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 September 30, 2017

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 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,” “smaller reporting company,” and "emerging growth 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	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 October 27, 2017, there were 31,087,677 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, 2016 as well as Item 1A of this periodic report on Form 10-Q for the quarterly period ended September 30, 2017.

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 nine months ended September 30, 2017 and 2016. The Consolidated Financial Statements as of December 31, 2016 were audited.

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

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

Assets	**As of September 30, 2017**	**As of December 31, 2016**
Cash and cash equivalents	$ 117,824	$ 110,990
Cash collateral pledged	16,995	13,342
Segregated cash	140,656	1,024
Securities owned, at fair value	659,772	700,876
Receivable on derivative contracts, at fair value	32,105	22,901
Securities borrowed	371,367	—
Other investments	141,180	157,279
Deposits with clearing organizations, brokers and banks	84,161	8,939
Receivable from brokers, dealers and clearing organizations	247,136	78,898
Receivable from customers, net of allowance of $1,556 and $0 respectively	45,509	—
Fees receivable, net of allowance of $1,648 and $0, respectively	110,954	45,883
Due from related parties	37,407	39,629
Fixed assets, net of accumulated depreciation and amortization of $26,831 and $23,867, respectively	35,817	42,408
Goodwill	60,678	60,678
Intangible assets, net of accumulated amortization of $29,643 and $29,418, respectively	31,705	25,769
Deferred tax asset, net	158,617	165,656
Other assets	75,729	38,406
Consolidated Funds		
Cash and cash equivalents	11,156	17,761
Securities owned, at fair value	117,630	79,237
Receivable on derivative contracts, at fair value	1,042	893
Other investments	401,348	401,465
Receivable from brokers	8,334	5,978
Other assets	289	511
Total Assets	**$ 2,907,411**	**$ 2,018,523**
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 305,267	$ 266,090
Payable for derivative contracts, at fair value	26,317	20,762
Securities loaned	414,957	—
Payables to brokers, dealers and clearing organizations	156,103	210,309
Payable to customers	202,727	—
Commission management payable	77,851	3,590
Compensation payable	102,508	98,084
Notes payable and other debt	101,267	77,030
Convertible debt	136,189	130,029
Fees payable	11,493	3,272
Due to related parties	567	573
Accounts payable, accrued expenses and other liabilities	103,036	47,525
Consolidated Funds		
Securities sold, not yet purchased, at fair value	—	883
Payable for derivative contracts, at fair value	1,747	572
Payable to brokers	1,411	3,700
Contributions received in advance	—	2,000
Capital withdrawals payable	580	1,408
Accounts payable, accrued expenses and other liabilities	214	841
Total Liabilities	**1,642,234**	**866,668**

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

	As of September 30, 2017	As of December 31, 2016
(continued)		
Commitments and Contingencies (Note 16)		
Redeemable non-controlling interests	**421,661**	**379,205**
Stockholders' equity		
Preferred stock, par value $0.01 per share: 10,000,000 shares authorized, 120,750 shares issued and outstanding as of September 30, 2017 (aggregate liquidation preference of $120,750,000) and 120,750 shares issued and outstanding as of as of December 31, 2016 (aggregate liquidation preference of $120,750,000), respectively	1	1
Class A common stock, par value $0.01 per share: 62,500,000 shares authorized, 41,689,987 shares issued and 31,087,458 outstanding as of September 30, 2017 and 36,542,091 shares issued and 26,731,289 outstanding as of December 31, 2016, respectively (including 191,962 and 162,176 restricted shares, respectively)	324	292
Class B common stock, par value $0.01 per share: 62,500,000 authorized, no shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	1,000,923	928,646
(Accumulated deficit) retained earnings	7,554	(2,442)
Accumulated other comprehensive income (loss)	(8)	(2)
Less: Class A common stock held in treasury, at cost, 10,602,529 and 9,810,802 shares, respectively	(165,278)	(153,845)
Total Stockholders' Equity	**843,516**	**772,650**
Total Liabilities and Stockholders' Equity	**$ 2,907,411**	**$ 2,018,523**

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues				
Investment banking	$ 57,383	$ 36,722	$ 158,082	$ 98,156
Brokerage	84,220	49,605	198,599	147,640
Management fees	8,223	10,272	25,587	31,951
Incentive income	1,945	1,284	6,217	2,823
Interest and dividends	14,318	3,906	27,324	11,664
Reimbursement from affiliates	484	2,140	2,631	8,268
Aircraft lease revenue	934	1,089	3,036	3,071
Reinsurance premiums	7,186	8,905	21,957	23,243
Other revenues	3,402	16,207	6,147	17,940
Consolidated Funds				
Interest and dividends	871	904	4,253	3,518
Other revenues	(136)	(7)	498	1,023
Total revenues	**178,830**	**131,027**	**454,331**	**349,297**
Expenses				
Employee compensation and benefits	103,282	98,501	282,066	217,309
Floor brokerage and trade execution	25,817	8,224	48,218	23,887
Interest and dividends	15,132	7,612	37,273	21,866
Professional, advisory and other fees	7,001	5,305	23,344	16,585
Service fees	3,983	2,075	9,927	6,334
Communications	6,423	4,619	17,186	13,287
Occupancy and equipment	9,656	8,033	25,252	23,911
Depreciation and amortization	3,452	3,174	9,612	9,654
Client services and business development	5,551	6,349	20,505	20,335
Reinsurance claims, commissions and amortization of deferred acquisition costs	7,157	8,595	20,610	20,924
Restructuring costs	222	—	8,763	—
Other expenses	4,960	3,303	12,550	11,404
Consolidated Funds				
Interest and dividends	1,234	1,665	7,325	4,292
Professional, advisory and other fees	205	337	901	959
Floor brokerage and trade execution	64	173	278	306
Other expenses	209	294	919	871
Total expenses	**194,348**	**158,259**	**524,729**	**391,924**
Other income (loss)				
Net gains (losses) on securities, derivatives and other investments	18,326	26,153	63,101	9,123
Bargain purchase gain, net of tax	—	—	7,946	—
Consolidated Funds				
Net realized and unrealized gains (losses) on investments and other transactions	9,073	19,755	48,154	(6,543)
Net realized and unrealized gains (losses) on derivatives	220	5,368	5,405	13,525
Net gains (losses) on foreign currency transactions	8	(26)	(299)	72
Total other income (loss)	**27,627**	**51,250**	**124,307**	**16,177**
Income (loss) before income taxes	**12,109**	**24,018**	**53,909**	**(26,450)**
Income tax expense (benefit)	2,281	8,759	3,407	(6,553)
Net income (loss)	**9,828**	**15,259**	**50,502**	**(19,897)**
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	5,162	18,478	35,412	(2,524)
Net income (loss) attributable to Cowen Inc.	**4,666**	**(3,219)**	**15,090**	**(17,373)**
Preferred stock dividends	1,698	1,698	5,094	5,094
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 2,968**	**$ (4,917)**	**$ 9,996**	**$ (22,467)**

(continued)				
Weighted average common shares outstanding:				
Basic (a)	31,271	26,993	29,004	26,818
Diluted (a)	32,246	26,993	30,011	26,818
Earnings (loss) per share:				

Basic (a)	$	0.09	$	(0.18)	$	0.34	$	(0.84)
Diluted (a)	$	0.09	$	(0.18)	$	0.33	$	(0.84)

(a) Share and per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective as of December 5, 2016.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net income (loss)	$ 9,828	$ 15,259	$ 50,502	$ (19,897)
Other comprehensive income (loss), net of tax:				
Foreign currency translation	—	2	(6)	(3)
Total other comprehensive income (loss), net of tax	—	2	(6)	(3)
Comprehensive income (loss)	**$ 9,828**	**$ 15,261**	**$ 50,496**	**$ (19,900)**

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

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

	Common Shares Outstanding	Common Stock	Preferred Shares Outstanding	Preferred 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, 2016	**26,731,289**	**$ 292**	**120,750**	**$ 1**	**$ (153,845)**	**$ 928,646**	**$ (2)**	**$ (2,442)**	**$ 772,650**	**$ 379,205**
Net income (loss) attributable to Cowen Inc.	—	—	—	—	—	—	—	15,090	15,090	—
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	—	—	—	—	—	—	—	—	—	35,412
Foreign currency translation	—	—	—	—	—	—	(6)	—	(6)	—
Capital contributions	—	—	—	—	—	—	—	—	—	60,322
Capital withdrawals	—	—	—	—	—	—	—	—	—	(53,278)
Common stock issuance upon acquisition (See Note 2)	3,162,278	32	—	—	—	47,575	—	—	47,607	—
Restricted stock awards issued	1,985,618	—	—	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(791,727)	—	—	—	(11,433)	—	—	—	(11,433)	—
Preferred stock dividends (See Note 18)	—	—	—	—	—	—	—	(5,094)	(5,094)	—
Amortization of share based compensation	—	—	—	—	—	24,702	—	—	24,702	—
Balance, September 30, 2017	**31,087,458**	**$ 324**	**120,750**	**$ 1**	**$ (165,278)**	**$ 1,000,923**	**$ (8)**	**$ 7,554**	**$ 843,516**	**$ 421,661**

	Common Shares Outstanding	Common Stock	Preferred Shares Outstanding	Preferred 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, 2015	**26,401,163**	**$ 292**	**120,750**	**$ 1**	**$ (137,356)**	**$ 903,429**	**$ —**	**$ 23,627**	**$ 789,993**	**$ 186,911**
Net income (loss) attributable to Cowen Inc.	—	—	—	—	—	—	—	(17,373)	(17,373)	
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds										(2,524)
Foreign currency translation	—	—	—	—	—	—	(3)	—	(3)	—
Capital contributions	—	—	—	—	—	—	—	—	—	236,720
Capital withdrawals	—	—	—	—	—	—	—	—	—	(16,182)
Deconsolidation of entities	—	—	—	—	—	—	—	—	—	(73,042)
Restricted stock awards issued	1,502,859	—	—	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(1,075,484)	—	—	—	(14,807)	—	—	—	(14,807)	—
Preferred stock dividends (See Note 18)	—	—	—	—	—	—	—	(5,094)	(5,094)	—
Income tax effect from share based compensation	—	—	—	—	—	(763)	—	—	(763)	—
Amortization of share based compensation	—	—	—	—	—	19,271	—	—	19,271	—
Balance, September 30, 2016	**26,828,538**	**$ 292**	**120,750**	**$ 1**	**$ (152,163)**	**$ 921,937**	**$ (3)**	**$ 1,160**	**$ 771,224**	**$ 331,883**

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

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

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net income (loss)	$ 50,502	$ (19,897)
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:		
Bargain purchase gain, net of tax	(7,946)	—
Depreciation and amortization	9,612	9,654
Net gain on sale of divested business	—	(15,638)
Amortization of debt issuance costs	936	894
Amortization of debt discount	5,601	5,107
Tax benefit (expense) from share-based payment arrangements	—	(764)
Share-based compensation	24,702	19,271
Deferred tax benefit	7,039	(6,913)
Deferred rent obligations	(1,503)	(634)
Net loss (gain) on disposal of fixed assets	(2,362)	—
Contingent liability adjustment	—	2,139
Purchases of securities owned, at fair value	(3,442,431)	(3,050,670)
Proceeds from sales of securities owned, at fair value	3,620,347	3,173,147
Proceeds from sales of securities sold, not yet purchased, at fair value	1,809,863	2,343,063
Payments to cover securities sold, not yet purchased, at fair value	(1,799,136)	(2,442,968)
Net (gains) losses on securities, derivatives and other investments	(76,325)	(23,706)
Consolidated Funds		
Purchases of securities owned, at fair value	(261,863)	(60,187)
Proceeds from sales of securities owned, at fair value	241,307	27,010
Proceeds from sales of securities sold, not yet purchased, at fair value	217	2,226
Payments to cover securities sold, not yet purchased, at fair value	(899)	(1,098)
Purchases of other investments	(26,206)	(221,897)
Proceeds from sales of other investments	51,709	14,086
Net realized and unrealized (gains) losses on investments and other transactions	(43,423)	(4,505)
(Increase) decrease in operating assets:		
Cash acquired through acquisition	31,780	—
Cash collateral pledged	(3,653)	(3,698)
Segregated Cash	(11,825)	145
Securities owned, at fair value, held at broker-dealer	(58,126)	(26,048)
Receivable on derivative contracts, at fair value	(9,204)	12,191
Securities borrowed	(113,046)	—
Deposits with clearing organizations, brokers and banks	(22,625)	(1,941)
Receivable from brokers, dealers and clearing organizations	(105,255)	42,067
Receivable from customers, net of allowance	(2,040)	—
Fees receivable, net of allowance	(28,839)	(12,536)
Due from related parties	2,222	6,914
Other assets	(31,415)	(23,446)
Consolidated Funds		
Cash and cash equivalents	6,605	3,564
Receivable on derivative contracts, at fair value	(149)	(429)
Receivable from brokers	(2,356)	(5,333)
Other assets	222	(336)
Increase (decrease) in operating liabilities:		
Securities sold, not yet purchased, at fair value, held at broker-dealer	(100)	21,954
Payable for derivative contracts, at fair value	5,555	(4,162)
Securities loaned	128,598	—
Payable to brokers, dealers and clearing organizations	(128,490)	(4,573)
Payable to customers	190,926	—
Commission management payable	(8,457)	385
Compensation payable	(38,092)	(99,217)
Fees payable	2,807	999
Due to related parties	(6)	(72)

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

	Nine Months Ended September 30,	
	2017	**2016**
(continued)		
Accounts payable, accrued expenses and other liabilities	19,109	3,478
Consolidated Funds		
Contributions received in advance	(2,000)	(850)
Payable to brokers	(2,289)	3,131
Payable for derivative contracts, at fair value	1,175	276
Due to related parties	(189)	264
Accounts payable, accrued expenses and other liabilities	(438)	286
Net cash provided by / (used in) operating activities	**$ (19,854)**	**$ (339,267)**
Cash flows from investing activities:		
Purchases of other investments	$ (72,834)	$ (25,689)
Purchase of business (Note 2)	(54,017)	(6,258)
Proceeds from sales of other investments	118,130	29,814
Proceeds from loans held for investment	3,200	41,600
Proceeds from divested business, net of cash divested	—	17,303
Purchase of fixed assets	(3,056)	(14,913)
Sale of fixed assets	7,850	—
Net cash provided by / (used in) investing activities	**(727)**	**41,857**
Cash flows from financing activities:		
Borrowings on notes and other debt	31,737	30,638
Repayments on notes and other debt	(8,845)	(28,345)
Income tax effect from share-based payment arrangements	—	(764)
Purchase of treasury stock	—	(6,014)
Cash paid to acquire net assets (contingent liability payment)	(393)	(2,358)
Capital withdrawals to redeemable non-controlling interests in operating entities	(4,628)	(6,995)
Consolidated Funds		
Capital contributions by redeemable non-controlling interests in Consolidated Funds	60,322	236,720
Capital withdrawals to redeemable non-controlling interests in Consolidated Funds	(50,778)	(6,887)
Net cash provided by / (used in) financing activities	**27,415**	**215,995**
Change in cash and cash equivalents	6,834	(81,415)
Total cash beginning of period	110,990	157,232
Total cash at end of period	117,824	75,817
Supplemental non-cash information		
Purchase of treasury stock, at cost, through net settlement (See Note 18)	$ 11,433	$ 8,793
Preferred stock dividends declared (See Note 18)	$ 5,094	$ 5,094
Net assets (liabilities) acquired upon acquisition (net of cash) (See Note 2)	$ 10,220	$ —
Common stock issuance upon close of acquisition (see Note 2)	$ 47,607	$ —
Notes payable increase through asset acquisition	$ —	$ 7,164
Net assets of deconsolidated entities	$ —	$ 73,042
Conversion of redeemable non-controlling interest to loan receivable	$ 1,299	$ —

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

Cowen Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(unaudited)

1. Organization and Business

Cowen Inc. (formerly Cowen Group, Inc.), a Delaware corporation formed in 2009, is a diversified financial services firm which, together with its consolidated subsidiaries (collectively, "Cowen," or the "Company"), operates through its two business segments: investment management and broker-dealer. The Company's investment management segment, includes private investment funds, managed accounts, commodity pools, real estate funds, private equity structures, registered investment companies and listed vehicles. The Company's broker-dealer segment offers investment banking, research, sales and trading, prime brokerage, global clearing and commission management services to companies and primarily institutional investor clients. The Company's primary target sectors are healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, energy and transportation.

On December 5, 2016, the Company effected a one-for-four reverse stock split of the Company's common stock. Except where the context indicates otherwise, all share and per share information has been retroactively adjusted to reflect the reverse stock split.

2. Acquisition

On April 2, 2017, the Company, through its wholly owned subsidiary Cowen CV Acquisition LLC, entered into a securities purchase agreement with, among others, Convergex Holdings LLC to acquire all the outstanding interests in Convergex Group, LLC ("Convergex Group") (subsequently renamed to Cowen Execution Holdco LLC), a provider of agency based execution services and trading technology to middle market institutional investors and broker-dealers. Convergex Group's operations were primarily conducted through two U.S. Securities Exchange Commission ("SEC") registered broker-dealers, Convergex Execution Solutions LLC (subsequently renamed to Cowen Execution Services LLC) ("Cowen Execution") and Westminster Research Associates LLC ("Westminster Research") and also Convergex Limited (subsequently renamed to Cowen Execution Services Limited) ("Cowen Execution Ltd"), which is based in the United Kingdom and regulated by the Financial Conduct Authority ("FCA"). The purchase price was paid approximately 50% in cash and 50% in Cowen Inc. Class A common stock.

The acquisition was consummated effective as of June 1, 2017. The adjusted aggregate estimated purchase price was $96.2 million, which was determined based on closing date tangible book value of Convergex Group, less certain closing adjustments. A portion of the preliminary purchase price was deposited into escrow as a reserve for any future claims against the sellers of Convergex Group. On closing, the Company paid cash of $48.6 million and issued 3,162,278 of the Company's Class A common stock determined based on the 30-day volume-weighted average price per share of $15.05 as of May 30, 2017.

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 Convergex Group are included in the accompanying condensed consolidated statements of operations since the date of acquisition, and the assets acquired and liabilities assumed were recorded at their fair value as of the acquisition date. Subsequent to the acquisition, the operations of Convergex Group were integrated within the Company's existing businesses.

The Company is currently in the process of finalizing its purchase price allocation of Convergex Group; therefore, the purchase price adjustments as of September 30, 2017 are preliminary and subject to measurement period adjustments. The allocation of the purchase price to the net assets acquired will be finalized as necessary, up to one year after the acquisition's closing date, as the information becomes available.

The table below summarizes the preliminary purchase price allocation of net tangible and intangible assets acquired and liabilities assumed as of June 1, 2017:

	(dollars in thousands)
Cash and cash equivalents	$ 31,780
Segregated cash	127,807
Securities owned, at fair value	3,417
Securities borrowed	258,321
Deposits from clearing organizations	52,596
Receivable from brokers	62,983
Receivable from customers	43,469
Fees receivable	36,232
Fixed assets, net	1,325
Intangible assets, net	10,270
Other assets	7,528
Securities sold, not yet purchased, at fair value	(71)
Securities loaned	(286,359)
Payable to brokers	(74,284)
Payable to customers	(11,801)
Commission management payable	(82,718)
Compensation payable	(31,083)
Notes payable and other debt	(857)
Fees payable	(5,414)
Accounts payable, accrued expenses and other liabilities	(33,570)
Total identifiable net assets acquired and liabilities assumed	**109,571**
Goodwill/(Bargain purchase gain)	(13,343)
Total estimated purchase price	**$ 96,228**

The Company believes that all of the acquired receivables and contractual amounts receivable as reflected above in the allocation of the purchase price are recorded at fair value. See Note 16 for further information on legal matters relating to the acquisition.

As of the acquisition date, the estimated fair value of the Company's intangible assets, as acquired through the acquisition, was $10.3 million. The allocation of the intangible assets is shown within the following table.

	Estimated intangible assets acquired	Estimated average remaining useful lives
	(dollars in thousands)	(in years)
Intangible asset class		
Trade name	$ 760	0.6 - 2.6
Intellectual property	1,790	5
Customer relationships	7,720	9
Total intangible assets	$ 10,270	

Amortization expense for the three and nine months ended September 30, 2017 is $0.6 million and $0.8 million, respectively, and is included in depreciation and amortization in the accompanying condensed consolidated statements of operations. The estimated amortization expense related to these intangible assets in future periods is as follows:

	(dollars in thousands)
2017	$ 601
2018	1,258
2019	1,239
2020	1,216
2021	1,216
Thereafter	3,938
	$ 9,468

Based on the June 1, 2017 estimated purchase price allocation, the fair value of the net identifiable assets acquired and liabilities assumed of $109.6 million exceeded the estimated purchase price of $96.2 million. As a result, the Company has recognized a bargain purchase gain of $13.3 million related to the acquisition. The bargain purchase gain is shown net of $5.4 million of associated tax in the accompanying condensed consolidated statements of operations.

In addition to the purchase price consideration, for the three and nine months ended September 30, 2017, the Company has incurred acquisition related expenses of $1.1 million and $5.8 million, respectively, including financial advisory, legal and valuation services, which are included in professional, advisory and other fees in the condensed consolidated statements of operations. Subsequent to the acquisition, certain of Convergex Group's businesses were integrated within the broker-dealer businesses of the Company and therefore they are included within their respective line items in the accompanying condensed consolidated statements of operations from June 1, 2017 through September 30, 2017. The following table provides unaudited supplemental pro forma financial information for the nine months ended September 30, 2017 and 2016, as if the acquisition were completed as of January 1, 2016. This supplemental pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's financial results would have been had the acquisition been completed on January 1, 2016, nor does it purport to be indicative of any future results.

	Nine Months Ended September 30,	
	2017	2016
	(dollars in thousands, except per share data) (unaudited)	
Revenues	$ 529,294	$ 507,029
Net income (loss) attributable to Cowen Inc. stockholders	(7,001)	(39,044)
Net income (loss) per common share:		
Basic (a)	$ (0.23)	$ (1.30)
Diluted (a)	(0.23)	(1.30)

(a) Share and per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective as of December 5, 2016.

In conjunction with the integration of the acquired businesses of Convergex Group, the Company evaluated the combined broker-dealer businesses and operations and incurred approximately $8.8 million of integration and restructuring costs which primarily related to exit and disposal costs, discontinuation of redundant technology services and severance costs. During the three months ended September 30, 2017, the Company continued to integrate the businesses acquired through Convergex Group and consolidated certain similar businesses under one legal entity.

3. Significant Accounting Policies

a. Basis of Presentation

These unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board ("FASB") through Accounting Standards Codification as the source of authoritative accounting principles in the preparation of financial statements, and include the accounts of the Company, its operating and other subsidiaries, and entities in which the Company has a controlling financial interest or a general partner interest. All material intercompany transactions and balances have been eliminated on consolidation. Certain fund entities that are consolidated in these accompanying condensed consolidated financial statements, as further discussed below, are not subject to the consolidation provisions with respect to their own controlled investments pursuant to their specialized accounting.

The Company serves as the managing member/general partner and/or investment manager to affiliated fund entities which it sponsors and manages. Funds in which the Company has a controlling financial interest are consolidated with the Company pursuant to US GAAP as described below. Consequently, the Company's 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.

Certain reclassifications have been made to prior period amounts in order to conform to current period presentation.

The year-end condensed balance sheet data was derived from the audited financial statements, but does not include all disclosures included in the audited financial statements.

b. Principles of consolidation

The Company consolidates all entities that it controls through a majority voting interest or otherwise, including those funds in which the Company either directly or indirectly has a controlling financial interest. In addition, the Company consolidates all variable interest entities for which it is the primary beneficiary.

In accordance with these standards, the Company presently consolidates six funds for which it acts as the general partner and investment manager. As of September 30, 2017 the Company consolidated the following funds: Ramius Enterprise LP (“Enterprise LP”), Ramius Merger Fund LLC (the "Merger Fund"), Cowen Private Investments LP ("Cowen Private"), Caerus Select Fund LP ("Caerus LP") (between May 1, 2016 through March 1, 2017 when the fund was liquidated), Ramius Archview Credit and Distressed Master Fund ("Archview Master Fund") (from December 31, 2015 through July 31, 2017 when the fund was liquidated) and Ramius Merger Arbitrage UCITS Fund ("UCITS Fund") (collectively the "Consolidated Funds").

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

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

Under US GAAP, the usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. Accordingly, the Company consolidates all VOEs in which it owns a majority of the entity's voting shares or units.

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.

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 September 30, 2017 and December 31, 2016, the total net assets of the consolidated VIEs were $475.5 million and $461.6 million, respectively. The VIEs act as investment managers and/or investment companies that may be managed by the Company or the Company may have equity interest in those investment companies. The VIEs are financed through their operations and/or loan agreements with the Company.

As of September 30, 2017 the Company holds variable interests in Ramius Enterprise Master Fund Ltd (“Enterprise Master”) and Ramius Merger Master Fund Ltd ("Merger Master") (collectively the “Unconsolidated Master Funds”) through the Consolidated Funds. Investment companies, which account for their investments under the specialized industry accounting guidance for investment companies prescribed under US GAAP, are not subject to the consolidation provisions for their investments. Therefore, the Company has not consolidated the Unconsolidated Master Funds.

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

The Company does not consolidate the Unconsolidated Master 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 their economics of these VIEs with the exception of the management fee and incentive income, if any, earned by the Company. The Company's involvement with funds and real estate entities that are unconsolidated VIEs is limited to providing investment management services in exchange for management fees and incentive income. Although the Company may advance amounts and pay certain expenses on behalf of the funds and real estate entities that it considers to be VIEs, it does not provide, nor is it required to provide, any type of substantive financial support to these entities outside of regular investment management services (see Note 6 for additional disclosures on VIEs).

Equity Method Investments—For operating entities over which the Company exercises significant influence but which do not meet the requirements for consolidation as outlined above, the Company uses the equity method of accounting. The Company's investments in equity method investees are recorded in other investments in the accompanying 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 accompanying condensed consolidated statements of operations.

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

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

Retention of Specialized Accounting—The Consolidated Funds and certain other consolidated companies 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 Execution, Westminster Research, Cowen Execution Services Ltd, ATM Execution LLC ("ATM Execution"), Cowen International Limited ("CIL"), Ramius UK Ltd. ("Ramius UK") and Cowen Prime Services LLC ("Cowen Prime") apply the specialized industry accounting for brokers and dealers in securities also prescribed under US GAAP. The Company also retains specialized accounting upon consolidation.

c. Use of estimates

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

d. Allowance for doubtful accounts

The allowance for doubtful accounts is based on the Company’s assessment of the collectability of receivables related to securities transactions, prepaid research and other receivables. The Company considers factors such as historical experience, credit quality, age of balances and current economic conditions that may affect collectability in determining the allowance for doubtful accounts. Specifically for prepaid research, the Company reviews clients' historical, current and forecasted trading activity in determining the allowance for doubtful accounts. Expense related to the allowance for doubtful accounts as well as any recoveries of amounts previously charged is reflected in other expenses in the accompanying condensed consolidated statements of operations.

e. Valuation of investments and derivative contracts

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

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. The determination of fair value for assets and liabilities in this category requires significant management judgment or estimation.

