COWEN GROUP, INC.
Form 10-Q
August 07, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2012
or

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

For the transition period from to
Commission File Number: 001-34516
Cowen Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	27-0423711 (I.R.S. Employer Identification No.)
599 Lexington Avenue New York, New York (Address of Principal Executive Offices)	10022 (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes Q No o

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of August 6, 2012 there were 114,313,439 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,” “ “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, 2011.

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

Unaudited Condensed Consolidated Financial Statements are presented for the three and six months ended June 30, 2012 and 2011. The Consolidated Financial Statements as of December 31, 2011 were audited.

PART I. FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements
Cowen Group, Inc.
Condensed Consolidated Statements of Financial Condition
(dollars in thousands, except share and per share data)
(unaudited)

	As of June 30, 2012	As of December 31, 2011
Assets		
Cash and cash equivalents	$80,069	$128,875
Cash collateral pledged	9,257	9,785
Securities owned, at fair value	807,266	744,914
Securities purchased under agreement to resell	224,573	166,260
Other investments	68,336	59,943
Receivable from brokers	15,238	62,046
Fees receivable	18,789	22,297
Due from related parties	16,107	16,554
Fixed assets, net of accumulated depreciation and amortization of $27,127 and $23,852, respectively	34,807	37,042
Goodwill	26,211	20,028
Intangible assets, net of accumulated amortization of $21,419 and $20,220, respectively	12,399	5,760
Other assets	23,495	26,620
Consolidated Funds		
Cash and cash equivalents	307	297
Securities owned, at fair value	2,234	6,334
Other investments, at fair value	227,918	228,820
Other assets	625	263
Total Assets	$1,567,631	$1,535,838
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$400,945	$334,251
Securities sold under agreement to repurchase	234,958	228,783
Payable to brokers	226,794	213,360
Compensation payable	22,365	71,223
Short-term borrowings and other debt	4,856	5,650
Fees payable	6,049	5,503
Due to related parties	771	1,914
Accounts payable, accrued expenses and other liabilities	59,850	61,462
Consolidated Funds		
Capital withdrawals payable	69	394
Accounts payable, accrued expenses and other liabilities	589	246
Total Liabilities	957,246	922,786
Commitments and Contingencies (Note 13)		
Redeemable non-controlling interests	98,460	104,587
Stockholders' equity		
Preferred stock, par value $0.01 per share; 10,000,000 shares authorized, no shares issued and outstanding	—	—
	1,135	1,135

Class A common stock, par value $0.01 per share: 250,000,000 shares authorized, 122,094,954 shares issued and 114,208,268 outstanding as of June 30, 2012 and 119,393,640 shares issued and 114,047,637 outstanding as of December 31, 2011, respectively (including 420,276 and 576,892 restricted shares, respectively)		
Class B common stock, par value $0.01 per share: 250,000,000 authorized, no shares issued and outstanding	—	—
Additional paid-in capital	701,953	688,427
(Accumulated deficit) retained earnings	(167,931)	(163,980)
Accumulated other comprehensive income (loss)	27	(215)
Less: Class A common stock held in treasury, at cost, 7,886,686 and 5,346,003 shares as of June 30, 2012 and December 31, 2011, respectively.	(23,259)	(16,902)
Total Stockholders' Equity	511,925	508,465
Total Liabilities and Stockholders' Equity	$1,567,631	$1,535,838

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues				
Investment banking	$16,254	$14,343	$31,884	$29,025
Brokerage	24,568	24,607	48,581	52,198
Management fees	9,932	11,857	19,649	23,021
Incentive income	580	675	1,271	5,056
Interest and dividends	5,868	5,840	11,240	10,399
Reimbursement from affiliates	1,381	981	2,426	1,990
Other revenues	831	232	1,698	922
Consolidated Funds				
Interest and dividends	30	136	91	305
Other revenues	26	8	109	8
Total revenues	59,470	58,679	116,949	122,924
Expenses				
Employee compensation and benefits	43,097	43,575	89,780	88,662
Floor brokerage and trade execution	4,182	3,685	7,934	7,795
Interest and dividends	3,207	3,115	4,931	5,724
Professional, advisory and other fees	3,695	10,398	7,621	17,538
Service fees	3,155	4,366	5,392	7,978
Communications	3,853	4,342	7,254	7,235
Occupancy and equipment	5,544	5,591	10,786	11,298
Depreciation and amortization	2,363	2,011	4,518	4,069
Client services and business development	3,753	4,132	7,579	8,809
Other expenses	3,941	(859)	7,360	2,849
Consolidated Funds				
Interest and dividends	4	40	20	87
Professional, advisory and other fees	561	613	849	1,073
Other expenses	70	219	140	341
Total expenses	77,425	81,228	154,164	163,458
Other income (loss)				
Net gains (losses) on securities, derivatives and other investments	9,787	76	29,458	17,358
Bargain purchase gain	—	22,244	—	22,244
Consolidated Funds:				
Net realized and unrealized gains (losses) on investments and other transactions	(2,417)	4,971	3,547	7,314
Net realized and unrealized gains (losses) on derivatives	373	(84)	414	(525)
Net gains (losses) on foreign currency transactions	23	(117)	(15)	(273)
Total other income (loss)	7,766	27,090	33,404	46,118
Income (loss) before income taxes	(10,189)	4,541	(3,811)	5,584
Income tax expense (benefit)	191	(17,954)	333	(17,791)
Net income (loss)	(10,380)	22,495	(4,144)	23,375
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	(2,434)	2,458	(193)	3,256

Net income (loss) attributable to Cowen Group, Inc. stockholders	$(7,946)	$20,037	$(3,951)	$20,119
Weighted average common shares outstanding:				
Basic	114,561	76,330	114,420	75,600
Diluted	114,561	77,898	114,420	76,889
Earnings (loss) per share:				
Basic	$(0.07)	$0.26	$(0.03)	$0.27
Diluted	$(0.07)	$0.26	$(0.03)	$0.26

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

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

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
Net income (loss)			$(4,144)			$23,375
Other comprehensive income, net of tax:						
Foreign currency translation		72			160	
Defined benefit pension plans:						
Prior service cost arising during period	—			—		
Net gain/(loss) arising during period	160			185		
Add: amortization of prior service cost included in net periodic pension cost	10	170		10	195	
Total other comprehensive income, net of tax			242			355
Comprehensive income (loss)			$(3,902)			$23,730

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

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

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

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

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

	Six Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net income (loss)	$(4,144)	$23,375
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:		
Bargain purchase gain	—	(22,244)
Depreciation and amortization	4,518	4,069
Share-based compensation	13,526	14,086
Deferred rent obligations	(952)	(569)
Purchases of securities owned, at fair value	(3,318,650)	(5,053,676)
Proceeds from sales of securities owned, at fair value	3,232,262	4,834,296
Proceeds from sales of securities sold, not yet purchased, at fair value	2,497,536	2,485,115
Payments to cover securities sold, not yet purchased, at fair value	(2,403,844)	(2,435,760)
Net (gains) losses on securities, derivatives and other investments	(24,157)	(13,509)
Consolidated Funds		
Purchases of securities owned, at fair value	(163,715)	(245,778)
Proceeds from sales of securities owned, at fair value	167,812	248,297
Purchases of other investments	(7,122)	(11,101)
Proceeds from sales of other investments	11,986	87,963
Net realized and unrealized (gains) losses on investments and other transactions	(4,883)	(5,373)
(Increase) decrease in operating assets:		
Cash acquired upon transaction	—	117,496
Cash collateral pledged	528	(41)
Securities owned, at fair value, held at broker dealer	23,444	(73,150)
Receivable from brokers	46,808	64,704
Fees receivable	4,258	9,246
Due from related parties	447	(136)
Other assets	3,301	(8,765)
Consolidated Funds		
Cash and cash equivalents	926	6,421
Other assets	1,036	449
Increase (decrease) in operating liabilities:		
Securities sold, not yet purchased, at fair value, held at broker dealer	(14,181)	28,189
Payable to brokers	13,434	154,035
Compensation payable	(50,540)	(52,799)
Fees payable	490	(3,338)
Due to related parties	(1,143)	(6,630)
Accounts payable, accrued expenses and other liabilities	(5,406)	3,908
Consolidated Funds		
Due to related parties	25	—
Accounts payable, accrued expenses and other liabilities	324	(1,165)
Net cash provided by / (used in) operating activities	$23,924	$147,615

