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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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

Date of Report (Date of earliest event reported): **August 7, 2014**

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**COWEN GROUP, INC.**

(Exact Name of Registrant as Specified in Charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-34516**  
(Commission File Number)

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

**599 Lexington Avenue**  
**New York, NY 10022**  
(Address of Principal Executive Offices and Zip Code)

Registrant's telephone number, including area code: **(212) 845-7900**

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

On August 7, 2014, Cowen Group, Inc., a Delaware corporation (the "Company") issued a press release announcing its financial results for the second quarter ended June 30, 2014, a copy of which is attached hereto as Exhibit 99.1.

The information in Exhibit 99.1 is furnished pursuant to Item 2.02 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

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**Item 9.01. Financial Statements and Exhibits.**

- (d) Exhibit
- 99.1 Press Release issued by the Company dated August 7, 2014.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COWEN GROUP, INC.

Date: August 7, 2014

By: /s/ Owen S. Littman

Name: Owen S. Littman

Title: General Counsel



## Cowen Group, Inc. Announces 2014 Second Quarter Financial Results

New York, August 7, 2014 - Cowen Group, Inc. (NASDAQ: COWN) ("Cowen" or "the Company") today announced its operating results for the second quarter ended June 30, 2014.

### 2014 Second Quarter and Six Month Highlights(1)

- Economic income was \$8.5 million in the second quarter 2014, a \$7.0 million increase over the prior year period of \$1.5 million. For the six months ended June 30, 2014, economic income was \$18.5 million versus \$0.2 million in the prior year period.
- Revenue for the second quarter and six months ended June 30, 2014 was \$111.5 million and \$222.3 million, respectively. This compares to revenue of \$81.1 million and \$156.0 million for second quarter and six months ended June 30, 2013, respectively.
- Broker-dealer segment revenue reflected year over year growth in both the investment banking and brokerage businesses. Second quarter 2014 revenue was \$70.4 million, a 20% increase over the prior year period of \$58.8 million. Revenue for the six months ended June 30, 2014 was \$154.0 million, a \$48.1 million improvement from the year ago period of \$106.0 million.(2)
- Assets under management ("AUM") grew \$1.1 billion in the second quarter and \$2.2 billion in the first half of 2014. As of July 1, 2014 AUM was \$11.6 billion.
- Fixed non compensation expenses were \$23.5 million in the second quarter 2014, compared to \$22.4 million in the prior year period. For the first six months of 2014, fixed non compensation expenses were \$46.4 million versus \$44.8 million in the year ago period. The increase in both the quarter and six month period is primarily attributed to higher professional fees related to the debt issuance in the first quarter of 2014.
- On August 6, Cowen's Board of Directors approved an \$11.3 million increase in the Company's share repurchase program. With this increase, the total amount available for repurchase under the program is \$25 million.

(1) All financial highlights are presented on an Economic Income basis.

(2) Includes broker-dealer segment's allocation of Investment Income (Loss) and Other Revenue.

Peter A. Cohen, Chairman and Chief Executive Officer of Cowen Group said, "The six and 12 months ended June 30, 2014 marked Cowen's most profitable period since the Cowen / Ramius business combination in 2009. During the second quarter 2014, the broker dealer saw solid contribution from the equity capital markets and cash equities businesses. Although the debt capital markets business did not contribute to revenue in the second quarter, several transactions have already closed in the current quarter. Ramius continues to have a successful asset raising year with demand for existing products attracting \$1.1 billion in new assets in the quarter. Continued growth of existing and new products and strategies, as well as partnerships such as the recently announced planned strategic relationship with State Street Global Advisors, are expected to drive additional demand."

### 2014 Second Quarter GAAP Financial Information and Select Balance Sheet Data

For the second quarter 2014, the Company reported GAAP net income of \$8.4 million, or \$0.07 per share, as compared to a GAAP net income of \$1.1 million, or \$0.01 per share, in the second quarter of 2013. The year-over-year improvement was primarily due to gains on securities in other income as well as increased revenues across Cowen's business lines.

The following table summarizes the Company's GAAP financial results for the three months ended June 30, 2014 and 2013, and March 31, 2014, as well as the six months ended June 30, 2014 and 2013.

#### Summary GAAP Financial Information

| (Dollar amounts in millions, except per share information)                              | Three Months Ended |         |       |          |       |          | Six Months Ended |       |  |
|---|--------------------|---------|-------|----------|-------|----------|------------------|-------|--|
|   | June 30,           |         |       | Mar. 31, |       |          | June 30,         |       |  |
|   | 2014               | 2013    | %     | 2014     | %     | 2014     | 2013             | %     |  |
| Revenues  | \$ 92.9            | \$ 81.2 | 14%   | \$ 106.7 | (13)% | \$ 199.6 | \$ 148.4         | 34%   |  |
| Expenses  | 107.9              | 86.6    | 25%   | 106.0    | 2%    | 213.9    | 169.7            | 26%   |  |
| Other income (loss)   | 28.6               | 8.9     | 221%  | 13.5     | 113%  | 42.1     | 25.9             | 63%   |  |
| Income tax (benefit) expense  | —                  | 0.2     | (71)% | 0.1      | (42)% | 0.1      | 0.3              | (63)% |  |
| Net income (loss)   | \$ 13.6            | \$ 3.3  | NM    | \$ 14.0  | (3)%  | \$ 27.6  | \$ 4.3           | NM    |  |
| Net income (loss) attributable to noncontrolling interests in consolidated subsidiaries | 5.2                | 2.3     | 131%  | 4.2      | 25%   | 9.4      | 5.8              | 64%   |  |
| Net income (loss) attributable to Cowen Group, Inc.                                     | \$ 8.4             | \$ 1.1  | NM    | \$ 9.8   | (15)% | \$ 18.2  | \$ (1.5)         | NM    |  |
| Earnings (loss) per share (basic):  | \$ 0.07            | \$ 0.01 | NM    | \$ 0.09  | NM    | \$ 0.16  | \$ (0.01)        | NM    |  |

Note: Amounts may not add due to rounding.

