UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from to

Commission File Number: 001-34516

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** (Address of Principal Executive Offices)	**10022** (Zip Code)

(646) 562-1000
(Registrant's telephone number, including area code)

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

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

Large accelerated filer ☐	Accelerated filer Q	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 Q

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of May 1, 2015 there were 111,402,554 shares of the registrant's common stock outstanding.

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Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q (including in "Management's Discussion and Analysis of Financial Condition and Results of Operations") that are forward-looking statements within the meaning 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 contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014 as well as Item 1A of this periodic report on Form 10-Q for the quarterly period ended March 31, 2015.

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.

Unaudited Condensed Consolidated Financial Statements are presented for the three months ended March 31, 2015 and 2014. The Consolidated Financial Statements as of December 31, 2014 were audited.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

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

	As of March 31, 2015	As of December 31, 2014
Assets		
Cash and cash equivalents	$ 94,666	$ 129,509
Cash collateral pledged	8,923	8,306
Securities owned, at fair value	579,458	792,206
Receivable on derivative contracts, at fair value	56,953	49,877
Securities borrowed	—	676,100
Other investments	157,226	167,464
Receivable from brokers	109,522	84,679
Fees receivable, net of allowance	66,086	46,498
Due from related parties	23,938	26,315
Fixed assets, net of accumulated depreciation and amortization of $27,612 and $25,968, respectively	25,006	26,388
Goodwill	34,906	34,906
Intangible assets, net of accumulated amortization of $26,067 and $25,581, respectively	7,997	8,483
Deferred tax asset, net	124,201	129,400
Other assets	52,454	34,230
Consolidated Funds		
Cash and cash equivalents	643	501
Other investments	190,287	189,377
Other assets	687	1,437
Total Assets	**$ 1,532,953**	**$ 2,405,676**
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 163,492	$ 207,875
Payable for derivative contracts, at fair value	44,226	41,330
Securities loaned	—	682,493
Payable to brokers	227,919	335,822
Compensation payable	67,062	134,289
Notes payable and other debt	68,253	67,144
Convertible debt	119,999	118,475
Fees payable	21,683	6,331
Due to related parties	398	474
Accounts payable, accrued expenses and other liabilities	43,367	46,606
Consolidated Funds		
Capital withdrawals payable	213	864
Accounts payable, accrued expenses and other liabilities	289	222
Total Liabilities	**756,901**	**1,641,925**
Commitments and Contingencies (Note 13)		
Redeemable non-controlling interests	**85,965**	**86,076**
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, 136,566,473 shares issued and 111,168,897 outstanding as of March 31, 2015 and 135,198,855 shares issued and 111,691,199 outstanding as of December 31, 2014, respectively (including 424,479 and 424,479 restricted shares, respectively)	1,160	1,160
Class B common stock, par value $0.01 per share: 250,000,000 authorized, no shares issued and outstanding	—	—
Additional paid-in capital	777,994	772,296
(Accumulated deficit) retained earnings	671	(16,027)
Accumulated other comprehensive income (loss)	15	17
Less: Class A common stock held in treasury, at cost, 25,397,576 and 23,507,656 shares, respectively	(89,753)	(79,771)
Total Stockholders' Equity	**690,087**	**677,675**
Total Liabilities and Stockholders' Equity	**$ 1,532,953**	**$ 2,405,676**

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

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

	Three Months Ended March 31,	
	2015	**2014**
Revenues		
Investment banking	$ 65,233	$ 49,562
Brokerage	35,454	32,830
Management fees	10,384	8,924
Incentive income	2,372	2,498
Interest and dividends	3,083	9,252
Reimbursement from affiliates	3,642	1,900
Other revenues	668	555
Consolidated Funds		
Interest and dividends	244	486
Other revenues	14	670
Total revenues	**121,094**	**106,677**
Expenses		
Employee compensation and benefits	95,864	67,561
Floor brokerage and trade execution	5,903	5,655
Interest and dividends	5,779	7,072
Professional, advisory and other fees	5,128	3,601
Service fees	1,886	2,142
Communications	3,642	3,246
Occupancy and equipment	6,828	6,397
Depreciation and amortization	2,138	2,380
Client services and business development	6,470	4,514
Other expenses	4,810	3,158
Consolidated Funds		
Interest and dividends	209	110
Professional, advisory and other fees	90	134
Floor brokerage and trade execution	10	2
Other expenses	49	56
Total expenses	**138,806**	**106,028**
Other income (loss)		
Net gains (losses) on securities, derivatives and other investments	38,991	11,354
Consolidated Funds		
Net realized and unrealized gains (losses) on investments and other transactions	4,720	2,164
Net realized and unrealized gains (losses) on derivatives	397	(21)
Net gains (losses) on foreign currency transactions	(31)	(40)
Total other income (loss)	**44,077**	**13,457**
Income (loss) before income taxes	**26,365**	**14,106**
Income tax expense (benefit)	6,947	79
Net income (loss)	**19,418**	**14,027**
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	2,720	4,187
Net income (loss) attributable to Cowen Group, Inc. stockholders	**$ 16,698**	**$ 9,840**
Weighted average common shares outstanding:		
Basic	112,053	115,680
Diluted	118,590	122,898
Earnings (loss) per share:		
Basic	$ 0.15	$ 0.09
Diluted	$ 0.14	$ 0.08

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

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

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
Net income (loss)			$ 19,418			$ 14,027
Other comprehensive income (loss), net of tax:						
Foreign currency translation		(2)			37	
Defined benefit pension plan:						
Net gain/(loss) arising during the period	—			(92)		
Add: amortization of prior service cost included in net periodic pension cost	—	—		—	(92)	
Total other comprehensive income, net of tax			(2)			(55)
Comprehensive income (loss)			**$ 19,416**			**$ 13,972**

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

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

	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, 2014	**111,691,199**	**$ 1,160**	**$ (79,771)**	**$ 772,296**	**$ 17**	**$ (16,027)**	**$ 677,675**	**$ 86,076**
Net income (loss)	—	—	—	—	—	16,698	16,698	2,720
Foreign currency translation	—	—	—	—	(2)	—	(2)	—
Capital contributions	—	—	—	—	—	—	—	3,379
Capital withdrawals	—	—	—	—	—	—	—	(6,210)
Restricted stock awards issued	1,367,618	—		—	—	—	—	—
Purchase of treasury stock, at cost	(1,889,920)	—	(9,982)	—	—	—	(9,982)	—
Income tax effect from share based compensation	—	—	—	1,536	—	—	1,536	—
Amortization of share based compensation	—	—	—	4,162	—	—	4,162	—
Balance, March 31, 2015	**111,168,897**	**$ 1,160**	**$ (89,753)**	**$ 777,994**	**$ 15**	**$ 671**	**$ 690,087**	**$ 85,965**

	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, 2013	**115,026,633**	**$ 1,160**	**$ (48,084)**	**$ 737,341**	**$ 592**	**$ (183,243)**	**$ 507,766**	**$ 85,814**
Net income (loss)	—	—	—	—	—	9,840	9,840	4,187
Defined benefit plan	—	—	—	—	(92)	—	(92)	—
Foreign currency translation	—	—	—	—	37	—	37	—
Capital contributions	—	—	—	—	—	—	—	6,007
Capital withdrawals	—	—	—	—	—	—	—	(10,560)
Restricted stock awards issued	1,588,794	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(1,262,881)	—	(5,331)	—	—	—	(5,331)	—
Warrants issued (see Note 5)	—	—	—	15,218	—	—	15,218	—
Amortization of share based compensation	—	—	—	4,800	—	—	4,800	—
Balance, March 31, 2014	**115,352,546**	**$ 1,160**	**$ (53,415)**	**$ 757,359**	**$ 537**	**$ (173,403)**	**$ 532,238**	**$ 85,448**

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

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

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income (loss) from continuing operations	$ 19,418	$ 14,027
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:		
Depreciation and amortization	2,138	2,380
Amortization of debt discount	1,524	311
Tax benefits from share-based payment arrangements	1,536	—
Share-based compensation	4,162	4,800
Deferred tax benefit	3,663	—
Deferred rent obligations	351	179
Net loss on disposal of fixed assets	31	218
Purchases of securities owned, at fair value	(1,026,453)	(1,086,631)
Proceeds from sales of securities owned, at fair value	1,252,567	928,377
Proceeds from sales of securities sold, not yet purchased, at fair value	525,223	367,854
Payments to cover securities sold, not yet purchased, at fair value	(592,564)	(328,177)
Net (gains) losses on securities, derivatives and other investments	(38,661)	(12,171)
Consolidated Funds		
Purchases of other investments	(985)	(6,007)
Proceeds from sales of other investments	4,845	17,011
Net realized and unrealized (gains) losses on investments and other transactions	(4,769)	(2,913)
(Increase) decrease in operating assets:		
Cash collateral pledged	(617)	(362)
Securities owned, at fair value, held at broker dealer	13,164	(692)
Receivable on derivative contracts, at fair value	(7,076)	(4,290)
Securities borrowed	676,100	(392,165)
Receivable from brokers	(24,843)	10,034
Fees receivable, net of allowance	(19,588)	(12,551)
Due from related parties	2,377	(1,902)
Other assets	(3,274)	(5,308)
Consolidated Funds		
Cash and cash equivalents	(142)	223
Other assets	750	4,935
Increase (decrease) in operating liabilities:		
Securities sold, not yet purchased, at fair value, held at broker dealer	16,039	(29,354)
Payable for derivative contracts, at fair value	2,896	6,648
Securities loaned	(682,493)	392,326
Payable to brokers	(107,903)	75,689
Compensation payable	(70,004)	(19,667)
Fees payable	15,352	4,509
Due to related parties	(76)	26
Accounts payable, accrued expenses and other liabilities	(3,438)	3,028
Consolidated Funds		
Accounts payable, accrued expenses and other liabilities	67	1,030
Net cash provided by / (used in) operating activities	**$ (40,683)**	**$ (68,585)**