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

(continued)	Six Months Ended June 30, 2012	2011
Cash flows from investing activities:		
Securities purchased under agreement to resell	$(58,313)	$20,423
Purchases of other investments	(3,889)	(40,650)
Purchase of business, net of cash acquired (See Note 2)	(10,062)	—
Proceeds from sales of other investments	7,429	39,567
Purchase of fixed assets	(1,084)	(4,263)
Net cash provided by / (used in) investing activities	(65,919)	15,077
Cash flows from financing activities:		
Securities sold under agreement to repurchase	6,175	(22,726)
Borrowings on short-term borrowings and other debt	—	493
Repayments on short-term borrowings and other debt	(794)	(25,608)
Purchase of treasury stock	(4,516)	—
Capital withdrawals to non-controlling interests in operating entities	(2,267)	(2,009)
Consolidated Funds		
Capital contributions by non-controlling interests in Consolidated Funds	—	4,038
Capital withdrawals to non-controlling interests in Consolidated Funds	(5,409)	(43,059)
Net cash provided by / (used in) financing activities	(6,811)	(88,871)
Change in cash and cash equivalents	(48,806)	73,821
Cash and cash equivalents at beginning of year	128,875	36,354
Cash and cash equivalents at end of year	$80,069	$110,175
Supplemental non-cash information		
Purchase of treasury stock, at cost, upon close of acquisition (see Note 2)	$—	$1,906
Net assets acquired upon acquisition (net of cash) (See Note 2)	$—	$58,486
Non compete agreements and covenants with limiting conditions acquired (see Note 2)	$—	$2,310
Common stock issuance upon close of acquisition (see Note 2)	$—	$156,048
Purchase of treasury stock, at cost, through net settlement (See Note 15)	$1,841	$—
Net assets of consolidated entities	$18,521	$3,470
Net assets of deconsolidated entities	$17,104	$—

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

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

1. Organization and Business

Cowen Group, Inc., a Delaware corporation formed on June 1, 2009, is a diversified financial services firm and, together with its consolidated subsidiaries (collectively, "Cowen," "Cowen Group" or the "Company"), provides alternative investment management, investment banking, research, market-making and sales and trading services through its two business segments: alternative investment and broker-dealer. The Company's alternative investment segment includes hedge funds, replication products, mutual funds, managed futures funds, funds of funds, real estate, healthcare royalty funds, cash management services and mortgage advisory services offered primarily under the Ramius name. The broker-dealer segment offers research, brokerage and investment banking services to companies and institutional investor clients primarily in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, industrials, real estate investment trusts ("REITs") and alternative energy sectors, primarily under the Cowen name.

2. Acquisitions

Algorithmic Trading Management, LLC

On April 5, 2012, the Company completed its acquisition of all of the outstanding interests in ATM USA, LLC ("ATM USA"), Algorithmic Trading Management, LLC ("ATM LLC") and Algo Trading Management Inc. ("ATM INC") (collectively the "ATM Group"), a provider of global, multi-asset class algorithmic execution trading models. The acquisition was completed in accordance with the definitive sale and purchase agreement, entered into on January 13, 2012, as announced during the first quarter of 2012, for cash. In the aggregate, the purchase price, assets acquired and liabilities assumed were not significant and the near term impact to the Company and its consolidated results of operations and cash flows is not expected to be significant. Post acquisition, the ATM Group will be included in the broker-dealer segment.

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

LaBranche & Co Inc.

The acquisition of LaBranche & Co Inc. ("LaBranche") by the Company was consummated after the market close on June 28, 2011. LaBranche's wholly owned subsidiary, Cowen Capital LLC (formerly LaBranche Capital LLC), is a registered broker-dealer and FINRA member firm that prior to the operations being discontinued in the fourth quarter of 2011 operated as a market-maker in exchange traded funds ("ETFs"), engaged in hedging activities in options, ETFs, structured notes, foreign currency securities and futures related to its market-making operations and also conducted principal trading activities in these securities.

Under the terms of the Merger Agreement, each outstanding share of LaBranche was converted into 0.9980 shares of Cowen Class A common stock (the "Exchange Ratio"). The consideration received by LaBranche's shareholders was valued at approximately $156.0 million in the aggregate, based on the closing price of Cowen Class A common stock on the NASDAQ Global Select Market of $3.82 on June 28, 2011. This is based on 40,931,997 shares of LaBranche stock that were outstanding on the date of the completion of the acquisition.

The acquisition was accounted for under the acquisition method of accounting in accordance with US GAAP. In this case, the acquisition was accounted for as an acquisition by Cowen of LaBranche. As such, results of operations for LaBranche 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 estimated fair values. The fair value of Cowen shares issued to LaBranche shareholders was the purchase consideration for the acquisition. Based on the June 28, 2011 purchase price allocation, the fair value of the net identifiable assets acquired and liabilities assumed amounted to $176.0 million (excluding $2.3 million non-compete agreements and covenants with limiting conditions acquired), exceeding the fair value of the purchase price of $156.0 million. As a result, the Company recognized a nonrecurring bargain purchase gain of approximately $22.2 million in the second quarter of 2011, which is included in other income in the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2011. As the purchase consideration (the Exchange Ratio)

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

was determined based on the stock price of Cowen on June 28, 2011, the purchase price allocation based on the fair value of LaBranche's net assets at acquisition date reflected in these condensed consolidated financial statements has resulted in a bargain purchase gain.
The following table summarizes the purchase price allocation of net tangible and intangible assets acquired as of June 28, 2011:

	(dollars in thousands)
Cash and cash equivalents	$117,496
Cash collateral pledged	1,127
Securities owned, at fair value	221,855
Other investments	2,569
Receivable from brokers	93,754
Fixed assets, net	8,804
Intangibles	2,770
Other assets	5,137
Securities sold, not yet purchased, at fair value	(175,391)
Payable to brokers	(81,536)
Compensation payable	(3,521)
Fees payable	(969)
Unfavorable lease	(3,388)
Accounts payable, accrued expenses and other liabilities	(12,725)
Total net assets acquired	$175,982
Non compete agreements and covenants with limiting conditions acquired	2,310
Goodwill/(Bargain purchase gain) on transaction	(22,244)
Total purchase price	$156,048

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.
The Company recognized approximately $0.6 million and $2.3 million of acquisition-related costs, including legal, accounting, and valuation services, for the three and six months ended June 30, 2011, respectively. These costs are included in professional, advisory and other fees and other expenses in the condensed consolidated statements of operations.
Included in the accompanying condensed consolidated statements of operations for the three months and six months ended June 30, 2011 are revenues of $0.2 million and a net income of $0.2 million related to LaBranche's results of operations for the period from June 29, 2011 through June 30, 2011.
During the fourth quarter of 2011, the subsidiaries acquired through the LaBranche acquisition were discontinued. As a result, no unaudited supplemental proforma information is presented.