The Company's stockholders' equity as of June 30, 2014, was \$535.0 million, or book value per share of \$4.65, compared to stockholders' equity of \$532.2 million, or book value per share of \$4.61, as of March 31, 2014.

At June 30, 2014, the Company's tangible book value per share was \$4.24 compared to \$4.19 at March 31, 2014.

### Select Balance Sheet Data

| <b>(Dollar amounts in millions, except per share information)</b> | <b>June 30,<br/>2014</b> |       | <b>March 31,<br/>2014</b> |       | <b>June 30,<br/>2013</b> |       |
|---|--------------------------|-------|---------------------------|-------|--------------------------|-------|
| Stockholders' equity  | \$                       | 535.0 | \$                        | 532.2 | \$                       | 506.1 |
| Tangible stockholders' equity                                     | \$                       | 487.2 | \$                        | 483.6 | \$                       | 456.0 |
| Common shares outstanding   |                          | 115.0 |                           | 115.4 |                          | 117.9 |
| Book value per share  | \$                       | 4.65  | \$                        | 4.61  | \$                       | 4.29  |
| Tangible book value per share                                     | \$                       | 4.24  | \$                        | 4.19  | \$                       | 3.87  |

### Economic Income (Loss)

Throughout the remainder of this press release the Company presents Economic Income financial measures that are not prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). In general, Economic Income (Loss) is a pre-tax measure that (i) eliminates the impact of consolidation for consolidated funds and (ii) excludes certain other acquisition-related and/or reorganization expenses. 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

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items are included in each of their respective line items. Economic Income (Loss) revenues also include management fees, incentive income and investment income earned through the Company's investment as a general partner in certain real estate entities and the Company's investment in the activist business. For US GAAP purposes, all of these items are recorded in other income (loss). In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for US GAAP purposes is presented gross as part of revenue.

For a more complete description of Economic Income (Loss) and a reconciliation of GAAP net income (loss) to Economic Income (Loss) for the periods presented and additional information regarding the reconciling adjustments, please see the "Non-GAAP Financial Measures" section of this press release.

The table below summarizes the Company's Economic Income financial results for the three months ended June 30, 2014 and 2013, and March 31, 2014.

### Summary Economic Income (Loss) Financial Information

| <b>(Dollar amounts in millions,<br/>except per share information)</b> | <b>Three Months Ended</b> |                |     |                 |       |                | <b>Six Months Ended</b> |      |  |
|---|---------------------------|----------------|-----|-----------------|-------|----------------|-------------------------|------|--|
|   | <b>June 30,</b>           |                |     | <b>Mar. 31,</b> |       |                | <b>June 30,</b>         |      |  |
|   | 2014                      | 2013           | %   | 2014            | %     | 2014           | 2013                    | %    |  |
| Revenues  | \$ 111.5                  | \$ 81.1        | 38% | \$ 110.8        | 1%    | \$ 222.3       | \$ 156.0                | 43%  |  |
| Expenses  | 99.2                      | 78.0           | 27% | 98.1            | 1%    | 197.3          | 151.7                   | 30%  |  |
| Net Economic Income (Loss) before non-controlling interests           | 12.3                      | 3.1            | NM  | 12.6            | (2)%  | 25.0           | 4.3                     | NM   |  |
| Economic Income (Loss)  | <u>\$ 8.5</u>             | <u>\$ 1.5</u>  | NM  | <u>\$ 10.0</u>  | (15)% | <u>\$ 18.5</u> | <u>\$ 0.2</u>           | NM   |  |
| Economic Income (Loss) per share                                      | <u>\$ 0.07</u>            | <u>\$ 0.01</u> | NM  | <u>\$ 0.09</u>  | NM    | <u>\$ 0.16</u> | <u>\$ —</u>             | NM   |  |
| Economic Income (Loss) excluding certain non-cash items               | <u>\$ 16.6</u>            | <u>\$ 8.8</u>  | 88% | <u>\$ 17.2</u>  | (4)%  | <u>\$ 33.8</u> | <u>\$ 14.8</u>          | 128% |  |

Note: Amounts may not add due to rounding.

### 2014 Second Quarter Economic Income Review

#### Total Economic Income Revenue

Total Economic Income Revenue for the second quarter 2014 was \$111.5 million, a 38% increase compared to \$81.1 million in the second quarter 2013. The increase in Economic Income Revenue was primarily the result of an increase in investment banking and brokerage revenue, in addition to increased revenue from the alternative investment business.

### Economic Income Revenue

| <b>(Dollar amounts in millions)</b> | <b>Three Months Ended</b> |                |      |                 |       |                 | <b>Six Months Ended</b> |      |  |
|-------------------------------------|---------------------------|----------------|------|-----------------|-------|-----------------|-------------------------|------|--|
|                                     | <b>June 30,</b>           |                |      | <b>Mar. 31,</b> |       |                 | <b>June 30,</b>         |      |  |
|                                     | 2014                      | 2013           | %    | 2014            | %     | 2014            | 2013                    | %    |  |
| Investment banking                  | \$ 30.3                   | \$ 25.6        | 18%  | \$ 49.6         | (39)% | \$ 79.9         | 42.7                    | 87%  |  |
| Brokerage                           | 35.1                      | 33.3           | 5%   | 34.3            | 2%    | 69.4            | 61.3                    | 13%  |  |
| Management fees                     | 16.2                      | 14.6           | 11%  | 14.1            | 15%   | 30.3            | 28.8                    | 5%   |  |
| Incentive income                    | 8.2                       | 3.8            | 118% | 4.7             | 73%   | 12.9            | 8.9                     | 45%  |  |
| Investment income                   | 21.6                      | 3.6            | 506% | 8.2             | 164%  | 29.8            | 14.4                    | 106% |  |
| Other revenue                       | 0.2                       | 0.3            | NM   | (0.1)           | NM    | 0.1             | (0.2)                   | NM   |  |
| Total Revenues                      | <u>\$ 111.5</u>           | <u>\$ 81.1</u> | 38%  | <u>\$ 110.8</u> | 1%    | <u>\$ 222.3</u> | <u>\$ 156.0</u>         | 43%  |  |