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

(continued)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Cash flows from investing activities:		
Purchases of other investments	$ (5,760)	$ (46,528)
Payment to acquire loan held for investment (see Note 20)	(15,000)	—
Cash convertible note economic hedge transaction	—	(35,710)
Proceeds from sales of other investments	35,050	11,603
Purchase of fixed assets	(301)	(4,279)
Net cash provided by / (used in) investing activities	**13,989**	**(74,914)**
Cash flows from financing activities:		
Securities sold under agreement to repurchase	—	(3,657)
Proceeds from issuance of convertible debt	—	149,500
Deferred debt issuance cost	—	(3,643)
Proceeds from sale of warrant	—	15,218
Borrowings on notes and other debt	2,140	6,217
Repayments on notes and other debt	(1,030)	(1,137)
Tax benefits from share-based payment arrangements	1,536	—
Purchase of treasury stock	(7,205)	(3,411)
Cash paid to acquire net assets (contingent liability payment)	(108)	(76)
Capital withdrawals to redeemable non-controlling interests in operating entities	(4,457)	(3,500)
Consolidated Funds		
Capital contributions by redeemable non-controlling interests in Consolidated Funds	3,379	6,007
Capital withdrawals to redeemable non-controlling interests in Consolidated Funds	(2,404)	(11,174)
Net cash provided by / (used in) financing activities	**(8,149)**	**150,344**
Change in cash and cash equivalents	(34,843)	6,845
Cash and cash equivalents at beginning of period	129,509	54,720
Cash and cash equivalents at end of period	**$ 94,666**	**$ 61,565**
Supplemental non-cash information		
Purchase of treasury stock, at cost, through net settlement (see Note 15)	$ 2,777	$ 1,919
Cash conversion option (see Note 5)	$ —	$ 35,710

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

Cowen Group, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(unaudited)

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. The Company's alternative investment segment, includes hedge funds, replication products, liquid alternative risk premia products, customized solutions, mutual funds, commodity pools, 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 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. Divestiture

During the fourth quarter of 2014, the Company decided to wind down the securities lending business, Cowen Equity Finance LP ("Cowen Equity Finance"). At that time, the Company recorded impairments of goodwill in the amount of $2.3 million and intangibles of $0.9 million, respectively. The Company also wrote off the remaining balance of the contingent liability due to the sellers of the former entity in the amount of $2.1 million. 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 did not represent a significant strategic shift in operations and therefore, the Company did not present it as discontinued operations. As of March 31, 2015, this business has been completely liquidated.

3. Significant Accounting Policies

a. Basis of Presentation

These unaudited condensed consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") related to interim financial statements. Results for interim periods should not be considered indicative of results for any other interim period or for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013, and 2012, included in the Form 10-K of Cowen Group as filed with the SEC on February 26, 2015 and amended on March 30, 2015. The financial information contained herein is unaudited; however, management believes all adjustments have been made that are necessary for a fair presentation of the results for the interim periods. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP.

These condensed consolidated financial statements include the accounts of the Company, its operating and other 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 these condensed consolidated financial statements, as further discussed below, 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. 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 condensed 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 condensed consolidated financial statements. The management fees and incentive income earned by the Company from these funds are eliminated in consolidation.

b. Principles of consolidation

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

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 two entities deemed to be VOEs for which it acts as the general partner and investment manager.

As of March 31, 2015 and December 31, 2014 and during the three month periods ended March 31, 2015 and March 31, 2014, the Company consolidated the following funds: Ramius Enterprise LP (“Enterprise LP”) and Ramius Merger Fund LLC (the "Merger Fund") (collectively the "Consolidated Funds").

The Company also consolidated four investment companies i) RCG Linkem II LLC, formed to make an investment in a wireless broadband communication provider in Italy, ii) Cowen AV Investment LLC, formed to make an investment in a biotechnology company focused on developing gene therapies for certain medical needs and (during 2014) iii) Ramius Co-Investment I LLC and (iv) Ramius Co-Investment II LLC. 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 (up through the first quarter of 2015 when it was liquidated) 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 Financial Accounting Standards Board ("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 March 31, 2015 and December 31, 2014, the Company consolidated two VIEs. As of March 31, 2015

and December 31, 2014, the total net assets of the consolidated VIEs were $3.9 million and $2.0 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 March 31, 2015 and December 31, 2014, 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.

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 condensed 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") (liquidated during Q1 2015), and Cowen Equity Finance (see Note 2), 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 condensed 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 condensed 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. 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 condensed 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 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.

e. 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 March 31, 2015 and December 31, 2014, the Company does not have any securities lending transactions for which fair value basis of accounting was elected.

During the fourth quarter of 2014, the Company made a decision to wind down the operations of its securities lending business (see Note 2).

f. 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.

g. 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 March 31, 2015 and December 31, 2014 is $12.3 million and $13.1 million, respectively.

h. Recently issued accounting pronouncements

In January 2015, the FASB issued a new accounting pronouncement regarding extraordinary items. The guidance eliminates the concept and presentation requirements for extraordinary items and issuers are no longer required to evaluate and present separately any transaction which is unusual and infrequent. The guidance is effective for reporting periods beginning after December 15, 2015. The Company does not expect this guidance to have any impact on its financial position and results of operations.

In February 2015, the FASB issued an accounting pronouncement which amends and updates its previous guidance regarding consolidation analysis. The amendment eliminates the deferral of certain consolidation standards for entities considered to be investment companies and modifies the consolidation analysis performed on certain types of legal entities. The guidance is effective for reporting periods beginning after December 15, 2015. The Company is currently evaluating the impact of the new guidance on our consolidated financial statements.

In April 2015, the FASB issued a new accounting pronouncement simplifying the presentation of debt issuance costs. The accounting guidance requires that debt issuance costs related to a recognized debt liability be reported on the Consolidated Statements of Financial Condition as a direct deduction from the carrying amount of that debt liability. The guidance is effective for the Company retrospectively effective for reporting periods beginning after December 15, 2015 and early adoption is permitted. The adoption of this accounting guidance is not expected to have a material impact on the Company’s financial position.

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. In April 2015, the FASB announced a proposal to defer the effective date by one year, with early adoption on the original effective date permitted. The Company is currently evaluating the impact of this guidance on the Company's financial condition, results of operations and cash flows.

4. Cash Collateral Pledged

As of March 31, 2015 and December 31, 2014, the Company pledged cash collateral in the amount of $8.9 million and $8.3 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 14).

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.

As of March 31, 2015 and December 31, 2014, securities owned, at fair value consisted of the following:

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
U.S. Government securities (a)	$ 2,010	$ 2,010
Preferred stock	20,200	15,070
Common stocks	481,181	597,476
Convertible bonds (b)	879	900
Corporate bonds (c)	55,937	159,557
Warrants and rights	3,064	1,417
Mutual funds	16,187	15,776
	$ 579,458	**$ 792,206**

(a) As of March 31, 2015, maturities ranged from May 2015 to April 2016 with interest rates ranged between 0% to 5.95%. As of December 31, 2014, maturities ranged from May 2015 to April 2016 with interest rates ranged between 0% to 5.95%.

(b) As of March 31, 2015, the maturity was July 2015 with an interest rate of 10.00%. As of December 31, 2014, the maturity was February 2015 with an interest rate of 10.00%.

(c) As of March 31, 2015, maturities ranged from December 2016 to February 2046 and interest rates ranged between 0.0% to 11.50%. As of December 31, 2014, maturities ranged from February 2015 to February 2046 and interest rates ranged between 5.63% to 11.54%.

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. 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 14), the Company recognized the embedded cash conversion option at fair value of $35.7 million which is valued as of March 31, 2015 at $41.6 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

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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 $41.6 million as of March 31, 2015 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.

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

Receivable on derivative contracts	**As of March 31, 2015**		**As of December 31, 2014**	
	Number of contracts / Notional Value	**Fair value**	**Number of contracts / Notional Value**	**Fair value**
		(dollars in thousands)		
Commodity Future	$ 46,123	$ 173	$ 3,041	$ 75
Currency forwards	$ 138,714	659	$ 23,961	310
Equity Swap	$ 30,209	133	$ 12,904	251
Options other (a)	407,859	54,042	367,441	48,201
Foreign currency options	$ 82,000 1,040	1,946	$ 32,200	1,040
		$ 56,953		$ 49,877

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

Payable for derivative contracts	**As of March 31, 2015**		**As of December 31, 2014**	
	Number of contracts / Notional Value	**Fair value**	**Number of contracts / Notional Value**	**Fair value**
		(dollars in thousands)		
Futures	$ 8,996	$ 49	$ 2,213	$ 33
Equity and credit default swaps	$ 17,613	169	$ 18,352	1,603
Options (a)	18,204	44,008	22,043	39,694
		$ 44,226		$ 41,330

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

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

The following tables present the gross and net derivative positions and the related offsetting amount, as of March 31, 2015 and December 31, 2014.

	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		Net amounts
				Financial instruments	Cash Collateral pledged (b)	
	(dollars in thousands)					
As of March 31, 2015						
Receivable on derivative contracts, at fair value	$ 56,953	$ —	$ 56,953	$ —	$ 4,714	$ 52,239
Payable for derivative contracts, at fair value	44,226	—	44,226	—	169	44,057
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

(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.

The realized and unrealized gains/(losses) related to derivatives trading activities were $2.1 million and $(1.8) million for the three months ended March 31, 2015 and 2014, 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 14) and exchange traded derivatives, the Company is required to post/receive collateral. As of March 31, 2015 and December 31, 2014, collateral consisting of $9.7 million and $4.2 million of cash, respectively, is included in receivable from brokers and payable to brokers on the accompanying consolidated statements of financial condition. As of March 31, 2015 and December 31, 2014 all derivative contracts were with multiple major financial institutions.

Other investments

As of March 31, 2015 and December 31, 2014, other investments included the following:

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
(1) Portfolio Funds, at fair value	$ 103,156	$ 103,466
(2) Real estate investments, at fair value	1,947	2,175
(3) Equity method investments	51,762	61,443
(4) Lehman claims, at fair value	361	380
	$ 157,226	**$ 167,464**

(1) Portfolio Funds, at fair value

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

The Portfolio Funds, at fair value as of March 31, 2015 and December 31, 2014, included the following:

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
HealthCare Royalty Partners (a)(*)	$ 10,939	$ 11,935
HealthCare Royalty Partners II (a)(*)	7,154	6,648
Orchard Square Partners Credit Fund LP (b)	4,540	11,532
Starboard Value and Opportunity Fund LP (c)(*)	23,255	21,792
Starboard Partners Fund LP (d)(*)	14,551	14,652
Starboard Leaders Fund LP (e)(*)	1,392	1,367
Formation 8 Partners Fund I (f)	14,976	11,283
RCG LV Park Lane LLC (g) (*)	735	642
RCGL 12E13th LLC (h) (*)	685	638
RCG Longview Debt Fund V, L.P. (h) (*)	14,764	12,876
Other private investment (i)	6,515	7,324
Other affiliated funds (j)(*)	3,650	2,777
	$ 103,156	**$ 103,466**

* 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 lock up.

