COWEN GROUP, INC.
Form 10-Q
May 14, 2010

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

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)

(212) 845-7900
(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 ý 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 o 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 o	Non-accelerated filer ý (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 Exchange Act). Yes o No ý

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of May 12, 2010 there were 74,656,513 shares of the registrant's common stock outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q (including in "Management's Discussion and Analysis of Financial Condition and Results of Operations") that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking terms such as "may," "might," "will," "would," "could," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "possible," "potential," "intend," "seek" or "continue," the negative of these terms and other comparable terminology or similar expressions. In addition, our management may make forward-looking statements to analysts, representatives of the media and others. These forward-looking statements represent only the Company's beliefs regarding future events (many of which, by their nature, are inherently uncertain and beyond our control) and are predictions only, based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the risks contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009.

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

Unaudited Condensed Consolidated Financial Statements are presented for the three months ended March 31, 2010 and 2009. The Consolidated Financial Statements as of December 31, 2009 were audited.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Cowen Group, Inc.

Condensed Consolidated Statements of Financial Condition

(in thousands, except share and per share data)

(unaudited)

	As of March 31, 2010	As of December 31, 2009
Assets		
Cash and cash equivalents	$ 12,855	$ 147,367
Cash collateral pledged	501	7,246
Securities owned, at fair value	141,960	54,153
Other investments	25,376	28,490
Receivable from brokers	62,377	32,525
Fees receivable	16,029	22,446
Due from related parties (see Note 16)	10,568	14,860
Fixed assets, net of accumulated depreciation and amortization of $18,033 and $16,449, respectively	30,822	32,603
Goodwill	27,179	27,179
Intangible assets, net of accumulated amortization of $5,416 and $4,506, respectively	15,484	16,394
Other assets	25,674	24,199
Consolidated Funds		
Cash and cash equivalents	1,031	625
Securities owned, at fair value	8,628	
Other investments, at fair value	515,195	550,407
Other assets	1,431	947
Total Assets	**$ 895,110**	**$ 959,441**
Liabilities and Stockholders' Equity		
Securities sold, not yet purchased, at fair value	$ 58,298	$ 14,812
Payable to brokers	28,523	3,817
Compensation payable	25,078	80,923
Note payable and short-term borrowings	18,000	49,746
Fees payable (see Note 16)	3,417	5,387
Due to related parties (see Note 16)	7,924	8,103
Accounts payable, accrued expenses and other liabilities	49,986	65,599
Consolidated Funds		
Capital withdrawals payable	23,531	26,312
Accounts payable, accrued expenses and other liabilities	348	392
Total Liabilities	**215,105**	**255,091**
Commitments and Contingencies (see Note 11)		
Redeemable non-controlling interests	**215,400**	**230,825**
Stockholders' equity		
Preferred stock, par value $0.01 per share; 10,000,000 shares authorized, no shares issued and outstanding		
Class A common stock, par value $0.01 per share: 250,000,000 shares authorized, 74,743,163 shares issued and outstanding as of March 31, 2010 and December 31, 2009 (including 2,298,204 and 2,323,116	726	726

restricted shares, respectively)				
Class B common stock, par value $0.01 per share: 250,000,000 authorized, no shares issued and outstanding				
Additional paid-in capital		488,082		483,872
Accumulated deficit		(23,529)		(10,553)
Accumulated other comprehensive loss		(674)		(520)
Total stockholders' equity		**464,605**		**473,525**
Total Liabilities and Stockholders' Equity	**$**	**895,110**	**$**	**959,441**