Note: Amounts may not add due to rounding.

### *Compensation and Benefits Expense*

Second quarter 2014 compensation and benefits expense was \$63.6 million, a 35% increase compared to \$47.0 million in the second quarter 2013. The increase is due to higher revenues during the second quarter of 2014 as compared to the 2013 period, which resulted in a higher compensation and benefits accrual to remain consistent with the Company's compensation to revenue ratio despite a decline in headcount. Total headcount at the end of the second quarter was 632, a decline of 2% from the prior year period and 1% higher than the fourth quarter 2013.

The compensation to Economic Income revenue ratio was 57% in the current quarter compared to 58% in the prior year period. Compensation and benefits expense for the second quarter 2014 and 2013 included \$5.7 million and \$4.7 million in share-based compensation expense in both periods, respectively.

Excluding \$1.3 million of expenses associated with activities for which the Company is reimbursed and \$0.7 million of severance expense, compensation and benefits expense was 55% of Economic Income revenue in the second quarter 2014. Excluding these same two items, compensation and benefits expense was 56% of Economic Income revenue in the prior year period.

### *Fixed Non-Compensation Expenses*

Fixed non-compensation expenses in the current quarter increased 5% to \$23.5 million compared to \$22.4 million in the comparable prior year quarter. This was primarily due to higher professional fees related to the debt issuance during the first quarter of 2014, which were partially offset with various firm-wide efforts to reduce fixed expenses.

### *Variable Non-Compensation Expenses*

Variable non-compensation expenses were \$11.1 million in the second quarter 2014, an increase of 11% compared to \$10.0 million in the second quarter 2013. The increase was due to greater marketing and business development expenses due to increased marketing activity firm wide.

### *Interest Expense*

Interest expense was \$2.7 million in the second quarter 2014 compared to \$0.1 million in the prior year quarter. The increase is primarily due to the debt issued in the first quarter of 2014.

### *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 increase was the result of an extension of the partnership agreement relating to our alternative solutions business which resulted in a profit split and therefore more allocations of income to non-controlling interest holders.

## **Alternative Investment Segment ("Ramius")**

### *Assets Under Management*

As of July 1, 2014, the Company had assets under management of \$11.6 billion. The \$1.1 billion AUM increase in the second quarter 2014 included \$805 million in net subscriptions and \$249 million of net positive performance.

### *Management Fees and Incentive Income*

For the second quarter 2014, management fees were \$16.2 million, compared to \$14.6 million in the prior year. This increase was primarily related to an increase in management fees for our activist funds.

The average annualized management fee charged in the second quarter 2014 was 0.59%, unchanged from the first quarter, and 0.65% in the prior year period. The difference is related to undrawn committed capital in certain strategies that operate with private equity structures where fees are not yet generated as well as increases in certain large mandates with tiered management fee schedules.

Incentive income was \$8.2 million in the second quarter 2014 compared to \$3.8 million in the prior year period. This increase was primarily related to an increase in performance fees from our credit and activist funds.

### *Investment Income*

Investment income represents net revenues generated on our invested capital and includes interest and dividend income received or accrued as well as realized and unrealized gains/losses recognized during the period. Year over year investment income increased by \$18.0 million to \$21.6 million in the second quarter 2014. The increase is due to an increase in performance from certain investment strategies, including activist, event and equities driven, as well as increases in performance from our other investments.

## **Broker-Dealer Segment ("Cowen and Company")**

### *Brokerage*

Brokerage revenue was \$35.1 million in the second quarter 2014, an increase of 5%, compared to \$33.3 million in the second quarter 2013. This was attributable to a decrease in losses related to the facilitation of customer transactions and an increase in electronic trading revenues.

### *Investment Banking*

Investment banking revenue was \$30.3 million in the second quarter 2014, an increase of 18%, compared to \$25.6 million in the second quarter 2013. The increase in revenue was due to an increase in equity underwriting activity.

- Equity underwriting revenue was \$29.9 million from 32 transactions in the second quarter 2014, as compared to \$16.2 million from 17 transactions in the comparable prior year period. Of these transactions, the Company completed nine bookrun assignments in both the second quarter 2014, and the prior year period.
- Debt capital markets revenue was nil in the second quarter 2014, as compared to \$6.8 million from the completion of five transactions in the prior year period.
- Strategic advisory revenue was \$0.4 million in the second quarter 2014, as compared to \$2.6 million in the second quarter 2013. The Company did not complete any strategic advisory transactions in the second quarter 2014 as compared to three strategic advisory transactions in the prior year period.

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### **Share Repurchase Program**

Cowen today announced that its Board of Directors approved an increase to the Company's share repurchase program that authorizes Cowen to purchase up to an additional \$11.3 million of Cowen's Class A common shares from time to time. With this increase, the total amount available for repurchase under the program is \$25 million.