(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 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 March 31, 2015 and December 31, 2014 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 $1.9 million and $2.2 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 7.2% 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 funds and related managed accounts. The Company recorded no impairment charges in relation to its equity method investments for the three months ended March 31, 2015 and 2014.

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 offering documents of the underlying funds, Starboard Value entities are entitled to fixed percentages of management fees and performance fees. The Company holds a minority interest in the Starboard Value entities.

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

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
RCG Longview Debt Fund IV Management, LLC	$ 605	$ 676
RCG Longview Debt Fund V Partners, LLC	3,167	2,684
HealthCare Royalty GP, LLC	892	973
HealthCare Royalty GP II, LLC	1,212	1,125
HealthCare Royalty GP III, LLC	67	62
CBOE Stock Exchange, LLC	527	611
Starboard Value LP	39,880	48,772
RCG Longview Partners, LLC	237	237
RCG Longview Management, LLC	1,174	1,117
RCG Urban American, LLC	121	422
RCG Urban American Management, LLC	379	379
RCG Longview Equity Management, LLC	294	316
Urban American Real Estate Fund II, LLC	1,844	2,329
RCG Kennedy House, LLC	617	509
Other	746	1,231
	$ 51,762	**$ 61,443**

For the period ended March 31, 2015, an equity method investment held by the Company has met the significance criteria as defined under SEC guidance. As such, the Company is required to present summarized financial information for this significant investee for the three months ended March 31, 2015 and 2014. The summarized income statement information for the Company's investment in the individually significant investee is as follows:

Other equity method investment

	Three Months Ended March 31,	
	2015	2014
	(dollars in thousands)	
Revenues	$ 10,127	$ 1,755
Expenses	—	—
Net realized and unrealized gains (losses)	109	5
Net Income	**$ 10,236**	**$ 1,760**

As of March 31, 2015 and December 31, 2014, 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 $14.2 million and $6.5 million for the three months ended March 31, 2015 and 2014, respectively, and is included in net gains (losses) on securities, derivatives and other investments on the accompanying condensed 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 March 31, 2015 and December 31, 2014, securities sold, not yet purchased, at fair value consisted of the following:

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
Common stocks	$ 163,432	$ 207,815
Corporate bonds (a)	60	60
	$ 163,492	**$ 207,875**

(a) As of March 31, 2015 and December 31, 2014, the maturity was January 2026 with an interest rate of 5.55%.

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. As of March 31, 2015 this business has been completely liquidated (see Note 2).

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

	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			Net amounts
				Additional Amounts Available	Financial instruments	Cash Collateral pledged (b)	
	(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)	—	—

(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 $2.8 billion and $342.2 million as of March 31, 2015 and $2.9 billion and $445.8 million as of December 31, 2014, respectively. In addition, the maximum exposure relating to these variable interest entities as of March 31, 2015 was $197.1 million, and as of December 31, 2014 was $210.3 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 March 31, 2015 and December 31, 2014.

b. Consolidated Funds

Other investments, at fair value

As of March 31, 2015 and December 31, 2014 other investments, at fair value, held by the Consolidated Funds are comprised of:

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
(1) Portfolio Funds	$ 189,793	$ 188,884
(2) Lehman claims	494	493
	$ 190,287	**$ 189,377**

(1) Investments in Portfolio Funds, at fair value

As of March 31, 2015 and December 31, 2014, investments in Portfolio Funds, at fair value, included the following:

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
Investments of Enterprise LP	$ 135,688	$ 138,253
Investments of Merger Fund	54,105	50,631
	$ 189,793	**$ 188,884**

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 $135.7 million and $138.3 million in Enterprise Master as of March 31, 2015 and December 31, 2014, 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 $54.1 million and $50.6 million in Merger Master as of March 31, 2015 and December 31, 2014, 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.

(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 March 31, 2015, 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 March 31, 2015. 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 before the end of 2015, but the amount of those distributions remains uncertain. The Company does not expect future distributions to be material.

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 March 31, 2015 and December 31, 2014, 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 March 31, 2015 or December 31, 2014.

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 March 31, 2015 and December 31, 2014:

Securities owned by Enterprise Master, at fair value

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
Bank debt	$ 20	$ 20
Common stock	1,676	1,659
Preferred stock	576	576
Private equity	597	587
Restricted stock	124	124
Rights	2,490	2,802
Trade claims	128	128
	$ 5,611	$ 5,896

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

Description	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
Currency forwards	$ 29	$ 64
	$ 29	$ 64

Portfolio Funds, owned by Enterprise Master, at fair value

	Strategy	As of March 31, 2015	As of December 31, 2014
		(dollars in thousands)	
RCG Longview Equity Fund, LP*	Real Estate	$ 9,370	$ 9,090
RCG Longview II, LP*	Real Estate	752	747
RCG Longview Debt Fund IV, LP*	Real Estate	5,316	5,348
RCG Longview, LP*	Real Estate	40	40
RCG Soundview, LLC*	Real Estate	452	452
RCG Urban American Real Estate Fund, L.P.*	Real Estate	1,161	1,161
RCG International Sarl*	Multi-Strategy	1,079	2,113
RCG Special Opportunities Fund, Ltd*	Multi-Strategy	93,715	92,405
RCG Energy, LLC *	Energy	2,155	2,294
RCG Renergys, LLC*	Energy	1	1
Other Private Investments	Various	11,776	12,057
Other Real Estate Investments (*)	Real Estate	9,174	10,138
		$ 134,991	$ 135,846

* Affiliates of the Company.

Merger Master

Securities owned by Merger Master, at fair value

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
Common stocks	$ 133,725	$ 133,510
Corporate bonds (a)	—	3,383
Options	992	541
	$ 134,717	$ 137,434

(a) As of December 31, 2014, maturities ranged from February 2017 to June 2019 and interest rates ranged between 8.50% and 9.75%.

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

As of March 31, 2015 and December 31, 2014, Merger Master held common stock, sold not yet purchased, of $28.8 million and $39.9 million, respectively and options, sold not yet purchased, of $0.2 million and $0.2 million, respectively.

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

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

	As of March 31, 2015	As of December 31, 2014
Description	(dollars in thousands)	
Equity swaps	$ 70	$ 78
	$ 70	$ 78

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

	As of March 31, 2015	As of December 31, 2014
Description	(dollars in thousands)	
Equity swaps	$ 85	$ 58
	$ 85	$ 58

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 March 31, 2015 and December 31, 2014:

Operating Entities

	Assets at Fair Value as of March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities owned				
US Government securities	$ 2,010	$ —	$ —	$ 2,010
Preferred stock	720	—	19,480	20,200
Common stocks	478,230	2,540	411	481,181
Convertible bonds	—	—	879	879
Corporate bonds	—	55,937	—	55,937
Warrants and rights	505	—	2,559	3,064
Mutual funds	16,187	—	—	16,187
Receivable on derivative contracts, at fair value				
Futures	173	—	—	173
Currency forwards	—	659	—	659
Equity swaps	—	133	—	133
Options	10,424	3,922	41,642	55,988
Other investments				
Portfolio Funds	—	38,714	64,442	103,156
Real estate investments	—	—	1,947	1,947
Lehman claim	—	—	361	361
	$ 508,249	$ 101,905	$ 131,721	$ 741,875

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

	Liabilities at Fair Value as of March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities sold, not yet purchased				
Common stocks	$ 163,432	$ —	$ —	$ 163,432
Corporate bonds	—	60	—	60
Payable for derivative contracts, at fair value				
Futures	49	—	—	49
Equity and credit default swaps	—	169	—	169
Options	2,366	—	41,642	44,008
Accounts payable, accrued expenses and other liabilities				
Contingent consideration liability (a)	$ —	$ —	$ 3,974	$ 3,974
	$ 165,847	$ 229	$ 45,616	$ 211,692

(a) In accordance with the terms of a purchase agreement for an acquisition that closed during 2012, the Company is required to pay to the sellers a portion of future net income of the acquired business, if certain revenue targets are achieved through the period ended August 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 March 31, 2015 can range from $0.1 million to $6.1 million.

	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	—	2,553	12,517	15,070
Common stocks	578,934	18,130	412	597,476
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

(a) In accordance with the terms of a purchase agreement for an 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 August 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 $0.9 million to $7.1 million.

Consolidated Funds' investments

	Assets at Fair Value as of March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Other investments				
Portfolio Funds	$ —	$ 54,105	$ 135,688	$ 189,793
Lehman claims	—	—	494	494
	$ —	$ 54,105	$ 136,182	$ 190,287

	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

The following table includes a rollforward of the amounts for the three months ended March 31, 2015 and 2014, 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.

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

	Three Months Ended March 31, 2015							
	Balance at December 31, 2014	Transfers in	Transfers out	Purchases/(covers)	(Sales)/shorts	Realized and Unrealized gains/losses	Balance at March 31, 2015	Change in unrealized gains/losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 12,517	$ —	$ —	$ 7,375	$ —	$ (412)	$ 19,480	$ (412)
Common stocks	412	—	—	—	(3)	2	411	5
Convertible bonds	900	—	—	—	—	(21)	879	(21)
Options, asset	36,807	—	—	—	—	4,835	41,642	4,835
Options, liability	36,807	—	—	—	—	4,835	41,642	4,835
Warrants and Rights	1,322	—	(14)	26	—	1,225	2,559	1,224
Portfolio Funds	66,271	—	—	3,972	(8,350)	2,549	64,442	5,303
Real estate	2,175	—	—	—	(216)	(12)	1,947	(12)
Lehman claim	380	—	—	—	—	(19)	361	(19)
Contingent consideration liability	4,083	—	—	—	(109)	—	3,974	—
Consolidated Funds								
Portfolio Funds	138,253	—	—	—	(4,234)	1,669	135,688	1,925
Lehman claim	493	—	—	—	—	1	494	1

	Three Months Ended March 31, 2014							
	Balance at December 31, 2013	Transfers in	Transfers out	Purchases/(covers)	(Sales)/shorts	Realized and Unrealized gains/losses	Balance at March 31, 2014	Change in unrealized gains/losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 324	$ —	$ —	$ —	$ —	$ —	$ 324	$ —
Common stocks	3,559	—	—	—	—	5,724	9,283	5,724
Convertible bonds	1,950	—	—	—	—	—	1,950	—
Options, asset	—	—	—	35,710	—	7,146	42,856	7,146
Options, liability	—	—	—	35,710	—	7,146	42,856	7,146
Warrants and Rights, asset	5,805	—	—	—	(1,328)	(1,209)	3,268	137
Portfolio Funds	51,649	—	—	4,385	(1,242)	3,791	58,583	3,847
Real estate	2,088	—	—	40,000	(27)	222	42,283	222
Lehman claim	378	—	—	—	—	12	390	12
Contingent consideration liability	6,937	—	—	(76)	—	—	6,861	—
Consolidated Funds								
Portfolio Funds	155,674	—	—	—	(15,944)	3,329	143,059	3,329
Lehman claim	4,842	—	—	—	(980)	(86)	3,776	(86)

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

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.

