Cowen Group, Inc. and Nomura Global Financial Products Inc. (previously filed as Exhibit 10.3 to Form 8-K filed on March 10, 2014).
10.19	Additional Warrant transaction confirmation, dated as of March 5, 2014, by and between Cowen Group, Inc. and Nomura Global Financial Products Inc. (previously filed as Exhibit 10.4 to Form 8-K filed on March 10, 2014).
10.20	Letter Amendment between Cowen Group, Inc. and Peter Cohen dated June 2, 2014 (previously filed as Exhibit 10.1 to Form 8-K filed on June 4, 2014).*
12.1	Calculation of Ratio of Earnings to Total Fixed Charges (filed herewith).
21.1	Subsidiaries of Cowen Group, Inc. (filed herewith).
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of CEO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of CFO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certification of CEO and CFO Pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

* Signifies management contract or compensatory plan or arrangement.

Certification

I, Peter A. Cohen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cowen Group, Inc:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2015

/s/ PETER A. COHEN

Name: Peter A. Cohen

Title: *Chief Executive Officer*
(principal executive officer)

Certification

I, Stephen A. Lasota, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cowen Group, Inc:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2015

/s/ STEPHEN A. LASOTA

Name: Stephen A. Lasota

Title: *Chief Financial Officer (principal financial officer and principal accounting officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Cowen Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2015

/s/ PETER A. COHEN

Name: Peter A. Cohen
Title: Chief Executive Officer
(principal executive officer)

/s/ STEPHEN A. LASOTA

Name: Stephen A. Lasota
Title: Chief Financial Officer (principal financial
officer and principal accounting officer)

* The foregoing certification is being furnished solely pursuant to 18 U.S.C Section 1350 and is not being filed as part of the Report or as a separate disclosure document

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended: **December 31, 2014**

Commission file number: **001-34516**

Cowen Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-0423711
(I.R.S. Employer
Identification No.)

**599 Lexington Avenue
New York, New York 10022
(212) 845-7900**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Class A Common Stock, par value \$0.01 per share	The Nasdaq Global Market
8.25% Senior Notes due 2021	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Annual Report on Form 10-K or any amendment to the Annual Report on Form 10-K. ☒

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.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐
(Do not check if a smaller
reporting company)

Smaller reporting company ☐

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

The aggregate market value of Class A common stock held by non-affiliates of the registrant on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the Class A common stock on the NASDAQ Global Market on that date was \$448,508,183.

As of March 27, 2015 there were 111,168,781 shares of the registrant's common stock outstanding.

Documents incorporated by reference:

Part III of this Annual Report on Form 10-K/A incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its 2015 Annual Meeting of Stockholders.

Explanatory Note

This Amendment No. 1 to Annual Report on Form 10-K/A amends the Annual Report on Form 10-K for the year ended December 31, 2014 of Cowen Group, Inc. (the "Company" or "Cowen"), which was filed with the Securities and Exchange Commission on February 26, 2015. This Form 10-K/A is being filed solely for the purpose of providing separate audited financial statements of Starboard Value A LP ("Starboard") which comprise the statements of assets, liabilities and partners' capital as of December 31, 2014 and December 31, 2013, and the related statements of income, statements of changes in partners' capital and statements of cash flows for each of the three years in the period ended December 31, 2014 in accordance with Rule 3-09 of Regulation S-X. The audited financial statements and Independent Auditor's Report of Starboard Value A LP, are filed as Exhibit 99.1 and are included as financial statement schedules in Item 15(c), "Exhibits and Financial Statement Schedules" of this Form 10-K/A. The Company accounts for its interest in Starboard under the equity method of accounting. The financial statements of Starboard as of December 31, 2014 and 2013 and for the three years in the period ended December 31, 2014 were not available at the time that the Company filed its Annual Report on Form 10-K on February 26, 2015.

The consent of PricewaterhouseCoopers LLP, independent auditors for the Company, is also filed as an exhibit to this Amendment No. 1 to Annual Report on Form 10-K/A. In addition, this Form 10-K/A includes an updated exhibit index in respect thereof and certifications under Section 302 and 906 of the Sarbanes-Oxley Act of 2002.