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

The Company and its operating subsidiaries act as the manager for the Consolidated Funds. Both the Company and the Consolidated Funds hold certain investments which are valued by the Company, acting as the investment manager. The fair 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 certain of its investments held by 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 with values based on quoted market prices in active markets for identical assets are classified within level 1 of the fair value hierarchy. These securities include active listed equities, certain U.S. government and sovereign obligations, ETF's, mutual funds and certain money market securities. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

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

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

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

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

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

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

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

See Notes 6 and 7 for further information regarding the Company's investments, including equity method investments, and fair value measurements.

f. Securities borrowed and securities loaned

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

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis in the accompanying condensed consolidated statements of operations. In cases where the fair value basis of accounting is elected, any resulting change in fair value would be reported in Net gains (losses) on securities, derivatives and other investments in the accompanying condensed consolidated statements of operations. Accrued interest income and expense are recorded in receivable from brokers, dealers and clearing organizations and payable to brokers, dealers and clearing organizations, respectively, on an accrual basis in the accompanying condensed consolidated statements of financial condition. At September 30, 2017, the Company did not have any securities lending transactions for which fair value basis of accounting was elected.

g. Fixed Assets

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

Aircraft and related equipment, which are leased out under operating leases, are carried at cost less accumulated depreciation and are depreciated to estimated residual value using the straight-line method over the lease term or estimated useful life of the asset. Any assets received at the end of the lease are marked to the lower of cost or fair value with the adjustment recorded in other income.

Asset	Depreciable Lives	Principal Method
Telephone and computer equipment	3-5 years	Straight-line
Computer software	3-8 years	Straight-line
Furniture and fixtures	5 years	Straight-line
Leasehold improvements	2-15 years	Straight-line
Capitalized lease asset	5 years	Straight-line
Aircraft and related equipment	10-20 years	Straight-line
Modifications to aircraft	4-10 years	Straight-line

h. Debt

Long-term debt is carried at the principal amount borrowed net of any unamortized discount/premium. The discount is accreted to interest expense using the effective interest method over the remaining life of the underlying debt obligations. Accrued but unpaid coupon interest is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed consolidated statements of financial condition. The Company adopted a new accounting pronouncement, during the first quarter of 2016, which reclassified the unamortized debt issuance costs in the Company's previously reported condensed consolidated statements of financial condition from other assets to a direct reduction from the carrying amount of the debt.

i. Deferred rent

Deferred rent primarily consists of step rent, allowances from landlords and valuing the Company's lease properties acquired through business combinations in accordance with US GAAP. Step rent represents the difference between actual operating lease payments due and straight-line rent expense, which is recorded by the Company over the term of the lease, including the build-out period. This amount is recorded as deferred rent in the early years of the lease, when cash payments are generally lower than straight-line rent expense, and reduced in the later years of the lease when payments begin to exceed the straight-line expense. Landlord allowances are generally comprised of amounts received and/or promised to the Company by landlords and may be received in the form of cash or free rent. These allowances are part of the negotiated terms of the lease. The Company records a receivable from the landlord and a deferred rent liability when the allowances are earned. This deferred rent is amortized into income (through lower rent expense) over the term (including the pre-opening build-out period) of the applicable lease, and the receivable is reduced as amounts are received from the landlord. Liabilities resulting from valuing the Company's leased properties acquired through business combinations are quantified by comparing the current fair value of the leased space to the current rental payments on the date of acquisition. Deferred rent, included in accounts payable, accrued expenses and other liabilities in the accompanying condensed consolidated statements of financial condition, as of September 30, 2017 and December 31, 2016 is $13.5 million and $10.3 million, respectively.

j. Recently issued accounting pronouncements

In May 2014, the FASB issued guidance which amends and supersedes the revenue recognition requirements and most industry-specific guidance related to revenue recognition and creates a single source of guidance. The new guidance outlines the principles an entity must apply to measure and recognize revenue and related cash flows. The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets. For public business entities, the guidance is effective for reporting periods beginning after December 15, 2017.

The Company has identified its revenues and costs that are within the scope of the new guidance and concluded that the guidance is not applicable to financial instruments, lease and insurance contracts and therefore, will not impact investment income, lease or reinsurance revenue. The Company continues to implement and evaluate the potential impact of the guidance on the consolidated results of operations, related disclosures and internal controls over financial reporting.

For its investment management businesses, the Company expects to recognize performance / incentive fees when such revenue is not subject to significant reversal in the future. For certain of the funds offered by the Company, primarily the closed ended funds, the Company expects to defer the recognition of performance fees until such fees are no longer subject to reversal or clawback, which will cause a delay in the recognition of these fees as revenue. The Company expects certain of these funds to qualify for the equity method of accounting treatment in line with the conclusions reached by AICPA’s Revenue Recognition Task Force. The Company expects that the placement fees paid to certain placement agents for its capital raising activities will qualify to be capitalized and amortized as part of contract acquisition costs.

The Company does not currently anticipate that its current methods of recognizing investment banking revenues will be materially impacted by the new guidance. The current broker-dealer industry treatment of netting deal expenses with investment banking revenues will change under the new guidance. As a result of adopting of the new guidance, the Company expects that deal expenses will generally be presented on a gross basis in the consolidated statements of operations, resulting in higher revenues and higher non-compensation expenses with no impact on net income.

The Company is closely monitoring the AICPA's industry task forces on broker-dealers and asset management, the AICPA’s Revenue Recognition Working Group and the AICPA’s Financial Reporting Executive Committee as they continue to issue interpretive guidance. The Company will adopt this guidance effective as of January 1, 2018 and anticipates using the modified retrospective approach under which the cumulative effect of applying the standard would be recognized at the date of initial application.

In May 2017, the FASB issued guidance to clarify the application of modification accounting for stock compensation. The guidance was issued to reduce the diversity in practice under the current guidance. The new guidance requires an entity to apply modification accounting when there is a change in the fair value of the modified award and the original award, vesting conditions and the classification of the original awards. The amendments in this guidance are effective prospectively for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance and will consider the new guidance for any modifications on or after the adoption date.

In March 2017, the FASB issued guidance to amend the amortization period for certain purchased callable debt securities held at a premium. Under current guidance, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. The new guidance shortened the amortization period for the premium to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments in this guidance are effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on the Company’s condensed consolidated financial statements and does not expect this guidance to have a material impact on its condensed statement of financial condition or its condensed statement of operations as the Company does not hold any material callable debt securities.

In January 2017, the FASB issued guidance that simplifies the subsequent measurement of goodwill. The new guidance eliminated Step 2 from the goodwill impairment test which was required in computing the implied fair value of goodwill. Instead, under the new amendments, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. If applicable, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. The amendments in this guidance are effective for public business entities for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019 with early adoption permitted after January 1, 2017. The Company is currently evaluating the impact of this guidance on the Company's condensed consolidated financial statements. The Company expects this guidance to simplify its goodwill impairment analysis.

In January 2017, the FASB issued guidance which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under the current guidance, there are three elements of a business-inputs, processes, and outputs. While an integrated set of assets and activities (collectively, a "set") that is a business usually has outputs, outputs are not required to be present. In addition, all the inputs and processes that a seller uses in operating a set are not required if market participants can acquire the set and continue to produce outputs, for example, by integrating the acquired set with their own inputs and processes. The new guidance provides a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. For public business entities, the guidance is effective prospectively for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on the Company's condensed consolidated financial statements and may use the new definition for its future business combination activities.

In November 2016, the FASB issued guidance which reduces the diversity in practice as to how changes in restricted cash are presented and classified in the statement of cash flows. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance does not provide a definition of restricted cash or restricted cash equivalents. For public business entities, the guidance is effective prospectively for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company currently presents its restricted cash and changes in its restricted cash, separately on its condensed consolidated statements of financial condition and condensed consolidated statements of cash flows respectively. The Company is currently evaluating the impact of this guidance on the Company's condensed consolidated financial statements. Since the guidance only affects the presentation of restricted cash on the statement of cash flows, the Company does not expect this guidance to have any impact on its condensed consolidated financial statements.

In August 2016, the FASB issued guidance which reduces the diversity in practice as to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance addresses eight specific cash flow issues with the objective of reducing the existing and potential future diversity in practice. The amendments in this guidance are effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on the Company's cash flows presentation. Since the guidance only affects the presentation of statement of cash flows, the Company does not expect this guidance to have any impact on condensed consolidated financial statements. The Company notes that its current presentation is already in line with most of the specific cash flow issues identified in the guidance.

In February 2016, the FASB issued guidance which amends and supersedes its previous guidance regarding leases. The new guidance requires the lessee to recognize the right to use assets and lease liabilities that arise from leases and present them in its statement of financial condition. The recognition of these lease assets and lease liabilities represents a change from previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial condition. For public business entities the guidance is effective for reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance on the Company's financial condition and its disclosures. The Company notes that a significant majority of the Company's leases represent operating real estate leases for its respective offices and will require the gross up on its statement of financial conditions.

In January 2016, as a joint project with International Accounting Standards Board (IASB), the FASB issued a new accounting pronouncement to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments in the update made improvements to US GAAP for equity investments and investments carried at amortized cost. The guidance also simplifies the impairment assessment for equity investments and clarifies the need for valuation allowance on deferred tax asset related to available for sale securities. For public business entities the guidance is effective for reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of this guidance on the Company's financial condition and its disclosure and does not expect the guidance to have a material impact as the Company does not own any significant investments carried at amortized cost.

4. Cash Collateral Pledged

As of September 30, 2017 and December 31, 2016, the Company pledged cash collateral in the amount of $6.6 million and $7.8 million, respectively, which relates to letters of credit issued to the landlords of the Company's premises in New York City, Boston, Stamford and San Francisco. The Company also has pledged as collateral, $10.4 million, as of September 30, 2017, and $5.5 million, as of December 31, 2016, due between March 2018 and December 2019, for reinsurance agreements (See Note 17).

5. Segregated Cash

As of September 30, 2017 and December 31, 2016, cash segregated in compliance with federal regulations and other restricted deposits of $140.7 million and $1.0 million, respectively, consisted of cash deposited in special bank accounts for the benefit of customers under SEC Rule 15c3-3 and cash held in accounts designated as Special Reserve Bank Accounts for Proprietary Accounts of Broker-Dealers (PAB).

6. Investments of Operating Entities and Consolidated Funds

a. Operating Entities

Securities owned, at fair value

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

As of September 30, 2017 and December 31, 2016, securities owned, at fair value consisted of the following:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Common stocks (b)	$ 620,779	$ 669,655
Preferred stock (b)	17,989	15,811
Warrants and rights (b)	9,328	8,335
U.S. Government securities (a)	2,793	3,780
Corporate bonds (d)	2,655	2,477
Convertible bonds (c)	282	250
Trade claims	5,946	562
Mutual funds (b)	—	6
	$ 659,772	**$ 700,876**

(a) As of September 30, 2017, maturities ranged from December 2017 to June 2018 with an interest rate of 0%. As of December 31, 2016, maturities ranged from February 2017 to December 2017 with an interest rate of 0%.

(b) The Company has elected the fair value option for investments in securities of preferred and common stocks with a fair value of $5.5 million and $5.3 million, respectively, at September 30, 2017 and $7.0 million and $5.2 million, respectively, at December 31, 2016. At September 30, 2017, the Company elected the fair value option for investments in warrants and rights with a fair value of $1.9 million. At December 31, 2016 the Company elected the fair value option for investments in mutual funds with a fair value of $0.1 million.

(c) As of September 30, 2017, maturities ranged from February 2018 to March 2018 and interest rates ranged from 5% to 12%. As of December 31, 2016, the maturity was March 2018 with an interest rate of 8%.

(d) As of September 30, 2017, maturities ranged from April 2019 to October 2042 and interest rates ranged from 0.00% to 10.75%. As of December 31, 2016, maturities ranged from January 2017 to January 2036 and interest rates ranged from 6.25% to 13.00%.

Receivable on and Payable for derivative contracts, at fair value

The Company's direct involvement with derivative financial instruments includes total return swaps, futures, currency forwards, equity swaps, credit default swaps and options. The Company's derivatives trading activities exposes the Company to certain risks, such as price and interest rate fluctuations, volatility risk, credit risk, counterparty risk, foreign currency movements and changes in the liquidity of markets.

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Upon issuance of the Company's cash convertible unsecured senior notes ("Convertible Notes") (See Note 17), the Company recognized the embedded cash conversion option at fair value of $35.7 million which is valued as of September 30, 2017 at $10.4 million and is included in payable for derivative contracts in the accompanying condensed consolidated statement of financial condition. Also, on the date of issuance of the Convertible Notes, the Company entered into a separate cash convertible note economic hedge transaction (the "Hedge Transaction") with a counterparty (the “Option Counterparty”) whereby, the Company purchased a cash settled option contract with terms identical to the conversion option embedded in the Convertible Notes and simultaneously sold an equity settled warrant with a higher strike price. The Hedge Transaction is expected to reduce the Company’s exposure to potential cash payments in excess of the principal amount of converted notes that the Company may be required to make upon conversion of the Convertible Notes. The Company paid a premium of $35.7 million for the option under the Hedge Transaction and received a premium of $15.2 million for the equity settled warrant transaction, for a net cost of $20.5 million. The Hedge Transaction is valued at $10.4 million as of September 30, 2017 and is included in receivable on derivative contracts in the accompanying condensed consolidated statement of financial condition. Aside from the initial premium paid, the Company will not be required to make any cash payments under the Hedge Transaction and could be entitled to receive an amount of cash from the Option Counterparty generally equal to the amount by which the market price per share of common stock exceeds the strike price of the Hedge Transaction during the relevant valuation period. The warrants cover 7,012,196 shares of the Company's Class A common stock and have an initial exercise price of $28.72 per share (share and per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective as of December 5, 2016). The warrants expire over a period of 80 trading days beginning on November 14, 2018. The warrant transaction could have a dilutive effect to the extent that the market value per share of the Company’s Class A common stock exceeds the applicable strike price of the warrants.

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

Receivable on derivative contracts	As of September 30, 2017		As of December 31, 2016	
	Number of contracts / Notional Value	Fair value	Number of contracts / Notional Value	Fair value
	(dollars in thousands)			
Futures	$ 2,972	$ 15	$ 12,421	$ 104
Currency forwards	$ 81,288	186	$ 80,608	592
Swaps	$ 74,571	4,923	$ 46,462	468
Options other (a)	284,793	26,757	256,097	21,539
Foreign currency options	$ 44,201	224	$ 57,051	198
		$ 32,105		$ 22,901

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

Payable for derivative contracts	As of September 30, 2017		As of December 31, 2016	
	Number of contracts / Notional Value	Fair value	Number of contracts / Notional Value	Fair value
	(dollars in thousands)			
Futures	$ 12,330	$ 175	$ 38,345	$ 642
Currency forwards	$ 32,443	18	$ —	—
Swaps	$ 75,595	1,693	$ 9,533	181
Options other (a)	47,564	24,431	23,726	19,939
		$ 26,317		$ 20,762

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

The following tables present the gross and net derivative positions and the related offsetting amount, as of September 30, 2017 and December 31, 2016. This table does not include the impact of over collateralization.

	Gross amounts recognized	Gross amounts offset on the Condensed Consolidated Statements of Financial Condition (a)	Net amounts included on the Condensed Consolidated Statements of Financial Condition	Gross amounts not offset in the Condensed Consolidated Statement of Financial Condition: Financial instruments	Gross amounts not offset in the Condensed Consolidated Statement of Financial Condition: Cash Collateral pledged (b)	Net amounts
	(dollars in thousands)					
As of September 30, 2017						
Receivable on derivative contracts, at fair value	$ 32,105	$ —	$ 32,105	$ —	$ 5,414	$ 26,691
Payable for derivative contracts, at fair value	26,317	—	26,317	—	1,710	24,607
As of December 31, 2016						
Receivable on derivative contracts, at fair value	22,901	—	22,901	—	1,382	21,519
Payable for derivative contracts, at fair value	20,762	—	20,762	—	181	20,581

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

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

The realized and unrealized gains/(losses) related to derivatives trading activities were $0.5 million and $(2.8) million for the three months ended September 30, 2017 and 2016, and $(4.9) million and $(10.4) million for the nine months ended September 30, 2017 and 2016, respectively, and are included in other income in the accompanying condensed consolidated statements of operations.

Pursuant to the various derivatives transactions discussed above, except for the cash convertible note hedge (see Note 17) and exchange traded derivatives, the Company is required to post/receive collateral. As of September 30, 2017 and December 31, 2016, collateral consisting of $17.2 million and $17.1 million of cash, respectively, is included in receivable from brokers, dealers and clearing organizations and payable to brokers, dealers and clearing organizations on the accompanying condensed consolidated statements of financial condition. As of September 30, 2017 and December 31, 2016 all derivative contracts were with multiple major financial institutions.

Other investments

As of September 30, 2017 and December 31, 2016, other investments included the following:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Portfolio Funds, at fair value (1)	$ 98,491	$ 120,023
Equity method investments (2)	42,370	36,991
Lehman claims, at fair value	319	265
	$ 141,180	**$ 157,279**

(1) Portfolio Funds, at fair value

The Portfolio Funds, at fair value as of September 30, 2017 and December 31, 2016, included the following:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Starboard Value and Opportunity Fund LP (c)(*)	$ 30,461	$ 27,424
Formation8 Partners Fund I, L.P. (f)	28,450	22,234
RCG Longview Debt Fund V, L.P. (i)(*)	9,788	16,187
HealthCare Royalty Partners LP (a)(*)	4,171	7,147
Eclipse Ventures Fund I, L.P. (g)	3,223	1,790
Lagunita Biosciences, LLC (n)	2,635	1,698
RCG LPP2 PNW5 Co-Invest, L.P. (j)(*)	1,966	3,152
Starboard Leaders Fund LP (e)(*)	1,211	1,231
HealthCare Royalty Partners II LP (a)(*)	1,119	2,091
Quadratic Fund LLC (k) (*)	920	6,729
RCGL 12E13th LLC (i)(*)	257	348
Green Energy Metals Fund, LP (h)	—	6,241
Starboard Partners Fund LP (d)(*)	—	5,067
Orchard Square Partners Credit Fund LP (b)	—	4,327
Other private investment (l)(*)	9,925	8,548
Other affiliated funds (m)(*)	4,365	5,809
	$ 98,491	**$ 120,023**

* 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 16.

(a) HealthCare Royalty Partners, L.P. and HealthCare Royalty Partners II, L.P. are private equity funds and therefore distributions will be made when cash flows are received from the underlying investments, typically on a quarterly basis.

(b) Orchard Square Partners Credit Fund LP had a quarterly redemption policy with a 60 day notice period and a 4% penalty on redemptions of investments of less than a year in duration.

(c) Starboard Value and Opportunity Fund LP permits quarterly withdrawals upon 90 days' notice.

(d) Starboard Partners Fund LP permitted redemptions on a semi-annual basis on 180 days' prior written notice subsequent to an initial two year lock up.

(e) Starboard Leaders Fund LP does not permit withdrawals, but instead allows terminations with respect to capital commitments upon 30 days' prior written notice at any time following the first anniversary of an investors' initial capital contribution.

(f) Formation8 Partners Fund I, L.P. is a private equity fund which invests in early stage and growth transformational information and energy technology companies. Distributions will be made when the underlying investments are liquidated.

(g) Eclipse Ventures Fund I, L.P. is a private equity fund which invests in early stage and growth hardware companies. Distributions will be made when the underlying investments are liquidated.

(h) The Green Energy Metals Fund, LP invested the vast majority of its capital in physical off-exchange traded minor metals that are crucial to the production and sustainability of clean energy, emerging technology and energy efficiency. The Company was invested in a managed account specifically targeting cobalt. The Green Energy Metals Fund, LP is a private equity structure and therefore distributions were made when the underlying investments were liquidated.

(i) 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.

(j) RCG LPP2 PNW5 Co-Invest, L.P. is a single purpose entity formed to participate in a joint venture which acquired five multi-unit residential rental properties located in the Pacific Northwest. RCG LPP2 PNW5 Co-Invest, L.P. is a private equity structure and therefore distributions will be made when the underlying investments are liquidated.

(k) Quadratic Fund LLC permits redemptions on a 30 day prior written notice.

(l) Other private investment represents the Company's closed end investment in a portfolio fund that invests in a wireless broadband communication provider in Italy.

(m) 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.

(n) Lagunita Biosciences, LLC, a healthcare investment company that creates and grows early stage companies to commercialize impactful translational science that addresses significant clinical needs, is a private equity structure and therefore distributions will be made when the underlying investments are liquidated.

(2) 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 57%. The Company holds a majority of the outstanding ownership interest (i.e., more than 50%) in RCG Longview Partners II, LLC and in Surf House Ocean Views Holdings, LLC (which is a joint venture in a real estate development project). The operating agreement that governs the management of day-to-day operations and affairs of these entities stipulates 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 entities requires the support of both the Company and an affirmative vote of a majority of the other managing members who are not affiliates of the Company. As the Company does not possess control over any of these entities, the presumption of consolidation has been overcome pursuant to current accounting standards and the Company accounts for these investments under the equity method of accounting. Also included in equity method investments are the investments in (a) HealthCare Royalty Partners General Partners and (b) Starboard Value (and certain related parties) which serves as an operating company whose operations primarily include the day to day management (including portfolio management) of several activist private funds and related managed accounts. As part of its equity method investment in operating companies, the Company incurs certain expenses on behalf of its equity method investees. These expenses reflect direct and indirect costs associated with the respective business and are included in their respective line items in the accompanying condensed consolidated statements of operations. For the three months ended September 30, 2017 and September 30, 2016, the Company incurred $0.9 million and $1.7 million of these costs, respectively. For the nine months ended September 30, 2017 and September 30, 2016, the Company incurred $3.5 million and $6.8 million of these costs, respectively. The Company recorded no impairment charges in relation to its equity method investments for the nine months ended September 30, 2017 and 2016.

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

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Surf House Ocean Views Holdings, LLC	$ 14,179	$ 13,522
Starboard Value LP	15,939	12,501
RCG Longview Debt Fund V Partners, LLC	8,487	7,256
RCG Longview Management, LLC	961	656
HealthCare Royalty GP, LLC	340	583
HealthCare Royalty GP II, LLC	190	354
RCG Longview Debt Fund IV Management, LLC	331	331
HealthCare Royalty GP III, LLC	626	208
RCG Kennedy House, LLC	136	183
RCG Longview Equity Management, LLC	114	114
HealthCare Overflow Fund GP, LLC	76	68
Other	991	1,215
	$ 42,370	**$ 36,991**

For the period ended September 30, 2017, one equity method investment has met the significance criteria as defined under Regulation S-X Rule 4-08(g) of the SEC guidance. As such, the Company is presenting the following summarized financial information for the significant investee for the three and nine months ended September 30, 2017 and 2016, and such information is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Revenues	$ 9,734	$ 24,865	$ 27,646	$ 27,592
Expenses	—	—	—	—
Net realized and unrealized gains (losses)	88	116	163	290
Net Income	**$ 9,822**	**$ 24,981**	**$ 27,809**	**$ 27,882**

As of September 30, 2017 and December 31, 2016, 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 $4.1 million and $(0.1) million for the three months ended September 30, 2017 and 2016, and $12.1 million and $16.0 million, for the nine months ended September 30, 2017 and 2016, respectively, and is included in net gains (losses) on securities, derivatives and other investments on the accompanying condensed consolidated statements of operations.

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 September 30, 2017 and December 31, 2016, securities sold, not yet purchased, at fair value consisted of the following:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Common stocks	$ 305,022	$ 263,460
Corporate bonds (a)	59	2,591
Warrants and rights	186	39
	$ 305,267	**$ 266,090**

(a) As of September 30, 2017, the maturity was January 2026 with an interest rate of 5.55%. As of December 31, 2016, the maturities ranged from April 2021 to January 2036 with interest rates ranged from 5.50% to 6.25%.

Securities lending and borrowing transactions

The following tables present the contractual gross and net securities borrowing and lending agreements and the related offsetting amount, as of September 30, 2017.

	Gross amounts recognized	Gross amounts offset on the Condensed Consolidated Statements of Financial Condition (a)	Net amounts included on the Condensed Consolidated Statements of Financial Condition	Gross amounts not offset on the Condensed Consolidated Statements of Financial Condition: Additional Amounts Available	Financial instruments	Cash Collateral pledged (b)	Net amounts
	(dollars in thousands)						
As of September 30, 2017							
Securities borrowed	$ 371,367	$ —	$ 371,367	$ (12,694)	$ 358,673	$ —	$ —
Securities loaned	414,957	—	414,957	(7,251)	407,706	—	—

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

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

The following tables present gross obligations for securities loaned transactions by remaining contractual maturity and class of collateral pledged as of September 30, 2017:

	Open and Overnight	Up to 30 days	31 - 90 days	Greater than 90 days	Total
	(dollars in thousands)				
As of September 30, 2017					
Stocks	$ 463,022	$ —	$ —	$ —	$ 463,022

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 $4.8 billion and $562.2 million as of September 30, 2017 and $5.3 billion and $997.3 million as of December 31, 2016, respectively. In addition, the maximum exposure relating to these variable interest entities as of September 30, 2017 was $500.3 million, and as of December 31, 2016 was $508.4 million, all of which is included in other investments, at fair value in the accompanying condensed consolidated statements of financial condition. The exposure to loss primarily relates to the Consolidated Feeder Funds' investment in their Unconsolidated Master Funds and the Company's investment in unconsolidated investment companies.

b. Consolidated Funds

Securities owned, at fair value

As of September 30, 2017 and December 31, 2016, securities owned, at fair value, held by the Consolidated Funds consisted of the following:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Preferred stock	$ 18,943	$ 37,343
Common stocks	73,341	28,474
U.S. Government securities (a)	21,968	6,994
Corporate bonds (b)	—	4,214
Term Loan	—	2,209
Warrants and rights	3,378	3
	$ 117,630	**$ 79,237**

(a) As of September 30, 2017, the maturity was November 2017 with an interest rate of 0%. As of December 31, 2016, the maturity was March 2017 with an interest rate of 0%.

(b) As of December 31, 2016, maturities ranged from October 2017 to June 2038 and interest rates ranged from 0% and 14.37%.