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

During the three months ended March 31, 2015 and 2014, there were no transfers between level 1 and level 2 assets and liabilities.

The following table includes quantitative information as of March 31, 2015 and December 31, 2014 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.

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value at March 31, 2015	**Valuation techniques**	**Unobservable Inputs**	**Range**
Level 3 Assets				
Common and preferred stocks	$ 19,231	Market/transaction multiples and option pricing method	Volatility Market multiples	38% 1x to 6x
Convertible bonds	879	Recovery analysis	Recovery rate	50%
Warrants and rights, net	2,559	Model based	Volatility	20% to 60% (weighted average 41%)
Options	41,642	Option pricing models	Volatility Credit spreads	30% to 40% 500bps - 750 bps
Other level 3 assets (a)	203,592			
Total level 3 assets	**267,903**			
Level 3 Liabilities				
Options	41,642	Option pricing models	Volatility Credit spreads	30% to 40% 500bps - 750 bps
Contingent consideration	3,974	Discounted cash flows	Projected cash flow and discount rate	9%
Total level 3 liabilities	$ 45,616			

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value at December 31, 2014	**Valuation techniques**	**Unobservable Inputs**	**Range**
Level 3 Assets				
Common and preferred stocks	$ 12,269	Market multiples and option pricing method	Volatility Market multiples	45% 1x to 6x
Convertible bonds	900	Recovery analysis	Recovery rate	50%
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)	208,232			
Total level 3 assets	**259,530**			
Level 3 Liabilities				
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**			

(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.

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.

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 March 31, 2015 and December 31, 2014, 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.

	March 31, 2015		December 31, 2014		
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
	(dollars in thousands)				
Financial Assets					
Operating companies					
Cash and cash equivalents	$ 94,666	$ 94,666	$ 129,509	$ 129,509	Level 1
Cash collateral pledged	8,923	8,923	8,306	8,306	Level 2
Securities borrowed	—		676,100	660,445	Level 1
Consolidated funds					
Cash and cash equivalents	643	643	501	501	Level 1
Financial Liabilities					
Securities loaned	—	—	682,493	661,533	Level 1
Convertible debt	119,999 (a)	170,056 (b)	118,475 (a)	160,713 (c)	Level 2
Notes payable and other debt	68,253	72,329	67,144	69,548	Level 2

(a) The carrying amount of the convertible debt includes an unamortized discount of $29.5 million and $31.0 million as of March 31, 2015 and December 31, 2014.
(b) The convertible debt 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 presented net (assets less liabilities) across balances with the same broker. As of March 31, 2015 and December 31, 2014, receivable from brokers was $109.5 million and $84.7 million, respectively. Payable to brokers was $227.9 million and $335.8 million as of March 31, 2015 and December 31, 2014, respectively. The Company's receivables from and payable to brokers balances are held at multiple financial institutions.

8. 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.

No impairment charges for goodwill were recognized during the three months ended March 31, 2015 and 2014, respectively.

9. 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 March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
Redeemable non-controlling interests in consolidated subsidiaries and funds		
Operating companies	$ 8,474	$ 9,619
Consolidated funds	77,491	76,457
	$ 85,965	$ 86,076

	Three Months Ended March 31,	
	2015	2014
	(dollars in thousands)	
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds		
Operating companies	$ 918	$ 3,439
Consolidated funds	1,802	748
	$ 2,720	$ 4,187

10. 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. 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 March 31, 2015, there were approximately 4.0 million shares available for future issuance under the Equity Plans.

Under the 2010 Equity Plan, the Company awarded $12.5 million of deferred cash awards to its employees during the three months ended March 31, 2015. These awards vest over a four year period and accrue interest between 0.70% to 0.75% per year. As of March 31, 2015, the Company had unrecognized compensation expense related to deferred cash awards of $42.0 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 $4.2 million and $4.8 million for the three months ended March 31, 2015 and 2014, respectively. The income tax effect recognized for the Equity Plans was a benefit of $0.1 million and $1.0 million for the three months ended March 31, 2015 and 2014, respectively.

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.

The following table summarizes the Company's stock option activity for the three months ended March 31, 2015:

	Shares Subject to Option	Weighted Average Exercise Price/Share	Weighted Average Remaining Term	Aggregate Intrinsic Value(1)
			(in years)	(dollars in thousands)
Balance outstanding at December 31, 2014	216,672	$ 5.65	1.60	$ 87
Options granted	—	—	—	—
Options exercised	—	—	—	—
Options expired	—	—	—	—
Balance outstanding at March 31, 2015	216,672	$ 5.65	1.35	$ 129
Options exercisable at March 31, 2015	216,672	$ 5.65	1.35	$ —

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

(1) Based on the Company's closing stock price of $5.20 on March 31, 2015 and $4.80 on December 31, 2014.

As of March 31, 2015, 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 three months ended March 31, 2015:

	Shares Subject to Option	Weighted Average Exercise Price/Share	Weighted Average Remaining Term	Aggregate Intrinsic Value(1)
			(in years)	(dollars in thousands)
Balance outstanding at December 31, 2014	400,000	$ 2.90	3.21	913
SAR's granted	—	—	—	—
SAR's acquired	—	—	—	—
SAR's expired	—	—	—	—
Balance outstanding at March 31, 2015	400,000	$ 2.90	2.96	$ 1,055
SAR's exercisable at March 31, 2015	—	$ —	0	$ —

(1) Based on the Company's closing stock price of $5.20 on March 31, 2015 and $4.80 on December 31, 2014.

As of March 31, 2015 and December 31, 2014, the unrecognized compensation expense related to the Company's grant of SAR's was $0.2 million and $0.2 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 three months ended March 31, 2015:

	Nonvested Restricted Shares and Restricted Stock Units	Weighted-Average Grant Date Fair Value
Balance outstanding at December 31, 2014	17,654,582	$ 3.70
Granted	5,635,310	4.77
Vested	(1,729,896)	2.97
Canceled	—	—
Forfeited	(560,955)	3.04
Balance outstanding at March 31, 2015 (1)	20,999,041	$ 4.07

(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 through March 31, 2015. The remaining awards, included in the outstanding balance as of March 31, 2015, 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 March 31, 2015, there was $65.3 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 1.93 years.

Restricted Shares and Restricted Stock Units Granted to Non-employee Board Members

There were no restricted stock units awarded during the three months ended March 31, 2015. As of March 31, 2015 there were 424,479 restricted stock units outstanding.

11. 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 Cash Balance Plan. 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 Cash Balance Plan. Subsequently, steps were taken to process the distributions based on participant distribution elections by December 15, 2014 and the Company will file a final Form 5500 for the Plan Year 2014.

The amounts contained in the following table relate to the Company's defined benefit plan(s) for the three months ended March 31, 2014:

	Three Months Ended March 31, 2014	
Components of net periodic benefit cost included in employee compensation and benefits		
Service cost	$	—
Interest cost		33
Expected return on plan assets		(66)
Amortization of loss / (gain)		—
Amortization of prior service cost		—
Effect of settlement		—
Net periodic benefit cost	$	(33)

12. 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 are United Kingdom, Luxembourg, Gibralter and Hong Kong.

The Company calculates its U.S. tax provision using the estimated annual effective tax rate methodology. The tax expense or benefit caused by an unusual or infrequent item is recorded in the quarter in which it occurs. The Company uses the discrete methodology to calculate its income tax provision for its foreign subsidiaries. Based on these methodologies, the Company’s effective income tax rate was 26.35% and (0.56)% for the three months ended March 31, 2015 and 2014, respectively. During the three months ended March 31, 2015, the unusual or infrequent item whose tax impact was recorded discretely primarily related to state taxes, the impact of change in tax legislation in New York and the tax provisions of the Company’s foreign subsidiaries.

For the three months ended March 31, 2015 and 2014, the effective tax rate differs from the statutory rate of 35% primarily due to a change in the Company's state taxes, stock compensation and other nondeductible expenses.

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. As of March 31, 2015, the Company recorded no valuation allowance against its federal and state net deferred tax assets and a full valuation allowance against its foreign net deferred tax assets.

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 to 2012 tax years. Management is not expecting a material tax liability to result from this audit.

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 $0.1 million and $1.1 million as of March 31, 2015 and December 31, 2014, respectively, and the tax liability that would arise if these earnings were remitted to the United States would be approximately $0.01 million and $0.2 million, respectively.

13. 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 $4.4 million and $4.2 million, for the three months ended March 31, 2015 and 2014, respectively.

As of March 31, 2015, 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	$ 2,052	$ 10,583	$ 13,705
2016	2,437	9,000	16,688
2017	2,245	4,672	13,271
2018	2,198	3,958	13,003
2019	813	1,375	12,460
Thereafter	—	—	40,970
	$ 9,745	$ 29,588	$ 110,097

(a) Equipment Leases include the Company's commitments relating to operating and capital leases. See Note 14 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 $0.5 million and $0.3 million for the three months ended March 31, 2015 and 2014, respectively.