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

Table of Contents

Cowen Group, Inc.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenues		
Investment banking	$ 6,005	$
Brokerage	29,575	
Management fees	9,270	11,511
Incentive income	2,093	
Interest and dividends	804	91
Reimbursement from affiliates	1,742	3,394
Other	622	1,019
Consolidated Funds		
Interest and dividends	5,781	4,626
Other	366	84
Total revenues	**56,258**	**20,725**
Expenses		
Employee compensation and benefits	43,433	14,907
Floor brokerage and trade execution	5,028	
Interest and dividends	446	349
Professional, advisory and other fees	2,388	1,402
Service fees	3,812	606
Communications	3,302	274
Occupancy and equipment	5,629	2,531
Depreciation and amortization	2,494	1,236
Client services and business development	4,164	1,485
Other	7,386	2,739
Consolidated Funds		
Interest and dividends	1,568	2,410
Professional, advisory and other fees	678	840
Floor brokerage and trade execution	709	
Other	204	127
Total expenses	**81,241**	**28,906**
Other income (loss)		
Net gains (losses) on securities, derivatives and other investments	1,524	259
Consolidated Funds:		
Net realized and unrealized gains (losses) on investments and other transactions	19,218	12,667
Net realized and unrealized gains (losses) on derivatives	(220)	(17,355)
Net gains (losses) on foreign currency transactions	(725)	1,341
Total other income (loss)	**19,797**	**(3,088)**
Income (loss) before income taxes	**(5,186)**	**(11,269)**
Income tax expense (benefit)	(266)	(66)
Net income (loss)	**(4,920)**	**(11,203)**

Net (income) loss attributable to non-controlling interests in consolidated subsidiaries	(8,056)	2,404
Net income (loss) attributable to Cowen Group, Inc. stockholders	**$ (12,976)**	**$ (8,799)**
Weighted average common shares outstanding:		
Basic	72,509	37,537
Diluted	72,509	37,537
Earnings (loss) per share:		
Basic	$ (0.18)	$ (0.23)
Diluted	$ (0.18)	$ (0.23)

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

Table of Contents

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

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings/ Accumulated deficit	Total Stockholders' Equity	Redeemable Noncontrolling Interest	Total Comprehensive Income (Loss)
Balance, December 31, 2009	**74,743,163**	**$ 726**	**$ 483,872**	**$ (520)**	**$ (10,553)**	**$ 473,525**	**$ 230,825**	
Comprehensive income (loss):								
Net income (loss)					(12,976)	(12,976)	8,056	(4,920)
Defined Benefit Plans				87		87		87
Foreign currency translation				(241)		(241)		(241)
Total comprehensive income				(154)	(12,976)	(13,130)	8,056	(5,074)
Capital contributions							1,902	
Capital distributions							(23,671)	
Deconsolidation of CHRP GP (see Note 2b)							(1,712)	
Amortization of share based compensation			4,210			4,210		
Balance, March 31, 2010	**74,743,163**	**$ 726**	**$ 488,082**	**$ (674)**	**$ (23,529)**	**$ 464,605**	**$ 215,400**	

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

Table of Contents

Cowen Group, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash flows from operating activities:		
Net income (loss)	$ (4,920)	$ (11,203)
Adjustments to reconcile net income (loss) to net cash (used in) / provided by operating activities:		
Depreciation and amortization	2,494	1,236
Share-based compensation	4,210	
Net loss on disposal of fixed assets	264	
Purchases of securities owned, at fair value	(123,057)	(56,709)
Proceeds from sales of securities owned, at fair value	72,719	60,049
Proceeds from the sale of short investments	36,626	
Payments to cover short investments	(17,641)	
Net (gains) losses on securities, derivatives and other investments	(1,297)	(586)
Consolidated Funds:		
Purchases of securities owned, at fair value	(52,535)	
Proceeds from sales of securities owned, at fair value	43,904	
Purchases of other investments	(13,039)	(1,015)
Proceeds from sales of other investments	69,481	35,824
Net realized and unrealized (gains) losses on securities and other investments and other transactions	(21,227)	1,875
(Increase) decrease in operating assets:		
Securities owned, at fair value, held at broker dealer	(37,710)	
Receivable from brokers	(29,852)	14,287
Fees receivable	6,417	5,012
Due from related parties	4,292	6,325
Other assets	(1,475)	(714)
Consolidated Funds:		
Cash and cash equivalents	(406)	(39)
Other assets	(725)	153
Increase (decrease) in operating liabilities:		
Securities sold, but not yet purchased, at fair value, held at broker dealer	24,629	
Payable to brokers	24,706	
Compensation payable	(55,527)	(27,772)
Fees payable	(1,970)	(5,146)
Due to related parties	(179)	1,662
Accounts payable, accrued expenses and other liabilites	(15,613)	(3,854)
Consolidated Funds:		
Due to related parties		(136)
Accounts payable, accrued expenses and other liabilities	(44)	(63)
Net cash (used in) / provided by operating activities	**(87,475)**	**19,186**

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

Table of Contents

Cowen Group, Inc.