Except as described above, this Amendment No. 1 on Form 10-K/A does not update or modify any other information presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as originally filed. This Amendment No. 1 does not update or modify in any way the financial position, results of operations, cash flows, equity or related disclosures in the Company's Annual Report on Form 10-K, and does not reflect events occurring after the Form 10-K's original filing date of February 26, 2015. Accordingly, this Form 10-K/A should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and the other Company filings made with the SEC subsequent to the filing of the Annual Report on Form 10-K for the year ended December 31, 2014.

Item 15. Exhibits and Financial Statement Schedules

- (c) Refer to Exhibit 99.1 to this Amendment No 1. to the Annual Report on Form 10-K/A for the separate audited financial statements and related disclosures of Starboard Value A LP pursuant to Rule 3-09 of Regulation S-X.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COWEN GROUP, INC.

By: /s/ PETER A. COHEN

Name: Peter A. Cohen

Title: *Chairman of the Board and Chief Executive Officer*

Date: March 30, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ PETER A. COHEN</u> Peter A. Cohen	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 30, 2015
<u>/s/ STEPHEN A. LASOTA</u> Stephen A. Lasota	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 30, 2015
<u>/s/ KATHERINE E. DIETZE</u> Katherine E. Dietze	Director	March 30, 2015
<u>/s/ STEVEN KOTLER</u> Steven Kotler	Director	March 30, 2015
<u>/s/ JEROME S. MARKOWITZ</u> Jerome S. Markowitz	Director	March 30, 2015
<u>/s/ JACK H. NUSBAUM</u> Jack H. Nusbaum	Director	March 30, 2015
<u>/s/ JEFFREY M. SOLOMON</u> Jeffrey M. Solomon	Director and President	March 30, 2015
<u>/s/ JOSEPH R. WRIGHT</u> Joseph R. Wright	Director	March 30, 2015

Exhibit Index

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of CEO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of CFO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certification of CEO and CFO Pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Starboard Value A LP Audited Financial Statements (filed herewith).

Certification

I, Peter A. Cohen, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Cowen Group, Inc:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2015

/s/ PETER A. COHEN

Name: Peter A. Cohen

Title: *Chief Executive Officer*
(principal executive officer)

Certification

I, Stephen A. Lasota, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Cowen Group, Inc:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2015

/s/ STEPHEN A. LASOTA

Name: Stephen A. Lasota

Title: *Chief Financial Officer (principal financial officer and principal accounting officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Cowen Group, Inc. (the "Company") on Form 10-K/A for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2015

/s/ PETER A. COHEN

Name: Peter A. Cohen
Title: Chief Executive Officer
(principal executive officer)

/s/ STEPHEN A. LASOTA

Name: Stephen A. Lasota
Title: Chief Financial Officer (principal financial
officer and principal accounting officer)

* The foregoing certification is being furnished solely pursuant to 18 U.S.C Section 1350 and is not being filed as part of the Report or as a separate disclosure document

Starboard Value A LP

(a Delaware limited partnership)

Financial Statements

December 31, 2014

Starboard Value A LP
(a Delaware limited partnership)
Table of Contents

	Page(s)
Independent Auditor's Report	2
Financial Statements	
Statements of Assets, Liabilities and Partners' Capital	3
Statements of Income	4
Statements of Changes in Partners' Capital	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11

Independent Auditor's Report

To the Management of Starboard Value A LP:

We have audited the accompanying financial statements of Starboard Value A LP (the "Partnership"), which comprise the statements of assets, liabilities and partners' capital as of December 31, 2014 and December 31, 2013, and the related statements of income, statements of changes in partners' capital and statements of cash flows for each of the three years in the period ended December 31, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Starboard Value A LP at December 31, 2014 and December 31, 2013, and the results of its operations and its cash flows for the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

/s/ PRICEWATERHOUSECOOPERS LLP
New York, New York
March 30, 2015

Starboard Value A LP

(a Delaware limited partnership)

Statements of Assets, Liabilities and Partners' Capital

(dollars in thousands)

As of December 31, 2014 and 2013

	December 31,	
	2014	2013
Assets		
Cash and cash equivalents	\$ 196	\$ 14
Investments in Portfolio Funds, at fair value	3,538	2,202
Realized performance fees receivable	53,026	18,585
Accrued unrealized performance fees	40,584	6,628
Total Assets	97,344	27,429
Commitments and contingencies (Note 5)		
Partners' capital	97,344	27,429
Total liabilities and partners' capital	\$ 97,344	\$ 27,429

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

Starboard Value A LP
(a Delaware limited partnership)

Statements of Income
(dollars in thousands)