Securities sold, not yet purchased, at fair value

As of September 30, 2017, there were no securities sold, not yet purchased, at fair value. As of December 31, 2016, securities sold, not yet purchased, at fair value, held by the Consolidated Funds consisted of the following:

	As of December 31, 2016
	(dollars in thousands)
Corporate bonds (a)	$ 672
Common stocks	211
	$ 883

(a)As of December 31, 2016, maturities ranged from September 2019 to September 2023 and interest rates ranged from 4.38% to 9.25%.

Receivable on derivative contracts

As of September 30, 2017 and December 31, 2016, receivable on derivative contracts, at fair value, held by the Consolidated Funds are comprised of:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Currency forwards	$ 3	$ 18
Equity swaps	809	731
Options	230	144
	$ 1,042	$ 893

Payable for derivative contracts

As of September 30, 2017 and December 31, 2016, payable for derivative contracts, at fair value, held by the Consolidated Funds are comprised of:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Currency forwards	$ 551	$ 10
Equity swaps	1,132	495
Options	64	67
	$ 1,747	$ 572

Other investments, at fair value

Investments in Portfolio Funds, at fair value

As of September 30, 2017 and December 31, 2016, investments in Portfolio Funds, at fair value, included the following:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Investments of Enterprise LP	$ 98,856	$ 114,159
Investments of Merger Fund	302,492	281,572
Investments of Caerus LP	—	5,734
	$ 401,348	**$ 401,465**

Consolidated portfolio fund investments of Enterprise LP

Enterprise LP operates under a “master-feeder” structure, whereby Enterprise Master's shareholders are Enterprise LP and RCG II Intermediate Fund, L.P. The consolidated investments in Portfolio Funds include Enterprise LP's investment of $98.9 million and $114.2 million in Enterprise Master as of September 30, 2017 and December 31, 2016, respectively. On May 12, 2010, the Company announced its intention to close Enterprise Master. Prior to this announcement, strategies utilized by Enterprise Master included merger arbitrage and activist investing, investments in distressed securities, convertible hedging, capital structure arbitrage, equity market neutral, investments in private placements of convertible securities, proprietary mortgages, structured credit investments, investments in mortgage backed securities and other structured finance products, investments in real estate and real property interests, structured private placements and other relative value strategies. Enterprise Master had broad investment powers and maximum flexibility in seeking to achieve its investment objective. Enterprise Master was permitted to invest in equity securities, debt instruments, options, futures, swaps, credit default swaps and other derivatives. As Enterprise Master winds down its positions, it will return capital to its investors. There are no unfunded commitments at Enterprise LP.

Consolidated portfolio fund investments of Merger Fund

The Merger Fund operates under a “master-feeder” structure, whereby Ramius Merger Master Ltd's ("Merger Master") shareholders are Merger Fund and Ramius Merger Fund Ltd. The consolidated investments in Portfolio Funds include Merger Fund's investment of $302.5 million and $281.6 million in Merger Master as of September 30, 2017 and December 31, 2016, respectively. The Merger Master’s investment objective is to achieve consistent absolute returns while emphasizing the preservation of investor capital. The Merger Master seeks to achieve these objectives by taking a fundamental, research-driven approach to investing, primarily in the securities of issuers engaged in, or subject to, announced (or unannounced but otherwise anticipated) extraordinary corporate transactions, which may include, but are not limited to, mergers, acquisitions, leveraged buyouts, tender offers, hostile takeover bids, sale processes, exchange offers, and recapitalizations. Merger Master invests in the securities of one or more issuers engaged in or subject to such extraordinary corporate transactions. Merger Master typically seeks to derive a profit by realizing the price differential, or “spread,” between the market price of securities purchased or sold short and the market price or value of securities realized in connection with the completion or termination of the extraordinary corporate transaction, or in connection with the adjustment of market prices in anticipation thereof, while seeking to minimize the market risk associated with the aforementioned investment activities. Merger Master will, depending on market conditions, generally focus the majority of its investment program on announced transactions. If the investment manager of Merger Master considers it necessary, it may either alone or as part of a group, also initiate shareholder actions seeking to maximize value. Such shareholder actions may include, but are not limited to, re-orienting management’s focus or initiating the sale of the company (or one or more of its divisions) to a third party. There are no unfunded commitments at Merger Fund.

Consolidated portfolio fund investments of Caerus LP

Prior to Caerus LP being liquidated on March 1, 2017, it operated under a “master-feeder” structure, whereby Caerus Select Master Fund Ltd's ("Caerus Master") shareholder was Caerus LP. The consolidated investments in Portfolio Funds included Caerus LP's investment of $5.7 million in Caerus Master as of December 31, 2016. Caerus Master’s investment objective was to achieve superior risk-adjusted rates of return that bear little correlation to the overall market. Caerus Master sought to achieve this objective by utilizing a long/short investment strategy, investing primarily in equities and options on equities that trade on major global market exchanges. Caerus Master focused on investments in the global consumer sector, including, but not limited to, securities in sub-sectors such as retail, apparel and footwear, restaurants, gaming and lodging, consumer products, food and beverage, consumer technology, media, transportation and homebuilding and building materials.

Indirect Concentration of the Underlying Investments Held by Consolidated Funds

From time to time, either directly or indirectly through its investments in the Consolidated Funds, the Company may maintain exposure to a particular issue or issuer (both long and/or short) which may account for 5% or more of the Company's equity. Based on information that is available to the Company as of September 30, 2017 and December 31, 2016, the Company assessed whether or not its interests in an issuer for which the Company's pro-rata share exceeds 5% of the Company's equity. There was one indirect concentration that exceeded 5% of the Company's equity as of September 30, 2017 and none at December 31, 2016.

Through its investments in a Consolidated Fund and combined with direct Company investments, the Company maintained exposure to a particular investment which accounted for 5% or more of the Company's equity.

Investment's percentage of the Company's equity at September 30, 2017					
Issuer	Security Type	Country	Industry	Percentage of Equity	Market Value
					(dollars in thousands)
Linkem	Equity	Italy	Wireless Broadband	6.52%	$ 55,030

Underlying Investments of Unconsolidated Funds Held by Consolidated Funds

Enterprise Master and Merger Master

Enterprise LP's investment in Enterprise Master represents Enterprise LP's proportionate share of Enterprise Master's net assets; as a result, the investment balances of Enterprise Master reflected below may exceed the net investment which

Enterprise LP has recorded. Merger Fund's investment in Merger Master represents Merger Fund's proportionate share of Merger Master's net assets; as a result, the investment balances of Merger Master reflected below may exceed the net investment which Merger Fund has recorded. The following tables present summarized investment information for the underlying investments and derivatives held by Enterprise Master and Merger Master as of September 30, 2017 and December 31, 2016:

Securities owned by Enterprise Master, at fair value

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Preferred stock	$ 487	$ 1,581
Common stock	725	835
	$ 1,212	$ 2,416

Portfolio Funds, owned by Enterprise Master, at fair value

	Strategy	As of September 30, 2017	As of December 31, 2016
		(dollars in thousands)	
RCG Special Opportunities Fund, Ltd*	Multi-Strategy	$ 103,431	$ 101,832
RCG Longview Equity Fund, LP*	Real Estate	1,305	4,744
RCG Longview Debt Fund IV, LP*	Real Estate	1,279	1,637
RCG Longview II, LP*	Real Estate	227	836
RCG Renergys, LLC*	Energy	—	1
Other Private Investments	Various	1,061	8,682
Other Real Estate Investments *	Real Estate	—	295
		$ 107,303	$ 118,027

* Affiliates of the Company.

Merger Master

As of September 30, 2017, Merger Master held common stock, securities owned, of $801.2 million and common stock, sold not yet purchased, of $451.7 million. As of December 31, 2016, Merger Master held common stock, securities owned, of $835.7 million and common stock, sold not yet purchased, of $395.5 million, respectively.

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

Description	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Options	$ 4,595	$ 4,264
Equity swaps	3,012	255
Currency forwards	82	—
	$ 7,689	$ 4,519

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

Description	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Options	$ 861	$ 2,285
Equity swaps	3,540	123
	$ 4,401	$ 2,408

Caerus Master

As of December 31, 2016, Caerus Master held common stock, of $3.2 million and common stock, sold not yet purchased, of $2.6 million.

7. 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 September 30, 2017 and December 31, 2016:

	Assets at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Operating Entities				
Securities owned				
US Government securities	$ 2,793	$ —	$ —	$ 2,793
Preferred stock	—	—	17,989	17,989
Common stocks	602,781	5,908	12,090	620,779
Convertible bonds	—	—	282	282
Corporate bonds	—	2,655	—	2,655
Trade claims	—	—	5,946	5,946
Warrants and rights	6,932	—	2,396	9,328
Receivable on derivative contracts, at fair value				
Futures	15	—	—	15
Currency forwards	—	186	—	186
Swaps	—	4,923	—	4,923
Options	16,398	224	10,359	26,981
Other investments				
Lehman claim	—	—	319	319
Consolidated Funds				
Securities owned				
US Government securities	21,968	—	—	21,968
Preferred stock	—	—	18,943	18,943
Common stocks	54,261	19,080	—	73,341
Warrants and rights	—	—	3,378	3,378
Receivable on derivative contracts, at fair value				
Currency forwards	—	3	—	3
Equity swaps	—	809	—	809
Options	230	—	—	230
	$ 705,378	$ 33,788	$ 71,702	$ 810,868
Percentage of total assets measured at fair value	87.0%	4.2%	8.8%	
Portfolio funds measured at net asset value (a)				98,491
Consolidated funds' portfolio funds measured at net asset value (a)				401,348
Equity method investments				42,370
Total investments				$ 1,353,077

	Liabilities at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Operating Entities				
Securities sold, not yet purchased				
Common stocks	$ 305,022	$ —	$ —	$ 305,022
Corporate bonds	—	59	—	59
Warrants and rights	186	—	—	186
Payable for derivative contracts, at fair value				
Futures	175	—	—	175
Currency forwards	—	18	—	18
Swaps	—	1,693	—	1,693
Options	14,072	—	10,359	24,431
Accounts payable, accrued expenses and other liabilities				
Contingent consideration liability (b)	—	—	5,049	5,049
Consolidated Funds				
Payable for derivative contracts, at fair value				
Currency forwards	—	551	—	551
Options	64	—	—	64
Equity swaps	—	1,132	—	1,132
	$ 319,519	$ 3,453	$ 15,408	$ 338,380
Percentage of total liabilities measured at fair value	94.4%	1.0%	4.6%	

(a) In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the condensed consolidated statement of financial condition.

(b) In accordance with the terms of the purchase agreements for acquisitions that closed during the third and fourth quarter of 2015 and the second quarter of 2016, the Company is required to pay to the sellers a portion of future net income and/or revenues of the acquired businesses, if certain targets are achieved through the periods ended December 2018, December 2020, and June 2018, respectively. The Company estimated the contingent consideration liability using the income approach (discounted cash flow method) which requires the Company to make estimates and assumptions regarding the future cash flows and profits. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. The undiscounted amounts as of September 30, 2017 can range from $0.1 million to $15.0 million.

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

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Operating Entities				
Securities owned				
US Government securities	$ 3,780	$ —	$ —	$ 3,780
Preferred stock	—	—	15,811	15,811
Common stocks	658,179	1,355	10,121	669,655
Convertible bonds	—	—	250	250
Corporate bonds	—	2,477	—	2,477
Trade claims	—	—	562	562
Warrants and rights	4,616	—	3,719	8,335
Mutual funds	6	—	—	6
Receivable on derivative contracts, at fair value				
Futures	104	—	—	104
Currency forwards	—	592	—	592
Swaps	—	468	—	468
Options	6,662	322	14,753	21,737
Other investments				
Lehman claim	—	—	265	265
Consolidated Funds				
Securities owned				
US Government securities	6,994	—	—	6,994
Preferred stock	—	415	36,928	37,343
Common stocks	19,467	8,712	295	28,474
Corporate bonds	—	4,214	—	4,214
Warrants and rights	—	—	3	3
Term loan	—	1,552	657	2,209
Receivable on derivative contracts, at fair value				
Currency forwards	—	18	—	18
Equity swaps	—	731	—	731
Options	132	12	—	144
	$ 699,940	$ 20,868	$ 83,364	$ 804,172
Percentage of total assets measured at fair value	87.0%	2.6%	10.4%	
Portfolio funds measured at net asset value (a)				120,023
Consolidated funds' portfolio funds measured at net asset value (a)				401,465
Equity method investments				36,991
Total investments				$ 1,362,651

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

	Liabilities at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Operating Entities				
Securities sold, not yet purchased				
Common stocks	$ 263,460	$ —	$ —	$ 263,460
Corporate bonds	—	2,591	—	2,591
Warrants and rights	39	—	—	39
Payable for derivative contracts, at fair value				
Futures	642	—	—	642
Swaps	—	181	—	181
Options	5,186	—	14,753	19,939
Accounts payable, accrued expenses and other liabilities				
Contingent consideration liability (b)	—	—	5,997	5,997
Consolidated Funds				
Securities sold, not yet purchased				
Common stocks	211	—	—	211
Corporate bonds	—	672	—	672
Payable for derivative contracts, at fair value				
Currency forwards	—	10	—	10
Options	67	—	—	67
Equity swaps	—	495	—	495
	$ 269,605	$ 3,949	$ 20,750	$ 294,304
Percentage of total liabilities measured at fair value	91.6%	1.3%	7.1%	

(a) In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the condensed consolidated statement of financial condition.

(b) In accordance with the terms of the purchase agreements for acquisitions that closed during 2012 and the third and fourth quarter of 2015, the Company is required to pay to the sellers a portion of future net income and/or revenues of the acquired businesses, if certain targets are achieved through the periods ended December 2018, and December 2020, respectively. The Company estimated the contingent consideration liability using the income approach (discounted cash flow method) which requires the Company to make estimates and assumptions regarding the future cash flows and profits. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. The undiscounted amounts as of December 31, 2016 can range from $0.1 million to $15.1 million.

The following table includes a rollforward of the amounts for the three and nine months ended September 30, 2017 and 2016, 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.

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	Three Months Ended September 30, 2017							
	Balance at June 30, 2017	Transfers in	Transfers out	Purchases/(covers)	(Sales)/shorts	Realized and Unrealized gains/losses	Balance at September 30, 2017	Change in unrealized gains/losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 18,576	$ —	$ —	$ —	$ —	$ (587)	$ 17,989	$ (587)
Common stocks	10,588	—	—	3,151	(1,946)	297	12,090	297
Convertible bonds	282	—	—	250	—	(250)	282	—
Options, asset	9,860	—	—	—	—	499	10,359	499
Options, liability	9,860	—	—	—	—	499	10,359	499
Warrants and rights	3,409	—	—	—	—	(1,013)	2,396	187
Trade claims	4,648	—	—	1,925	(630)	3	5,946	3
Lehman claim	309	—	—	—	—	10	319	10
Contingent consideration liability	5,174	—	—	—	(125)	—	5,049	—
Consolidated Funds								
Preferred stock	18,224	—	—	467	—	252	18,943	252
Common stocks	848	—	—	—	(848)	—	—	—
Warrants and rights	3,369	—	—	—	—	9	3,378	9
Term Loan	202	—	—	—	(200)	(2)	—	—

	Three Months Ended September 30, 2016							
	Balance at June 30, 2016	Transfers in	Transfers out	Purchases/(covers)	(Sales)/shorts	Realized and Unrealized gains/losses	Balance at September 30, 2016	Change in unrealized gains/losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 13,242	$ —	$ —	$ 250	$ —	$ (528)	$ 12,964	$ (508)
Common stocks	5,927	—	—	3,716	—	719	10,362	458
Convertible bonds	250	—	—	—	—	—	250	—
Corporate bonds	319	—	—	—	(179)	80	220	45
Options, asset	8,547	—	—	—	—	4,414	12,961	4,414
Options, liability	8,547	—	—	—	—	4,414	12,961	4,414
Warrants and rights	3,303	—	—	—	—	254	3,557	252
Lehman claim	270	—	—	—	—	13	283	13
Contingent consideration liability	7,197	—	—	—	—	4	7,201	4
Consolidated Funds								
Preferred Stock	41,000	—	(7,000) (a)	467	—	2,424	36,891	2,424
Warrants and rights	—	—	—	—	—	3	3	3

	Nine Months Ended September 30, 2017							
	Balance at December 31, 2016	Transfers in	Transfers out	Purchases/(covers)	(Sales)/shorts	Realized and Unrealized gains/losses	Balance at September 30, 2017	Change in unrealized gains/losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 15,811	$ —	$ (3,472) (a)	$ 9,000	$ (31)	$ (3,319)	$ 17,989	$ (1,006)
Common stocks	10,121	—	—	3,182	(2,121)	908	12,090	908
Convertible bonds	250	—	—	282	—	(250)	282	—
Options, asset	14,753	—	—	—	—	(4,394)	10,359	(4,394)
Options, liability	14,753	—	—	—	—	(4,394)	10,359	(4,394)
Warrants and rights	3,719	3,192 (b) (d)	—	—	(4,367)	(148)	2,396	510
Trade claims	562	—	—	5,865	(700)	219	5,946	198
Lehman claim	265	—	—	—	—	54	319	54
Contingent consideration liability	5,997	—	—	—	(392)	(556)	5,049	(556)
Consolidated Funds								
Preferred stock	36,928	—	(13,668) (a)	467	(11,853)	7,069	18,943	2,958
Common stocks	295	—	—	476	(848)	77	—	—
Warrants and rights	3	—	—	—	—	3,375	3,378	3,375
Term Loan	657	—	—	202	(1,021)	162	—	—

	Nine Months Ended September 30, 2016							
	Balance at December 31, 2015	Transfers in	Transfers out	Purchases/(covers)	(Sales)/shorts	Realized and Unrealized gains/losses	Balance at September 30, 2016	Change in unrealized gains/losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 12,872	$ —	$ (1,000) (c)	$ 450	$ (218)	$ 860	$ 12,964	$ 452
Common stocks	2,278	—	—	5,210	(135)	3,009	10,362	2,750
Convertible bonds	819	—	—	—	(569)	—	250	—
Corporate bond	—	—	—	279	(179)	120	220	85
Options, asset	18,194	—	—	—	—	(5,233)	12,961	(5,233)
Options, liability	18,194	—	—	—	—	(5,233)	12,961	(5,233)
Warrants and rights	2,572	—	—	1,914	(817)	(112)	3,557	(87)
Lehman claim	299	—	—	—	—	(16)	283	(16)
Contingent consideration liability	6,158	—	—	2,397	(3,493)	2,139	7,201	2,139
Consolidated Funds								
Preferred stock	32,000	—	(11,000) (a)	13,467	—	2,424	36,891	2,424
Warrants and rights	—	—	—	—	—	3	3	3

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

(a) The investments were converted to common stock.

(b) The Company received warrants as part of a transaction.

(c) The entity in which the Company is invested completed an initial public offering.

(d) As part of the preferred stock sale, the sellers received contingent value rights to be paid in the event certain milestones are reached.

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.

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

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 nine months ended September 30, 2017 and 2016, there were no transfers between level 1 and level 2 assets and liabilities.

The following table includes quantitative information as of September 30, 2017 and December 31, 2016 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 September 30, 2017		Valuation techniques	Unobservable Inputs	Range
Level 3 Assets	(dollars in thousands)				
Common and preferred stocks	$	3,447	Guideline companies/transaction price discounted cash flow	Market multiples Discount rate	4.8x to 9.3x 9.5%
Trade claims		70	Discounted cash flows	Discount rate	20%
Warrants and rights		2,395	Model based Discounted cash flows	Volatility Discount rate	53% to 60% (weighted average 55%) 22%
Options		10,359	Option pricing models	Volatility	30%
Other level 3 assets (a)		55,431			
Total level 3 assets		**71,702**			
Level 3 Liabilities					
Options		10,359	Option pricing models	Volatility	30%
Contingent consideration liability		5,049	Discounted cash flows	Projected cash flow and discount rate	7% - 24% (weighted average 22%)
Total level 3 liabilities	**$**	**15,408**			

	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at December 31, 2016		Valuation techniques	Unobservable Inputs	Range
Level 3 Assets	(dollars in thousands)				
Common and preferred stocks	$	10,917	Guideline companies/transaction price Option pricing method, discounted cash flow	Volatility Market multiples Discount rate	37% 0.8x to 9.3x 9.5% to 10%
Trade claims		520	Discounted cash flows	Market multiples Discount rate	6x 20%
Warrants and rights		3,719	Model based	Volatility	30% to 85% (weighted average 73%)
Options		14,753	Option pricing models	Volatility	40%
Other level 3 assets (a)		53,455			
Total level 3 assets		**83,364**			
Level 3 Liabilities					
Options		14,753	Option pricing models	Volatility	40%
Contingent consideration liability		5,997	Discounted cash flows	Projected cash flow and discount rate	8% - 25% (weighted average 23%)
Total level 3 liabilities	**$**	**20,750**			

(a) The quantitative disclosures exclude financial instruments for which the determination of fair value is based on prices from recent transactions.

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

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

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

Other financial assets and liabilities

The following table presents the carrying values and fair values, at September 30, 2017 and December 31, 2016, of financial assets and liabilities and information on their classification within the fair value hierarchy which are not measured at fair value on a recurring basis. For additional information regarding the financial instruments within the scope of this disclosure, and the methods and significant assumptions used to estimate their fair value see Note 3.

	September 30, 2017		December 31, 2016		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Fair Value Hierarchy
	(dollars in thousands)				
Financial Assets					
Operating companies					
Cash and cash equivalents	$ 117,824	$ 117,824	$ 110,990	$ 110,990	Level 1
Cash collateral pledged	16,995	16,995	13,342	13,342	Level 2
Segregated cash	140,656	140,656	1,024	1,024	Level 1
Securities borrowed	371,367	358,673	—	—	Level 2
Loans receivable	23,007	23,007 (d)	31,088	31,088 (d)	Level 3
Consolidated funds					
Cash and cash equivalents	11,156	11,156	17,761	17,761	Level 1
Financial Liabilities					
Securities loaned	414,957	407,706	—	—	Level 2
Convertible debt	136,189 (a)	157,522 (b)	130,029 (a)	149,545 (b)	Level 2
Notes payable and other debt	101,267	107,119 (c)	77,030	80,817 (c)	Level 2

(a) The carrying amount of the convertible debt includes an unamortized discount of $12.2 million and $17.8 million as of September 30, 2017 and December 31, 2016.

(b) The convertible debt includes the conversion option and is based on the last broker quote available.

(c) Notes payable and other debt are based on the last broker quote available.

(d) The fair market value of level 3 loans is calculated using discounted cash flows.

8. Deposits with Clearing Organizations, Brokers and Banks

Under the terms of agreements between the Company and some of its clearing organizations, brokers and banks, balances owed are collateralized by certain of the Company’s cash and securities balances. As of September 30, 2017 and December 31, 2016, the Company had a total of $84.2 million and $8.9 million, respectively, in deposit accounts with clearing organizations, brokers and banks that could be used as collateral to offset losses incurred by the clearing organizations, brokers and banks, on behalf of the Company’s activities, if such losses were to occur.

9. Receivables From and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payable to brokers, dealers and clearing organizations includes cash held at the clearing brokers, amounts receivable or payable for unsettled transactions, monies borrowed and proceeds from short sales 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, dealers and clearing organizations, these balances are presented net (assets less liabilities) across balances with the same counterparty. The Company's receivables from and payables to brokers, dealers and clearing organizations balances are held at multiple financial institutions.

As of September 30, 2017 and December 31, 2016, amounts receivable from brokers, dealers and clearing organizations include:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Broker-dealers	$ 199,747	$ 78,898
Securities failed to deliver	33,877	—
Clearing organizations	9,671	—
Stock borrow interest receivable	3,841	—
	$ 247,136	**$ 78,898**

As of September 30, 2017 and December 31, 2016, amounts payable to brokers, dealers and clearing organizations include:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Broker-dealers	$ 118,568	$ 210,309
Securities failed to receive	26,315	—
Clearing organizations	9,000	—
Stock loan interest payable	2,220	—
	$ 156,103	**$ 210,309**

10. Receivable From and Payable to Customers

As of September 30, 2017, receivable from customers of $45.5 million consists of amounts owed by customers relating to securities transactions not completed on settlement date and receivables arising from the prepayment of a Commission Sharing Agreement (“CSA”), net of an allowance for doubtful accounts. A prepaid CSA is established for research-related disbursements in advance of anticipated customer commission volumes. Such receivables may not be evidenced by contractual obligations.

As of September 30, 2017, payable to customers of $202.7 million include amounts due on cash and margin transactions to the Company's clients, some of which have their assets held by a Company omnibus account, which are included within receivables from brokers, dealers and clearing organizations in the accompanying condensed consolidated statements of financial condition. In the omnibus structure, positions that are owned by CIL are fully cross collateralized by client funds, meaning that the Company, for all intents and purposes, has no market risk. Additionally, CIL has no obligation to settle any trade that it deems inappropriate from a risk perspective, adding an important market and counterparty risk mitigating factor.

11. Commission Management Payable

The Company receives a gross commission from various clearing brokers, which is then used to fund commission sharing and recapture arrangements, less the portion retained as income to the Company. Accrued commission sharing and commission recapture payable of $77.9 million as of September 30, 2017 and $3.6 million as of December 31, 2016 are classified as commission management payable in the accompanying condensed consolidated statements of financial condition.

12. Redeemable Non-Controlling Interests in Consolidated Subsidiaries and Funds

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

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Redeemable non-controlling interests in consolidated subsidiaries and funds		
Operating companies	$ 5,766	$ 7,638
Consolidated Funds	415,895	371,567
	$ 421,661	$ 379,205

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)		(dollars in thousands)	
Income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds				
Operating companies	$ (266)	$ 1,433	$ 1,457	$ 2,880
Consolidated Funds	5,428	17,045	33,955	(5,404)
	$ 5,162	$ 18,478	$ 35,412	$ (2,524)

13. Reinsurance

The Company's wholly-owned Luxembourg subsidiary, Hollenfels Re SA ("Hollenfels") provides reinsurance to third party insurance and reinsurance companies. As Hollenfels started its operations during 2016, all claims it experienced (reported or not reported) were from the 2016 and 2017 accident years. During the three and nine months ended September 30, 2017, Hollenfels's share of incurred and paid claims, as reported to it by the underlying insurance and reinsurance companies, amounted to $1.5 million and $2.6 million, respectively. During the same period, Hollenfels's share of claims incurred but not reported plus expected development on reported claims totaled $1.7 million and $3.8 million, respectively. Hollenfels generally employs an estimation methodology whereby historical average claims ratios over a period of 5 or 10 years, based on availability of data, are utilized. In cases where an event may have occurred that could give rise to claims in excess of the amount calculated using the above-mentioned methodology, then actuarial methods are used to calculate the impact of such an event. During the quarter, Hollenfels did not change its methodology for determining claim liability or claim adjustment expenses and calculated them using the above-mentioned methods.