The \$11.3 million increase is in addition to the Company's existing \$60 million share purchase program, under which the Company has acquired 14.2 million shares for \$46.3 million. Also, since the program was initially announced in July 2011, the Company has acquired an additional 5.3 million shares as a result of net share settlement relating to the vesting of equity awards.

The program permits the Company to purchase shares 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. It does not obligate the Company to make any purchases at any specific time or situation. The program may be suspended or discontinued at any time. As of June 30, 2014, Cowen had approximately 115.0 million Class A shares outstanding.

In the second quarter 2014, the Company repurchased a total of 2.0 million shares under the program.

### **Earnings Conference Call with Management**

The Company will host a conference call to discuss its 2014 second quarter financial results on Thursday, August 7, 2014, at 9:00 am EST. The call can be accessed by dialing 1-866-510-0712 domestic or 1-617-597-5380 international. The passcode for the call is 34936653. A replay of the call will be available beginning at 1:00 pm EST August 7, 2014 through August 14, 2014. To listen to the replay of this call, please dial 1-888-286-8010 domestic or 1-617-801-6888 international and enter passcode 61327673.

The call can also be accessed through live audio webcast or by delayed replay on the Company's website at [www.cowen.com](http://www.cowen.com).

### **About Cowen Group, Inc.**

Cowen Group, Inc. is a diversified financial services firm and, together with its consolidated subsidiaries, provides alternative asset management, investment banking, research, and sales and trading services through its two business segments: Ramius and its affiliates make up the Company's alternative investment segment, while Cowen and Company and its affiliates make up the Company's broker-dealer segment. Ramius provides alternative asset management solutions to a global client base and manages a significant portion of Cowen's proprietary capital. Cowen and Company and its affiliates offer industry focused investment banking for growth-oriented companies, domain knowledge-driven research and a sales and trading platform for institutional investors. Founded in 1918, the firm is headquartered in New York and has offices located worldwide.

### **Cautionary Note Regarding Forward-Looking Statements**

This press release contains forward-looking statements. Forward-looking statements provide the Company's current expectations or forecasts of future events. Forward-looking statements include statements about the Company's expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results

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to differ materially from those expected or implied by the forward-looking statements. The Company's actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors described in the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, as filed with the Securities and Exchange Commission. The Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are available at our website at [www.cowen.com](http://www.cowen.com) and at the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov). Unless required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statement to reflect circumstances or events after the date of this press release.

**Cowen Group, Inc.**  
**Preliminary Unaudited Condensed Consolidated Statements of Operations**  
(Dollar amounts in thousands, except per share data)

|   | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                   |
|---|--------------------------------|-----------------|------------------------------|-------------------|
|   | 2014                           | 2013            | 2014                         | 2013              |
| <b>Revenues</b>   |                                |                 |                              |                   |
| Investment banking  | \$ 30,292                      | \$ 25,571       | \$ 79,854                    | \$ 42,737         |
| Brokerage   | 33,311                         | 31,521          | 66,141                       | 58,121            |
| Management fees   | 9,692                          | 9,698           | 18,616                       | 19,191            |
| Incentive income  | 2,724                          | 1,954           | 5,222                        | 4,565             |
| Interest and dividends  | 12,460                         | 10,521          | 21,712                       | 19,842            |
| Reimbursement from affiliates   | 3,018                          | 1,214           | 4,918                        | 2,699             |
| Other   | 752                            | 485             | 1,307                        | 963               |
| <i>Consolidated Funds</i>   |                                |                 |                              |                   |
| Interest and dividends  | 655                            | 241             | 1,141                        | 253               |
| Other   | (2)                            | 2               | 668                          | 77                |
| <b>Total revenues</b>   | <b>92,902</b>                  | <b>81,207</b>   | <b>199,579</b>               | <b>148,448</b>    |
| <b>Expenses</b>   |                                |                 |                              |                   |
| Employee compensation and benefits  | 64,404                         | 47,507          | 131,965                      | 91,730            |
| Floor brokerage and trade execution   | 5,858                          | 6,320           | 11,513                       | 12,173            |
| Interest and dividends  | 10,193                         | 7,489           | 17,265                       | 14,109            |
| Professional, advisory and other fees   | 4,374                          | 3,002           | 7,975                        | 6,855             |
| Service fees  | 2,086                          | 2,687           | 4,228                        | 5,264             |
| Communications  | 3,022                          | 2,771           | 6,268                        | 6,510             |
| Occupancy and equipment   | 6,324                          | 6,548           | 12,721                       | 12,267            |
| Depreciation and amortization   | 2,382                          | 2,609           | 4,762                        | 5,162             |
| Client services and business development  | 5,635                          | 4,659           | 10,149                       | 8,758             |
| Other   | 3,228                          | 2,535           | 6,386                        | 5,977             |
| <i>Consolidated Funds</i>   |                                |                 |                              |                   |
| Interest and dividends  | 189                            | 106             | 299                          | 106               |
| Professional, advisory and other fees   | 140                            | 92              | 274                          | 488               |
| Floor brokerage and trade execution   | 4                              | 180             | 6                            | 180               |
| Other   | 65                             | 107             | 121                          | 145               |
| <b>Total expenses</b>   | <b>107,904</b>                 | <b>86,612</b>   | <b>213,932</b>               | <b>169,724</b>    |
| <b>Other income (loss)</b>  |                                |                 |                              |                   |
| Net (losses) gains on securities, derivatives and other investments                     | 23,037                         | 4,994           | 34,391                       | 16,801            |
| <i>Consolidated Funds net (losses) gains:</i>   |                                |                 |                              |                   |
| Net realized and unrealized (losses) gains on investments and other transactions        | 5,778                          | 3,711           | 7,942                        | 8,781             |
| Net realized and unrealized (losses) gains on derivatives                               | (190)                          | 158             | (211)                        | 462               |
| Net (losses) gains on foreign currency transactions                                     | 21                             | 48              | (19)                         | (167)             |
| <b>Total other income (loss)</b>  | <b>28,646</b>                  | <b>8,911</b>    | <b>42,103</b>                | <b>25,877</b>     |
| <b>Income (loss) before income taxes</b>  | <b>13,644</b>                  | <b>3,506</b>    | <b>27,750</b>                | <b>4,601</b>      |
| Income tax (benefit) expense  | 46                             | 158             | 125                          | 334               |
| <b>Net income (loss)</b>  | <b>13,598</b>                  | <b>3,348</b>    | <b>27,625</b>                | <b>4,267</b>      |
| Net income (loss) attributable to noncontrolling interests in consolidated subsidiaries | 5,216                          | 2,255           | 9,403                        | 5,750             |
| <b>Net income (loss) attributable to Cowen Group, Inc. stockholders</b>                 | <b>\$ 8,382</b>                | <b>\$ 1,093</b> | <b>\$ 18,222</b>             | <b>\$ (1,483)</b> |
| Earnings (loss) per share:  |                                |                 |                              |                   |
| Basic   | \$ 0.07                        | \$ 0.01         | \$ 0.16                      | \$ (0.01)         |
| Diluted   | \$ 0.07                        | \$ 0.01         | \$ 0.15                      | \$ (0.01)         |
| Weighted average shares used in per share data:   |                                |                 |                              |                   |
| Basic   | 115,569                        | 117,235         | 115,626                      | 115,471           |
| Diluted   | 120,199                        | 120,901         | 120,635                      | 115,471           |