For the Years Ended December 31, 2014, 2013 and 2012

	Year ended December 31,		
	2014	2013	2012
Revenues			
Performance fees	\$ 90,905	\$ 23,098	\$ 20,448
Total revenues	<u>90,905</u>	<u>23,098</u>	<u>20,448</u>
Other income (loss)			
Net gains (losses) on Portfolio Funds	734	283	255
Net income	<u>\$ 91,639</u>	<u>\$ 23,381</u>	<u>\$ 20,703</u>

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

Starboard Value A LP

(a Delaware limited partnership)

Statements of Changes in Partners' Capital

(dollars in thousands)

For The Years Ended December 31, 2014, 2013 and 2012

	General Partner	Limited Partners	Total
Balance at December 31, 2011	\$ 48	\$ 4,903	\$ 4,951
Contributions	1	106	107
Net Income	193	20,510	20,703
Distributions	(38)	(3,895)	(3,933)
Balance at December 31, 2012	204	21,624	21,828
Contributions	5	533	538
Net Income	219	23,162	23,381
Distributions	(170)	(18,148)	(18,318)
Balance at December 31, 2013	258	27,171	27,429
Contributions	5	597	602
Net Income	853	90,786	91,639
Distributions	(208)	(22,118)	(22,326)
Balance at December 31, 2014	\$ 908	\$ 96,436	\$ 97,344

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

Starboard Value A LP
(a Delaware limited partnership)
Statements of Cash Flows
(dollars in thousands)

For The Years Ended December 31, 2014, 2013 and 2012

	For the year ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net income	\$ 91,639	\$ 23,381	\$ 20,703
Adjustments to reconcile net income to net cash provided by operating activities			
Net (gains) losses on Portfolio Funds	(734)	(283)	(255)
(Increase)/decrease in operating assets and liabilities:			
Realized performance fees receivable	(34,440)	(267)	(14,386)
Accrued unrealized performance fees	(33,957)	(4,499)	(2,129)
Net cash provided by operating activities	22,508	18,332	3,933
Cash flows from investing activities			
Purchase of investments in Portfolio Funds	(602)	(538)	(107)
Net cash used in investing activities	(602)	(538)	(107)
Cash flows from financing activities			
Capital contributions	602	538	107
Capital distributions	(22,326)	(18,318)	(3,933)
Net cash used in financing activities	(21,724)	(17,780)	(3,826)
Net change in cash and cash equivalents	182	14	—
Cash and cash equivalents at beginning of year	14	—	—
Cash and cash equivalents at end of year	\$ 196	\$ 14	\$ —

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

1. Organization and Nature of Business

Starboard Value A LP (the "Partnership"), a Delaware limited partnership, was formed on February 9, 2011 for the purpose of providing a full range of investment advisory and management services and acting as a general partner, investment advisor, pension advisor or in similar capacity to clients. As of December 31, 2014 and 2013, funds which the Partnership acted as general partner to included Starboard Value and Opportunity Fund LP, Starboard Intermediate Fund, L.P., Starboard Intermediate Fund II, L.P., Starboard Leaders Fund, Starboard Partners Fund and Other funds (collectively the "Funds").

The general partner of the Partnership is Starboard Value A GP LLC, a Delaware limited liability company (the "General Partner"). The limited partners of the Partnership (the "Limited Partners") are Starboard Principal Co A LP, a Delaware limited partnership (the "Principal Co"), and Ramius V&O Holdings LLC, a Delaware limited liability company ("Ramius"), which is a wholly-owned subsidiary of Cowen Group, Inc. ("CGI") (NASDAQ: COWN). Principal Co and Ramius are also the members of the General Partner. Principal Co owns a majority equity interest in the Partnership and Ramius owns a minority equity interest in the Partnership.

Pursuant to the organization documents, the Partnership is entitled to receive the performance fees earned from the Funds (See Note 2 Performance fees) while other affiliated entities within the structure are entitled to other fees and the related expenses incurred by the Funds under the respective offering documents.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The following is a summary of the significant accounting policies followed by the Partnership:

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and highly liquid investments with original maturities of three months or less. As of December 31, 2014 and 2013 there were no cash equivalents.