Condensed Consolidated Statements of Cash Flows (Continued)

(in thousands)

(unaudited)

	Three Months Ended March 31, 2010		Three Months Ended March 31, 2009	
(continued)				
Cash flows from investing activities:				
Purchases of other investments		(958)		
Proceeds from sales of other investments		3,539		4,233
Purchase of fixed assets		(67)		(195)
Net cash provided by investing activities		**2,514**		**4,038**
Cash flows from financing activities:				
Securities repurchased under agreement to sell				(1,425)
Repayments on the line of credit		(25,001)		
Capital withdrawals to members				(12,664)
Consolidated Funds:				
Repayments on the line of credit				(10,208)
Capital contributions by non-controlling interests in Consolidated Funds		1,902		
Capital withdrawals to non-controlling interests in Consolidated Funds		(26,452)		(21,991)
Net cash used in financing activities		**(49,551)**		**(46,288)**
Change in cash and cash equivalents		(134,512)		(23,064)
Cash and cash equivalents at beginning of period		147,367		46,677
Cash and cash equivalents at end of period	**$**	**12,855**	**$**	**23,613**
Supplemental information				
Cash paid during the period for interest	**$**	**580**	**$**	**18**
Cash paid during the period for taxes	**$**	**138**	**$**	**230**
Supplemental non-cash information:				
Deconsolidation of CHRP GP (See Note 2b)	**$**	**1,712**	**$**	
Net settlement of cash collateral pledged with repayments on the line of credit	**$**	**6,745**	**$**	

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

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Organization and Business

Cowen Group, Inc., a Delaware corporation, was formed on June 1, 2009 in connection with the Transaction Agreement and Agreement and Plan of Merger ("Transaction Agreement"), dated as of June 3, 2009, by and among Cowen Holdings, Inc., ("Cowen Holdings," formerly Cowen Group, Inc.), Lexington Merger Corp., Ramius LLC ("Ramius," formerly Park Exchange LLC) and RCG Holdings LLC ("RCG," formerly Ramius LLC). For more information related to the acquisition, see Note 3.

Cowen Group, Inc. is a diversified financial services firm and, together with its consolidated subsidiaries (collectively, "Cowen Group" or the "Company") provides alternative investment management, investment banking, research, and sales and trading services through its two business segments: alternative investment management and broker-dealer. The alternative investment management segment includes hedge funds, fund of funds, real estate, healthcare royalty funds and cash management services, offered primarily under the Ramius name. The broker-dealer segment offers industry focused investment banking services for growth-oriented companies, domain knowledge-driven research and a sales and trading platform for institutional investors, primarily under the Cowen name.

2. Significant Accounting Policies

a.
Basis of presentation

These consolidated financial statements include the accounts of the Company, its operating and other subsidiaries, and entities in which the Company has a controlling financial interest or a substantive, controlling general partner interest. All material intercompany transactions and balances have been eliminated in consolidation. Certain fund entities that are consolidated in these 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.

In the opinion of management these unaudited consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") related to interim financial statements. Results for interim periods should not be considered indicative of results for any other interim period or for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007, included in the Form 10-K of Cowen Group as filed with the SEC on March 25, 2010. 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 business combination between Ramius and Cowen Holdings was accounted for as an acquisition by Ramius of Cowen Holdings. As a result, the historical financial statements of Ramius have become the historical financial statements of the Company.

