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 June 30, 2013

or

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

For the transition period from to

Commission File Number: 001-34516

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 o

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of August 5, 2013 there were 118,225,058 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, 2012.

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 and six months ended June 30, 2013, and 2012. The Consolidated Financial Statements as of December 31, 2012 were audited.

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 June 30, 2013	As of December 31, 2012
Assets		
Cash and cash equivalents	$ 36,881	$ 83,538
Cash collateral pledged	10,891	9,160
Securities owned, at fair value	438,514	624,127
Securities borrowed	581,677	408,096
Other investments	84,732	84,930
Receivable from brokers	25,899	71,306
Fees receivable, net of allowance	42,408	34,707
Due from related parties	24,024	21,022
Fixed assets, net of accumulated depreciation and amortization of $32,930 and $30,003, respectively	29,977	32,202
Goodwill	36,207	28,545
Intangible assets, net of accumulated amortization of $24,822 and $22,945, respectively	13,917	12,984
Other assets	18,508	16,278
Consolidated Funds		
Cash and cash equivalents	743	3,559
Securities owned, at fair value	40,785	3,525
Other investments, at fair value	193,282	204,205
Other assets	550	292
Total Assets	**$ 1,578,995**	**$ 1,638,476**
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 153,126	$ 177,937
Securities sold under agreement to repurchase	6,311	165,945
Securities loaned	581,643	410,441
Payable to brokers	142,312	188,788
Compensation payable	16,165	45,752
Short-term borrowings and other debt	4,376	4,132
Fees payable	3,489	5,277
Due to related parties	527	662
Accounts payable, accrued expenses and other liabilities	52,621	55,425
Consolidated Funds		
Securities sold, not yet purchased, at fair value	10,346	—
Payable to brokers	10,231	—
Capital withdrawals payable	—	2,891
Accounts payable, accrued expenses and other liabilities	160	414
Total Liabilities	**981,307**	**1,057,664**
Commitments and Contingencies (Note 13)		
Redeemable non-controlling interests	**91,562**	**85,703**
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, 130,519,096 shares issued and 117,861,088 outstanding as of June 30, 2013 and 123,740,112 shares issued and 112,447,892 outstanding as of December 31, 2012, respectively (including 482,522 and 336,895 restricted shares, respectively)	1,160	1,135
Class B common stock, par value $0.01 per share: 250,000,000 authorized, no shares issued and outstanding	—	—
Additional paid-in capital	728,976	713,211
(Accumulated deficit) retained earnings	(189,348)	(187,865)
Accumulated other comprehensive income (loss)	110	356
Less: Class A common stock held in treasury, at cost, 12,330,829 and 11,292,220 shares as of June 30, 2013 and December 31, 2012, respectively.	(34,772)	(31,728)
Total Stockholders' Equity	**506,126**	**495,109**
Total Liabilities and Stockholders' Equity	**$ 1,578,995**	**$ 1,638,476**

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenues				
Investment banking	$ 25,571	$ 16,254	$ 42,737	$ 31,884
Brokerage	31,521	24,568	58,121	48,581
Management fees	9,698	9,932	19,191	19,649
Incentive income	1,954	580	4,565	1,271
Interest and dividends	10,521	5,868	19,842	11,240
Reimbursement from affiliates	1,214	1,381	2,699	2,426
Other revenues	485	831	963	1,698
Consolidated Funds				
Interest and dividends	241	30	253	91
Other revenues	2	26	77	109
Total revenues	**81,207**	**59,470**	**148,448**	**116,949**
Expenses				
Employee compensation and benefits	47,507	43,097	91,730	89,780
Floor brokerage and trade execution	4,893	4,182	9,371	7,934
Interest and dividends	7,240	3,207	13,658	4,931
Professional, advisory and other fees	3,002	3,695	6,855	7,621
Service fees	2,687	3,155	5,264	5,392
Communications	3,979	3,853	8,753	7,254
Occupancy and equipment	6,548	5,544	12,267	10,786
Depreciation and amortization	2,609	2,363	5,162	4,518
Client services and business development	4,659	3,753	8,758	7,579
Other expenses	3,003	3,941	6,987	7,360
Consolidated Funds				
Interest and dividends	106	4	106	20
Professional, advisory and other fees	92	561	488	849
Floor brokerage and trade execution	180	—	180	—
Other expenses	107	70	145	140
Total expenses	**86,612**	**77,425**	**169,724**	**154,164**
Other income (loss)				
Net gains (losses) on securities, derivatives and other investments	4,994	9,787	16,801	29,458
Consolidated Funds				
Net realized and unrealized gains (losses) on investments and other transactions	3,711	(2,417)	8,781	3,547
Net realized and unrealized gains (losses) on derivatives	158	373	462	414
Net gains (losses) on foreign currency transactions	48	23	(167)	(15)
Total other income (loss)	**8,911**	**7,766**	**25,877**	**33,404**
Income (loss) before income taxes	**3,506**	**(10,189)**	**4,601**	**(3,811)**
Income tax expense (benefit)	158	191	334	333
Net income (loss)	3,348	(10,380)	4,267	(4,144)
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	2,255	(2,434)	5,750	(193)
Net income (loss) attributable to Cowen Group, Inc. stockholders	**$ 1,093**	**$ (7,946)**	**$ (1,483)**	**$ (3,951)**
Weighted average common shares outstanding:				
Basic	117,235	114,561	115,471	114,420
Diluted	120,901	114,561	115,471	114,420
Earnings (loss) per share:				
Basic	$ 0.01	$ (0.07)	$ (0.01)	$ (0.03)
Diluted	$ 0.01	$ (0.07)	$ (0.01)	$ (0.03)

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

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

	Six Months Ended June 30, 2013			Six Months Ended June 30, 2012		
Net income (loss)			$ 4,267			$ (4,144)
Other comprehensive income (loss), net of tax:						
Foreign currency translation		(4)			72	
Defined benefit pension plans:						
Prior service cost arising during the period	—			—		
Net gain/(loss) arising during the period	(252)			160		
Add: amortization of prior service cost included in net periodic pension cost	10	(242)		10	170	
Total other comprehensive income, net of tax			(246)			242
Comprehensive income (loss)			**$ 4,021**			**$ (3,902)**

The accompanying notes are an integral part of these 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, 2012	**112,447,892**	**$ 1,135**	**$ (31,728)**	**$ 713,211**	**$ 356**	**$ (187,865)**	**$ 495,109**	**$ 85,703**
Net income (loss)	—	—	—	—	—	(1,483)	(1,483)	5,750
Defined benefit plans	—	—	—	—	(242)	—	(242)	—
Foreign currency translation	—	—	—	—	(4)	—	(4)	—
Capital contributions	—	—	—	—	—	—	—	10,181
Capital withdrawals	—	—	—	—	—	—	—	(10,072)
Restricted stock awards issued	3,937,337	—	—	—	—	—	—	—
Common stock issued upon acquisition (See Note 2)	2,514,468	25	—	6,272	—	—	6,297	—
Purchase of treasury stock, at cost	(1,038,609)	—	(3,044)	—	—	—	(3,044)	—
Amortization of share based compensation	—	—	—	9,493	—	—	9,493	—
Balance, June 30, 2013	**117,861,088**	**$ 1,160**	**$ (34,772)**	**$ 728,976**	**$ 110**	**$ (189,348)**	**$ 506,126**	**$ 91,562**

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ (Accumulated deficit)	Total Stockholders' Equity	Redeemable Non-controlling Interest
Balance, December 31, 2011	**114,047,637**	**$ 1,135**	**$ (16,902)**	**$ 688,427**	**$ (215)**	**$ (163,980)**	**$ 508,465**	**$ 104,587**
Net income (loss)	—	—	—	—	—	(3,951)	(3,951)	(193)
Defined benefit plans	—	—	—	—	170	—	170	—
Foreign currency translation	—	—	—	—	72	—	72	—
Deconsolidation of funds								(17,104)
Consolidation of funds	—	—	—	—	—	—	—	18,521
Capital withdrawals	—	—	—	—	—	—	—	(7,351)
Restricted stock awards issued	2,701,314	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(2,540,683)	—	(6,357)	—	—	—	(6,357)	—
Amortization of share based compensation	—	—	—	13,526	—	—	13,526	—
Balance, June 30, 2012	**114,208,268**	**$ 1,135**	**$ (23,259)**	**$ 701,953**	**$ 27**	**$ (167,931)**	**$ 511,925**	**$ 98,460**

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

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

	Six Months Ended June 30,	
	2013	**2012**
Cash flows from operating activities:		
Net income (loss)	$ 4,267	$ (4,144)
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:		
Depreciation and amortization	5,162	4,518
Share-based compensation	9,493	13,526
Deferred rent obligations	(3,178)	(952)
Net loss on disposal of fixed assets	350	—
Purchases of securities owned, at fair value	(3,961,275)	(3,318,650)
Proceeds from sales of securities owned, at fair value	4,117,993	3,232,262
Proceeds from sales of securities sold, not yet purchased, at fair value	1,704,969	2,497,536
Payments to cover securities sold, not yet purchased, at fair value	(1,679,429)	(2,403,844)
Net (gains) losses on securities, derivatives and other investments	(13,467)	(24,157)
Consolidated Funds		
Purchases of securities owned, at fair value	(223,860)	(163,715)
Proceeds from sales of securities owned, at fair value	206,052	167,812
Proceeds from sales of securities sold, not yet purchased, at fair value	33,334	—
Payments to cover securities sold, not yet purchased, at fair value	(36,462)	—
Purchases of other investments	(973)	(7,122)
Proceeds from sales of other investments	21,270	11,986
Net realized and unrealized (gains) losses on investments and other transactions	(7,030)	(4,883)
(Increase) decrease in operating assets:		
Cash acquired upon transaction	10,747	—
Cash collateral pledged	151	528
Securities owned, at fair value, held at broker dealer	10,982	23,444
Securities borrowed	(173,581)	—
Receivable from brokers	46,695	46,808
Fees receivable, net of allowance	(7,471)	4,258
Due from related parties	(3,002)	447
Other assets	(488)	3,301
Consolidated Funds		
Cash and cash equivalents	2,816	926
Other assets	(258)	1,036
Increase (decrease) in operating liabilities:		
Securities sold, not yet purchased, at fair value, held at broker dealer	(37,985)	(14,181)
Securities loaned	171,202	—
Payable to brokers	(46,476)	13,434
Compensation payable	(47,604)	(50,540)
Fees payable	(1,788)	490
Due to related parties	(135)	(1,143)
Accounts payable, accrued expenses and other liabilities	(5,868)	(5,406)
Consolidated Funds		
Payable to brokers	10,231	—
Due to related parties	—	25
Accounts payable, accrued expenses and other liabilities	(254)	324
Net cash provided by / (used in) operating activities	**$ 105,130**	**$ 23,924**

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

	Six Months Ended June 30,

(continued)	2013	2012
Cash flows from investing activities:		
Securities purchased under agreement to resell	$ —	$ (58,313)
Purchases of other investments	(12,255)	(3,889)
Proceeds from sales of other investments	23,502	7,429
Purchase of business, net of cash acquired (Note 2)	—	(10,062)
Cash paid to acquire net assets (contingent payable)	(73)	—
Purchase of fixed assets	(554)	(1,084)
Net cash provided by / (used in) investing activities	**10,620**	**(65,919)**
Cash flows from financing activities:		
Securities sold under agreement to repurchase	(159,634)	6,175
Borrowings on short-term borrowings and other debt	2,044	—
Repayments on short-term borrowings and other debt	(1,800)	(794)
Purchase of treasury stock	(235)	(4,516)
Capital contributions by non-controlling interests in operating entities	501	—
Capital withdrawals to non-controlling interests in operating entities	(807)	(2,267)
Consolidated Funds		
Capital contributions by non-controlling interests in Consolidated Funds	9,680	—
Capital withdrawals to non-controlling interests in Consolidated Funds	(12,156)	(5,409)
Net cash provided by / (used in) financing activities	**(162,407)**	**(6,811)**
Change in cash and cash equivalents	(46,657)	(48,806)
Cash and cash equivalents at beginning of period	83,538	128,875
Cash and cash equivalents at end of period	**$ 36,881**	**$ 80,069**
Supplemental non-cash information		
Non compete agreements and covenants with limiting conditions acquired (see Note 2)	$ 460	$ —
Common stock issuance upon close of acquisition (see Note 2)	$ 6,297	$ —
Purchase of treasury stock, at cost, through net settlement (see Note 15)	$ 2,808	$ 1,841
Net assets of consolidated entities	$ —	$ 18,521
Net assets of deconsolidated entities	$ —	$ 17,104

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

Cowen Group, Inc.

Notes to 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, market-making and sales and trading services through its two business segments: alternative investment and broker-dealer. The Company's alternative investment segment includes hedge funds, replication products, mutual funds, managed futures funds, funds of funds, real estate and healthcare royalty funds, offered primarily under the Ramius name. The broker-dealer segment offers research, brokerage and investment banking services to companies and institutional investor clients primarily in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, industrials, real estate investment trusts ("REITs"), clean technology, energy, metals and mining, transportation, chemicals and agriculture sectors, primarily under the Cowen name.

2. Acquisitions

On March 11, 2013, the Company completed its acquisition of Dahlman Rose & Company, LLC, a privately-held investment bank specializing in the energy, metals and mining, transportation, chemicals and agriculture sectors. This acquisition was an all-stock transaction. In the aggregate, the purchase price, assets acquired and liabilities assumed were not significant and the near term impact to the Company and its consolidated results of operations and cash flows is not expected to be significant. Dahlman Rose & Company, LLC was subsequently renamed to Cowen Securities LLC ("Cowen Securities"). Post acquisition, Cowen Securities is included in the broker-dealer segment (See Note 18).

The Company has not yet finalized with the sellers certain closing date balance sheet adjustments, resolution of which will potentially impact the purchase price, assets and liabilities recognized and the resulting goodwill. The Company does not believe the impact will be material. The preliminary purchase price allocation of Cowen Securities is based upon all information available to us at the present time, and is based upon management's preliminary estimates of the fair values using valuation techniques including income, cost and market approaches. As of June 30, 2013, the purchase price allocation is preliminary pending the Company's final determination of the fair values of the assets and liabilities, which the Company expects will occur within twelve months following the acquisition. Upon the completion of the final purchase price allocation, any reallocation of fair values to the assets acquired and liabilities assumed in the acquisitions could have an impact on the amounts recognized on the condensed consolidated statements of financial condition.

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

3. Significant Accounting Policies

a. Basis of presentation

These unaudited condensed consolidated financial statements and related notes have been prepared in accordance with 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, 2012 and 2011 and for the years ended December 31, 2012, 2011, and 2010, included in the Form 10-K of Cowen Group as filed with the SEC on March 7, 2013. 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 condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP. 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

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. VOEs are consolidated in accordance with US GAAP.

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

As of June 30, 2013 and December 31, 2012, the Company consolidates the following funds: Ramius Enterprise LP (“Enterprise LP”), Ramius Multi-Strategy Master FOF LP (“Multi-Strat Master FOF”), Ramius Vintage Multi-Strategy Master FOF LP (“Vintage Master FOF”), Ramius Levered Multi-Strategy FOF LP (“Levered FOF”), and (effective May 1, 2013) Ramius Merger Fund LLC (“Merger Fund”) (collectively the "Consolidated Funds"). RTS Global 3X was consolidated as of December 31, 2012 but was liquidated on March 31, 2013.

The Company also consolidates three investment companies; RCG Linkem II LLC, formed to make an investment in a wireless broadband communication provider in Italy, and Ramius Co-Investment I LLC (formerly known as Cowen Bluebird LLC) and Ramius Co-Investment II LLC (formerly known as RCG Ultragenex Holdings LLC), which were both formed to make investments in biomedical companies that develop innovative gene therapies for severe genetic disorders. The Company determined that RCG Linkem II, LLC, Ramius Co-Investment I LLC and Ramius Co-Investment II LLC are VOE's due to its controlling equity interests held through the managing member and/or affiliates and control exercised by the managing member who is not subject to substantive removal rights.

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

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

The Company reconsiders whether it is the primary beneficiary of a VIE by performing a periodic qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, contractual agreements between the Company and the VIE, the economic interests that create or absorb variability, related party relationships and the design of the VIE. As of June 30, 2013, and December 31, 2012, the Company does not consolidate any VIEs.

As of June 30, 2013 and December 31, 2012, the Company holds a variable interest in Ramius Enterprise Master Fund Ltd ("Enterprise Master") (the "Unconsolidated Master Fund") through one of its Consolidated Funds, Enterprise LP. 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 Fund.

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 condensed 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 condensed 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 all securities 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 condensed 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 condensed 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, LLC ("Cowen and Company"), Cowen Capital LLC, ATM USA, LLC, Cowen Equity Finance LP and Cowen Securities, 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. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

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.

The Company has the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company has elected the fair value option for its investments through Ramius Co-Investment I LLC (formerly known as Cowen Bluebird LLC), Ramius Co-Investment II LLC (formerly known as RCG Ultragenex Holdings LLC) and certain investments it holds though its operating companies. This option has been elected because the Company believes that it is consistent with the manner in which the business is managed as well as the way that financial instruments in other parts of the business are recorded.

Securities—Securities whose values are based on quoted market prices in active markets for identical assets, and are therefore classified in level 1 of the fair value hierarchy, include active listed equities, certain U.S. government and sovereign obligations, ETF's 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, are stated at fair value and classified within level 2. 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. Futures and currency forwards are included within other assets on the accompanying condensed consolidated statements of financial condition and all other derivatives are included within securities owned, at fair value on the accompanying condensed consolidated statements of financial condition.

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 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 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.

The Company also reflects its real estate equity investments net of investment level financing. Valuation adjustments attributable to underlying financing arrangements are considered in the real estate equity valuation based on amounts at which the financing liabilities could be transferred to market participants at the measurement date.

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. 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.

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

The Company uses securities purchased under agreements to resell and securities sold under agreements to repurchase (“Repurchase Agreements”) as part of its liquidity management activities and to support its trading and risk management activities. In particular, securities purchased and sold under Repurchase Agreements are used for short-term liquidity purposes. As of June 30, 2013 and December 31, 2012, Repurchase Agreements are secured predominantly by liquid corporate credit and/or government issued securities. The use of Repurchase Agreements will fluctuate with the Company's need to fund short term credit or obtain competitive short term credit financing. The Company's securities purchased under agreements to resell and securities sold under agreements to repurchase were transacted pursuant to agreements with one counterparty as of June 30, 2013 and multiple counterparties as of December 31, 2012.

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

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 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 condensed consolidated statements of financial condition, as of June 30, 2013 and December 31, 2012 is $17.1 million and $13.8 million, respectively.

h. New accounting pronouncements

Recently issued accounting pronouncements

In July 2013, the FASB issued guidance which was directed to eliminate the disparity in practice for the financial statement presentation of an unrecognized tax benefit when a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward exist. The guidance requires an entity to present the unrecognized tax benefit as a reduction to deferred tax asset for a net operating loss carry-forward, a similar tax loss, or a tax credit carry-forward with certain exceptions. The guidance is effective prospectively for reporting periods beginning after December 15, 2013 for all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application is also permitted. The Company is currently evaluating the impact of this guidance on the Company's financial condition and results of operations.

In June 2013, the FASB issued guidance which amended the scope, measurement and disclosure requirements for Financial Services - Investment Companies. The guidance among other things changed the definition and criteria used for the investment company assessment. The guidance also require investment companies to measure non-controlling ownership interest in other investment companies at fair value rather than using equity method of accounting and requires certain additional disclosures. The guidance is effective for reporting periods beginning after December 15, 2013. The Company is currently evaluating the impact of this guidance on the Company's financial condition and results of operations.

In April 2013, the FASB issued guidance which improved and clarified the requirements as to when an entity should apply the liquidation basis of accounting and provides principles for the recognition and measurement of assets and liabilities. The guidance requires an entity to prepare its financial statements using liquidation basis of accounting when the liquidation is imminent and to present relevant information about entity's resources by measuring and presenting assets and liabilities at the amount of expected cash proceeds and / or settlement amounts. The guidance is effective prospectively for reporting periods beginning after December 15, 2013. The Company is currently evaluating the impact of this guidance on the Company's financial condition and the results of operations and its applicability on certain of its affiliated entities.

4. Cash collateral pledged

As of June 30, 2013 and December 31, 2012, the Company pledged cash collateral in the amount of $10.9 million and $9.2 million, respectively, which relates to letters of credit issued to the landlords of the Company's premises in New York City and San Fransisco (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 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 June 30, 2013 and December 31, 2012, securities owned, at fair value consisted of the following:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
U.S. Government securities (a)	$ 3,506	$ 137,478
Preferred stock	333	2,332
Common stocks	289,602	259,292
Convertible bonds (b)	4,426	6,202
Corporate bonds (c)	116,649	193,078
Options	18,883	20,546
Warrants and rights	2,247	2,354
Mutual funds	2,868	2,845
	$ 438,514	**$ 624,127**

(a) As of June 30, 2013, maturities ranged from July 2013 to April 2016 and interest rates ranged between 0.02% and 5.95%. As of December 31, 2012, maturities ranged from November 2013 to November 2022 and interest rates ranged between 0.25% and 5.95%.

(b) As of June 30, 2013, the maturity was July 2014 with an interest rate of 5.00%. As of December 31, 2012, maturities ranged from May 2014 to July 2014 with an interest rate of 5.00%.

(c) As of June 30, 2013, maturities ranged from September 2013 to October 2019 and interest rates ranged between 3.11% and 12.00%. As of December 31, 2012, maturities ranged from January 2013 to February 2041 and interest rates ranged between 3.09% and 12.50%.

The Company's direct involvement with derivative financial instruments includes futures, currency forwards and warrants and rights. Open equity positions in futures transactions are recorded as receivables from and payables to broker-dealers or clearing brokers, as applicable. The Company's derivatives trading activities exposes the Company to certain risks, such as price and interest rate fluctuations, volatility risk, credit risk, counterparty risk, foreign currency movements and changes in the liquidity of markets. The Company's overall exposure to financial derivatives is limited. The Company's long exposure to futures and currency forward derivative contracts, at fair value, as of June 30, 2013 and December 31, 2012 of $1.0 million and $0.2 million, respectively, is included in other assets in the accompanying condensed consolidated statements of financial condition. The Company's short exposure to futures and currency forward derivative contracts, at fair value, as of June 30, 2013 and December 31, 2012 of $0.7 million and $1.0 million, respectively, is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed consolidated statements of financial condition. The realized and unrealized gains/(losses) related to derivatives trading activities for the three months ended June 30, 2013, and 2012, were $0.8 million, and $1.6 million, respectively, and was $2.2 million and $2.2 million for the six months ended June 30, 2013 and 2012, respectively, and are included in other income in the accompanying condensed consolidated statements of operations.

Pursuant to the various derivatives transactions discussed above, the Company is required to post collateral for its obligations or potential obligations. As of June 30, 2013 and December 31, 2012, collateral consisting of $5.3 million and $6.7 million of cash, respectively, is included in receivable from brokers on the accompanying condensed consolidated statements of financial condition. As of June 30, 2013 and December 31, 2012 all derivative contracts were with multiple major financial institutions.

Other investments

As of June 30, 2013 and December 31, 2012, other investments consisted of the following:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
(1) Portfolio Funds, at fair value	$ 61,872	$ 55,898
(2) Real estate investments, at fair value	2,158	1,864
(3) Equity method investments	20,424	26,462
(4) Lehman claims, at fair value	278	706
	$ 84,732	**$ 84,930**

(1) Portfolio Funds, at fair value

The Portfolio Funds, at fair value as of June 30, 2013 and December 31, 2012, included the following:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
HealthCare Royalty Partners (a)(*)	$ 9,214	$ 7,866
HealthCare Royalty Partners II (a)(*)	4,239	6,415
Orchard Square Partners Credit Fund LP (formerly known as Ramius Global Credit Fund LP) (b)(*)	12,046	14,196
Tapestry Investment Co PCC Ltd (c)	81	194
Starboard Value and Opportunity Fund LP (d)(*)	16,665	15,706
Formation 8 Partners Fund I (e)	1,384	1,500
RCG LV Park Lane LLC (f)	685	708
RCGL 12E13th LLC (g)	400	—
RCG Longview Debt Fund V, L.P. (g)	7,260	—
Other private investment (h)	7,730	7,826
Other affiliated funds (i)(*)	2,168	1,487
	$ 61,872	**$ 55,898**

* 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 13.

(a) HealthCare Royalty Partners and HealthCare Royalty Partners II are private equity funds and therefore distributions will be made when the underlying investments are liquidated.

(b) Orchard Square Partners Credit Fund LP (formerly known as Ramius Global 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) Tapestry Investment Company PCC Ltd is in the process of liquidation and redemptions will be made periodically at the investment managers' decision as the underlying investments are liquidated.

(d) Starboard Value and Opportunity Fund LP permits quarterly withdrawals upon ninety days notice.

(e) Formation 8 Partners Fund I is a private equity fund which invests in equity of early stage and growth transformational information and energy technology companies. Distributions will be made when the underlying investments are liquidated.

(f) 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.

(g) 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.

(h) Other private investment represents the Company's closed end investment in a wireless broadband communication provider in Italy.

(i) 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 June 30, 2013 and December 31, 2012 are carried at fair value and include real estate equity investments held by RCG RE Manager, LLC ("RE Manager"), a real estate operating subsidiary of the Company, of $2.2 million and $1.9 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 is the investment in (a) HealthCare Royalty Partners General Partners, (b) an investment in the CBOE (Chicago Board Options Exchange) Stock Exchange LLC representing a 9.7% 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 LP (and certain related parties) which serves as an operating company whose operations primarily include the day to day management (including portfolio management) of a deep value small cap hedge fund and related managed accounts. The following table summarizes equity method investments held by the Company:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
RCG Longview Debt Fund IV Management, LLC	$ 1,336	$ 1,954
RCG Longview Debt Fund V Partners, LLC	643	—
HealthCare Royalty GP, LLC	751	642
HealthCare Royalty GP II, LLC	718	1,086
CBOE Stock Exchange, LLC	2,015	2,058
Starboard Value LP	8,515	12,757
RCG Longview Partners, LLC	1,857	1,535
RCG Longview Louisiana Manager, LLC	1,613	1,866
RCG Urban American, LLC	247	1,380
RCG Urban American Management, LLC	45	545
RCG Longview Equity Management, LLC	211	285
Urban American Real Estate Fund II, LLC	1,537	1,636
RCG Kennedy House, LLC	377	377
Other	559	341
	$ 20,424	**$ 26,462**

As of June 30, 2013 and December 31, 2012, 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 condensed 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 $3.2 million and $3.6 million, for the three months ended June 30, 2013 and 2012, respectively, and was $7.4 million and $7.8 million for the six months ended June 30, 2013 and 2012, respectively, and is included in net gains (losses) on securities, derivatives and other investments on the accompanying condensed consolidated statements of operations. In addition, the Company recorded no impairment charges in relation to its equity method investments for the three and six months ended June 30, 2013 and 2012, respectively.

For the period ended June 30, 2013, certain of the Company's equity method investments have met the significance criteria as defined under SEC guidance. As such, the Company is required to present summarized income statement information for the significant investees for the three and six months ended June 30, 2013 and 2012. The summarized income statement information for the Company's investments in the individually significant investees is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(dollars in thousands)			
Revenues	$ 4,019	$ 4,810	$ 9,074	$ 9,962
Expenses	(1,420)	(1,463)	(2,838)	(2,926)
Net realized and unrealized gains (losses)	285	19	322	109
Net Income	**$ 2,884**	**$ 3,366**	**$ 6,558**	**$ 7,145**

(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 status and ultimate resolution of the assets under LBIE's Administration proceedings is uncertain. 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 the Company believed would represent an unsecured claim against LBIE. On November 2, 2012, the Company executed a Claims Determination Deed with respect to this claim. By entering into this deed, the Company and

LBIE reached agreement on the amount of the Company's unsecured claim, which was agreed to be approximately $0.9 million. As a result of entering into this deed, the Company is entitled to participate in dividends to unsecured creditors of LBIE and at the end of November 2012 the Company received its first dividend in an amount equal to 25.2% of its agreed claim, or approximately $0.2 million and at the end of June 2013 the Company received its second dividend in an amount equal to 43.3% of its agreed claim, or approximately $0.4 million. This does not include claims held by the Company against LBIE through its investment in Enterprise Master discussed in Note 5b(2). The Company does not know the timing with respect to future dividends to unsecured creditors or the ultimate value that will be received.

Given the fact that LBIE has begun to make distributions to unsecured creditors and the increased trading levels for unsecured claims of LBIE, the Company decided to record the estimated fair value of the Total Net Equity Claim at par as of June 30, 2013 and December 31, 2012, which represented management's best estimate at the respective dates of the value that ultimately may be recovered with respect to the Total Net Equity Claim (the “Estimated Recoverable Lehman Claim”). The Estimated Recoverable Lehman Claim was recorded at estimated fair value considering a number of factors including the status of the assets under U.K. insolvency laws and the trading levels of LBIE unsecured debt. In determining the estimated value of the Total Net Equity Claim, the Company was required to use considerable judgment and is based on the facts currently available. As additional information on the LBIE proceeding becomes available, the Company may need to adjust the valuation of the Estimated Recoverable Lehman Claim. The actual recovery that may ultimately be received by the Company with respect to the pending LBIE claim is not known and could be different from the estimated value assigned by the Company. (See 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 condensed 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 condensed 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 June 30, 2013 and December 31, 2012 securities sold, not yet purchased, at fair value consisted of the following:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
Common stocks	$ 139,911	$ 168,797
Corporate bonds (a)	55	61
Options	13,160	9,076
Warrants and rights	—	3
	$ 153,126	**$ 177,937**

(a) As of June 30, 2013 and December 31, 2012, the maturity was January 2026 with an interest rate of 5.55% .

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

The following table represents the Company's securities purchased under agreements to resell and securities sold under agreements to repurchase as of June 30, 2013 and December 31, 2012:

	As of June 30, 2013
	(dollars in thousands)
Securities sold under agreements to repurchase	
Agreements with Royal Bank of Canada bearing interest of 1.75% due on June 2015 to January 2016	$ 6,311
	$ 6,311

	As of December 31, 2012
	(dollars in thousands)
Securities sold under agreements to repurchase	
Agreements with Royal Bank of Canada bearing interest of 2.12% - 2.2% due on January 31, 2013 to June 25, 2013	$ 29,039
Agreements with Barclays Capital Inc bearing interest of (0.05%) - 0.23% due on January 1, 2013	136,906
	$ 165,945

For all of the Company's holdings of repurchase agreements as of June 30, 2013, the repurchase dates are open and the agreement can be terminated by either party at any time. The agreements rolls over on a day-to-day basis.

Transactions involving the sale of securities under repurchase agreements are carried at their contract value, which approximates fair value, and are accounted for as collateralized financings. In connection with these financings, as of June 30, 2013 and December 31, 2012, the Company had pledged collateral, consisting of government and corporate bonds, in the amount of $7.6 million and $173.7 million, respectively, which is included in securities owned, at fair value in the accompanying condensed consolidated statements of financial condition.

Securities lending and borrowing transactions

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced or received. 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.

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis. In the case 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 June 30, 2013 and December 31, 2012, the Company does not have any securities lending transactions for which fair value basis of accounting was elected.

As of June 30, 2013, the Company has loaned to brokers and dealers, securities having a market value of $552.0 million. In addition, as of June 30, 2013, the Company has borrowed from brokers and dealers, securities having a market value of $555.2 million.