While Hollenfels typically settles its premiums and claim payments on a quarterly basis, the frequency of claims in the underlying policies is impractical for Hollenfels to obtain. This is because certain contracts Hollenfels has written are on a quota-share basis while the other policies provide aggregate loss protection, rendering the collection of information for all underlying contracts impracticable. Hollenfels did not discount any of its reserves and did not cede any portion of its exposures during the three and nine months ended September 30, 2017.

14. Share-Based and Deferred Compensation and Employee Ownership Plans

On December 5, 2016, the Company effected a one-for-four reverse stock split of the Company's class A and class B common stock. All share and per share information has been retroactively adjusted to reflect the reverse stock split.

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 Capital Group LLC and Cowen) and the Cowen Group, Inc. 2010 Equity and Incentive Plan (collectively, the "Equity Plans"). The Equity Plans permit the grant of options, restricted shares, restricted stock units, stock appreciation rights ("SAR's") and other equity based awards to the Company's employees and directors. Stock options granted generally vest over two-to-five-year periods and expire seven years from the date of grant. Restricted shares and restricted share units issued may be immediately vested or may generally vest over a two-to-five-year period. SAR's vest and expire after five years from grant date. Awards are subject to the risk of forfeiture. As of September 30, 2017, there were approximately 0.1 million shares available for future issuance under the Equity Plans.

Under the 2010 Equity Plan, the Company awarded $24.1 million of deferred cash awards to its employees during the three and nine months ended September 30, 2017. These awards vest over a four year period and accrue interest at 0.70% per year. As of September 30, 2017, the Company had unrecognized compensation expense related to the 2010 Equity Plan deferred cash awards of $40.2 million.

Subsequent to the acquisition of Convergex Group (see Note 2) the Company maintained the Convergex Nonqualified Deferred Compensation Plan, which is a deferred cash award plan that is expensed over the 27 month service period requirement. As of September 30, 2017, the Company had unrecognized compensation expense related to former Convergex Group deferred cash awards of $3.4 million.

The Company measures compensation cost for share based awards according to the equity method. In accordance with the expense recognition provisions of those standards, the Company amortizes unearned compensation associated with share based awards on a straight-line basis over the vesting period of the option or award, net of estimated forfeitures. In relation to awards under the Equity Plans, the Company recognized compensation expense of $6.8 million and $6.2 million for the three months ended September 30, 2017 and 2016, and $24.7 million and $19.3 million, for the nine months ended September 30, 2017 and 2016, respectively. The income tax effect recognized for the Equity Plans was a benefit of $2.7 million and $2.5 million for the three months ended September 30, 2017 and 2016, and $9.8 million and $8.6 million, for the nine months ended September 30, 2017 and 2016, respectively.

Stock Options and Stock Appreciation Rights

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

Expected term. Expected term represents the period of time that awards granted are expected to be outstanding. The Company elected to use the "simplified" calculation method, as applicable to companies that lack extensive historical data. The mid-point between the vesting date and the contractual expiration date is used as the expected term under this method.

Expected volatility. The Company bases its expected volatility on its own stock price history.

Risk free rate. The risk-free rate for periods within the expected term of the award is based on the interest rate of a traded zero-coupon U.S. Treasury bond with a term equal to the awards' expected term on the date of grant.

Dividend yield. The Company has not paid and does not expect to pay dividends in the foreseeable future. Accordingly, the assumed dividend yield is zero.

The following table summarizes the Company's stock option activity for the nine months ended September 30, 2017:

	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, 2016	4,167	$ 19.56	0.10	$ —
Options granted	—	—	—	—
Options exercised	—	—	—	—
Options expired	(4,167)	19.56	—	—
Balance outstanding at September 30, 2017	—	$ —	0	$ —
Options exercisable at September 30, 2017	—	$ —	0	$ —

(1) Based on the Company's closing stock price of $17.80 on September 30, 2017 and $15.50 on December 31, 2016.

As of September 30, 2017, the Company's stock options were fully expensed.

The following table summarizes the Company's SAR's for the nine months ended September 30, 2017:

	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, 2016	100,000	$ 11.60	1.21	$ 435
SAR's granted	—	—	—	—
SAR's vested	(25,000)	11.60	—	—
SAR's expired	—	—	—	—
Balance outstanding at September 30, 2017	75,000	$ 11.60	0.46	$ 477
SAR's exercisable at September 30, 2017	—	$ —	0	$ —

(1) Based on the Company's closing stock price of $17.80 on September 30, 2017 and $15.50 on December 31, 2016.

As of September 30, 2017 the unrecognized compensation expense related to the Company's grant of SAR's was an immaterial amount and at December 31, 2016 it was $0.1 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 nine months ended September 30, 2017:

	Nonvested Restricted Shares and Restricted Stock Units	Weighted-Average Grant Date Fair Value
Balance outstanding at December 31, 2016	5,717,932	$ 16.23
Granted	1,977,514	15.11
Vested	(1,953,618)	14.63
Canceled	—	—
Forfeited	(97,353)	14.77
Balance outstanding at September 30, 2017	5,644,475	$ 16.41

Included in the restricted share and restricted stock unit activity are performance linked restricted stock units of 481,438 which were awarded to employees of the Company in December 2013 and January 2014. An additional 700,000 performance linked restricted stock units were awarded in March 2016. Of the awards granted, 109,375 have been forfeited through September 30, 2017. The remaining awards, included in the outstanding balance as of September 30, 2017, will vest between March 2019 and December 2020 and will be earned only to the extent that the Company attains specified market conditions relating to its volume-weighted average share price and total shareholder return in relation to certain benchmark indices and performance goals relating to aggregate net income and average return on shareholder equity. The actual number of RSUs ultimately earned could vary from zero, if performance goals are not met, to as much as 150% of the targeted award. Each RSU is equal to the one share of the Company's Class A common stock. Compensation expense is recognized to the extent that it is probable that the Company will attain the performance goals.

The fair value of restricted stock (excluding performance linked units which are valued using the Monte Carlo valuation model) is determined based on the number of shares granted and the quoted price of the Company's common stock on the date of grant.

As of September 30, 2017, there was $65.3 million of unrecognized compensation expense related to the Company's grant of nonvested restricted shares and restricted stock units to employees. Unrecognized compensation expense related to nonvested restricted shares and restricted stock units granted to employees is expected to be recognized over a weighted-average period of 2.50 years.

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

There were 56,519 restricted stock units awarded during the three and nine months ended September 30, 2017. As of September 30, 2017 there were 191,962 restricted stock units outstanding.

15. Income Taxes

The taxable results of the Company's U.S. operations are included in the consolidated income tax returns of Cowen 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 that file tax returns are United Kingdom, Luxembourg, Gibraltar, and Hong Kong.

The Company calculates its U.S. tax provision using the estimated annual effective tax rate methodology. The tax expense or benefit caused by an unusual or infrequent item is recorded in the quarter in which it occurs. To the extent that information is not available for the Company to completely determine the full year estimated impact of an item of income or tax adjustment, the Company calculates the tax impact of such item discretely. Accordingly, the Company uses the discrete methodology to calculate its income tax provision for its foreign subsidiaries and the tax impact of income attributable to redeemable non-controlling interests in consolidated subsidiaries and funds. In addition, during the nine months ended September 30, 2017, the unusual or infrequent items whose tax impact were recorded discretely related to stock compensation. Based on these methodologies, the Company's effective income tax rate was 6.32% and 24.77% for the nine months ended September 30, 2017 and 2016, respectively. During the nine months ended September 30, 2017, the unusual or infrequent items whose tax impact were recorded discretely related primarily to foreign taxes and stock compensation.

For the nine months ended September 30, 2017 and 2016, the effective tax rate differs from the statutory rate of 35% primarily due to income attributable to redeemable non-controlling interests in consolidated subsidiaries and funds, stock compensation, foreign taxes, as well as other nondeductible expenses.

The Company recorded an uncertain tax position liability of $5.3 million as of September 30, 2017 related to New York State and New York City tax matters.

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 September 30, 2017, the Company recorded a valuation allowance against deferred tax assets related to its foreign net operating losses.

The Company is subject to examination by the United States Internal Revenue Service as well as state, local and foreign tax authorities in jurisdictions where the Company has significant business operations, such as New York, United Kingdom, and Luxembourg. Currently, the Company is under audit by the Internal Revenue Service for the 2014 tax year, and New York State for the 2010 to 2012 tax years. Management is not expecting a material tax liability from these audits.

The Company intends to permanently reinvest the capital and accumulated earnings of its foreign subsidiaries in the respective subsidiary, but remits the current earnings of its foreign subsidiaries to the United States to the extent permissible under local regulatory rules. The undistributed earnings of the Company's foreign subsidiaries totaled $3.2 million and $0.8 million as of September 30, 2017 and December 31, 2016, respectively, and the tax liability that would arise if these earnings were remitted to the United States would be approximately $0.5 million and $0.1 million, respectively.

16. Commitments and Contingencies

Lease Obligations

The Company has entered into leases for office space and equipment. These leases contain rent escalation clauses. The Company records rent expense on a straight-line basis over the lease term, including any rent holiday periods. Rent expense was $6.3 million and $4.9 million for the three months ended September 30, 2017 and 2016, and $16.3 million and $15.4 million for the nine months ended September 30, 2017 and 2016, respectively.

As of September 30, 2017, future minimum annual lease and service payments for the Company were as follows:

	Equipment Leases (a)	Service Payments	Facility Leases (b)
		(dollars in thousands)	
2017	$ 877	$ 14,832	$ 6,351
2018	3,150	19,230	25,782
2019	1,280	9,476	21,440
2020	351	1,203	17,625
2021	320	287	17,592
Thereafter	160	—	19,296
	$ 6,138	$ 45,028	$ 108,086

(a) Equipment Leases include the Company's commitments relating to operating and capital leases. See Note 17 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 $0.2 million and $0.4 million for the three months ended September 30, 2017 and 2016, and $0.8 million and $1.7 million, and for the nine months ended September 30, 2017 and 2016, respectively.

Clawback Obligations

For financial reporting purposes, the general partners of a real estate fund have recorded a liability for potential clawback obligations to the limited partners, due to changes in the unrealized value of the fund's remaining investments and where the fund's general partner has previously received carried interest distributions. The clawback liability, however, is not realized until the end of the fund's life. The life of the real estate funds with a potential clawback obligation is currently in a winding-up phase whereby the remaining assets of the fund are being liquidated as promptly as possible so as to maximize value, however a final date for liquidation has not been set. The fund is currently winding-down and as of both September 30, 2017 and December 31, 2016, and the clawback obligation was $6.2 million.

The Company serves as the general partner/managing member and/or investment manager to various affiliated and sponsored funds. As such, the Company is contingently liable for obligations for those entities. These amounts are not included above as the Company believes that the assets in these funds are sufficient to discharge any liabilities.

Unfunded Commitments

The following table summarizes unfunded commitments as of September 30, 2017:

Entity	Unfunded Commitments	Commitment term
	(dollars in millions)	
Real estate (a)	$ 18.4	(a)
HealthCare Royalty Partners funds (b)	6.2	2 years
Eclipse Ventures Fund I, L.P. (formerly Formation8 Partners Hardware Fund I, L.P.)	0.4	7 years
Lagunita Biosciences, LLC	0.5	3 years
Eclipse Fund II, L.P.	0.9	8 years
Eclipse Continuity Fund I, L.P.	0.6	9 years

(a) The Company had unfunded commitments pertaining to capital commitments in six real estate investments held by the Company, all of which pertain to related party investments. Such commitments can be called at any time up to four years, subject to advance notice.

(b) The Company is a limited partner of the HealthCare Royalty Partners funds (which are managed by Healthcare Royalty Management) and is a member of HealthCare Royalty Partners General Partners. The Company will make its pro-rata investment in the HealthCare Royalty Partners funds along with the other limited partners.

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

The Company appropriately reserves for certain matters where, in the opinion of management, the likelihood of liability is probable and the extent of such liability is reasonably estimable. Such amounts are included within accounts payable, accrued expenses and other liabilities in the accompanying 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 Company accrues legal fees as incurred.

The following information reflects developments with respect to the Company’s legal proceedings that occurred during the quarter ended September 30, 2017.

On December 27, 2013, Landol Fletcher filed a putative class action lawsuit against Convergex Holdings, LLC, Convergex Group, LLC, Convergex Execution Solutions LLC, Convergex Global Markets Limited and G-Trade Services LLC (collectively, “Convergex”) in the United States District Court for the Southern District of New York (Landol Fletcher and all others similarly situated v. Convergex Group LLC, Convergex Execution Solutions LLC, Convergex Global Markets Ltd., Convergex Holdings LLC, G-Trade Services LLC, & Does 1-10, No. 1:13-CV-09150-LLS). The suit alleges breaches of fiduciary duty and prohibited transactions under ERISA and seeks to maintain a class action on behalf of all ERISA plan participants, beneficiaries and named fiduciaries whose plans were impacted by net trading by Convergex Global Markets Limited from October 2006 to December 2011. On April 11, 2014, Landol Fletcher and Frederick P. Potter Jr., filed an amended complaint raising materially similar allegations. This matter was assumed by the Company as a result of the Company’s previously announced acquisition of Convergex Group, which was completed on June 1, 2017. On February 17, 2016, the District Court granted Convergex’s motion to dismiss the amended complaint. Plaintiffs filed an appeal to the Second Circuit, and the AARP and Department of Labor filed amicus briefs on plaintiffs' behalf. The appeal was argued on December 12, 2016. On February 10, 2017, the Second Circuit Court of Appeals (1) reversed the District Court, finding that plaintiff has constitutional standing in a “representative” capacity to sue for damages to the ERISA defined benefit plan in which he is a participant, and (2) remanded to the District Court to reconsider, in light of the Circuit Court’s decision, the issue whether plaintiff has standing to pursue claims on behalf of ERISA plans in which plaintiff is not a participant. Convergex filed a petition for rehearing, and the Court of Appeals denied the petition. On June 30, 2017, the Company filed a notice of motion and memorandum of law in support of a motion to stay the proceedings in the District Court pending resolution of its petition for writ of certiorari, which the Company intended to file with the U.S. Supreme Court. On August 16, 2017, the District Court granted the Company’s motion to stay the proceedings in the District Court pending resolution of the Company’s petition for writ of certiorari. On September 1, 2017, the Company filed a petition with the United States Supreme Court for a writ of certiorari requesting review of the decision of the Court of Appeals. The Company expects the U.S. Supreme Court to make a decision on whether to grant the writ of certiorari in the fourth quarter of 2017 or first quarter of 2018, but we cannot predict when the U.S. Supreme Court will issue a decision. We are indemnified against losses arising from this matter pursuant to, and subject to, the provisions of the purchase agreement relating to the acquisition of Convergex Group. Because the case is in its preliminary stages, the Company cannot predict the outcome at this time, but it does not currently expect this case to have a material effect on its financial position or its results of operations.

17. Convertible Debt and Notes Payable

As of September 30, 2017 and December 31, 2016, the Company's outstanding debt was as follows:

	As of September 30, 2017	As of December 31, 2016
	(dollars in thousands)	
Convertible debt	$ 136,189	$ 130,029
Note payable	61,141	60,953
Term loan	28,082	—
Other notes payable	8,895	14,237
Capital lease obligations	3,149	1,840
	$ 237,456	$ 207,059

Convertible Debt

On March 10, 2014, the Company issued $149.5 million of 3.0% cash convertible senior notes ("Convertible Notes"). The Convertible Notes are due on March 15, 2019 unless earlier repurchased by the Company or converted by the holder into cash in accordance with their terms prior to such date. The interest on the Convertible Notes is payable semi-annually on March 15 and September 15 of each year. The Convertible Notes are senior unsecured obligations and rank senior in right of payments to other obligations. The Convertible Notes may be converted into cash, upon the occurrence of certain events, whereby a holder will receive, per $1,000 principal amount of notes being converted, an amount equal to the sum of principal amount outstanding and the conversion amount based on the current conversion price (the "Conversion Option"). The Convertible Notes were issued with an initial conversion price of $21.32 per share (per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective as of December 5, 2016).

The Company recorded interest expense of $1.1 million and $1.1 million for the three months ended September 30, 2017 and 2016, and $3.4 million and $3.4 million for the nine months ended September 30, 2017 and 2016, respectively. The initial unamortized discount on the Convertible Notes was $35.7 million and is shown net in convertible debt in the accompanying condensed consolidated statements of financial condition. Amortization on the discount, included within interest expense in the accompanying condensed consolidated statements of operations is $1.9 million and $1.7 million for the three months ended September 30, 2017 and 2016, and $5.6 million and $5.1 million for the nine months ended September 30, 2017 and 2016, respectively, based on an effective interest rate of 8.89%. The Company capitalized the debt issuance costs in the amount of $3.7 million, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the Convertible Notes.

Of the net proceeds from the sale of the Convertible Notes, approximately $20.5 million was applied to pay the net cost of a cash convertible note economic hedge and warrant transaction, which increases the effective conversion price to $28.72 (see Note 6) (per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective as of December 5, 2016), and approximately $0.3 million was applied to repurchase shares of Cowen Class A common stock. The remainder of the net proceeds is being used for general corporate purposes.

Note Payable

On October 10, 2014 the Company completed its public offering of $63.3 million aggregate principal amount of 8.25% senior notes due on October 15, 2021 ("2021 Notes"). Interest on the 2021 Notes is payable quarterly in arrears on January 15, April 15, July 15 and October 15, commencing on January 15, 2015. The Company recorded interest expense of $1.3 million and $1.3 million for the three months ended September 30, 2017 and 2016, and $3.9 million and $3.9 million for the nine months ended September 30, 2017 and 2016, respectively. The Company capitalized debt issuance costs of approximately $2.9 million which is a direct deduction from the carrying value of the debt and will be amortized over the life of the 2021 Notes.

Term Loan

On June 30, 2017, the Company borrowed $28.2 million to fund general corporate purposes. This term loan has an effective interest rate of LIBOR plus 3.75% with a lump sum payment of the entire principal amount due on June 29, 2018. The loan is secured by the value of the Company's limited partnership interests in two affiliated funds. The Company has provided a guarantee for this loan. The Company recorded interest expense of $0.4 million for the three months ended September 30, 2017, and $0.4 million for the nine months ended September 30, 2017.

Other Notes Payable

During January 2017, the Company borrowed $2.1 million to fund insurance premium payments. This note has an effective interest rate of 1.50% and is due on December 31, 2017, with monthly payment requirements of $0.2 million. As of September 30, 2017, the outstanding balance on this note payable was $0.4 million. Interest expense for the three and nine months ended September 30, 2017 was insignificant.

The Company has entered into various financing for its aircraft. The aircraft financing, net of debt costs, is recorded in notes payable and short-term borrowings in the accompanying condensed consolidated statements of financial condition. The debt maturities ranged from January 2019 to April 2021 and interest rates ranged from 4.21% to 7.25%. As of September 30, 2017, the remaining balance on the aircraft financing agreements was $8.5 million. Interest expense was $0.2 million and $0.2 million for the three months ended September 30, 2017 and 2016, and $0.6 million and $0.5 million for the nine months ended September 30, 2017 and 2016, respectively.

Capital Lease Obligations

The Company has entered into a capital lease for computer equipment, which amounted to $5.5 million and recorded in fixed assets as capital lease obligations. In addition, as part of the Convergex Group acquisition, the Company holds two capital leases for computer equipment which amounted to $0.8 million and are recorded as capital lease obligations. These capital lease obligations 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 4.25% to 5.69%. As of September 30, 2017, the remaining balance on these capital leases was $3.1 million. Interest expense was $0.1 million and $0.1 million for the three months ended September 30, 2017 and 2016, and $0.1 million and $0.1 million for the nine months ended September 30, 2017 and 2016, respectively.

Annual scheduled maturities of debt and minimum payments (of principle and interest) for all debt outstanding as of September 30, 2017, is as follows:

	Convertible Debt	Note Payable	Term loan	Other Note Payable	Capital Lease Obligation
			(dollars in thousands)		
2017	$ —	$ 1,305	$ —	$ 862	$ 467
2018	4,485	5,218	29,260	1,933	1,699
2019	151,743	5,218	—	3,410	399
2020	—	5,218	—	1,363	320
2021	—	68,468	—	2,512	320
Thereafter	—	—	—	—	160
Subtotal	156,228	85,427	29,260	10,080	3,365
Less (a)	(20,039)	(24,286)	(1,178)	(1,185)	(216)
Total	$ 136,189	$ 61,141	$ 28,082	$ 8,895	$ 3,149

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

Letters of Credit

As of September 30, 2017, the Company has eight irrevocable letters of credit, related to leased office space, for which there is cash collateral pledged and the Company pays a fee on the stated amount of the letter of credit. The Company also has pledged as collateral, $10.4 million, as of September 30, 2017, and $5.5 million, as of December 31, 2016, due between March 2018 and December 2019, for reinsurance agreements.

Location		Amount	Maturity
	(dollars in thousands)		
New York	$	596	October 2017
New York	$	2,811	October 2017
New York	$	1,600	November 2017
San Francisco	$	710	January 2018
Connecticut	$	65	January 2018
Boston	$	382	March 2018
New York	$	355	April 2018
New York	$	70	May 2018

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of September 30, 2017 and December 31, 2016, there were no amounts due related to these letters of credit.

18. Stockholder's Equity

On December 5, 2016, the Company effected a one-for-four reverse stock split of the Company's class A and class B common stock. All share and per share information has been retroactively adjusted to reflect the reverse stock split. In addition, there was a reclassification of $0.9 million from the par value of our class A common stock to additional paid-in capital to reflect the impact of the reverse stock split.

Preferred Stock and Purchase of Capped Call Option

On May 19, 2015, the Company completed its offering of 120,750 shares of the Company's 5.625% Series A cumulative perpetual convertible preferred stock ("Series A Convertible Preferred Stock") that provided $117.2 million of proceeds, net of underwriting fees and issuance costs of $3.6 million. Each share of the Series A Convertible Preferred Stock is entitled to dividends at a rate of 5.625% per annum which will be payable, when and if declared by the board of directors of the Company, quarterly, in arrears, on February 15, May 15, August 15 and November 15 of each year. The Company may, at its option, pay dividends in cash, common stock or a combination thereof. The Company declared and accrued a cash dividend of $1.7 million and $1.7 million for the three months ended September 30, 2017 and 2016, and $5.1 million and $5.1 million for the nine months ended September 30, 2017 and 2016, respectively.

Each share of Series A Convertible Preferred Stock is non-voting and has a liquidity preference over the Company's Class A common stock and ranks senior to all classes or series of the Company's Class A common stock, but junior to all of the Company's existing and future indebtedness with respect to divided rights and rights upon the Company's involuntary liquidation, dissolution or winding down.

Each share of Series A Convertible Preferred Stock is convertible, at the option of the holder, into a number of shares of our Class A common stock equal to the liquidation preference of $1,000 divided by the conversion rate. The initial conversion rate (subsequent to the December 5, 2016 reverse stock split) is 38.0619 shares (which equates to $26.27 per share) of the Company's Class A common stock for each share of the Series A Convertible Preferred Stock. At any time on or after May 20, 2020, the Company may elect to convert all outstanding shares of the Series A Convertible Preferred Stock into shares of the Company’s Class A common stock, cash or a combination thereof, at the Company’s election, in each case, based on the then-applicable conversion rate, if the last reported sale price of the Company’s Class A common stock equals or exceeds 150% of the then-current conversion price on at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days (including on the last trading day of such period) immediately prior to such election. At the time of conversion, the conversion rate may be adjusted based on certain events including but not limited to the issuance of cash dividends or Class A common stock as a dividends to the Company's Class A common shareholders or a share split or combination.

In connection with the issuance and sale of the Series A Convertible Preferred Stock, the Company entered into a capped call option transaction (the “Capped Call Option Transaction”) with Nomura Global Financial Products Inc. (the “option counterparty”) for $15.9 million. The Capped Call Option Transaction is expected generally to reduce the potential dilution to the Company’s Class A common stock (if the Company elects to convert to common shares) and/or offset any cash payments that the Company is required to make upon conversion of any Series A Convertible Preferred Stock. The Capped Call Option Transaction has an initial effective strike price of $26.27 per share, which matches the initial conversion price of the Series A Convertible Preferred Stock, and a cap price of $33.54 per share. However, to the extent that the market price of Class A common stock, as measured under the terms of the Capped Call Option Transaction, exceeds the cap price thereof, there would nevertheless be dilution and/or such cash payments would not be offset. As the Capped Call Option Transaction is a free standing derivative that is indexed to the Company's own stock price and the Company controls if it is settled in cash or stock it qualifies for equity classification as a reduction to additional paid in capital.

Treasury Stock

Treasury stock of $165.3 million as of September 30, 2017, compared to $153.8 million as of December 31, 2016, resulted from $11.4 million acquired through repurchases of shares to cover employee minimum tax withholding obligations related to stock compensation vesting events under the Company's Equity Plan or other similar transactions.

The following represents the activity relating to the treasury stock held by the Company during the nine months ended September 30, 2017:

	Treasury stock shares	Cost (dollars in thousands)	Average cost per share
Balance outstanding at December 31, 2016	9,810,802	$ 153,845	$ 15.68
Shares purchased for minimum tax withholding under the Equity Plan or other similar transactions	791,727	11,433	14.44
Purchase of treasury stock	—	—	—
Balance outstanding at September 30, 2017	10,602,529	$ 165,278	$ 15.59

19. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income includes the after tax change in unrealized gains and losses on foreign currency translation adjustments. During the periods presented, the Company did not have material reclassifications out of other comprehensive income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Beginning Balance	$ (8)	$ (5)	$ (2)	$ —
Foreign currency translation	—	2	(6)	(3)
Ending Balance	$ (8)	$ (3)	$ (8)	$ (3)

20. Earnings Per Share

The Company calculates its basic and diluted earnings per share in accordance with US GAAP. Basic earnings per share is calculated by dividing net income attributable to the Company's common stockholders by the weighted average number of common shares outstanding for the period. As of September 30, 2017, there were 31,087,458 shares outstanding. The Company has included 191,962 fully vested, unissued restricted stock units in its calculation of basic earnings per share. As of December 5, 2016, share and per share amounts have been retroactively updated to reflect the one-for-four reverse stock split.

Diluted earnings per common share are calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive items. The Company uses the treasury stock method to reflect the potential dilutive effect of the warrants (see Note 6(a)), unexercised stock options, unvested restricted shares, restricted stock units, and SAR's. In calculating the number of dilutive shares outstanding, the shares of common stock underlying unvested restricted shares and restricted stock units are assumed to have been delivered, and options and warrants are assumed to have been exercised, for the entire period being presented. The assumed proceeds from the assumed vesting, delivery and exercising were calculated as the amount of compensation cost attributed to future services and not yet recognized.

The Company can elect to settle the Series A Convertible Preferred Stock in shares, cash, or a combination of both. The Company's intent is to settle in cash and, based on current and projected liquidity needs, the Company has the ability to do so.