Consolidation

In the ordinary course of business, the Company sponsors various entities that it has determined to be variable interest entities ("VIEs"). These VIEs are primarily funds for which the Company serves as the general partner and / or investment manager with decision-making rights. The Company does not consolidate any of these funds that are VIEs as it has concluded that it is not the primary beneficiary in each instance. Fund investors are entitled to all of the economics of these VIEs with the exception of the management fee and incentive income, if any, earned by the Company. The Company's involvement with these funds is limited to providing investment management services in exchange for performance fee income.

Investments in Portfolio Funds

Portfolio funds ("Portfolio Funds") include interests in funds and investment companies managed by the Partnership. The Partnership elected the fair value option and follows US GAAP regarding fair value measurements and disclosures relating to investments in certain entities that calculate net asset value ("NAV") per share (or its equivalent). The guidance permits, as a practical expedient, an entity holding investments in certain entities that either are investment companies as defined by the ASC 946, *Investment Companies*, or have attributes similar to an investment company, and calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment.

The Partnership categorizes its investments in Portfolio Funds within the fair value hierarchy dependent on its ability to redeem the investment. If the Partnership has the ability to redeem its investment at NAV at the measurement date or within the near term, the Portfolio Fund is categorized as a level 2 investment within the fair value hierarchy. If the Partnership does not know when it will have the ability to redeem its investment or cannot do so in the near term, the Portfolio Fund is categorized as a level 3 investment within the fair value hierarchy. See Note 3 for further details of the Partnership's investments in Portfolio Funds.

Fair Value Measurement

The Partnership follows current accounting guidelines which establish a fair value hierarchy that prioritizes the inputs for valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based on

unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3	Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. The determination of fair value for assets and liabilities in this category requires significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Partnership. The Partnership considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Partnership's perceived risk of that instrument.

Revenue Recognition

Performance fees

According to the offering documents of the respective Funds, the Funds shall pay the Partnership a performance fee as compensation for services performed by the Partnership. Performance Fees earned are recognized on an accruals basis based on Fund performance during the period, , subject to the achievement of minimum return levels, or high water marks, as set out in the respective Fund's confidential offering memorandums or other governing documents. Realized performance fees are recognized when the performance fees are payable to the Partnership. Unrealized performance fees are calculated based on an assumed liquidation of the fund's net assets on the reporting date, and distribution of the net proceeds in accordance with the fund's income allocation provisions. Accrued but unpaid performance fees charged directly to investors in the Funds are recorded within realized performance fees receivable and unrealized performance fees respectively, in the Statements of Assets, Liabilities and Partners' Capital. Note that accrued but unrealized performance fees are not yet payable because they are not yet realized and as such may be subject to reversal to the extent that the accrued amount exceeds the actual future performance of the respective funds. The Partnership may, at its discretion, waive or reduce the performance fee with respect to certain limited partners of the Funds.

Net gains (losses) on Portfolio Funds

Net gains (losses) on Portfolio Funds represents the unrealized and realized gains and losses on the Partnership's investments. Gains (losses) on Portfolio Funds are realized when the Partnership redeems all or a portion of its investment or when the Partnership receives cash income, such as dividends or distributions, from its investments. Unrealized gains (losses) on Portfolio Funds results from changes in the fair value of the underlying investment.

Income Taxes

The Partnership is not subject to U.S. federal income tax and is generally not subject to state or local income taxes. Such taxes are the responsibility of the partners and accordingly no provision for income tax expense or benefit is reflected in the accompanying financial statements. The Partnership's activities do not subject it to tax from other jurisdictions outside the United States and, accordingly, no provision for foreign taxes has been recorded in the accompanying financial statements.

As of December 31, 2014 and 2013, no examinations were being conducted by the Internal Revenue Service or any other taxing authority. The Partnership had tax year 2011 onward open for federal and various states under the respective statute of limitation.

Starboard Value A LP
(a Delaware limited partnership)
Notes to Financial Statements

Use of Estimates

The preparation of these financial statements in conformity with US GAAP requires the Partnership to make estimates and assumptions that affect the fair value of investments and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the differences could be material.

3. Investments and Fair Value Measurement

As of December 31, 2014 and 2013, investments in Portfolio Funds, at fair value, include the following:

Investments	Strategy	Fair Value as of December 31, (dollars in thousands)		Redemption Frequency and Commitments
		2014	2013	
Starboard Value and Opportunity Fund LP	Activist	\$ 464	\$ 358	(a) (b)
Starboard Intermediate Fund, L.P.	Activist	462	356	(a) (b)
Starboard Intermediate Fund II, L.P.	Activist	924	713	(a) (b)
Starboard Leaders Fund	Activist	351	141	(c) (b)
Starboard Partners Fund	Activist	33	—	(a) (b)
Other	Activist	1,304	634	(a) (b)
		<u>\$ 3,538</u>	<u>\$ 2,202</u>	

(a) The Partnership has no unfunded commitments related to these Portfolio Funds.