3. Significant Accounting Policies

a. Basis of presentation

These unaudited condensed consolidated financial statements and related notes have been prepared in accordance with US GAAP and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) related to interim financial statements. Results for interim periods should not be considered indicative of results for any other interim period or for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010, and 2009, included in the Form 10-K of Cowen Group as filed with the SEC on March 9, 2012. The financial information contained herein is unaudited; however, management believes all adjustments have been made that are necessary for a fair presentation of the results for the interim periods. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP. All material intercompany transactions and balances have been eliminated in consolidation. Certain fund entities that are consolidated in these condensed consolidated financial statements, as further discussed below, are not subject to these consolidation provisions with respect to their own investments pursuant to their specialized accounting.

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

b. Principles of consolidation

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

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

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

As of June 30, 2012, the Company consolidates the following funds (the “2012 Consolidated Funds”): Ramius Enterprise LP (“Enterprise LP”), Ramius Multi Strategy Master FOF LP (“Multi Strat Master FOF”), Ramius Vintage Multi Strategy Master FOF LP (“Vintage Master FOF”), Ramius Levered Multi Strategy FOF LP (“Levered FOF”), and RTS Global 3X Fund LP (“RTS Global 3X”). As of December 31, 2011, the Company consolidated the following funds (the “2011 Consolidated Funds”): Enterprise LP, Ramius Multi Strategy FOF LP (“Multi Strat FOF”), Ramius Vintage Multi Strategy FOF LP (“Vintage FOF”), Levered FOF and RTS Global 3X. Effective January 1, 2012, Multi-Strat FOF and Vintage FOF collapsed their operations into their respective master funds, Multi-Strat Master FOF and Vintage Master FOF due to a winding down decision earlier adopted by the Boards of Directors of the respective funds. This resulted in the Company's voting shares or units being held directly at the master funds level and thus consolidating them. Collectively the 2012 Consolidated Funds and the 2011 Consolidated Funds are referred to as the Consolidated Funds.

The Company also consolidates RCG Linkem II LLC, an investment company that was formed to make an investment in a wireless broadband communication provider in Italy. The Company determined that RCG Linkem II LLC is a VOE due to its equity interests held through the managing member and affiliates, and control exercised by the managing member who is not subject to substantive removal rights.

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

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

The Company determines whether it is the primary beneficiary of a VIE by performing a periodic qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, contractual agreements between the Company and the VIE, the economic interests that create or absorb variability, related party relationships and the design of the VIE. As of June 30, 2012, and December 31, 2011, the Company does not consolidate any VIEs.

As of June 30, 2012, the Company holds a variable interest in Ramius Enterprise Master Fund Ltd ("Enterprise Master") (the "2012 Unconsolidated Master Fund") through one of its Consolidated Funds, Enterprise LP. As of December 31, 2011, the Company held a variable interest in Enterprise Master, Multi Strat Master FOF and Vintage Master FOF (the "2011 Unconsolidated Master Funds") through three of its Consolidated Funds: Enterprise LP, Multi Strat FOF and Vintage FOF (the "2011 Consolidated Feeder Funds"), respectively. 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 2012 or 2011 Unconsolidated Master Funds. Collectively the 2012 Unconsolidated Master Funds and the 2011 Unconsolidated Master Funds are referred to as the Unconsolidated Master Funds.

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

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

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 $242.4 million and $1.6 million as of June 30, 2012 and $259.2 million and $2.0 million as of December 31, 2011, respectively. In addition, the maximum exposure relating to these variable interest entities as of June 30, 2012 was $196.2 million, and as of December 31, 2011 was $211.0 million, all of which is included in other investments, at fair value in the Company's condensed consolidated statements of financial condition. The exposure to loss primarily relates to the respective 2012 or 2011 Consolidated Feeder Funds' investment in their respective 2012 or 2011 Unconsolidated Master Funds as of June 30, 2012 and December 31, 2011. See Note 5 for further information regarding the Company's investments.

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

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

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

Retention of Specialized Accounting—The Consolidated Funds are investment companies and apply specialized industry

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accounting for investment companies. The Company has retained this specialized accounting for these funds pursuant to US GAAP. The Consolidated Funds report their investments on the condensed consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected within net realized and unrealized gains (losses) on investments and other transactions. Accordingly, the accompanying condensed consolidated financial statements reflect different accounting policies for investments depending on whether or not they are held through a consolidated investment company. In addition, the Company's broker dealer subsidiaries, Cowen and Company, LLC ("Cowen and Company"), Cowen Capital LLC, Cowen International Limited ("CIL"), Cowen International Trading Limited ("CITL"), Cowen and Company (Asia) Limited ("CCAL"), and Cowen Structured Products Hong Kong Limited ("CSPH"), apply the specialized industry accounting for brokers and dealers in securities also prescribed under US GAAP. The Company also has retained this specialized accounting in consolidation.

c. Use of estimates

The preparation of the 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 condensed consolidated financial statements, the accounting for goodwill and identifiable intangible assets and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

d. Valuation of investments and derivative contracts

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

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

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

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

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

The Company and its operating company 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 separates the Company's financial instruments into three categories: securities, derivative contracts and other investments. To the extent applicable, each of these categories can further be divided between those held long or sold short.

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

Certain positions for which there is a limited market, consisting primarily of convertible debt, corporate debt and loans, are stated at fair value. The estimated fair values assigned by management are determined in good faith and are based on available information considering, among other things, 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. Such positions that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources which are supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability.

Derivative contracts—Derivative contracts can be exchange traded or privately negotiated over-the-counter (“OTC”). Exchange traded derivatives, such as futures contracts and exchange traded option contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded. OTC derivatives, such as generic forwards, swaps and options, have inputs which can generally be corroborated by market data and are therefore classified within level 2. Futures, equity swaps and credit default swaps are included within other assets on the condensed consolidated statements of financial condition and all other derivatives are included within securities owned, at fair value on the condensed consolidated statements of financial condition.

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

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

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

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

significant changes at the property level or a significant change in the overall market which would impact the value of the real estate investment resulting in unrealized appreciation or depreciation.
The Company also reflects its real estate equity investments net of investment level financing. Valuation adjustments attributable to underlying financing arrangements are considered in the real estate equity valuation based on amounts at which the financing liabilities could be transferred to market participants at the measurement date.
Real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. In addition, the Company invests in real estate and real estate related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily ascertainable. Amounts ultimately realized by the Company from investments sold may differ from the fair values presented, and the differences could be material.

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

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

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

The Company uses securities purchased under agreements to resell and securities sold under agreements to repurchase (“Repurchase Agreements”) as part of its liquidity management activities and to support its trading and risk management activities. In particular, securities purchased and sold under Repurchase Agreements are used for short-term liquidity purposes. As of June 30, 2012 and December 31, 2011 Repurchase Agreements are secured predominantly by liquid corporate credit and/or government issued securities. The use of Repurchase Agreements will fluctuate with the Company's need to fund short term credit or obtain competitive short term credit financing. The Company's securities purchased under agreements to resell and securities sold under agreements to repurchase were transacted pursuant to agreements with multiple counterparties as of June 30, 2012 and December 31, 2011.
Collateral is valued daily and the Company and its counterparties may adjust the collateral or require additional collateral to be deposited when appropriate. Collateral held by counterparties may be sold or re-hypothecated by such counterparties, subject to certain limitations sometimes imposed by the Company. Collateralized Repurchase Agreements may result in credit exposure in the event the counterparties to the transactions are unable to fulfill their contractual obligations. The Company minimizes the credit risk associated with this activity by monitoring credit exposure and collateral values, and by requiring additional collateral to be promptly deposited with or returned to the Company when deemed necessary.

f. Deferred Rent

Deferred rent primarily consists of step rent, allowances from landlords and valuing the Company's lease properties in accordance with US GAAP. Step rent represents the difference between actual operating lease payments due and straight-line rent expense, which is recorded by the Company over the term of the lease, including the build-out period. This amount is recorded as deferred rent in the early years of the lease, when cash payments are generally lower than straight-line rent expense, and reduced in the later years of the lease when payments begin to exceed the straight-line expense. Landlord allowances are generally comprised of amounts received and/or promised to the Company by landlords and may be received in the form of cash or free rent. These allowances are part of the negotiated terms of the lease. The Company recorded 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 June 30, 2012 and December 31, 2011 is $14.3 million and $15.3 million, respectively.

g. New accounting pronouncements

Recently issued accounting pronouncements

In December 2011, the FASB issued amended guidance which will enhance disclosures required by US GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company already discloses the derivative transactions and repurchase / resale agreements on a gross basis on the condensed consolidated statements of financial condition and is currently evaluating the impact of the other disclosure requirements required under the amended guidance.