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

The computation of earnings per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands, except per share data)			
Net income (loss)	$ 9,828	$ 15,259	$ 50,502	$ (19,897)
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	5,162	18,478	35,412	(2,524)
Net income (loss) attributable to Cowen Inc.	4,666	(3,219)	15,090	(17,373)
Preferred stock dividends	1,698	1,698	5,094	5,094
Net income (loss) attributable to Cowen Inc. common stockholders	$ 2,968	$ (4,917)	$ 9,996	$ (22,467)
Shares for basic and diluted calculations:				
Weighted average shares used in basic computation	31,271	26,993	29,004	26,818
Performance based restricted stock	—	—	—	—
Stock appreciation rights	20	—	15	—
Restricted stock	955	—	992	—
Weighted average shares used in diluted computation	32,246	26,993	30,011	26,818
Earnings (loss) per share:				
Basic	$ 0.09	$ (0.18)	$ 0.34	$ (0.84)
Diluted	$ 0.09	$ (0.18)	$ 0.33	$ (0.84)

21. Segment Reporting

The Company conducts its operations through two segments: the investment management segment and the broker-dealer segment. These activities are conducted primarily in the United States and substantially all of its revenues are generated domestically. The performance measure for these segments is Economic Income (Loss), which management uses to evaluate the financial performance of and make operating decisions for the segments including determining appropriate compensation levels. Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount, square footage and other factors.

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

As further stated below, one major difference between Economic Income (Loss) and US GAAP net income (loss) is that Economic Income (Loss) presents the segments' results of operations without the impact resulting from the full consolidation of any of the Consolidated Funds. The consolidation of these funds results include 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 investment management segment, as ultimately, this income or loss is not income or loss for the investment management 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 investment management 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 Inc.
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

	Three Months Ended September 30, 2017						
				Adjustments			
	Investment Management	Broker-Dealer	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 57,383	$ 57,383	$ —	$ —		$ 57,383
Brokerage	19	89,949	89,968	—	(5,748)	(i)	84,220
Management fees	12,983	811	13,794	(640)	(4,931)	(a)	8,223
Incentive income (loss)	4,597	—	4,597	(402)	(2,250)	(a)	1,945
Investment income (loss)	9,927	6,022	15,949	—	(15,949)	(c)(f)	—
Interest and dividends	—	—	—	—	14,318	(c)	14,318
Reimbursement from affiliates	—	—	—	(88)	572	(e)	484
Aircraft lease revenue	—	—	—	—	934	(f)	934
Reinsurance premiums	—	—	—	—	7,186	(g)	7,186
Other revenue	387	552	939	—	2,463	(g)	3,402
Consolidated Funds revenues	—	—	—	735	—		735
Total revenues	**27,913**	**154,717**	**182,630**	**(395)**	**(3,405)**		**178,830**
Expenses							
Non interest expense	21,333	147,732	169,065	—	8,439	(b)(c)(d)	177,504
Interest and dividends	3,662	1,123	4,785	—	10,347	(c)	15,132
Consolidated Funds expenses	—	—	—	1,712	—		1,712
Total expenses	**24,995**	**148,855**	**173,850**	**1,712**	**18,786**		**194,348**
Total other income (loss)	**—**	**—**	**—**	**7,535**	**20,092**	(c) (h)	**27,627**
Income taxes expense / (benefit)	—	—	—	—	2,281	(b)	2,281
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(524)	—	(524)	(5,428)	790		(5,162)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Inc.	**$ 2,394**	**$ 5,862**	**$ 8,256**	**$ —**	**$ (3,590)**		**$ 4,666**

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

	Three Months Ended September 30, 2016						
				Adjustments			
	Investment Management	Broker-Dealer	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 36,722	$ 36,722	$ —	$ —		$ 36,722
Brokerage	—	51,524	51,524	—	(1,919)	(i)	49,605
Management fees	15,746	793	16,539	(445)	(5,822)	(a)	10,272
Incentive income (loss)	11,825	—	11,825	(562)	(9,979)	(a)	1,284
Investment income (loss)	14,798	4,932	19,730	—	(19,730)	(c)(f)	—
Interest and dividends	—	—	—	—	3,906	(c)	3,906
Reimbursement from affiliates	—	—	—	(76)	2,216	(e)	2,140
Aircraft lease revenue	—	—	—	—	1,089	(f)	1,089
Reinsurance premiums	—	—	—	—	8,905	(g)	8,905
Other revenue	17,145	25	17,170	—	(963)	(g)	16,207
Consolidated Funds revenues	—	—	—	897	—		897
Total revenues	**59,514**	**93,996**	**153,510**	**(186)**	**(22,297)**		**131,027**
Expenses							
Non interest expense	43,589	92,259	135,848	(429)	12,759	(b)(d)	148,178
Interest and dividends	3,205	1,079	4,284	—	3,328	(c)	7,612
Consolidated Funds expenses	—	—	—	2,469	—		2,469
Total expenses	**46,794**	**93,338**	**140,132**	**2,040**	**16,087**		**158,259**
Total other income (loss)	**—**	**—**	**—**	**19,269**	**31,981**	(c)	**51,250**
Income taxes expense / (benefit)	—	—	—	—	8,759	(b)	8,759
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(2,354)	—	(2,354)	(17,043)	919		(18,478)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Inc.	**$ 10,366**	**$ 658**	**$ 11,024**	**$ —**	**$ (14,243)**		**$ (3,219)**

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

	Nine Months Ended September 30, 2017						
				Adjustments			
	Investment Management	Broker-Dealer	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 158,082	$ 158,082	$ —	$ —		$ 158,082
Brokerage	38	209,236	209,274	—	(10,675)	(i)	198,599
Management fees	39,730	2,365	42,095	(1,773)	(14,735)	(a)	25,587
Incentive income (loss)	18,626	—	18,626	(3,669)	(8,740)	(a)	6,217
Investment income (loss)	34,412	17,353	51,765	—	(51,765)	(c)(f)	—
Interest and dividends	—	—	—	—	27,324	(c)	27,324
Reimbursement from affiliates	—	—	—	(241)	2,872	(e)	2,631
Aircraft lease revenue	—	—	—	—	3,036	(f)	3,036
Reinsurance premiums	—	—	—	—	21,957	(g)	21,957
Other revenue	2,067	1,247	3,314	—	2,833	(g)	6,147
Consolidated Funds revenues	—	—	—	4,751	—		4,751
Total revenues	**94,873**	**388,283**	**483,156**	**(932)**	**(27,893)**		**454,331**
Expenses							
Non interest expense	68,524	371,792	440,316	(199)	37,916	(b)(d)	478,033
Interest and dividends	10,141	3,312	13,453	—	23,820	(c)	37,273
Consolidated Funds expenses	—	—	—	9,423	—		9,423
Total expenses	**78,665**	**375,104**	**453,769**	**9,224**	**61,736**		**524,729**
Total other income (loss)	**—**	**—**	**—**	**44,111**	**80,196**	(c) (h)	**124,307**
Income taxes expense / (benefit)	—	—	—	—	3,407	(b)	3,407
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(4,129)	—	(4,129)	(33,955)	2,672		(35,412)
Economic Income (Loss) / Net Income (loss) attributable to Cowen Inc.	**$ 12,079**	**$ 13,179**	**$ 25,258**	**$ —**	**$ (10,168)**		**$ 15,090**

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

	Nine Months Ended September 30, 2016						
				Adjustments			
	Investment Management	Broker-Dealer	Total Economic Income/(Loss)	Funds Consolidation	Other Adjustments		US GAAP
	(dollars in thousands)						
Revenues							
Investment banking	$ —	$ 98,156	$ 98,156	$ —	$ —		$ 98,156
Brokerage	—	153,417	153,417	—	(5,777)	(i)	147,640
Management fees	47,604	2,334	49,938	(1,239)	(16,748)	(a)	31,951
Incentive income (loss)	19,174	—	19,174	(569)	(15,782)	(a)	2,823
Investment income (loss)	(444)	(147)	(591)	—	591	(c)(f)	—
Interest and dividends	—	—	—	—	11,664	(c)	11,664
Reimbursement from affiliates	—	—	—	(224)	8,492	(e)	8,268
Aircraft lease revenue	—	—	—	—	3,071	(f)	3,071
Reinsurance premiums	—	—	—	—	23,243	(g)	23,243
Other revenue	19,366	84	19,450	—	(1,510)	(g)	17,940
Consolidated Funds revenues	—	—	—	4,541	—		4,541
Total revenues	**85,700**	**253,844**	**339,544**	**2,509**	**7,244**		**349,297**
Expenses							
Non interest expense	77,917	257,972	335,889	(429)	28,170	(b)(d)	363,630
Interest and dividends	9,645	3,288	12,933	—	8,933	(c)	21,866
Consolidated Funds expenses	—	—	—	6,428	—		6,428
Total expenses	**87,562**	**261,260**	**348,822**	**5,999**	**37,103**		**391,924**
Total other income (loss)	**—**	**—**	**—**	**(1,915)**	**18,092**	(c)	**16,177**
Income taxes expense / (benefit)	—	—	—	—	(6,553)	(b)	(6,553)
(Income) loss attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	(6,589)	—	(6,589)	5,405	3,708		2,524
Economic Income (Loss) / Net Income (loss) attributable to Cowen Inc.	**$ (8,451)**	**$ (7,416)**	**$ (15,867)**	**$ —**	**$ (1,506)**		**$ (17,373)**

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) included 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, the healthcare royalty business and the activist business.
(b) Economic Income (Loss) excludes income taxes and acquisition related adjustments as management does not consider these items when evaluating the performance of the segment.
(c) Economic Income (Loss) recognizes Company income from proprietary trading (including interest and dividends).
(d) Economic Income (Loss) recognizes the Company's proportionate share of expenses, for certain real estate operating entities and the activist business, for which the investments are recorded under the equity method of accounting for investments.
(e) Reimbursement from affiliates is shown as a reduction of Economic Income expenses, but is included as a part of revenues under US GAAP.
(f) Aircraft lease revenue is shown net of expenses in investment income for Economic Income (Loss).
(g) Economic Income (Loss) recognizes underwriting income from the Company's insurance related activities, net of expenses, within other revenue.

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(h) Economic Income (Loss) excludes the bargain purchase gain which resulted from the Convergex Group acquisition.
(i) Economic Income (Loss) brokerage revenues included net securities borrowed and securities loaned activities.

For the three and nine months ended September 30, 2017 and 2016, there was no one fund or other customer which represented more than 10% of the Company's total revenues.

22. Regulatory Requirements

As registered broker-dealers, Cowen and Company, Cowen Execution, ATM Execution, Cowen Prime and Westminster Research are subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. Each registered broker-dealer has elected to compute net capital under the alternative method permitted by the Rule. Under the alternative method Cowen and Company's minimum net capital requirement, as defined in (a)(4) of the Rule, is $1.0 million. Cowen Execution, ATM Execution, Cowen Prime and Westminster Research are required to maintain minimum net capital, as defined in (a)(1)(ii) of the Rule, equal to the greater of $250,000 or 2% of aggregate debits arising from customer transactions. Advances to affiliates, repayment of borrowings, distributions, dividend payments and other equity withdrawals are subject to certain notification and other requirements of the Rule and other regulatory bodies.

Cowen Execution is also subject to CFTC Regulation 1.17 ("Regulation 1.17") and Options Clearing Corporation ("OCC") Rule 302. Regulation 1.17 requires Cowen Execution to maintain net capital equal to or in excess of $45,000 or the amount of net capital required by Rule 15c3-1, whichever is greater. OCC Rule 302 requires maintenance of net capital equal to the greater of $2,000,000 or 2% of aggregate debit items. At September 30, 2017, the Company had $102.9 million of net capital in excess of this minimum requirement.

Ramius UK, CIL and Cowen Execution Services Ltd are subject to the capital requirements of the Financial Conduct Authority ("FCA") of the UK. Financial Resources, as defined, must exceed the requirement of the FCA.

Cowen's Luxembourg reinsurance companies, Vianden RCG Re SCA ("Vianden") and Hollenfels, are required to maintain a solvency capital ratio as calculated by relevant European Commission directives and local regulatory rules in Luxembourg. Each company's solvency capital ratio as of September 30, 2017 was in excess of this minimum requirement.

Based on minimum capital and surplus requirements pursuant to the laws of the state of New York that apply to captive insurance companies, RCG Insurance Company, Cowen's captive insurance company incorporated and licensed in the state of New York, was required to maintain capital and surplus of approximately $0.3 million as of September 30, 2017. RCG Insurance Company's capital and surplus as of September 30, 2017 totaled approximately $24.6 million.

As of September 30, 2017, these regulated broker-dealers had regulatory net capital or financial resources, regulatory net capital requirements or minimum FCA requirement and excess as follows:

Subsidiary	Net Capital	Minimum Net Capital Requirement	Excess Net Capital
		(dollars in millions)	
Cowen and Company	$ 83.4	$ 1.0	$ 82.4
Cowen Execution	$ 104.9	$ 1.4	$ 103.5
ATM Execution	$ 2.0	$ 0.3	$ 1.7
Cowen Prime	$ 10.9	$ 0.3	$ 10.6
Westminster Research	$ 12.0	$ 0.3	$ 11.7
Ramius UK	$ 0.2	$ 0.1	$ 0.1
Cowen International Limited	$ 11.4	$ 6.0	$ 5.4
Cowen Execution Services Ltd	$ 3.9	$ 2.0	$ 1.9

Cowen and Company, ATM Execution and Cowen Prime claim exemption from SEC Rule 15c3-3 ("Rule 15c3-3") subparagraph (k)(2)(ii) of the Securities Exchange Act of 1934 since it clears its securities transactions on a fully disclosed basis and promptly transmits all customer funds and securities to the clearing broker-dealer that carries the accounts. Westminster Research claims exemption from Rule 15c3-3 subparagraph (k)(2)(i) of the Securities Exchange Act of 1934 since it conducts all financial transactions with its customers through a bank account designated as Special Account for the Exclusive Benefit of Customers.

In accordance with the requirements of Rule 15c3-3, Cowen Execution may be required to deposit in a Special Reserve Account, cash or acceptable qualified securities for the exclusive benefit of customers. As of September 30, 2017, Cowen Execution had segregated approximately $21.7 million of cash, while its required deposit was $13.4 million.

As a clearing broker-dealer, Cowen Execution is required to compute a reserve requirement for proprietary accounts of broker-dealers (“PAB”), as defined in Rule 15c3-3. PAB calculation is completed to allow each correspondent firm that uses Cowen Execution as its clearing broker-dealer to classify its assets held by Cowen Execution as allowable assets in the correspondent's net capital calculation. At September 30, 2017, Cowen Execution had $18.4 million of cash on deposit in special reserve bank accounts for PAB, which was in excess of its required deposit of $35 million.

PAB held at external clearing brokers are considered allowable assets for net capital purposes, pursuant to agreements between Cowen and Company, ATM Execution, Cowen Prime, and their clearing brokers, which require, among other things, that those clearing brokers perform computations for PAB and segregate certain balances on behalf of Cowen and Company, ATM Execution and Cowen Prime, if applicable.

23. Related Party Transactions

The Company and its affiliated entities are the managing member, general partner and/or investment manager to the Company's investment management products and certain managed accounts. Management fees and incentive income are primarily earned from affiliated entities. As of September 30, 2017 and December 31, 2016, $14.7 million and $12.6 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 and nine months ended September 30, 2017, the Company reimbursed the funds it manages $0.1 million and $0.1 million, respectively, which were recorded net in management fees and incentive income in the accompanying condensed consolidated statements of operation. For the three and nine months ended September 30, 2016, these amounts were immaterial. As of September 30, 2017, related amounts still payable were immaterial. As of December 31, 2016, related amounts still payable were $0.3 million and were reflected in fees payable in the accompanying condensed consolidated statements of financial condition. Fees receivable and fees payable are recorded at carrying value, which approximates fair value.

The Company may also make loans to employees or other affiliates, excluding executive officers of the Company. These loans are interest bearing and settle pursuant to the agreed-upon terms with such employees or affiliates and are included in due from related parties in the accompanying condensed consolidated statements of financial condition. As of September 30, 2017 and December 31, 2016, loans to employees of $11.4 million and $9.2 million, respectively, were included in due from related parties on the accompanying condensed consolidated statements of financial condition. Of these amounts $5.4 million and $3.3 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 $0.6 million and $0.2 million for the three months ended September 30, 2017 and 2016, and $1.6 million and $0.9 million, for the nine months ended September 30, 2017 and 2016, respectively. This expense is included in employee compensation and benefits in the accompanying condensed consolidated statement of operations. For the three and nine months ended September 30, 2017 and 2016, the interest income was insignificant for all related party loans and advances.

Included in due to related parties is approximately $0.6 million and $0.7 million as of September 30, 2017 and December 31, 2016, 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.

As of September 30, 2017 and December 31, 2016, included in due from related parties is $14.4 million and $18.7 million, respectively, related to the sales of portions of the Company's ownership interest in the activist business of Starboard Value to the Starboard principals. It is being financed through the profits of the relevant Starboard entities over a 5 year period and earns interest at 5% per annum. The interest income for the three months ended September 30, 2017 and 2016, was $0.2 million and $0.2 million and for the nine months ended September 30, 2017 and 2016, was $0.6 million and $0.5 million, respectively.

The remaining balance included in due from related parties of $11.6 million and $11.8 million as of September 30, 2017 and December 31, 2016, respectively, relates to amounts due to the Company from affiliated funds and real estate entities due to expenses paid on their behalf.

Employees and certain other related parties invest on a discretionary basis within consolidated entities. These investments generally are subject to preferential management fee and performance fee arrangements. As of September 30, 2017 and December 31, 2016, such investments aggregated $29.0 million and $32.9 million, respectively, were included in redeemable non-controlling interests on the accompanying condensed consolidated statements of financial condition. Their share of the net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds aggregated $1.6 million and $2.9 million for the three months ended September 30, 2017 and 2016, and $7.2 million and $4.2 million for the nine months ended September 30, 2017 and 2016, respectively.

24. 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 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 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.

The Company may maintain cash and cash equivalents at financial institutions in excess of federally insured limits. The Company has not experienced any material losses in such accounts and does not believe it is exposed to significant credit risks in relation to such accounts.

Off-Balance Sheet Arrangements

The Company has no material off-balance sheet arrangements, which have not been disclosed, as of September 30, 2017 and December 31, 2016. Through indemnification provisions in the clearing agreement, customer activities may expose the Company to off-balance-sheet credit risk. Pursuant to the clearing agreement, the Company is required to reimburse the Company's clearing broker, without limit, for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. However, these transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date.

The Company’s customer securities activities are transacted on a delivery versus payment, cash or margin basis. In delivery versus payment transactions, the Company is exposed to risk of loss in the event of the customers’ or brokers’ inability to meet the terms of their contracts.

In margin transactions, the Company extends credit to clients collateralized by cash and securities in their account. In the event the customers or brokers fail to satisfy their obligations, the Company may be required to purchase or sell securities at prevailing market prices in order to fulfill the obligations.

The Company's exposure to credit risk can be directly impacted by volatile securities markets, which may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the customers' financial condition and credit ratings. The Company seeks to control the risk associated with its customer margin transactions by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company also monitors required margin levels daily and, pursuant to its guidelines, requires customers to deposit additional collateral, or reduce positions, when necessary.

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.

The Company enters into secured and unsecured borrowing agreements to obtain funding necessary to cover daily securities settlements with clearing corporations. Funding is required for unsettled customer delivery versus payment and riskless principal transaction, as well as to meet deposit requirements with clearing organizations. Secured arrangements are collateralized by the unsettled customer securities. The Company maintains uncommitted financing arrangements with large financial institutions, the details of which are summarized below as of September 30, 2017.

Lender	Contractual Amount	Available Amount	Maturity Date	Description
Pledge Lines	**(dollars in thousands)**			
Bank of America	$ 50,000	$ 50,000	None	Secured DTC Pledge Line
Texas Capital Bank	75,000	75,000	None	Secured DTC Pledge Line
BMO Harris Bank	150,000	150,000	None	Secured DTC Pledge Line
Total	275,000	275,000		
Revolving Credit Facility				
BMO Harris Bank	30,000	30,000	August 2, 2018	Unsecured liquidity facility to cover increases in NSCC margin deposit requirements
Total Credit Lines	$ 305,000	$ 305,000		

25. Subsequent Events

The Company has evaluated events that have occurred after the balance sheet date but before the financial statements are issued and has determined that there were no subsequent events requiring adjustment or disclosure in the unaudited condensed consolidated financial statements.

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

The 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 2016 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 Inc. included elsewhere in this quarterly report. Actual results may differ materially from those contained in any forward-looking statements.

Overview

Cowen Inc. (formerly Cowen Group, Inc.), a Delaware corporation formed in 2009, is a diversified financial services firm and, together with its consolidated subsidiaries (collectively, "Cowen" or the "Company"), provides investment management, investment banking, research, sales and trading, prime brokerage, global clearing and commission management through its two business segments: investment management and broker-dealer. The investment management segment includes private investment funds, managed accounts, commodity pools, real estate funds, private equity structures, registered investment companies and listed vehicles and also manages a significant portion of the Company's proprietary capital. 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, sales and trading platform for institutional investors and a comprehensive suite of prime brokerage services.

The Company's investment management platform, which operates primarily under the Cowen Investment Management name (formerly "Ramius"), offers innovative investment products and solutions across the liquidity spectrum to institutional and private clients. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisors Act") since 1997. The Company's investment management segment offers investors access to strategies to meet their specific needs including long/short equity, merger arbitrage, activist equity, event driven credit, fundamental global macro, health care royalties and real estate direct lending and equity. The Company's investment management segment focuses on attracting and retaining talented in-house and affiliated investment teams and providing seed capital and working capital, an institutional infrastructure, robust sales and marketing and industry knowledge. A significant portion of the Company's capital is invested alongside the Company's investment management clients. The Company has also invested some of its capital in its recently formed aviation and reinsurance businesses. Our investment management business had approximately $10.4 billion of assets under management as of October 1, 2017. See the section titled "Assets Under Management and Fund Performance" for further analysis.

Our broker-dealer businesses include investment banking, research, sales and trading, prime brokerage, global clearing and commission management services to companies and primarily institutional investor clients. Our primary target sectors ("Target Sectors") are healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, energy and transportation. We provide research and brokerage services to over 1,000 domestic and international clients seeking to trade securities and other financial instruments, principally in our target sectors. The broker-dealer segment also offers a full-service suite of introduced prime brokerage services targeting emerging private fund managers. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies. From time to time, the Company invests in private capital raising transactions of its investment banking clients.

On December 5, 2016, the Company effected a one-for-four reverse stock split of our common stock. Except where the context indicates otherwise, all share and per share information has been retroactively adjusted to reflect the reverse stock split.

Certain Factors Impacting Our Business

Our investment management 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 investment management business will depend on, among other things, our ability to retain assets under management and to grow assets under management from existing and new products. In addition, positive performance increases assets under management which results in higher management fees.

- *Investment performance.* Our revenues from incentive income are linked to the performance of the funds and accounts that we manage. Performance also affects assets under management because it influences investors' decisions to invest assets in, or withdraw assets from, the funds and accounts managed by us.

- *Fee and allocation rates.* Our management fee revenues are linked to the management fee rates we charge as a percentage of assets under management. Our incentive income revenues are linked to the incentive allocation rates we charge as a percentage of performance-driven asset growth. Our incentive allocations are generally subject to "high-water marks," whereby incentive income is generally earned by us only to the extent that the net asset value of a fund at the end of a measurement period exceeds the highest net asset value as of the end of the earlier measurement period for which we earned incentive income. Our incentive allocations, in some cases, are subject to performance hurdles.

- *Investment performance of our own capital.* We invest our own capital and the performance of such invested capital affects our revenues.

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 and on the notional value of the non-U.S. securities traded by our customers.

- *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 Company 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 and credit research fees.* Equity and credit research fees are paid to the Company for providing equity and credit 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 and credit research depends on the quality of our research and its relevance to our institutional customers and other clients.

- *Investment performance of our own capital.* Investment income in the broker-dealer business includes gains and losses generated by the capital the Company invests in private capital raising transactions of its investment banking clients. Our revenues from investment income are linked to the performance of the underlying investments.

- *Liquidity.* As a clearing broker-dealer in the U.S., we are subject to cash deposit requirements with clearing organizations, brokers and banks that may be large in relation to our total liquid assets.

External Factors Impacting Our Business

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

- Our broker-dealer business has been, and may continue to be, adversely affected by market conditions. Increased competition continues to affect our investment banking and capital markets businesses. The same factors also affect trading volumes in secondary financial markets, which affect our brokerage business. Commission rates, market volatility, increased competition from larger financial firms and other factors also affect our brokerage revenues and may cause these revenues to vary from period to period.

- Our broker-dealer business focuses primarily on small to mid-capitalization and private companies in specific industry sectors. These sectors may experience growth or downturns independent of general economic and market conditions, or may face market conditions that are disproportionately better or worse than those impacting the economy and markets generally. In addition, increased government regulation has had, and may continue to have, a disproportionate effect on capital formation by smaller companies. Therefore, our broker-dealer business could be affected differently than overall market trends.

- Our investment management business can be adversely affected by unanticipated levels of requested redemptions. We experienced significant levels of requested redemptions during the 2008 financial crisis and, while the environment for investing in investment management products has since improved, it is possible that we could intermittently experience redemptions above historical levels, regardless of fund performance.

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

Recent Developments

On September 15, 2017, the Company and CEFC China Energy Company Limited ("CEFC") announced that they withdrew and re-filed their joint voluntary notice to the Committee on Foreign Investment in the United States ("CFIUS") to permit more time for review and discussion with CFIUS in connection with the proposed acquisition by CEFC of a common stock interest representing approximately 19.9% of Cowen's outstanding common shares for an aggregate purchase price of approximately $100 million (the "Equity Investment") as contemplated by the Stock Purchase Agreement signed by the parties on March 29, 2017. Pursuant to the Stock Purchase Agreement, CEFC has also agreed to provide Cowen with $175 million in debt financing (the "Debt Financing") concurrently with the closing of the Equity Investment.

The acceptance of the joint voluntary notice by CFIUS triggered a 30-day review period, which may be followed by an additional 45-day investigation period. The 30-day review period expired October 17, 2017 and the Company and CEFC are continuing to engage in discussions with CFIUS during the 45-day investigation period. There can be no assurances, however, that CFIUS will ultimately agree to clear the transaction.

In addition to CFIUS clearance, the closing of the Equity Investment and Debt Financing remains subject to the receipt of certain regulatory and government approvals and the satisfaction of other customary closing conditions. As a result of the refiling of the joint voluntary notice to CFIUS, the parties are now targeting a closing of the Equity Investment and Debt Financing by the end of the fourth quarter of 2017, subject to the receipt of the required regulatory approvals.