The assets and liabilities of Cowen Holdings were recorded at their respective fair values, as of November 2, 2009, and combined with those of Ramius. The financial statements of the Company that include periods after November 2, 2009 reflect such fair values and were not restated retroactively to reflect the historical financial position or results of operations of Cowen Holdings. For periods after November 2, 2009, the results of operations of Cowen Holdings are included in the results of

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

2. Significant Accounting Policies (Continued)

operations of the Company. Stockholders' equity has been retroactively restated to include the 37,536,826 shares of Class A common stock issued to RCG at the consummation of the Transactions (as defined in Note 3) as the issued capital for all periods prior to the Transactions.

The Company serves as the managing member/general partner and/or investment manager to affiliated fund entities which it sponsors and manages. Certain of these funds in which the Company has a substantive, controlling general partner interest are consolidated with the Company pursuant to US GAAP as described below (the "Consolidated Funds"). Consequently, the Company's consolidated financial statements reflect the assets, liabilities, income and expenses of these funds on a gross basis. The ownership interests in these funds which are not owned by the Company are reflected as non-controlling interests in consolidated subsidiaries in the accompanying 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 interest entity ("VOE") or a variable interest entity ("VIE") under US GAAP.

Voting Interest 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 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 Financial Accounting Standards Board ("FASB") accounting standards. In accordance with these standards, the Company presently consolidates five funds deemed to be VOEs for which it acts as the general partner. RTS Global 3x Fund LP ("RTS 3x") was first consolidated in the first quarter of 2010, when it commenced operations.

VIEs are entities that lack one or more of the characteristics of a VOE. Any enterprise having a controlling financial interest in a VIE is considered that VIE's primary beneficiary. In accordance with FASB accounting standards, an enterprise must consolidate all VIEs of which it is the primary beneficiary. Prior to the adoption of the revised accounting guidance for VIEs (as discussed in note 2d) the primary beneficiary of a VIE is defined as the enterprise that has a variable interest, or a combination of variable interests, that will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. Subsequent to the adoption of the revised accounting guidance for VIEs the primary beneficiary of a VIE is the enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and which has an obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company determines whether it is the primary beneficiary of a VIE by performing a qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, terms of any contracts between the Company and the VIE, which interests create or absorb variability, related party relationships and the design of the VIE.

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

2. Significant Accounting Policies (Continued)

The Company has determined that it no longer exercises control over Cowen Healthcare Royalty GP, LLC (the "CHRP GP") as it no longer acts as managing member of this entity, and beginning with the first quarter of 2010, no longer consolidates this entity. The Company now accounts for its investment in the CHRP GP under the equity method of accounting.

c. Valuation of investments and derivative contracts

The Financial Accounting Standards Board's ("FASB") accounting standards establish 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 analyses, 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

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

2. Significant Accounting Policies (Continued)

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 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" valuation technique to value its financial instruments measured at fair value. In determining an instrument's placement 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, 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. Derivative contracts are included within other assets on the consolidated statements of financial condition.

Other investments Other investments measured at fair value consist primarily of portfolio funds and real estate investments, which are valued as follows:

i.

Portfolio funds Portfolio funds ("Portfolio Funds") include interests in funds and investment companies managed externally by the Company and unaffiliated managers. The Company follows a new accounting pronouncement regarding fair value measurements and disclosures relating to investments in certain entities that calculate net asset value ("NAV") per share (or

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

2. Significant Accounting Policies (Continued)

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 the 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 fair value measurement. 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 fair value measurement. See Note 4 for further details of the Company's investments in Portfolio Funds.

ii.

Real estate investments Real estate investments are valued at estimated 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 earning 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.

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

2. Significant Accounting Policies (Continued)

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

See Note 4 for further information regarding the Company's investments and fair value measurements.

d.