## Non-GAAP Financial Measures

In addition to the results presented above in accordance with generally accepted accounting principles, or GAAP, the Company presents financial measures that are non-GAAP measures, such as Economic Income (Loss) and Economic Income (Loss) excluding certain non-cash items. The Company believes that these non-GAAP measures, viewed in addition to, and not in lieu of, the Company's reported GAAP results, provide useful information to investors regarding its performance and overall results of operations. These metrics are an integral part of the Company's internal reporting to measure the performance of its businesses and the overall effectiveness of senior management. Reconciliations to comparable GAAP measures are available in the accompanying schedules. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other public companies, and are not identical to corresponding measures used in our various agreements or public filings.

### *Economic Income (Loss)*

Economic Income (Loss) may not be comparable to similarly titled measures used by other public companies. Cowen uses Economic Income (Loss) as a measure of its 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 GAAP. As a result of the adjustments made to arrive at Economic Income (Loss) described below, Economic Income (Loss) has limitations in that it does not take into account certain items included or excluded under GAAP, including its consolidated funds. Economic Income (Loss) is considered by management as a supplemental measure to the GAAP results to provide a more complete understanding of its performance as management measures it.

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

Additionally, we have reported in this press release our Economic Income (Loss) excluding certain non-cash expenses. For this measure, we have adjusted Economic Income (Loss) by the following non-cash expense items:

- Depreciation and amortization and
- Share-based compensation expense.

Management believes that the non-GAAP calculation of Economic Income (Loss) excluding certain non-cash items will allow for a better understanding of the Company's operating results.

### Cowen Group, Inc. Unaudited Economic Income (Loss) (Dollar amounts in thousands)

|  | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                  |
|--|--------------------------------|-----------------|------------------------------|------------------|
|  | 2014                           | 2013            | 2014                         | 2013             |
| <b>Revenues</b>  |                                |                 |                              |                  |
| Investment banking   | \$ 30,292                      | \$ 25,571       | \$ 79,854                    | \$ 42,737        |
| Brokerage  | 35,052                         | 33,300          | 69,401                       | 61,317           |
| Management fees  | 16,166                         | 14,606          | 30,255                       | 28,750           |
| Incentive income   | 8,193                          | 3,765           | 12,919                       | 8,892            |
| Investment income  | 21,596                         | 3,563           | 29,770                       | 14,436           |
| Other revenue  | 242                            | 278             | 97                           | (163)            |
| <b>Total revenues</b>  | <b>111,541</b>                 | <b>81,083</b>   | <b>222,296</b>               | <b>155,969</b>   |
| <b>Expenses</b>  |                                |                 |                              |                  |
| Employee compensation and benefits                                 | 63,632                         | 47,026          | 130,589                      | 90,860           |
| Fixed non-compensation expenses                                    | 23,544                         | 22,356          | 46,359                       | 44,760           |
| Variable non-compensation expenses                                 | 11,136                         | 9,989           | 20,573                       | 18,714           |
| Interest expense   | 2,654                          | 72              | 3,297                        | 196              |
| Reimbursement from affiliates                                      | (1,756)                        | (1,411)         | (3,482)                      | (2,830)          |
| <b>Total expenses</b>  | <b>99,210</b>                  | <b>78,032</b>   | <b>197,336</b>               | <b>151,700</b>   |
| <b>Net Economic Income (Loss) before non-controlling Interests</b> | <b>12,331</b>                  | <b>3,051</b>    | <b>24,960</b>                | <b>4,269</b>     |
| Non-controlling interests  | (3,818)                        | (1,581)         | (6,444)                      | (4,067)          |
| <b>Economic Income (Loss)</b>                                      | <b>\$ 8,513</b>                | <b>\$ 1,470</b> | <b>\$ 18,516</b>             | <b>\$ 202</b>    |
| <b>Economic Income (Loss) Excluding Certain Non-cash Items</b>     |                                |                 |                              |                  |
| Economic Income (Loss)   | \$ 8,513                       | \$ 1,470        | \$ 18,516                    | \$ 202           |
| Exclusion of depreciation and amortization expense                 | 2,380                          | 2,601           | 4,757                        | 5,142            |
| Exclusion of share-based compensation expense                      | 5,674                          | 4,721           | 10,477                       | 9,474            |
| <b>Economic Income (Loss) Excluding Certain Non-cash Items</b>     | <b>\$ 16,567</b>               | <b>\$ 8,792</b> | <b>\$ 33,750</b>             | <b>\$ 14,818</b> |