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 $1.5 billion and $215.3 million as of June 30, 2013 and $1.4 billion and $22.8 million as of December 31, 2012, respectively. In addition, the maximum exposure relating to these variable interest entities as of June 30, 2013 was $206.6 million, and as of December 31, 2012 was $220.9 million, all of which is included in other investments, at fair value in the Company's condensed consolidated statements of financial condition. The exposure to loss primarily relates to the Consolidated Feeder Funds' investment in their Unconsolidated Master Funds as of June 30, 2013 and December 31, 2012.

b. Consolidated Funds

Securities owned, at fair value

As of June 30, 2013 and December 31, 2012 securities owned, at fair value, held by the Consolidated Funds are comprised of:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
Common stocks	$ 40,330	$ —
Government sponsored securities (a)	—	1,911
Commercial paper (b)	—	1,614
Options	455	—
	$ 40,785	**$ 3,525**

(a) As of December 31, 2012, maturities ranged from August 2013 to December 2014 and interest rates ranged between 0.28% and 4.00%.

(b) As of December 31, 2012, commercial paper was purchased at a discount and matures on January 2, 2013.

Other investments, at fair value

As of June 30, 2013 and December 31, 2012 other investments, at fair value, held by the Consolidated Funds are comprised of:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
(1) Portfolio Funds	$ 177,848	$ 190,081
(2) Lehman claims	15,434	14,124
	$ 193,282	**$ 204,205**

(1) Investments in Portfolio Funds, at fair value

As of June 30, 2013 and December 31, 2012, investments in Portfolio Funds, at fair value, included the following:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
Investments of Enterprise LP	$ 170,300	$ 173,348
Investments of consolidated fund of funds	7,548	16,733
	$ 177,848	**$ 190,081**

Consolidated investments of Enterprise LP

Enterprise LP operates under a “master-feeder” structure with Enterprise Master, whereby Enterprise Master's shareholders are Enterprise LP and RCG II Intermediate Fund, L.P. The consolidated investments in Portfolio Funds are recorded in other investments on the accompanying condensed consolidated statements of financial condition and include Enterprise LP's investment of $170.3 million and $173.3 million in Enterprise Master as of June 30, 2013 and December 31, 2012, 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. Enterprise Master has been selling, and will continue to sell, its positions and return capital to its investors. There are no unfunded commitments at Enterprise LP.

Investments of consolidated fund of funds investment companies

The investments of the consolidated fund of funds investment companies are $7.5 million and $16.7 million as of June 30, 2013 and December 31, 2012, respectively. These investments include the investments of Levered FOF, Multi-Strat Master FOF and Vintage Master FOF, all of which are investment companies managed by Ramius Alternative Solutions LLC and RTS Global 3X, which is managed by Ramius Trading Strategies LLC. Multi-Strat Master FOF's investment objective is to invest discrete pools of their capital among portfolio managers that invest through Portfolio Funds, forming a multi-strategy, diversified investment portfolio designed to achieve returns with low to moderate volatility. Levered FOF had a similar strategy, but on a levered basis, prior to the fund winding down. Levered FOF is no longer levered. Vintage Master FOF's investment objective is to allocate its capital among portfolio managers that invest through investment pools or managed accounts thereby forming concentrated investments in high conviction managers designed to achieve attractive risk adjusted returns with moderate relative volatility. Levered FOF, Multi-Strat Master FOF and Vintage Master FOF are all in liquidation. RTS Global 3X was consolidated as of December 31, 2012 but was liquidated on March 31, 2013. As such it holds no investments as of June 30, 2013. RTS Global 3X's investment objective was to achieve attractive investment returns on a risk-adjusted basis that are non-correlated with the traditional equity and bond markets by investing substantially all of its capital in managed futures and global macro-based investment strategies. RTS Global 3X sought to achieve its objective through a multi-advisor investment approach by allocating its capital among third-party trading advisors that are unaffiliated with RTS

Global 3X. However, unlike a traditional "fund of funds" that invests with advisors through entities controlled by third-parties, RTS Global 3X allocated its capital among a number of different trading accounts organized and managed by the general partner.

The following is a summary of the investments held by the consolidated fund of funds, at fair value, as of June 30, 2013 and December 31, 2012:

		Fair Value as of June 30, 2013				
	Strategy	Ramius Levered Multi-Strategy FOF LP	Ramius Multi-Strategy Master FOF LP	Ramius Vintage Multi-Strategy Master FOF LP	Total	
		(dollars in thousands)				
Tapestry Pooled Account V LLC*	Credit-Based	$ 261	$ 537	$ 574	$ 1,372	(a)
Externally Managed Portfolio Funds	Event Driven	1,183	1,774	2,500	5,457	(c)
Externally Managed Portfolio Funds	Hedged Equity	—	—	719	719	(d)
		$ 1,444	$ 2,311	$ 3,793	$ 7,548	

		Fair value as of December 31, 2012					
	Strategy	Ramius Levered Multi-Strategy FOF LP	Ramius Multi-Strategy Master FOF LP	Ramius Vintage Multi-Strategy Master FOF LP	RTS Global 3X Fund LP	Total	
		(dollars in thousands)					
Tapestry Pooled Account V LLC*	Credit-Based	$ 315	$ 649	$ 693	$ —	$ 1,657	(a)
Independently Advised Portfolio Funds*	Futures & Global Macro	—	—	—	7,161	7,161	(b)
Externally Managed Portfolio Funds	Event Driven	1,545	2,316	3,264	—	7,125	(c)
Externally Managed Portfolio Funds	Hedged Equity	—	—	790	—	790	(d)
		$ 1,860	$ 2,965	$ 4,747	$ 7,161	$ 16,733	

* These Portfolio Funds are affiliates of the Company.

As of June 30, 2013, the Company has no unfunded commitments regarding investments held by the three consolidated fund of funds.

(a) The Credit-Based strategy aims to generate returns via positions in the credit sensitive sphere of the fixed income markets. The strategy generally involves the purchase of corporate bonds with hedging of the interest exposure. The investments held in Tapestry Pooled Account V LLC, a related fund, are held solely in a credit based fund which the underlying fund's manager has placed in a side-pocket. The remaining amount of the investments within this category represents an investment in a fund that is in the process of liquidating. Distributions from this fund will be received as underlying investments are liquidated.

(b) The Futures and Global Macro strategy is comprised of several portfolio accounts, each of which will be advised independently by a commodity trading advisor implementing primarily managed futures or global macro-based investment strategies. The trading advisors (through their respective portfolio accounts) will trade independently of each other and, as a group, will employ a wide variety of systematic, relative value and discretionary trading programs in the global currency, fixed income, commodities and equity futures markets. In implementing their trading programs, the trading advisors will trade primarily in the futures and forward markets (as well as in related options). Although certain trading advisors may be permitted to use total return swaps and trade other financial instruments from time to time on an interim basis, the primary focus will be on the futures and forward markets. Redemption frequency of these portfolio accounts are monthly (and intra month for a $10,000 fee) and the notification period for redemptions is 5 business days (or 3 business days for intra month redemptions).

(c) The Event Driven strategy is generally implemented through various combinations and permutations of merger arbitrage, restructuring and distressed instruments. The investments in this category are primarily in a side pocket or suspended with undetermined payout dates.

(d) The Hedged Equity strategy focuses on equity strategies with some directional market exposure. The strategy attempts to profit from market efficiencies and direction. The investee fund manager has side-pocketed investments.

(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. Included in this claim were assets with a value of $9.5 million at the time LBIE entered Administration that were returned to Enterprise Master and its affiliated funds in June 2010. Enterprise Master and its affiliated funds sold the returned assets for an aggregate $10.7 million, and distributed this amount to Enterprise Master's investors in July 2010. In December 2011, Enterprise Master received an aggregate of approximately $2.4 million relating to securities, interest and dividends earned with respect to securities held by LBIE on behalf of Enterprise Master Master and its affiliated funds. A distribution of $2.9 million occurred in February of 2012. After giving effect of these distributions, the remaining Net Equity Claim for Enterprise Master held directly and through its ownership interest in affiliated funds is $12.4 million. On November 2, 2012, Enterprise Master executed a Claims Determination Deed with respect to the unsecured portion of its direct claim against LBIE. By entering into this deed, Enterprise Master and LBIE reached agreement on the amount of Enterprise Master's unsecured claim, which was agreed to be approximately $1.3 million. As a result of entering into this deed, Enterprise Master is entitled to participate in dividends to unsecured creditors of LBIE and at the end of November 2012 Enterprise Master received its first dividend in an amount equal to 25.2% of its agreed claim, or approximately $0.3 million. In February 2013, Enterprise Master sold its unsecured claim, including the amount received in connection with the first dividend, for $1.3 million, or par. Enterprise Master distributed the proceeds of the sale to the Company in March 2013. Enterprise Master is valuing the $11.7 million claim at $19.3 million as of June 30, 2013. Of the $19.3 million current valuation of Enterprise Master's claim, $15.4 million was attributable to Enterprise LP based on its ownership percentage in Enterprise Master at the time of the Administration. Of the $11.7 million net equity claim, $10.6 million represents claims to trust assets that the Company believes were held by LBIE through Lehman Brothers, Inc. ("LBI"). LBIE has made a corresponding claim for these assets and other trust assets held at LBI by LBIE on behalf of other prime brokerage clients pursuant to an omnibus customer claim (the "LBIE Omnibus Customer Claim"). LBIE will only be able to return trust assets held at LBI to Enterprise Master once LBIE receives a distribution from LBI in respect of the LBIE Omnibus Customer Claim. In February 2013, LBIE, Lehman Brothers Holdings, Inc. and LBI announced that they entered into two separate agreements settling all intercompany claims between LBI on the one part, and LBHI and LBIE on the other part. The settlement agreements were subject to the approval by the U.S. Bankruptcy Judge in the LBI Securities Investor Protection Act (SIPA) proceeding and, in the case of the agreement between LBI and LBIE, an order of the English High Court. The U.S. Banking Judge approved the settlement agreement in April 2013 and the English High Court issued an order approving the settlement in May 2013. The settlements have allowed the trustee appointed under SIPA (the "SIPA Trustee") to proceed with plans to allocate and distribute sufficient cash and securities to LBI's customer claimants, including LBIE with respect to the LBIE Omnibus Customer Claim, to enable the SIPA Trustee to satisfy valid customer claims in full. In March 2013, LBIE made a consensual proposal to the clients holding trust assets pursuant to the LBIE Omnibus Customer Claim to facilitate the return of the amounts recovered from LBI with respect to the LBIE Omnibus Customer Claim. Under the consensual proposal, LBIE indicated that it intended to liquidate any securities received from LBI with respect to the LBIE Omnibus Customer Claim and then allocate the value received from LBI among all of the LBIE clients who had trust assets held at LBI under the LBIE Omnibus Customer Claim. In allocating the amounts received from LBI, LBIE has indicated that it intended to allow clients to determine their entitlements on a portfolio basis based on the higher of (i) the market value of the portfolio as of September 19, 2008 or (ii) the market value of the portfolio together with accrued income thereon as of November 30, 2012 (the "Best Claim"). LBIE's purpose in seeking a consensual arrangement with its clients relating to the liquidation and allocation described above was to ensure that a distribution could be made without having to seek UK court direction on these issues, which would otherwise have substantially delayed any distribution. LBIE indicated that based on the value of the assets it expected to receive from LBI and the Best Claims of its clients, all valued as at November 30, 2012, it expected to be able to make distributions to its clients in excess of 90% of a client's Best Claim. On April 2, 2013, LBIE announced that the consensual proposal had been accepted by a sufficient number of clients to satisfy the acceptance threshold and would therefore become effective. The settlement agreement between LBI and LBIE has become effective and LBIE announced in June 2013 that it had recovered the majority of the cash and securities from LBI and that it has liquidated approximately 90% of the aggregate value of securities received or to be received from LBI and that it intends to make its first distribution to trust asset claimants at the end of September 2013. LBIE also announced in July 2013 that it expected the first distribution to trust claimants to be 97% of the claimant's Best Claim, subject to finalizing the determination of the amount of US withholding tax to be paid in respect to the distributions. In order to balance LBIE's objective of making a significant distribution to claimants as soon as possible with the requirement to pay the appropriate US withholding tax in respect of distributions, as an interim solution LBIE has indicated that it expects to deposit 30% of the gross distribution to claimants with the IRS as a reserve. Once the appropriate US withholding tax treatment of the distributions is finally determined by the IRS, LBIE expects to be in a position to promptly receive back funds and release any excess reserves back to the appropriate claimants. As of June 30, 2013, the Company is valuing the trust assets of Enterprise Master believed to be held at LBI at 97% of its Best Claim, or $16.0 million.

In addition to Enterprise Master's claims against LBIE, LBI was a prime broker to Enterprise Master and Enterprise Master holds cash balances of $4.9 million at LBI. These are not part of the LBIE Omnibus Customer Claim. On September 19, 2008, LBI was placed in a Securities Investor Protection Corporation ("SIPC") liquidation proceeding after the filing for bankruptcy of its parent Lehman Brothers Holdings, Inc. The settlement agreements between LBI, LBHI and LBIE discussed above have permitted the trustee appointed under the Securities Investor Protection Act (the "SIPA Trustee") to make distributions to LBI customers and the SIPA Trustee has announced that it expects to be able to make 100% distributions to its customers. Enterprise Master is expected to receive its distributions from LBI by the end of July 2013.As a result of these developments, management has estimated recovery with respect to the Company's exposure to LBI at 99% or $4.9 million as of June 30, 2013. (See Note 5a(4))

The remaining components of the LBIE claims included within the $19.3 million value as of June 30,2013 consist of several components valued as follows: (a) the trust assets that the Company was informed were within the control of LBIE and were expected to be returned in the relatively near term were valued at market less a 1% discount that corresponds to the fee to be charged under the Claim Resolution Agreement ("CRA") and (b) the foreign denominated trust assets that are not within the control of LBIE (which the Company does not believe are held through LBI), were valued at $4.6 million, which represents the market value of those assets less a 1% discount that corresponds to the fee charged under the CRA, which represented the Company's estimate of potential recovery rates. The estimated final recoverable amount by Enterprise Master may differ from the actual recoverable amount of the pending LBIE and LBI claims, and the differences may be significant.

As a result of Enterprise Master and certain of the funds managed by the Company having assets held at LBIE frozen in their LBIE prime brokerage account and the degree of uncertainty as to the status of those assets and the process and prospects of the return of those assets, Enterprise Master and the funds managed by the Company decided that only the investors who were invested at the time of the Administration should participate in any profit or loss relating to the Estimated Recoverable Lehman Claim. As a result, Enterprise Master and certain of the funds managed by the Company with assets held at LBIE granted a 100% participation in the Estimated Recoverable Lehman Claims to Special Purpose Vehicles (the "SPVs" or "Lehman Segregated Funds") incorporated under the laws of the Cayman Islands on September 29, 2008, whose shares were distributed to each of their investor funds. Fully redeeming investors of Enterprise LP will not be paid out on the balance invested in the SPV until the claim with LBIE is settled and assets are returned by LBIE.

Securities sold, not yet purchased, at fair value

	As of June 30, 2013
	(dollars in thousands)
Common stocks	$ 10,290
Options	56
	$ 10,346

Indirect Concentration of the Underlying Investments Held by Consolidated Funds

From time to time, through its investments in the Consolidated Funds, the Company may indirectly maintain exposure to a particular issue or issuer (both long and/or short) which may account for 5% or more of the Consolidated Funds' net assets (on an aggregated basis). Based on information that is available to the Company as of June 30, 2013 and December 31, 2012, the Company assessed whether or not its Consolidated Funds had interests in an issuer for which the Company's pro-rata share exceeds 5% of the Consolidated Funds' net assets (on an aggregated basis). There were no indirect concentrations that exceed 5% of the Consolidated Funds' net assets held by the Company as of June 30, 2013 or December 31, 2012.

Underlying Investments of Unconsolidated Funds Held by Consolidated Funds

Enterprise 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. The following tables present summarized investment information for the underlying investments and derivatives held by Enterprise Master as of June 30, 2013 and December 31, 2012:

Securities owned and securities sold, but not yet purchased by Enterprise Master, at fair value

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
Bank debt	$ 156	$ 79
Common stock	2,704	2,680
Preferred stock	997	997
Private equity	309	297
Restricted stock	73	26
Rights	2,362	1,714
Trade claims	128	128
Warrants	2	2
	$ 6,731	$ 5,923

Derivative contracts, at fair value, owned by Enterprise Master, net

	As of June 30, 2013	As of December 31, 2012
Description	(dollars in thousands)	
Currency forwards	$ 33	$ 6
	$ 33	$ 6

Portfolio Funds, owned by Enterprise Master, at fair value

	Strategy	As of June 30, 2013	As of December 31, 2012
		(dollars in thousands)	
RCG Longview Equity Fund, LP*	Real Estate	$ 10,708	$ 11,027
RCG Longview II, LP*	Real Estate	814	970
RCG Longview Debt Fund IV, LP*	Real Estate	25,694	30,572
RCG Longview, LP*	Real Estate	321	265
RCG Soundview, LLC*	Real Estate	441	2,374
RCG Urban American Real Estate Fund, L.P.*	Real Estate	1,938	1,987
RCG International Sarl*	Multi-Strategy	1,573	752
RCG Special Opportunities Fund, Ltd*	Multi-Strategy	85,151	80,166
RCG Endeavour, LLC*	Multi-Strategy	31	43
RCG Energy, LLC *	Energy	10,322	14,239
RCG Renergys, LLC*	Energy	1	1
Other Private Investments	Various	12,252	12,430
Real Estate Investments	Real Estate	13,057	12,321
		$ 162,303	$ 167,147

* These Portfolio Funds are affiliates of the Company.

RTS Global 3X Fund LP's Portfolio Fund investments

RTS Global 3X invested over half of its equity in six externally managed portfolio funds which primarily concentrated on futures and global macro strategies. RTS Global 3X's investments in the portfolio funds represented its proportionate share of the portfolio funds net assets; as a result, the portfolio funds' investments reflected below may exceed the net investment which RTS Global 3X had recorded. RTS Global 3X was consolidated as of December 31, 2012 but was liquidated on March 31, 2013. As such it holds no investments as of June 30, 2013. The following table presents the summarized investment information, which primarily consisted of receivables/(payables) on derivatives, for the underlying Portfolio Funds held by RTS Global 3X, at fair value, as of December 31, 2012:

	As of December 31, 2012
	(dollars in thousands)
Bond futures	$ 489
Commodity forwards	(659)
Commodity futures	47
Currency forwards	202
Currency futures	264
Energy futures	239
Equity future	(27)
Index futures	(257)
Interest rate futures	40
	$ 338

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 condensed consolidated statements of financial condition by caption and by level within the valuation hierarchy as of June 30, 2013 and 2012:

Operating Entities

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities owned and derivatives				
US Government securities	$ 3,506	$ —	$ —	$ 3,506
Preferred stock	—	—	333	333
Common stocks	285,226	2,103	2,273	289,602
Convertible bonds	—	4,426	—	4,426
Corporate bonds	—	116,649	—	116,649
Futures	93	—	—	93
Currency forwards	—	635	—	635
Equity swaps	177	146	—	323
Options	18,348	535	—	18,883
Warrants and rights	111	—	2,136	2,247
Mutual funds	2,868	—	—	2,868
Other investments				
Portfolio Funds	—	29,040	32,832	61,872
Real estate investments	—	—	2,158	2,158
Lehman claim	—	—	278	278
	$ 310,329	$ 153,534	$ 40,010	$ 503,873

	Liabilities at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities sold, not yet purchased and derivatives				
Common stocks	$ 139,911	$ —	$ —	$ 139,911
Corporate bonds	—	55	—	55
Futures	583	—	—	583
Currency forwards	—	10	—	10
Equity swaps	13	84	—	97
Options	12,729	431	—	13,160
	$ 153,236	$ 580	$ —	$ 153,816

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	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities owned and derivatives				
US Government securities	$ 137,478	$ —	$ —	$ 137,478
Preferred stock	—	—	2,332	2,332
Common stocks	254,606	2,137	2,549	259,292
Convertible bonds	—	6,202	—	6,202
Corporate bonds	—	192,563	515	193,078
Currency forwards	—	202	—	202
Options	18,273	2,273	—	20,546
Warrants and rights	641	—	1,713	2,354
Mutual funds	2,845	—	—	2,845
Other investments				
Portfolio Funds	—	30,228	25,670	55,898
Real estate investments	—	—	1,864	1,864
Lehman claim	—	—	706	706
	$ 413,843	$ 233,605	$ 35,349	$ 682,797

	Liabilities at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities sold, not yet purchased and derivatives				
Common stocks	$ 168,797	$ —	$ —	$ 168,797
Corporate bonds	—	61	—	61
Futures	370	—	—	370
Currency forwards	—	603	—	603
Options	8,990	86	—	9,076
Warrants and rights	—	—	3	3
	$ 178,157	$ 750	$ 3	$ 178,910

Consolidated Funds' investments

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities owned				
Common stocks	$ 40,330	$ —	$ —	$ 40,330
Options	455	—	—	455
Other investments				
Portfolio Funds	—	—	177,848	177,848
Lehman claims	—	—	15,434	15,434
	$ 40,785	$ —	$ 193,282	$ 234,067

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities owned				
US Government securities	$ 1,911	$ —	$ —	$ 1,911
Commercial paper	—	1,614	—	1,614
Other investments				
Portfolio Funds	—	7,161	182,920	190,081
Lehman claims	—	—	14,124	14,124
	$ 1,911	$ 8,775	$ 197,044	$ 207,730

	Liabilities at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities sold, not yet purchased and derivatives				
Common stocks	$ 10,290	$ —	$ —	$ 10,290
Options	56	—	—	56
	$ 10,346	$ —	$ —	$ 10,346

The following table includes a rollforward of the amounts for the three and six months ended June 30, 2013 and 2012 for financial instruments classified within level 3. The classification of a financial instrument within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

	Three Months Ended June 30, 2013							
	Balance at March 31, 2013	Transfers in	Transfers out	Purchases/(covers)	(Sales)/short buys	Realized gains (losses)	Unrealized gains (losses)	Balance at June 30, 2013
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 2,332	$ —	$ (2,000)	$ —	$ —	$ —	$ 1	$ 333
Common stocks	2,278	—	—	—	(8)	—	3	2,273
Warrants and Rights	3,243	—	—	—	—	—	(1,107)	2,136
Warrants and Rights, sold not yet purchased	3	—	—	—	—	(4)	1	—
Portfolio Funds	25,559	—	—	8,981	(2,857)	(286)	1,435	32,832
Real estate	1,875	—	—	—	—	—	283	2,158
Lehman claim	660	—	—	—	(382)	—	—	278
Consolidated Funds								
Portfolio Funds	178,357	—	—	—	(2,918)	98	2,311	177,848
Lehman claim	15,140	—	—	—	—	—	294	15,434

	Three Months Ended June 30, 2012							
	Balance at March 31, 2012	Transfers in	Transfers out	Purchases/(covers)	(Sales)/short buys	Realized gains (losses)	Unrealized gains (losses)	Balance at June 30, 2012
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 252	$ —	$ —	$ —	$ —	$ —	$ (12)	$ 240
Common stocks	827	—	—	—	—	—	(108)	719
Warrants and Rights	3,316	—	—	25	—	—	(497)	2,844
Warrants and Rights, sold not yet purchased	—	—	—	(4)	9	—	(2)	3
Portfolio Funds	19,012	—	—	1,230	(285)	2	(83)	19,876
Real estate	2,579	—	—	—	(501)	—	1	2,079
Lehman claim	574	—	—	—	—	—	157	731
Consolidated Funds								
Portfolio Funds	215,815	—	—	19	(2,138)	(1,906)	(2,283)	209,507
Lehman claim	5,346	—	—	—	—	1,192	—	6,538

	Six Months Ended June 30, 2013							
	Balance at December 31, 2012	Transfers in	Transfers out	Purchases/(covers)	(Sales)/short buys	Realized gains (losses)	Unrealized gains (losses)	Balance at June 30, 2013
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 2,332	$ —	$ (2,000) (e)	$ —	$ —	$ —	$ 1	$ 333
Common stocks	2,549	—	—	—	(273)	260	(263)	2,273
Corporate Bond	515	—	—	2,735	(3,346)	(914)	1,010	—
Warrants and Rights	1,713	290 (c)	—	166	(110)	—	77	2,136
Warrants and Rights, sold not yet purchased	3	—	—	—	—	(4)	1	—
Portfolio Funds	25,670	—	—	12,571	(6,733)	(278)	1,602	32,832
Real estate	1,864	—	—	—	—	—	294	2,158
Lehman claim	706	—	—	—	(382)	—	(46)	278
Consolidated Funds								
Portfolio Funds	182,920	—	—	—	(9,949)	320	4,557	177,848
Lehman claim	14,124	—	—	—	(1,449)	1,360	1,399	15,434

	Six Months Ended June 30, 2012							
	Balance at December 31, 2011	Transfers in	Transfers out	Purchases/(covers)	(Sales)/short buys	Realized gains (losses)	Unrealized gains (losses)	Balance at June 30, 2012
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 250	$ —	$ —	$ —	$ —	$ —	$ (10)	$ 240
Common stocks	819	—	—	—	(6)	6	(100)	719
Warrants and Rights	1,534	—	(88) (b)	282	(65)	56	1,125	2,844
Warrants and Rights, sold not yet purchased	—	—	(1,004) (d)	(306)	982	(35)	366	3
Portfolio Funds	16,919	—	—	2,851	(814)	7	913	19,876
Real estate	2,353	—	—	152	(501)	—	75	2,079
Lehman claim	553	—	—	—	—	—	178	731
Consolidated Funds								
Portfolio Funds	213,402	16,227 (a)	(17,151) (a)	434	(5,026)	(1,692)	3,313	209,507
Lehman claim	7,340	—	—	—	(2,291)	1,914	(425)	6,538

(a) Change in consolidated funds.

(b) The security was listed on an exchange subsequent to a private funding.

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

(d) The security began trading on an exchange due to a business combination.

(e) The company completed an initial public offering.

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

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

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

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

During the three and six months ended June 30, 2013 and 2012, there were no transfers between level 1 and level 2 assets and liabilities.

The following table includes quantitative information as of June 30, 2013 for financial instruments classified within level 3. The table below quantifies information about the significant unobservable inputs used in the fair value measurement of the Company's level 3 financial instruments.

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value at June 30, 2013	**Valuation techniques**	**Unobservable Inputs**	**Range**
Common and preferred stocks	$ 2,606	Discounted cash flows, market multiples, recent transactions, bid levels, and comparable transactions	Market multiples and DCF discount rate	DCF discount rates: 15%-25%, Market multiples: 9x-10x
Warrants and rights, net	2,136	Model based	Volatility	Volatility: 20% to 150%
	$ 4,742			
Other level 3 assets and liabilities (a)	228,550			
Total level 3 assets and liabilities	$ 233,292			

(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.

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 June 30, 2013 and December 31, 2012, receivable from brokers was $25.9 million and $71.3 million , respectively. Payable to brokers was $142.3 million and $188.8 million as of June 30, 2013 and December 31, 2012, respectively. The Company's receivables from and payable to brokers balances are held at multiple reputable 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.

As a result of the Company's acquisition of Dahlman Rose & Company, LLC, during the first quarter of 2013, the Company recognized provisional goodwill in the amount of $7.7 million within the broker dealer segment (See Note 2).

No impairment charges for goodwill were recognized during the three and six months ended June 30, 2013 or 2012.

9. Redeemable Non-Controlling Interests in Consolidated Subsidiaries

Redeemable non-controlling interests in consolidated subsidiaries and the related net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries are comprised as follows:

	As of June 30,	As of December 31,
	2013	2012
	(dollars in thousands)	
Redeemable non-controlling interests in consolidated subsidiaries		
Operating companies	$ 7,197	$ 4,106
Consolidated funds	84,365	81,597
	$ 91,562	$ 85,703

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(dollars in thousands)			
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries				
Operating companies	$ 1,601	$ 301	$ 3,396	$ 594
Consolidated funds	654	(2,735)	2,354	(787)
	$ 2,255	$ (2,434)	$ 5,750	$ (193)

10. Share-Based 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 and other equity based awards to the Company's employees, consultants and directors for up to 17,725,000 shares of common stock plus any approved additional shares in accordance with the Equity Plans. Stock options granted generally vest over two-to-five-year periods and expire seven years from the date of grant. Restricted shares and restricted share units issued may be immediately vested or may generally vest over a two-to-five-year period. Stock appreciation rights awards ("SAR's") vest and expire after 5 years from grant date. As of June 30, 2013, there were approximately 1.8 million shares available for future issuance under the Equity Plans.

Under the 2010 Equity Plan, the Company awarded $27.7 million of deferred cash awards to its employees in February 2013 in addition to awards granted during 2012. These awards vest over a period of five years and accrue interest at 0.75% per year. As of June 30, 2013, the Company had unrecognized compensation expense related to these awards of $31.3 million.

In addition to the Equity Plans, certain employees of the Company, in November 2009, were issued membership interests in RCG Holdings LLC (formerly Ramius LLC) ("RCG") by RCG, a related party of the Company (the “RCG Grants”). Substantially all of the assets owned by RCG consist of shares of common stock of the Company. Accordingly, upon withdrawal of capital from RCG, members receive either distributions in kind of shares of common stock of the Company, or the proceeds from the sale of shares of the Company's common stock attributable to their capital accounts. The RCG Grants are subject to a service condition and vest to each employee over a period of approximately three years. Any RCG Grants forfeited are redistributed to the remaining stakeholders in RCG, which includes both employees and non-employees. The RCG Grants represent awards to employees of the Company by a related party, as compensation for services provided to the Company. As such, the expense related to these grants is included in the compensation expense of the Company, with a corresponding credit to stockholders equity.

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 $4.7 million and $5.9 million for the three months ended June 30, 2013 and 2012, respectively, and $9.5 million and $10.4 million for the six months ended June 30, 2013 and 2012, respectively. The income tax effect recognized for the Equity Plans was a benefit of $3.7 million and $2.3 million for the three months ended June 30, 2013 and 2012, respectively, and $5.7 million and $4.6 million for the six months ended June 30, 2013 and 2012, respectively; however, these benefits were offset by a valuation allowance.

In relation to awards under the RCG Grants, the Company recognized expense of $1.6 million and $3.1 million for the three and six months ended June 30, 2012, respectively. The income tax effect recognized for the RCG Grants was a benefit of $0.6 million and $1.2 million for the three and six months ended June 30, 2012; however, these benefits were offset by valuation allowances.

Stock Options and Stock Appreciation Rights

The Company values options and SAR's using the Black-Scholes option valuation model which requires the Company to make assumptions regarding the expected term, volatility, risk-free rate and dividend yield.

The fair value of each award is estimated on the date of grant utilizing a Black-Scholes option valuation model that uses the following assumptions:

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 six months ended June 30, 2013:

	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, 2012	773,763	$ 12.58	1.6	$ —
Options granted	—	—	—	—
Options acquired	—	—	—	—
Options expired	(114,969)	16.00	—	—
Balance outstanding at June 30, 2013	658,794	$ 11.99	1.3	$ —
Options exercisable at June 30, 2013	558,792	$ 13.51	0.8	$ —

(1) Based on the Company's closing stock price of $2.89 on June 30, 2013 and $2.45 on December 31, 2012.