Clawback Obligations

For financial reporting purposes, the general partners of a real estate fund have recorded a liability for potential clawback obligations to the limited partners, 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 clawback liability, however, is not realized until the end of the 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. The fund is currently winding-down and as of both March 31, 2015 and December 31, 2014, and 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 March 31, 2015, the Company had unfunded commitments of $9.9 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 March 31, 2015, the Company has funded $35.7 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 March 31, 2015, has funded $0.9 million towards this commitment. As of March 31, 2015, the Company has an unfunded commitment to Formation 8 Partners Fund I LP of $1.4 million. The remaining capital commitment is expected to be called over a one year period.

Litigation

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

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.

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 quarter ended March 31, 2015. These items should be read together with the Company's discussion in Note 18 "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in Part IV and the Company's discussion set forth under Legal Proceedings in Part I, Item 3 of the Company's Annual Report on Form 10-K for 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 intends to vigorously defend against this lawsuit. On November 12, 2014, the Company filed an answer and affirmative defenses to the EIG complaint. On March 23, 2015, the parties attended a further mediation by telephonic conference before the federal Magistrate Judge. Subsequent to the March 23, 2015 telephonic conference, the case was referred back to District Court Judge for further adjudication. On April 15, 2015, the parties attended an initial conference with the District Court Judge for the purpose of setting a schedule for the case. The case is in its preliminary stages therefore the Company cannot predict the outcome at this time but does not currently expect this case to have a material effect on its financial position but it could have a material effect on the Company’s results of operations in a future period.

14. Convertible Debt and Notes Payable

As of March 31, 2015 and December 31, 2014, the Company's outstanding debt was as follows:

	As of March 31, 2015	As of December 31, 2014
	(dollars in thousands)	
Convertible debt	$ 119,999	$ 118,475
Note Payable	63,250	63,250
Other Note payable	1,415	—
Capital lease obligations	3,588	3,894
	$ 188,252	$ 185,619

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 $1.1 million and $0.2 million for the three months ended March 31, 2015 and 2014, respectively. 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 three months ended March 31, 2015 and 2014, respectively, included within interest expense in the accompanying consolidated statements of operations is $1.5 million and $0.3 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 March 31, 2015, 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 $1.3 million for the three months ended March 31, 2015. The Company capitalized debt issuance costs of approximately $2.9 million which are 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 March 31, 2015, the Company is in compliance with all covenants included in the indenture governing the 2021 Notes. The Company intends to use the proceeds from the offering of the 2021 Notes to pursue direct investment and financing opportunities, to continue expanding its existing businesses and for other general corporate purposes.

Other Note Payable

During January 2015, the Company borrowed $2.0 million to fund insurance premium payments. This note has an effective interest rate of 1.33% and is due on December 1, 2015, with monthly payment requirements of $0.2 million. As of March 31, 2015, the outstanding balance on this note payable was $1.4 million. Interest expense for the three months ended March 31, 2015 was insignificant.

During January 2014, the Company borrowed $2.0 million to fund insurance premium payments. This note has an effective interest rate of 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 three months ended March 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 March 31, 2015, the remaining balance on these capital leases was $3.6 million. Interest expense was $0.1 million and $0.1 million for the three months ended March 31, 2015 and 2014, respectively.

Annual scheduled maturities of debt and minimum payments for all debt outstanding as of March 31, 2015, is as follows:

	Convertible Debt	Note Payable	Other Note Payable	Capital Lease Obligation
	(dollars in thousands)			
2015	$ 2,242	$ 3,914	$ 1,425	$ 987
2016	4,485	5,218	—	1,025
2017	4,485	5,218	—	938
2018	4,485	5,218	—	938
2019	151,743	5,218	—	78
Thereafter	—	73,686	—	—
Subtotal	167,440	98,472	1,425	3,966
Less: Amount representing interest (a)	(47,441)	(35,222)	(10)	(378)
Total	$ 119,999	$ 63,250	$ 1,415	$ 3,588

(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 March 31, 2015, 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.

Location	Amount	Maturity
	(dollars in thousands)	
San Francisco	$ 82	May 2015
Boston	$ 382	March 2016
New York	$ 794	August 2015
New York	$ 3,935	December 2015
New York	$ 1,000	February 2016
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 March 31, 2015 and December 31, 2014, there were no amounts due related to these letters of credit.

15. Treasury Stock

Treasury stock of $89.8 million as of March 31, 2015, compared to $79.8 million as of December 31, 2014, resulted from $2.8 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 $7.2 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 three months ended March 31, 2015:

	Treasury stock shares	Cost (dollars in thousands)	Average cost per share
Balance outstanding at December 31, 2014	23,507,656	$ 79,771	$ 3.39
Shares purchased for minimum tax withholding under the Equity Plan or other similar transactions	529,905	2,777	5.24
Treasury stock reissued	—	—	—
Purchase of treasury stock	1,360,015	7,205	5.30
Balance outstanding at March 31, 2015	25,397,576	$ 89,753	$ 3.53

16. 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 December 31, 2014	17	—	17
Net change	(2)	—	(2)
Balance at March 31, 2015	$ 15	$ —	$ 15

	Foreign currency translation (a)	Defined benefit plans (a)	Total
	(dollars in thousands)		
Balance at December 31, 2013	$ 248	$ 344	$ 592
Net change	37	(92)	(55)
Balance at March 31, 2014	$ 285	$ 252	$ 537

(a) During the periods presented, the Company did not have material reclassifications out of other comprehensive income.

17. Earnings Per Share

The Company calculates its basic and diluted earnings per share in accordance with US GAAP. Basic earnings per 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 March 31, 2015, there were 111,168,897 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 warrants, unexercised stock options, unvested restricted shares, restricted stock units, 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 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 three months ended March 31, 2015 and 2014, respectively, as their inclusion would have been anti-dilutive.

The computation of earnings per share is as follows:

	Three Months Ended March 31,	
	2015	2014
	(dollars in thousands, except per share data)	
Net income (loss)	$ 19,418	$ 14,027
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	2,720	4,187
Net income (loss) attributable to Cowen Group, Inc. stockholders	$ 16,698	$ 9,840
Shares for basic and diluted calculations:		
Weighted average shares used in basic computation	112,053	115,680
Warrants	—	—
Stock options	—	—
Performance based restricted stock	411	—
Stock appreciation rights	119	54
Restricted stock	6,007	7,164
Weighted average shares used in diluted computation	118,590	122,898
Earnings (loss) per share:		
Basic	$ 0.15	$ 0.09
Diluted	$ 0.14	$ 0.08

18. 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.

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):

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	Three Months Ended March 31, 2015						
				Adjustments			
	Alternative Investment	Broker-Dealer	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 65,233	$ 65,233	$ —	$ —		$ 65,233
Brokerage	18	35,505	35,523	—	(69)	(e)	35,454
Management fees	16,607	—	16,607	(238)	(5,985)	(a)	10,384
Incentive income	15,363	—	15,363	(183)	(12,808)	(a)	2,372
Investment income	21,830	7,050	28,880	—	(28,880)	(c)	—
Interest and dividends	—	—	—	—	3,083	(c)(e)	3,083
Reimbursement from affiliates	—	—	—	(85)	3,727	(f)	3,642
Other revenue	21	48	69	—	599	(c)	668
Consolidated Funds revenues	—	—	—	258	—		258
Total revenues	**53,839**	**107,836**	**161,675**	**(248)**	**(40,333)**		**121,094**
Expenses							
Non interest expense	34,834	96,329	131,163	—	1,506	(c)(d)	132,669
Interest and dividends	3,044	978	4,022	—	1,757	(c)(e)	5,779
Consolidated Funds expenses	—	—	—	358	—		358
Total expenses	**37,878**	**97,307**	**135,185**	**358**	**3,263**		**138,806**
Total other income (loss)	**—**	**—**	**—**	**2,407**	**41,670**	(c)	**44,077**
Income taxes expense / (benefit)	—	—	—	—	6,947	(b)	6,947
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(2,845)	—	(2,845)	(1,801)	1,926		(2,720)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	**$ 13,116**	**$ 10,529**	**$ 23,645**	**$ —**	**$ (6,947)**		**$ 16,698**

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

	Three Months Ended March 31, 2014						
				Adjustments			
	Alternative Investment	Broker-Dealer	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 49,562	$ 49,562	$ —	$ —		$ 49,562
Brokerage	—	34,349	34,349	—	(1,519)	(e)	32,830
Management fees	14,089	—	14,089	(234)	(4,931)	(a)	8,924
Incentive income	4,594	—	4,594	—	(2,096)	(a)	2,498
Investment income	8,328	(156)	8,172	—	(8,172)	(c)	—
Interest and dividends	—	—	—	—	9,252	(c)(e)	9,252
Reimbursement from affiliates	—	—	—	(80)	1,980	(f)	1,900
Other revenue	(43)	(102)	(145)	—	700	(c)	555
Consolidated Funds revenues	—	—	—	1,156	—		1,156
Total revenues	**26,968**	**83,653**	**110,621**	**842**	**(4,786)**		**106,677**
Expenses							
Non interest expense	21,172	76,179	97,351	—	1,303	(c)(d)	98,654
Interest and dividends	609	34	643	—	6,429	(c)(e)	7,072
Consolidated Funds expenses	—	—	—	302	—		302
Total expenses	**21,781**	**76,213**	**97,994**	**302**	**7,732**		**106,028**
Total other income (loss)	**—**	**—**	**—**	**207**	**13,250**	(c)	**13,457**
Income taxes expense / (benefit)	—	—	—	—	79	(b)	79
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(2,625)	—	(2,625)	(747)	(815)		(4,187)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	**$ 2,562**	**$ 7,440**	**$ 10,002**	**$ —**	**$ (162)**		**$ 9,840**

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 (including interest and dividends) 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.

For the three months ended March 31, 2015 and 2014, there was no one fund or other customer which represented more than 10% of the Company's total revenues.

19. Regulatory Requirements

As registered broker-dealers, Cowen and Company and ATM Execution 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 is 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 March 31, 2015, Cowen and Company had total net capital of approximately $65.5 million, which was approximately $64.5 million in excess of its minimum net capital requirement of $1.0 million. As of March 31, 2015, ATM Execution had total net capital of approximately $3.3 million, which was approximately $3.1 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 been approved. Accordingly both broker dealers were not subject to the SEC's Uniform Net Capital Rule 15c3-1 as of March 31, 2015.

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.