**Cowen Group, Inc.**  
 Unaudited Reconciliation of Economic Income and GAAP Income for the Three Months Ended June 30, 2014  
 (Dollar amounts in thousands)

|   | Three Months Ended June 30, 2014 |                     |                |                 |
|---|----------------------------------|---------------------|----------------|-----------------|
|   | GAAP                             | Adjustments         |                | Economic Income |
| Other Adjustments   |                                  | Funds Consolidation |                |                 |
| <b>Revenues</b>   |                                  |                     |                |                 |
| Investment banking  | \$ 30,292                        | \$ —                | \$ —           | \$ 30,292       |
| Brokerage   | 33,311                           | 1,741(e)            | —              | 35,052          |
| Management fees   | 9,692                            | 6,231(a)            | 243            | 16,166          |
| Incentive income  | 2,724                            | 5,315(a)            | 154            | 8,193           |
| Investment income   | —                                | 21,596(c)           | —              | 21,596          |
| Interest and dividends  | 12,460                           | (12,460)(c)         | —              | —               |
| Reimbursement from affiliates   | 3,018                            | (3,102)(f)          | 84             | —               |
| Other revenue   | 752                              | (510)(c)            | —              | 242             |
| <i>Consolidated Funds</i>   | 653                              | —                   | (653)          | —               |
| <b>Total revenues</b>   | <b>92,902</b>                    | <b>18,811</b>       | <b>(172)</b>   | <b>111,541</b>  |
| <b>Expenses</b>   |                                  |                     |                |                 |
| Compensation & Benefits   | 64,404                           | (772)               | —              | 63,632          |
| Non-compensation expenses - Fixed   | —                                | 23,544(c)(d)        | —              | 23,544          |
| Non-compensation expenses - Variable  | —                                | 11,136(c)(d)        | —              | 11,136          |
| Non-compensation expenses   | 32,909                           | (32,909)(c)(d)      | —              | —               |
| Interest and dividends  | 10,193                           | (7,539)(c)          | —              | 2,654           |
| Reimbursement from affiliates   | —                                | (1,756)(f)          | —              | (1,756)         |
| <i>Consolidated Funds</i>   | 398                              | —                   | (398)          | —               |
| <b>Total expenses</b>   | <b>107,904</b>                   | <b>(8,296)</b>      | <b>(398)</b>   | <b>99,210</b>   |
| <b>Other income (loss)</b>  |                                  |                     |                |                 |
| Net gains (losses) on securities, derivatives and other investments                           | 23,037                           | (23,037)(c)         | —              | —               |
| <i>Consolidated Funds net gains (losses)</i>  | 5,609                            | (3,195)             | (2,414)        | —               |
| <b>Total other income (loss)</b>  | <b>28,646</b>                    | <b>(26,232)</b>     | <b>(2,414)</b> | <b>—</b>        |
| <b>Income (loss) before income taxes and non-controlling interests</b>                        | <b>13,644</b>                    | <b>875</b>          | <b>(2,188)</b> | <b>12,331</b>   |
| Income taxes (Benefit)  | 46                               | (46)(b)             | —              | —               |
| <b>Economic Income (Loss) / Net income (loss) before non-controlling interests</b>            | <b>13,598</b>                    | <b>921</b>          | <b>(2,188)</b> | <b>12,331</b>   |
| (Income) loss attributable to non-controlling interests in consolidated subsidiaries          | (5,216)                          | (790)               | 2,188          | (3,818)         |
| <b>Economic Income (Loss) / Net income (loss) available to Cowen Group, Inc. Stockholders</b> | <b>\$ 8,382</b>                  | <b>\$ 131</b>       | <b>\$ —</b>    | <b>\$ 8,513</b> |

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

Funds Consolidation: The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income. Adjustments 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 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 activist business.
- (b) Economic Income 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 recognizes Company income from proprietary trading net of related expenses.
- (d) Economic Income recognizes Companies proportionate share of expenses for certain real estate and other operating entities for which the investments are recorded under the equity method of accounting for investments.
- (e) Economic Income (Loss) recognizes stock borrow/loan activity and other brokerage dividends as brokerage revenue.
- (f) Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.

**Cowen Group, Inc.**  
 Unaudited Reconciliation of Economic Income and GAAP Income for the Three Months Ended June 30, 2013  
 (Dollar amounts in thousands)

|                    | Three Months Ended June 30, 2013 |                     |      |                 |
|--------------------|----------------------------------|---------------------|------|-----------------|
|                    | GAAP                             | Adjustments         |      | Economic Income |
| Other Adjustments  |                                  | Funds Consolidation |      |                 |
| <b>Revenues</b>    |                                  |                     |      |                 |
| Investment banking | \$ 25,571                        | \$ —                | \$ — | \$ 25,571       |