(b) Investments may only be redeemed upon liquidation of the Fund.

(c) As of December 31, 2014 and 2013, the Company had total commitments of \$255, respectively, to Starboard Leaders Fund, of which the Company has funded \$234 and \$125, respectively. These commitments can be called at any time, subject to advance notice.

The following table presents investments that are measured at fair value on a recurring basis on the accompanying Statement of Assets and Liabilities and Partners' Capital by caption and by level within the valuation hierarchy as of December 31, 2014 and 2013:

	Investments at Fair Value (dollars in thousands)			
	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments in portfolio funds, at fair value	\$ —	\$ —	\$ 3,538	\$ 3,538
	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
	\$ —	\$ —	\$ 2,202	\$ 2,202

Starboard Value A LP
(a Delaware limited partnership)
Notes to Financial Statements

The following table includes a rollforward of the amounts for the years ended December 31, 2014 and 2013, for financial instruments classified within level 3. The classification of a financial instrument within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

Year Ended December 31, 2014

(dollars in thousands)

	Balance at December 31, 2013	Transfers in	Transfers out	Purchases	(Sales)	Realized and Unrealized gains/ (losses)	Balance at December 31, 2014	Change in unrealized gains/ (losses) relating to instrument s still held (1)
Portfolio Funds	\$ 2,202	—	—	\$ 602	—	\$ 734	\$ 3,538	\$ 734

Year Ended December 31, 2013

(dollars in thousands)

	Balance at December 31, 2012	Transfers in	Transfers out	Purchases	(Sales)	Realized and Unrealized gains/ (losses)	Balance at December 31, 2013	Change in unrealized gains/ (losses) relating to instrument s still held (1)
Portfolio Funds	\$ 1,381	—	—	\$ 538	—	\$ 283	\$ 2,202	\$ 283

(1) Unrealized gains/losses are reported in other income (loss) in the accompanying statements of income.

Qualitative disclosures of unobservable inputs and assumptions are not required for investments for which NAV per share is used as a practical expedient to determine fair value, as their redemption features rather than observability of inputs cause them to be classified as a level 3 type asset within the fair value hierarchy.

All realized and unrealized gains (losses) are reflected in net gains (losses) on Portfolio Funds in the accompanying Statements of Income. Transfers between Level 1 and 2 generally relate to whether the principal market for the security becomes active or inactive. Transfers between level 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurements or due to change in liquidity restrictions for the investments. During the years ended December 31, 2014 and 2013, there were no transfers between the levels.

Because of the inherent uncertainty of the valuation for the Partnership's investments, the estimated fair value assigned may differ from the values that would have been used had a ready market existed for these investments, and the differences may be material.

4. Partners' Capital

Pursuant to the terms of the Limited Partnership Agreement (the "Agreement"), the Partnership initially issued a total number of 1,000 profit units. One percent of these profit units were issued to the General Partner and ninety-nine percent of the profit units were issues to the Class A limited partners, Principal Co and Ramius. No profit units were issued to the Class B limited partners.

According to the agreement, the ownership interest of Partnership may be adjusted from time to time based on the contractual terms and the respective fair values.

Net income (losses) are allocated in proportion to the Class A limited partners ownership interest in the Partnership. However, performance fees are available for distribution firstly to Class B limited partners based on allocations as defined by the Agreement, and thereafter, all remaining amounts are available for distribution to the Class A limited partners in proportion to their respective ownership interest in the Partnership.

In the event that the Partnership is liquidated or if all or substantially all its assets are sold, distributions shall be made pro rata.

The General Partner and Limited Partners make periodic contributions for the purpose of funding the Partnership's investments in Portfolio Funds.

5. Commitments and Contingencies

In the normal course of business the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Partnership that have not yet occurred. However, the Partnership expects the risk of loss to be remote.

6. Risks

The Partnership is subject to a variety of risks in the conduct of its operations. The Partnership is economically dependent on the performance of the Funds and its related parties as the source of its performance fee and revenues and, accordingly, may be materially affected by the actions of and the various risks associated with such Funds and related parties. For instance, market risk, currency risk, credit risk, operational risk and liquidity risk.