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 March 31, 2015, Ramius UK's Financial Resources of $0.30 million exceeded its minimum requirement of $0.05 million by $0.25 million. As of March 31, 2015, CIL's Financial Resources of $3.2 million exceeded its minimum requirement of $1.9 million by $1.3 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 March 31, 2015, Cowen Asia's Financial Resources of $0.5 million exceeded the minimum requirement of $0.4 million by $0.1 million.

20. 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 March 31, 2015 and December 31, 2014, $7.4 million and $5.1 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. The Company reimbursed the funds it manages an insignificant amount for the three months ended March 31, 2015 and $0.5 million for the three months ended March 31, 2014 which were recorded net in management fees and incentive income in the accompanying consolidated statements of operations. As of March 31, 2015 and December 31, 2014, related amounts still payable were $0.1 million and $0.1 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 March 31, 2015 and December 31, 2014, loans to employees of $4.7 million and $6.1 million, respectively, were included in due from related parties on the accompanying consolidated statements of financial condition. Of these amounts $2.7 million and $3.9 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 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 $1.3 million and $0.8 million, for the three months ended March 31, 2015 and 2014, respectively. This expense is included in employee compensation and benefits in the accompanying consolidated

statement of operations. For the three months ended March 31, 2015, and 2014, 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.

Included in due to related parties is approximately $0.4 million and $0.5 million as of March 31, 2015 and December 31, 2014, 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.

During March 2015, the Company issued a $15.0 million unsecured loan to its real estate business with maturity of June 29, 2015 and an effective annualized interest rate of 8.8%. This balance is included in other assets in the accompanying consolidated statements of financial condition. The interest expense for the three months ended March 31, 2015 was insignificant.

21. 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 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.

Off-Balance Sheet Arrangements

The Company has no material off-balance sheet arrangements as of March 31, 2015 and December 31, 2014. 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.

22. Subsequent Events

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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion contains forward-looking statements, which involve numerous risks and uncertainties, including, but not limited to, those described in the section titled "Risk Factors" in Item 1A of our 2014 Annual Report on Form 10-K. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the condensed consolidated financial statements and related notes of Cowen Group, Inc. included elsewhere in this quarterly report. Actual results may differ materially from those contained in any forward-looking statements.

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 and sales and trading 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, commodity pools, 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 $12.8 billion of assets under management as of April 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.

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 March 31, 2015, we had investments in Enterprise Fund (an entity which invests its capital in Ramius Enterprise Master Fund Ltd), Cowen Overseas Investment LP ("COIL"), Cowen Investments LLC ("Cowen Investments"), Starboard entities, and other investments. Enterprise Fund is a fund vehicle that currently has external investors, is closed to new investors and is in liquidation. COIL and Cowen Investments are wholly owned entities managed by the Company which is used 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 April 13, 2015, Cowen Group, Inc. announced that its Board of Directors has appointed Douglas A. Rediker as an independent director of the Company.

Basis of presentation

The unaudited condensed consolidated financial statements of the Company in this Form 10-Q are prepared in accordance with generally accepted accounting principles in the United States of America ("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 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 condensed 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 condensed 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 condensed consolidated financial statements appearing elsewhere in this Form 10-Q. The management fees and incentive income earned by the Company from these funds are eliminated in consolidation.

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 fees 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 fees include management fees, selling concessions and other 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 includes 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. In certain cases, the Company provides liquidity to clients by 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.

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, commodity pools, 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 April 1, 2015, the Company had assets under management of $12.8 billion, a 2.9% increase as compared to assets under management of $12.5 billion as of January 1, 2015. The $0.4 billion increase in assets under management during the three months ended March 31, 2015 primarily resulted from $0.2 billion in the alternative solutions products and $0.2 billion related to the healthcare royalty products.

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

	Platform						
	Hedge Funds (a) (b) (i) (o)	**Alternative Solutions (a) (c) (j)**	**Ramius Trading Strategies (d) (k)**	**Real Estate (a) (l)**	**Healthcare Royalty Partners (e) (f) (m)**	**Other (n)**	**Total**
	(dollars in millions)						
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 (g)	368	(187)	1	—	—	—	**182**
Net Return (h)	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 (g)	853	(206)	18	—	—	—	**665**
Net Return (h)	26.93%	(7.02)%	19.15%	—%	—%	—%	**7.05%**
January 1, 2015	**4,218**	**3,784**	**147**	**1,707**	**2,582**	**48**	**12,486**
Subscriptions	179	192	10	60	—	—	**441**
Redemptions	(20)	(55)	—	—	(17)	(3)	**(95)**
Performance (g)	105	(99)	10	—	—	—	**16**
Net Return (h)	2.49%	(2.62)%	6.80%	—%	—%	—%	**0.13%**
April 1, 2015	**$ 4,482**	**$ 3,822**	**$ 167**	**$ 1,767**	**$ 2,565**	**$ 45**	**$ 12,848**

(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 $170.3 million, $172.2 million and $155.6 million as of April 1, 2015, January 1, 2015 and January 1, 2014, respectively.

(c) These amounts include the Company's invested capital of approximately $2.5 million as of January 1, 2013 and none in subsequent years.

(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 $20.3 million, $20.7 million and $16.4 million as of April 1, 2015, January 1, 2015 and January 1, 2014, respectively.

(f) This amount reflects committed capital.

(g) 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.

(h) 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.

(i) 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 7.79% of the total hedge fund assets under management.

(j) 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.

(k) The Ramius Trading Strategies products offer investors daily liquidity.

(l) The real estate business does not provide investors with redemption rights. Investors receive distributions upon dispositions of the underlying real estate investments.

(m) The Healthcare Royalty funds do not provide investors with redemption rights. Investors receive distributions upon realizations of the funds' investments.

(n) 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.

(o) Due to the sale of its interest in Orchard Square Partners, effective December 31, 2014, redemptions during the 2014 year include $420.8 million of assets under management related to this business.

Fund Performance

For the quarter ended March 31, 2015, the Company's hedge fund vehicles had mostly positive results relative to their respective benchmarks. Following a strong performance in 2014, the activist strategy had positive results in the quarter, while slightly lagging the Russell 2000 Index. Given the significant amount of assets invested in this strategy, the performance of the activist strategy will continue to have a meaningful effect on the Company's financial results. The merger arbitrage fund also had positive results for 2014 and continues to perform very well on both a relative and absolute basis compared to HFRX merger arbitrage and event-driven indices. The strategy assets, however, have 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 an event-driven equity fund) had mixed results for the first quarter. These funds 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 were positive but lagged its representative, investable HFR Equity Hedge index, in part due to an ongoing hedge which strips away the effects of market beta, which were positive last year and again in the first quarter of 2015. The strategic volatility fund lagged its benchmark in another period of modest equity volatility without any major trends. The event-driven equity fund had positive performance for the quarter and exceeded its benchmark index. The managed futures fund again had substantially positive results, taking advantage of an environment that now presents multiple opportunities to managers; the fund also outperformed its benchmark CTA index. As noted last quarter, the Company has 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 continue to 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 the quarter. 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 once again performed satisfactorily in its specialized assignments. The internally managed multi-strategy funds maintained their focus on capital preservation, while continuing to execute opportunistic transactions linked to certain assets. Additional distributions were made to investors during the period as well. In terms of longer-dated investment vehicles in real estate, certain of the real estate debt funds were marginally negative for the quarter, while others were slightly positive. Certain of the real estate funds are in the process of returning capital to investors. 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 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 March 31, 2015, the Company's invested capital amounted to a net value of $614.1 million (supporting a long market value of $911.8 million), representing approximately 89% 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 March 31, 2015. The net values presented in the table below do not tie to Cowen Group's consolidated statement of financial condition as of March 31, 2015 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".

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Strategy		Net Value	% of Stockholders' Equity
	(dollars in millions)		
Trading	$	429.4	62%
Merchant Banking		139.6	20%
Real Estate		45.1	7%
Total		**614.1**	**89%**
Stockholders' Equity	$	690.1	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 18 to the accompanying condensed Company's consolidated financial statements, appearing elsewhere in this Form 10-Q, for a reconciliation of Economic Income (Loss) to total Company US GAAP net income (loss).

Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014

	Consolidated Statements of Operations							
	Three Months Ended March 31,				Period to Period			
		2015		2014		$ Change		% Change
	(dollars in thousands)							
Revenues								
Investment banking	$	65,233	$	49,562	$	15,671		32 %
Brokerage		35,454		32,830		2,624		8 %
Management fees		10,384		8,924		1,460		16 %
Incentive income		2,372		2,498		(126)		(5)%
Interest and dividends		3,083		9,252		(6,169)		(67)%
Reimbursement from affiliates		3,642		1,900		1,742		92 %
Other revenues		668		555		113		20 %
Consolidated Funds revenues		258		1,156		(898)		(78)%
Total revenues		**121,094**		**106,677**		**14,417**		**14 %**
Expenses								
Employee compensation and benefits		95,864		67,561		28,303		42 %
Interest and dividends		5,779		7,072		(1,293)		(18)%
General, administrative and other expenses		36,805		31,093		5,712		18 %
Consolidated Funds expenses		358		302		56		19 %
Total expenses		**138,806**		**106,028**		**32,778**		**31 %**
Other income (loss)								
Net gain (loss) on securities, derivatives and other investments		38,991		11,354		27,637		243 %
Consolidated Funds net gains (losses)		5,086		2,103		2,983		142 %
Total other income (loss)		**44,077**		**13,457**		**30,620**		**228 %**
Income (loss) before income taxes		**26,365**		**14,106**		**12,259**		**87 %**
Income taxes expense (benefit)		6,947		79		6,868		NM
Net income (loss)		**19,418**		**14,027**		**5,391**		**38 %**
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds		2,720		4,187		(1,467)		(35)%
Net income (loss) attributable to Cowen Group, Inc. stockholders	**$**	**16,698**	**$**	**9,840**	**$**	**6,858**		**70 %**

Revenues

Investment Banking

Investment banking revenues increased $15.6 million to $65.2 million for the three months ended March 31, 2015 compared with $49.6 million in the prior year period. During the three months ended March 31, 2015, the Company completed 47 underwriting transactions, two strategic advisory transactions and one debt capital market transactions. During the three months ended March 31, 2014, the Company completed 41 underwriting transactions, three strategic advisory transactions and three debt capital market transactions. The average underwriting fee per transaction was 16.3% greater in the first quarter of 2015 as compared to the prior period.