Recently adopted accounting pronouncements

In June 2009, the FASB issued a new accounting standard which revises the accounting for VIEs by introducing a new consolidation model. This new standard changes the approach to determining the primary beneficiary of a VIE and requires companies to more frequently assess whether they must consolidate VIEs. The new model identifies two primary characteristics of a controlling financial interest: (1) the power to direct significant activities of the VIE, and (2) the obligation to absorb losses of and/or provide rights to receive benefits from the VIE that are potentially significant to the VIE. In February 2010, the FASB finalized an Accounting Standards Update ("ASU") which defers the requirements of this standard for certain interests in investment funds and certain similar entities. Therefore the adoption of this new standard on January 1, 2010 did not have a material impact on the Company's financial position, results of operations or cash flows, as substantially all of the entities in which it holds variable interests qualify for the scope deferral under the ASU.

In June 2009, the FASB issued amended guidance on accounting for transfers of financial assets. The amendments were issued to improve the information that a reporting entity provides in its financial statements about a transfer of financial assets, the effects of a transfer on its financial statements, and a transferor's continuing involvement, if any, in transferred financial assets. The amendments eliminate the concept of qualifying special purpose entities from US GAAP. These entities will now be evaluated for consolidation in accordance with the applicable consolidation criteria. The amendments are effective for reporting periods beginning on or after November 15, 2009. The adoption of this new standard on January 1, 2010 did not have a material impact on the Company's financial position, results of operations or cash flows.

In January 2010, the FASB issued a new accounting standard that provides amended disclosure requirements related to fair value measurements. This standard is effective for financial statements issued for reporting periods beginning after December 15, 2009 for certain disclosures and for reporting periods beginning after December 15, 2010 for other disclosures. Since these amended principles require only additional disclosures concerning fair value measurements, adoption will and has not affected the Company's financial condition, results of operations or cash flows.

e.

Future adoption of accounting pronouncements

As of March 31, 2010, none of the changes to the Codification issued by the FASB that are not yet effective are expected to have an impact on the Company's financial position or results of operations.

3. Acquisition

On November 2, 2009, the transactions contemplated by the Transaction Agreement (the "Transactions"), were consummated including (1) the merger of Lexington Merger Corp. with and into

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

3. Acquisition (Continued)

Cowen Holdings, pursuant to which each outstanding share of common stock of Cowen Holdings was converted into one share of Class A common stock of the Company and (2) the transfer by RCG (which prior to the consummation of the Transactions operated the Ramius business) of substantially all of its assets and liabilities to Park Exchange LLC in exchange for the Company's issuance to RCG of 37,536,826 shares of Class A common stock of the Company. Following the consummation of the Transactions, each of Park Exchange LLC and Cowen Holdings became wholly owned subsidiaries of the Company, and Park Exchange LLC was renamed Ramius LLC.

The Transactions were accounted for under the acquisition method in accordance with US GAAP. Accordingly, the Transactions were accounted for as an acquisition by Ramius of Cowen Holdings. As such, results of operations for Cowen Holdings are included in the accompanying consolidated statements of operations since the date of acquisition, and the assets acquired and liabilities assumed were recorded at their fair value as at the acquisition date.

Included in the accompanying consolidated statements of operations for the three months ended March 31, 2010 are revenues of $38.1 million and a net loss of $15.2 million related to Cowen Holdings. The following table provides unaudited supplemental pro forma financial information for the three months ended March 31, 2009 as if the Transactions had occurred as of the beginning of that period:

		Three Months Ended March 31, 2009 (in thousands, except per share data) (unaudited)
Pro forma total revenues	$	64,458
Pro forma net loss		(20,394)
Pro forma net loss attributable to Cowen Group, Inc. stockholders		(18,410)
Pro forma net loss per share:		
Basic	$	(0.33)
Diluted	$	(0.33)

4. Investments and Fair Value Measurements for 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.

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

As of March 31, 2010 and December 31, 2009, securities owned consisted of the following, at fair value:

	As of March 31, 2010	As of December 31, 2009
	(dollars in thousands)	
U.S. Government securities*	$ 14,003	$
Common stocks	51,206	11,439
Restricted common stock	5,058	
Corporate bonds*	64,489	38,327
Options	5,300	1,312
Warrants and rights	587	1,356
Mutual Funds	1,317	1,719
	$ 141,960	$ 54,153

* At March 31, 2010, maturities ranged from April 2010 to December 2012 and interest rates ranged between 0.04% and 12.00%. At December 31, 2009, maturities ranged from April 2010 to December 2012 and interest rates ranged between 0.04% and 12.00%.