Recently adopted accounting pronouncements

In May 2011, the FASB issued amended guidance clarifying how to measure fair value and requires additional disclosures regarding fair value measurements. The amendments, among other things, prohibit the use of blockage factors at all levels of the fair value hierarchy, provide guidance on measuring financial instruments that are managed on a net portfolio basis, and clarify guidance on the application of premiums and discounts in measuring fair value. Additional disclosure requirements include the disclosure of transfers between Level 1 and Level 2, a description of the valuation processes for Level 3 fair value measurements, as well as additional information regarding unobservable inputs affecting Level 3 measurements. The amendments were effective for the Company beginning in the first quarter of 2012. The adoption of the new requirements did not have a material impact on the Company's financial position or results of operations.

In June 2011, the FASB issued guidance requiring entities to present the components of net income, the components of other comprehensive income and the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, in December 2011, the FASB issued additional guidance which indefinitely deferred the provision that requires the entity to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. The adoption of these amendments did not have any impact on the Company's financial position or results of operations since the changes are limited to presentation of other comprehensive income and total comprehensive income.

In September 2011, the FASB issued guidance simplifying how entities test goodwill for impairment by permitting an entity to assess qualitative factors in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test required under US GAAP. This was effective for the Company beginning in the first quarter of 2012. Adoption did not have any impact on the Company's financial position or results of operations.

4. Cash collateral pledged

As of June 30, 2012 and December 31, 2011, cash collateral pledged in the amount of $9.3 million and $9.8 million, respectively, primarily relates to (a) a bond held as collateral on a letter of credit and (b) letters of credit issued to the landlord of the Company's premises in New York City (see Note 13). During the second quarter, the Company released $0.5 million to Société Générale, which was included in cash collateral pledged as of December 31, 2011 and was pledged to cover the cost of a litigation matter which is now settled (see Note 13).

5. Investments of Operating Entities and Consolidated Funds

a. Operating Entities

Securities owned, at fair value

Securities owned are held by the Company and considered held for trading and carried at fair value. 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.

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As of June 30, 2012 and December 31, 2011, securities owned, at fair value consisted of the following:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
U.S. Government securities (a)	$206,123	$182,868
Common stocks	353,840	250,380
Convertible bonds (b)	12,633	18,130
Corporate bonds (c)	191,840	231,864
Options	36,520	55,699
Warrants and rights	3,494	2,759
Mutual funds	2,816	3,214
	$807,266	$744,914

(a) As of June 30, 2012, maturities ranged from July 2013 to November 2013 and interest rates ranged between 0.25% and 1%. As of December 31, 2011, maturities ranged from November 2013 to November 2021 and interest rates ranged between 0.25% and 8%.

(b) As of June 30, 2012, maturities ranged from October 2014 to June 2016 and interest rates ranged between 5.25% and 5.75%. As of December 31, 2011, the maturity was August 2027 with an interest rate of 2.75%.

(c) As of June 30, 2012, maturities ranged from September 2012 to February 2041 and interest rates ranged between 3.13% and 13.50%. As of December 31, 2011, maturities ranged from January 2012 to February 2041 and interest rates ranged between 3.13% and 13.50%.

The Company's direct involvement with derivative financial instruments includes credit default swaps, futures, equity swaps, options and warrants and rights. Open equity positions in futures transactions are recorded as receivables from and payables to broker dealers or clearing brokers, as applicable. The Company's derivatives trading activities exposes the Company to certain risks, such as price and interest rate fluctuations, volatility risk, credit risk, counterparty risk, foreign currency movements and changes in the liquidity of markets. The Company's overall exposure to financial derivatives is limited. The Company's long exposure to credit default swaps, futures and equity swap derivative contracts, at fair value, as of June 30, 2012 and December 31, 2011 of $0.2 million and $0.8 million, respectively, is included in other assets in the accompanying condensed consolidated statements of financial condition. The Company's short exposure to futures and equity swap derivative contracts, at fair value, as of June 30, 2012 and December 31, 2011 of $0.8 million and $0.8 million, respectively, is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed consolidated statements of financial condition. The realized and unrealized gains/(losses) related to derivatives trading activities for the three and six months ended June 30, 2012, and 2011 were not significant and are included in other income in the condensed consolidated statements of operations. Pursuant to the various derivatives transactions discussed above, the Company is required to post collateral for its obligations or potential obligations. As of June 30, 2012 and December 31, 2011, collateral consisting of $6.6 million and $8.1 million of cash, respectively, is included in receivable from brokers on the condensed consolidated statements of financial condition. As of June 30, 2012 and December 31, 2011 all derivative contracts were with multiple major financial institutions.

Other investments

As of June 30, 2012 and December 31, 2011, other investments consisted of the following:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
(1) Portfolio Funds, at fair value	$46,083	$40,350
(2) Real estate investments, at fair value	2,079	2,353
(3) Equity method investments	19,443	16,687

(4) Lehman claims, at fair value	731	553
	$68,336	$59,943

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(1) Portfolio Funds, at fair value
The Portfolio Funds, at fair value as of June 30, 2012 and December 31, 2011, included the following:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
Healthcare Royalty Partners (a)(*)	$7,711	$6,297
Healthcare Royalty Partners II (a)(*)	2,434	1,521
Ramius Global Credit Fund LP (b)(*)	13,201	11,790
Ramius Alternative Replication Ltd (c)(*)	832	837
Tapestry Investment Co PCC Ltd (d)	187	185
Ramius Enhanced Replication Fund LLC (e)(*)	705	337
Starboard Value and Opportunity Fund LP (f)(*)	12,126	11,123
Other private investment (g)	7,297	7,415
RCG LV Park Lane LLC (h)	700	—
Other affiliated funds (i)(*)	890	845
	$46,083	$40,350

* 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 for Healthcare Royalty Partners (formerly Cowen Healthcare Royalty Partners), Healthcare Royalty Partners II (formerly Cowen Healthcare Royalty Partners II) and Starboard Value and Opportunity Fund LP in Note 13.