Brokerage

Brokerage revenues increased $2.7 million to $35.5 million for the three months ended March 31, 2015 compared with $32.8 million in the prior year period. This was attributable to higher commission revenue due to an increase in customer trading volume in our options businesses as well as an increase in electronic trading revenues offset by a decrease in average cost per share rate on cash equities and the discontinuation of our securities lending business. Customer trading volumes across the industry (according to Bloomberg) increased 3% for the three months ended March 31, 2015 compared to the prior year period.

Management Fees

Management fees increased $1.5 million to $10.4 million for the three months ended March 31, 2015 compared with $8.9 million in the prior year period. This increase is primarily related to an increase in fees from the healthcare royalty business.

Incentive Income

Incentive income decreased $0.1 million to $2.4 million for the three months ended March 31, 2015, compared with $2.5 million in the prior year period. This decrease was related to a decrease in performance fees from the long/short credit business which was sold in the fourth quarter of 2014 partially offset by an increase in performance fees from the alternative solutions business.

Interest and Dividends

Interest and dividends decreased $6.2 million to $3.1 million for the three months ended March 31, 2015 compared with $9.3 million in the prior year period. This decrease was attributable to the completion of the wind down of our securities lending business during the first quarter of 2015.

Reimbursements from Affiliates

Reimbursements from affiliates increased $1.7 million to $3.6 million for the three months ended March 31, 2015 compared with $1.9 million in the prior year period. The increase is primarily related to an increase in reimbursements from the activist business.

Other Revenues

Other revenues increased $0.1 million to $0.7 million for the three months ended March 31, 2015 compared with $0.6 million in the prior year period.

Consolidated Funds Revenues

Consolidated Funds revenues decreased $0.9 million to $0.3 million for the three months ended March 31, 2015 compared with $1.2 million in the prior year period. This decrease is primarily attributable to the wind down of one of our previously consolidated funds.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $28.3 million to $95.9 million for the three months ended March 31, 2015 compared with $67.6 million in the prior year period. The increase is primarily due to $14.4 million higher total revenues and $30.6 million higher other income (loss) during 2015 as compared to 2014, 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 3.9%. The compensation to revenue ratio, based on total revenues only, was 79% for the three months

ended March 31, 2015, compared with 63% in the prior year period. The compensation to revenue ratio, including other income (loss), was 58% for the three months ended March 31, 2015, compared with 56% in the prior year period.

Interest and Dividends

Interest and dividend expenses decreased $1.3 million to $5.8 million for the three months ended March 31, 2015 compared with $7.1 million in the prior year period. This decrease was attributable to the completion of the wind down of our securities lending business during the first quarter of 2015 offset partially by an increase related to the convertible debt and other notes payable issued during the first and fourth quarter of 2014.

General, Administrative and Other Expenses

General, administrative and other expenses increased $5.7 million to $36.8 million for the three months ended March 31, 2015 compared with $31.1 million in the prior year period. This was primarily due to higher legal and other professional fees and an increase in client services and business development, which are variable expenses, related to higher revenues.

Consolidated Funds Expenses

Consolidated Funds expenses increased $0.1 million to $0.4 million for the three months ended March 31, 2015 compared with $0.3 million in the prior year period.

Other Income (Loss)

Other income (loss) increased $30.6 million to $44.1 million for the three months ended March 31, 2015 compared with $13.5 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 expense increased $6.8 million to $6.9 million for the three months ended March 31, 2015 from a tax expense of $0.1 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 decreased $1.5 million to $2.7 million for the three months ended March 31, 2015 compared with $4.2 million in the prior year period. The decrease was primarily the result of selling our long/short credit business during the fourth quarter of 2014 and a decrease in performance of two of our consolidated investment companies partially offset by an increase in the healthcare royalty and alternative solutions businesses. 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.

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, commodity pools, 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 18 to the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q.

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, and (iii) 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 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.

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.

Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014

	Economic Income (Loss)							
	Three Months Ended March 31,						Total Period-to-Period	
	2015			2014				
	Alternative Investment	Broker-Dealer	Total	Alternative Investment	Broker-Dealer	Total	$ Change	% Change
	(dollars in thousands)							
Economic Income Revenues								
Investment banking	$ —	$ 65,233	$ 65,233	$ —	$ 49,562	$ 49,562	$ 15,671	32 %
Brokerage	18	35,505	35,523	—	34,349	34,349	1,174	3 %
Management fees	16,607	—	16,607	14,089	—	14,089	2,518	18 %
Incentive income (loss)	15,363	—	15,363	4,594	—	4,594	10,769	234 %
Investment income (loss)	21,830	7,050	28,880	8,328	(156)	8,172	20,708	253 %
Other income (loss)	21	48	69	(43)	(102)	(145)	214	(148)%
Total economic income revenues	**53,839**	**107,836**	**161,675**	**26,968**	**83,653**	**110,621**	**51,054**	**46 %**
Non-interest expenses	**34,834**	**96,329**	**131,163**	**21,172**	**76,179**	**97,351**	**33,812**	**35 %**
Interest expense	**3,044**	**978**	**4,022**	**609**	**34**	**643**	**3,379**	**526 %**
Non-controlling interest	**(2,845)**	**—**	**(2,845)**	**(2,625)**	**—**	**(2,625)**	**(220)**	**8 %**
Economic income (loss)	**$ 13,116**	**$ 10,529**	**$ 23,645**	**$ 2,562**	**$ 7,440**	**$ 10,002**	**$ 13,643**	**136 %**

Economic Income (Loss) Revenues

Total Economic Income (Loss) revenues were $161.7 million for the three months ended March 31, 2015, an increase of $51.1 million compared to Economic Income (Loss) revenues of $110.6 million in the prior year period. The increase was across all parts of the Company'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 $53.8 million for the three months ended March 31, 2015, an increase of $26.8 million compared to Economic Income (Loss) revenues of $27.0 million in the prior year period.

Management Fees. Management fees for the segment increased $2.5 million to $16.6 million for the three months ended March 31, 2015 compared with $14.1 million in the prior year period. This increase was primarily related to an increase in management fees for the activist and healthcare royalty businesses.

Incentive Income (Loss). Incentive income for the segment increased $10.8 million to $15.4 million for the three months ended March 31, 2015 compared with $4.6 million in the prior year period. This increase was primarily related to an increase in performance fees from the activist and alternative solutions businesses partially offset by a decrease in performance fees from the long/short credit business, which was sold in the fourth quarter of 2014.

Investment Income (Loss). Investment income for the segment increased $13.5 million to $21.8 million for the three months ended March 31, 2015 compared with $8.3 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 remained fairly flat at $0.1 million for the three months ended March 31, 2015 and the prior year period.

Broker-Dealer Segment

Broker-dealer segment Economic Income (Loss) revenues were $107.8 million for the three months ended March 31, 2015, an increase of $24.1 million compared with Economic Income (Loss) revenues of $83.7 million in the prior year.

Investment Banking. Investment banking revenues increased $15.6 million to $65.2 million for the three months ended March 31, 2015 compared with $49.6 million in the prior year period. During the three months ended March 31, 2015, the

Company completed 47 underwriting transactions, two strategic advisory transactions and one debt capital market transactions. During the three months ended March 31, 2014, the Company completed 41 underwriting transactions, three strategic advisory transactions and three debt capital market transactions. The average underwriting fee per transaction was 16.3% greater in the first quarter of 2015 as compared to the prior period.

Brokerage. Brokerage revenues increased $1.2 million to $35.5 million for the three months ended March 31, 2015, compared with $34.3 million in the prior year period. This was attributable to higher commission revenue due to an increase in customer trading volume in our options businesses as well as an increase in electronic trading revenues offset by a decrease in average cost per share rate on cash equities. Customer trading volumes across the industry (according to Bloomberg) increased 3% for the three months ended March 31, 2015 compared to the prior year period.

Investment Income (Loss). Investment income for the segment increased $7.2 million to income of $7.1 million for the three months ended March 31, 2015, compared with a loss of $0.2 million in the prior year period. The increase is a result of an increase in overall investment income which is allocated amongst the segments.

Other Income (Loss). Other income (loss) for the segment increased $0.2 million to $0.1 million for the three months ended March 31, 2015, compared with a loss of $0.1 million in the prior year period.

Non-Interest Expenses

Non-interest expenses. Total non-interest expenses increased $33.8 million to $131.2 million for the three months ended March 31, 2015, compared with $97.4 million in the prior year period.

Compensation and benefits expenses. Compensation and benefits expenses, included within non-interest expenses, increased $28.1 million to $95.1 million for the three months ended March 31, 2015 compared with $67.0 million in the prior year period. The increase is due to $51.1 million higher revenues during 2015 as compared to 2014 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 59% for three months ended March 31, 2015 compared with 61% in the prior year period.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses, included within non-interest expenses, increased $2.4 million to $25.0 million for the three months ended March 31, 2015 compared with $22.6 million in the prior year period. This increase was primarily due to higher legal and other professional fees, and an increase in costs from equity method investments.

The following table shows the components of the non-compensation expenses—fixed, for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,		Period-to-Period	
	2015	2014	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—fixed:				
Communications	$ 3,641	$ 3,244	$ 397	12 %
Professional, advisory and other fees	3,986	3,144	842	27 %
Occupancy and equipment	6,359	6,039	320	5 %
Depreciation and amortization	2,135	2,377	(242)	(10)%
Service fees	1,878	2,140	(262)	(12)%
Expenses from equity investments	4,130	2,999	1,131	38 %
Other	2,900	2,621	279	11 %
Total	**$ 25,029**	**$ 22,564**	**$ 2,465**	**11 %**

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 $3.6 million to $13.2 million for the three months ended March 31, 2015 compared with $9.6 million in the prior year period. The increase is primarily related to an increase in client services and business development and litigation reserves.

The following table shows the components of the non-compensation expenses—variable, for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,		Period-to-Period	
	2015	2014	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	$ 4,956	$ 4,611	$ 345	7%
HealthCare Royalty Partners syndication costs	132	—	132	NM
Expenses related to Luxembourg reinsurance companies	840	401	439	109%
Marketing and business development	5,723	4,425	1,298	29%
Other	1,555	119	1,436	NM
Total	**$ 13,206**	**$ 9,556**	**$ 3,650**	**38%**

Reimbursement from Affiliates. Reimbursements from affiliates, included within non-interest expenses, which relate to the alternative investment segment, increased $0.5 million to $2.2 million for the three months ended March 31, 2015 compared with $1.7 million in the prior year period. The increase is primarily related to an increase in reimbursements from the activist business.