As of June 30, 2013, 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 six months ended June 30, 2013:

	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, 2012	—	$ —	—	$ —
SAR's granted	400,000	2.90	4.71	—
SAR's acquired	—	—	—	—
SAR's expired	—	—	—	—
Balance outstanding at June 30, 2013	400,000	$ 2.90	4.71	$ —
SAR's exercisable at June 30, 2013	—	$ —	—	$ —

(1) Based on the Company's closing stock price of $2.89 on June 30, 2013.

As of June 30, 2013, the unrecognized compensation expense related to the Company's grant of SAR's was $0.3 million.

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 six months ended June 30, 2013:

	Nonvested Restricted Shares and Restricted Stock Units	Weighted-Average Grant Date Fair Value
Balance outstanding at December 31, 2012	10,252,023	$ 4.15
Granted	6,384,072	2.55
Vested	(3,830,086)	3.98
Cancelled	—	—
Forfeited	(107,334)	3.32
Balance outstanding at June 30, 2013	12,698,675	$ 3.41

The fair value of restricted stock 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 June 30, 2013, there was $31.5 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 2.04 years.

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

There were 257,947 restricted stock units awarded, which were immediately vested and expensed, during the three and six months ended June 30, 2013. Vested awards of 112,320 were delivered during the three and six months ended June 30, 2013. As of June 30, 2013 there were 482,522 restricted stock units outstanding.

11. Defined Benefit Plans

The amounts contained in the following table relate to the Company's defined benefit plans for the three and six months ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(dollars in thousands)			
Components of net periodic benefit cost included in employee compensation and benefits				
Service cost	$ —	$ —	$ —	$ —
Interest cost	47	53	98	106
Expected return on plan assets	(59)	(59)	(122)	(116)
Amortization of (loss) / gain	—	—	—	—
Amortization of prior service cost	5	5	10	10
Effect of settlement	(95)	(1)	(95)	(3)
Net periodic benefit cost	$ (102)	$ (2)	$ (109)	$ (3)

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 are United Kingdom, Germany, Luxembourg, Gibraltar, Japan, Hong Kong, and China.

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 7.25% and (8.74)% for the six months ended June 30, 2013 and 2012, respectively. During the six months ended June 30, 2013, the the unusual or infrequent item whose tax impact was recorded discretely was primarily related to the tax provisions of the Company's foreign subsidiaries.

For the six months ended June 30, 2013 and 2012, the effective tax rate differs from the statutory rate of 35% primarily due to a change in the Company's valuation allowance, 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 June 30, 2013 the Company recorded a valuation allowance against substantially all of its net deferred tax assets.

The Company may be examined by the United States Internal Revenue Service (IRS), the United Kingdom Inland Revenue Service and state and 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 its 2009 tax year and one of the Company's former consolidated tax groups is under examination by the IRS for its 2010 tax year. No significant adjustments are expected as a result of these audits.

The Company intends to permanently reinvest the capital and accumulated earnings of its foreign subsidiaries in the respective subsidiary, but repatriates the current earnings of its foreign subsidiaries to the United States to the extent such repatriation is permissible under local regulatory rules. The undistributed earnings of the Company's foreign subsidiaries totaled $1.7 million as of June 30, 2013. The tax liability that would arise if these earnings were remitted to the United States is approximately $0.2 million.

13. Commitments and Contingencies

Lease Obligations

The Company has entered into non-cancellable 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 $4.2 million and $3.7 million for the three months ended June 30, 2013 and 2012, respectively, and $7.9 million and $7.4 million for the six months ended June 30, 2013 and 2012, respectively.

On August 20, 2010, the Company entered into an amendment to the Company's original lease for offices located at 1221 Avenue of Americas, New York, to surrender a portion of the office space as of January 1, 2011. As of December 31, 2011, the Company vacated the remaining portion of the leased premises located at 1221 Avenue of Americas. As a result, the Company recognized a liability in the amount of $5.7 million relating to future rent payments and other monthly amounts associated with the lease through its expiration in September 2013. The liability relating to future rent payments and other monthly amounts associated with vacating the remaining portion of the Company's leased premises, located at 1221 Avenue of Americas, was $0.9 million and $2.8 million as of June 30, 2013 and December 31, 2012, respectively.

As of June 30, 2013, future minimum annual lease and service payments for the Company were as follows:

	Equipment Leases (a)	Service Payments	Facility Leases (b)
		(dollars in thousands)	
2013	$ 1,650	$ 7,632	$ 10,175
2014	1,548	10,776	18,876
2015	1,051	2,645	16,126
2016	194	165	13,039
2017	—	—	9,938
Thereafter	—	—	43,733
	$ 4,443	$ 21,218	$ 111,887

(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 $0.4 million and $0.3 million for the three months ended June 30, 2013 and 2012, respectively, and $0.7 million and $0.8 million for the six months ended June 30, 2013 and 2012, respectively.

Clawback Obligations

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

The actual clawback liability, however, does not become realized until the end of a fund's life. The life of the real estate funds with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at the end of 2013. Further extensions of such terms may be implemented under certain circumstances. As of June 30, 2013, the clawback obligations were $6.2 million. (See Note 14).

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 June 30, 2013, the Company had unfunded commitments of $23.3 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 Partner, has committed to invest $42.2 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 June 30, 2013, the Company has funded $28.7 million towards these commitments. In April 2011, the Company committed $15.0 million to Starboard Value and Opportunity Fund LP, which may increase or decrease over time with the performance of Starboard Value and Opportunity Fund LP. As of June 30, 2013, the Company has fully funded this commitment. In April 2013, the Company committed $1.0 million to Starboard Leaders Fund LP, which may increase or decrease over time dependent on the performance of the fund, and, as of June 30, 2013, has funded $0.2 million towards this commitment. In January 2013, the Company committed $10.0 million to Orchard Square Partners Credit Fund LP (formerly known as Ramius Global Credit Fund LP). As of March 31, 2013, the Company has fully funded this commitment. In September 2012, the Company committed $10.0 million to Formation 8 Partners Fund I LP as a limited partner and funded $1.5 million through June 30, 2013. The remaining capital commitment is expected to be called over a five year period.

Litigation

In the ordinary course of business, the Company and its affiliates and subsidiaries and current and former officers, directors and employees (the "Company and Related Parties") are named as defendants in, or as parties to, various legal actions and proceedings. Certain of these actions and proceedings assert claims or seek relief in connection with alleged violations of securities, banking, anti-fraud, anti-money laundering, employment and other statutory and common laws. Certain of these actual or threatened legal actions and proceedings include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief.

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

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

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

In accordance with the 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 condensed 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 following information reflects developments with respect to the Company's legal proceedings that occurred in the second quarter of 2013. These items should be read together with the Company's discussion in Note 19 "Commitments, Contingencies and Guarantees-Litigation," 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, 2012.

In Re NYSE Specialists Securities Litigation

At the end of June 2013, the Company paid the remaining amounts due on behalf of LaBranche & Co., Inc., LaBranche & Co., LLC and Mr. LaBranche in connection with the settlement agreement entered into between CalPERS and defendants with respect to the above-captioned matter. This payment did not have a material result on our results of operations and the matter is complete.

14. Short-Term Borrowings and Other Debt

As of June 30, 2013 and December 31, 2012, short term borrowings and other debt of the Company were as follows:

	As of June 30, 2013	As of December 31, 2012
	(dollars in thousands)	
Notes payable	$ 1,145	$ 206
Capital lease obligations	3,231	3,926
	$ 4,376	$ 4,132

In January 2013, the Company borrowed $2 million to fund insurance premium payments. This notes bears interest at 2.22% and is due on December 1, 2013, with monthly payment requirements of $0.2 million. As of June 30, 2013, the outstanding balance on this note payable was $1.0 million. Interest expense for the three and six months ended June 30, 2013 was insignificant.

The Company entered into several capital leases for computer equipment during the fourth quarter of 2010. These leases amount to $6.3 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 condensed 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 6.14%. As of June 30, 2013, the remaining balance on these capital leases was $3.2 million. Interest expense was $0.1 million and $0.1 million for the three months ended June 30, 2013 and 2012, respectively, and $0.1 million and $0.1 million for the six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, the Company has the following five 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 12, 2014
New York	$ 1,193	September 3, 2013
New York	$ 6,754	December 12, 2013
New York	$ 1,002	February 22, 2014
New York	$ 1,861	March 19, 2014

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of June 30, 2013 and December 31, 2012, there were no amounts due related to these letters of credit.

Annual scheduled maturities of debt and minimum lease payments for capital lease obligation and short term borrowings and other debt outstanding as of June 30, 2013, are as follows:

	Capital Lease Obligation	Short Term Borrowings
	(dollars in thousands)	
2013	$ 771	$ 1,135
2014	1,402	46
2015	1,051	—
2016	194	—
2017	—	—
Thereafter	—	—
Subtotal	3,418	1,181
Less: Amount representing interest (a)	(187)	(36)
Total	$ 3,231	$ 1,145

(a) Amount necessary to reduce net minimum lease payments to present value calculated at the Company's implicit rate at lease inception.

15. Treasury stock

Treasury stock of $34.8 million as of June 30, 2013, compared to $31.7 million as of December 31, 2012, 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 and $0.2 million purchased in connection with a share repurchase program. The amount authorized, for the Company to purchase the Company's Class A common shares, as of June 30, 2013 is $35.0 million.

The following represents the activity relating to the treasury stock held by the Company during the six months ended June 30, 2013:

	Treasury stock shares	Cost (dollars in thousands)	Average cost per share
Balance outstanding at December 31, 2012	11,292,220	$ 31,728	$ 2.81
Shares purchased for minimum tax withholding under the Equity Plan	949,312	2,808	2.96
Purchase of treasury stock	89,297	236	2.64
Balance outstanding at June 30, 2013	12,330,829	$ 34,772	$ 2.82

16. Earnings Per Share

The Company calculates its basic and diluted earnings per share in accordance with US GAAP. Basic earnings per common share is calculated by dividing net income attributable to the Company's stockholders by the weighted average number of common shares outstanding for the period. As of June 30, 2013, there were 117,861,088 shares outstanding. The Company has included 482,522 fully vested, unissued restricted stock units in its calculation of basic earnings per share.

Diluted earnings per common share are calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive nonvested restricted stock and stock options. The Company uses the treasury stock method to reflect the potential dilutive effect of the unvested restricted shares, restricted stock units and unexercised stock options 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 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 SAR's were not included in the computation of diluted net income (loss) per common share for the three and six months ended June 30, 2013 and 2012, respectively, as their inclusion would have been anti-dilutive.

The computation of earnings per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(dollars in thousands, except per share data)			
Net income (loss)	3,348	(10,380)	$ 4,267	$ (4,144)
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	2,255	(2,434)	5,750	(193)
Net income (loss) less Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	1,093	(7,946)	(1,483)	(3,951)
Shares for basic and diluted calculations:				
Weighted average shares used in basic computation	117,235	114,561	115,471	114,420
Stock options	—	—	—	—
Stock appreciation rights	—	—	—	—
Restricted stock	3,666	—	—	—
Weighted average shares used in diluted computation	120,901	114,561	$ 115,471	$ 114,420
Earnings (loss) per share:				
Basic	$ 0.01	$ (0.07)	$ (0.01)	$ (0.03)
Diluted	$ 0.01	$ (0.07)	$ (0.01)	$ (0.03)

17. 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.

In general, Economic Income (Loss) is a pre-tax measure that (i) eliminates the impact of consolidation for consolidated funds, (ii) excludes equity award expense related to the November 2009 Ramius/Cowen transaction, and (iii) 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 Value and Opportunity business. For US GAAP purposes, all of these items are recorded in other income (loss). In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for US GAAP purposes is presented gross as part of revenue.

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 condensed 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):

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

	Three Months Ended June 30, 2013						
				Adjustments			
	Alternative Investment	Broker-Dealer (1)	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 25,571	$ 25,571	$ —	$ —		$ 25,571
Brokerage	—	33,300	33,300	—	(1,779)	(e)	31,521
Management fees	14,606	—	14,606	(286)	(4,622)	(a)	9,698
Incentive income	3,765	—	3,765	—	(1,811)	(a)	1,954
Investment Income	3,834	(271)	3,563	—	(3,563)	(c)	—
Interest and dividends	—	—	—	—	10,521	(c)	10,521
Reimbursement from affiliates	—	—	—	(196)	1,410	(b)	1,214
Other revenue	114	164	278	—	207	(c)	485
Consolidated Funds revenues	—	—	—	243	—		243
Total revenues	**22,319**	**58,764**	**81,083**	**(239)**	**363**		**81,207**
Expenses							
Employee compensation and benefits	10,411	37,303	47,714	—	(207)		47,507
Interest and dividends	50	22	72	—	7,168	(c)	7,240
Non-compensation expenses—Fixed	8,471	15,312	23,783	—	(23,783)	(c)(d)	—
Non-compensation expenses—Variable	1,139	7,423	8,562	—	(8,562)	(c)(d)	—
Non-compensation expenses	—	—	—	—	31,380	(c)(d)	31,380
Reimbursement from affiliates	(1,411)	—	(1,411)	—	1,411	(b)	—
Consolidated Funds expenses	—	—	—	485	—		485
Total expenses	**18,660**	**60,060**	**78,720**	**485**	**7,407**		**86,612**
Other income (loss)							
Net gain (loss) on securities, derivatives and other investments	—	—	—	—	4,994	(c)	4,994
Consolidated Funds net gains (losses)	—	—	—	1,378	2,539		3,917
Total other income (loss)	**—**	**—**	**—**	**1,378**	**7,533**		**8,911**
Income (loss) before income taxes and non-controlling interests	**3,659**	**(1,296)**	**2,363**	**654**	**489**		3,506
Income taxes expense / (benefit)	—	—	—	—	158	(b)	158
Economic Income (Loss) / Net income (loss) before non-controlling interests	**3,659**	**(1,296)**	**2,363**	**654**	331		3,348
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries	(893)	—	(893)	(654)	(708)		(2,255)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	**$ 2,766**	**$ (1,296)**	**$ 1,470**	**$ —**	**$ (377)**		**$ 1,093**

(1) For the three months ended June 30, 2013, the Company has reflected $0.3 million of investment income and related compensation expense of $0.1 million within the broker-dealer segment in proportion to its capital.

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

	Three Months Ended June 30, 2012						
				Adjustments			
	Alternative Investment	Broker-Dealer (1)	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 16,254	$ 16,254	$ —	$ —		$ 16,254
Brokerage	—	24,568	24,568	—	—		24,568
Management fees	14,586	—	14,586	(394)	(4,260)	(a)	9,932
Incentive income	2,583	—	2,583	—	(2,003)	(a)	580
Investment Income	6,694	1,592	8,286	—	(8,286)	(c)	—
Interest and dividends	—	—	—	—	5,868	(c)	5,868
Reimbursement from affiliates	—	—	—	(54)	1,435	(b)	1,381
Other revenue	216	(287)	(71)	—	902	(c)	831
Consolidated Funds revenues	—	—	—	56	—		56
Total revenues	**24,079**	**42,127**	**66,206**	**(392)**	**(6,344)**		**59,470**
Expenses							
Employee compensation and benefits	13,500	28,145	41,645	—	1,452		43,097
Interest and dividends	12	47	59	—	3,148	(c)	3,207
Non-compensation expenses—Fixed	8,560	15,929	24,489	—	(24,489)	(c)(d)	—
Non-compensation expenses—Variable	1,138	6,000	7,138	—	(7,138)	(c)(d)	—
Non-compensation expenses	—	—	—	—	30,486	(c)(d)	30,486
Reimbursement from affiliates	(1,435)	—	(1,435)	—	1,435	(b)	—
Consolidated Funds expenses	—	—	—	635	—		635
Total expenses	**21,775**	**50,121**	**71,896**	**635**	**4,894**		**77,425**
Other income (loss)							
Net gains (losses) on securities, derivatives and other investments	—	—	—	—	9,787	(c)	9,787
Consolidated Funds net gains (losses)	—	—	—	(1,707)	(314)		(2,021)
Total other income (loss)	**—**	**—**	**—**	**(1,707)**	**9,473**		**7,766**
Income (loss) before income taxes and non-controlling interests	**2,304**	**(7,994)**	**(5,690)**	**(2,734)**	**(1,765)**		**(10,189)**
Income taxes expense / (benefit)	—	—	—	—	191	(b)	191
Economic Income (Loss) / Net income (loss) before non-controlling interests	**2,304**	**(7,994)**	**(5,690)**	**(2,734)**	**(1,956)**		**(10,380)**
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries	(300)	—	(300)	2,734	—		2,434
Economic Income (Loss) / Net income (loss) attributable to Cowen Group, Inc. stockholders	**$ 2,004**	**$ (7,994)**	**$ (5,990)**	**$ —**	**$ (1,956)**		**$ (7,946)**

(1) For the three months ended June 30, 2012, the Company has reflected $1.7 million of investment income and related compensation expense of $0.6 million within the broker-dealer segment in proportion to its capital.

	Six Months Ended June 30, 2013						
				Adjustments			
	Alternative Investment	Broker-Dealer (1)	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 42,737	$ 42,737	$ —	$ —		$ 42,737
Brokerage	—	61,317	61,317	—	(3,196)	(e)	58,121
Management fees	28,750	—	28,750	(597)	(8,962)	(a)	19,191
Incentive income	8,892	—	8,892	—	(4,327)	(a)	4,565
Investment Income	12,138	2,298	14,436	—	(14,436)	(c)	—
Interest and dividends	—	—	—	—	19,842	(c)	19,842
Reimbursement from affiliates	—	—	—	(131)	2,830	(b)	2,699
Other revenue	226	(389)	(163)	—	1,126	(c)	963
Consolidated Funds revenues	—	—	—	330	—		330
Total revenues	**50,006**	**105,963**	**155,969**	**(398)**	**(7,123)**		**148,448**
Expenses							
Employee compensation and benefits	24,324	67,911	92,235	—	(505)		91,730
Interest and dividends	131	65	196	—	13,462	(c)	13,658
Non-compensation expenses—Fixed	17,609	29,952	47,561	—	(47,561)	(c)(d)	—
Non-compensation expenses—Variable	2,145	13,768	15,913	—	(15,913)	(c)(d)	—
Non-compensation expenses	—	—	—	—	63,417	(c)(d)	63,417
Reimbursement from affiliates	(2,830)	—	(2,830)	—	2,830	(b)	—
Consolidated Funds expenses	—	—	—	919	—		919
Total expenses	**41,379**	**111,696**	**153,075**	**919**	**15,730**		**169,724**
Other income (loss)							
Net gains (losses) on securities, derivatives and other investments	—	—	—	—	16,801	(c)	16,801
Consolidated Funds net gains (losses)	—	—	—	3,671	5,405		9,076
Total other income (loss)	**—**	**—**	**—**	**3,671**	**22,206**		**25,877**
Income (loss) before income taxes and non-controlling interests	**8,627**	(5,733)	**2,894**	**2,354**	**(647)**		**4,601**
Income taxes expense / (benefit)	—	—	—	—	334	(b)	334
Economic Income (Loss) / Net income (loss) before non-controlling interests	**8,627**	**(5,733)**	**2,894**	**2,354**	**(981)**		**4,267**
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries	(2,692)	—	(2,692)	(2,354)	(704)		(5,750)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	**$ 5,935**	**$ (5,733)**	**$ 202**	**$ —**	**$ (1,685)**		**$ (1,483)**

(1) For the six months ended June 30, 2013, the Company has reflected $2.6 million of investment income and related compensation expense of $0.9 million within the broker-dealer segment in proportion to its capital.

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	Six Months Ended June 30, 2012						
				Adjustments			
	Alternative Investment	Broker-Dealer (1)	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 31,884	$ 31,884	$ —	$ —		$ 31,884
Brokerage	—	48,581	48,581	—	—		48,581
Management fees	28,606	—	28,606	(787)	(8,170)	(a)	19,649
Incentive income	6,605	—	6,605	—	(5,334)	(a)	1,271
Investment Income	23,496	5,895	29,391	—	(29,391)	(c)	—
Interest and dividends	—	—	—	—	11,240	(c)	11,240
Reimbursement from affiliates	—	—	—	(125)	2,551	(b)	2,426
Other revenue	340	(27)	313	—	1,385	(c)	1,698
Consolidated Funds revenues	—	—	—	200	—		200
Total revenues	**59,047**	**86,333**	**145,380**	**(712)**	**(27,719)**		**116,949**
Expenses							
Employee compensation and benefits	30,946	56,608	87,554	—	2,226		89,780
Interest and dividends	30	117	147	—	4,784	(c)	4,931
Non-compensation expenses—Fixed	15,529	30,203	45,732	—	(45,732)	(c)(d)	—
Non-compensation expenses—Variable	2,447	11,566	14,013	—	(14,013)	(c)(d)	—
Non-compensation expenses	—	—	—	—	58,444	(c)(d)	58,444
Reimbursement from affiliates	(2,551)	—	(2,551)	—	2,551	(b)	—
Consolidated Funds expenses	—	—	—	1,009	—		1,009
Total expenses	**46,401**	**98,494**	**144,895**	**1,009**	**8,260**		**154,164**
Other income (loss)							
Net gains (losses) on securities, derivatives and other investments	—	—	—	—	29,458	(c)	29,458
Consolidated Funds net gains (losses)	—	—	—	934	3,012		3,946
Total other income (loss)	**—**	**—**	**—**	**934**	**32,470**		**33,404**
Income (loss) before income taxes and non-controlling interests	**12,646**	**(12,161)**	**485**	**(787)**	**(3,509)**		**(3,811)**
Income taxes expense / (benefit)	—	—	—	—	333	(b)	333
Economic Income (Loss) / Net income (loss) before non-controlling interests	**12,646**	**(12,161)**	**485**	**(787)**	**(3,842)**		**(4,144)**
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries	(600)	—	(600)	787	6		193
Economic Income (Loss) / Net Income (loss) attributable to Cowen Group, Inc. stockholders	**$ 12,046**	**$ (12,161)**	**$ (115)**	**$ —**	**$ (3,836)**		**$ (3,951)**

(1) For the six months ended June 30, 2012, the Company has reflected $5.9 million of investment income and related compensation expense of $1.9 million within the broker-dealer segment in proportion to its capital.

The following is a summary of the adjustments made to US GAAP net income (loss) for the segment to arrive at Economic Income (Loss):

Funds Consolidation: The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income (Loss). Adjustments to reconcile to US GAAP net income (loss) include elimination of incentive income and management fees earned from the Consolidated Funds and addition of fund expenses excluding management fees paid, fund revenues and investment income (loss).

Other Adjustments:

(a) Economic Income (Loss) recognizes revenues (i) net of distribution fees paid to agents and (ii) our proportionate share

of management and incentive fees of certain real estate operating entities and the activist business (2012 and 2011 only).
(b) Economic Income (Loss) excludes income taxes as management does not consider this item when evaluating the performance of the segment. Also, reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.
(c) Economic Income (Loss) recognizes Company income from proprietary trading net of related expenses.
(d) Economic Income (Loss) recognizes the Company's proportionate share of expenses for certain real estate and other operating entities for which the investments are recorded under the equity method of accounting for investments.
(e) Economic Income (Loss) recognizes stock borrow/loan activity and other brokerage dividends as brokerage revenue.

For the three and six months ended June 30, 2013 and 2012, there was no one fund or other customer which represented more than 10% of the Company's total revenues. Primarily all of the revenues earned by the alternative investment segment were from related parties for the three and six months ended June 30, 2013 and 2012. There were no revenues earned from related parties by the broker dealer segment in the three and six months ended June 30, 2013 and 2012.

18. Regulatory Requirements

As registered broker-dealers, Cowen and Company, Cowen Capital, ATM USA, Cowen Equity Finance and Cowen Securities 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 basic method permitted by the Rule, Cowen Capital is required to maintain minimum net capital, as defined, equivalent to the greater of $1.0 million or 6.667% of aggregate indebtedness. ATM USA is required to maintain minimum net capital, as defined, equivalent to the greater of $5,000 or 6.667% of aggregate indebtedness. Cowen Equity Finance is required to maintain minimum net capital, as defined, equal to $250,000. Cowen Securities is required to maintain minimum net capital, as defined, equivalent to the greater of $236,000 or 6.667% of aggregate indebtedness. The broker-dealers are not permitted to withdraw equity if certain minimum net capital requirements are not met. As of June 30, 2013, Cowen and Company had total net capital of approximately $38.9 million, which was approximately $37.9 million in excess of its minimum net capital requirement of $1.0 million. As of June 30, 2013, Cowen Capital had total net capital of approximately $4.0 million, which was approximately $3.0 million in excess of its minimum net capital requirement of $1.0 million. As of June 30, 2013, ATM USA had total net capital of approximately $1.2 million, which was approximately $1.2 million in excess of its minimum net capital requirement of $23,004. As of June 30, 2013, Cowen Equity Finance had total net capital of approximately $10.6 million which was approximately $10.3 million in excess of its minimum net capital requirement of $250,000. As of June 30, 2013, Cowen Securities had total net capital of approximately $1.1 million which was approximately $1.0 million in excess of its minimum net capital requirement of $0.1 million. During the second quarter of 2013, many of the processes performed by Cowen Securities were transferred to Cowen and Company. On June 24, 2013, Cowen Securities filed Form BDW Uniform Request for Withdrawal from Broker-Dealer Registration which has not yet been approved therefore Cowen Securities was still subject to the SEC's Uniform Net Capital Rule 15c3-1 as of June 30, 2013.

Cowen and Company, Cowen Capital and Cowen Securities are exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as its activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule. Similarly, ATM USA and Cowen Equity Finance are exempt from the provisions of Rule 15c3-3 under (k)(2)(i).

Proprietary accounts of introducing brokers (“PAIB”) held at the clearing broker are considered allowable assets for net capital purposes, pursuant to agreements between Cowen and Company, Cowen Capital and Cowen Securities and the clearing broker, which require, among other things, that the clearing broker performs computations for PAIB and segregates certain balances on behalf of Cowen and Company, Cowen Capital and Cowen Securities, if applicable.

Ramius UK Ltd. ("Ramius UK") and CIL are subject to the capital requirements of the Financial Services Authority (“FSA”) of the UK. Financial Resources, as defined, must exceed the requirement of the FSA. As of June 30, 2013, Ramius UK's Financial Resources of $0.5 million exceeded its minimum requirement of $0.2 million by $0.3 million. As of June 30, 2013, CIL's Financial Resources of $4.0 million exceeded its minimum requirement of $2.1 million by $1.9 million.

Cowen and Company (Asia) Limited (“CCAL”) (formerly known as Cowen Latitude Advisors Limited) 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 June 30, 2013, CCAL's Financial Resources of $1.1 million exceeded the minimum requirement of $0.4 million by $0.7 million.

19. Related Party Transactions

The Company acts as managing member, general partner and/or investment manager to the Ramius managed funds, HealthCare Royalty Management, LLC, and the HealthCare Royalty Partners funds, and certain managed accounts. Management fees and incentive income are primarily earned from affiliated entities. Fees receivable primarily represents the management fees and incentive income owed to the Company from these related funds and certain affiliated managed accounts. As of June 30, 2013 and December 31, 2012, $12.6 million and $13.6 million, respectively, included in fees receivable are earned from related parties.

The Company may, at its discretion, reimburse certain fees charged to the funds that it manages to avoid duplication of fees when such funds have an underlying investment in another affiliated investment fund. For the three months ended June 30, 2013 and 2012, the Company reimbursed the funds that it manages $0.5 million and $0.6 million, respectively, and $1.0 million and $1.4 million for the six months ended June 30, 2013 and 2012, respectively, which were recorded net in management fees and incentive income in the accompanying consolidated statements of operations. As of June 30, 2013 and December 31, 2012, related amounts still payable were $1.7 million and $1.7 million, respectively, and were reflected in fees payable in the accompanying condensed consolidated statements of financial condition.

As a result of a business combination in 2004, Ramius Alternative Solutions LLC acquired receivables of $9.6 million and assumed liabilities of a corresponding amount relating to various agreements with investors. Such amounts have been recorded in fees receivable and due to related parties, respectively, in the accompanying condensed consolidated statements of financial condition. The remaining balance yet to be paid was $0.1 million and $0.3 million as of June 30, 2013 and December 31, 2012, respectively. All amounts outstanding as of June 30, 2013, will be paid in 2013.

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 condensed consolidated statements of financial condition. As of June 30, 2013 and December 31, 2012, loans to employees of $8.5 million and $5.1 million, respectively, were included in due from related parties on the condensed consolidated statements of financial condition. Of these amounts $5.7 million and $2.3 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 $0.9 million and $0.4 million, respectively, related to the amortization of forgivable loans for the three months ended June 30, 2013 and 2012, and $1.2 million and $0.8 million for the six months ended June 30, 2013 and 2012, respectively . This expense is included in employee compensation and benefits in the condensed consolidated statement of operations. For the three and six months ended June 30, 2013 and 2012 the interest income was insignificant for all loans and advances. The remaining balance included in due from related parties primarily relates to amounts due to the Company from affiliated funds and real estate entities due to expenses paid on their behalf.

In April 2011, the Company entered into a credit agreement with Starboard Value LP (see Note 5), whereby the Company can loan up to $3.0 million to Starboard Value LP at an interest rate of LIBOR plus 3.75% (payable quarterly) with a maturity of March 30, 2014. As of June 30, 2013, $1.5 million is included in due from related parties in the accompanying condensed consolidated statement of financial condition. For the three and six months ended June 30, 2013 and 2012, interest charged for this loan was insignificant.

Included in due to related parties is approximately $0.5 million and $0.4 million as of June 30, 2013 and December 31, 2012, 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.

20. 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 condensed 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 condensed 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 condensed consolidated financial statements for these indemnifications.

Through the Company's securities lending program (see Note 5(a)), the Company can borrow and lend customers' securities, via custodial and non-custodial arrangements, to third parties. As part of this program, the Company provides a guarantee in an aggregate amount of $150 million to counterparties of the securities lending agreements, which protects the lender against the failure of the third-party borrower to return the lent securities in the event the Company did not obtain sufficient collateral. To minimize its liability under these indemnification agreements, the Company obtains cash or other highly liquid collateral with a market value exceeding 100% of the value of the securities on loan from the borrower. Collateral is marked to market daily to assure that collateralization is adequate. Additional collateral is called from the borrower if a shortfall exists, or collateral may be released to the borrower in the event of overcollateralization. If a borrower defaults, the Company would use the collateral held to purchase replacement securities in the market or to credit the lending customer with the cash equivalent thereof.

In conjunction with the acquisition of Cowen Securities (See Note 2) the Company has agreed to guarantee loans which were issued to employees of Cowen Securities by a third party bank prior to the acquisition. The value of these loans at June 30, 2013 was $2.7 million.

Off-Balance Sheet Arrangements

The Company has no material off-balance sheet arrangements as of June 30, 2013 and December 31, 2012. However, through indemnification provisions in our clearing agreement, customer activities may expose us to off-balance-sheet credit risk. Pursuant to the clearing agreement, the Company is 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.

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.

21. Subsequent Events

The Company has evaluated events through August 7, 2013 which is the date the condensed consolidated financial statements were available to be issued and has determined that there were no additional subsequent events requiring adjustment or disclosure in the condensed 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 2012 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, provides alternative investment management, investment banking, research, 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, mutual funds, managed futures funds, fund of funds, real estate and, healthcare royalty funds, offered primarily under the Ramius name. 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.