(a) Healthcare Royalty Partners and Healthcare Royalty Partners II are private equity funds and therefore redemptions will be made when the underlying investments are liquidated.
(b) Ramius Global Credit Fund LP has a quarterly redemption policy with a 60 day notice period and a 4% penalty on redemptions of investments of less than a year in duration.
(c) Ramius Alternative Replication Ltd has monthly redemption policy with a seven day notice period.
(d) Tapestry Investment Company PCC Ltd is in the process of liquidation and redemptions will be made periodically at the investment managers' decision as the underlying investments are liquidated.
(e) Ramius Enhanced Replication Fund LLC has monthly redemption policy with a seven day notice period.
(f) Starboard Value and Opportunity Fund LP permits quarterly withdrawals upon ninety days notice.
(g) Other private investment represents the Company's closed end investment in an investment company, which was formed to make an investment in a wireless broadband communication provider in Italy.
(h) RCG LV Park Lane LLC is single purpose entity formed to participate in a joint venture which acquired, at a discount, the mortgage notes on a portfolio of multifamily real estate properties located in Birmingham, Alabama. RCG LV Park Lane is a private equity structure and therefore redemptions will be made when the underlying investments are liquidated.
(i) The majority of these funds are real estate fund affiliates of the Company or are managed by the Company and the investors can redeem from these funds as investments are liquidated.

(2) Real estate investments, at fair value
Real estate investments as of June 30, 2012 and December 31, 2011 are carried at fair value and include real estate equity investments held by RCG RE Manager, LLC (“RE Manager”), a real estate operating subsidiary of the Company, of $1.8 million and $1.6 million, respectively, and real estate debt investments held by the Company of $0.3 million and $0.8 million, respectively.
(3) Equity method investments

Equity method investments include investments held by the Company in several operating companies whose operations primarily include the day to day management of a number of real estate funds, including the portfolio management and administrative services related to the acquisition, disposition, and active monitoring of the real estate funds' underlying debt and equity investments. The Company's ownership interests in these equity method investments range from 30% to 55%. The Company holds a majority of the outstanding ownership interest (i.e., more than 50%) in three of these entities: RCG Longview Debt Fund IV Management, LLC, RCG Longview Debt Fund IV Partners, LLC and RCG Longview Partners II, LLC. The operating agreements that govern the management of day-to-day operations and affairs of each of these three entities stipulate that certain decisions require support and approval from other members in addition to the support and approval of the Company. As a result, all operating decisions made in these three entities require the support of both the Company and an affirmative vote of a majority of the other managing members who are not affiliates of the Company. As the Company does not possess control over any of these entities, the presumption of consolidation has been overcome pursuant to current accounting standards and the Company accounts for these investments under the equity method of accounting. Also included in equity method investments is the investment in (a) Healthcare Royalty Partners General Partners, (b) an investment in the CBOE (Chicago Board Options Exchange) Stock Exchange LLC representing a 9.7% stake in the exchange service provider for which the Company exercises significant influence over through representation on the CBOE Board of Directors, and (c) Starboard Value LP (and certain related parties) which serves as an operating company whose operations primarily include the day to day management (including portfolio management) of a deep value small cap hedge fund and related managed accounts. The following table summarizes equity method investments held by the Company:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
RCG Longview Debt Fund IV Management, LLC	$1,254	$1,980
Healthcare Royalty GP, LLC (formerly Cowen Healthcare Royalty GP, LLC)	629	513
Healthcare Royalty GP II, LLC (formerly Cowen Healthcare Royalty GP II, LLC)	412	258
CBOE Stock Exchange, LLC	2,176	2,423
Starboard Value LP	7,328	3,693
RCG Longview Partners, LLC	1,832	1,569
RCG Longview Louisiana Manager, LLC	1,567	1,140
RCG Urban American, LLC	1,319	1,258
RCG Urban American Management, LLC	532	1,096
RCG Longview Equity Management, LLC	196	557
Urban American Real Estate Fund II, L.P.	1,488	1,541
RCG Kennedy House, LLC	383	323
Other	327	336
	$19,443	$16,687

As of June 30, 2012 and December 31, 2011, 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. 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 fulnd. 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. All such amounts are included in accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition.

The Company's income (loss) from equity method investments was $3.6 million and $1.2 million, for the three months ended June 30, 2012 and 2011, respectively, and was $7.8 million and $2.4 million for the six months ended June 30, 2012 and 2011, respectively, and is included in net gains (losses) on securities, derivatives and other investments on the accompanying condensed consolidated statements of operations. In addition, the Company recorded no impairment charges in relation to its equity method investments for the three and six months ended June 30, 2012 and 2011, respectively.

For the period ended June 30, 2012 an equity method investment held by the Company has exceeded the 20% threshold for the income test required under SEC guidance. As such, the Company is required to present summarized income statement information for this significant investee for the current period. The summarized income statement information for the Company's investment in the individually significant investee is as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(dollars in thousands)			
Revenues	$6,383	$600	$9,651	$600
Expenses	(2,419)	(471)	(2,747)	(471)
Net realized and unrealized gains (losses)	20	(4)	57	(4)
Net Income	$3,984	$125	$6,961	$125

(4) Lehman Claims, at fair value

Lehman Brothers International (Europe) ("LBIE"), through certain affiliates, was a prime broker to the Company, and the Company held cash and cash equivalent balances with LBIE. On September 15, 2008, LBIE was placed into administration (the "Administration") in the United Kingdom and, as a result, the assets held by the Company in its LBIE accounts were frozen at LBIE. The status and ultimate resolution of the assets under LBIE's Administration proceedings is uncertain. The assets of the Company at LBIE at the time of Administration (the "Total Net Equity Claim") consist of $1.0 million, which the Company believes will represent an unsecured claim against LBIE. This does not include claims held by the Company against LBIE through its investment in Enterprise Master discussed in Note 5b(2). There can be no assurance that the Total Net Equity Claim value, as determined by the Company, will be accepted by the Administrators, nor does the Company know the manner and timing in which such claim will be satisfied and the ultimate value that will be received.

Given the great degree of uncertainty as to the status of the assets held at LBIE and the process and prospects of the return of those assets, the Company has decided to record the estimated fair value of the Total Net Equity Claim at an approximately 30% discount as of June 30, 2012 and a 47% discount as of December 31, 2011, which represents management's best estimate at the respective dates of the value that ultimately may be recovered with respect to the Total Net Equity Claim (the "Estimated Recoverable Lehman Claim"). The Estimated Recoverable Lehman Claim was recorded at estimated fair value considering a number of factors including the status of the assets under U.K. insolvency laws and the trading levels of LBIE unsecured debt. In determining the estimated value of the Total Net Equity Claim, the Company was required to use considerable judgment and is based on the facts currently available. As additional information on the LBIE proceeding becomes available, the Company may need to adjust the valuation of the Estimated Recoverable Lehman Claim. The actual loss that may ultimately be incurred by the Company with respect to the pending LBIE claim is not known and could be materially different from the estimated value assigned by the Company. (See Note 5b(2)).

Securities sold, not yet purchased, at fair value

Securities sold, not yet purchased, at fair value represent obligations of the Company to deliver a specified security at a contracted price and, thereby, create a liability to purchase that security at prevailing prices. The Company's liability for securities to be delivered is measured at their fair value as of the date of the condensed consolidated financial statements. However, these transactions result in off-balance sheet risk, as the Company's ultimate cost to satisfy the delivery of securities sold, not yet purchased, at fair value may exceed the amount reflected in the condensed consolidated statements of financial condition. Substantially all equity securities and options are pledged to the clearing broker under terms which permit the clearing broker to sell or re-pledge the securities to others subject to certain limitations. As of June 30, 2012 and December 31, 2011 securities sold, not yet purchased, at fair value consisted of the following:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
U.S. Government securities (a)	$225,679	$165,197
Common stocks	142,314	123,877
Corporate bonds (b)	7,985	1,529

Options	24,964	43,648
Warrants and rights	3	—
	$400,945	$334,251

(a) As of June 30, 2012, maturities ranged from May 2013 to January 2040 and interest rates ranged between 0.19% and 7.41%. As of December 31, 2011, maturities ranged from September 2013 to January 2040 and interest rates ranged between 0.13% and 7.41%.