Basis of presentation

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

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

Acquisition

On June 1, 2017, the Company, through its wholly owned subsidiary Cowen CV Acquisition LLC, entered into a securities purchase agreement with, among others, Convergex Holdings LLC to acquire all the outstanding interests in Convergex Group, LLC ("Convergex Group") (subsequently renamed to Cowen Execution Holdco LLC). This acquisition was accounted for under the acquisition method of accounting in accordance with US GAAP. As such, results of operations for Convergex Group are included in the accompanying condensed consolidated statements of operations since the date of acquisition, and the assets acquired and liabilities assumed were recorded at their fair value as of the acquisition date. The Company is currently in the process of finalizing its purchase price allocation of Convergex Group; therefore, the purchase price adjustments as of September 30, 2017 are preliminary and subject to measurement period adjustments. The allocation of the purchase price to the net assets acquired will be finalized as necessary, up to one year after the acquisition's closing date, as the information becomes available.

Revenue recognition

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

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

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

Management fees

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

Several management companies of the funds are owned jointly by the Company and third parties. Accordingly, the management fees generated by these funds are split between the Company and these third parties. Pursuant to US GAAP, these fees received by the management companies that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying condensed consolidated statements of operations.

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:

- **Private Funds.** Management fees for the Company's private funds are generally charged at an annual rate of up to 2% of assets under management or notional trading level. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.

- **Real Estate.** Management fees from the Company's real estate business are generally charged at an annual rate from 0.25% to 1.50% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period.

- **HealthCare Royalty Partners.** In HealthCare Royalty Partners main funds, during the investment period (as defined in the relevant partnership agreements), management fees are generally charged at an annual rate of 1% to 2% of committed capital. After the investment period, management fees for these funds are generally charged at an annual rate of 0.5% to 2% of the net asset value or the aggregate cost basis of the unrealized investments held by the funds. For the other funds (and managed accounts) managed by Healthcare Royalty Partners, the management fee ranges from 0.2% to 1% and there is no adjustment based on an investment period. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.

- **Cowen Trading Strategies.** Advisory fees for the Company's corporate finance advisory business are typically paid quarterly based on assets under management but generally subject to a minimum fee.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) with respect to certain of the Company's funds and managed accounts, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have been carried forward from prior years. For the products we offer, incentive income earned is typically up to 20% for private funds (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 or on an investor by investor basis. These funds are generally 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 generally earned only after investors receive a full return of their capital plus a preferred return. Several general partners of the funds are owned jointly by the Company and third parties. Accordingly, the incentive fees generated by these funds are split between the Company and these third parties. Pursuant to US GAAP, incentive income received by the general partners that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying condensed consolidated statements of operations.

In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a “high-water mark.” The Company has elected to record incentive income revenue in accordance with “Method 2” of US GAAP. Under Method 2, the incentive income from the Company's funds and managed accounts for any period is based upon the net profits of those funds and managed accounts at the reporting date. Any incentive income recognized in the accompanying 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 and HealthCare Royalty Partners funds are 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 funds if these funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual clawback liability does not become realized until the end of a fund's life.

Investment Banking

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

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

- **Underwriting fees.** The Company earns underwriting fees in securities offerings in which the Company acts as an underwriter, such as initial public offerings, follow-on equity offerings, debt offerings, and convertible security offerings. 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 restructuring transactions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

- **Placement and sales agent fees.** The Company earns agency placement fees and sales agent commissions in non-underwritten transactions such as private placements of loans and debt and equity securities, including, private investment in public equity transactions (“PIPEs”), and as sales agent in at-the-market offerings of equity securities. The Company records placement revenues (which may be in cash and/or securities) when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. The Company records sales agent commissions on a trade date basis. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

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

- **Commissions.** Commission revenue includes fees from executing and clearing client transactions and commission sharing arrangements. 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. The costs of commission recapture arrangements are recorded on an accrual basis for each eligible trade and shown net of commission revenue. Commission revenues also includes fees from making algorithms available to clients.

- **Principal transactions.** Principal transactions revenue includes net trading gains and losses from the Company's market-making activities in over-the-counter equity and fixed income securities, trading of convertible securities, and trading gains and losses on inventory and other Company positions, which include warrants previously received as part of investment banking transactions. In certain cases, the Company provides liquidity to clients by buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration.

- **Equity and credit research fees.** Equity and credit research fees are paid to the Company for providing equity and credit 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.

- **Trade conversion revenue.** Trade conversion revenue includes the fee earned from converting foreign securities into an American Depository Receipt (“ADR”) and the fee earned from converting an ADR into foreign securities on behalf of customers, and margins earned from facilitating customer foreign exchange transactions. Trade conversion revenue is recognized on a trade date basis.

Investment Income

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

Interest and Dividends

Interest and dividends are earned by the Company from various sources. The Company receives interest and dividends primarily from securities held by the Company for purposed of investing capital, investments held by its Consolidated Funds and its brokerage balances. 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 private fund 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.

Aircraft lease revenue

Aircraft lease revenue associated with the Company's aircraft leasing business is recorded on a straight-line basis over the term of the lease, net of deferred rent and/or prepaid initial direct costs.

Reinsurance premiums

Premiums for insurance-related contracts are earned over the coverage period. In most cases, premiums are recognized as revenues ratably over the term of the contract with unearned premiums computed on a monthly basis. In accordance with US GAAP, for each of its contracts, the Company determines if the contract provides indemnification against loss or liability relating to insurance risk. If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract under the deposit method of accounting with any net amount receivable reflected as an asset in other assets, and any net amount payable reflected as a liability within accounts payable, accrued expenses and other liabilities on the condensed consolidated statements of financial condition.

The liabilities for losses and loss adjustment expenses are recorded at the estimated ultimate payment amounts, including reported losses. Estimated ultimate payment amounts are based upon (1) reports of losses from policyholders, (2) individual case estimates and (3) estimates of incurred but not reported losses.

Provisions for losses and loss adjustment expenses are charged to earnings after deducting amounts recovered and estimates of recoverable amounts and are included in other expenses on the condensed consolidated statements of operations.

Costs of acquiring new policies, which vary with and are directly related to the production of new policies, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting and are included within other assets on the condensed consolidated statements of financial condition.

Expenses

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

- *Compensation and Benefits.* Compensation and benefits is comprised of salaries, benefits, discretionary cash bonuses and equity-based compensation. Annual incentive compensation is variable, and the amount paid is generally based on a combination of employees' performance, their contribution to their business segment, and the Company's performance. Generally, compensation and benefits comprise a significant portion of total expenses, with annual incentive compensation comprising a significant portion of total compensation and benefits expenses.

- *Interest and Dividends.* Interest and dividend expense relates primarily to trading activity with respect to the Company's investments and interest expense on debt issued during March and October 2014.

- *Reinsurance claims, commissions and amortization of deferred acquisition costs.* Reinsurance related expenses reflect loss and claim reserves, acquisition costs and other expenses incurred with respect to our insurance and reinsurance operations.

- *General, Administrative and Other.* General, administrative and other expenses are primarily related to professional services, occupancy and equipment, business development expenses, communications, expenses associated with our reinsurance business 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. Deferred tax liabilities that cannot be realized in a similar future time period and thus that cannot offset the Company’s deferred tax assets are not taken into account when calculating the Company’s net deferred tax assets.

Redeemable Non-controlling Interests

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

Assets Under Management and Fund Performance

Assets Under Management

Assets under management refer to all of our investment management products, solutions and services including private investment funds, managed accounts, commodity pools, real estate funds, private equity structures, registered investment companies and listed vehicles. The Company's investment management segment includes such strategies as long/short equity, activist equity, event driven equity, global macro, structured finance, health care royalties, private healthcare and private real estate.

Assets under management also include the fair value of assets the Company manages pursuant to separately managed accounts, collateralized debt obligations for which the Company is 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 may represent committed capital or committed funding that may not be under our control but forms part of the investment management product's trading level.

As of October 1, 2017, the Company had assets under management of $10.4 billion, a 1.0% decrease as compared to assets under management of $10.5 billion as of January 1, 2017. The $0.1 billion decrease in assets under management during the nine months ended September 30, 2017 primarily resulted from redemptions in the healthcare royalty and private funds businesses.

The following table is a breakout of total assets under management by platform as of October 1, 2017 (which excludes cross investments from other Ramius platforms):

	Platform							
	Private Funds (a) (b) (g)	Alternative Solutions (a)	Cowen Trading Strategies (h)	Real Estate (a) (i)	Healthcare Royalty Partners (c) (d) (j)	Private Healthcare (l)	Other (k)	Total
	(dollars in millions)							
January 1, 2015	**$ 4,218**	**$ 3,784**	**$ 147**	**$ 1,707**	**$ 2,582**	**$ —**	**$ 48**	**$ 12,486**
Subscriptions	2,725	997	—	—	—	—	—	**3,722**
Redemptions	(572)	(810)	(49)	(65)	(178)	—	(14)	**(1,688)**
Performance (e)	(781)	(419)	(3)	—	5	—	—	**(1,198)**
Net Return (f)	(18.52)%	(11.07)%	(2.04)%	—%	0.19 %	—%	—%	**(9.59)%**
January 1, 2016	**5,590**	**3,552**	**95**	**1,642**	**2,409**	**—**	**34**	**13,322**
Subscriptions	1,537	—	—	—	—	—	—	**1,537**
Redemptions	(714)	(3,641)	(40)	(220)	(137)	—	(21)	**(4,773)**
Performance (e)	362	89	(3)	—	10	**—**	**—**	**458**
Net Return (f)	6.48 %	2.51 %	(3.16)%	—%	0.42 %	—%	—%	**3.44 %**
January 1, 2017	**6,775**	**—**	**52**	**1,422**	**2,282**	**—**	**13**	**10,544**
Subscriptions	694	—	165	236	—	57	49	**1,201**
Redemptions	(894)	—	(57)	—	(494)	(12)	—	**(1,457)**
Performance (e)	157	—	1	—	(19)	**16**	**—**	**155**
Net Return (f)	2.32 %	— %	1.92 %	—%	(0.83)%	—%	—%	**1.47 %**
October 1, 2017	**$ 6,732**	**$ —**	**$ 161**	**$ 1,658**	**$ 1,769**	**$ 61**	**$ 62**	**$ 10,443**

(a) The Company owns between 20% and 55% of the general partners, investment managers or managing members of the real estate business, the activist business, and the global macro business and the equity long/short business. The Company does not possess unilateral control over any of the foregoing businesses. The Company owns 100% of the investment manager of the event-driven equity business. On September 23, 2016, the Company completed the sale of its interest in the alternative solutions business, thereby reducing the Company's estimated assets under management by approximately $2.5 billion.

(b) These amounts include the Company's invested capital of approximately $172.0 million, $176.6 million and $173.6 million as of October 1, 2017, January 1, 2017 and January 1, 2016, respectively (including interests in both a registered investment company and an "Undertakings for Collective Investment Trust" or "UCITS" fund, each of which pursues a private fund-style strategy). Assets under management amounts are as of July 1, 2017 include approximately $572.0 million of committed but undrawn capital that will only be charged fees when invested.

(c) These amounts include the Company's invested capital of approximately $6.5 million, $10.5 million and $20.2 million as of October 1, 2017, January 1, 2017 and January 1, 2016, respectively.

(d) This amount includes unfunded capital commitments.

(e) Performance and net returns are net of all management and incentive fees and includes the effect of any foreign exchange translation adjustments and leverage in certain funds.

(f) Performance net returns are calculated on the platform as a whole. Net return of individual funds will vary.

(g) The Company's actively marketed private fund products have varying liquidity terms typically ranging from daily to quarterly liquidity with less liquidity applying to certain co-investment vehicles. In 2010, the Company suspended redemption rights with respect to certain private funds that are being wound down. The private funds that have suspended redemption rights represent approximately 4.94% of the total private fund assets under management.

(h) Cowen Trading Strategies advised a managed futures mutual fund that was fully liquidated as of April 30, 2017. The Company began managing the assets of a collateralized debt obligation ("CDO") on May 4, 2017. The CDO is an amortizing pool of assets with cash returned to investors in periodic distributions as it becomes available. Assets under management reflects the outstanding face amount of such CDO. The Company owns 100% of the investment manager of the structured finance business.

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

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

(k) Includes the assets of separate accounts managed by the Company for non-institutional clients that had been managed prior to July 1, 2017 but had not previously been included in the Company's calculation of its assets under management. Prior to June 1, 2017, "Other" assets under management included the assets of collateralized debt obligations managed by the Company, which are now classified separately as "Structured Finance."

(l) The Company began managing a private healthcare fund in September 2015. This amount includes unfunded capital commitments, as well as the Company's investment of $17.3 million as of October 1, 2017. The Company owns 100% of the investment manager of the private healthcare business.

Fund Performance

For the quarter ended September 30, 2017 the Company's investment strategies had mixed results, with performance varying in comparison to relevant benchmarks. As has been the case throughout the year, there were no significant drawdowns in any strategy. Our activist strategy had positive performance for the quarter, trailing the Russell 2000 Index, which achieved all of its gains for the period during a sharp rally in September. Longer term, the portfolio management team has maintained its out-performance versus the index since the strategy's inception in 2002. The merger arbitrage strategy finished the quarter with modestly negative results, but remains substantially ahead of its benchmark HFRI index on both a year to date basis and since the strategy's inception. The UCITS Merger Fund, in partnership with Bank of America Merrill Lynch, also continued to have positive performance, completing its first year of trading in July. The fund has met expectations for its more diversified portfolio.

Our options-based global macro strategy, despite a modest gain in September, had negative performance for the period, but a smaller decline than experienced in either of the first two quarters of 2017. The strategy remains challenged by the persistence of extremely low levels of implied volatility across multiple asset classes, which was predominant throughout both 2016 and 2017.

Our equity long/short affiliate, which follows a multi-sector approach with a focus on technology and consumer companies, had a negative month in September, primarily due to inter-sector volatility, and finished the quarter with a modest gain. Having launched its commingled fund on October 1, 2016, that portfolio team had a positive first year, with performance above that of the HFRX Equity Hedge Index.

The internally managed multi-strategy vehicles continue to execute opportunistic sales of certain holdings. In addition, the maturity of certain real estate loans and the elimination of a currency hedge on European private equity positions allowed for two distributions of capital to investors during the first nine months of 2017. With regard to the longer-dated investment vehicles in real estate, the largest legacy real estate debt vehicle, as well as the legacy equity vehicle, experienced minimal changes in value for the third quarter and for the first nine months of 2017. Certain of the legacy real estate funds, inclusive of these two, are in the process of returning capital to investors. The fifth, and most recent, real estate debt vehicle remains active, with interim results meeting performance expectations.

Our healthcare royalty strategy, having raised a substantial amount of capital in 2014, still remains in its investment period. As noted in previous quarterly comments, ongoing opportunities in the pharmaceutical and healthcare sectors remain robust. As a result, the strategy has been able to invest significant capital in both its latest commingled fund and separate managed accounts.

Invested Capital

The Company invests a significant portion of its capital base to help drive results and facilitate the growth of its investment management 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, private funds and mutual funds. Much of the Company's trading strategy portfolio is invested alongside the Company's investment management 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 alongside its investment management clients. In addition, from time to time the Company makes investments in private capital raising transactions of its investment banking clients. The Company's real estate investment strategy focuses on making investments alongside the investment management clients invested in the RCG Longview funds, as well as in direct investments in commercial real estate projects.

As of September 30, 2017, the Company's invested capital amounted to a net value of $690.8 million (supporting a long market value of $1,041.9 million), representing approximately 82% of Cowen'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's stockholders' equity as of September 30, 2017. The net values presented in the table below do not tie to Cowen's condensed consolidated statement of financial condition as of September 30, 2017 because they are included in various line items of the accompanying 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	$ 472.6	56%
Merchant Banking	175.3	21%
Real Estate	42.9	5%
Total	**690.8**	**82%**
Stockholders' Equity	$ 843.5	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) (which is a non-GAAP measure) of our 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 21 to the accompanying 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 September 30, 2017 Compared with the Three Months Ended September 30, 2016

	Condensed Consolidated Statements of Operations			
	Three Months Ended September 30,		Period to Period	
	2017	2016	$ Change	% Change
	(dollars in thousands) (unaudited)			
Revenues				
Investment banking	$ 57,383	$ 36,722	$ 20,661	56 %
Brokerage	84,220	49,605	34,615	70 %
Management fees	8,223	10,272	(2,049)	(20)%
Incentive income	1,945	1,284	661	51 %
Interest and dividends	14,318	3,906	10,412	267 %
Reimbursement from affiliates	484	2,140	(1,656)	(77)%
Aircraft lease revenue	934	1,089	(155)	(14)%
Reinsurance premiums	7,186	8,905	(1,719)	(19)%
Other revenues	3,402	16,207	(12,805)	(79)%
Consolidated Funds revenues	735	897	(162)	(18)%
Total revenues	**178,830**	**131,027**	**47,803**	**36 %**
Expenses				
Employee compensation and benefits	103,282	98,501	4,781	5 %
Interest and dividends	15,132	7,612	7,520	99 %
Reinsurance claims, commissions and amortization of deferred acquisition costs	7,157	8,595	(1,438)	(17)%
Operating, general, administrative and other expenses	63,391	37,908	25,483	67 %
Depreciation and amortization expense	3,452	3,174	278	9 %
Restructuring costs	222	—	222	NM
Consolidated Funds expenses	1,712	2,469	(757)	(31)%
Total expenses	**194,348**	**158,259**	**36,089**	**23 %**
Other income (loss)				
Net gains (losses) on securities, derivatives and other investments	18,326	26,153	(7,827)	30 %
Bargain purchase gain, net of tax	—	—	—	
Consolidated Funds net gains (losses)	9,301	25,097	(15,796)	63 %
Total other income (loss)	**27,627**	**51,250**	**(23,623)**	**46 %**
Income (loss) before income taxes	**12,109**	**24,018**	**(11,909)**	**50 %**
Income tax expense (benefit)	2,281	8,759	(6,478)	74 %
Net income (loss)	**9,828**	**15,259**	**(5,431)**	**36 %**
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	5,162	18,478	(13,316)	(72)%
Net income (loss) attributable to Cowen Inc.	4,666	(3,219)	7,885	245 %
Preferred stock dividends	1,698	1,698	—	— %
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 2,968**	**$ (4,917)**	**$ 7,885**	**160 %**

Revenues

Investment Banking

Investment banking revenues increased $20.7 million to $57.4 million for the three months ended September 30, 2017 compared with $36.7 million in the prior year period. During the three months ended September 30, 2017, the Company completed 24 underwriting transactions and seven strategic advisory transactions. During the three months ended September 30, 2016, the Company completed 22 underwriting transactions, five strategic advisory transactions and two debt capital market transaction. The average underwriting fee per transaction was 61.9% greater in the third quarter of 2017 as compared to the prior year period.

Brokerage

Brokerage revenues increased $34.6 million to $84.2 million for the three months ended September 30, 2017 compared with $49.6 million in the prior year period. This was attributable to an increase in revenues due to the acquisition of Convergex

Group in June 2017. Customer trading volumes across the industry (according to Bloomberg) decreased 8% for the three months ended September 30, 2017 compared to the prior year period.

Management Fees

Management fees decreased $2.1 million to $8.2 million for the three months ended September 30, 2017 compared with $10.3 million in the prior year period. This decrease in management fees was primarily related to the sale of our interest in the alternative solutions business during the third quarter of 2016.

Incentive Income

Incentive income increased $0.6 million to $1.9 million for the three months ended September 30, 2017, compared with $1.3 million in the prior year period. This increase was primarily related to an increase in performance fees from our multi-strategy business.

Interest and Dividends

Interest and dividends increased $10.4 million to $14.3 million for the three months ended September 30, 2017 compared with $3.9 million in the prior year period. This was primarily attributable to an increase in the number of investments in interest bearing securities during the quarter of 2017 as compared to the same quarter in 2016.

Reimbursements from Affiliates

Reimbursements from affiliates decreased $1.6 million to $0.5 million for the three months ended September 30, 2017 compared with $2.1 million in the prior year period. The decrease is primarily related to a decrease in reimbursements from the activist business.

Aircraft Lease Revenue

Aircraft lease revenue decreased $0.2 million to $0.9 million for the three months ended September 30, 2017 compared with $1.1 million in the prior year period.

Reinsurance Premiums

Reinsurance premiums decreased $1.7 million to $7.2 million for the three months ended September 30, 2017 compared with $8.9 million in the prior year period. This decrease reflects the reduction, in 2017, of our quota share participation in one of our reinsurance policies.

Other Revenues

Other revenues decreased $12.8 million to $3.4 million for the three months ended September 30, 2017 compared with $16.2 million in the prior year period. The decrease primarily relates to the sale of our interest in the alternative solutions business in the third quarter of 2016.

Consolidated Funds Revenues

Consolidated Funds revenues decreased $0.2 million to $0.7 million for the three months ended September 30, 2017 compared with $0.9 million in the prior year period. The decrease is due to a decrease in interest and dividend income in one of our consolidated funds.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $4.8 million to $103.3 million for the three months ended September 30, 2017 compared with $98.5 million in the prior year period. The increase is primarily due to $47.8 million higher revenues offset partially by $23.7 million lower other income (loss) during the third quarter of 2017 as compared to 2016 and thus resulting in a higher compensation and benefits accrual. The compensation to revenue ratio, including other income (loss), was 50% for the three months ended September 30, 2017, compared with 54% for the prior year period.

Interest and Dividends

Interest and dividend expenses increased $7.5 million to $15.1 million for the three months ended September 30, 2017 compared with $7.6 million in the prior year period. This was primarily attributable to an increase in the number of investments sold short and an increase in margin balances during 2017 as compared to 2016.

Reinsurance Claims, Commissions and Amortization of Deferred Acquisition Costs

Reinsurance related expenses decreased $1.4 million to $7.2 million for the three months ended September 30, 2017 compared with $8.6 million in the prior year period. This decrease reflects the reduction, in 2017, of our quota share participation in one of our reinsurance policies with a high combined ratio of claims, commissions and acquisition costs over earned premiums.

General, Administrative and Other Expenses

General, administrative and other expenses increased $25.5 million to $63.4 million for the three months ended September 30, 2017 compared with $37.9 million in the prior year period. The increase is primarily related to higher floor brokerage and trade execution costs, due to higher brokerage revenue, and increased marketing and business development expenses, legal and other professional fees, depreciation and amortization and increased occupancy costs, which are mostly related to the acquisition of Convergex Group during June 2017.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $0.3 million to $3.5 million for the three months ended September 30, 2017 compared with $3.2 million in the prior year period. The increase is primarily related to an increase in tangible and intangible assets related to recent acquisitions.

Restructuring Costs

Restructuring costs expenses were $0.2 million for the three months ended September 30, 2017. In conjunction with the integration of the acquired businesses of Convergex Group, the Company evaluated the combined broker-dealer businesses and operations and incurred integration and restructuring costs which primarily related to exit and disposal costs, discontinuation of redundant technology services and severance costs.

Consolidated Funds Expenses

Consolidated Funds expenses decreased $0.8 million to $1.7 million for the three months ended September 30, 2017 compared with $2.5 million for the prior year period. The decrease is due to decreased interest and dividend expense in one of our consolidated funds.

Other Income (Loss)

Other income (loss) decreased $23.7 million to $27.6 million for the three months ended September 30, 2017 compared with $51.3 million in the prior year period. The decrease primarily relates to a decrease in performance in our activist strategy and the Company's own invested capital. 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 decreased $6.5 million to $2.3 million for the three months ended September 30, 2017 compared with $8.8 million in the prior year period. This change is primarily attributable to the Company's operating results.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests decreased by $13.3 million to $5.2 million for the three months ended September 30, 2017 compared with $18.5 million in the prior year period. The decrease was primarily the result of gains in one of our consolidated funds in the prior year period. 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.

Preferred Stock Dividends

On May 19, 2015, the Company completed its offering of 120,750 shares of the Company's 5.625% Series A cumulative perpetual convertible preferred stock. Each share of the Series A Convertible Preferred Stock is entitled to dividends at a rate of 5.625% per annum. The Company may, at its option, pay dividends in cash, common stock or a combination thereof.

Nine Months Ended September 30, 2017 Compared with Nine Months Ended September 30, 2016

	Condensed Consolidated Statements of Operations			
	Nine Months Ended September 30,		Period to Period	
	2017	2016	$ Change	% Change
	(dollars in thousands) (unaudited)			
Revenues				
Investment banking	$ 158,082	$ 98,156	$ 59,926	61 %
Brokerage	198,599	147,640	50,959	35 %
Management fees	25,587	31,951	(6,364)	(20)%
Incentive income	6,217	2,823	3,394	120 %
Interest and dividends	27,324	11,664	15,660	134 %
Reimbursement from affiliates	2,631	8,268	(5,637)	(68)%
Aircraft lease revenue	3,036	3,071	(35)	(1)%
Reinsurance premiums	21,957	23,243	(1,286)	(6)%
Other revenues	6,147	17,940	(11,793)	(66)%
Consolidated Funds revenues	4,751	4,541	210	5 %
Total revenues	**454,331**	**349,297**	**105,034**	**30 %**
Expenses				
Employee compensation and benefits	282,066	217,309	64,757	30 %
Interest and dividends	37,273	21,866	15,407	70 %
Reinsurance claims, commissions and amortization of deferred acquisition costs	20,610	20,924	(314)	(2)%
Operating, general, administrative and other expenses	156,982	115,743	41,239	36 %
Depreciation and amortization expense	9,612	9,654	(42)	— %
Restructuring costs	8,763	—	8,763	NM
Consolidated Funds expenses	9,423	6,428	2,995	47 %
Total expenses	**524,729**	**391,924**	**132,805**	**34 %**
Other income (loss)				
Net gains (losses) on securities, derivatives and other investments	63,101	9,123	53,978	592 %
Bargain purchase gain	7,946	—	7,946	NM
Consolidated Funds net gains (losses)	53,260	7,054	46,206	655 %
Total other income (loss)	**124,307**	**16,177**	**108,130**	**668 %**
Income (loss) before income taxes	**53,909**	**(26,450)**	**80,359**	**(304)%**
Income tax expense (benefit)	3,407	(6,553)	9,960	152 %
Net income (loss)	**50,502**	**(19,897)**	**70,399**	**(354)%**
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	35,412	(2,524)	37,936	(1,503)%
Net income (loss) attributable to Cowen Inc.	15,090	(17,373)	32,463	(187)%
Preferred stock dividends	5,094	5,094	—	— %
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 9,996**	**$ (22,467)**	**$ 32,463**	**(144)%**

Revenues

Investment Banking

Investment banking revenues increased $59.9 million to $158.1 million for the nine months ended September 30, 2017 compared with $98.2 million in the prior year period. During the nine months ended September 30, 2017, the Company completed 78 underwriting transactions and 11 strategic advisory transactions. During the nine months ended September 30, 2016, the Company completed 55 underwriting transactions, nine strategic advisory transactions and five debt capital market transactions. The average underwriting fee per transaction was 27.4% greater for the nine months ended September 30, 2017 as compared to the prior year period.