Interest expense

Interest expense, which primarily relates to debt issued during the first and fourth quarters of 2014, increased $3.4 million to $4.0 million for the three months ended March 31, 2015 compared with $0.6 million in the prior year period.

Non-Controlling Interest

Income (loss) attributable to redeemable non-controlling interests increased by $0.2 million to $2.8 million for the three months ended March 31, 2015 compared with $2.6 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.

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 March 31, 2015, we had cash and cash equivalents of $94.7 million and net liquid investment assets of $415.1 million. Cash and cash equivalents and short-term investments held by foreign subsidiaries as of March 31, 2015 and December 31, 2014 were $10.4 million and $10.5 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 $0.1 million and $1.1 million as of March 31, 2015 and December 31, 2014, respectively, and the tax liability that would arise if these earnings were remitted to the United States would be approximately $0.01 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 March 31, 2015, the Company had unfunded commitments of $9.9 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 March 31, 2015, the Company has funded $35.7 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 March 31, 2015, has funded $0.9 million towards this commitment. As of March 31, 2015, the Company has an unfunded commitment to Formation 8 Partners Fund I LP of $1.4 million. The remaining capital commitment is expected to be called over a one 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 and ATM Execution 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 is 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 March 31, 2015, Cowen and Company had total net capital of approximately $65.5 million, which was approximately $64.5 million in excess of its minimum net capital requirement of $1.0 million. As of March 31, 2015, ATM Execution had total net capital of approximately $3.3 million, which was approximately $3.1 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 been approved. Accordingly both broker dealers were not subject to the SEC's Uniform Net Capital Rule 15c3-1 as of March 31, 2015.

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.

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 March 31, 2015, Ramius UK's Financial Resources of $0.30 million exceeded its minimum requirement of $0.05 million by $0.25 million. As of March 31, 2015, CIL's Financial Resources of $3.2 million exceeded its minimum requirement of $1.9 million by $1.3 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 March 31, 2015, 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 $40.7 million for the three months ended March 31, 2015 was primarily related to purchases of securities partially offset by sales of securities and an increase in cash held at other brokers. Net cash used in operating activities of $68.6 million for the three months ended March 31, 2014 was primarily related to purchases of securities, partially offset by sales of securities and an increase in cash held at other brokers.

Investing Activities. Net cash provided by investing activities of $14.0 million for the three months ended March 31, 2015 was primarily related to the sale of other investments. Net cash used in investing activities of $74.9 million for the three months ended March 31, 2014 was primarily related to the purchase of other investments and a cash convertible note hedge transaction.

Financing Activities. Net cash used in financing activities for the three months ended March 31, 2015 of $8.1 million was primarily related to the repurchase of shares of our common stock. Net cash provided by financing activities for the three months ended March 31, 2014 of $150.3 million was primarily related to the issuance of cash convertible notes.

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 $1.1 million and $0.2 million for the three months ended March 31, 2015 and 2014,

respectively. 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 three months ended March 31, 2015 and 2014, respectively, included within interest expense in the accompanying consolidated statements of operations is $1.5 million and $0.3 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 March 31, 2015, 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 $1.3 million for the three months ended March 31, 2015. The Company capitalized debt issuance costs of approximately $2.9 million which are 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 March 31, 2015, the Company is in compliance with all covenants included in the indenture governing the 2021 Notes. The Company intends to use the proceeds from the offering of the 2021 Notes to pursue direct investment and financing opportunities, to continue expanding its 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 Melon, 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 March 31, 2015, the Company was in compliance with these covenants.

Other Note Payable

During January 2015, the Company borrowed $2.0 million to fund insurance premium payments. This note has an effective interest rate of 1.33% and is due on December 1, 2015, with monthly payment requirements of $0.2 million. As of March 31, 2015, the outstanding balance on this note payable was $1.4 million. Interest expense for the three months ended March 31, 2015 was insignificant.

During January 2014, the Company borrowed $2.0 million to fund insurance premium payments. This note has an effective interest rate of 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 three months ended March 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 March 31, 2015, the remaining balance on these capital leases was $3.6 million. Interest expense was $0.1 million and $0.1 million for the three months ended March 31, 2015 and 2014, respectively.

Letters of Credit

As of March 31, 2015, 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 2016
New York	$	794	August 2015
New York	$	3,935	December 2015
New York	$	1,000	February 2016
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 March 31, 2015 and December 31, 2014, 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 March 31, 2015:

	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	$ 110,097	$ 13,705	$ 42,962	$ 24,995	$ 28,435
Service Payments	29,588	10,583	17,630	1,375	—
Equipment leases	4,286	1,107	3,101	78	—
Aircraft	5,459	945	3,779	735	—
Total	**149,430**	**26,340**	**67,472**	**27,183**	**28,435**
Debt					
Convertible Debt	167,440	2,242	13,455	151,743	—
Note Payable	98,472	3,914	15,654	10,436	68,468
Total	**$ 265,912**	**$ 6,156**	**$ 29,109**	**$ 162,179**	**$ 68,468**

Clawback obligations

For financial reporting purposes, the general partners of a real estate fund have recorded a liability for potential clawback obligations to the limited partners, 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 clawback liability, however, is not realized until the end of the 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.

The fund is currently winding-down as of March 31, 2015 and the clawback obligations were $6.2 million (see Note 5 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 March 31, 2015, is as follows:

	Convertible Debt	Note Payable	Other Note Payable	Capital Lease Obligation
	(dollars in thousands)			
2015	$ 2,242	$ 3,914	$ 1,425	$ 987
2016	4,485	5,218	—	1,025
2017	4,485	5,218	—	938
2018	4,485	5,218	—	938
2019	151,743	5,218	—	78
Thereafter	—	73,686	—	—
Subtotal	167,440	98,472	1,425	3,966
Less: Amount representing interest (a)	(47,441)	(35,222)	(10)	(378)
Total	$ 119,999	$ 63,250	$ 1,415	$ 3,588

(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 March 31, 2015. 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.

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 condensed 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 condensed 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 condensed 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.

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 condensed 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 fees 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 fees include management fees, selling concessions and other 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 includes 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. In certain cases, the Company provides liquidity to clients by 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 condensed 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 condensed consolidated statements of operations. See Note 13 "Commitments and Contingencies" in our accompanying condensed consolidated financial statements for the quarter ended March 31, 2015 for further discussion. As the successor of the named party in these litigation matters, the Company recognizes the related legal reserve in the condensed 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 condensed consolidated financial statements for the quarter ended March 31, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the three months ended March 31, 2015, there were no material changes in our quantitative and qualitative disclosures about market risks from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014. For a more detailed discussion concerning our market risk, see Item 7A “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K.

Item 4. Controls and Procedures

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer (the principal executive officer and principal financial officer, respectively), evaluated our disclosure controls and procedures as of March 31, 2015.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2015, our disclosure controls and procedures are effective to provide a reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer of the Company, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the three months ended March 31, 2015.

PART II. OTHER INFORMATION

Item 1. 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 quarter ended March 31, 2015. These items should be read together with the Company's discussion in Note 18 "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in Part IV and the Company's discussion set forth under Legal Proceedings in Part I, Item 3 of the Company's Annual Report on Form 10-K for 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 intends to vigorously defend against this lawsuit. On November 12, 2014, the Company filed an answer and affirmative defenses to the EIG complaint. On March 23, 2015, the parties attended a further mediation by telephonic conference before the federal Magistrate Judge. Subsequent to the March 23, 2015 telephonic conference, the case was referred back to District Court Judge for further adjudication. On April 15, 2015, the parties attended an initial conference with the District Court Judge for the purpose of setting a schedule for the case. The case is in its preliminary stages therefore the Company cannot predict the outcome at this time but does not currently expect this case to have a material effect on its financial position but it could have a material effect on the Company's results of operations in a future period.

tem 1A. Risk Factors

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. These risk factors describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. There are no material
changes from the risk factors previously disclosed in our 2014 Form 10-K filed with the SEC on February 26, 2015 and amended on March 30, 2015.

Item 2. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Issuer Purchases of Equity Securities: Sales of Unregistered Securities

As of May 4, 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 three months ended March 31, 2015, through the share repurchase program, the Company repurchased 1,360,015 shares of Cowen Class A common stock at an average price of $5.30 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 three months ended March 31, 2015.

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, 2015 – January 31, 2015)				
Common stock repurchases(1)	—	$ —	—	— (3)
Employee transactions(2)	—	$ —	—	—
Total	—			
Month 2 (February 1, 2015 – February 28, 2015)				
Common stock repurchases(1)	—	$ —	—	— (3)
Employee transactions(2)	583	$ 4.16	—	—
Total	583	$ 4.16		
Month 3 (March 1, 2015 – March 31, 2015)				
Common stock repurchases(1)	1,360,015	$ 5.30	—	— (3)
Employee transactions(2)	529,322	$ 5.24	—	—
Total	1,889,337	$ 5.28		
Total (January 1, 2015 – March 31, 2015)				
Common stock repurchases(1)	1,360,015	$ 5.30	—	— (3)
Employee transactions(2)	529,905	$ 5.24	—	—
Total	1,889,920	$ 5.28		

(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 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index.

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: *Chief Executive Officer (principal executive officer)*

By: /s/ STEPHEN A. LASOTA
Name: Stephen A. Lasota
Title: *Chief Financial Officer (principal financial officer and principal accounting officer)*

Date: May 4, 2015

Exhibit Index

Exhibit No.	Description
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

Exhibit 31.1

Certification

I, Peter A. Cohen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 4, 2015

/s/ PETER A. COHEN

Name: Peter A. Cohen
Title: *Chief Executive Officer*
(principal executive officer)

Exhibit 31.2

Certification

I, Stephen A. Lasota, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 4, 2015

/s/ STEPHEN A. LASOTA

Name: Stephen A. Lasota
Title: *Chief Financial Officer (principal financial officer and principal accounting officer)*

Exhibit 32

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 Quarterly Report of Cowen Group, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2015, 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: May 4, 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