(b) As of June 30, 2012, the maturities ranged from October 2012 to January 2026 with an interest rate between 5.55%

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and 6.30%. As of December 31, 2011, maturities ranged from December 2016 to January 2026 and interest rates ranged between 5.55% and 9.50%.

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

The following table represents the Company's securities purchased under agreements to resell and securities sold under agreements to repurchase as of June 30, 2012 and December 31, 2011:

	As of June 30, 2012 (dollars in thousands)
Securities purchased under agreements to resell	
Agreements with Barclays Capital Inc bearing interest of 0.09% - 0.16% due on July 2, 2012	$224,573
Securities sold under agreements to repurchase	
Agreements with Royal Bank of Canada bearing interest of 2.12% - 2.20% due on July 10, 2012 to June 25, 2013	29,039
Agreements with Barclays Capital Inc bearing interest of 0.21% - 0.22% due July 2, 2012	205,919
	$234,958

	As of December 31, 2011 (dollars in thousands)
Securities purchased under agreements to resell	
Agreements with Barclays Capital Inc bearing interest of (0.38%) - 0.25% due on January 3, 2012	$166,260
Securities sold under agreements to repurchase	
Agreements with Royal Bank of Canada bearing interest of 1.53% - 1.58% due on January 3, 2012 to June 25, 2012	49,450
Agreements with Barclays Capital Inc bearing interest of 0.03% - 0.08% due on January 3, 2012	179,333
	$228,783

For all of the Company's holdings of Repurchase Agreements as of June 30, 2012, the repurchase dates are open and the agreement can be terminated by either party at any time. The agreements rolls over on a day-to-day basis.

Transactions involving purchases of securities under agreements to resell are carried at their contract value which approximates fair value. These fair value measurement would be categorized as level 1 within the fair value hierarchy. As of June 30, 2012 and December 31, 2011, the fair value of the collateral received by the Company, consisting of government and corporate bonds, was $225.7 million and $166.7 million, respectively.

Transactions involving the sale of securities under Repurchase Agreements are carried at their contract value, which approximates fair value, and are accounted for as collateralized financings. In connection with these financings, as of June 30, 2012 and December 31, 2011, the Company had pledged collateral, consisting of government and corporate bonds, in the amount of $241.6 million and $243.1 million, respectively, which is included in securities owned, at fair value in the condensed consolidated statements of financial condition.

Other

During the second and fourth quarters of 2011, the Company acquired two Luxembourg reinsurance companies from third parties through a wholly-owned local subsidiary, which, upon acquisition, recorded deferred assets and subsequently deferred tax benefits. The purchase price of the reinsurance companies totaled EUR 234.8 million (USD $331.8 million). The acquisitions were not accounted for as business combinations as after separation from the transferor, the reinsurance companies do not meet the definition of a business and did not continue any normal revenue producing or cost generating activities.

b. Consolidated Funds

Securities owned, at fair value

As of June 30, 2012 and December 31, 2011 securities owned, at fair value, held by the Consolidated Funds are comprised of:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
Government sponsored securities (a)	$1,602	$2,006
Commercial paper (b)	632	3,927
Corporate bond (c)	—	401
	$2,234	$6,334

(a) As of June 30, 2012, maturities ranged from October 2012 to May 2014 and interest rates ranged between 0.32% and 1.74%. As of December 31, 2011, maturities ranged from October 2012 to October 2013 and interest rates ranged between 0.32% and 1.74%.

(b) As of June 30, 2012, commercial paper was purchased at a discount and matures on July 2, 2012. As of December 31, 2011, commercial paper was purchased at a discount and matures on January 3, 2012.

(c) As of December 31, 2011, the maturity was April 2012 with an interest rate of 0.58%.

Other investments, at fair value

As of June 30, 2012 and December 31, 2011 other investments, at fair value, held by the Consolidated Funds are comprised of:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
(1) Portfolio Funds	$221,380	$221,480
(2) Lehman claims	6,538	7,340
	$227,918	$228,820

(1) Investments in Portfolio Funds, at fair value

As of June 30, 2012 and December 31, 2011, investments in Portfolio Funds, at fair value, included the following:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
Investments of Enterprise LP	$195,325	$193,012
Investments of consolidated fund of funds	26,055	28,468
	$221,380	$221,480

Consolidated investments of Enterprise LP

Enterprise LP operates under a "master feeder" structure with Enterprise Master, whereby Enterprise Master's shareholders are Enterprise LP and RCG II Intermediate Fund, L.P. The consolidated investments in Portfolio Funds are recorded in other investments on the condensed consolidated statements of financial condition include Enterprise LP's investment of $195.3 million and $193.0 million in Enterprise Master as of June 30, 2012 and December 31, 2011, respectively. On May 12, 2010, the Company announced its intention to close Enterprise Master. Prior to this announcement, strategies utilized by Enterprise Master included merger arbitrage and activist investing, investments in distressed securities, convertible hedging, capital structure arbitrage, equity market neutral, investments in private placements of convertible securities, proprietary mortgages, structured credit investments, investments in mortgage backed securities and other structured finance products, investments in real estate and real property interests, structured private placements and other relative value strategies. Enterprise Master had broad investment powers and maximum flexibility in seeking to achieve its investment objective. Enterprise Master was permitted to invest in equity securities, debt instruments, options, futures, swaps, credit default swaps and other derivatives. Enterprise Master has been selling, and will continue to sell, its positions and return capital to its investors. There are no unfunded commitments at Enterprise LP.

Investments of consolidated fund of funds investment companies

The investments of consolidated fund of funds investment companies are $26.1 million and $28.5 million as of June 30, 2012 and December 31, 2011, respectively. These investments include the investments of Levered FOF, Multi Strat Master FOF and Vintage Master FOF as of June 30, 2012 and Levered FOF, Multi Strat FOF and Vintage FOF as of December 31, 2011 (see Note 3b), all of which are investment companies managed by Ramius Alternative Solutions LLC. RTS Global 3X is

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consolidated as of June 30, 2012 and December 31, 2011, which is managed by Ramius Trading Strategies LLC. Multi Strat Master FOF's investment objectives (as was Multi-Strat FOF's objective) is to invest discrete pools of their capital among portfolio managers that invest through Portfolio Funds, forming a multi strategy, diversified investment portfolio designed to achieve returns with low to moderate volatility. Levered FOF had a similar strategy, but on a levered basis, prior to the fund winding down. Levered FOF is no longer levered. Vintage Master FOF's investment objective (as was Vintage FOF's objective) is to allocate its capital among portfolio managers that invest through investment pools or managed accounts thereby forming concentrated investments in high conviction managers designed to achieve attractive risk adjusted returns with moderate relative volatility. Levered FOF, Multi Strat Master FOF and Vintage Master FOF are all in liquidation. RTS Global 3X's investment objective is to achieve attractive investment returns on a risk-adjusted basis that are non-correlated with the traditional equity and bond markets by investing substantially all of its capital in managed futures and global macro based investment strategies. RTS Global 3X seeks to achieve its objective through a multi advisor investment approach by allocating its capital among third party trading advisors that are unaffiliated with RTS Global 3X. However, unlike a traditional “fund of funds” that invests with advisors through entities controlled by third parties, RTS Global 3X will allocate its capital among a number of different trading accounts organized and managed by the general partner.
The following is a summary of the investments held by the four consolidated fund of funds, at fair value, as of June 30, 2012 and December 31, 2011:

		Fair Value as of June 30, 2012					
	Strategy	Ramius Levered Multi-Strategy FOF LP	Ramius Multi-Strategy Master FOF LP	Ramius Vintage Multi-Strategy Master FOF LP	RTS Global 3X Fund LP	Total	
		(dollars in thousands)					
Tapestry Pooled Account V LLC*	Credit-Based	$440	$905	$966	$—	$2,311	(b)
Independently Advised Portfolio Funds*	Futures & Global Macro	—	—	—	11,873	11,873	(c)
Externally Managed Portfolio Funds	Credit-Based	152	57	240	—	449	(b)
Externally Managed Portfolio Funds	Event Driven	1,699	2,545	4,070	—	8,314	(d)
Externally Managed Portfolio Funds	Hedged Equity	17	226	1,008	—	1,251	(e)
Externally Managed Portfolio Funds	Multi-Strategy	246	635	685	—	1,566	(f)
Externally Managed Portfolio Funds	Fixed Income Arbitrage	29	42	—	—	71	(g)
Externally Managed Portfolio Funds	Opportunistic Equity	—	103	117	—	220	(h)
		$2,583	$4,513	$7,086	$11,873	$26,055	

		Fair value as of December 31, 2011				
	Strategy	Ramius Levered Multi-Strategy FOF LP	Ramius Multi-Strategy FOF LP	Ramius Vintage Multi-Strategy FOF LP	RTS Global 3X Fund LP	Total

		(dollars in thousands)					
Ramius Multi-Strategy Master FOF LP*	Multi-Strategy	$—	$ 8,269	$—	$—	$8,269	(a)
Ramius Vintage Multi-Strategy Master FOF LP*	Multi-Strategy	—	—	8,883	—	8,883	(a)
Tapestry Pooled Account V LLC*	Credit-Based	438	—	—	—	438	(b)
Independently Advised Portfolio Funds*	Futures & Global Macro	—	—	—	8,078	8,078	(c)
Externally Managed Portfolio Funds	Credit-Based	260	—	—	—	260	(b)
Externally Managed Portfolio Funds	Event Driven	1,992	—	—	—	1,992	(d)
Externally Managed Portfolio Funds	Hedged Equity	35	—	—	—	35	(e)
Externally Managed Portfolio Funds	Multi-Strategy	459	—	—	—	459	(f)
Externally Managed Portfolio Funds	Fixed Income Arbitrage	54	—	—	—	54	(g)
		$3,238	$ 8,269	$8,883	$8,078	$28,468	

* These Portfolio Funds are affiliates of the Company.

The Company has no unfunded commitments regarding investments held by the four consolidated funds.

(a) Investments held in affiliated master funds can be redeemed on a monthly basis with no advance notice.

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

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

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

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

(f) The Multi Strategy investment objective is to invest discrete pools of its capital among portfolio managers that invest through investment funds, forming multi-strategy, diversified investment portfolios designed to achieve non-market directional returns with low relative volatility. The investments in this category represent investments in a fund that is in the process of liquidating. Distributions from this fund will be received as underlying investments are liquidated.

(g) The Fixed Income Arbitrage strategy seeks to achieve long term capital appreciation by employing a variety of strategies to generate returns without significant exposure to credit spread, interest rate changes or duration. As of June 30, 2012, the investment manager has gated investments.

(h) The Opportunistic Equity investment style seeks to profit from higher levels of realized market volatility giving to shorter term price momentum and mean reversion trading opportunities. The investee fund manager has side-pocketed investments with undetermined payout dates.

(2) Lehman Claims, at fair value

With respect to the aforementioned Lehman claims, the Total Net Equity Claim of Enterprise Master consists of $24.3 million. Included in this claim were assets with a value of $9.5 million at the time LBIE entered Administration, that were returned to Enterprise Master and its affiliated funds in June 2010. Enterprise Master and its affiliated funds sold the returned assets for an aggregate $10.7 million, and distributed this amount to Enterprise Master's investors in July 2010. In December 2011, Enterprise Master received an aggregate of approximately $2.4 million relating to securities, interest and dividends earned with respect to securities held by LBIE on behalf of Enterprise Master. A distribution of $2.9 million occurred in February of 2012. Post-distribution, the remaining Net Equity Claim for Enterprise Master is $12.4 million. Enterprise Master is valuing this claim at $8.2 million as of June 30, 2012. Of this amount, $6.5 million was attributable to Enterprise LP based on its ownership percentage in Enterprise Master at the time of the Administration. As discussed in Note 5a, the Company has an additional $1.0 million claim against LBIE as a result of certain cash and cash equivalent balances held at LBIE. LBIE claims consist of several components, valued as follows: (a) the trust assets that the Company was informed were within the control of LBIE and were expected to be returned in the relatively near term were valued at market less a 1% discount that corresponds to the fee to be charged under the Claim Resolution Agreement ("CRA"), (b) the trust assets that are not within the control of LBIE and are not believed to be held through Lehman Brothers, Inc. ("LBI") were valued at 70% with respect to US denominated Assets and 70% with respect to foreign denominated Assets, which represented the Company's estimate of potential recovery rates and (c) the remaining unsecured claims against LBIE were valued at 70%, which represented the

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Company's estimate of potential recovery rates with respect to this exposure using available market quotes. The Company believes that shortfalls with respect to trust assets that are not within LBIE's control will give rise to unsecured claims against LBIE. As a result, these claims were valued at 70%, which the Company believes may be higher than the recovery rate of the trust assets based on its current valuation methodology. The estimated final recoverable amount by Enterprise Master may differ from the actual recoverable amount of the pending LBIE and LBI claims, and the differences may be significant.

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

In addition to Enterprise Master's claims against LBIE, LBI was a prime broker to Enterprise Master and Enterprise Master holds cash balances of $5.3 million at LBI. On September 19, 2008, LBI was placed in a Securities Investor Protection Corporation (“SIPC”) liquidation proceeding after the filing for bankruptcy of its parent Lehman Brothers Holdings, Inc. The status of the assets under LBI's bankruptcy proceedings has not been determined. The amount that will ultimately be recovered from LBI will depend on the amount of assets available in the fund of customer property to be established by the trustee appointed under the Securities Investor Protection Act (the “SIPA Trustee”) as approved by the bankruptcy court as well as the total amount of customer claims that seek recovery from the fund of customer property. Based on court filings by the SIPA Trustee, the total amount of customer claims exceeds the assets that are likely to be in the fund of customer property. In addition, while there has been an initial ruling with respect to the claims asserted by Barclays plc against LBI relating to an asset purchase agreement entered into by Barclays plc with LBIE near the time of the SIPC liquidation proceeding, there is still uncertainty regarding the ultimate resolution of these claims that could affect the amount of assets that are included in the fund of customer property. As a result of these uncertainties and the timing of any distributions from LBI in respect of the Company's customer claims, management has estimated recovery with respect to the Company's exposure to LBI at 59% or $3.1 million as of June 30, 2012, which represents the present value of the mid point between what management believes are reasonable estimates of the low side and high side potential recovery rates with respect to the Company's exposure. The estimated recoverable amount by the Company may differ from the actual recoverable amount of the pending LBI claim, and the differences may be significant.(See Note 5a(4)).

Indirect Concentration of the Underlying Investments Held by Consolidated Funds

From time to time, through its investments in the Consolidated Funds, the Company may indirectly maintain exposure to a particular issue or issuer (both long and/or short) which may account for 5% or more of the Consolidated Funds' net assets (on an aggregated basis). Based on information that is available to the Company as of June 30, 2012 and December 31, 2011, the Company assessed whether or not its Consolidated Funds had interests in an issuer for which the Company's pro-rata share exceeds 5% of the Consolidated Funds' net assets (on an aggregated basis). There were no indirect concentrations that exceed 5% of the Consolidated Funds' net assets held by the Company as of June 30, 2012 or December 31, 2011.