Other investments

As of March 31, 2010 and December 31, 2009, other investments consisted of the following:

Other investments

	As of March 31, 2010	As of December 31, 2009
	(dollars in thousands)	
(1) Portfolio Funds, at fair value	$ 17,022	$ 20,683
(2) Real estate investments, at fair value	1,108	1,077
(3) Equity method investments	6,933	6,521
(4) Lehman claims, at fair value	313	209
	$ 25,376	$ 28,490

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

(1) Portfolio Funds, at fair value

The Portfolio Funds as of March 31, 2010 and December 31, 2009, included the following:

Portfolio Funds

	As of March 31, 2010	As of December 31, 2009
	(dollars in thousands)	
Tapestry Investment Co PCC Ltd	$ 1,505	$ 2,669
Cowen Healthcare Royalty Partners, L.P.	14,144	17,009
Ramius Global Credit Fund LP	801	
Ramius Value and Opportunity Fund LP	298	639
RCG Special Opportunities Fund, Ltd	165	321
Other affiliated funds	109	45
	$ 17,022	$ 20,683

(2) Real estate investments, at fair value

Real estate investments at March 31, 2010 and December 31, 2009 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 $0.3 million and $0.2 million, respectively, and real estate debt investments held by the Company of $0.8 million and $0.9 million, respectively.

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

(3) Equity method investments

Equity method investments include investments held by the Company in several operating companies whose responsibilities 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 fund's 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 unilateral 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 CHRP GP (see note 2b). The following table summarizes equity method investments held by the Company:

	As of March 31, 2010	As of December 31, 2009
	(dollars in thousands)	
RCG Longview Debt Fund IV Management, LLC	$ 1,944	$ 1,651
Cowen Healthcare Royalty GP, LLC*	1,153	
RCG Longview Partners, LLC	1,365	1,565
RCG Urban American, LLC	675	605
Urban American Real Estate Fund II, L.P.	490	409
RCG Longview Louisiana Manager, LLC	341	400
RCG Longview Equity Management, LLC	298	1,360
RCG Kennedy House, LLC	258	222
Other	409	309
	$ 6,933	$ 6,521

*

See Note 2b

As of March 31, 2010, 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 fund. This obligation is due to a change in unrealized value of the fund on which there have previously been distributed carried interest realizations; however, the settlement of a potential obligation is not due until the end of the life of the respective fund. As the Company is obligated to return previous distributions it received from RCG Longview Partners II, LLC, it has continued to record its share of

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

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 $0.4 million and $0.6 million for the three months ended March 31, 2010 and 2009, respectively, and is included in net gains (losses) on securities, derivatives and other investments on the accompanying condensed consolidated statements of operations.

(4) Lehman Claims, at fair value

Lehman Brothers International (Europe) ("LBIE"), through certain affiliates, was a prime broker to the Company, and the Company held cash and cash equivalent balances with LBIE. On September 15, 2008, LBIE was placed into administration (the "Administration") in the United Kingdom and, as a result, the assets held by the Company in its LBIE accounts were frozen at LBIE. The 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. 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 fair value the Total Net Equity Claim at an approximately 80% discount at December 31, 2009 and a 70% discount at March 31, 2010, which represents management's best estimate at the respective dates of 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 Lehman 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.

Securities sold, not yet purchased, at fair value

Securities sold, not yet purchased, represent obligations of the Company to deliver a specified security at a contracted price and, thereby, create a liability to purchase that security in the market at prevailing prices. The Company's liability for securities to be delivered is measured at their fair value as of the date of the 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, 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. Securities sold, not yet

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

purchased, at fair value, were $58.3 million and $14.8 at March 31, 2010 and December 31, 2009, respectively.

b.
Consolidated Funds

Securities owned, at fair value

Securities owned held by the Consolidated Funds are comprised of:

		As of March 31, 2010		As of December 31, 2009
		(dollars in thousands)		
U.S. Government securities*	$	7,438	$	
Corporate bonds*		1,190		
	$	8,628	$	

* Maturities in 2010 range from April 2010 to April 2011 and interest rates ranging between 0.00% and 4.88%. Investments are United States based. The corporate bonds cover the healthcare, mortgage and utility industries.