Our alternative investment business had approximately $9.0 million of assets under management as of July 1, 2013. 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 since 1997. Our alternative investment products, solutions and services include hedge funds, replication products, mutual funds, managed futures funds, funds of funds, real estate and healthcare royalty funds. Our institutional investors include pension funds, insurance companies, banks, foundations and endowments, wealth management organizations and family offices.

Our broker-dealer businesses include research, brokerage and investment banking services to companies and institutional investor clients primarily in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, industrials, real estate investment trusts ("REITs"), clean technology, energy, metals and mining, transportation, chemicals and agriculture sectors. 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. As previously disclosed, redemptions in Ramius Multi-Strategy Fund Ltd triggered certain contractual rights of affiliates of UniCredit S.p.A ("UniCredit S.p.A"), which would have allowed them to withdraw their assets held in that fund upon 30 days notice. Such affiliates of UniCredit S.p.A instead agreed, pursuant to a modification agreement, to extend the time period pursuant to which the Company was required to return the bulk of its assets in our funds by the end of 2010. The Company returned a significant portion of the assets during 2010 and as of June 30, 2013, including redemptions effective on July 1, 2013, we have returned approximately $582 million to affiliates of UniCredit S.p.A with a remaining investment balance of approximately $146 million invested in our investment vehicles, including a fund of funds managed account.

- *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 July 1, 2013, we had investments of approximately $117.6 million, $150.5 million and $14.3 million in the Enterprise Fund (an entity which invests its capital in Ramius Enterprise Master Fund Ltd), Cowen Overseas Investment LP ("COIL") and Ramius Optimum Investments LLC ("ROIL"), respectively. Enterprise Fund is a fund vehicle that currently has external investors, is closed to new investors and is in liquidation. COIL and ROIL are wholly owned entities managed by Ramius that the Company uses solely for the firm's invested capital.

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

- *Underwriting, private placement and strategic/financial advisory fees.* Our revenues from investment banking are directly linked to the underwriting fees we earn in equity and debt securities offerings in which the Company acts as an underwriter, private placement fees earned in non-underwritten transactions, sales commissions earned in at-the-market offerings and success fees earned in connection with advising both buyers and sellers, principally in mergers and acquisitions. As a result, the future performance of our investment banking business will depend on, among other things, our ability to secure lead manager and co-manager roles in clients capital raising transactions as well as our ability to secure mandates as a client's strategic financial advisor.

- *Commissions.* Our commission revenues depend for the most part on our customer trading volumes.

- *Principal transactions.* Principal transactions revenue includes net trading gains and losses from the Company's market-making activities and net trading gains and losses on inventory and other firm positions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk.

- *Equity research fees.* Equity research fees are paid to the Company for providing equity research. The Company also permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. Our ability to generate revenues relating to our equity research depends on the quality of our research and its relevance to our institutional customers and other clients.

External Factors Impacting Our Business

Our financial performance is highly dependent on the environment in which our businesses operate. 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 alternative investment business was affected by the conditions impacting the global financial markets and the hedge fund industry during 2008, which was characterized by substantial declines in investment performance and unanticipated levels of requested redemptions. While the environment for investing in alternative investment products has since improved, the variability of redemptions could continue to affect our alternative investment business, and it is possible that we could intermittently experience redemptions above historical levels, regardless of fund performance.

- 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 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.

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 generally accepted accounting principles in the United States of America ("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.

Acquisitions

The March 11, 2013 acquisition of Cowen Securities was accounted for under the acquisition method of accounting in accordance with US GAAP. As such, results of operations for Cowen Securities are included in the accompanying condensed statements of operations since the date of acquisition, and the assets acquired and liabilities assumed and the resulting goodwill were recorded at their estimated fair values.

The Company has not yet finalized with the sellers certain closing date balance sheet adjustments, resolution of which will potentially impact the purchase price, assets and liabilities recognized and the resulting goodwill. The Company does not believe the impact will be material. The preliminary purchase price allocation of Cowen Securities is based upon all information available to us at the present time, and is based upon management's preliminary estimates of the fair values using valuation techniques including income, cost and market approaches. As of June 30, 2013, the purchase price allocation is preliminary pending the Company's final determination of the fair values of the assets and liabilities, which the Company expects will occur within twelve months following the acquisition. Upon the completion of the final purchase price allocation, any reallocation of fair values to the assets acquired and liabilities assumed in the acquisitions could have an impact on the amounts recognized on the condensed consolidated statements of financial condition.

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 two principal sources: management fees and incentive income.

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

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.

- **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 Funds. Management fees from the Company's real estate funds are generally charged by their general partners at an annual rate from** 1% to 1.5% 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 Company's real estate funds 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 condensed consolidated statements of operations.

- **HealthCare Royalty Partners Funds.** During the investment period (as defined in the management agreement of the HealthCare Royalty Partners funds), management fees for the HealthCare Royalty Partners funds 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 net asset value. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.

- **Ramius Trading Strategies.** Management fees for Ramius Trading Strategies Managed Futures Fund, a mutual fund launched in September 2011, are 1.60% per annum (subject to an overall expense cap of 1.85%). Management fees and platform fees for the Company's private commodity trading advisory business are generally charged at an annual rate of up to 1.00%. Management and platform fees are generally calculated monthly based on assets under management 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 20% for hedge funds and 10% for fund of funds and 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 condensed consolidated statement of operations may be subject to future reversal based on subsequent negative performance prior to the conclusion of the fiscal year, when all contingencies have been resolved.

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

Investment Banking

The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's target sectors of healthcare, technology, media and telecommunications, consumer, aerospace and defense, industrials, real estate investment trusts ("REITs"), clean technology, energy, metals and mining, transportation, chemicals and agriculture. Investment banking revenue consists of underwriting fees, strategic/financial advisory fees and private placement fees.

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

  When the Company is not the lead manager for an underwriting transaction, management must estimate the Company's share of transaction-related expenses incurred by the lead manager in order to recognize revenue. Transaction-related expenses are deducted from the underwriting fee and therefore reduce the revenue the Company 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 debt and equity and debt 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, net 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 transaction, net revenue includes net trading gains and losses from the Company's market-making activities in fixed income and over-the-counter equity securities, listed options trading, trading of convertible securities, and trading gains and losses on inventory and other firm positions, which include warrants previously received as part of investment banking transactions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration.

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

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 condensed 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.

- *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 condensed 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.

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

As of July 1, 2013, the Company had assets under management of $9.0 million, a 12.0% increase as compared to assets under management of $8.1 billion as of January 1, 2013. The $1.0 billion increase in assets under management during the first half of 2013 primarily resulted from $0.4 billion in our alternative solutions product and $0.4 billion related to our hedge fund products including the launch of the Ramius Merger Fund LLC.

The following table is a breakout of total assets under management by platform as of July 1, 2013 (which excludes cross investments from other Ramius platforms):

	Platform						
	Hedge Funds (a) (b)	Alternative Solutions (c)	Ramius Trading Strategies (d)	Real Estate (a)	Healthcare Royalty Partners (e) (f)	Other (g)	Total
	(dollars in millions)						
January 1, 2010	**1,608**	**2,376**	**—**	**1,628**	**807**	**1,429**	**7,848**
Net Subscriptions/(Redemptions)	(392)	323	78	—	234	800	**1,043**
Performance (h)	169	93	4			(115)	**151**
January 1, 2011	**1,385**	**2,792**	**82**	**1,628**	**1,041**	**2,114**	**9,042**
Net Subscriptions/(Redemptions)	493	56	194	—	432	125	**1,300**
Performance (h)	39	(98)	(14)	—	—	(4)	**(77)**
January 1, 2012	**1,917**	**2,750**	**262**	**1,628**	**1,473**	**2,235**	**10,265**
Net Subscriptions/(Redemptions)	59	(370)	(111)	(95)	—	(2,130)	**(2,647)**
Performance (h)	373	85	(5)	—	—	—	**453**
January 1, 2013	**2,349**	**2,465**	**146**	**1,533**	**1,473**	**105**	**8,071**
Net Subscriptions/(Redemptions)	244	607	(38)	222	—	(25)	**1,010**
Performance (h)	190	(228)	(2)	—	—	—	**(40)**
July 1, 2013	**2,783**	**2,844**	**106**	**1,755**	**1,473**	**80**	**9,041**

	Platform						
	Hedge Funds (a) (b)	Alternative Solutions (c)	Ramius Trading Strategies (d)	Real Estate (a)	Healthcare Royalty Partners (e) (f)	Other (g)	Total
	(dollars in millions)						
April 1, 2013	2,565	3,022	119	1,661	1,473	91	8,931
Net Subscriptions/(Redemptions)	163	80	(9)	94	—	(11)	317
Performance (h)	55	(258)	(4)	—	—	—	(207)
July 1, 2013	**2,783**	**2,844**	**106**	**1,755**	**1,473**	**80**	**9,041**

(a) The Company owns between 30% and 55% of the general partners or managing members of the real estate business, the activist business and the long/short credit business (as of 4/1/13) (the single strategy hedge funds). We do not possess unilateral control over any of these general partners or managing members.

(b) These amounts include the Company's invested capital of approximately $117.6 million, $118.2 million and $125.8 million as of July 1, 2013, January 1, 2013 and January 1, 2012, respectively.

(c) These amounts include the Company's invested capital of approximately $1.5 million, $2.5 million and $5.2 million as of July 1, 2013, January 1, 2013 and January 1, 2012, respectively.

(d) These amounts include Ramius Trading Strategies Managed Futures Fund and the Company's invested capital of approximately $2.4 million, $19.4 million and $22.3 million as of July 1, 2013, January 1, 2013 and January 1, 2012, respectively. 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 $14.9 million, $16.0 million and $8.6 million as of July 1, 2013, January 1, 2013 and January 1, 2012, respectively.

(f) This amount reflects committed capital.

(g) The Company's cash management services business provided clients with investment guidelines for managing cash and established investment programs for managing their cash in separately managed accounts. Given the current focus of the Company's alternative investment management business and the areas where the Company believes it can achieve long term growth, as of November 1, 2012, the Company no longer offered cash management services and arranged for the transfer of the remaining assets under management related to such business to another asset manager. This transfer was completed in December 2012. The Company continues to provide mortgage advisory services where the Company manages collateralized debt obligations held by investors.

(h) Net performance is net of all management and incentive fees and includes the effect of any foreign exchange translation adjustments and leverage in certain funds.

Fund Performance

The previous six months have been characterized by positive performance in stocks and bonds, accompanied by a constructive attitude toward risk assets in general. These attitudes were visibly shaken during the most recent quarter, primarily due to apprehension toward the timing and extent of the U.S. Federal Reserve's eventual reduced market presence and influence. Specifically, Chairman Bernanke appeared before the Joint Economic Committee of Congress on May 22 and raised the notion of “tapering back" its monthly mortgage bond purchase program as well as cautioning about the negative effects of very low interest rates maintained for too long of a time period.

Investors reacted negatively to the comments in both the fixed income and equity markets. The first point of attack was U.S. Treasury bonds, as yields on the ten year, which had bottomed at 1.61% on May 1, rose steadily to 2.67% on June 24 before closing the quarter at 2.49%. Corporate bonds sold off as well, from investment grade to high yield. The average price of debt in the Merrill Lynch High Yield Index lost 5.36% from its May 9 peak to quarter-end. Price declines and a change in sentiment in turn created a record monthly outflow of $9.5 billion from high yield mutual funds in June. Emerging Market debt was even harder hit, with the JP Morgan EMI Global Diversified Index off (7.77)%. Equities also reacted negatively, but the declines were compressed and the major indices rallied during the last several days of June. As one example, the S&P 500 fell 5.57% from its all-time high on May 21 to its June 24 intra-quarter low, but still finished up 1.72% for the second quarter. A diversified list of commodities remained under pressure as the Dow Jones UBS Commodity Index declined 9.46% during the quarter. Gold futures lost more than 23% during the three month period, the worst quarterly loss since the advent of modern trading of gold futures began in 1974.

Ramius hedge fund vehicles had positive results across the board, including both the long /short corporate credit and small-cap activist funds. The credit fund's relative results during the most stressful months of May and June were noteworthy, as short positions and market hedges offset the effects of an environment with rising rates and widening spreads. The activist fund did lag the Russell 2000 for the quarter, but its long terms results continue to be substantially above the Index. Short term returns can vary over time due to the idiosyncratic nature of the fund's portfolio. Consistent with past periods, the internally managed multi-strategy funds maintained their focus on capital preservation, while executing opportunistic transactions linked to certain assets in order to make distributions to investors.

The more liquid alternative mutual funds (offering hedge fund exposures, multi-manager managed futures access and a long volatility strategy) had varying but negative results. Hedge fund replication was marginally negative for the quarter and slightly lagged a representative, investable hedge fund index, which has a higher equity-related component. The managed futures fund also declined, but its cumulative results since inception are in line with its relevant benchmark index. The strategic volatility fund, which was introduced in the fourth quarter of 2012, participated in the temporary upward movement in volatility from late May into June, but then declined as equity market volatility began to recede.

In terms of longer-dated investment vehicles, the Longview real estate debt funds continued the pattern of positive performance that has held since the market lows of March 2009. The primary real estate equity fund was also marginally higher for the quarter, and has similarly recovered sharply since valuations bottomed in 2009. In another longer-term alternative asset class, our health care royalty fund continues to steadily commit capital and perform to expectations.

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 management clients. The Company's real estate investment strategy focuses on making investments along side the Company's alternative investment clients in Ramius managed funds such as the RCG Longview platform, as well as in direct investments in commercial real estate projects.

As of June 30, 2013, the Company's invested capital amounted to a net value of $405 million (supporting a long market value of $684.3 million), representing approximately 80% 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 June 30, 2013. The net values presented in the table below do not tie to Cowen Group's condensed consolidated statement of financial condition as of June 30, 2013 because they are included in various line items of the condensed 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”.

Strategy		Net Value	% of Stockholders' Equity
		(dollars in millions)	
Trading	$	235.0	46%
Merchant Banking		110.1	22%
Real Estate		59.9	12%
Total		**405.0**	**80%**
Stockholders' Equity	$	506.1	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 management 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 condensed 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 17 to the Company's condensed 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 June 30, 2013 Compared with the Three Months Ended June 30, 2012

Condensed Consolidated Statements of Operations

(unaudited)

	Three Months Ended June 30,		Period to Period	
	2013	**2012**	**$ Change**	**% Change**
	(dollars in thousands)			
Revenues				
Investment banking	$ 25,571	$ 16,254	$ 9,317	57 %
Brokerage	31,521	24,568	6,953	28 %
Management fees	9,698	9,932	(234)	(2)%
Incentive income	1,954	580	1,374	237 %
Interest and dividends	10,521	5,868	4,653	79 %
Reimbursement from affiliates	1,214	1,381	(167)	(12)%
Other revenues	485	831	(346)	(42)%
Consolidated Funds revenues	243	56	187	334 %
Total revenues	**81,207**	**59,470**	**21,737**	**37 %**
Expenses				
Employee compensation and benefits	47,507	43,097	4,410	10 %
Interest and dividends	7,240	3,207	4,033	126 %
General, administrative and other expenses	31,380	30,486	894	3 %
Consolidated Funds expenses	485	635	(150)	(24)%
Total expenses	**86,612**	**77,425**	**9,187**	**12 %**
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	4,994	9,787	(4,793)	(49)%
Consolidated Funds net gains (losses)	3,917	(2,021)	5,938	(294)%
Total other income (loss)	**8,911**	**7,766**	**1,145**	**15 %**
Income (loss) before income taxes	**3,506**	**(10,189)**	**13,695**	**(134)%**
Income taxes expense (benefit)	158	191	(33)	(17)%
Net income (loss)	**3,348**	**(10,380)**	**13,728**	**(132)%**
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	2,255	(2,434)	4,689	(193)%
Net income (loss) attributable to Cowen Group, Inc. stockholders	**$ 1,093**	**$ (7,946)**	**$ 9,039**	**(114)%**

Revenues

Investment Banking

Investment banking revenues increased $9.3 million to $25.6 million for the three months ended June 30, 2013 compared with $16.3 million in the prior year quarter. During the three months ended June 30, 2013, the Company completed 16 underwriting transactions, one private capital raising transactions, three strategic advisory transactions and four debt capital market transactions. During the three months ended June 30, 2012, the Company completed 11 underwriting transactions, three private capital raising transactions, one strategic advisory transaction and two debt capital market transactions.

Brokerage

Brokerage revenues increased $6.9 million to $31.5 million for the three months ended June 30, 2013 compared with $24.6 million in the prior year quarter. This was attributable to higher commissions due to an increase in customer trading volume, which was partially related to an increase in stocks covered due to the Company's acquisition of Dahlman Rose & Company, LLC (subsequently renamed to Cowen Securites) during the first quarter of 2013 and equity finance revenues related to the acquisiton of KDC Securities (subsequently renamed to Cowen Equity Finance) in November 2012. Customer trading volumes across the industry (according to Bloomberg) decreased 8% in the three months ended June 30, 2013 compared to the same period in 2012.

Management Fees

Management fees decreased $0.2 million to $9.7 million for the three months ended June 30, 2013 compared with $9.9 million in the prior year quarter. Overall fees remained generally constant from the prior year.

Incentive Income

Incentive income increased $1.4 million to $2.0 million for the three months ended June 30, 2013, compared with $0.6 million in the prior year quarter. This increase was primarily related to an increase in performance fees from our credit fund and various other smaller funds.

Interest and Dividends

Interest and dividends increased $4.6 million to $10.5 million for the three months ended June 30, 2013 compared with $5.9 million in the prior year quarter. This was primarily attributable to a increase in the number of investments in interest bearing securities during 2013 as compared to 2012 and the activity in our stock loan business which began in the fourth quarter of 2012.

Reimbursements from Affiliates

Reimbursements from affiliates decreased $0.2 million to $1.2 million for the three months ended June 30, 2013 compared with $1.4 million in the prior year quarter.

Other Revenues

Other revenues decreased $0.3 million to $0.5 million for the three months ended June 30, 2013 compared with $0.8 million in the prior year quarter.

Consolidated Funds Revenues

Consolidated Funds revenues increased $0.1 million to $0.2 million for the three months ended June 30, 2013 compared with $0.1 million in the prior year quarter.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $4.4 million to $47.5 million for the three months ended June 30, 2013 compared with $43.1 million in the prior year quarter. The increase is primarily attributable to an increase in headcount due to the acquisition of Dahlman Rose (subsequently renamed to Cowen Securities) in the first quarter of 2013. The compensation to revenue ratio, based on total revenues only, was 59% for the three months ended June 30, 2013, compared with 72% for the prior year period. The decrease in the compensation to revenue ratio resulted from a 10% increase in total compensation combined with a 37% increase in total revenues. The compensation to revenue ratio, including other income (loss), was 53% for the three months ended June 30, 2013, compared with 64% for the prior year period. Average headcount increased by 7.5% for the three months ended June 30, 2013 compared to the prior year quarter.

Interest and Dividends

Interest and dividends expense increased $4.0 million to $7.2 million for the three months ended June 30, 2013 compared with $3.2 million in the prior year quarter. Interest and dividends expense relates to trading activity with respect to the Company's investments and activity in our stock loan business which began in the fourth quarter of 2012.

General, Administrative and Other Expenses

General, administrative and other expenses increased $0.9 million to $31.4 million for the three months ended June 30, 2013 compared with $30.5 million in the prior year quarter. This was primarily due to increased communications and floor brokerage and trade execution costs due to two acquisitions completed during second and fourth quarter of 2012 and one in the first quarter of 2013 which a) require additional market data services and b) generated increased trading costs and is in line with the increase in associated revenues. Marketing and business development expenses have increased due to firm wide increased marketing activity. Occupancy and depreciation and amortization costs increased due to the Dahlman Rose (renamed to Cowen Securities) acquisition completed during the first quarter of 2013. These expense increases were partially offset by a reduction in professional fees related to lower accounting, legal and recruitment fees.

Consolidated Funds Expenses

Consolidated Funds expenses decreased $0.1 million to $0.5 million for the three months ended June 30, 2013 compared with $0.6 million in the prior year quarter.

Other Income (Loss)

Other income (loss) increased $1.1 million to $8.9 million for the three months ended June 30, 2013 compared with $7.8 million in the prior year quarter. The increase is primarily related to increases in the valuation of certain private investments and is only partially offset by a decrease in the Company's own invested capital driven by decreases in performance in certain investment strategies including our credit, PIPEs and equities strategies. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to redeemable non-controlling interests.

Income Taxes

Income tax expense was $0.2 million both for the three months ended June 30, 2013 and June 30, 2012.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests increased by $4.7 million to a income of $2.3 million for the three months ended June 30, 2013 compared with a loss of $2.4 million in the prior year quarter. The period over period change was the result of an extension of the partnership agreement relating to our credit business (subsequently renamed Orchard Square Partners) which resulted in a profit split and therefore more allocations of income to non-controlling interest holders

Six Months Ended June 30, 2013 Compared with the Six Months Ended June 30, 2012

	Condensed Consolidated Statements of Operations			
	(unaudited)			
	Six Months Ended June 30,		Period to Period	
	2013	2012	$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	$ 42,737	$ 31,884	$ 10,853	34 %
Brokerage	58,121	48,581	9,540	20 %
Management fees	19,191	19,649	(458)	(2)%
Incentive income	4,565	1,271	3,294	259 %
Interest and dividends	19,842	11,240	8,602	77 %
Reimbursement from affiliates	2,699	2,426	273	11 %
Other revenues	963	1,698	(735)	(43)%
Consolidated Funds revenues	330	200	130	65 %
Total revenues	**148,448**	**116,949**	**31,499**	**27 %**
Expenses				
Employee compensation and benefits	91,730	89,780	1,950	2 %
Interest and dividends	13,658	4,931	8,727	177 %
General, administrative and other expenses	63,417	58,444	4,973	9 %
Consolidated Funds expenses	919	1,009	(90)	(9)%
Total expenses	**169,724**	**154,164**	**15,560**	**10 %**
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	16,801	29,458	(12,657)	(43)%
Consolidated Funds net gains (losses)	9,076	3,946	5,130	130 %
Total other income (loss)	**25,877**	**33,404**	**(7,527)**	**(23)%**
Income (loss) before income taxes	**4,601**	**(3,811)**	**8,412**	**(221)%**
Income taxes expense (benefit)	334	333	1	— %
Net income (loss)	**4,267**	**(4,144)**	**8,411**	**(203)%**
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	5,750	(193)	5,943	(3,079)%
Net income (loss) attributable to Cowen Group, Inc. stockholders	**$ (1,483)**	**$ (3,951)**	**$ 2,468**	**(62)%**

Revenues

Investment Banking

Investment banking revenues increased $10.8 million to $42.7 million for the six months ended June 30, 2013 compared with $31.9 million for the first six months of 2012. During the six months ended June 30, 2013, the Company completed 26 underwriting transactions, three private capital raising transactions, five strategic advisory transactions and six debt capital market transactions. During the six months ended June 30, 2012, the Company completed 27 underwriting transactions, four private capital raising transactions, two strategic advisory transactions and four debt capital market transactions.

Brokerage

Brokerage revenues increased $9.5 million to $58.1 million for the six months ended June 30, 2013 compared with $48.6 million for the first six months of 2012. This was attributable to higher commissions due to an increase in customer trading volume, which was partially related to an increase in stocks covered due to the Company's acquisition of Dahlman Rose & Company, LLC (subsequently renamed to Cowen Securities) during the first quarter of 2013, fees related to the Company's acquisition of ATM in the second quarter of 2012 and equity finance revenues related to the acquisition of KDC Securities (subsequently renamed to Cowen Equity Finance) in November 2012. Customer trading volumes across the industry (according to Bloomberg) decreased 9% in the six months ended June 30, 2013 compared to the same period in 2012.

Management Fees

Management fees decreased $0.4 million to $19.2 million for the six months ended June 30, 2013 compared with $19.6 million for the first six months of 2012. Overall fees remained generally constant from the prior year.

Incentive Income

Incentive income increased $3.3 million to $4.6 million for the six months ended June 30, 2013, compared with $1.3 million for the first six months of 2012. This increase was primarily related to an increase in performance fees from our credit fund and various other smaller funds.

Interest and Dividends

Interest and dividends increased $8.6 million to $19.8 million for the six months ended June 30, 2013 compared with $11.2 million for the first six months of 2012. This was primarily attributable to a increase in the number of investments in interest bearing securities during 2013 as compared to 2012 and the activity in our stock loan business which began in the fourth quarter of 2012.

Reimbursements from Affiliates

Reimbursements from affiliates increased $0.3 million to $2.7 million for the six months ended June 30, 2013 compared with $2.4 million for the first six months of 2012.

Other Revenues

Other revenues decreased $0.7 million to $1.0 million for the six months ended June 30, 2013 compared with $1.7 million for the first six months of 2012.

Consolidated Funds Revenues

Consolidated Funds revenues increased $0.1 million to $0.3 million for the six months ended June 30, 2013 compared with $0.2 million for the first six months of 2012.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $1.9 million to $91.7 million for the six months ended June 30, 2013 compared with $89.8 million for the first six months of 2012. The increase is primarily attributable to an increase in headcount due to the acquisition of Dahlman Rose (subsequently renamed to Cowen Securities) in the first quarter of 2013. The compensation to revenue ratio, based on total revenues only, was 62% for the six months ended June 30, 2013, compared with 77% for the first six months of 2012. The decrease in the compensation to revenue ratio resulted from a 2% increase in total compensation combined with a 27% increase in total revenues. The compensation to revenue ratio, including other income (loss), was 53% for the six months ended June 30, 2013, compared with 60% for the first six months of 2012. Average headcount increased by 5% for the six months ended June 30, 2013 compared to the prior year period.

Interest and Dividends

Interest and dividends expense increased $8.8 million to $13.7 million for the six months ended June 30, 2013 compared with $4.9 million for the first six months of 2012. Interest and dividends expense relates to trading activity with respect to the Company's investments and activity in our stock loan business which began in the fourth quarter of 2012.

General, Administrative and Other Expenses

General, administrative and other expenses increased $5.0 million to $63.4 million for the six months ended June 30, 2013 compared with $58.4 million for the first six months of 2012. This was primarily due to increased communications and floor brokerage and trade execution costs due to two acquisitions completed during second and fourth quarter of 2012 and one in the first quarter of 2013 which a) require additional market data services and b) generated increased trading costs and is in line with the increase in associated revenues. Marketing and business development expenses have increased due to firm wide increased marketing activity. Occupancy and depreciation and amortization costs increased due to the Dahlman Rose (renamed to Cowen Securities) acquisition completed during the first quarter of 2013. These expense increases were partially offset by a reduction in professional fees related to lower accounting, legal and recruitment fees.

Consolidated Funds Expenses

Consolidated Funds expenses decreased $0.1 million to $0.9 million for the six months ended June 30, 2013 compared with $1.0 million for the first six months of 2012.

Other Income (Loss)

Other income (loss) decreased $7.5 million to $25.9 million for the six months ended June 30, 2013 compared with $33.4 million for the first six months of 2012. The decrease primarily relates to a decrease in the Company's own invested capital driven by decreases in performance in certain investment strategies including our credit, PIPEs and equities strategies which was partially offset by increases in the valuation of certain private 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 was $0.3 million both for the six months ended June 30, 2013 and June 30, 2012.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests increased by $6.0 million to a income of $5.8 million for the six months ended June 30, 2013 compared with a loss of $0.2 million for the first six months of 2012. The period over period change was the result of an extension of the partnership agreement relating to our credit business (subsequently renamed Orchard Square Partners) which resulted in a profit split and therefore more allocations of income to non-controlling interest holders.

Segment Analysis and Economic Income (Loss)

Segments

The Company conducts its operations through two segments: an alternative investment segment and a broker-dealer segment. The Company's alternative investment segment currently includes its hedge funds, replication products, managed futures funds, fund of funds, real estate, healthcare royalty funds and other investment platforms businesses. The Company's broker-dealer segment currently includes its investment banking, brokerage and equity research businesses.

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 17 to the Company's condensed consolidated financial statements included in this 10-Q.

In general, Economic Income (Loss) is a pre-tax measure that (i) eliminates the impact of consolidation for consolidated funds, (ii) excludes equity award expense related to the November 2009 Ramius/Cowen transaction, and (iii) excludes certain other acquisition-related and/or reorganization expenses. In addition, Economic Income (Loss) revenues include investment income that represents the income the Company has earned in investing its own capital, including realized and unrealized gains and losses, interest and dividends, net of associated investment related expenses. For US GAAP purposes, these items are included in each of their respective line items. Economic Income (Loss) revenues also include management fees, incentive income and investment income earned through the Company's investment as a general partner in certain real estate entities and the Company's investment in the Value and Opportunity business. For US GAAP purposes, all of these items are recorded in other income (loss). In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for US GAAP purposes is presented gross as part of revenue.

Economic Income (Loss) Revenues

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

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

Our broker-dealer segment generates Economic Income (Loss) revenues through two principal sources: investment banking and brokerage. The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's target sectors of healthcare, technology, media and telecommunications, consumer, aerospace and defense, industrials, REITs and clean technology. 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 condensed consolidated statement of operations.

Economic Income (Loss) Expenses

The Company's Economic Income expenses consist of compensation and benefits, non-compensation expenses—fixed and non-compensation expenses—variable, less reimbursement from affiliates.

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 other owners of such entities.

Three Months Ended June 30, 2013 Compared with the Three Months Ended June 30, 2012

For the three months ended June 30, 2013 and 2012, the Company's alternative investment segment includes hedge funds, replication products, mutual funds, managed futures fund, fund of funds, real estate and healthcare royalty funds operating results and other investment platforms operating results.

For the three months ended June 30, 2013 and 2012, the Company's broker-dealer segment includes investment banking, research and brokerage businesses' operating results.

	Economic Income (Loss)							
	Three Month Ended June 30,							
	2013			2012			Total Period-to-Period	
	Alternative Investment	Broker-Dealer (a)	Total 2013	Alternative Investment	Broker-Dealer (a)	Total 2012	$ Change	% Change
	(dollars in thousands)							
Economic Income Revenues								
Investment banking	$ —	$ 25,571	**$ 25,571**	$ —	$ 16,254	**$ 16,254**	$ 9,317	57 %
Brokerage	—	33,300	**33,300**	—	24,568	**24,568**	8,732	36 %
Management fees	14,606	—	**14,606**	14,586	—	**14,586**	20	— %
Incentive income (loss)	3,765	—	**3,765**	2,583	—	**2,583**	1,182	46 %
Investment income (loss)	3,834	(271)	**3,563**	6,694	1,592	**8,286**	(4,723)	(57)%
Other revenues	114	164	**278**	216	(287)	**(71)**	349	(492)%
Total economic income revenues	**22,319**	**58,764**	**81,083**	**24,079**	**42,127**	**66,206**	**14,877**	**22 %**
Economic Income Expenses								
Compensation and benefits	10,411	37,303	**47,714**	13,500	28,145	**41,645**	6,069	15 %
Non-compensation expenses—Fixed	8,521	15,334	**23,855**	8,572	15,976	**24,548**	(693)	(3)%
Non-compensation expenses—Variable	1,139	7,423	**8,562**	1,138	6,000	**7,138**	1,424	20 %
Reimbursement from affiliates	(1,411)	—	**(1,411)**	(1,435)	—	**(1,435)**	24	(2)%
Total economic income expenses	**18,660**	**60,060**	**78,720**	**21,775**	**50,121**	**71,896**	**6,824**	**9 %**
Net economic income (loss) (before non-controlling interest)	3,659	(1,296)	**2,363**	2,304	(7,994)	**(5,690)**	8,053	(142)%
Non-controlling interest	(893)	—	**(893)**	(300)	—	**(300)**	(593)	198 %
Economic income (loss)	**$ 2,766**	**$ (1,296)**	**$ 1,470**	**$ 2,004**	**$ (7,994)**	**$ (5,990)**	**$ 7,460**	**(125)%**

(a) For the three months ended June 30, 2013 and 2012, the Company has reflected $0.3 million and $1.7 million of investment income, respectively, and related compensation expense of $0.1 million and $0.6 million, respectively, within the broker-dealer segment in proportion to its capital.