Underlying Investments of Unconsolidated Funds Held by Consolidated Funds

Enterprise Master

Enterprise LP's investment in Enterprise Master represents Enterprise LP's proportionate share of Enterprise Master's net assets; as a result, the investment balances of Enterprise Master reflected below may exceed the net investment which Enterprise LP has recorded. The following tables present summarized investment information for the underlying investments and derivatives held by Enterprise Master as of June 30, 2012 and December 31, 2011:

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

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
Common stock	$2,147	$2,173
Distressed debt securities	57	—
Preferred stock	984	1,027
Private equity	303	276
Restricted stock	29	47
Rights	2,171	2,173
Trade claims	128	128
Warrants	5	3
	$5,824	$5,827

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

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
Currency forwards	$(15)	$53
	$(15)	$53

Portfolio Funds, owned by Enterprise Master, at fair value

	Strategy	As of June 30, 2012	As of December 31, 2011
		Fair Value	
		(dollars in thousands)	
624 Art Holdings, LLC*	Artwork	$33	$38
RCG Longview Equity Fund, LP*	Real Estate	14,832	14,460
RCG Longview II, LP*	Real Estate	1,254	1,592
RCG Longview Debt Fund IV, LP*	Real Estate	30,561	23,594
RCG Longview, LP*	Real Estate	317	271
RCG Soundview, LLC*	Real Estate	2,200	2,748
RCG Urban American Real Estate Fund, L.P.*	Real Estate	3,331	3,142
RCG International Sarl*	Multi-Strategy	851	870
Ramius Navigation Fund Ltd*	Multi-Strategy	—	1,106
RCG Special Opportunities Fund, Ltd*	Multi-Strategy	91,556	97,144
Ramius Credit Opportunities Fund Ltd*	Distressed	98	121
RCG Endeavour, LLC*	Multi-Strategy	41	47
RCG Energy, LLC *	Energy	19,164	16,560
RCG Renergys, LLC*	Energy	2	2
Other Private Investments	Various	18,513	16,580
Real Estate Investments	Real Estate	17,782	15,795
		$200,535	$194,070

*These Portfolio Funds are affiliates of the Company.

Ramius Multi-Strategy Master FOF LP and Ramius Vintage Multi-Strategy Master FOF LP

Multi Strat FOF's and Vintage FOF's investments in their respective master funds, when Multi Strat FOF's and Vintage FOF were consolidated as of December 31, 2011, represented their proportionate share of their master fund's net assets; as a result, the master funds investments in Portfolio Funds reflected below may have exceeded the net investments which Multi Strat FOF and Vintage FOF have recorded. Due to a restructuring related to the liquidation of the funds, Multi Strat Master FOF and Vintage Master FOF were first consolidated during the first quarter of 2012 (see Note 3b). The following table presents summarized investment information for the underlying Portfolio Funds held by Multi Strat Master FOF and Vintage Master FOF, at estimated fair value, as of December 31, 2011:

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	Strategy	As of December 31, 2011 Ramius Multi-Strategy Master FOF LP	Ramius Vintage Multi-Strategy Master FOF LP
		(dollars in thousands)	
Ramius Vintage Multi-Strategy Master FOF LP*	Multi Strategy	$552	$—
Tapestry Pooled Account V, LLC*	Credit-Based	901	962
Externally Managed Funds	Credit-Based	40	399
Externally Managed Funds	Event Driven	3,015	5,044
Externally Managed Funds	Fixed Income Arbitrage	79	—
Externally Managed Funds	Hedged Equity	1,272	1,753
Externally Managed Funds	Multi Strategy	1,319	1,442
		$7,178	$9,600

*These Portfolio Funds are affiliates of the Company.

RTS Global 3X Fund LP's Portfolio Fund investments

RTS Global 3X, which commenced operations in March 2010, invests over half of its equity in six externally managed portfolio funds which primarily concentrate on futures and global macro strategies. RTS Global 3X's investments in the portfolio funds represent its proportionate share of the portfolio funds net assets; as a result, the portfolio funds' investments reflected below may exceed the net investment which RTS Global 3X has recorded. The following table presents the summarized investment information, which primarily consists of receivables/(payables) on derivatives, for the underlying Portfolio Funds held by RTS Global 3X, at fair value, as of June 30, 2012 and December 31, 2011:

	As of June 30, 2012	As of December 31, 2011
	(dollars in thousands)	
Bond futures	$37	$(2)
Commodity options	—	181
Currency options	—	487
Commodity forwards	597	51
Commodity futures	(533)	756
Currency forwards	(110)	157
Currency futures	(373)	418
Energy futures	(87)	2
Equity future	19	—
Foreign currency option	—	358
Index options	(1)	80
Index futures	510	80
Interest rate futures	286	20
Interest rate options	—	(25)
	$345	$2,563

6. Fair Value Measurements for Operating Entities and Consolidated Funds

The following table presents the assets and liabilities that are measured at fair value on a recurring basis on the condensed consolidated statements of financial condition by caption and by level within the valuation hierarchy as of June 30, 2012 and December 31, 2011:

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Operating Entities

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
		(dollars in thousands)		
Securities owned and derivatives				
US Government securities	$206,123	$—	$—	$206,123
Common stocks	352,841	40	959	353,840
Convertible bonds	—	12,633	—	12,633
Corporate bonds	—	191,840	—	191,840
Futures	236	—	—	236
Currency forwards	—	16	—	16
Options	36,079	441	—	36,520
Warrants and rights	650	—	2,844	3,494
Mutual funds	2,816	—	—	2,816
Other investments				
Portfolio Funds	—	26,207	19,876	46,083
Real estate investments	—	—	2,079	2,079
Lehman claim	—	—	731	731
	$598,745	$231,177	$26,489	$856,411

	Liabilities at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities sold, not yet purchased and derivatives				
US Government securities	$225,679	$—	$—	$225,679
Common stocks	142,314	—	—	142,314
Corporate bonds	—	7,985	—	7,985
Futures	19	—	—	19
Currency forwards	—	814	—	814
Options	24,894	70	—	24,964
Warrants and rights	—	—	3	3
	$392,906	$8,869	$3	$401,778

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
		(dollars in thousands)		
Securities owned and derivatives				
US Government securities	$182,868	$—	$—	$182,868
Common stocks	248,598	713	1,069	250,380
Convertible bonds	—	18,130	—	18,130
Corporate bonds	—	231,864	—	231,864
Futures	172	—	—	172
Equity swaps	—	635	—	635
Options	55,530	169	—	55,699
Warrants and rights	1,225	—	1,534	2,759
Mutual funds	3,214	—	—	3,214
Other investments				

Portfolio Funds	—	23,431	16,919	40,350
Real estate investments	—	—	2,353	2,353
Lehman claim	—	—	553	553
	$491,607	$274,942	$22,428	$788,977

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

	Liabilities at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Securities sold, not yet purchased and derivatives				
US Government securities	$165,197	$—	$—	$165,197
Common stocks	123,875	2	—	123,877
Corporate bonds	—	1,529	—	1,529
Futures	617	—	—	617
Equity swaps—short exposure	—	140	—	140
Options	43,648	—	—	43,648
	$333,337	$1,671	$—	$335,008

Consolidated Funds' investments

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
		(dollars in thousands)		
Securities owned				
US Government securities	$1,602	$—	$—	$1,602
Commercial paper	—	632	—	632
Corporate bonds	—	—	—	—
Other investments				
Portfolio Funds	—	11,873	209,507	221,380
Lehman claims	—	—	6,538	6,538
	$1,602	$12,505	$216,045	$230,152

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
		(dollars in thousands)		
Securities owned				
US Government securities	$2,006	$—	$—	$2,006
Commercial paper	—	3,927	—	3,927