Other investments, at fair value

Other investments held by the Consolidated Funds are comprised of:

		As of March 31, 2010		As of December 31, 2009
		(dollars in thousands)		
(1) Portfolio Funds	$	501,229	$	546,526
(2) Lehman Claims		13,966		3,881
	$	515,195	$	550,407

(1) Investments in Portfolio Funds, at fair value

At March 31, 2010 and December 31, 2009, investments in Portfolio Funds, at fair value, included the following:

		As of March 31, 2010		As of December 31, 2009
		(dollars in thousands)		
Investments of Enterprise LP	$	412,294	$	449,160

Investments of consolidated fund of funds investment companies		88,935		97,366
	$	501,229	$	546,526

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

Consolidated investments of Enterprise LP

Ramius Enterprise LP ("Enterprise LP") operated under a "master feeder" structure with Ramius Enterprise Master Fund Ltd ("Enterprise Master"), whereby Enterprise Master's shareholders are Enterprise LP and RCG II Intermediate, LP. The consolidated investments in Portfolio Funds recorded in other investments on the condensed consolidated statements of financial condition includes Enterprise LP's investment of $412.3 million and $449.2 million in Enterprise Master as of March 31, 2010 and December 31, 2009, respectively. Enterprise LP can redeem from or contribute to its investment in Enterprise Master on a monthly basis at the decision of the Company with no prior notice as cash is needed at Enterprise LP. There are no unfunded commitments at Enterprise LP. See Note 11 for unfunded commitments of Enterprise Master. Enterprise Master utilizes certain strategies including 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 has broad investment powers and maximum flexibility in seeking to achieve its investment objective. It may invest in equity securities, debt instruments, options, futures, swaps, credit default swaps and other derivatives. See Note 5 for further information on the underlying investments of Enterprise Master.

Investments of consolidated fund of funds investment companies

The investments of consolidated fund of funds investment companies of $88.9 million and $97.4 million at March 31, 2010 and December 31, 2009, respectively, include the investments of Ramius Levered Multi-Strategy FOF LP ("Levered FOF"), Ramius Multi-Strategy FOF LP ("Multi-Strat FOF") and Ramius Vintage Multi-Strategy FOF LP ("Vintage FOF"), all of which are investment companies managed by Ramius Alternative Solutions LLC and RTS 3x which is managed by Ramius Trading Strategies LLC. Levered FOF's and Multi-Strat FOF's investment objectives are to invest discrete pools of their capital on a leveraged basis among portfolio managers that invest through Portfolio Funds, forming a multi-strategy, diversified investment portfolio designed to achieve returns with low to moderate volatility. Vintage FOF's investment objective is to allocate its capital among portfolio managers that invest through investment pools or managed accounts thereby forming concentrated investments in high conviction managers designed to achieve attractive risk adjusted returns with moderate relative volatility. RTS 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 pursuant to managed futures and global macro-based investment strategies. RTS 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 3x.

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

The following is a summary of the investments held by the four consolidated fund of funds, at fair value, as of March 31, 2010 and December 31, 2009:

		March 31, 2010				
		Ramius Levered Multi-Strategy FOF LP	Ramius Multi-Strategy FOF LP	Ramius Vintage Multi-Strategy FOF LP	RTS Global 3x Fund LP	Total Fair Value
	Strategy	Fair Value	Fair Value	Fair Value	Fair Value	
		(dollars in thousands)				
Ramius Multi-Strategy Master FOF LP*	Multi-Strategy	$	$ 34,536	$	$	$ 34,536(a)
Ramius Vintage Multi-Strategy Master FOF LP*	Multi-Strategy			40,255		40,255(a)
Tapestry Pooled Account V LLC*	Credit-Based	726				726(b)
Externally Managed Portfolio Funds	Credit-Based	639				639(b)
Externally Managed Portfolio Funds	Futures & Global Macro				9,354	9,354(c)
Externally Managed Portfolio Funds	Event Driven	2,815				2,815(d)
Externally Managed Portfolio Funds	Hedged Equity	29				29(e)
Externally Managed Portfolio Funds	Multi-Strategy	528				528(f)
Externally Managed Portfolio Funds	Fixed Income Arbitrage	53				53(g)
Externally Managed Portfolio Funds	Other					
		$ 4,790	$ 34,536	$ 40,255	$ 9,354	$ 88,935