Economic Income (Loss) Revenues

Total Economic Income (Loss) revenues were $81.1 million for the three months ended June 30, 2013, an increase of $14.9 million compared to Economic Income (Loss) revenues of $66.2 million in the prior year quarter. For purposes of the following section, all references to revenue refer to Economic Income (Loss) revenues. The increase was related to an increase in investment banking and brokerage partially offset by decreases in revenue from other lines of business,

Alternative Investment Segment

Alternative investment segment Economic Income (Loss) revenues was $22.3 million for the three months ended June 30, 2013, a decrease of $1.8 million compared to Economic Income (Loss) revenues of $24.1 million in the prior year quarter.

Management Fees. Management fees for the segment remained unchanged at $14.6 million for the three months ended June 30, 2013 compared with $14.6 million in the prior year quarter.

Incentive Income (Loss). Incentive income for the segment increased $1.2 million to $3.8 million for the three months ended June 30, 2013 compared with $2.6 million in the prior year quarter. This increase was primarily related to an increase in performance fees from our credit fund and various other smaller funds.

Investment Income (Loss). Investment income for the segment decreased $2.9 million to $3.8 million for the three months ended June 30, 2013, compared with $6.7 million in the prior year quarter. The decrease primarily relates to a decrease in the Company's own invested capital driven by decreases in performance in certain investment strategies including our credit, PIPEs and equities strategies.

Other Revenues. Other revenues for the segment decreased $0.1 million to $0.1 million for the three months ended June 30, 2013, compared with $0.2 million in the prior year quarter.

Broker-Dealer Segment

Broker-dealer segment Economic Income (Loss) revenues were $58.8 million for the three months ended June 30, 2013, an increase of $16.7 million compared with Economic Income (Loss) revenues of $42.1 million in the prior year quarter.

Investment Banking. Investment banking revenues increased $9.3 million to $25.6 million for the three months ended June 30, 2013 compared with $16.3 million in the prior year quarter. During the three months ended June 30, 2013, the Company completed 16 underwriting transactions, one private capital raising transactions, three strategic advisory transactions and four debt capital market transactions. During the three months ended June 30, 2012, the Company completed 11 underwriting transactions, three private capital raising transactions, one strategic advisory transaction and two debt capital market transactions.

Brokerage. Brokerage revenues increased $8.7 million to $33.3 million for the three months ended June 30, 2013, compared with $24.6 million in the prior year quarter. This was attributable to higher commissions due to an increase in customer trading volume, which was partially related to an increase in stocks covered due to the Company's acquisition of Dahlman Rose & Company, LLC (subsequently renamed to Cowen Securites) during the first quarter of 2013 and equity finance revenues related to the acquisiton of KDC Securities (subsequently renamed to Cowen Equity Finance) in November 2012. Customer trading volumes across the industry (according to Bloomberg) decreased 8% in the three months ended June 30, 2013 compared to the same period in 2012.

Investment Income (Loss). Investment income for the segment decreased $1.9 million to a $0.3 million loss for the three months ended June 30, 2013, compared with $1.6 million income in the prior year quarter. The decrease is a result of an decrease in overall investment income available for allocation offset.

Economic Income (Loss) Expenses

Compensation and Benefits. Total compensation and benefits expense increased $6.1 million to $47.7 million for the three months ended June 30, 2013, compared with $41.6 million in the prior year quarter. The increase is primarily attributable to an increase in headcount due to the acquisition of Dahlman Rose (subsequently renamed to Cowen Securities) in the first quarter of 2013. The compensation to revenue ratio was 59% for the three months ended June 30, 2013, compared to 63% for the prior year period. The decrease in the compensation to revenue ratio resulted from a 15% increase in total compensation and a 22% increase in revenues compared to the prior year period. Average headcount increased by 7.5% for the three months ended June 30, 2013 compared to the prior year quarter.

Compensation and benefits expenses for the alternative investment segment decreased $3.1 million to $10.4 million for the three months ended June 30, 2013 compared with $13.5 million in the prior year quarter. Subsequent to the long term partnership that we entered into with the portfolio managers managing Ramius's long/short global credit fund, effective January 1, 2013, a portion of compensation is classified in redeemable non-controlling interest. The decrease is also due to $2.0 million lower revenues during the second quarter of 2013 as compared to 2012 and thus resulting in a lower compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio. The compensation to revenue ratio was 47% for the three months ended June 30, 2013, compared to 56% for the prior year period.

Compensation and benefits expenses for the broker-dealer segment increased $9.2 million to $37.3 million for the three months ended June 30, 2013 compared with $28.1 million in the prior year quarter. The increase is primarily attributable to an increase in headcount due to the acquisition of Dahlman Rose (subsequently renamed to Cowen Securities) in the first quarter of 2013. The compensation to revenue ratio was 63% for three months ended June 30, 2013 compared with 67% for 2012.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses decreased $0.7 million to $23.9 million for the three months ended June 30, 2013 compared with $24.5 million in the prior year quarter. This was primarily due to a reduction in professional fees related to lower accounting, legal and recruitment fees which were only partially offset by increased occupancy and depreciation and amortization costs due to the Dahlman Rose (renamed to Cowen Securities) acquisition completed during the first quarter of 2013.

Fixed non-compensation expenses for the alternative investment segment decreased $0.1 million to $8.5 million for the three months ended June 30, 2013 compared with $8.6 million in the prior year quarter. Fixed non-compensation expenses for the broker-dealer segment decreased $0.7 million to $15.3 million for the three months ended June 30, 2013 compared with $16.0 million in the prior year quarter.

The following table shows the components of the non-compensation expenses—fixed, for the three months ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Period-to-Period	
	2013	2012	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—fixed:				
Interest expense	$ 73	$ 59	$ 14	24 %
Professional, advisory and other fees	2,341	3,119	(778)	(25)%
Occupancy and equipment	6,238	5,220	1,018	20 %
Depreciation and amortization	2,601	2,361	240	10 %
Service fees	2,678	3,154	(476)	(15)%
Other	9,924	10,635	(711)	(7)%
Total	**$ 23,855**	**$ 24,548**	**$ (693)**	**(3)%**

Non-compensation Expenses—Variable. Variable non-compensation expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $1.5 million to $8.6 million for the three months ended June 30, 2013 compared with $7.1 million in the prior year quarter. The increase in floor brokerage and trade execution relate to two acquisitions completed during second and fourth quarter of 2012 and one in the first quarter of 2013 which generated increased trading costs and is in line with the increase in associated revenues. Marketing and business development expenses have increased due to firm wide increased marketing activity.

The following table shows the components of the non-compensation expenses—variable, for the three months ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Period-to-Period	
	2013	2012	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	$ 3,649	$ 2,906	$ 743	26 %
Expenses related to Luxembourg reinsurance companies	516	735	(219)	(30)%
Marketing and business development	4,397	3,497	900	26 %
Total	**$ 8,562**	**$ 7,138**	**$ 1,424**	**20 %**

Reimbursement from Affiliates. Reimbursements from affiliates, which relate to the alternative investment segment, remained unchanged at $1.4 million for the three months ended June 30, 2013 compared with the prior year quarter.

Non-Controlling Interest. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to other investors. The period over period change was the result of an extension of the partnership agreement relating to our credit business (subsequently renamed Orchard Square Partners) which resulted in a profit split and therefore more allocations of income to non-controlling interest holders.

Six Months Ended June 30, 2013 Compared with the Six Months Ended June 30, 2012

	Economic Income (Loss)							
	Six Months Ended June 30,						Total Period-to-Period	
	2013			2012				
	Alternative Investment	Broker-Dealer (a)	Total 2013	Alternative Investment	Broker-Dealer (a)	Total 2012	$ Change	% Change
	(dollars in thousands)							
Economic Income Revenues								
Investment banking	$ —	$ 42,737	**$ 42,737**	$ —	$ 31,884	**$ 31,884**	$ 10,853	34 %
Brokerage	—	61,317	**61,317**	—	48,581	**48,581**	12,736	26 %
Management fees	28,750	—	**28,750**	28,606	—	**28,606**	144	1 %
Incentive income (loss)	8,892	—	**8,892**	6,605	—	**6,605**	2,287	35 %
Investment income (loss)	12,138	2,298	**14,436**	23,496	5,895	**29,391**	(14,955)	(51)%
Other revenues	226	(389)	**(163)**	340	(27)	**313**	(476)	(152)%
Total economic income revenues	**50,006**	**105,963**	**155,969**	**59,047**	**86,333**	**145,380**	**10,589**	**7 %**
Economic Income Expenses								
Compensation and benefits	24,324	67,911	**92,235**	30,946	56,608	**87,554**	4,681	5 %
Non-compensation expenses—Fixed	17,740	30,017	**47,757**	15,559	30,320	**45,879**	1,878	4 %
Non-compensation expenses—Variable	2,145	13,768	**15,913**	2,447	11,566	**14,013**	1,900	14 %
Reimbursement from affiliates	(2,830)	—	**(2,830)**	(2,551)	—	**(2,551)**	(279)	11 %
Total economic income expenses	**41,379**	**111,696**	**153,075**	**46,401**	**98,494**	**144,895**	**8,180**	**6 %**
Net economic income (loss) (before non-controlling interest)	8,627	(5,733)	**2,894**	12,646	(12,161)	**485**	2,409	497 %
Non-controlling interest	(2,692)	—	**(2,692)**	(600)	—	**(600)**	(2,092)	349 %
Economic income (loss)	**$ 5,935**	**$ (5,733)**	**$ 202**	**$ 12,046**	**$ (12,161)**	**$ (115)**	**$ 317**	**(276)%**

(a) For the six months ended June 30, 2013 and 2012, the Company has reflected $2.6 million and $5.9 million of investment income, respectively, and related compensation expense of $0.9 million and $1.9 million, respectively, within the broker-dealer segment in proportion to its capital.

Economic Income (Loss) Revenues

Total Economic Income (Loss) revenues were $156.0 million for the six months ended June 30, 2013, an increase of $10.6 million compared to Economic Income (Loss) revenues of $145.4 million for the first six months of 2012. For purposes of the following section, all references to revenue refer to Economic Income (Loss) revenues. The increase was related to an increase in investment banking and brokerage partially offset by decreases in revenue from other lines of business.

Alternative Investment Segment

Alternative investment segment Economic Income (Loss) revenues was $50.0 million for the six months ended June 30, 2013, a decrease of $9.0 million compared to Economic Income (Loss) revenues of $59.0 million for the first six months of 2012.

Management Fees. Management fees for the segment increased $0.2 million to $28.8 million for the six months ended June 30, 2013 compared with $28.6 million for the first six months of 2012. Overall fees remained generally constant from the prior year.

Incentive Income (Loss). Incentive income for the segment increased $2.3 million to $8.9 million for the six months ended June 30, 2013 compared with $6.6 million for the first six months of 2012. This increase was primarily related to an increase in performance fees from our credit fund and various other smaller funds.

Investment Income (Loss). Investment income for the segment decreased $11.4 million to $12.1 million for the six months ended June 30, 2013, compared with $23.5 million for the first six months of 2012. The decrease primarily relates to a decrease in the Company's own invested capital driven by decreases in performance in certain investment strategies including our credit, PIPEs and equities strategies.

Other Revenues. Other revenues for the segment remained fairly flat at $0.2 million of income for the six months ended June 30, 2013, compared with $0.3 million of income for the first six months of 2012.

Broker-Dealer Segment

Broker-dealer segment Economic Income (Loss) revenues were $106.0 million for the six months ended June 30, 2013, an increase of $19.7 million compared with Economic Income (Loss) revenues of $86.3 million for the first six months of 2012.

Investment Banking. Investment banking revenues increased $10.8 million to $42.7 million for the six months ended June 30, 2013 compared with $31.9 million for the first six months of 2012. During the six months ended June 30, 2013, the Company completed 26 underwriting transactions, three private capital raising transactions, five strategic advisory transactions and six debt capital market transactions. During the six months ended March 31, 2012, the Company completed 27 underwriting transactions, four private capital raising transactions, two strategic advisory transactions and four debt capital market transactions.

Brokerage. Brokerage revenues increased $12.7 million to $61.3 million for the six months ended June 30, 2013, compared with $48.6 million for the first six months of 2012. This was attributable to higher commissions due to an increase in customer trading volume, which was partially related to an increase in stocks covered due to the Company's acquisition of Dahlman Rose & Company, LLC (subsequently renamed to Cowen Securities) during the first quarter of 2013, fees related to the Company's acquisition of ATM in the second quarter of 2012 and equity finance revenues related to the acquisition of KDC Securities (subsequently renamed to Cowen Equity Finance) in November 2012. Customer trading volumes across the industry (according to Bloomberg) decreased 9% in the six months ended June 30, 2013 compared to the same period in 2012.

Investment Income (Loss). Investment income for the segment decreased $3.6 million to $2.3 million for the six months ended June 30, 2013, compared with $5.9 million for the first six months of 2012. The decrease is a result of an decrease in overall investment income available for allocation.

Economic Income (Loss) Expenses

Compensation and Benefits. Total compensation and benefits expense increased $4.6 million to $92.2 million for the six months ended June 30, 2013, compared with $87.6 million for the first six months of 2012. The increase is primarily attributable to an increase in headcount due to the acquisition of Dahlman Rose (subsequently renamed to Cowen Securities) in the first quarter of 2013. The compensation to revenue ratio was 59% for the six months ended June 30, 2013, compared to 60% for the prior year period. The decrease in the compensation to revenue ratio resulted from a 5% increase in total compensation combined with a 7% increase in revenues compared to the prior year period. Average headcount increased by 5% for the six months ended June 30, 2013 compared to the prior year period.

Compensation and benefits expenses for the alternative investment segment decreased $6.6 million to $24.3 million for the six months ended June 30, 2013 compared with $30.9 million for the first six months of 2012. Subsequent to the long term partnership that we entered into with the portfolio managers managing Ramius's long/short global credit fund, effective January 1, 2013, a portion of compensation is classified in redeemable non-controlling interest. The decrease is also due to $9.0 million lower revenues during the first half of 2013 as compared to 2012 and thus resulting in a lower compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio. The compensation to revenue ratio was 49% for the six months ended June 30, 2013, compared to 52% for the prior year period.

Compensation and benefits expenses for the broker-dealer segment increased $11.3 million to $67.9 million for the six months ended June 30, 2013 compared with $56.6 million for the first six months of 2012. The increase is primarily attributable to an increase in headcount due to the acquisition of Dahlman Rose (subsequently renamed to Cowen Securities) in the first quarter of 2013.. The compensation to revenue ratio was 64% for six months ended June 30, 2013 compared with 66% for 2012.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses increased $1.9 million to $47.8 million for the six months ended June 30, 2013 compared with $45.9 million for the first six months of 2012. This was primarily due to increased occupancy and depreciation and amortization costs due to the Dahlman Rose (renamed to Cowen Securities) acquisition completed during the first quarter of 2013. These expense increases were partially offset by a reduction in professional fees related to lower accounting, legal and recruitment fees.

Fixed non-compensation expenses for the alternative investment segment increased $2.1 million to $17.7 million for the six months ended June 30, 2013 compared with $15.6 million for the first six months of 2012. Fixed non-compensation expenses for the broker-dealer segment decreased $0.3 million to $30.0 million for the six months ended June 30, 2013 compared with $30.3 million for the first six months of 2012.

The following table shows the components of the non-compensation expenses—fixed, for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30,		Period-to-Period	
	2013	2012	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—fixed:				
Interest expense	$ 196	$ 147	$ 49	33 %
Professional, advisory and other fees	5,413	6,410	(997)	(16)%
Occupancy and equipment	11,593	9,753	1,840	19 %
Depreciation and amortization	5,142	4,515	627	14 %
Service fees	5,224	5,378	(154)	(3)%
Other	20,189	19,676	513	3 %
Total	**$ 47,757**	**$ 45,879**	**$ 1,878**	**4 %**

Non-compensation Expenses—Variable. Variable non-compensation expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $1.9 million to $15.9 million for the six months ended June 30, 2013 compared with $14.0 million for the first six months of 2012. The increase in floor brokerage and trade execution relate to two acquisitions completed during second and fourth quarter of 2012 and one in the first quarter of 2013 which generated increased trading costs and is in line with the increase in associated revenues. Marketing and business development expenses have increased due to firm wide increased marketing activity.

The following table shows the components of the non-compensation expenses—variable, for the six months ended June 30, 2013 and 2012:

	Six Months Ended June 30,		Period-to-Period	
	2013	2012	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	$ 6,623	$ 5,578	$ 1,045	19 %
Expenses related to Luxembourg reinsurance companies	1,032	1,345	(313)	(23)%
Marketing and business development	8,258	7,090	1,168	16 %
Total	**$ 15,913**	**$ 14,013**	**$ 1,900**	**14 %**

Reimbursement from Affiliates. Reimbursements from affiliates, which relate to the alternative investment segment, increased $0.2 million to $2.8 million for the six months ended June 30, 2013 compared with $2.6 million for the first six months of 2012.

Non-Controlling Interest. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to other investors. The period over period change was the result of an extension of the partnership agreement relating to our credit business (subsequently renamed Orchard Square Partners) which resulted in a profit split and therefore more allocations of income to non-controlling interest holders.

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 and 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 June 30, 2013, we had cash and cash equivalents of $36.9 million, which includes $12.0 million held in foreign subsidiaries, and net liquid investment assets of $260.5 million.

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 discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Certain Factors Impacting Our Business" we entered into a modification agreement with affiliates of Unicredit S.p.A in May 2010 and it is not expected to have a material impact on the Company's liquidity and capital resources.

As of June 30, 2013, the Company had unfunded commitments of $23.3 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 Partner, has committed to invest $42.2 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 June 30, 2013, the Company has funded $28.7 million towards these commitments. In April 2011, the Company committed $15.0 million to Starboard Value and Opportunity Fund LP, which may increase or decrease over time with the performance of Starboard Value and Opportunity Fund LP. As of June 30, 2013, the Company has fully funded this commitment. In April 2013, the Company committed $1.0 million to Starboard Leaders Fund LP, which may increase or decrease over time dependent on the performance of the fund, and, as of June 30, 2013, has funded $0.2 million towards this commitment. In January 2013, the Company committed $10 million to Orchard Square Partners Credit Fund LP (formerly known as Ramius Global Credit Fund LP). As of March 31, 2013, the Company has fully funded this commitment. In September 2012, the Company committed $10.0 million to Formation 8 Partners Fund I LP as a limited partner and funded $1.5 million through June 30, 2013. The remaining capital commitment is expected to be called over a five 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, Cowen Capital, ATM USA, Cowen Equity Finance and Cowen Securities 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 basic method permitted by the Rule, Cowen Capital is required to maintain minimum net capital, as defined, equivalent to the greater of $1.0 million or 6.667% of aggregate indebtedness. ATM USA is required to maintain minimum net capital, as defined, equivalent to the greater of $5,000 or 6.667% of aggregate indebtedness. Cowen Equity Finance is required to maintain minimum net capital, as defined, equal to $250,000. Cowen Securities is required to maintain minimum net capital, as defined, equivalent to the greater of $236,000 or 6.667% of aggregate indebtedness. The broker-dealers are not permitted to withdraw equity if certain minimum net capital requirements are not met. As of June 30, 2013, Cowen and Company had total net capital of approximately $38.9 million, which was approximately $37.9 million in excess of its minimum net capital requirement of $1.0 million. As of June 30, 2013, Cowen Capital had total net capital of approximately $4.0 million, which was approximately $3.0 million in excess of its minimum net capital requirement of $1.0 million. As of June 30, 2013, ATM USA had total net capital of approximately $1.2 million, which was approximately $1.2 million in excess of its minimum net capital requirement of $23,004. As of June 30, 2013, Cowen Equity Finance had total net capital of approximately $10.6 million which was approximately $10.3 million in excess of its minimum net capital requirement of $250,000. As of June 30, 2013, Cowen Securities had total net capital of approximately $1.1 million which was approximately $1.0 million in excess of its minimum net capital requirement of $0.1 million. During the second quarter of 2013, many of the processes performed by Cowen Securities were transferred to Cowen and Company. On June 24, 2013, Cowen Securities filed Form BDW Uniform Request for Withdrawal from Broker-Dealer Registration which has not yet been approved therefore Cowen Securities was still subject to the SEC's Uniform Net Capital Rule 15c3-1 as of June 30, 2013.

Cowen and Company, Cowen Capital and Cowen Securities are exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as its activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule. Similarly, ATM USA and Cowen Equity Finance are exempt from the provisions of Rule 15c3-3 under (k)(2)(i).

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

Ramius UK Ltd. ("Ramius UK") and Cowen International Limited ("CIL") are subject to the capital requirements of the Financial Services Authority ("FSA") of the UK. Financial Resources, as defined, must exceed the requirement of the FSA. As of June 30, 2013, Ramius UK's Financial Resources of $0.5 million exceeded its minimum requirement of $0.2 million by $0.3 million. As of June 30, 2013, CIL's Financial Resources of $4.0 million exceeded its minimum requirement of $2.1 million by $1.9 million.

Cowen and Company (Asia) Limited ("CCAL") (formerly known as Cowen Latitude Advisors Limited) 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 June 30, 2013, CCAL's Financial Resources of $1.1 million exceeded the minimum requirement of $0.4 million by $0.7 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.

The Company uses securities purchased under agreements to resell and securities sold under agreements to repurchase ("Repurchase Agreements") as part of its liquidity management activities and to support its trading and risk management activities. In particular, securities purchased and sold under Repurchase Agreements are used for short-term liquidity purposes. As of June 30, 2013, Repurchase Agreements are secured predominantly by liquid corporate credit and/or government-issued securities. The use of Repurchase Agreements will fluctuate with the Company's need to fund short term credit or obtain competitive short term credit financing. The Company's securities purchased under agreements to resell and securities sold under agreements to repurchase were transacted pursuant to agreements with one counterparty as of June 30, 2013 and multiple counterparties as of December 31, 2012.

There were no material differences between the average and period-end balances of the Company's Repurchase Agreements. The following table represents the Company's securities purchased under agreements to resell and securities sold under agreements to repurchase as of June 30, 2013 and December 31, 2012:

	As of June 30, 2013
	(dollars in thousands)
Securities purchased under agreements to resell	
Agreements with Royal Bank of Canada bearing interest of 1.75% due on June 2015 to January 2016	$ 6,311
	$ 6,311

	As of December 31, 2012
	(dollars in thousands)
Securities sold under agreements to repurchase	
Agreements with Royal Bank of Canada bearing interest of 2.12% - 2.2% due on January 31, 2013 to June 25, 2013	29,039
Agreements with Barclays Capital Inc bearing interest of (0.05%) - 0.23% due on January 1, 2013	136,906
	$ 165,945

For all of the Company's holdings of Repurchase Agreements as of June 30, 2013, the repurchase dates are open and the agreement can be terminated by either party at any time. The agreements continue on a day-to-day basis.

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 provided by operating activities of $105.1 million for the six months ended June 30, 2013 was predominately related to a) proceeds from sales of securities owned and securities sold which were owned by the Company only partially offset by purchases of securities owned and payments to cover securities sold and b) cash received related to an decrease in cash held at other brokers offset partially by cash used to pay for year end bonuses and a decrease in payable to brokers. Net cash provided by operating activities of $23.9 million for the six months ended June 30, 2012 was predominately related to cash received from a decrease in cash held at other brokers partially offset by cash used to pay for year end bonuses.

Investing Activities. Net cash provided by investing activities of $10.6 million for the six months ended June 30, 2013 was primarily related to the proceeds from sales of other investments offset partially by contingent liability payments related to an acquisition completed in 2012. Net cash used in investing activities of $65.9 million for the six months ended June 30, 2012 was primarily related to increase repurchase agreement activity and cash used for an acquisition.

Financing Activities. Net cash used in financing activities for the six months ended June 30, 2013 of $162.4 million was primarily related to repurchase agreement activity. Net cash used in financing activities for the six months ended June 30, 2012 was $6.8 million primarily related to the purchase of treasury stock and payment by the consolidated funds to investors for capital withdrawals.

Short-Term Borrowings and other debt

In January 2013, the Company borrowed $2 million to fund insurance premium payments. This notes bears interest at 2.22% and is due on December 1, 2013, with monthly payment requirements of $0.2 million. As of June 30, 2013, the outstanding balance on this note payable was $1.0 million. Interest expense for the three and six months ended June 30, 2013 was insignificant.

The Company entered into several capital leases for computer equipment during the fourth quarter of 2010. These leases amount to $6.3 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 condensed 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 6.14%. As of June 30, 2013, the remaining balance on these capital leases was $3.2 million. Interest expense was $0.1 million and $0.1 million for the six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, the Company has the following five 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 12, 2014
New York	$	1,193	September 3, 2013
New York	$	6,754	December 12, 2013
New York	$	1,002	February 22, 2014
New York	$	1,861	March 19, 2014

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of June 30, 2013 and December 31, 2012, there were no amounts due related to these letters of credit.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as of June 30, 2013. 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, Cowen Capital LLC, Cowen Equity Finance, L.P., Cowen Structured Holdings LLC and Cowen Securities 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 condensed consolidated statements of financial condition for these arrangements.

Securities lending indemnifications

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

In conjunction with the acquisition of Cowen Securities the Company has agreed to guarantee loans which were issued to employees of Cowen Securities by a third party bank prior to the acquisition. The value of these loans at June 30, 2013 was $2.7 million.

Critical Accounting Policies and Estimates

Critical accounting policies are those that require the Company to make significant judgments, estimates or assumptions that affect amounts reported in its 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.

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.

The Company has the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company has elected the fair value option for its investments through Ramius Co-Investment I LLC (formerly known as Cowen Bluebird LLC), Ramius Co-Investment II LLC (formerly known as RCG Ultragenex Holdings LLC) and certain investments it holds though its operating companies. This option has been elected because the Company believes that it is consistent with the manner in which the business is managed as well as the way that financial instruments in other parts of the business are recorded.

Securities— Securities whose values are based on quoted market prices in active markets for identical assets, and are therefore classified in level 1 of the fair value hierarchy, include active listed equities, certain U.S. government and sovereign obligations, ETF's 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, are stated at fair value and classified within level 2. 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. Futures and currency forwards are included within other assets on the accompanying condensed consolidated statements of financial condition and all other derivatives are included within securities owned, at fair value on the accompanying condensed consolidated statements of financial condition.

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 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 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.

The Company also reflects its real estate equity investments net of investment level financing. Valuation adjustments attributable to underlying financing arrangements are considered in the real estate equity valuation based on amounts at which the financing liabilities could be transferred to market participants at the measurement date.

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.

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 and incentive income.

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

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.

- **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 Funds.** Management fees from the Company's real estate funds are generally charged by their general partners at an annual rate from 1% to 1.5% 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 Company's real estate funds 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 condensed consolidated statements of operations.

- **HealthCare Royalty Partners (formerly Cowen HealthCare Royalty Partners) Funds.** During the investment period (as defined in the management agreement of the HealthCare Royalty Partners funds), management fees for the HealthCare Royalty Partners funds 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 net asset value. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.

- **Ramius Trading Strategies.** Management fees for Ramius Trading Strategies Managed Futures Fund, a mutual fund launched in September 2011, are 1.60% per annum (subject to an overall expense cap of 1.85%). Management fees and platform fees for the Company's private commodity trading advisory business are generally charged at an annual rate of up to 1.00%. Management and platform fees are generally calculated monthly based on assets under management 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 carried forward from prior years. For the products we offer, incentive income earned is typically 20% for hedge funds and 10% for fund of funds and alternative solutions products (in certain cases on performance in excess of a benchmark), generally, 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, in 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 that incentive income 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 the 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 condensed consolidated statement of operations may be subject to reversal based on subsequent negative performance of the funds prior to the conclusion of the fiscal year, when all contingencies have been resolved.

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

Investment Banking

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

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

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

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

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. The condensed consolidated statements of operations do not include litigation expenses incurred by the Company in connection with indemnified litigation matters. See Note 13 "Commitments and Contingencies" in our condensed condensed consolidated financial statements for the quarter ended June 30, 2013 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 3h. "New accounting pronouncements" in our condensed condensed consolidated financial statements for the quarter ended June 30,, 2013 and "Significant Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2012 which was filed with the SEC on March 7, 2013.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the three and six months ended June 30, 2013, 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, 2012. 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 June 30, 2013.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2013, 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.

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 the 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 condensed 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 following information reflects developments with respect to the Company's legal proceedings that occurred in the second quarter of 2013. These items should be read together with the Company's discussion in Note 19 "Commitments, Contingencies and Guarantees-Litigation," 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, 2012.

In Re NYSE Specialists Securities Litigation

At the end of June 2013, the Company paid the remaining amounts due on behalf of LaBranche & Co., Inc., LaBranche & Co., LLC and Mr. LaBranche in connection with the settlement agreement entered into between CalPERS and defendants with respect to the above-captioned matter. This payment did not have a material result on our results of operations and the matter is complete.

Item 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, 2012. 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 2012 Form 10-K filed with the SEC on March 7, 2013.

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

Issuer Purchases of Equity Securities

The Company's Board of Directors has approved a share repurchase program that authorizes the Company to purchase up to $35.0 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 June 30, 2013, the Company did not repurchase any shares through the share repurchase program. Though, the Company has transacted shares of common stock withheld in satisfaction of tax withholding obligations upon the vesting of equity awards.

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 Securities Exchange Act of 1934, as amended), of our common stock during the three months ended June 30, 2013.

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 (April 1, 2013 – April 30, 2013)				
Common stock repurchases(1)	—	$ —	—	— (3)
Employee transactions(2)	—	$ —	—	—
Total				
Month 2 (May 1, 2013 – May 31, 2013)				
Common stock repurchases(1)	—	$ —	—	— (3)
Employee transactions(2)	403,865	$ 2.80	—	—
Total	403,865	$ 2.80		
Month 3 (June 1, 2013 – June 30, 2013)				
Common stock repurchases(1)	—	$ —	—	— (3)
Employee transactions(2)	479,449	$ 3.13	—	—
Total	479,449	$ 3.13		
Total (April 1, 2013 – June 30, 2013)				
Common stock repurchases(1)	—	$ —	—	— (3)
Employee transactions(2)	883,314	$ 2.98	—	—
Total	883,314	2.98		

(1) The Company's Board of Directors have authorized the repurchase, subject to market conditions, of up to $35.0 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.

(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 and President (principal executive officer)*
		By:	/s/ STEPHEN A. LASOTA
		Name:	Stephen A. Lasota
Date:	August 7, 2013	Title:	*Chief Financial Officer (principal financial officer and principal accounting officer)*

Exhibit Index

Exhibit No.	Description
10.1	Employment Agreement between Cowen Group, Inc. and John Holmes dated August 2, 2012 (filed herewith).*
10.2	Employment Agreement between Cowen Group, Inc. and Michael Singer dated December 5, 2012 (filed herewith).*
31.1	Certification of CEO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of CFO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certification of CEO and CFO Pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL INSTANCE DOCUMENT **
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT **
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT **
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT **
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT **
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT **

*Signifies management contract or compensatory plan or arrangement.