Legal, tax and regulatory changes could occur during the term of the Partnership that may adversely affect the Partnership. The regulatory environment for investment funds is evolving, and changes in the regulation of investment funds may adversely affect the Partnership's operations.

7. Subsequent Events

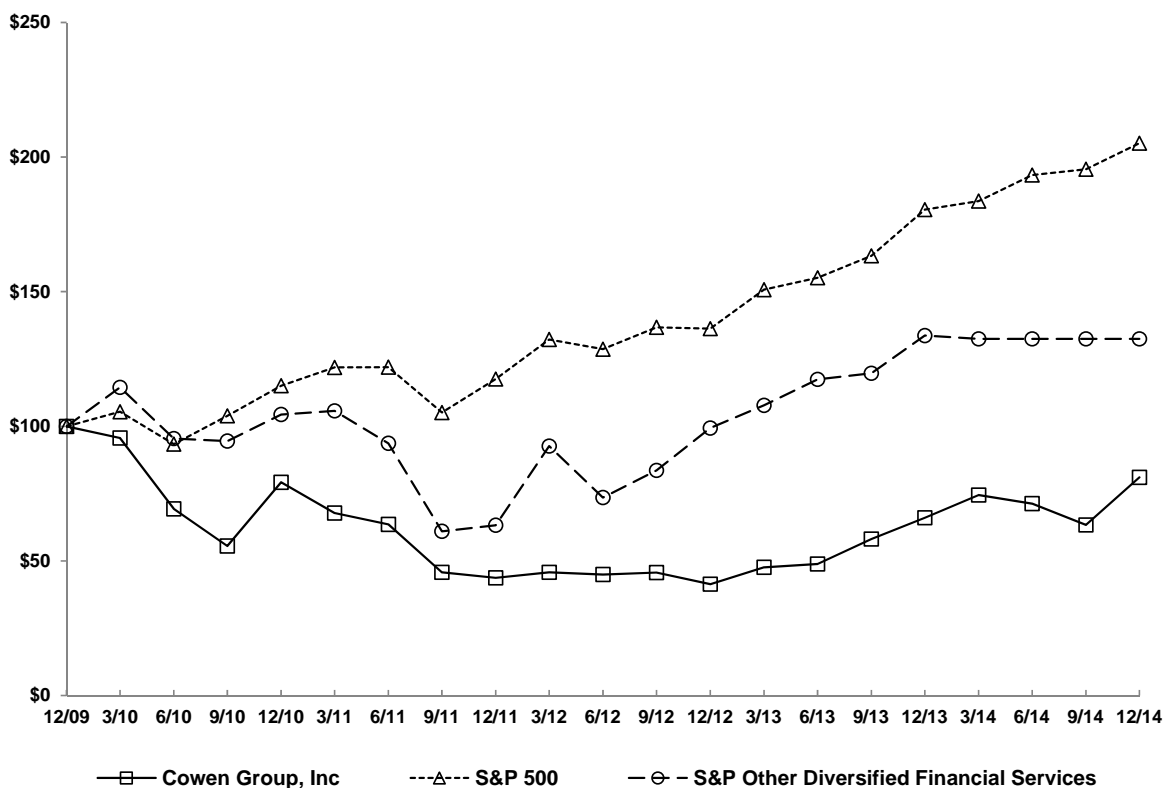
The Partnership has determined that no material events or transactions occurred subsequent to December 31, 2014 and through March 30, 2015, the date the accompanying financial statements were available to be issued which require additional adjustments or disclosures in the accompanying financial statements, except as discussed below. For the period January 1 through March 30, 2015, the Partnership made distributions of \$53.2 million to its partners.

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Stock Performance

The following graph and table compares the performance of an investment in our common stock with investments in the S&P 500 Index and the S&P Other Diversified Financial Services Index over the period of November 2, 2009, the first day that our common stock traded on the NASDAQ Global Market, through December 31, 2014, the last day of trading in fiscal 2014. Both the graph and the table assume that \$100 was invested on November 2, 2009 and the dividends, if any, were reinvested on the date of payment. The performance shown in the graph represents past performance and should not be considered indicative of future performance.



	11/2/09	12/31/14
Cowen Group, Inc	\$ 100.00	\$ 81.08
S&P 500	100.00	205.14
S&P Other Diversified Financial Services	100.00	132.42

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