|   |                 |                |                |                 |
|---|-----------------|----------------|----------------|-----------------|
| Brokerage   | 31,521          | 1,779(e)       | —              | 33,300          |
| Management fees   | 9,698           | 4,622(a)       | 286            | 14,606          |
| Incentive income  | 1,954           | 1,811(a)       | —              | 3,765           |
| Investment income   | —               | 3,563(c)       | —              | 3,563           |
| Interest and dividends  | 10,521          | (10,521)(c)    | —              | —               |
| Reimbursement from affiliates   | 1,214           | (1,410)(f)     | 196            | —               |
| Other revenue   | 485             | (207)(c)       | —              | 278             |
| <i>Consolidated Funds</i>   | 243             | —              | (243)          | —               |
| <b>Total revenues</b>   | <b>81,207</b>   | <b>(363)</b>   | <b>239</b>     | <b>81,083</b>   |
| <b>Expenses</b>   |                 |                |                |                 |
| Compensation & Benefits   | 47,507          | (481)          | —              | 47,026          |
| Non-compensation expenses - Fixed   | —               | 22,356(c)(d)   | —              | 22,356          |
| Non-compensation expenses - Variable  | —               | 9,989(c)(d)    | —              | 9,989           |
| Non-compensation expenses   | 31,131          | (31,131)(c)(d) | —              | —               |
| Interest and dividends  | 7,489           | (7,417)        | —              | 72              |
| Reimbursement from affiliates   | —               | (1,411)(f)     | —              | (1,411)         |
| <i>Consolidated Funds</i>   | 485             | —              | (485)          | —               |
| <b>Total expenses</b>   | <b>86,612</b>   | <b>(8,095)</b> | <b>(485)</b>   | <b>78,032</b>   |
| <b>Other income (loss)</b>  |                 |                |                |                 |
| Net gains (losses) on securities, derivatives and other investments                           | 4,994           | (4,994)(c)     | —              | —               |
| <i>Consolidated Funds net gains (losses)</i>  | 3,917           | (2,539)        | (1,378)        | —               |
| <b>Total other income (loss)</b>  | <b>8,911</b>    | <b>(7,533)</b> | <b>(1,378)</b> | <b>—</b>        |
| <b>Income (loss) before income taxes and non-controlling interests</b>                        |                 |                |                |                 |
|   | <b>3,506</b>    | <b>199</b>     | <b>(654)</b>   | <b>3,051</b>    |
| Income taxes (Benefit)  | 158             | (158)(b)       | —              | —               |
| <b>Economic Income (Loss) / Net income (loss) before non-controlling interests</b>            | <b>3,348</b>    | <b>357</b>     | <b>(654)</b>   | <b>3,051</b>    |
| (Income) loss attributable to non-controlling interests in consolidated subsidiaries          | (2,255)         | 20             | 654            | (1,581)         |
| <b>Economic Income (Loss) / Net income (loss) available to Cowen Group, Inc. Stockholders</b> | <b>\$ 1,093</b> | <b>\$ 377</b>  | <b>\$ —</b>    | <b>\$ 1,470</b> |

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

Funds Consolidation: The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income. Adjustments 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:

- Economic Income 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.
- Economic Income excludes goodwill impairment and 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.
- Economic Income recognizes Company income from proprietary trading net of related expenses.
- Economic Income recognizes Companies 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.
- Economic Income (Loss) recognizes stock borrow/loan activity and other brokerage dividends as brokerage revenue.
- Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.

**Cowen Group, Inc.**  
Unaudited Reconciliation of Economic Income and GAAP Income for the Six Months Ended June 30, 2014  
(Dollar amounts in thousands)

|                               | Six Months Ended June 30, 2014 |                   |                     |                 |
|-------------------------------|--------------------------------|-------------------|---------------------|-----------------|
|                               | GAAP                           | Adjustments       |                     | Economic Income |
|                               |                                | Other Adjustments | Funds Consolidation |                 |
| <b>Revenues</b>               |                                |                   |                     |                 |
| Investment banking            | \$ 79,854                      | \$ —              | \$ —                | \$ 79,854       |
| Brokerage                     | 66,141                         | 3,260(e)          | —                   | 69,401          |
| Management fees               | 18,616                         | 11,162(a)         | 477                 | 30,255          |
| Incentive income              | 5,222                          | 7,543(a)          | 154                 | 12,919          |
| Investment income             | —                              | 29,770(c)         | —                   | 29,770          |
| Interest and dividends        | 21,712                         | (21,712)(c)(e)    | —                   | —               |
| Reimbursement from affiliates | 4,918                          | (5,082)(f)        | 164                 | —               |

|   |                  |                 |                |                  |
|---|------------------|-----------------|----------------|------------------|
| Other revenue   | 1,307            | (1,210)(c)      | —              | 97               |
| Consolidated Funds  | 1,809            | —               | (1,809)        | —                |
| <b>Total revenues</b>   | <b>199,579</b>   | <b>23,731</b>   | <b>(1,014)</b> | <b>222,296</b>   |
| <b>Expenses</b>   |                  |                 |                |                  |
| Compensation & Benefits   | 131,965          | (1,376)         | —              | 130,589          |
| Non-compensation expenses - Fixed   | —                | 46,359(c)(d)    | —              | 46,359           |
| Non-compensation expenses - Variable  | —                | 20,573(c)(d)    | —              | 20,573           |
| Non-compensation expenses   | 64,002           | (64,002)(c)(d)  | —              | —                |
| Interest and dividends  | 17,265           | (13,968)        | —              | 3,297            |
| Reimbursement from affiliates   | —                | (3,482)(f)      | —              | (3,482)          |
| Consolidated Funds  | 700              | —               | (700)          | —                |
| <b>Total expenses</b>   | <b>213,932</b>   | <b>(15,896)</b> | <b>(700)</b>   | <b>197,336</b>   |
| <b>Other income (loss)</b>  |                  |                 |                |                  |
| Net gains (losses) on securities, derivatives and other investments                           | 34,391           | (34,391)(c)     | —              | —                |
| Consolidated Funds net gains (losses)   | 7,712            | (5,091)         | (2,621)        | —                |
| <b>Total other income (loss)</b>  | <b>42,103</b>    | <b>(39,482)</b> | <b>(2,621)</b> | <b>—</b>         |
| <b>Income (loss) before income taxes and non-controlling interests</b>                        |                  |                 |                |                  |
|   | <b>27,750</b>    | <b>145</b>      | <b>(2,935)</b> | <b>24,960</b>    |
| Income taxes (Benefit)  | 125              | (125)(b)        | —              | —                |
| <b>Economic Income (Loss) / Net income (loss) before non-controlling interests</b>            | <b>27,625</b>    | <b>270</b>      | <b>(2,935)</b> | <b>24,960</b>    |
| (Income) loss attributable to non-controlling interests in consolidated subsidiaries          | (9,403)          | 24              | 2,935          | (6,444)          |
| <b>Economic Income (Loss) / Net income (loss) available to Cowen Group, Inc. Stockholders</b> | <b>\$ 18,222</b> | <b>\$ 294</b>   | <b>\$ —</b>    | <b>\$ 18,516</b> |