**Pursuant to Rule 406T of Regulation S-T, this information shall not be deemed filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under those sections.

Exhibit 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "***Agreement***") is made and entered into as of this 2nd day of August 2012 (the "***Effective Date***"), by and between Cowen Group, Inc., a Delaware corporation (the "***Company***"), and John Holmes (the "***Executive***").

W I T N E S S E T H :

WHEREAS, Executive is currently employed by the Company as the Chief Administrative Officer of Cowen Group, Inc.; and

WHEREAS, the Company desires to continue to employ Executive and to enter into this Agreement embodying the terms of such employment, and Executive desires to enter into this Agreement and to accept such continued employment, subject to the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

Section 1. **Definitions**.

(a) "***Accounting Firm***" shall have the meaning set forth in Section 12(b)(i) hereof.

(b) "***Accrued Obligations***" shall mean (i) all accrued but unpaid Base Salary through the date of termination of Executive's employment, (ii) any unpaid or unreimbursed expenses incurred in accordance with Section 7 hereof, and (iii) any benefits provided under the Company's employee benefit plans upon a termination of employment, in accordance with the terms contained therein.

(c) "***Agreement***" shall have the meaning set forth in the preamble hereto.

(d) "***Annual Bonus***" shall have the meaning set forth in Section 4(a) hereof.

(e) "***Annual Performance Bonus***" shall have the meaning set forth in Section 4(a) hereof.

(f) "***Base Salary***" shall mean the salary provided for in Section 4(a) hereof or any increased salary granted to Executive pursuant to Section 4(a) hereof.

(g) "***Board***" shall mean the Board of Directors of the Company.

(h) "***Cause***" shall mean:

(i) Executive's conviction of, or pleas of guilty or *nolo contendere* to: (x) a felony, or (y) any other criminal offense: (1) involving moral turpitude, (2) that could serve as the basis for statutory disqualification, or (3) that is related to the performance of Executive's job duties and could result in material harm to the Company (or any of its affiliates), its reputation, or its employees;

(ii) any act of fraud, dishonesty, gross negligence, gross misconduct, or intentional breach of fiduciary duty in the performance of Executive's duties and responsibilities;

(iii) Executive's material violation of or failure to comply with the Company's (or any of its affiliate's) material internal policies, including its policies against discrimination or harassment, or the rules and regulations of any regulatory or self-regulatory organization with jurisdiction over the Company or any of its affiliates;

(iv) Executive's material or continued failure to perform the material duties of his position, including, by way of example and not of limitation, Executive's material or repeated failure or refusal to follow instructions reasonably given by the Board (unless such instruction would result in an illegal or unethical act); or

(v) Executive's material breach of a material term of this Agreement or any other material written agreement between Executive and the Company (or any of its affiliates).

(i) "***Cause Cure Notice***" shall have the meaning ascribed to such term in Section 8(c)(i) hereof.

(j) "***Cause Cure Notice Period***" shall have the meaning ascribed to such term in Section 8(c)(i) hereof.

(k) "***Change in Control***" shall have the meaning ascribed to such term in the Equity and Incentive Plan.

(l) "***Cobra Payment***" shall have the meaning ascribed to such term in Section 8(b)(vi).

(m) "***Code***" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(n) "***Company***" shall have the meaning set forth in the preamble hereto.

(o) "***Company Group***" shall mean the Company together with any direct or indirect subsidiaries of the Company.

(p) "***Compensation Committee***" shall mean the Compensation Committee of the Board.

(q) "***Cure Notice***" shall have the meaning set forth in Section 8(d) hereof.

(r) "***Cure Notice Period***" shall have the meaning set forth in Section 8(d) hereof.

(s) "***Delay Period***" shall have the meaning set forth in Section 12(a)(i) hereof.

(t) "***Disability***" shall mean any physical or mental disability or infirmity of Executive that prevents the performance of Executive's duties, with or without reasonable accommodation, for a period of (i) one hundred fifty (150) consecutive days or (ii) one hundred eighty (180) non-consecutive days during any twelve (12) month period, which period may be extended upon review of the Company based on individual circumstances if required under applicable law. Any question as to the existence, extent, or potentiality of Executive's Disability upon which Executive and the Company cannot agree shall be determined by a qualified, independent physician selected by the Company and approved by Executive (which approval shall not be unreasonably withheld). The determination of any such physician shall be final and conclusive for all purposes of this Agreement.

(u) "***Effective Date***" shall have the meaning set forth in the preamble hereto.

(v) "***Equity Benefits***" shall have the meaning set forth in Section 8(b)(v).

(w) "***Equity and Incentive Plan***" shall mean the Company's 2010 Equity and Incentive Plan, as the same may be amended and/or restated from time to time.

(x) "***Excise Tax***" shall have the meaning set forth in Section 12(b) hereof.

(y) "***Executive***" shall have the meaning set forth in the preamble hereto.

(z) "***Good Reason***" shall mean, without Executive's consent, (i) any requirement that Executive's services during the Term be rendered primarily at a location or locations other than the Company's offices in the New York, New York metropolitan area, other than temporarily for disaster planning business continuity purposes; (ii) a material diminution by the Company of Executive's roles and responsibilities as the Chief Administrative Officer of Cowen Group, Inc.; or (iii) any material breach of this Agreement by the Company. Executive acknowledges and agrees that his exclusive remedy in the event of any material breach of this Agreement shall be to assert Good Reason pursuant to the terms and conditions of Section 8(e) hereof. Notwithstanding the foregoing, during the Term, in the event that the Board reasonably believes that Executive may have engaged in conduct that could constitute Cause hereunder, the Board may, in its sole and absolute discretion, suspend Executive from performing his duties hereunder, and in no event shall any such suspension constitute an event pursuant to which Executive may terminate employment with Good Reason or otherwise constitute a breach hereunder; *provided*, that no such suspension shall alter the Company's obligations under this Agreement during such period of suspension.

(aa) "***Initial Term***" shall have the meaning set forth in Section 2(b) hereof.

(bb) "***Minimum Bonus***" shall have the meaning set forth in Section 4(b).

(cc) "***Minimum Retirement Age***" shall have the meaning set forth in Section 2(c) hereof.

(dd) "***Non-Interference Agreement***" shall mean the Confidentiality, Non-Interference, and Invention Assignment Agreement attached hereto as Exhibit A.

(ee) "***Non-Interference Notice***" shall have the meaning set forth in Section 8(d) hereof.

(ff) "***Parachute Payments***" shall have the meaning set forth in Section 12(b) hereof.

(gg) "***Person***" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(hh) "***Pro Rata Annual Bonus***" shall have the meaning set forth in Section 8(b)(iii) hereof.

(ii) "***Release of Claims***" shall mean the Release of Claims in substantially the same form attached hereto as Exhibit B (as the same may be revised from time to time by the Company in order to assure its validity upon the reasonable advice of counsel).

(jj) "***Repayment Obligation***" shall have the meeting set forth in Section 8(d).

(kk) "***Retirement Date***" shall have the meaning set forth in Section 2(c) hereof.

(ll) "***Section 409A***" shall mean Section 409A of the Code.

(mm) "***Severance Benefits***" shall have the meaning set forth in Section 8(g) hereof.

(nn) "***Term***" shall have the meaning set forth in Section 2(b) hereof.

(oo) "***Tranche 1 Equity Award***" shall have the meaning set forth in Section 4(d)(i) below.

(pp) "***Tranche 2 Equity Award***" shall have the meaning set forth in Section 4(d)(i)(B) below.

Section 2. **Acceptance and Term**.

(a) The Company agrees to employ Executive, and Executive agrees to serve the Company, on the terms and conditions set forth herein.

(b) The term (the "***Term***") shall commence on the Effective Date and unless terminated sooner as provided in Section 8 hereof, shall continue during the period ending on the close of business on April 30, 2015 (the "***Initial Term***"). Thereafter, the Term shall be automatically extended, without further action by the Company or Executive, by one (1) additional year first on the expiration of the Initial Term, and then on each subsequent anniversary thereafter, unless, not less than thirty (30) days prior to the end of the Term (including any extension thereof), either Executive or the Company shall have notified the other in writing of his or its intention not to further extend the Term. In the event that the Company elects not to extend the Term, such non-extension shall be deemed to be a termination by the Company without Cause pursuant to Section 8(d) below; provided, that such termination shall constitute a termination for Cause under Section 8(c) under either of the two following circumstances: (A) for Cause existing prior to the Company giving its notice not to extend the Term, at the time the Company gives Executive notice of its intention not to extend the Term, the Company shall notify Executive of such Cause in accordance with the provisions of Section 8(c)(i) at least thirty (30) days before the expiration of the Term and Executive shall be provided the opportunity to cure in accordance with the provisions of Section 8(c)(i); or (B) for Cause arising after the Company gives its notice not to extend the Term and up until the expiration date of the Term (which, for this purpose, shall only include any of the matters set forth in clauses (i) and (ii) of Section 1(g) hereof), the Company shall notify Executive of such Cause under clauses (i) or (ii) of Section 1(g) hereof within thirty (30) days after the expiration of the Term in accordance the provisions of Section 8(c)(i). In the event that Executive elects not to extend the Term (and the Company does not notify Executive either upon delivery of notice pursuant to clause (A) above or within thirty (30) days after the expiration of the Term pursuant to clause (B) above that grounds existed to terminate Executive for Cause), such non-extension shall be deemed to be a termination by Executive without Good Reason pursuant to Section 8(f) below.

(c) Notwithstanding anything herein to the contrary, upon the Executive reaching the age of fifty-seven and a half (57.5) (the "***Minimum Retirement Age***") and provided that the Executive has been continuously employed by the Company from the date hereof through attainment of the Minimum Retirement Age, the Executive shall be entitled to notify the Company of his intention to retire from the Company upon ninety (90) days' notice (the date of such retirement, the "Retirement Date"). Upon such retirement, all outstanding Company equity awards and unvested deferred compensation held by Executive as of the Retirement Date shall continue to vest in accordance with their terms as if Executive had continued to be actively employed by the Company (provided that any payment or settlement provisions set forth in such grant, award, or similar agreement that are required pursuant to Section 409A shall remain effective) for so long as Executive does not engage, (x) at any time prior to the applicable vesting dates, in any Competitive Activities (as defined in the Non-Interference Agreement), or (y) during the first twelve (12) months following such termination only, in any Interfering Activities (as defined in the Non-Interference Agreement). During any period which Executive is entitled to continued vesting pursuant to the immediately preceding sentence, Executive shall promptly provide the Company with notice following his engagement in any activities which could reasonably be considered Competitive Activities or, during the first twelve (12) months following such termination, Interfering Activities.

Section 3. **Position, Duties, and Responsibilities; Place of Performance.**

(a) Position, Duties, and Responsibilities. During the Term, Executive shall be employed and continue to serve as the Chief Administrative Officer of Cowen Group, Inc. and shall also continue to serve as a member of the Company's Operating Committee. Executive shall have such duties and responsibilities commensurate with such titles. Executive also agrees to serve as an officer and/or director of any other member of the Company Group, in each case without additional compensation. Executive shall initially report directly to the Chief Executive Officer of the Company.

(b) Performance. Executive shall devote his full business time, attention, skill, and reasonable best efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term, including, without limitation, any activity that (x) conflicts with the interests of the Company or any other member of the Company Group, (y) interferes with the proper and efficient performance of Executive's duties for the Company, or (z) interferes with Executive's exercise of judgment in the Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving, with the prior written consent of the Board, as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations (with the understanding that the Board shall consent to Executive's continuing membership on all such boards or their equivalents which he holds as of the Effective Date as listed on Exhibit C attached hereto), (ii) engaging in charitable activities and community affairs, and (iii) managing his personal investments and affairs; *provided*, *however*, that the activities set out in clauses (i), (ii), and (iii) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder.

(c) Principal Place of Employment. Executive's principal place of employment shall be in New York, New York, although Executive understands and agrees that he may be required to travel from time to time for business reasons.

Section 4. **Compensation**.

During the Term, Executive shall be entitled to the following compensation:

(a) Base Salary. Executive shall be paid an annualized Base Salary, payable in accordance with the regular payroll practices of the Company, of not less than $450,000 (commencing with the 2012 calendar year), with increases, if any, as may be approved in writing by the Compensation Committee. Executive's Base Salary shall be subject to annual review and may be increased, but not decreased, during the Term.

(b) Minimum Bonus. For each calendar year during which Executive is employed by the Company (commencing with the 2012 calendar year), he shall be entitled to a minimum cash bonus (the "***Minimum Bonus***") of $300,000 annually, which amount shall be paid to the Executive in quarterly installments of $75,000 during the calendar year with each installment paid to the Executive as soon as administratively practicable following each quarter end (but in all events within 30 days thereafter) if the Executive remains employed by the Company as of the last day of such quarter; *provided*, that the quarterly payments for the first two quarters of the 2012 calendar year shall be paid to Executive as soon as administratively practicable following the date hereof (but in all events within 30 days thereafter).

(c) Annual Performance Bonus. For each calendar year during which Executive is employed by the Company (commencing with the 2012 calendar year), he shall be entitled to earn an annual performance-based bonus (the "***Annual Performance Bonus***") pursuant to an annual incentive plan as determined by the Compensation Committee. The amount of the Annual Performance Bonus payable shall be contingent upon the achievement of reasonable, pre-established, and objective performance goals established by the Compensation Committee in accordance with Treas. Reg. §1.162-27(e) for such taxable year and communicated to Executive. Executive's Annual Performance Bonus and the applicable performance goals shall be determined by the Compensation Committee consistently with and on the same basis as, and shall have terms and conditions no less favorable than those that apply to, other similarly situated executives of the Company; provided, however, that the Compensation Committee shall retain all discretion consistent with this Agreement to set such applicable performance goals and any applicable minimum or maximum amount of the Annual Performance Bonus (the Minimum Bonus and Annual Performance Bonus collectively referred to as the "***Annual Bonus***"). Executive's Annual Bonuses may, at the discretion of the Compensation Committee, and consistent with similarly situated executives of the Company, include a certain percentage of restricted securities, other stock or security-based awards or deferred cash or other deferred compensation; *provided*, that no more than fifty percent (50%) of any amounts deferred pursuant to this sentence may be in the form of restricted securities or other stock or security based awards. The portion of the Annual Bonus payable in undeferred cash shall be paid to Executive at the same time as annual bonuses are generally payable to other senior executives of the Company subject to Executive's continuous employment through the payment date, but in no event later than March 15 of a calendar year for the Annual Bonus that relates to the immediately preceding calendar year.

(d) Equity Awards.

(i) *New Grants*.

(A) Promptly following the Effective Date, the Company shall grant Executive restricted stock units covering 50,000 shares of the Company's common stock (the "***Tranche 1 Equity Award***") pursuant to the terms of the Equity and Incentive Plan. The Tranche 1 Equity Award shall vest immediately upon the grant date. The Tranche 1 Equity Award will be subject to the terms and conditions of the Equity and Incentive Plan and an award agreement, in a form reasonably acceptable to the Company.

(B) Promptly following the first anniversary of the Effective Date, the Company shall grant Executive additional restricted stock units covering 150,000 shares of the Company's common stock (the "***Tranche 2 Equity Award***") pursuant to the terms of the Equity and Incentive Plan (or any successor thereto). The Tranche 2 Equity Award shall vest in three equal installments on May 15, 2013, May 15, 2014 and April 29, 2015, subject to Executive being in employment status on the applicable vesting dates, unless otherwise accelerated. The Tranche 2 Equity Award will be subject to the terms and conditions of the Equity and Incentive Plan (or any successor thereto) and an award agreement, in a form reasonably acceptable to the Company.

(e) Long-Term Incentive Plan and Investment Partnerships. In the event that the Company or any other member of the Company Group establishes a long-term incentive plan or an investment partnership pursuant to which senior executives of the Company are eligible to participate in such long-term incentive plan or new investments made by the Company or any other member of the Company Group, Executive shall be eligible to participate in such long-term incentive plan and/or investment partnership on such terms and subject to such conditions as are generally applicable to other executives participating in such long-term incentive plan and/or investment partnership. Nothing herein shall be construed to require the Company or any other member of the Company Group to establish or maintain any such long-term incentive plan or investment partnership or for any such long-term incentive plan or investment partnership to contain any specific terms or conditions.

Section 5. **Executive Benefits**.

During the Term, Executive shall be entitled to participate in health, insurance, retirement, and other benefits provided generally to similarly situated employees of the Company. Executive shall also be entitled to the same number of holidays, vacation days, and sick days, as well as any other benefits, in each case as are generally allowed to similarly situated employees of the Company in accordance with the Company policy as in effect from time to time. Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing Executive notice, and the right to do so is expressly reserved.

Section 6. **Key-Man Insurance**.

At any time during the Term, the Company shall have the right to insure the life of Executive for the sole benefit of the Company, in such amounts, and with such terms, as it may determine. All premiums payable thereon shall be the obligation of the Company. Executive shall have no interest in any such policy, but agrees to cooperate with the Company in procuring such insurance by submitting to physical examinations, supplying all information required by the insurance company, and executing all necessary documents, provided that no financial obligation is imposed on Executive by any such documents.

Section 7. **Reimbursement of Business and Legal Expenses**.

During the Term, the Company shall pay (or promptly reimburse Executive) for documented, out-of-pocket expenses reasonably incurred by Executive in the course of performing his duties and responsibilities hereunder, which are consistent with the Company's policies in effect from time to time with respect to business expenses, subject to the Company's requirements with respect to reporting of such expenses. Promptly following the submission of a reasonably detailed invoice (or invoices), Executive shall be reimbursed during 2012 for up to $5,000 for the reasonable legal expenses incurred by Executive in connection with preparation of this Agreement.

Section 8. **Termination of Employment.**

(a) General. The Term shall terminate earlier than as provided in Section 2(b) hereof upon the earliest to occur of (i) Executive's death, (ii) a termination by reason of a Disability, (iii) a termination by the Company with or without Cause, and (iv) a termination by Executive with or without Good Reason. Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by Executive, Executive shall resign from any and all directorships, committee memberships, and any other positions Executive holds with the Company or any other member of the Company Group. Notwithstanding anything herein to the contrary, the payment (or commencement of a series of payments) hereunder of any nonqualified deferred compensation (within the meaning of Section 409A) upon a termination of employment shall be delayed until such time as Executive has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such nonqualified deferred compensation (calculated as of the date of Executive's termination of employment hereunder) shall be paid (or commence to be paid) to Executive on the schedule set forth in this Section 8 as if Executive had undergone such termination of employment (under the same circumstances) on the date of his ultimate "separation from service."

(b) Termination Due to Death or Disability. Executive's employment shall terminate automatically upon his death. The Board or the Chief Executive Officer of the Company may terminate Executive's employment immediately upon the occurrence of a Disability, such termination to be effective upon Executive's receipt of written notice of such termination. Upon Executive's death or in the event that Executive's employment is terminated due to his Disability, Executive or his estate or his beneficiaries, as the case may be, shall be entitled to:

(i) The Accrued Obligations, paid in accordance with the Company's payroll practices and applicable law;

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred;

(iii) A pro rata amount of the Annual Bonus for the year of termination (the "***Pro Rata Annual Bonus***"), determined by multiplying the average Annual Bonus paid to Executive for the two years immediately preceding such termination by a fraction, the numerator is the number of days elapsed from the commencement of such year through and including the date of such termination and the denominator is 365 (or 366 if such termination occurs during a leap year), with such amount to be paid on the sixty-day anniversary of such termination;

(iv) If such termination occurs prior to the grant of the Tranche 2 Equity Award, an immediate grant of the Tranche 2 Equity Award, which shall be fully vested as of the date of grant. If at the time such grant is required to be made (i) insufficient shares remain available under the Company's Equity and Incentive Plan or (ii) the shares underlying such award cannot be registered pursuant to an effective Registration Statement on Form S-8, Executive or Executive's estate will receive the equivalent value of the Tranche 2 Equity Award (based on the closing price of the Company's common stock on the date of termination) in a cash payment with such amount to be paid on the sixty-day anniversary of such termination;

(v) All outstanding Company equity awards and unvested deferred compensation shall become fully vested (and, as applicable, exercisable), and all restrictions thereon shall lapse, effective as of the date of termination (provided that any payment or settlement provisions set forth in such grant, award, or other similar agreement that are required pursuant to Section 409A shall remain effective) (the "***Equity Benefits***"); and

(vi) A lump sum cash payment equal to twenty four (24) times the "applicable percentage" of the monthly COBRA premium cost applicable to Executive if Executive (or his dependents) were to elect COBRA coverage in connection with such termination, with such amount to be paid on the sixty-day anniversary of such termination (such payment referred to herein as the "***COBRA Payment***"). For purposes hereof, the "applicable percentage" shall be the percentage of Employee's health care premium costs covered by the Company as of the date of termination.

Following Executive's death or a termination of Executive's employment by reason of a Disability, except as set forth in this Section 8(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination by the Company with Cause.

(i) The Company may terminate Executive's employment at any time with Cause, effective upon Executive's receipt of written notice of such termination; *provided*, *however*, that, to the extent that such act or acts or failure or failures to act giving rise to Cause are curable, Executive shall be given not less than thirty (30) days' written notice by the Board (the "***Cause Cure Notice***") of the Company's intention to terminate him with Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination with Cause is based, and such termination shall be effective at the expiration of such thirty (30) day notice period (the "***Cause Cure Notice Period***") unless Executive has materially cured such act or acts or failure or failures to act that give rise to Cause during such period.

(ii) In the event that the Company terminates Executive's employment with Cause, he shall be entitled only to the Accrued Obligations. Following such termination of Executive's employment with Cause, except as set forth in this Section 8(c)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(d) Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective upon Executive's receipt of written notice of such termination. In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

(i) The Accrued Obligations, paid in accordance with the Company's payroll practices and applicable law;

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred;

(iii) The Pro Rata Annual Bonus, which shall be paid on the sixty-day anniversary of such termination;

(iv) A lump sum cash payment in an amount equal to one and one half (1 1/2) times the average amount of compensation reflected on the Executive's W-2 Form from the Company for the two (2) years immediately preceding such termination; *provided*, that such lump sum cash payment will not be more than $1.5 million, with such amount to be paid on the sixty (60) day anniversary of such termination; *provided*, *further*, that if such termination occurs in connection with or following a Change in Control, instead of the lump sum cash payment described above, Executive shall be entitled to a lump sum cash payment in an amount equal to two and one half (2 1/2) times the average amount of compensation reflected on the Executive's W-2 Form from the Company for the two (2) years immediately preceding such termination; *provided*, that such lump sum cash payment will be not be more than $2.5 million, with such amount to be paid on the sixty (60) day anniversary of such termination;

(v) If such termination occurs prior to the grant of the Tranche 2 Equity Award, an immediate grant of the Tranche 2 Equity Award, which shall be fully vested as of the date of grant. If at the time such grant is required to be made (i) insufficient shares remain available under the Company's Equity and Incentive Plan or (ii) the shares underlying such award cannot be registered pursuant to an effective Registration Statement on Form S-8, Executive or Executive's estate will receive the equivalent value of the Tranche 2 Equity Award (based on the closing price of the Company's common stock on the date of termination) in a cash payment with such amount to be paid on the sixty-day anniversary of such termination;

(vi) The Equity Benefits; and

(vii) the COBRA Payment, which shall be paid on the sixty-day anniversary of such termination.

Following such termination of Executive's employment by the Company without Cause, except as set forth in this Section 8(d), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the Severance Benefits.

Notwithstanding the foregoing and as set forth in this paragraph, upon the Executive's material breach of, and failure to cure if applicable, any provision of the Non-Interference Agreement, the payments and benefits described in clauses (ii), (iii), (iv), (v), (vi), and (vii) above shall immediately terminate, or to the extent they have already been received, become repayable by the Executive (the "***Repayment Obligations***"). The Company will provide the Executive with written notice detailing the act(s) that constitute the grounds for the material breach of the Non-Interference Agreement (the "***Non-Interference Notice***"). The Executive shall provide written notice to the Company (the "***Cure Notice***") within fifteen (15) days of receipt of the Non-Interference Notice (the "***Cure Notice Period***") as to whether he believes the material breach is capable of being cured. If the Executive does not challenge that the material breach has occurred or does not provide a Cure Notice to the Company within the Cure Notice Period, the payments and benefits described in clauses (ii), (iii), (iv), (v), (vi), and (vii) above shall immediately cease and the Repayment Obligations shall become repayable within thirty (30) days (a) after the expiration of the of the Cure Notice Period; or (b) if a Cure Notice is provided within the Cure Notice Period, upon the expiration of thirty (30) days after the end of the Cure Notice Period if the Executive has failed to cure the material breach. If the Executive challenges that the material breach has occurred or the Company challenges that the material breach has been cured, the parties shall be entitled to seek a determination by a court consistent with the terms of Section 10(a) of the Non-Interference Agreement on the issues of whether the Executive has committed a material breach and, if so, whether such breach has been cured. The parties agree that the prevailing party shall be entitled to an award of legal fees, costs and expenses reasonably incurred by the prevailing party in connection with the court proceeding and any subsequent appeals. If the court determines, in a final judgment, that the Executive committed a material breach and that such material breach has not been cured, the payments and benefits described in clauses (ii), (iii), (iv), (v), (vi), and (vii) above shall immediately cease and the Repayment Obligations shall become repayable within thirty (30) days of the court order in favor of the Company (to the extent such obligations are not stayed pending any appeals), and the court shall retain jurisdiction to finally resolve issues relating to the award of legal fees, costs and expenses reasonably incurred by the Company as the prevailing party. If the court determines, in a final judgment, that the Executive has not committed a material breach, or that he did commit a material breach which has been cured, the payments and benefits described in clauses (ii), (iii), (iv), (v), (vi), and (vii) above shall continue to the extent not previously paid, together with any arrearages due with interest to be determined by the court (to the extent such obligations are not stayed pending any appeals), and the court shall retain jurisdiction to finally resolve issues relating to the award of legal fees, costs and expenses reasonably incurred by the Executive as the prevailing party.

(e) Termination by Executive with Good Reason. Executive may terminate his employment with Good Reason by providing the Company thirty (30) days' written notice setting forth in reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to the Company within ninety (90) days of the occurrence of such event. During such thirty (30) day notice period, the Company shall have a cure right (if curable), and if not cured within such period, Executive's termination will be effective upon the expiration of such cure period, and Executive shall be entitled to the same payments and benefits as provided in Section 8(d) hereof for a termination by the Company without Cause (including the increased lump sum cash payment as provided in Section 8(d)(iv) in the event such termination occurs following a Change in Control), subject to the same conditions on payment and benefits as described in Section 8(d) hereof. Following such termination of Executive's employment by Executive with Good Reason, except as set forth in this Section 8(e), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the Severance Benefits.

(f) Termination by Executive without Good Reason. If Executive intends to terminate his employment without Good Reason, Executive shall provide the Company with at least thirty (30) days written notice of such termination. Once Executive provides the Company with notice, he will receive only his Base Salary in accordance with the Company's payroll practices, and will not be eligible to receive any bonus. In the event of a termination of employment by Executive under this Section 8(f) (and without regard to whether or not Executive provides written notice in accordance with the preceding sentence), Executive shall be entitled only to the Accrued Obligations following the termination date set forth in his notice of termination. In the event of termination of Executive's employment under this Section 8(f), the Company may, in its sole and absolute discretion, by written notice accelerate such date of termination without changing the characterization of such termination as a termination by Executive without Good Reason. Following such termination of Executive's employment by Executive without Good Reason pursuant to this Section 8(f), except as set forth in this Section 8(f), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(g) Release. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to subsection (b), (d), or (e) of this Section 8 (other than the Accrued Obligations) (collectively, the "***Severance Benefits***") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims (and the expiration of any revocation period contained in such Release of Claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If Executive fails to execute the Release of Claims in such a timely manner so as to permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes his acceptance of such release following its execution, Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that (i) such termination of employment occurs within sixty (60) days of the end of any calendar year, and (ii) any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60^{th}) day following the date of Executive's termination of employment hereunder, but for the condition on executing the Release of Claims as set forth herein, shall not be made prior to the first day of the second calendar year, after which any remaining Severance Benefits shall thereafter be provided to Executive according to the applicable schedule set forth herein. For the avoidance of doubt, in the event of Executive's death or Disability, Executive's obligations herein to execute and not revoke the Release of Claims may be satisfied on his behalf by his estate or a person having legal power of attorney over his affairs and the Company shall, promptly following notice of such death or Disability and the Company's receipt of contact information for his estate or person have legal power of attorney over his affairs, deliver a copy of the release to such estate or person.

Section 9. **Non-Interference Agreement**.

As a condition of, and prior to commencement of, Executive's employment with the Company under this Agreement, Executive shall have executed and delivered to the Company the Non-Interference Agreement. The parties hereto acknowledge and agree that this Agreement and the Non-Interference Agreement shall be considered separate contracts, and the Non-Interference Agreement will survive the termination of this Agreement for any reason.

Section 10. **Taxes**.

The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment, and social insurance taxes, as shall be required by law. Executive acknowledges and represents that the Company has not provided any tax advice to him in connection with this Agreement and that he has been advised by the Company to seek tax advice from his own tax advisors regarding this Agreement and payments that may be made to him pursuant to this Agreement, including specifically, the application of the provisions of Section 409A to such payments.

Section 11. **Set Off; Mitigation**.

The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim, or recoupment of amounts owed by Executive to the Company or its affiliates to the extent permitted by applicable law; *provided*, *however*, that to the extent any amount so subject to set-off, counterclaim, or recoupment is payable in installments hereunder, such set-off, counterclaim, or recoupment shall not modify the applicable payment date of any installment, and to the extent an obligation cannot be satisfied by reduction of a single installment payment, any portion not satisfied shall remain an outstanding obligation of Executive and shall be applied to the next installment only at such time the installment is otherwise payable pursuant to the specified payment schedule. Executive shall not be required to mitigate the amount of any payment provided pursuant to this Agreement by seeking other employment or otherwise, and the amount of any payment provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or otherwise.

Section 12. **Additional Tax Provisions**.

(a) Section 409A Provisions. Notwithstanding any provision in this Agreement to the contrary-

(i) Any payment otherwise required to be made hereunder to Executive at any date as a result of the termination of Executive's employment shall be delayed for such period of time to the extent necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "***Delay Period***"). On the first business day following the expiration of the Delay Period, Executive shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

(ii) Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A.

(iii) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

(iv) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A, in no event whatsoever shall the Company or any of its affiliates (including, without limitation, the Company) be liable for any additional tax, interest, or penalties that may be imposed on Executive as a result of Section 409A or any damages for failing to comply with Section 409A (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A).