Brokerage

Brokerage revenues increased $51.0 million to $198.6 million for the nine months ended September 30, 2017 compared with $147.6 million in the prior year period. This was attributable to an increase in revenues due to the initiation of our credit trading business in May 2016 and the acquisition of Convergex Group in June 2017. Customer trading volumes across the industry (according to Bloomberg) decreased 12% for the nine months ended September 30, 2017 compared to the prior year period.

Management Fees

Management fees decreased $6.4 million to $25.6 million for the nine months ended September 30, 2017 compared with $32.0 million in the prior year period. This decrease in management fees was primarily related to the sale of our interest in the alternative solutions business during the third quarter of 2016.

Incentive Income

Incentive income increased $3.4 million to $6.2 million for the nine months ended September 30, 2017, compared with $2.8 million in the prior year period. This increase was primarily related to an increase in performance fees from our multi-strategy business.

Interest and Dividends

Interest and dividends increased $15.6 million to $27.3 million for the nine months ended September 30, 2017 compared with $11.7 million in the prior year period. This was primarily attributable to an increase in the number of investments in interest bearing securities during 2017 as compared to 2016.

Reimbursements from Affiliates

Reimbursements from affiliates decreased $5.7 million to $2.6 million for the nine months ended September 30, 2017 compared with $8.3 million in the prior year period. The decrease is primarily related to a decrease in reimbursements from the activist business.

Aircraft Lease Revenues

Aircraft lease revenues remained constant at $3.0 million for the nine months ended September 30, 2017 compared to $3.1 million in the prior year period.

Reinsurance Premiums

Reinsurance premiums decreased $1.2 million to $22.0 million for the nine months ended September 30, 2017 compared with $23.2 million in the prior year period. This decrease reflects the reduction, in 2017, of our quota share participation in one of our reinsurance policies.

Other Revenues

Other revenues decreased $11.8 million to $6.1 million for the nine months ended September 30, 2017 compared with $17.9 million in the prior year period. The decrease primarily relates to the sale of our interest in the alternative solutions business in the third quarter of 2016.

Consolidated Funds Revenues

Consolidated Funds revenues increased $0.3 million to $4.8 million for the nine months ended September 30, 2017 compared with $4.5 million in the prior year period. The increase is due to increased interest and dividend income from our consolidated funds.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $64.8 million to $282.1 million for the nine months ended September 30, 2017 compared with $217.3 million in the prior year period. The increase is primarily due to $105.0 million higher total revenues and $108.1 million more other income (loss) during 2017 as compared to 2016 resulting in a higher compensation and benefits accrual. The compensation to revenue ratio, including other income (loss), was 49% for the nine months ended September 30, 2017, compared with 59% in the prior year period.

Interest and Dividends

Interest and dividend expenses increased $15.4 million to $37.3 million for the nine months ended September 30, 2017 compared with $21.9 million in the prior year period. This was primarily attributable to an increase in the number of investments sold short and an increase in margin balances during 2017 as compared to 2016.

Reinsurance Claims, Commissions and Amortization of Deferred Acquisition Costs

Reinsurance related expenses decreased $0.3 million to $20.6 million for the nine months ended September 30, 2017 compared with $20.9 million in the prior year period. This decrease reflects the reduction, in 2017, of our quota share participation in one of our reinsurance policies with a high combined ratio of claims, commissions and acquisition costs over earned premiums.

General, Administrative and Other Expenses

General, administrative and other expenses increased $41.3 million to $157.0 million for the nine months ended September 30, 2017 compared with $115.7 million in the prior year period. The increase is primarily related to higher floor brokerage and trade execution costs, due to higher brokerage revenue, and increased marketing and business development expenses, legal and other professional fees, depreciation and amortization and increased occupancy costs, which are mostly related to the acquisition of Convergex Group during June 2017.

Depreciation and Amortization Expenses

Depreciation and amortization expenses decreased $0.1 million to $9.6 million for the nine months ended September 30, 2017 compared with $9.7 million in the prior year period. The decrease is primarily related to a reduction in depreciation expense from fully depreciated fixed assets partially offset by an increase in amortization on intangible assets related to recent acquisitions.

Restructuring Costs

Restructuring costs expenses was $8.8 million for the nine months ended September 30, 2017. In conjunction with the integration of the acquired businesses of Convergex Group, the Company evaluated the combined broker-dealer businesses and operations and incurred integration and restructuring costs which primarily related to exit and disposal costs, discontinuation of redundant technology services and severance costs.

Consolidated Funds Expenses

Consolidated Funds expenses increased $3.0 million to $9.4 million for the nine months ended September 30, 2017 compared with $6.4 million in the prior year period. The increase is due to increased interest and dividend expense in one of our consolidated funds.

Other Income (Loss)

Other income (loss) increased $108.1 million to $124.3 million for the nine months ended September 30, 2017 compared with $16.2 million in the prior year period. The increase primarily relates to an increase in performance of the Company's own invested capital and the bargain purchase gain related to the acquisition of Convergex Group during June 2017. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to redeemable non-controlling interests.

Income Taxes

Income tax expense increased $10.0 million to $3.4 million for the nine months ended September 30, 2017 compared with an income tax benefit of $6.6 million in the prior year period. This change is primarily attributable to the Company's operating results.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests increased $37.9 million to income of $35.4 million for the nine months ended September 30, 2017 compared with a loss of $2.5 million in the prior year period. The increase was primarily the result of losses incurred by one of our consolidated funds in the prior year period. 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.

Preferred Stock Dividends

On May 19, 2015, the Company completed its offering of 120,750 shares of the Company's 5.625% Series A cumulative perpetual convertible preferred stock. Each share of the Series A Convertible Preferred Stock is entitled to dividends at a rate of 5.625% per annum. The Company may, at its option, pay dividends in cash, common stock or a combination thereof.

Segment Analysis and Economic Income (Loss)

Segments

The Company conducts its operations through two segments: an investment management segment and a broker-dealer segment.

For the nine months ended September 30, 2017 and 2016, the Company's investment management segment includes private investment funds, managed accounts, commodity pools, real estate funds, private equity structures, registered investment companies and listed vehicles operating results and other investment platforms operating results.

For the nine months ended September 30, 2017 and 2016, the Company's broker-dealer segment includes investment banking, research, sales and trading, prime brokerage, global clearing and commission management services businesses' operating results.

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 to make operating decisions for the Company 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 21 to the Company's condensed consolidated financial statements included elsewhere in this Form 10-Q.

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

Economic Income (Loss) Revenues

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

Our investment management 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.

Our broker-dealer segment generates Economic Income (Loss) revenues through two principal sources: investment banking and brokerage. The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's Target Sectors: healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, energy and transportation. The Company's brokerage revenues consist of commissions, principal transactions and fees paid for equity and credit research and trade conversion. Cowen's broker-dealer segment also offers a full-service suite of prime brokerage services. 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 revenue in the accompanying condensed consolidated statement of operations.

Economic Income (Loss) Expenses

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

Non-controlling Interests

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

Three Months Ended September 30, 2017 Compared with the Three Months Ended September 30, 2016

	Three Months Ended September 30,						Total Period-to-Period	
	2017			2016				
	Investment Management	Broker-Dealer	Total	Investment Management	Broker-Dealer	Total	$ Change	% Change
	(dollars in thousands) (unaudited)							
Economic Income Revenues								
Investment banking	$ —	$ 57,383	**$ 57,383**	$ —	$ 36,722	**$ 36,722**	$ 20,661	56 %
Brokerage	19	89,949	**89,968**	—	51,524	**51,524**	38,444	75 %
Management fees	12,983	811	**13,794**	15,746	793	**16,539**	(2,745)	(17)%
Incentive income (loss)	4,597	—	**4,597**	11,825	—	**11,825**	(7,228)	NM
Investment income (loss)	9,927	6,022	**15,949**	14,798	4,932	**19,730**	(3,781)	19 %
Other revenues	387	552	**939**	17,145	25	**17,170**	(16,231)	95 %
Total economic income revenues	**27,913**	**154,717**	**182,630**	**59,514**	**93,996**	**153,510**	**29,120**	**19 %**

Economic Income (Loss) Revenues

Total Economic Income (Loss) revenues were $182.6 million for the three months ended September 30, 2017, an increase of $29.1 million compared to Economic Income (Loss) revenues of $153.5 million in the prior year period. The increase was primarily related to an increase in performance in investment income and an increase in brokerage and investment banking activity. For purposes of the following section, all references to revenue refer to Economic Income (Loss) revenues.

Investment Management Segment

Investment management segment Economic Income (Loss) revenues were $27.9 million for the three months ended September 30, 2017, a decrease of $31.6 million compared to Economic Income (Loss) revenues of $59.5 million in the prior year period.

Management Fees. Management fees for the segment decreased $2.7 million to $13.0 million for the three months ended September 30, 2017 compared with $15.7 million in the prior year period. This decrease in management fees was primarily related to the sale of our interest in the alternative solutions business during the third quarter of 2016.

Incentive Income (Loss). Incentive income for the segment decreased $7.2 million to $4.6 million for the three months ended September 30, 2017 compared with $11.8 million in the prior year period. This decrease was related to a decrease in performance fees from our activist and real estate businesses offset partially by an increase in performance from our other businesses.

Investment Income (Loss). Investment income for the segment decreased $4.9 million to income of $9.9 million for the three months ended September 30, 2017, compared with income of $14.8 million in the prior year period. The decrease primarily relates to a decrease in the Company's performance in the Company's own invested capital.

Other Revenues. Other revenues for the segment decreased $16.7 million to $0.4 million for the three months ended September 30, 2017, compared with $17.1 million in the prior year period. The decrease primarily relates to the sale of our interest in the alternative solutions business in the third quarter of 2016.

Broker-Dealer Segment

Broker-dealer segment Economic Income (Loss) revenues were $154.7 million for the three months ended September 30, 2017, an increase of $60.7 million compared with Economic Income (Loss) revenues of $94.0 million in the prior year period.

Investment Banking. Investment banking revenues increased $20.7 million to $57.4 million for the three months ended September 30, 2017 compared with $36.7 million in the prior year period. During the three months ended September 30, 2017, the Company completed 24 underwriting transactions and seven strategic advisory transactions. During the three months ended September 30, 2016, the Company completed 22 underwriting transactions, five strategic advisory transactions and two debt capital market transaction. The average underwriting fee per transaction was 61.9% greater in the third quarter of 2017 as compared to the prior year period.

Brokerage. Brokerage revenues increased $38.4 million to $89.9 million for the three months ended September 30, 2017, compared with $51.5 million in the prior year period. This was attributable to an increase in revenues due to the acquisition of Convergex Group in June 2017. Customer trading volumes across the industry (according to Bloomberg) decreased 8% for the three months ended September 30, 2017 compared to the prior year period.

Investment Income (Loss). Investment income for the segment increased $1.1 million to $6.0 million for the three months ended September 30, 2017 compared with $4.9 million in the prior year period. The increase is a result of an increase in overall investment income which is allocated amongst the segments.

Non-Interest Expenses

Non-interest expenses. Total non-interest expenses increased $33.3 million to $169.1 million for the three months ended September 30, 2017, compared with $135.8 million in the prior year period.

Compensation and Benefits. Compensation and benefits expenses, included within non-interest expenses, increased $7.8 million to $101.5 million for the three months ended September 30, 2017, compared with $93.7 million in the prior year period. The increase is due to $29.1 million higher revenues during the third quarter of 2017 as compared to 2016 and thus resulting in a higher compensation and benefits accrual. The compensation to revenue ratio was 56% for the three months ended September 30, 2017, compared to 61% for the prior year period.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses, included within non-interest expenses, increased $7.7 million to $33.0 million for the three months ended September 30, 2017, compared with $25.3 million in the prior year period. The increase is primarily related to the acquisition of Convergex Group during June 2017.

The following table shows the components of the non-compensation expenses—fixed, for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Period-to-Period	
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—fixed:				
Communications	$ 6,407	$ 4,613	$ 1,794	39 %
Professional, advisory and other fees	5,560	3,932	1,628	41 %
Occupancy and equipment	9,477	7,541	1,936	26 %
Service fees	3,957	2,059	1,898	92 %
Expenses from equity investments	2,877	3,923	(1,046)	(27)%
Other	4,741	3,197	1,544	48 %
Total	**$ 33,019**	**$ 25,265**	**$ 7,754**	**31 %**

Depreciation and amortization expenses. Depreciation and amortization expenses increased $0.4 million to $3.1 million for the three months ended September 30, 2017 compared with $2.7 million in the prior year period. The increase is primarily related to an increase in tangible and intangible assets related to recent acquisitions.

Non-compensation Expenses—Variable. Variable non-compensation expenses, included within non-interest expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $17.3 million to $32.0 million for the three months ended September 30, 2017, compared with

$14.8 million in the prior year period. The increase is primarily related to higher floor brokerage and trade execution costs related to the acquisition of Convergex Group during June 2017.

The following table shows the components of the non-compensation expenses—variable, for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Period-to-Period	
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	$ 25,193	$ 7,393	$ 17,800	241 %
HealthCare Royalty Partners syndication costs	132	132	—	— %
Expenses related to Luxembourg insurance companies	774	861	(87)	(10)%
Marketing and business development	5,278	5,942	(664)	(11)%
Other	654	432	222	51 %
Total	**$ 32,031**	**$ 14,760**	**$ 17,271**	**117 %**

Interest expense. Interest expense increased $0.5 million to $4.8 million for the three months ended September 30, 2017 compared with $4.3 million in the prior year period. Interest expense primarily relates to debt issued during the first and fourth quarters of 2014 and the second quarter of 2017.

Reimbursement from Affiliates. Reimbursements from affiliates, included within non-interest expenses, which relate to the alternative investment segment remained fairly flat at $0.6 million for the three months ended September 30, 2017 compared with $0.6 million in the prior year period.

Non-Controlling Interest. Income (loss) attributable to redeemable non-controlling interests decreased $1.8 million to $0.5 million for the three months ended September 30, 2017 compared with $2.4 million in the prior year period. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to other investors.

Nine Months Ended September 30, 2017 Compared with Nine Months Ended September 30, 2016

	Nine Months Ended September 30,						Total Period-to-Period	
	2017			2016				
	Investment Management	Broker-Dealer	Total	Investment Management	Broker-Dealer	Total	$ Change	% Change
	(dollars in thousands) (unaudited)							
Economic Income Revenues								
Investment banking	$ —	$ 158,082	**$ 158,082**	$ —	$ 98,156	**$ 98,156**	$ 59,926	61 %
Brokerage	38	209,236	**209,274**	—	153,417	**153,417**	55,857	36 %
Management fees	39,730	2,365	**42,095**	47,604	2,334	**49,938**	(7,843)	(16)%
Incentive income (loss)	18,626	—	**18,626**	19,174	—	**19,174**	(548)	(3)%
Investment income (loss)	34,412	17,353	**51,765**	(444)	(147)	**(591)**	52,356	NM
Other income (loss)	2,067	1,247	**3,314**	19,366	84	**19,450**	(16,136)	(83)%
Total economic income revenues	**$ 94,873**	**$ 388,283**	**$ 483,156**	**$ 85,700**	**$ 253,844**	**339,544**	**143,612**	**42 %**

Economic Income (Loss)

Total Economic Income (Loss) was $25.3 million for the nine months ended September 30, 2017, an increase of $41.2 million compared to Economic Income (Loss) which was a loss of $15.9 million in the prior year period.

Total Economic Income (Loss) revenues were $483.2 million for the nine months ended September 30, 2017, an increase of $143.7 million compared to Economic Income (Loss) revenues of $339.5 million in the prior year period. This was related to an increase in investment banking and brokerage activity and an increase in performance in investment income.

Investment Management Segment Revenues

Investment management segment Economic Income (Loss) revenues were $94.9 million for the nine months ended September 30, 2017, an increase of $9.2 million compared to Economic Income (Loss) revenues of $85.7 million in the prior year period.

Management Fees. Management fees for the segment decreased $7.9 million to $39.7 million for the nine months ended September 30, 2017 compared with $47.6 million in the prior year period. This decrease in management fees was primarily related to the sale of our interest in the alternative solutions business during the third quarter of 2016.

Incentive Income (Loss). Incentive income for the segment decreased $0.6 million to $18.6 million for the nine months ended September 30, 2017 compared with $19.2 million in the prior year period. This decrease was related to a decrease in performance fees from our activist and real estate businesses offset partially by an increase in performance from our other businesses.

Investment Income (Loss). Investment income for the segment increased $34.8 million to income of $34.4 million for the nine months ended September 30, 2017 compared with a loss of $0.4 million in the prior year period. The increase primarily relates to an increase in performance of the Company's own invested capital.

Other Income (Loss). Other income (loss) for the segment decreased $17.3 million to $2.1 million for the nine months ended September 30, 2017 compared with $19.4 million in the prior year period. The decrease primarily relates to the sale of our interest in the alternative solutions business in the third quarter of 2016.

Broker-Dealer Segment Revenues

Broker-dealer segment Economic Income (Loss) revenues were $388.3 million for the nine months ended September 30, 2017, an increase of $134.4 million compared with Economic Income (Loss) revenues of $253.9 million in the prior year.

Investment Banking. Investment banking revenues increased $59.9 million to $158.1 million for the nine months ended September 30, 2017 compared with $98.2 million in the prior year period. During the nine months ended September 30, 2017, the Company completed 78 underwriting transactions and 11 strategic advisory transactions. During the nine months ended September 30, 2016, the Company completed 55 underwriting transactions, nine strategic advisory transactions and five debt capital market transactions. The average underwriting fee per transaction was 27.4% greater for the nine months ended September 30, 2017 as compared to the prior year period.

Brokerage. Brokerage revenues increased $55.8 million to $209.2 million for the nine months ended September 30, 2017, compared with $153.4 million in the prior year period. This was attributable to an increase in revenues due to the initiation of our credit trading business in May 2016 and the acquisition of Convergex Group in June 2017. Customer trading volumes across the industry (according to Bloomberg) decreased 12% for the nine months ended September 30, 2017 compared to the prior year period.

Investment Income (Loss). Investment income for the segment increased $17.5 million to $17.4 million for the nine months ended September 30, 2017, compared with a loss of $0.1 million in the prior year period.

Other Income (Loss). Other income (loss) for the segment increased $1.2 million to $1.2 million for the nine months ended September 30, 2017, compared with $0.1 million in the prior year period.

Non-Interest Expenses

Non-interest expenses. Total non-interest expenses increased $104.4 million to $440.3 million for the nine months ended September 30, 2017, compared with $335.9 million in the prior year period.

Compensation and benefits expenses. Compensation and benefits expenses, included within non-interest expenses, increased $66.6 million to $276.9 million for the nine months ended September 30, 2017 compared with $210.3 million in the prior year period. The increase is due to $143.7 million higher revenues during 2017 as compared to 2016 which resulted in a higher compensation and benefits accrual. The compensation to revenue ratio was 57% for the nine months ended September 30, 2017 compared with 62% in the prior year period.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses, included within non-interest expenses, increased $12.4 million to $86.6 million for the nine months ended September 30, 2017 compared with $74.2 million in the prior year period. The increase is primarily related to the acquisition of Convergex Group during June 2017.

The following table shows the components of the non-compensation expenses—fixed, for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,		Period-to-Period	
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—fixed:				
Communications	$ 17,107	$ 13,275	$ 3,832	29 %
Professional, advisory and other fees	14,529	12,211	2,318	19 %
Occupancy and equipment	24,371	22,109	2,262	10 %
Service fees	9,850	6,270	3,580	57 %
Expenses from equity investments	8,593	11,419	(2,826)	(25)%
Other	12,147	8,901	3,246	36 %
Total	**$ 86,597**	**$ 74,185**	**$ 12,412**	**17 %**

Depreciation and amortization expenses. Depreciation and amortization expenses decreased $0.1 million to $8.3 million for the nine months ended September 30, 2017 compared with $8.4 million in the prior year period.

Non-compensation Expenses—Variable. Variable non-compensation expenses, included within non-interest expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $25.6 million to $70.3 million for the nine months ended September 30, 2017 compared with $44.7 million in the prior year period. The increase is primarily related to higher floor brokerage and trade execution costs, related to the acquisition of Convergex Group during June 2017.

The following table shows the components of the non-compensation expenses—variable, for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,		Period-to-Period	
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	$ 46,022	$ 21,602	$ 24,420	113 %
HealthCare Royalty Partners syndication costs	396	396	—	— %
Expenses related to Luxembourg companies	2,533	2,062	471	23 %
Marketing and business development	19,789	18,991	798	4 %
Other	1,546	1,698	(152)	(9)%
Total	**$ 70,286**	**$ 44,749**	**$ 25,537**	**57 %**

Reimbursement from Affiliates. Reimbursements from affiliates, included within non-interest expenses, which relate to the alternative investment segment remained constant at $1.7 million for the nine months ended September 30, 2017 compared to the prior year period.

Interest expense

Interest expense increased $0.6 million to $13.5 million for the nine months ended September 30, 2017 compared with $12.9 million in the prior year period. Interest expense primarily relates to debt issued during the first and fourth quarters of 2014 and the second quarter of 2017.

Non-Controlling Interest

Income (loss) attributable to redeemable non-controlling interests decreased by $2.5 million to $4.1 million for the nine months ended September 30, 2017 compared with $6.6 million in the prior year period. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to our partners in those subsidiaries.

Liquidity and Capital Resources

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

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

Based on our historical results, management's experience, our current business strategy and current assets under management, the Company believes that its existing cash resources will be sufficient to meet its anticipated working capital and capital expenditure requirements for at least the next twelve months. Our cash reserves include cash, cash equivalents and assets readily convertible into cash such as our securities held in inventory. Securities inventories are stated at fair value and are generally readily marketable. As of September 30, 2017, we had cash and cash equivalents of $117.8 million and net liquid investment assets of $458.8 million, which includes cash and cash equivalents and short-term investments held by foreign subsidiaries as of September 30, 2017 of $13.0 million. The Company intends to permanently reinvest the capital and accumulated earnings of its foreign subsidiaries in the respective subsidiary, but remits the current earnings of its foreign subsidiaries to the United States to the extent permissible under local regulatory rules. The undistributed earnings of the Company’s foreign subsidiaries totaled $3.2 million and $0.8 million as of September 30, 2017 and December 31, 2016, respectively, and the tax liability that would arise if these earnings were remitted to the United States would be approximately $0.5 million and $0.1 million, respectively.

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

As a clearing member firm providing services to certain of our brokerage customers, we are subject to cash deposit requirements with clearing organizations, brokers and banks that may be large in relation to total liquid assets and may fluctuate significantly based upon the nature and size of customers’ trading activity and market volatility. At September 30, 2017, we had security deposits totaling $84.2 million with clearing organizations in the U.S. for the settlement of equity trades. In the normal course of our U.S. settlement activities, we may also need to temporarily finance customer securities positions from short settlements or delivery failures.

Unfunded commitments

The following table summarizes unfunded commitments as of September 30, 2017:

Entity	Unfunded Commitments (dollars in millions)	Commitment term
Real estate (a)	$ 18.4	(a)
HealthCare Royalty Partners funds (b)	6.2	2 years
Eclipse Ventures Fund I, L.P. (formerly Formation8 Partners Hardware Fund I, L.P.)	0.4	7 years
Lagunita Biosciences, LLC	0.5	3 years
Eclipse Fund II, L.P.	0.9	8 years
Eclipse Continuity Fund I, L.P.	0.6	9 years

(a) The Company had unfunded commitments pertaining to capital commitments in six real estate investments held by the Company, all of which pertain to related party investments. Such commitments can be called at any time up to four years, subject to advance notice.

(b) The Company is a limited partner of the HealthCare Royalty Partners funds (which are managed by Healthcare Royalty Management) and is a member of HealthCare Royalty Partners General Partners. The Company will make its pro-rata investment in the HealthCare Royalty Partners funds along with the other limited partners.

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.

Preferred Stock and Purchase of Capped Call Option

On May 19, 2015, the Company completed its offering of 120,750 shares of the Company's 5.625% Series A cumulative perpetual convertible preferred stock ("Series A Convertible Preferred Stock") that provided $117.2 million of proceeds, net of underwriting fees and issuance costs of $3.6 million. Each share of the Series A Convertible Preferred Stock is entitled to dividends at a rate of 5.625% per annum which will be payable, when and if declared by the board of directors of the Company, quarterly, in arrears, on February 15, May 15, August 15 and November 15 of each year. The Company may, at its option, pay dividends in cash, common stock or a combination thereof.

Each share of Series A Convertible Preferred Stock is non-voting and has a liquidity preference over the Company's Class A common stock and ranks senior to all classes or series of the Company's Class A common stock, but junior to all of the Company's existing and future indebtedness with respect to divided rights and rights upon the Company's involuntary liquidation, dissolution or winding down.

Each share of Series A Convertible Preferred Stock is convertible, at the option of the holder, into a number of shares of our Class A common stock equal to the liquidation preference of $1,000 divided by the conversion rate. The initial conversion rate (subsequent to the December 5, 2016 reverse stock split) is 38.0619 shares (which equates to $26.27 per share) of the Company's Class A common stock for each share of the Series A Convertible Preferred Stock. At any time on or after May 20, 2020, the Company may elect to convert all outstanding shares of the Series A Convertible Preferred Stock into shares of the Company’s Class A common stock, cash or a combination thereof, at the Company’s election, in each case, based on the then-applicable conversion rate, if the last reported sale price of the Company’s Class A common stock equals or exceeds 150% of the then-current conversion price on at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days (including on the last trading day of such period) immediately prior to such election. At the time of conversion, the conversion rate may be adjusted based on certain events including but not limited to the issuance of cash dividends or Class A common stock as a dividends to the Company's Class A common shareholders or a share split or combination.

In connection with the issuance and sale of the Series A Convertible Preferred Stock, the Company entered into a capped call option transaction (the “Capped Call Option Transaction”) with Nomura Global Financial Products Inc. (the “option counterparty”) for $15.9 million. The Capped Call Option Transaction is expected generally to reduce the potential dilution to the Company’s Class A common stock (if the Company elects to convert to common shares) and/or offset any cash payments that the Company is required to make upon conversion of any Series A Convertible Preferred Stock. The Capped Call Option Transaction has an initial effective strike price of $26.27 per share, which matches the initial conversion price of the Series A Convertible Preferred Stock, and a cap price of $33.54 per share. However, to the extent that the market price of Class A common stock, as measured under the terms of the Capped Call Option Transaction, exceeds the cap price thereof, there would nevertheless be dilution and/or such cash payments would not be offset. As the Capped Call Option Transaction is a free standing derivative that is indexed to the Company's own stock price and the Company controls if it is settled in cash or stock it qualifies for equity classification as a reduction to additional paid in capital.