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

		December 31, 2009			
		Ramius Levered Multi-Strategy FOF LP	Ramius Multi-Strategy FOF LP	Ramius Vintage Multi-Strategy FOF LP	
	Strategy	Fair Value	Fair Value	Fair Value	Total Fair Value
		(dollars in thousands)			
Ramius Multi-Strategy Master FOF LP*	Multi-Strategy	$	$ 43,939	$	$ 43,939(a)
Ramius Vintage Multi-Strategy Master FOF LP*	Multi-Strategy			47,371	47,371(a)
Tapestry Pooled Account V LLC*	Credit-Based	783			783(b)
Externally Managed Portfolio Funds	Credit-Based	1,894			1,894(b)
Externally Managed Portfolio Funds	Event Driven	2,787			2,787(d)
Externally Managed Portfolio Funds	Hedged Equity	28			28(e)
Externally Managed Portfolio Funds	Multi-Strategy	497			497(f)
Externally Managed Portfolio Funds	Fixed Income Arbitrage	56			56(g)
Externally Managed Portfolio Funds	Other	11			11
		$ 6,056	$ 43,939	$ 47,371	$ 97,366

* These Portfolio Funds are affiliates of the Company.

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

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

(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. Of this balance, 43% has annual redemption policies subject to a 90-day redemption notification period. 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 made up of several portfolio funds, each of which will be advised independently by a professional commodity trading advisor implementing primarily managed futures or global macro-based investment strategies. The trading advisors (through their respective portfolio funds) 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 funds are monthly (and intra-monthly for a $10,000 fee) and the notification period for redemptions is 5 business days (or 3 business days for intra-month).

(d) The Event Driven strategy is generally implemented through various combinations and permutations of merger arbitrage, restructuring and distressed instruments. Approximately 9% of 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. The remaining amount of the investments in this category is 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. As of December 31, 2009, the investee fund manager has side-pocketed the Company's investment.

(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 December 31, 2009, the investment manager has gated the Company's investment.

(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. As a result of Enterprise Master and certain of the funds managed by the Company having assets they 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.

Table of Contents

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)

In addition, Lehman Brothers, Inc. ("LBI") was a prime broker to Enterprise Master and it holds cash balances of $5.3 million. 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 recent 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, the court filings also indicate that Barclays plc has submitted a substantial claim against LBI relating to an asset purchase agreement entered into by Barclays plc with LBIE near the time of the SIPC liquidation proceeding 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 LBI exposure at 47%, 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 LBI 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 material.

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 at March 31, 2010 and December 31, 2009, the Company identified Consolidated Funds that had interests in an issuer of investments, for which the Company's pro-rata share exceeds 5% of the Consolidated Funds' net assets (on an aggregated basis). The following table presents such interests which represent the aggregate of (i) the gross amount of exposure that Consolidated Funds have through their investments held directly and (ii) the gross amount of exposure held indirectly through their investments in any unconsolidated master funds:

	As of March 31, 2010	
	Shares/ Principal Amount	Fair Value
	(amounts in thousands)	
U.S. Treasury notes, 0.87% - 8.75%, due February 2012 - August 2020, including futures	$ 77,342	$ 81,354
U.S. Treasury notes, 1.00% - 3.625%, due December 2011 - February 2020, including futures	111,710	(111,342)

Cowen Group, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Investments and Fair Value Measurements for Operating Entities and Consolidated Funds (Continued)