(b) Modified Cutback. If any payment, benefit or distribution of any type to or for the benefit of Executive, whether paid or payable, provided or to be provided, or distributed or distributable pursuant to the terms of this Agreement or otherwise (collectively, the "***Parachute Payments***") would subject Executive to the excise tax imposed under Section 4999 of the Code (the "***Excise Tax***"), the Parachute Payments shall be reduced so that the maximum amount of the Parachute Payments (after reduction) shall be one dollar ($1.00) less than the amount which would cause the Parachute Payments to be subject to the Excise Tax; *provided* that the Parachute Payments shall only be reduced to the extent the after-tax value of amounts received by Executive after application of the above reduction would exceed the after-tax value of the amounts received without application of such reduction. For this purpose, the after-tax value of an amount shall be determined taking into account all federal, state, and local income, employment and excise taxes applicable to such amount. Unless Executive shall have given prior written notice to the Company to effectuate a reduction in the Parachute Payments if such a reduction is required, any such notice consistent with the requirements of Section 409A to avoid the imputation of any tax, penalty or interest thereunder, the Company shall reduce or eliminate the Parachute Payments by first reducing or eliminating any cash severance benefits (with the payments to be made furthest in the future being reduced first), then by reducing or eliminating any accelerated vesting of stock options or similar awards, then by reducing or eliminating any accelerated vesting of restricted stock or similar awards, then by reducing or eliminating any other remaining Parachute Payments; *provided*, that no such reduction or elimination shall apply to any non-qualified deferred compensation amounts (within the meaning of Section 409A) to the extent such reduction or elimination would accelerate or defer the timing of such payment in manner that does not comply with Section 409A.

(i) An initial determination as to whether (i) any of the Parachute Payments received by Executive in connection with the occurrence of a change in the ownership or control of the Company or in the ownership of a substantial portion of the assets of the Company shall be subject to the Excise Tax, and (ii) the amount of any reduction, if any, that may be required pursuant to Section 12(b) above, shall be made by an independent accounting firm selected by the Company and reasonably acceptable to Executive (the "***Accounting Firm***") prior to the consummation of such change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company. Executive shall be furnished with notice of all determinations made as to the Excise Tax payable with respect to Executive's Parachute Payments, together with the related calculations of the Accounting Firm, promptly after such determinations and calculations have been received by the Company.

(ii) For purposes of this Section 12(b) –

(A) no portion of the Parachute Payments, the receipt or enjoyment of which the Participant shall have effectively waived in writing prior to the date of payment of the Parachute Payments, shall be taken into account;

(B) no portion of the Parachute Payments shall be taken into account which in the opinion of the Accounting Firm does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code;

(C) the Parachute Payments shall be reduced only to the extent necessary so that the Parachute Payments (other than those referred to in the immediately preceding clause (A) or (B)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code or are otherwise not subject to disallowance as deductions, in the opinion of the auditor or tax counsel referred to in such clause (B); and

(D) the value of any non-cash benefit or any deferred payment or benefit included in the Parachute Payments shall be determined by the Accounting Firm based on Sections 280G and 4999 of the Code, or on substantial authority within the meaning of Section 6662 of the Code.

Section 13. **Successors and Assigns; No Third-Party Beneficiaries**.

(a) The Company. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. Neither this Agreement nor any of the rights, obligations, or interests arising hereunder may be assigned by the Company to a Person (other than another member of the Company Group, or its or their respective successors) without Executive's prior written consent (which shall not be unreasonably withheld, delayed, or conditioned); *provided*, *however*, that in the event of a sale of all or substantially all of the assets of the Company or any direct or indirect division or subsidiary thereof to which Executive's employment primarily relates, the Company may provide that this Agreement will be assigned to, and assumed by, the acquiror of such assets, it being agreed that in such circumstances, Executive's consent will not be required in connection therewith.

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, without the prior written consent of the Company; *provided*, *however*, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or if there be no such designee, to Executive's estate.

(c) No Third-Party Beneficiaries. Except as otherwise set forth in Section 8(b) or Section 13(b) hereof, nothing expressed or referred to in this Agreement will be construed to give any Person other than the Company, the other members of the Company Group, and Executive any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

Section 14. **Non-Disparagement.**

(a) Executive agrees that during the Term and at all times thereafter, Executive will not make any disparaging or defamatory comments regarding any member of the Company Group or its respective current or former directors, managers, officers, or employees in any respect or make any comments concerning any aspect of my relationship with any member of the Company Group or any conduct or events which precipitated any termination of Executive's employment from any member of the Company Group. However, Executive's obligations under this Section 15(a) shall not apply to disclosures required by applicable law, regulation, or order of a court or governmental agency.

(b) The Company agrees that during the Term and at all times thereafter, the Company will instruct its directors, officers, and key employees not to make any disparaging or defamatory remarks against Executive regarding any aspect of his relationship with any member of the Company Group or any conduct or events which precipitated any termination of his employment from any member of the Company Group. However, the Company's obligations under this Section 15(b) shall not apply to disclosures required by applicable law, regulation, or order of a court or governmental agency.

Section 15. **Waiver and Amendments**.

Any waiver, alteration, amendment, or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by each of the parties hereto; *provided*, *however*, that any such waiver, alteration, amendment, or modification must be consented to on the Company's behalf by the Board. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

Section 16. **Severability.**

If any covenants or such other provisions of this Agreement are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction, (a) the remaining terms and provisions hereof shall be unimpaired, and (b) the invalid or unenforceable term or provision hereof shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision hereof.

Section 17. **Governing Law and Jurisdiction.**

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN THE SOUTHERN DISTRICT OF NEW YORK, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS AGREEMENT, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES, CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY TO THIS AGREEMENT ALSO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

Section 18. **Notices.**

(a) Place of Delivery. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom or which it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided*, that unless and until some other address be so designated, all notices and communications by Executive to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices and communications by the Company to Executive may be given to Executive personally or may be mailed to Executive at Executive's last known address, as reflected in the Company's records.

(b) Date of Delivery. Any notice so addressed shall be deemed to be given or received (i) if delivered by hand, on the date of such delivery, (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing, and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

Section 19. **Section Headings.**

The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof or affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 20. **Entire Agreement.**

This Agreement, together with any exhibits attached hereto, constitutes the entire understanding and agreement of the parties hereto regarding the employment of Executive. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements between the parties relating to the subject matter of this Agreement.

Section 21. **Survival of Operative Sections.**

Upon any termination of Executive's employment, the provisions of Section 8 through Section 22 of this Agreement (together with any related definitions set forth in Section 1 hereof) shall survive to the extent necessary to give effect to the provisions thereof.

Section 22. **Counterparts.**

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

* * *

[Signatures to appear on the following page.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

COWEN GROUP, INC.

By: /s/ Peter A. Cohen____________
Name: Peter A. Cohen
Title: Chairman and Chief Executive Officer

By: /s/ Jane Gerhard______________
Name: Jane Gerhard
Title: Head of Human Resources

EXECUTIVE

/s/ John Holmes____________________
John Holmes

EXHIBIT A

CONFIDENTIALITY, NON-INTERFERENCE, AND INVENTION ASSIGNMENT AGREEMENT

As a condition of my becoming employed by, or continuing employment with, Cowen Group, Inc., a Delaware corporation (the "***Company***"), and in consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to me by the Company, I agree to the following:

Section 1. **Confidential Information.**

(a) Company Group Information. I acknowledge that, during the course of my employment, I will have access to information about the Company and its direct and indirect subsidiaries and affiliates (collectively, the "***Company Group***") and that my employment with the Company shall bring me into close contact with confidential and proprietary information of or concerning the Company Group. In recognition of the foregoing, I agree, at all times during the term of my employment with the Company and for the ten (10) year period following my termination of my employment for any reason, to hold in confidence, and not to use, except for the benefit of the Company Group, or to disclose to any person, firm, corporation, or other entity without written authorization of the Company, any Confidential Information that I obtain or create. I further agree not to make copies of such Confidential Information except as authorized by the Company. I understand that "***Confidential Information***" means information that the Company Group has developed, acquired, created, compiled, discovered, or owned or will develop, acquire, create, compile, discover, or own, that has value in or to the business of the Company Group that is not generally known and that the Company wishes to maintain as confidential. I understand that Confidential Information includes, but is not limited to, any and all non-public information that relates to the actual or anticipated business and/or products, research, or development of the Company, or to the Company's technical data, trade secrets, or know-how including, but not limited to, research, product plans, or other information regarding the Company's products or services and markets, customer lists, and customers (including, but not limited to, customers of the Company on whom I called or with whom I may become acquainted during the term of my employment), software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, and other business information disclosed by the Company either directly or indirectly in writing, orally, or by drawings or inspection of premises, parts, equipment, or other Company property. Notwithstanding the foregoing, Confidential Information shall not include (i) any of the foregoing items that have become publicly and generally known through no unauthorized disclosure by me or others who were under confidentiality obligations as to the item or items involved or (ii) any information that I am required to disclose to, or by, any governmental or judicial authority; *provided*, *however*, that in such event I will give the Company prompt written notice thereof so that the Company Group may seek an appropriate protective order and/or waive in writing compliance with the confidentiality provisions of this Confidentiality, Non-Interference, and Invention Assignment Agreement (the "Non-Interference Agreement").

(b) Former Employer Information. I represent that my performance of all of the terms of this Non-Interference Agreement as an employee of the Company has not breached and will not breach any agreement to keep in confidence proprietary information, knowledge, or data acquired by me in confidence or trust prior or subsequent to the commencement of my employment with the Company, and I will not disclose to any member of the Company Group, or induce any member of the Company Group to use, any developments, or confidential or proprietary information or material I may have obtained in connection with employment with any prior employer in violation of a confidentiality agreement, nondisclosure agreement, or similar agreement with such prior employer.

Section 2. **Developments**.

(a) Developments Retained and Licensed. I have attached hereto, as Schedule A, a list describing with particularity all developments, original works of authorship, developments, improvements, and trade secrets that I can demonstrate were created or owned by me prior to the commencement of my employment (collectively referred to as "***Prior Developments***"), which belong solely to me or belong to me jointly with another, that relate in any way to any of the actual or proposed businesses, products, or research and development of any member of the Company Group, and that are not assigned to the Company hereunder, or if no such list is attached, I represent that there are no such Prior Developments. If, during any period during which I perform or performed services for the Company Group both before or after the date hereof (the "***Assignment Period***"), whether as an officer, employee, manager, director, independent contractor, consultant, or agent, or in any other capacity, I incorporate (or have incorporated) into a Company Group product or process a Prior Development owned by me or in which I have an interest, I hereby grant the Company Group, and the Company Group shall have, a non-exclusive, royalty-free, irrevocable, perpetual, transferable worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, use, sell, and otherwise distribute such Prior Development as part of or in connection with such product or process.

(b) Assignment of Developments. I agree that I will, without additional compensation, promptly make full written disclosure to the Company, and will hold in trust for the sole right and benefit of the Company all developments, original works of authorship, inventions, concepts, know-how, improvements, trade secrets, and similar proprietary rights, whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice, or have solely or jointly conceived or developed or reduced to practice, or have caused or may cause to be conceived or developed or reduced to practice, during the Assignment Period, whether or not during regular working hours, provided they either (i) relate at the time of conception, development or reduction to practice to the business of any member of the Company Group, or the actual or anticipated research or development of any member of the Company Group; (ii) result from or relate to any work performed for any member of the Company Group; or (iii) are developed through the use of equipment, supplies, or facilities of any member of the Company Group, or any Confidential Information, or in consultation with personnel of any member of the Company Group (collectively referred to as "***Developments***"). I further acknowledge that all Developments made by me (solely or jointly with others) within the scope of and during the Assignment Period are "works made for hire" (to the greatest extent permitted by applicable law) for which I am, in part, compensated by my salary, unless regulated otherwise by law, but that, in the event any such Development is deemed not to be a work made for hire, I hereby assign to the Company, or its designee, all my right, title, and interest throughout the world in and to any such Development.

(c) Maintenance of Records. I agree to keep and maintain adequate and current written records of all Developments made by me (solely or jointly with others) during the Assignment Period. The records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, and any other format. The records will be available to and remain the sole property of the Company Group at all times. I agree not to remove such records from the Company's place of business except as expressly permitted by Company Group policy, which may, from time to time, be revised at the sole election of the Company Group for the purpose of furthering the business of the Company Group.

(d) Intellectual Property Rights. I agree to assist the Company, or its designee, at the Company's expense, in every way to secure the rights of the Company Group in the Developments and any copyrights, patents, trademarks, service marks, database rights, domain names, mask work rights, moral rights, and other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, recordations, and all other instruments that the Company shall deem necessary in order to apply for, obtain, maintain, and transfer such rights and in order to assign and convey to the Company Group the sole and exclusive right, title, and interest in and to such Developments, and any intellectual property and other proprietary rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the termination of the Assignment Period until the expiration of the last such intellectual property right to expire in any country of the world; *provided, however*, the Company shall reimburse me for my reasonable expenses incurred in connection with carrying out the foregoing obligation. If the Company is unable because of my mental or physical incapacity or unavailability for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Developments or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact to act for and in my behalf and stead to execute and file any such applications or records and to do all other lawfully permitted acts to further the application for, prosecution, issuance, maintenance, and transfer of letters patent or registrations thereon with the same legal force and effect as if originally executed by me. I hereby waive and irrevocably quitclaim to the Company any and all claims, of any nature whatsoever, that I now or hereafter have for past, present, or future infringement of any and all proprietary rights assigned to the Company.

Section 3. **Returning Company Group Documents**.

I agree that, at the time of termination of my employment with the Company for any reason, I will deliver to the Company (and will not keep in my possession, recreate, or deliver to anyone else) any and all Confidential Information and all other documents, materials, information, and property developed by me pursuant to my employment or otherwise belonging to the Company. In the event I find any such documents, materials, information or property in my possession after my termination of employment, I will promptly make arrangements to return same after finding it. I agree further that any property situated on the Company's premises and owned by the Company (or any other member of the Company Group), including disks and other storage media, filing cabinets, and other work areas, is subject to inspection by personnel of any member of the Company Group at any time with or without notice.

Section 4. **Disclosure of Agreement**.

As long as it remains in effect, I will disclose the existence of this Non-Interference Agreement to any prospective employer, partner, co-venturer, investor, or lender prior to entering into an employment, partnership, or other business relationship with such person or entity.

Section 5. **Restrictions on Interfering**.

(a) Non-Competition. During the period of my employment with the Company under the Employment Agreement dated as of the date hereof (the "***Employment Period***") and the Post-Termination Non-Compete Period, I shall not, directly or indirectly, individually or on behalf of any person, company, enterprise, or entity, or as a sole proprietor, partner, stockholder, director, officer, principal, agent, or executive, or in any other capacity or relationship, engage in any Competitive Activities, anywhere in the United States or elsewhere in the world or in any other jurisdiction in which the Company Group conducts business. For the avoidance of doubt, nothing herein shall be construed to prohibit me from (i) owning less than two percent (2%) of any publicly held corporation, or (ii) accepting employment with any entity whose business is diversified but which engages in Competitive Activities, so long as I do not, directly or indirectly, render services or assistance to any division, business unit or subsidiary of such entity that is in any way engaged in Competitive Activities.

(b) Non-Interference. During the Employment Period and the Post-Termination Non-Interference Period, I shall not, directly or indirectly for my own account or for the account of any other individual or entity, engage in Interfering Activities. For the avoidance of doubt, nothing herein shall be construed to prohibit me from encouraging, soliciting, or inducing any "immediate family member" (as defined in Item 404 of Regulation S-K) to terminate his or her employment with or services to the Company Group or from hiring such immediate family member.

(c) Definitions. For purposes of this Non-Interference Agreement:

(ii) "***Business Relation***" shall mean any current or prospective client, customer, licensee, or other business relation of the Company Group, or any such relation that was a client, customer, licensee, supplier, or other business relation within the six (6) month period prior to the expiration of the Employment Period, in each case, to whom I provided services, or with whom I transacted business, or whose identity became known to me in connection with my relationship with or employment by the Company.

(iii) "***Competitive Activities***" shall mean any business activities in which Cowen Group, Inc., or any member or division of the Company Group that is managed by me, engages (or has committed plans to engage) during the Employment Period, or, for purposes of any period following my termination of employment for any reason, as of the date of such termination; *provided*, *however*, that if Cowen Group, Inc., or such member or division of the Company Group, as applicable, ceases to engage in any business activity for a period of at least six (6) consecutive months following the Employment Period, the term "Competitive Activity" shall no longer include such business activity.

(iv) "***Interfering Activities***" shall mean (A) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Person employed by, or providing consulting services to, any member of the Company Group to terminate such Person's employment with or services to (or in the case of a consultant, materially reducing such services) the Company Group; (B) hiring any individual who was employed by the Company Group within the six (6) month period prior to the date of such hiring; or (C) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Business Relation to cease doing business with or reduce the amount of business conducted with the Company Group, or in any way interfering with the relationship between any such Business Relation and the Company Group.

(v) "***Person***" shall mean any individual, corporation, partnership (general or limited), limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(vi) "***Post-Termination Non-Compete Period***" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending one hundred twenty (120) days after such date of termination.

(vii) "***Post-Termination Non-Interference Period***" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending one hundred twenty (120) days after such date of termination.

Section 6. **Reasonableness of Restrictions**.

I acknowledge and recognize the highly competitive nature of the Company's business, that access to Confidential Information renders me special and unique within the Company's industry, and that I will have the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of the Company Group during the course of and as a result of my employment with the Company. In light of the foregoing, I recognize and acknowledge that the restrictions and limitations set forth in this Non-Interference Agreement are reasonable and valid in geographical and temporal scope and in all other respects and are essential to protect the value of the business and assets of the Company Group. I acknowledge further that the restrictions and limitations set forth in this Non-Interference Agreement will not materially interfere with my ability to earn a living following the termination of my employment with the Company and that my ability to earn a livelihood without violating such restrictions is a material condition to my employment with the Company.

Section 7. **Independence; Severability; Blue Pencil**.

Each of the rights enumerated in this Non-Interference Agreement shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company Group at law or in equity. If any of the provisions of this Non-Interference Agreement or any part of any of them is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of this Non-Interference Agreement, which shall be given full effect without regard to the invalid portions. If any of the covenants contained herein are held to be invalid or unenforceable because of the duration of such provisions or the area or scope covered thereby, I agree that the court making such determination shall have the power to reduce the duration, scope, and/or area of such provision to the maximum and/or broadest duration, scope, and/or area permissible by law, and in its reduced form said provision shall then be enforceable.

Section 8. **Injunctive Relief**.

I expressly acknowledge that any breach or threatened breach of any of the terms and/or conditions set forth in this Non-Interference Agreement may result in substantial, continuing, and irreparable injury to the members of the Company Group. Therefore, I hereby agree that, in addition to any other remedy that may be available to the Company, any member of the Company Group shall be entitled to seek injunctive relief, specific performance, or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of this Non-Interference Agreement without the necessity of proving irreparable harm or injury as a result of such breach or threatened breach. Notwithstanding any other provision to the contrary, I acknowledge and agree that the Post-Termination Non-Compete Period, or Post-Termination Non-Interference Period, as applicable, shall be tolled during any period of violation of any of the covenants in Section 5 hereof and during any other period required for litigation during which the Company or any other member of the Company Group seeks to enforce such covenants against me if it is ultimately determined that I was in breach of such covenants.

Section 9. **Cooperation**.

I agree that, following any termination of my employment, I will continue to provide reasonable cooperation (after taking into account my other personal and professional commitments) to the Company and/or any other member of the Company Group and its or their respective counsel in connection with any investigation, administrative proceeding, or litigation relating to any matter that occurred during my employment in which I was involved or of which I have knowledge. As a condition of such cooperation, the Company shall reimburse me for reasonable out-of-pocket expenses incurred at the request of the Company with respect to my compliance with this paragraph. I also agree that, in the event that I am subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony or provide documents (in a deposition, court proceeding, or otherwise) that in any way relates to my employment by the Company and/or any other member of the Company Group, I will give prompt notice of such request to the Company and will make no disclosure until the Company and/or the other member of the Company Group has had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.

Section 10. **General Provisions**.

(a) Governing Law and Jurisdiction. EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS NON-INTERFERENCE AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS NON-INTERFERENCE AGREEMENT OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN THE SOUTHERN DISTRICT OF NEW YORK BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS NON-INTERFERENCE AGREEMENT, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES, CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS NON-INTERFERENCE AGREEMENT. EACH PARTY TO THIS NON-INTERFERENCE AGREEMENT ALSO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS NON-INTERFERENCE AGREEMENT.

(b) Entire Agreement. This Non-Interference Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions between us. No modification or amendment to this Non-Interference Agreement, nor any waiver of any rights under this Non-Interference Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, obligations, rights, or compensation will not affect the validity or scope of this Non-Interference Agreement.

(c) No Right of Continued Employment. I acknowledge and agree that nothing contained in this Non-Interference Agreement shall be construed as granting me any right to continued employment by the Company.

(d) Successors and Assigns. This Non-Interference Agreement will be binding upon my heirs, executors, administrators, and other legal representatives and will be for the benefit of the Company, its successors, and its assigns. I expressly acknowledge and agree that this Non-Interference Agreement may be assigned by the Company without my consent to any other member of the Company Group as well as any purchaser of all or substantially all of the assets or stock of the Company, whether by purchase, merger, or other similar corporate transaction, provided that the license granted pursuant to Section 2(a) may be assigned to any third party by the Company without my consent.

(e) Survival. The provisions of this Non-Interference Agreement shall survive the termination of my employment with the Company and/or the assignment of this Non-Interference Agreement by the Company to any successor in interest or other assignee.

* * *

I, John Holmes, have executed this Confidentiality, Non-Interference, and Invention Assignment Agreement on the respective date set forth below:

Date: ______________, 2012

__

(Signature)

John Holmes __

(Type/Print Name)

SCHEDULE A

LIST OF PRIOR DEVELOPMENTS
AND ORIGINAL WORKS OF AUTHORSHIP
EXCLUDED FROM SECTION 2

Title	Date	Identifying Number or Brief Description

___X__ No Developments or improvements

_____ Additional Sheets Attached

Signature of Employee: ________________________

Print Name of Employee:________________________

Date:________

<u>RELEASE OF CLAIMS</u>

As used in this Release of Claims (this "***Release***"), the term "claims" will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, accounts, attorneys' fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise.

For and in consideration of the Severance Benefits (as defined in my Employment Agreement, dated ___, 2012, with Cowen Group, Inc. (my "***Employment Agreement***")), and other good and valuable consideration, I, John Holmes, for and on behalf of myself and my heirs, administrators, executors, and assigns, effective as of the date on which this release becomes effective pursuant to its terms, do fully and forever release, remise, and discharge the Company, and each of its direct and indirect subsidiaries and affiliates, together with their respective officers, directors, partners, shareholders, employees, and agents (collectively, the "***Group***"), from any and all claims whatsoever up to the date hereof that I had, may have had, or now have against the Group, whether known or unknown, for or by reason of any matter, cause, or thing whatsoever, including any claim arising out of or attributable to my employment or the termination of my employment with the Company, whether for tort, breach of express or implied employment contract, intentional infliction of emotional distress, wrongful termination, unjust dismissal, defamation, libel, or slander, or under any federal, state, or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability, or sexual orientation. This release of claims includes, but is not limited to, all such claims arising under the Age Discrimination in Employment Act, as amended by the Older Workers' Benefit Protection Act ("***ADEA***"), Title VII of the Civil Rights Act, the Americans with Disabilities Act, as amended by the Americans with Disabilities Act Amendments Act, the Civil Rights Act of 1991, the Family Medical Leave Act, and the Equal Pay Act, each as may be amended from time to time, and all other federal, state, and local laws, the common law, and any other purported restriction on an employer's right to terminate the employment of employees. The release contained herein is intended to be a general release of any and all claims up to the date hereof to the fullest extent permissible by law.

By executing this Release, I specifically release all claims relating to my employment and its termination under ADEA, a United States federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding any provision of this Release to the contrary, by executing this Release, I am not releasing (i) any claims relating to my rights under Section 2 and Section 8 of my Employment Agreement, including the Accrued Obligations (as defined in my Employment Agreement), (ii) any claims that cannot be waived by law or any claims based on occurrences after the date hereof, including whistleblower claims under the Corporate and Criminal Fraud Accountability Act of 2002 (Sarbanes-Oxley), the Securities and Exchange Commission Whistleblower Program, and the Commodities Futures Trading Commission Whistleblower Program, (iii) my right of indemnification as provided by, and in accordance with the terms of, the Company's by-laws or a Company insurance policy providing such coverage, as any of such may be amended from time to time; or (iv) under COBRA. I acknowledge and agree that as of the date I sign this Release: (i) I have advised the Company of all facts that I believe may constitute a violation of the Company's Code of Business Conduct and Ethics, compliance policies, and/or legal obligations, including under federal securities laws; (ii) other than as disclosed under (i) of this Paragraph, I am not aware of any other current violations of the Company's Code of Business Conduct and Ethics, compliance policies, and or legal obligations, including under federal securities laws; and (iii) I have not suffered any adverse action as a result of my conduct in this regard, or if I have suffered adverse action based on any disclosure under (i) of this Paragraph, through this Release I am compromising and settling any claims I may have based on any adverse action.

I expressly acknowledge and agree that I –

▪ Am able to read the language, and understand the meaning and effect, of this Release;

§ Have no physical or mental impairment of any kind that has interfered with my ability to read and understand the meaning of this Release or its terms, and that I am not acting under the influence of any medication, drug, or chemical of any type in entering into this Release;

§ Am specifically agreeing to the terms of the release contained in this Release because the Company has agreed to pay me the Severance Benefits in consideration for my agreement to accept it in full settlement of all possible claims I might have or ever have had, and because of my execution of this Release;

§ Acknowledge that, but for my execution of this Release, I would not be entitled to the Severance Benefits;

§ Understand that, by entering into this Release, I do not waive rights or claims that may arise after the date I execute this Release;

§ Had or could have had [twenty-one (21)][forty-five (45)] days from the date of my termination of employment (the "***Release Expiration Date***") in which to review and consider this Release, and that if I execute this Release prior to the Release Expiration Date, I have voluntarily and knowingly waived the remainder of the review period;

§ Have not relied upon any representation or statement not set forth in this Release or my Employment Agreement made by the Company or any of its representatives;

§ Was advised to consult with my attorney regarding the terms and effect of this Release; and

§ Have signed this Release knowingly and voluntarily.

I represent and warrant that I have not previously filed, and to the maximum extent permitted by law agree that I will not file, a complaint, charge, or lawsuit against any member of the Group regarding any of the claims released herein. If, notwithstanding this representation and warranty, I have filed or file such a complaint, charge, or lawsuit, I agree that I shall cause such complaint, charge, or lawsuit to be dismissed with prejudice and shall pay any and all costs required in obtaining dismissal of such complaint, charge, or lawsuit, including without limitation the attorneys' fees of any member of the Group against whom I have filed such a complaint, charge, or lawsuit. This paragraph shall not apply, however, to a claim of age discrimination under ADEA or to any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission (the "***EEOC***"); *provided*, *however*, that if the EEOC were to pursue any claims relating to my employment with Company, I agree that I shall not be entitled to recover any monetary damages or any other remedies or benefits as a result and that this Release and Section 2 and Section 8 of my Employment Agreement will control as the exclusive remedy and full settlement of all such claims by me.

I hereby agree to waive any and all claims to re-employment with the Company or any other member of the Company Group and affirmatively agree not to seek further employment with the Company or any other member of the Company Group.

Notwithstanding anything contained herein to the contrary, this Release will not become effective or enforceable prior to the expiration of the period of seven (7) calendar days following the date of its execution by me (the "***Revocation Period***"), during which time I may revoke my acceptance of this Release by notifying the Company and the Board of Directors of the Company, in writing, delivered to the Company at its principal executive office, marked for the attention of its Chief Executive Officer. To be effective, such revocation must be received by the Company no later than 11:59 p.m. on the seventh (7^{th}) calendar day following the execution of this Release. Provided that the Release is executed and I do not revoke it during the Revocation Period, the eighth (8^{th}) day following the date on which this Release is executed shall be its effective date. I acknowledge and agree that if I revoke this Release during the Revocation Period, this Release will be null and void and of no effect, and neither the Company nor any other member of the Company Group will have any obligations to pay me the Severance Benefits.

The provisions of this Release shall be binding upon my heirs, executors, administrators, legal personal representatives, and assigns. If any provision of this Release shall be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force or effect. The illegality or unenforceability of such provision, however, shall have no effect upon and shall not impair the enforceability of any other provision of this Release.

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS RELEASE IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS RELEASE OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN THE SOUTHERN DISTRICT OF NEW YORK, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS RELEASE, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES, CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE. EACH PARTY TO THIS RELEASE ALSO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE.

Capitalized terms used, but not defined herein, shall have the meanings ascribed to such terms in my Employment Agreement.

____
John Holmes
Date:

EXHIBIT C

AS OF THE EFFECTIVE DATE, THE EXECUTIVE SERVES AS A MEMBER OF THE BOARD OF DIRECTORS OF THE FOLLOWING NON-COMPETING BUSINESSES AND CHARITABLE ORGANIZATIONS

<u>Non-Competing Businesses</u>

<u>Charitable Organizations</u>

Exhibit 10.2

December 5, 2012

Michael Singer

245 West 99th St., Apt. 25B

New York, NY 10025

Dear Michael:

We are pleased to offer you a position as a Managing Director, with the functional title of Chief Executive Officer of Ramius LLC ("Ramius" or the Company), a wholly owned subsidiary of Cowen Group, Inc. You will report to Peter A. Cohen and/or any other person who becomes the Chief Executive Officer of Cowen Group, Inc. We look forward to a mutually rewarding and beneficial relationship. This offer is contingent on you starting work with the Company by December 15, 2012. This Employment Agreement and the attached Terms and Conditions of Employment will govern your employment from your start date until your employment is terminated in accordance with the terms of this letter (the "Term"), and the Terms and Conditions of Employment will continue after the Term.

1. Compensation.

a. Base Salary. You will be paid a base salary (the "Base Salary") at the annualized rate of Five Hundred Thousand Dollars ($500,000) less applicable tax and payroll deductions, payable in accordance with the Company's payroll practices.

b. Guaranteed Bonus. For fiscal years 2012, 2013 and 2014, subject to terms and conditions set forth in this Employment Agreement, you will receive a guaranteed annual bonus at an annualized rate of Five Hundred Thousand Dollars ($500,000) (the "Guaranteed Bonus"), with (i) four hundred thousand dollars ($400,000) payable in cash, (ii) fifty thousand dollars ($50,000) payable in deferred cash (the "Guaranteed Deferred Cash Award") and (iii) fifty thousand dollars ($50,000) payable in restricted shares or stock units of Cowen Group, Inc. (the "Guaranteed Equity Award"). For the avoidance of doubt, your Guaranteed Bonus for 2012 (including the manner in which it is payable) shall be a prorated amount based on the number of days you are employed by the Company in 2012. The number of shares granted in connection with the Guaranteed Equity Award and the vesting for the Guaranteed Deferred Cash Award and Guaranteed Equity Award shall be determined by and subject to the Company's then-prevailing bonus and compensation deferral policies. The cash portion of the Guaranteed Bonus will be less applicable tax and payroll deductions, and payable at the same time the Company pays annual bonuses to similarly situated employees, but no later than March 15 following the end of the applicable calendar year. The Company will award the Guaranteed Deferred Cash Award and Guaranteed Equity Award when the cash portion of the Guaranteed Bonus is paid. The Guaranteed Bonus will be a draw against your annual Economic Income Bonus (as defined below), but if the Economic Income Bonus is less than the amount of the Guaranteed Bonus in any year, the deficit will not be carried forward to future years. Except as provided in the Termination of Employment Paragraph, below, in order to earn and receive the Guaranteed Bonus you must remain in Good Standing through the end of the calendar year for which a Guaranteed Bonus is payable.

c. Economic Income Bonus. Subject to the provisions of paragraph 1.g. and the other terms and conditions of this Employment Agreement, you will receive an Economic Income Bonus (the "Economic Income Bonus") based on the Economic Income (as defined below) of the Company for each calendar year during the Term, payable in the manner set forth in paragraph 1.f. below. Except as provided in the Termination of Employment Paragraph, below, in order to earn and receive the Economic Income Bonus you must remain in Good Standing through the end of the calendar year for which any Economic Income Bonus is paid. The calculation of Economic Income shall be reasonably determined by the Company in consultation with you in accordance with its regular accounting procedures. Economic Income will be calculated for the twelve-month period ending on December 31 of each calendar year (each, a "Calculation Period") except that (a) the first Calculation Period will be from January 1, 2013 through December 31, 2013 and (b) the last Calculation Period will end as of the last day of the fiscal quarter immediately following the date you are no longer employed by the Company. You are not entitled to receive any minimum Economic Income Bonus. For each Calculation Period, the Economic Income Bonus shall be an amount equal to (A) the sum of (i) 6.0% of the amount of Economic Income above the Threshold up to the Compounded Annual Growth Rate (as defined below) and (ii) 8.0% of the amount of Economic Income above the Compounded Annual Growth Rate less (B) (u) the Economic Income Offset (as defined below), if any, and (v) the Prop Income Offset (as defined below), if any; provided that the total Economic Income Bonus shall not exceed 7.0% of the amount of the Economic Income above the Threshold for such Calculation Period.