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

Funds Consolidation: The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income. Adjustments 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:

- Economic Income 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 activist business.
- Economic Income excludes income taxes as management does not consider this item when evaluating the performance of the segment.
- Economic Income recognizes Company income from proprietary trading net of related expenses.
- Economic Income recognizes Companies 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.
- Economic Income (Loss) recognizes stock borrow/loan activity and other brokerage dividends as brokerage revenue.
- Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.

**Cowen Group, Inc.**  
Unaudited Reconciliation of Economic Income and GAAP Income for the Six Months Ended June 30, 2013  
(Dollar amounts in thousands)

|                                      | Six Months Ended June 30, 2013 |                   |                     |                 |
|--------------------------------------|--------------------------------|-------------------|---------------------|-----------------|
|                                      | GAAP                           | Adjustments       |                     | Economic Income |
|                                      |                                | Other Adjustments | Funds Consolidation |                 |
| <b>Revenues</b>                      |                                |                   |                     |                 |
| Investment banking                   | \$ 42,737                      | \$ —              | \$ —                | \$ 42,737       |
| Brokerage                            | 58,121                         | 3,196(e)          | —                   | 61,317          |
| Management fees                      | 19,191                         | 8,962(a)          | 597                 | 28,750          |
| Incentive income                     | 4,565                          | 4,327(a)          | —                   | 8,892           |
| Investment income                    | —                              | 14,436(c)         | —                   | 14,436          |
| Interest and dividends               | 19,842                         | (19,842)(c)       | —                   | —               |
| Reimbursement from affiliates        | 2,699                          | (2,830)(f)        | 131                 | —               |
| Other revenue                        | 963                            | (1,126)(c)        | —                   | (163)           |
| Consolidated Funds                   | 330                            | —                 | (330)               | —               |
| <b>Total revenues</b>                | <b>148,448</b>                 | <b>7,123</b>      | <b>398</b>          | <b>155,969</b>  |
| <b>Expenses</b>                      |                                |                   |                     |                 |
| Compensation & Benefits              | 91,730                         | (870)             | —                   | 90,860          |
| Non-compensation expenses - Fixed    | —                              | 44,760(c)(d)      | —                   | 44,760          |
| Non-compensation expenses - Variable | —                              | 18,714(c)(d)      | —                   | 18,714          |

|   |                   |                 |                |                |
|---|-------------------|-----------------|----------------|----------------|
| Non-compensation expenses   | 62,966            | (62,966)(c)(d)  | —              | —              |
| Interest and dividends  | 14,109            | (13,913)        | —              | 196            |
| Reimbursement from affiliates   | —                 | (2,830)(f)      | —              | (2,830)        |
| <i>Consolidated Funds</i>   | 919               | —               | (919)          | —              |
| <b>Total expenses</b>   | <b>169,724</b>    | <b>(17,105)</b> | <b>(919)</b>   | <b>151,700</b> |
| <b>Other income (loss)</b>  |                   |                 |                |                |
| Net gains (losses) on securities, derivatives and other investments                           | 16,801            | (16,801)(c)     | —              | —              |
| <i>Consolidated Funds net gains (losses)</i>  | 9,076             | (5,405)         | (3,671)        | —              |
| <b>Total other income (loss)</b>  | <b>25,877</b>     | <b>(22,206)</b> | <b>(3,671)</b> | <b>—</b>       |
| <b>Income (loss) before income taxes and non-controlling interests</b>                        | <b>4,601</b>      | <b>2,022</b>    | <b>(2,354)</b> | <b>4,269</b>   |
| Income taxes (Benefit)  | 334               | (334)(b)        | —              | —              |
| <b>Economic Income (Loss) / Net income (loss) before non-controlling interests</b>            | <b>4,267</b>      | <b>2,356</b>    | <b>(2,354)</b> | <b>4,269</b>   |
| (Income) loss attributable to non-controlling interests in consolidated subsidiaries          | (5,750)           | (671)           | 2,354          | (4,067)        |
| <b>Economic Income (Loss) / Net income (loss) available to Cowen Group, Inc. Stockholders</b> | <b>\$ (1,483)</b> | <b>\$ 1,685</b> | <b>\$ —</b>    | <b>\$ 202</b>  |

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

**Funds Consolidation:** The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income. Adjustments 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 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.
- (b) Economic Income excludes goodwill impairment and 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 recognizes Company income from proprietary trading net of related expenses.
- (d) Economic Income recognizes Companies proportionate share of expenses for certain real estate and other operating entities for which the investments are recorded under the equity method of accounting for investments.
- (e) Economic Income (Loss) recognizes stock borrow/loan activity and other brokerage dividends as brokerage revenue.
- (f) Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.