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.

Regulation

As registered broker-dealers, Cowen and Company, Cowen Execution, ATM Execution, Cowen Prime and Westminster Research are subject to the SEC's Uniform Net Capital Rule 15c3-1 (the “Rule”), which requires the maintenance of minimum net capital. Each registered broker-dealer has elected to compute net capital under the alternative method permitted by the Rule. Under the alternative method Cowen and Company's minimum net capital requirement, as defined in (a)(4) of the Rule, is $1.0 million. Cowen Execution, ATM Execution, Cowen Prime and Westminster Research are required to maintain minimum net capital, as defined in (a)(1)(ii) of the Rule, equal to the greater of $250,000 or 2% of aggregate debits arising from customer transactions. Advances to affiliates, repayment of borrowings, distributions, dividend payments and other equity withdrawals are subject to certain notification and other requirements of the Rule and other regulatory bodies.

Cowen Execution is also subject to CFTC Regulation 1.17 (“Regulation 1.17”) and Options Clearing Corporation (“OCC”) Rule 302. Regulation 1.17 requires Cowen Execution to maintain net capital equal to or in excess of $45,000 or the amount of net capital required by Rule 15c3-1, whichever is greater. OCC Rule 302 requires maintenance of net capital equal to the greater of $2,000,000 or 2% of aggregate debit items. At September 30, 2017, the Company had $102.9 million of net capital in excess of this minimum requirement.

Ramius UK, CIL and Cowen Execution Services Ltd are subject to the capital requirements of the Financial Conduct Authority (“FCA”) of the UK. Financial Resources, as defined, must exceed the requirement of the FCA.

Cowen’s Luxembourg reinsurance companies, Vianden RCG Re SCA (“Vianden”) and Hollenfels, are required to maintain a solvency capital ratio as calculated by relevant European Commission directives and local regulatory rules in Luxembourg. Each company’s solvency capital ratio as of September 30, 2017 was in excess of this minimum requirement.

Based on minimum capital and surplus requirements pursuant to the laws of the state of New York that apply to captive insurance companies, RCG Insurance Company, Cowen's captive insurance company incorporated and licensed in the state of New York, was required to maintain capital and surplus of approximately $0.3 million as of September 30, 2017. RCG Insurance Company's capital and surplus as of September 30, 2017 totaled approximately $24.6 million.

As of September 30, 2017, these regulated broker-dealers had regulatory net capital or financial resources, regulatory net capital requirements or minimum FCA requirement and excess as follows:

Subsidiary	Net Capital		Net Capital Requirement		Excess Net Capital	
			(dollars in millions)			
Cowen and Company	$	83.4	$	1.0	$	82.4
Cowen Execution	$	104.9	$	1.4	$	103.5
ATM Execution	$	2.0	$	0.3	$	1.7
Cowen Prime	$	10.9	$	0.3	$	10.6
Westminster Research	$	12.0	$	0.3	$	11.7
Ramius UK	$	0.2	$	0.1	$	0.1
Cowen International Limited	$	11.4	$	6.0	$	5.4
Cowen Execution Services Ltd	$	3.9	$	2.0	$	1.9

Cowen and Company, ATM Execution and Cowen Prime claim exemption from SEC Rule 15c3-3 ("Rule 15c3-3") subparagraph (k)(2)(ii) of the Securities Exchange Act of 1934 since it clears its securities transactions on a fully disclosed basis and promptly transmits all customer funds and securities to the clearing broker-dealer that carries the accounts. Westminster Research claims exemption from Rule 15c3-3 subparagraph (k)(2)(i) of the Securities Exchange Act of 1934 since it conducts all financial transactions with its customers through a bank account designated as Special Account for the Exclusive Benefit of Customers.

In accordance with the requirements of Rule 15c3-3, Cowen Execution may be required to deposit in a Special Reserve Account, cash or acceptable qualified securities for the exclusive benefit of customers. As of September 30, 2017, Cowen Execution had segregated approximately $21.7 million of cash, while its required deposit was $13.4 million.

As a clearing broker-dealer, Cowen Execution is required to compute a reserve requirement for proprietary accounts of broker-dealers ("PAB"), as defined in Rule 15c3-3. PAB calculation is completed to allow each correspondent firm that uses Cowen Execution as its clearing broker-dealer to classify its assets held by Cowen Execution as allowable assets in the correspondent's net capital calculation. At September 30, 2017, Cowen Execution had $18.4 million of cash on deposit in special reserve bank accounts for PAB, which was in excess of its required deposit of $35 million.

PAB held at external clearing brokers are considered allowable assets for net capital purposes, pursuant to agreements between Cowen and Company, ATM Execution, Cowen Prime, and their clearing brokers, which require, among other things, that those clearing brokers perform computations for PAB and segregate certain balances on behalf of Cowen and Company, ATM Execution and Cowen Prime, if applicable.

Cash Flows Analysis

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

Operating Activities. Net cash used by operating activities of $19.9 million for the nine months ended September 30, 2017 was primarily related to (i) purchases of securities owned, at fair value, (ii) an increase in receivable from brokers, dealers and clearing organizations and (iii) a decrease in payable to brokers, dealers and clearing organizations partially offset by (i) net income, (ii) an increase in payable to customers, (iii) cash acquired through acquisition and (iv) sales of securities owned, at fair value. Net cash used in operating activities of $339.3 million for the nine months ended September 30, 2016 was primarily related to purchases of other investments and cash used to pay for year end bonuses.

Investing Activities. Net cash used in investing activities of $0.7 million for the nine months ended September 30, 2017 was primarily related to the purchase of Convergex Group and purchases of other investments offset partially by sales of other investments and fixed assets. Net cash provided by investing activities of $41.9 million for the nine months ended September 30, 2016 was primarily related to proceeds from the repayment of certain loans made for investing purposes and sales of other investments offset partially by the purchases of other investments and fixed assets.

Financing Activities. Net cash provided by financing activities for the nine months ended September 30, 2017 of $27.4 million was primarily related to borrowings on a term loan and contributions from non-controlling interests in Consolidated Funds offset partially by withdrawals from non-controlling interests in Consolidated Funds and repayments on notes and debt.

Net cash provided by financing activities for the nine months ended September 30, 2016 of $216.0 million was primarily related to contributions from non-controlling interests in Consolidated Funds.

Debt

Convertible Debt

On March 10, 2014, the Company issued $149.5 million of 3.0% cash convertible senior notes ("Convertible Notes"). The Convertible Notes are due on March 15, 2019 unless earlier repurchased by the Company or converted by the holder into cash in accordance with their terms prior to such date. The interest on the Convertible Notes is payable semi-annually on March 15 and September 15 of each year. The Convertible Notes are senior unsecured obligations and rank senior in right of payments to other obligations. The Convertible Notes may be converted into cash, upon the occurrence of certain events, whereby a holder will receive, per $1,000 principal amount of notes being converted, an amount equal to the sum of principal amount outstanding and the conversion amount based on the current conversion price (the "Conversion Option"). The Convertible Notes were issued with an initial conversion price of $21.32 per share (per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective as of December 5, 2016).

The Company recorded interest expense of $1.1 million and $1.1 million for the three months ended September 30, 2017 and 2016, and $3.4 million and $3.4 million for the nine months ended September 30, 2017 and 2016, respectively. The initial unamortized discount on the Convertible Notes was $35.7 million and is shown net in convertible debt in the accompanying condensed consolidated statements of financial condition. Amortization on the discount, included within interest expense in the accompanying condensed consolidated statements of operations is $1.9 million and $1.7 million for the three months ended September 30, 2017 and 2016, and $5.6 million and $5.1 million for the nine months ended September 30, 2017 and 2016, respectively, based on an effective interest rate of 8.89%. The Company capitalized the debt issuance costs in the amount of $3.7 million, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the Convertible Notes.

Of the net proceeds from the sale of the Convertible Notes, approximately $20.5 million was applied to pay the net cost of a cash convertible note economic hedge and warrant transaction, which increases the effective conversion price to $28.72 (see Note 6), and approximately $0.3 million was applied to repurchase shares of Cowen Class A common stock. The remainder of the net proceeds is being used for general corporate purposes.

Note Payable

On October 10, 2014 the Company completed its public offering of $63.3 million aggregate principal amount of 8.25% senior notes due on October 15, 2021 ("2021 Notes"). Interest on the 2021 Notes is payable quarterly in arrears on January 15, April 15, July 15 and October 15, commencing on January 15, 2015. The Company recorded interest expense of $1.3 million and $1.3 million for the three months ended September 30, 2017 and 2016, and $3.9 million and $3.9 million for the nine months ended September 30, 2017 and 2016, respectively. The Company capitalized debt issuance costs of approximately $2.9 million which is a direct deduction from the carrying value of the debt and will be amortized over the life of the 2021 Notes.

The 2021 Notes were issued pursuant to an Indenture, dated as of October 10, 2014 (the “Senior Indenture”), by and among the Company and The Bank of New York Melon, as trustee. The Senior Indenture contains covenants that, among other things, limit (subject to certain exceptions) the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the Senior Indenture) to: (1) incur debt (including certain preferred stock), if the incurrence of such indebtedness would cause the Company’s consolidated fixed charge coverage ratio, as defined in the Senior Indenture, to fall below 2.0 to 1.0, (2) pay dividends or make distributions on its capital stock, or purchase, redeem or otherwise acquire its capital stock, and (3) grant liens securing indebtedness of the Company without securing the 2021 Notes equally and ratably. If certain conditions are met, certain of these covenants may be suspended. As of September 30, 2017, the Company was in compliance with these covenants.

Term Loan

On June 30, 2017, the Company borrowed $28.2 million to fund general corporate purposes. This term loan has an effective interest rate of LIBOR plus 3.75% with a lump sum payment of the entire principal amount due on June 29, 2018. The loan is secured by the value of the Company's limited partnership interests in two affiliated funds. The Company has provided a guarantee for this loan. The Company recorded interest expense of $0.4 million for the three months ended September 30, 2017, and $0.4 million for the nine months ended September 30, 2017, respectively.

Other Notes Payable

During January 2017, the Company borrowed $2.1 million to fund insurance premium payments. This note has an effective interest rate of 1.50% and is due on December 31, 2017, with monthly payment requirements of $0.2 million. As of

September 30, 2017, the outstanding balance on this note payable was $0.4 million. Interest expense for the three and nine months ended September 30, 2017 was insignificant.

The Company has entered into various financing for its aircraft. The aircraft financing, net of debt costs, is recorded in notes payable and short-term borrowings in the accompanying condensed consolidated statements of financial condition. The debt maturities ranged from January 2019 to April 2021 and interest rates ranged from 4.21% to 7.25%. As of September 30, 2017, the remaining balance on the aircraft financing agreements was $8.5 million. Interest expense was $0.2 million and $0.2 million for the three months ended September 30, 2017 and 2016, and $0.6 million and $0.5 million for the three and nine months ended September 30, 2017 and 2016, respectively.

Capital Lease Obligations

The Company has entered into a capital lease for computer equipment, which amounted to $5.5 million and recorded in fixed assets as capital lease obligations. In addition, as part of the Convergex Group acquisition, the Company holds two capital leases for computer equipment which amounted to $0.8 million and are recorded as capital lease obligations. These capital lease obligations 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 4.25% to 5.69%. As of September 30, 2017, the remaining balance on these capital leases was $3.1 million. Interest expense was $0.1 million and $0.1 million for the three months ended September 30, 2017 and 2016, and $0.1 million and $0.1 million for the nine months ended September 30, 2017 and 2016, respectively.

Letters of Credit

As of September 30, 2017, the Company has the following eight 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. The Company also has pledged as collateral, $10.4 million, as of September 30, 2017, and $5.5 million, as of December 31, 2016, due between March 2018 and December 2019, for reinsurance agreements.

Location	Amount	Maturity
	(dollars in thousands)	
New York	$ 596	October 2017
New York	$ 2,811	October 2017
New York	$ 1,600	November 2017
San Francisco	$ 710	January 2018
Connecticut	$ 65	January 2018
Boston	$ 382	March 2018
New York	$ 355	April 2018
New York	$ 70	May 2018

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of September 30, 2017 and December 31, 2016, there were no amounts due related to these letters of credit.

Contractual Obligations

The following tables summarize the Company's contractual cash obligations as of September 30, 2017:

	Total	< 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(dollars in thousands)		
Equipment/Aircraft Leases, Service Payments and Facility Leases					
Real Estate	$ 108,086	$ 6,351	$ 47,222	$ 35,217	$ 19,296
Service Payments	45,028	14,832	28,706	1,490	—
Equipment leases	3,828	562	2,435	671	160
Aircraft	2,310	315	1,995	—	—
Total	**159,252**	**22,060**	**80,358**	**37,378**	**19,456**
Debt					
Convertible Debt	156,228	—	156,228	—	—
Note Payable	85,427	1,305	10,436	73,686	—
Revolver	29,260	—	29,260	—	—
Other Notes Payable	10,080	862	5,343	3,875	—
Total	**$ 280,995**	**$ 2,167**	**$ 201,267**	**$ 77,561**	**$ —**

Clawback obligations

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

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

The fund is currently winding-down as of September 30, 2017 and the clawback obligations were $6.2 million (see Note 6 to the Company's condensed consolidated financial statements).

Minimum payments for all debt outstanding

Annual scheduled maturities of debt and minimum payments for all debt outstanding as of September 30, 2017, is as follows:

	Convertible Debt	Note Payable	Term Loan	Other Note Payable	Capital Lease Obligation
			(dollars in thousands)		
2017	$ —	$ 1,305	$ —	$ 862	$ 467
2018	4,485	5,218	29,260	1,933	1,699
2019	151,743	5,218	—	3,410	399
2020	—	5,218	—	1,363	320
2021	—	68,468	—	2,512	320
Thereafter	—	—	—	—	160
Subtotal	156,228	85,427	29,260	10,080	3,365
Less (a)	(20,039)	(24,286)	(1,178)	(1,185)	(216)
Total	$ 136,189	$ 61,141	$ 28,082	$ 8,895	$ 3,149

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

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as of September 30, 2017. However, through indemnification provisions in our clearing agreements, customer activities may expose us to off-balance-sheet credit risk. Pursuant to the clearing agreements, 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 Prime and ATM Execution are members of various securities exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the exchange, all other members would be required to meet the shortfall. The Company's liability under these arrangements is not quantifiable. Accordingly, no contingent liability is carried in the accompanying condensed consolidated statements of financial condition for these arrangements.

Critical Accounting Policies and Estimates

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

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

Consolidation

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

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

The Company consolidates all entities that it controls through a majority voting interest or otherwise, including those funds in which the Company either directly or indirectly has a controlling financial interest. In addition, the Company consolidates all variable interest entities for which it is the primary beneficiary.

In accordance with these standards, the Company presently consolidates six funds for which it acts as the general partner and investment manager. As of September 30, 2017 the Company consolidated the following funds: Ramius Enterprise LP (“Enterprise LP”), Ramius Merger Fund LLC (the "Merger Fund"), Cowen Private Investments LP ("Cowen Private"), Caerus Select Fund LP ("Caerus LP") (between May 1, 2016 through March 1, 2017 when the fund was liquidated), Ramius Archview Credit and Distressed Master Fund ("Archview Master Fund") (from December 31, 2015 through July 31, 2017 when the fund was liquidated) and Ramius Merger Arbitrage UCITS Fund ("UCITS Fund") (collectively the "Consolidated Funds").

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

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

Under US GAAP, the usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. Accordingly, the Company consolidates all VOEs in which it owns a majority of the entity's voting shares or units.

***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.

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.

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 certain 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 their 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.

Equity Method Investments—For operating entities over which the Company exercises significant influence but which do not meet the requirements for consolidation as outlined above, the Company uses the equity method of accounting. The Company's investments in equity method investees are recorded in other investments in the accompanying 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 accompanying condensed consolidated statements of operations.

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

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

Retention of Specialized Accounting—The Consolidated Funds and certain other consolidated companies 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 apply the specialized industry accounting for brokers and dealers in securities also prescribed under US GAAP. The Company also retains specialized accounting upon consolidation.

Valuation of investments and derivative contracts

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

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. The determination of fair value for assets and liabilities in this category requires significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company's perceived risk of that instrument. For additional information regarding the use of unobservable inputs to fair value assets and liabilities see Note 7 in the accompanying condensed consolidated Financial Statement in Part 1 Item 1.

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

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

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

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

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

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

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

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

Revenue recognition

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

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

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

Management fees

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

Several management companies of the funds are owned jointly by the Company and third parties. Accordingly, the management fees generated by these funds are split between the Company and these third parties. Pursuant to US GAAP, these fees received by the management companies that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying condensed consolidated statements of operations.

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:

- **Private Funds**. Management fees for the Company's private funds are generally charged at an annual rate of up to 2% of assets under management or notional trading level. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.

- **Real Estate.** Management fees from the Company's real estate business are generally charged at an annual rate from 0.25% to 1.50% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period.

- **HealthCare Royalty Partners.** In HealthCare Royalty Partners main funds, during the investment period (as defined in the relevant partnership agreements), management fees are generally charged at an annual rate of 1% to 2% of committed capital. After the investment period, management fees for these funds are generally charged at an annual rate of 0.5% to 2% of the net asset value or the aggregate cost basis of the unrealized investments held by the funds. For the other funds (and managed accounts) managed by Healthcare Royalty Partners, the management fee ranges from 0.2% to 1% and there is no adjustment based on an investment period. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.

- **Cowen Trading Strategies.** Advisory fees for the Company's corporate finance advisory business are typically paid quarterly based on assets under management but generally subject to a minimum fee.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) with respect to certain of the Company's funds and managed accounts, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have been carried forward from prior years. For the products we offer, incentive income earned is typically up to 20% for private funds (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 or on an investor by investor basis. These funds are generally 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 generally earned only after investors receive a full return of their capital plus a preferred return. Several general partners of the funds are owned jointly by the Company and third parties. Accordingly, the incentive fees generated by these funds are split between the Company and these third parties. Pursuant to US GAAP, incentive income received by the general partners that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying condensed consolidated statements of operations.

In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a “high-water mark.” The Company has elected to record incentive income revenue in accordance with “Method 2” of US GAAP. Under Method 2, the incentive income from the Company's funds and managed accounts for any period is based upon the net profits of those funds and managed accounts at the reporting date. Any incentive income recognized in the accompanying 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 and HealthCare Royalty Partners funds are 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 funds if these funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual clawback liability does not become realized until the end of a fund's life.

Investment Banking

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

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

- **Underwriting fees.** The Company earns underwriting fees in securities offerings in which the Company acts as an underwriter, such as initial public offerings, follow-on equity offerings, debt offerings, and convertible security offerings. 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 restructuring transactions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

- **Placement and sales agent fees.** The Company earns agency placement fees and sales agent commissions in non-underwritten transactions such as private placements of loans and debt and equity securities, including, private investment in public equity transactions (“PIPEs”), and as sales agent in at-the-market offerings of equity securities. The Company records placement revenues (which may be in cash and/or securities) when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. The Company records sales agent commissions on a trade date basis. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

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

- **Commissions.** Commission revenue includes fees from executing and clearing client transactions and commission sharing arrangements. 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. The costs of commission recapture arrangements are recorded on an accrual basis for each eligible trade and shown net of commission revenue.

- **Principal transactions.** Principal transactions revenue includes net trading gains and losses from the Company's market-making activities in over-the-counter equity and fixed income securities, trading of convertible securities, and trading gains and losses on inventory and other Company positions, which include warrants previously received as part of investment banking transactions. In certain cases, the Company provides liquidity to clients by buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration.

- **Equity and credit research fees.** Equity and credit research fees are paid to the Company for providing equity and credit 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.

- **Trade conversion revenue.** Trade conversion revenue includes the fee earned from converting foreign securities into an American Depository Receipt (“ADR”) and the fee earned from converting an ADR into foreign securities on behalf of customers, and margins earned from facilitating customer foreign exchange transactions. Trade conversion revenue is recognized on a trade date basis.

Investment Income

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

Goodwill and Intangible Assets

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

In accordance with US GAAP, the Company tests goodwill for impairment on an annual basis or at an interim period if events or changed circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount.

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

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

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

Legal Reserves

The Company estimates potential losses that may arise out of legal and regulatory proceedings and records a reserve and takes a charge to income when losses with respect to such matters are deemed probable and can be reasonably estimated, in accordance with US GAAP. These amounts are reported in other expenses, net of recoveries, in the condensed consolidated statements of operations. See Note 16 "Commitments and Contingencies" in our accompanying condensed consolidated financial statements for the quarter ended September 30, 2017 for further discussion.

Recently adopted and future adoption of accounting pronouncements

For a detailed discussion, see Note 3 "Recently issued accounting pronouncements" in our accompanying condensed consolidated financial statements for the quarter ended September 30, 2017.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the three and nine months ended September 30, 2017, 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, 2016. 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 September 30, 2017.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2017, our disclosure controls and procedures are effective to provide a reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer of the Company, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the nine months ended September 30, 2017.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

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

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

The Company appropriately reserves for certain matters where, in the opinion of management, the likelihood of liability is probable and the extent of such liability is reasonably estimable. Such amounts are included within accounts payable, accrued expenses and other liabilities in the accompanying 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 Company accrues legal fees as incurred.

The following information reflects developments with respect to the Company’s legal proceedings that occurred during the quarter ended September 30, 2017.

On December 27, 2013, Landol Fletcher filed a putative class action lawsuit against Convergex Holdings, LLC, Convergex Group, LLC, Convergex Execution Solutions LLC, Convergex Global Markets Limited and G-Trade Services LLC (collectively, “Convergex”) in the United States District Court for the Southern District of New York (Landol Fletcher and all others similarly situated v. Convergex Group LLC, Convergex Execution Solutions LLC, Convergex Global Markets Ltd., Convergex Holdings LLC, G-Trade Services LLC, & Does 1-10, No. 1:13-CV-09150-LLS). The suit alleges breaches of fiduciary duty and prohibited transactions under ERISA and seeks to maintain a class action on behalf of all ERISA plan participants, beneficiaries and named fiduciaries whose plans were impacted by net trading by Convergex Global Markets Limited from October 2006 to December 2011. On April 11, 2014, Landol Fletcher and Frederick P. Potter Jr., filed an amended complaint raising materially similar allegations. This matter was assumed by the Company as a result of the Company’s previously announced acquisition of Convergex Group, which was completed on June 1, 2017. On February 17, 2016, the District Court granted Convergex’s motion to dismiss the amended complaint. Plaintiffs filed an appeal to the Second Circuit, and the AARP and Department of Labor filed amicus briefs on plaintiffs' behalf. The appeal was argued on December 12, 2016. On February 10, 2017, the Second Circuit Court of Appeals (1) reversed the District Court, finding that plaintiff has constitutional standing in a “representative” capacity to sue for damages to the ERISA defined benefit plan in which he is a participant, and (2) remanded to the District Court to reconsider, in light of the Circuit Court’s decision, the issue whether plaintiff has standing to pursue claims on behalf of ERISA plans in which plaintiff is not a participant. Convergex filed a petition for rehearing, and the Court of Appeals denied the petition. On June 30, 2017, the Company filed a notice of motion and memorandum of law in support of a motion to stay the proceedings in the District Court pending resolution of its petition for writ of certiorari, which the Company intended to file with the U.S. Supreme Court. On August 16, 2017, the District Court granted the Company's motion to stay the proceedings in the District Court pending resolution of the Company's petition for writ of certiorari. On September 1, 2017, the Company filed a petition with the United States Supreme Court for a writ of certiorari requesting review of the decision of the Court of Appeals. The Company expects the U.S. Supreme Court to make a decision on whether to grant the writ of certiorari in the fourth quarter of 2017 or first quarter of 2018, but we cannot predict when the U.S. Supreme Court will issue a decision. We are indemnified against losses arising from this matter pursuant to, and subject to, the provisions of the purchase agreement relating to the acquisition of Convergex Group. Because the case is in its preliminary stages, the Company cannot predict the outcome at this time, but it does not currently expect this case to have a material effect on its financial position or its results of operations.

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, 2016, as amended in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

As of September 30, 2017, the Company's Board of Directors has a share repurchase program that authorizes the Company to purchase up to $138.3 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 September 30, 2017, the Company did not repurchase any shares of Cowen Class A stock through the share repurchase program.

The table below sets forth the information with respect to purchases made by or on the behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act, as amended), of our common stock during the three months ended September 30, 2017. Board approval of repurchases is based on dollar amount. As a result, the Company cannot estimate the number of shares that may yet be purchased.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Month 1 (July 1, 2017 – July 31, 2017)				
Common stock repurchases(1)	—	$ —	—	22,556,160
Employee transactions(2)			—	—
Total	—			
Month 2 (August 1, 2017 – August 31, 2017)				
Common stock repurchases(1)				22,556,160
Employee transactions(2)	17	$ 15.00	—	—
Total	17	$ 15.00		
Month 3 (September 1, 2017 – September 30, 2017)				
Common stock repurchases(1)				22,556,160
Employee transactions(2)	9,321	$ 16.55	—	—
Total	9,321	$ 16.55		
Total (July 1, 2017 – September 30, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	9,338	$ 16.55	—	—
Total	9,338	$ 16.55	—	

(1) The Company's Board of Directors have authorized the repurchase, subject to market conditions, of up to $138.3 million of the Company's outstanding common stock.

(2) Represents shares of common stock withheld in satisfaction of tax withholding obligations upon the vesting of equity awards or other similar transactions.

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 INC.

		By:	/s/ PETER A. COHEN
		Name:	Peter A. Cohen
		Title:	*Chief Executive Officer (principal executive officer)*
		By:	/s/ STEPHEN A. LASOTA
		Name:	Stephen A. Lasota
Date:	October 30, 2017	Title:	*Chief Financial Officer (principal financial officer and principal accounting officer)*

Exhibit Index

Exhibit No.	Description
10.1	Amendment No. 1 to the Stock Purchase Agreement by and between Shanghai Huaxin Group (HongKong) Limited, a Hong Kong company, and Cowen Inc. (f/k/a Cowen Group, Inc.) dated as of July 31, 2017 (previously filed as Exhibit 10.1 to the Form 8-K filed on August 3, 2017).
31.1	Certification of CEO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of CFO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certification of CEO and CFO Pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

Exhibit 31.1

Certification

I, Peter A. Cohen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cowen 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: October 30, 2017

/s/ PETER A. COHEN

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

Exhibit 31.2

Certification

I, Stephen A. Lasota, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cowen 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: October 30, 2017

/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 Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2017, 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: October 30, 2017

/s/ PETER A. COHEN

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

/s/ STEPHEN A. LASOTA

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

* The foregoing certification is being furnished solely pursuant to 18 U.S.C Section 1350 and is not being filed as part of the Report or as a separate disclosure document