"Compounded Annual Growth Rate" shall mean current year Economic Income minus the prior year's Economic Income divided by the prior year's Economic Income.

"Economic Income" shall mean the Economic Income for the Alternative Investment segment of Cowen Group, Inc., but not including investment income and related expenses. Attached as Annex A is a sample calculation of Economic Income.

"Threshold" shall mean (i) $6.5 million with respect to the 2013 calendar year and (ii) $7.5 million with respect to the 2014 calendar year and every calendar year thereafter; provided, that if in any calendar year subsequent to 2014, if Economic Income equals or exceeds $50 million, the Threshold shall mean $15 million (the "Top Threshold"). The following Threshold will apply if a Top Threshold is achieved in a calendar year but then in any calendar year subsequent thereto Economic Income less any Economic Income Offset (as defined below) is less than $40 million: (a) $12.5 million if Economic Income less any Economic Income Offset equals or exceeds $35 million and is less than $40 million, (b) $11.125 million if Economic Income less any Economic Income Offset equals or exceeds $30 million and is less than $35 million and (c) $10.0 million if Economic Income less any Economic Income Offset is less than $30 million. The Threshold shall be prorated for the last Calculation Period. For the avoidance of doubt, the Threshold for calendar year 2014 and every calendar year thereafter shall never exceed $7.5 million unless and until Economic Income less any Economic Offset in a prior calendar year has equaled or exceeded $50 million.

d. Proprietary Income Bonus. Subject to the provisions of paragraph 1.g. below, in addition to the Economic Income Bonus, you will be eligible to receive a Proprietary Income Bonus based on the Proprietary Investment Income (as defined below) for each Calculation Period during the Term, payable in the manner set forth in paragraph 1.f. below. Except as provided in the Termination of Employment Paragraph, below, in order to earn and receive the Proprietary Income Bonus you must remain in Good Standing through the end of the calendar year for which any Proprietary Income Bonus is paid. The calculation of Proprietary Investment Income shall be reasonably determined by the Company in consultation with you in accordance with its regular accounting procedures. You are not entitled to receive any minimum Proprietary Income Bonus. For each Calculation Period, the Proprietary Income Bonus shall be an amount equal to 2.0% of the Proprietary Investment Income and is not subject to any threshold (the "Proprietary Income Bonus").

"Proprietary Investment Income" shall, with respect to a given calendar year, equal the actual "net investment income" (i.e., any trading gains *minus* any trading losses *less* any trading related fees, commissions and direct financing expenses) generated in the aggregate by the Seeded Businesses during such calendar year from the Cowen Group's and its Affiliates (as defined below) proprietary assets managed by the Seeded Businesses ("Prop Assets") for as long as the Prop Assets are invested in the Seeded Businesses including all periods prior to and following product launch. For avoidance of doubt, Proprietary Investment Income may be positive or negative.

"Seeded Businesses" shall mean portfolio management teams hired and retained by you to manage fiduciary or proprietary capital where the Company or its Affiliates has provided proprietary capital to such team whether (i) to seed an investment vehicle with the intention of establishing a commingled or single investor hedge or mutual fund for purposes of investing in a new strategy or (ii) through a managed account or any other fee paying structure. For purposes of this Employment Agreement, "Affiliates" means, with respect to any entity, any other entity that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity.

e. Discretionary Bonus. You are eligible to receive a discretionary annual performance bonus (the "Discretionary Bonus"). The Discretionary Bonus will be payable, if at all, in the Company's complete discretion and shall depend on, among other things, the overall performance of the Company. Accordingly, you understand that the Company is not obligated to pay you a Discretionary Bonus in any given year. Any Discretionary Bonuses is subject to the Company's then-prevailing bonus and compensation deferral policies as determined by the Compensation Committee of the Board of Directors of Cowen Group, Inc. and shall be paid in accordance with the provisions of paragraph 1.f. below. In order to earn and receive any Discretionary Bonus, you must remain in Good Standing through the end of the fiscal year for which the bonus is paid.

f. Manner of Payment. All compensation payable to you hereunder, which includes Base Salary, Guaranteed Bonus, Economic Income Bonus, Proprietary Income Bonus and Discretionary Bonus ("Total Compensation"), shall be paid as follows: (a) for calendar years 2013 and 2014, (x) with respect to the first one million dollars ($1,000,000) of Total Compensation, (1) 90% of such Total Compensation shall be payable in cash, (2) 5% of Total Compensation shall be payable in deferred cash compensation and (3) 5% of Total Compensation shall be payable in the form of deferred equity compensation consisting of restricted stock, restricted stock units, other stock or security-based awards as determined by the Company, (y) with respect to the portion of Total Compensation in excess of one million dollars ($1,000,000) but less than two million dollars ($2,000,000), (i) 20% of such portion of Total Compensation shall be payable in cash, (ii) 40% of such portion of Total Compensation shall be payable in deferred cash compensation and (iii) 40% of such portion of Total Compensation shall be payable in the form of deferred equity compensation consisting of restricted stock, restricted stock units, other stock or security-based awards as determined by the Company and (z) with respect to the portion of Total Compensation in excess of two million dollars ($2,000,000), (i) 50% of such portion of Total Compensation shall be payable in cash, (ii) 25% of such portion of Total Compensation shall be payable in deferred cash compensation and (iii) 25% of such portion of Total Compensation shall be payable in the form of deferred equity compensation consisting of restricted stock, restricted stock units, other stock or security-based awards as determined by the Company and (b) for calendar years subsequent to 2014, (A) with respect to the first one million dollars ($1,000,000) of Total Compensation, (1) 90% of such Total Compensation shall be payable in cash, (2) 5% of Total Compensation shall be payable in deferred cash compensation and (3) 5% of Total Compensation shall be payable in the form of deferred equity compensation consisting of restricted stock, restricted stock units, other stock or security-based awards as determined by the Company and (B) with respect to the portion of Total Compensation in excess of one million dollars ($1,000,000) (u) 50% of such portion of Total Compensation shall be payable in cash, (v) 25% of such portion of Total Compensation shall be payable in deferred cash compensation and (w) 25% of such portion of Total Compensation shall be payable in the form of deferred equity compensation consisting of restricted stock, restricted stock units, other stock or security-based awards as determined by the Company. The cash portion of Total Compensation (other than Base Salary) will be less applicable tax and payroll deductions, and payable at the same time the Company pays annual bonuses to similarly situated employees, but no later than March 15 following the end of the applicable calendar year. The Company will award any deferred compensation or equity portion of Total Compensation when the cash portion of the Total Compensation (other than Base Salary) is paid and such deferred compensation shall be subject to (including with respect to the vesting schedule) the Company's then-prevailing bonus and compensation deferral policies as determined by the Compensation Committee of the Board of Directors of Cowen Group, Inc.

g. Bonus Loss Carryforward. In the event the calculation of Proprietary Investment Income with respect to any Calculation Period results in a negative value, you will be responsible for offsetting 2.0% of such negative value (the "Prop Income Offset") against the Economic Income Bonus for such Calculation Period pursuant to paragraph 1.c. above. To the extent the Prop Income Offset exceeds the Economic Income Bonus in that year, the amount by which the Prop Income Offset exceeds the Economic Income Bonus in that year shall be aggregated with the Prop Income Offset from any prior Calculation Periods, if any, and such aggregate Prop Income Offset shall reduce the Proprietary Income Bonus in each subsequent Calculation Period until such aggregate Prop Income Offset has been fully offset by the positive Proprietary Income Bonus or the Economic Income Bonus in subsequent Calculation Periods. By way of example, if in a Calculation Period there is negative Proprietary Investment Income of $10 million and an Economic Income Bonus of $400,000, the net Economic Income Bonus payable pursuant to paragraph 1.c. above would be $200,000 (Economic Income Bonus of $400,000 less 2.0% of $10 million ($200,000)) and there would be no Prop Income Offset to carry forward in subsequent periods. If in a Calculation Period there is negative Proprietary Investment Income of $10 million and an Economic Income Bonus of $150,000, the net Economic Income Bonus payable pursuant to paragraph 1.c. above would be $0 (Economic Income Bonus of $150,000 less 2.0% of $10 million ($200,000)) with a Prop Income Offset of $50,000 to be carried forward in subsequent periods. In the event the calculation of Economic Income with respect to any Calculation Period results in a negative value (loss for that calendar year), such negative value (the "Economic Income Offset") shall be aggregated with any Economic Income Offset from any prior Calculation Periods to the extent not offset by prior year Economic Income and such aggregate Economic Income Offset shall reduce the Economic Income in each subsequent Calculation Period until such aggregate Economic Income Offset has been fully offset by positive Economic Income in subsequent Calculation Periods. For the avoidance of doubt, Economic Income Offset does not include any portion of the Prop Income Offset.

2. Benefits. You will be eligible to receive benefits on the same basis as Company employees of a similar position, subject to the terms and eligibility requirements of the Company's benefit plans. Please visit www.mybenergy.com (username: cowen, password: benefits), our HR portal, for information on the Company's current benefits and policies, which are subject to change in the Company's sole discretion.

3. Sign-on Award. The Company shall take all necessary steps to grant you 100,000 restricted shares or stock units of Cowen Group, Inc. (the "Equity Award"). The Equity Award will vest on December 10, 2015 (the "Vesting Date"). Your eligibility to receive the Equity Award and continued vesting is subject to: (i) approval of the New Hire Retention Award Committee; (ii) your execution of a grant agreement governing the grant in the form requested by the Company; and (iii) your Good Standing on the grant date and the Vesting Date. The Equity Award shall be granted pursuant to the Company's 2010 Equity and Incentive Plan. If the New Hire Retention Award Committee does not approve the Equity Award grant, you will receive the equivalent value in a cash payment on the Vesting Date, provided you remain in Good Standing on the Vesting Date.

4. Termination of Employment.

a. "At will" Employment. Subject to this Employment Agreement, including the attachments hereto, your employment with the Company may be terminated at any time for any reason, because your employment is "at will." The Company may terminate your employment with or without notice, and you may terminate your employment, other than for Good Reason, by giving ninety (90) days' notice of your resignation (as more fully set forth in the Notice Obligations in the attached Terms and Conditions of Employment).

b. Termination without Cause. If the Company terminates your employment without Cause (other than due to your death or Disability), or you terminate your employment for Good Reason, the Company's liability shall be limited to: (i) a lump sum payment in cash in an amount equal to one and a half (1.5) times your annualized Base Salary payable within sixty (60) days of your termination date, (ii) the Guaranteed Bonus shall be payable on or about the date set forth in Paragraph 1.b., to the extent not already paid to you; (iii) the Economic Income Bonus and Proprietary Income Bonus with respect to the last Calculation Period shall be payable on or about the date set forth in Paragraph 1.c. and (iv) any deferred compensation granted to you as part of the Guaranteed Bonus, the Economic Income Bonus, the Proprietary Income Bonus and the Sign-On Award will become vested, and will be distributed to you in accordance with the applicable grant agreement and subject to your prompt satisfaction of any tax obligation related to such vesting.

c. Death or Disability. Your employment shall terminate on your death. If you become Disabled, the Company may terminate your employment if upon written notice to you, you are not able to return to perform the essential duties and responsibilities of your job, with or without reasonable accommodation. If the Company terminates your employment due to your death or Disability, the Company's liability shall be limited to: (i) a pro-rata share of any Guaranteed Bonus for the year in which your employment terminates, on or about the date set forth in Paragraph 1.b., (ii) a pro-rata share of any Economic Income Bonus and Proprietary Income Bonus for the year in which your employment terminates, on or about the date set forth in Paragraph 1.c., and (ii) any deferred compensation granted to you as part of the Guaranteed Bonus, Economic Income Bonus, Proprietary Income Bonus or Sign-on Award will become vested, and will be distributed to you or your estate in accordance with the applicable grant agreement and subject to your or your estate's prompt satisfaction of any tax obligation related to such vesting.

d. Resignation/Termination for Cause. You agree that if you resign, other than for Good Reason, or the Company terminates your employment for Cause, you will only receive your Base Salary earned but unpaid as of your termination date. In such event, you will not be eligible to receive or earn any portion of any Guaranteed Bonus and any unvested deferred compensation.

e. Release. Except as provided in Paragraph 4.d., your receipt of any payments and benefits under this Paragraph is contingent upon you executing, delivering, and not revoking a general release of claims in favor of the Company and its affiliates in a form requested by the Company (the "General Release"). Upon receipt of the payments and benefits under this Paragraph, you acknowledge that you are not entitled to any other payments or benefits (e.g., severance) upon the termination of your employment. If you do not sign the General Release within ten (10) days (or longer if required by law for your release to become effective) or you revoke the release (if applicable by law), you will not be entitled to any payments or benefits set forth in this Paragraph. If the payments under this Paragraph could be paid in more than one taxable year depending the date you execute and return the General Release, the payments will be paid in the later year, regardless of when the release becomes irrevocable.

f. Offset. In the event of termination, the Company may offset, to the fullest extent permitted by law, any amounts due to the Company from you, or advanced or loaned to you by the Company, from any monies owed to you or your estate by reason of your termination.

5. Definitions. For the purpose of this Employment Agreement and the attached Terms and Conditions of Employment,

a. "Cause" shall mean when the Company, in good faith, determines that any of the following occurs:

i. your indictment for, conviction of, or plea of guilty or nolo contendere to: (x) a felony; or (y) any other criminal offense: (1) involving moral turpitude, (2) that could serve as the basis for statutory disqualification, or (3) that is related to the performance of your job duties and could result in harm to the Company, its reputation, or its employees;

ii. Any act of fraud, gross negligence, gross misconduct, or breach of fiduciary duty in the performance of your duties and responsibilities;

iii. your material violation of or failure to comply with the Company's material internal policies, including its policies against discrimination, harassment and retaliation, or the rules and regulations of any regulatory or self-regulatory organization with jurisdiction over Cowen;

iv. your material or continued failure to perform the material duties of your position, including, by way of example and not of limitation, your material or repeated failure or refusal to follow instructions reasonably given by your superiors (unless such instruction would result in an illegal or unethical act); or

v. your material breach of a material term of your Employment Agreement or your Terms and Conditions of Employment.

If capable of being cured, as determined by the Company in its sole discretion, the Company will provide you with written notice of any grounds for a Cause termination under clauses (iii)-(v) above, and no Cause will exist if you have cured, to the Company's reasonable satisfaction, within fifteen (15) days of the notice.

b. "Disabled" shall mean your inability to perform the essential duties and responsibilities of your job, with or without reasonable accommodation, for a continuous period of ninety (90) days or more, or for one hundred twenty (120) days or more in a twelve (12) month period, due to a physical, mental or emotional condition or impairment, which period may be extended upon review by the Company of your individual circumstances.

c. "Good Standing" means that you remain actively employed and (i) have not been given notice of the termination of your employment; (ii) have not given notice of your resignation or resigned; and (iii) are not under investigation for conduct that could, in the Company's good faith determination, result in a termination for Cause.

d. "Good Reason" means without your consent, (i) the Company's material breach of your Employment Agreement; (ii) a material and permanent diminution in your duties and responsibilities; or (iii) permanently moving your principal place of employment more than fifty (50) miles from the Company's New York, New York office, other than for disaster planning, business continuity purposes. You cannot resign for Good Reason: (y) if you have already triggered your Notice Obligations; or (z) the Company, in good faith, has diminished your duties or responsibilities, or suspended you, because it reasonably believes that you may have engaged in conduct which could constitute Cause. If you believe Good Reason exists, you shall provide the Company with written notice specifying the alleged Good Reason within ninety (90) days of its initial existence. If the Company cures the Good Reason within thirty (30) days from receiving notice, then no Good Reason shall exist. If the Good Reason has not been cured, your employment will terminate at the end of the thirty (30) day cure period.

6. Indemnification. Your rights to indemnification by the Company shall be substantially the same as the rights provided by Cowen Group, Inc. to its directors and officers pursuant to its Certificate of Incorporation and applicable law. Additionally, you shall be covered by any D&O Insurance policy maintained by the Cowen Group, Inc. to the same extent as other senior executives of Cowen Group, Inc..

7. Complete Agreement/Severability. This Employment Agreement, including the attached Terms and Conditions of Employment and 409A Disclosure, contains the entire agreement between you and the Company regarding your employment and the subject matters in the Employment Agreement and its attachments, and supersede all prior agreements, representations, promises or understandings, written or oral, pertaining to the subject matter hereof. The provisions of this offer may not be changed or altered except in writing signed by you and a duly authorized agent of the Company. Any provision of this Employment Agreement or the Terms and Conditions of Employment held legally invalid or unenforceable shall not affect the enforceability of the remaining provisions.

8. Choice of Law. The interpretation and application of this Employment Agreement shall be governed by the laws of the State of New York without regard to principles of conflict of laws.

9. Assignment. You acknowledge that the services you provide as an employee are personal in nature, and therefore, agree not to assign your duties under this Employment Agreement. The Company retains the right to assign its rights and obligations under this Employment Agreement to its successors and assigns.

We look forward to you joining the Company. If you accept this offer of employment, please sign and return to me: (1) this Employment Agreement; (2) the attached Terms and Conditions of Employment; and (3) the enclosed Background Release Forms. Should you have any questions, please do not hesitate to contact me. If you do not accept this offer and commence employment by December 15, 2012, this offer is withdrawn.

Sincerely,

Cowen Group, Inc.

By: /s/ Peter A. Cohen
Peter A. Cohen
Chairman and Chief Executive Officer

By: /s/ Jane Gerhard
Jane Gerhard
Head of Human Resources

AGREED AND ACCEPTED:

Signed: /s/ Michael Singer   Date: December 5, 2012

Michael Singer

Section 409A Disclosure

Your Employment Agreement is intended to comply with the requirements of Section 409A of the United States Internal Revenue Code (the "Code") and shall be interpreted accordingly. In the event that any provision of this Employment Agreement would cause it to fail to comply with Section 409A, such provision may be deemed null and void and Cowen and you agree to amend or restructure this Employment Agreement, to the extent necessary and appropriate to avoid adverse tax consequences under Section 409A. To the extent (a) any payments to which you become entitled under Employment Agreement, or any agreement or plan referenced herein, in connection with your separation of service from the Company constitute deferred compensation subject to Section 409A and (b) you are at the time of such separation of service a "specified" employee under Section 409A, then such payment or payments shall not be made or commenced until the earliest of (i) the expiration of the six (6)-month period measured from the date of your "separation from service" (as such term is defined below); (ii) the date you become "disabled" (as defined in Section 409A of the Code); or (iii) the date of your death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to you, including (without limitation) the additional twenty percent (20%) tax for which you would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to you or your beneficiary in one lump sum. With respect to any determination that the benefits provided for in this letter agreement are subject to Section 409A, then each payment is a separate payment and, to the extent any payment under this Employment Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. For purposes of this Employment Agreement, separation or termination of your employment with, or resignation/voluntary termination from the Company or any affiliate of the Company, shall mean "separation from service" within the meaning of Section 409A of the Code and Section 1.409A-1(h) of the regulations issued under the Code or any successor regulations. In any event, Cowen makes no representations or warranties and shall have no liability to you or any other person if any provisions of or payments under this letter agreement are determined to constitute deferred compensation subject to Code Section 409A, but do not satisfy the conditions of that section.

<u>Terms and Conditions of Employment</u>

In consideration for the Company's offer of employment and your continued employment, you acknowledge and agree to the following terms and conditions governing your employment ("Terms and Conditions of Employment"). These Terms and Conditions of Employment govern your employment with the Company and your pre- and post-employment obligations. The Terms and Conditions survive the expiration of any employment agreement between you and the Company.

1. <u>Pre-Employment Verifications</u>. The Company's offer of employment is contingent upon your satisfactory completion of employment, education and reference checks, a credit and criminal background check, and verification of your identity and authorization to legally work in the United States, and all other Company practices and procedures applicable to the hiring process. Any failure to satisfy the Company's pre-employment requirements will nullify your offer of employment or, in the event you have become an active employee, may result in the termination of employment. Termination of your employment under this Paragraph will be for Cause.

2. <u>Representations and Warranties</u>. You represent and warrant that, to the best of your current knowledge and belief,

a. you are not a party to any agreement or bound by any obligation, restrictive covenant or non-competition agreement that would prohibit you from accepting the Company's offer or from fully performing your duties and responsibilities with Cowen;

b. you are not and have not been the subject of any investigation related to the performance of your job duties and responsibilities by any prior employer, any governmental or regulatory authority, or any self-regulatory organization; and

c. in connection with your employment with the Company, you will not use any confidential or proprietary information you may have obtained in connection with employment with any prior employer.

3. <u>Licenses and Registration</u>. Your offer of employment and your continued employment is contingent upon your obtaining and maintaining all of the licenses, registrations, and other authorizations necessary for you to conduct the functions of your job.

4. <u>Compliance with Company Policies</u>. Your employment is subject to, and you agree to abide by the Company's policies including, but not limited to, those contained in the Employee Handbook, the Code of Business Conduct and Ethics, and the Company's compliance policies and procedures. The Company's right to modify these policies does not affect your duty to comply with these policies at all times.

5. <u>Notice Obligation</u>. Your employment with the Company may be terminated at any time for any reason, because your employment is "at will." The Company may terminate your employment with or without notice. As a Managing Director, you shall not terminate your employment without Good Reason without first giving the Company at least (90) days' prior written notice of your resignation (your "Notice Obligation", and the period of time, the "Notice Period"). If your corporate title changes, your corporate title at the date of your resignation will govern your Notice Obligation if greater than your current obligation. You must deliver written resignation notice to your manager with a copy to Human Resources by hand, e-mail, or mail with proof of delivery (such as certified mail, UPS, or FedEx). During the Notice Period, you will receive only your Base Salary in accordance with the Company's payroll practices, and will not be eligible to receive any bonus. The Company retains the right to waive your Notice Period in whole or in part or to place you on paid leave for all or part of the Notice Period. During the Notice Period, the Company may (i) require you to transition your duties and responsibilities; (ii) assign you new or additional duties and responsibilities; or (iii) withdraw any powers vested in, or duties assigned to, you.

6. Non-Solicitation; Non-Interference. You agree that if you voluntarily terminate your employment or if your employment is terminated for any reason, you shall not, for a period of one hundred twenty (120) days after the effective date of your termination, without the Company's prior written consent, directly or indirectly: (a) solicit or induce, or cause others to solicit or induce, any employees of the Company to leave the Company or in any way modify their relationship with the Company; (b) hire or cause others to hire any employees of the Company ; (c) encourage or assist in the hiring process of any individual who was employed by the Company within the six (6) month period prior to the date of such hiring or in the modification of any such employee's relationship with the Company, or cause others to participate, encourage or assist in the hiring process of any such employees of the Company; (d) encourage, solicit, or induce, or in any manner attempt to encourage, solicit, or induce, any clients or customers or any prospective clients or customers of the Company, to cease doing business with or reduce the amount of business conducted within the Company, or in any way interfering with the relationship between any such customer, client, prospective customer or prospective client and the Company; or (e) directly or indirectly solicit the trade or patronage of any clients or customers or any prospective clients or customers of the Company with respect to any matters in which the Cowen Group or its subsidiaries or affiliates are active, which includes, but is not limited to, investment banking, sales and trading, research, algorithmic trading, asset management, and/or alternative investments.

7. Non-Compete. You agree that during the period of your employment with the Company and for the period commencing on the date of termination of your employment for any reason and ending one hundred twenty (120) days after such termination, you shall not, directly or indirectly, individually or on behalf of any person, company, enterprise, or entity, or as a sole proprietor, partner, stockholder, director, officer, principal, agent, or executive, or in any other capacity or relationship, engage in any Competitive Activities, anywhere in the United States or elsewhere in the world or in any other jurisdiction in which the Company conducts business. For the avoidance of doubt, nothing herein shall be construed to prohibit you from (i) owning less than two percent (2%) of any publicly held corporation, or (ii) accepting employment with any entity whose business is diversified but which engages in Competitive Activities, so long as you do not, directly or indirectly, render services or assistance to any division, business unit or subsidiary of such entity that is in any way engaged in Competitive Activities. For purposes hereof, "Competitive Activities" shall mean any business activities in which Ramius LLC, or any member or division of the Company that is managed by you, engages (or has committed plans to engage) during the term of your employment, or, for purposes of any period following termination of your employment for any reason, as of the date of such termination; *provided*, *however*, that if Ramius LLC, or such member or division of the Company, as applicable, ceases to engage in any business activity for a period of at least six (6) consecutive months following the termination of your employment, the term "Competitive Activity" shall no longer include such business activity.

8. Non-Disclosure of Confidential Information. You shall not at any time, whether during your employment or following the termination of your employment, for any reason whatsoever, directly or indirectly, publish, disclose or furnish to any entity, firm, corporation or person, except as otherwise required by law, any confidential or proprietary information of the Company with respect to any aspect of its operations, business or clients. "Confidential or Proprietary Information" shall mean information generally unknown to the public to which you gain access by reason of your employment by the Company and includes, but is not limited to, information relating to all principals, officers, and employees of the Company, and all present or potential customers, business and marketing plans, sales, trading and financial data and strategies, salaries and employment benefits, legal and/or regulatory matters, and operational costs. Confidential or Proprietary Information shall not include information which you are required to disclose by legal process or as part of your participation in any governmental or regulatory investigation; provided, however, that you will give the Company prompt written notice of the disclosure so that the Company may seek a protective order or waive your compliance with this paragraph.

9. Company Property. All records, files, memoranda, reports, customer information, client lists, documents and equipment relating to the business of the Company shall remain the sole property of the Company. You agree that upon the termination of your employment, you shall provide to the Company all documents, papers, files or other material that are connected with or derived from your services to the Company.

You agree that the Company owns all work product, patents, copyrights and other material produced by you during your employment with the Company, and agree to assist the Company in all reasonable respects to secure or transfer its rights in such materials or intellectual property.

10. Reasonableness of Restrictions. You acknowledge and agree that your Notice, Non-Solicitation, Non-Disclosure, and Company Property obligations are reasonable and valid in duration, scope and in all other respects. You acknowledge further that the restrictions set forth in the Notice, Non-Solicitation, Non-Disclosure, and Company Property paragraphs will not materially interfere with your ability to earn a living following the termination of your employment and that your ability to earn a livelihood without violating such restrictions is a material condition to your employment with the Company. If any court determines that such restrictive covenants, or any part thereof, are invalid or unenforceable, it is the intention of the parties that these paragraphs shall not thereby be terminated but shall be deemed to be amended to the extent required to make them valid and enforceable (but in no event shall any aspect be made more restrictive).

11. Injunctive Relief. In the event you breach your Notice, Non-Solicitation, Non-Disclosure or Company Property obligations, the Company, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights. You acknowledge that the Company shall suffer irreparable harm in the event of a breach or prospective breach of these obligations and that monetary damages would not be adequate relief. Accordingly, the Company shall be entitled to seek injunctive relief in any federal or state court of competent jurisdiction located in New York County, or in any state in which you reside. You further agree that the Company and its affiliates shall be entitled to recover all costs and expenses (including attorneys' fees) incurred in connection with the enforcement of the Company's rights.

12. Governing Law/Consent to Jurisdiction. Your employment relationship with the Company, including these Terms and Conditions of Employment, shall be governed by the laws of the State of New York without regard to principles of conflict of laws. You consent that any arbitration with respect to your employment, your Employment Agreement or the Terms and Conditions of Employment, will be brought in the New York County. To the extent you or the Company are permitted to commence a court action, you consent to venue and personal jurisdiction in the state and federal courts in New York County, and you waive any right to a jury trial in any such action.

13. Arbitration. Any disputes arising out of or relating to your employment or the termination of your employment will be submitted to and resolved exclusively by Financial Industry Regulatory Association in accordance with its rules, unless you are not registered or are not subject to FINRA's jurisdiction, then by the American Arbitration Association ("AAA") pursuant to the AAA's Employment Arbitration Rules and Mediation Procedures. In the event of arbitration before the AAA, the arbitrator's fees and the administrative costs associated with holding the arbitration hearing (e.g., set-up and calendaring, room costs, etc.) will be paid by the Company, however, you will be responsible for paying your own attorney's fees, witness fees, and all other personal legal expenses related to your legal representation. In agreeing to arbitrate your claims, you recognize that you are waiving your right to a trial in court and by a jury. The arbitration award shall be binding upon you and the Company, and judgment upon the award may be entered in a court of competent jurisdiction. This arbitration provision applies to statutory discrimination, harassment, and retaliation claims under federal, state and local law.

You agree to waive any right to bring, participate in, or recover any relief from a class, collective or other representative action against the Company or its affiliates to the maximum extent permitted by law. If you are included in a class, collective or other representative action, you will take all steps necessary to opt-out of the action or refrain from opting-in. A court must decide any issue concerning the validity of this waiver, and an arbitrator does not have the authority to consider it or to allow you to serve as a representative of others in an arbitration pursuant to the paragraph. If for any reason, a court finds this waiver unenforceable, the class, collective or representative claim may only be heard in court and not arbitrated, and to the fullest extent permitted by law, you waive your right to a jury for any such claims. You retain the right to challenge the validity of this waiver, and you will not be subject to retaliation by the Company for asserting such right.

This Arbitration provision does not apply to: (a) a claim for injunctive relief permitted under your Employment Agreement or these Terms and Conditions of Employment, for which jurisdiction shall be reserved in the federal and/or state courts in New York County, with the parties consenting to personal jurisdiction; (b) any claim arising under Sarbanes-Oxley; and (iii) claims prohibited by law from being arbitrated.

AGREED AND ACCEPTED:

Signed: /s/ Michael Singer Date: December 5, 2012
Michael Singer

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: August 7, 2013

/s/ PETER A. COHEN

Name: Peter A. Cohen
Title: *Chief Executive Officer and President*
(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: August 7, 2013

/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, 2013, 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: August 7, 2013

/s/ PETER A. COHEN

Name: Peter A. Cohen
Title: Chief Executive Officer and President
(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