COWEN INC.
Form 10-K
March 06, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K
Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended: December 31, 2017 Commission file number: 001-34516
Cowen Inc.
(Exact name of registrant as specified in its charter)

Delaware	27-0423711
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

599 Lexington Avenue
New York, New York 10022
(212) 845-7900
(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	The Nasdaq Global Market
7.35% Senior Notes due 2027	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No Q
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No Q
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Annual Report on Form 10-K or any amendment to the Annual Report on Form 10-K. Q
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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The aggregate market value of Class A common stock held by non-affiliates of the registrant on June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the Class A common stock on the NASDAQ Global Market on that date was $476,392,881.

As of March 5, 2018 there were 28,985,051 shares of the registrant's common stock outstanding.

Documents incorporated by reference:

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its 2018 Annual Meeting of Stockholders.

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Special Note Regarding Forward-Looking Statements

We have included or incorporated by reference into our Annual Report on Form 10-K (the "Annual Report"), and from time to time may make in our public filings, press releases or other public documents, certain statements, including (without limitation) those under Item 1—"Business," Item 1A—"Risk Factors," Item 3—"Legal Proceedings," Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A—"Quantitative and Qualitative Disclosures about Market Risk" that may constitute "forward-looking statements" within the meaning of the safe harbor provisions 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 outlined under Item 1A—"Risk Factors" in this Annual Report. 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.

PART I

When we use the terms "we," "us," "Cowen" and the "Company," we mean Cowen Inc., a Delaware corporation, its consolidated subsidiaries and entities in which it has a controlling financial interest, taken as a whole, as well as any predecessor entities, unless the context otherwise indicates.

Item 1. Business

Overview

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

The Company's investment management platform, which operates primarily under the Cowen Investment Management name (formerly "Ramius"), offers innovative investment products and solutions across the liquidity spectrum to institutional and private clients. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been registered with the United States Securities and Exchange Commission (the “SEC”) as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act") since 1997. The Company's investment management business offers investors access to a number of strategies to meet their specific needs including long/short equity, merger arbitrage, activism, health care royalties, private healthcare and private real estate. The Company's investment management business focuses on attracting and retaining talented in-house and affiliated investment teams and providing seed capital and working capital, an institutional infrastructure, robust sales and marketing and industry knowledge. A significant portion of the Company’s capital is invested alongside the Company's investment management clients. The Company has also invested some of its capital in its aviation and reinsurance businesses. Our investment management business had approximately $11.0 billion of assets under management as of January 1, 2018. See the section titled "Assets Under Management and Fund Performance" for further analysis.

Our broker-dealer businesses include investment banking, research, sales and trading, prime brokerage, global clearing and commission management services to companies and primarily institutional investor clients. Our primary target sectors ("Target Sectors") are healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, energy and transportation. We provide research and brokerage services to over 4,000 domestic and international clients seeking to trade securities and other financial instruments, principally in our target sectors. The broker-dealer segment also offers a full-service suite of introduced prime brokerage services targeting emerging private fund managers. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies. From time to time, the Company invests in private capital raising transactions of its investment banking clients.

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

Principal Business Lines

Investment Management Products and Services

Investment Management Strategies

The Company's investment management strategies are focused on addressing the needs of institutional investors and high net worth individuals to preserve and grow allocated capital. The Company and its affiliated investment advisors offer a variety of investment management products that provide access to a number of strategies, including merger arbitrage, long/short equity, activism and private healthcare. The Company and one of its affiliated investment advisors also manage certain multi-strategy private funds that are currently in wind-down. The majority of assets remaining in these private funds include investments in private companies, real estate investments and special situations.

Real Estate

Our real estate business focuses on generating attractive, risk adjusted returns by creating and offering to investors vehicles that invest in real estate using an owner/manager approach. We underwrite securities issued by and provide advice and

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financing in connection with redevelopment of all real estate property types and have done so since 1999. This approach emphasizes a focus on real estate fundamentals and potential market inefficiencies. The RCG Longview platform of real estate funds provides senior bridge loans, subordinated mortgages, mezzanine loans, and preferred equity through its debt fund series, and makes equity investments through its equity funds. As of December 31, 2017, the members of the general partners of the RCG Longview platform of funds and their affiliates, independent of the RCG Longview funds, collectively owned interests in and/or managed over 21,000 apartments and approximately 21 million square feet of commercial space for their own accounts. The Company's ownership interests in the various general partners of the RCG Longview funds range from 20% to 55%.

HealthCare Royalty Partners

The Company’s healthcare royalties business primarily purchases royalties and uses debt-like structures to invest in commercial or near-commercial stage life science assets (through the funds managed by HealthCare Royalty Partners). We share the net management fees from the HealthCare Royalty Partners funds equally with the founders of HealthCare Royalty Partners. In addition, we have interests in the general partners of the HealthCare Royalty Partners funds ranging from 25% to 40.2%.

Broker-Dealer Business

Investment Banking

Our investment banking professionals are focused on providing strategic advisory and capital raising services to United States ("U.S.") and international public and private companies in our Target Sectors. By focusing on our Target Sectors over a long period of time, we have developed a significant understanding of the unique challenges and demands with respect to public and private capital raising and strategic advice in these sectors. Our advisory and capital raising capabilities begin at the early stages of a private company's accelerated growth phase and continue through its evolution as a public company. Our advisory business focuses on mergers and acquisitions, including providing fairness opinions and providing advice on other strategic transactions. Our capital markets capabilities include equity, including private investments in public equity and registered direct offerings, credit and fixed income, including public and private debt placements, exchange offers, consent solicitations and tender offers, as well as origination and distribution capabilities for convertible securities. We have a unified capital markets group which we believe allows us to be effective in providing cohesive solutions for our clients. Historically, a significant majority of our investment banking revenue has been earned from high-growth small and mid-capitalization companies. The Company, from time to time, may invest in private capital raising transactions of its clients.

Brokerage

Our team of brokerage professionals serves institutional investor clients in the U.S. and internationally. We trade common stocks, listed options, equity-linked securities and other financial instruments on behalf of our clients and offer a full-service suite of introduced prime brokerage services targeting emerging private fund managers. We provide our clients with an electronic execution suite. We provide global, multi-asset class algorithmic execution trading models to both buy side and sell side clients and also offer execution capabilities relating to these trading models through ATM Execution LLC ("ATM Execution"). We also provide our clients with commentary on political, economic and market conditions. We have relationships with over 4,000 institutional investor clients. Our brokerage team is comprised of experienced professionals dedicated to our Target Sectors, which allows us to develop a level of knowledge and focus that we believe differentiates our brokerage capabilities from those of many of our competitors. We tailor our account coverage to the unique needs of our clients. We believe that our sector traders are able to provide superior execution because of their knowledge of the interests of our institutional investor clients in specific companies in our Target Sectors.

In connection with the brokerage services we provide, our sales professionals also provide our institutional investor clients with access to the management of our investment banking clients outside the context of financing transactions. These meetings are commonly referred to as non-deal road shows. Non-deal road shows allow our investment banking clients to increase their visibility within the institutional investor community while providing our institutional investor clients with the opportunity to further educate themselves on companies and industries through meetings with management. We believe our deep relationships with company management teams and our sector-focused approach provide us with broad access to management for the benefit of our institutional investor and investment banking clients.

Research

As of December 31, 2017, we had a research team of 49 senior analysts covering approximately 931 companies. Within our equity coverage universe, approximately 30% are healthcare companies, 23% are TMT (technology, media and telecom) companies, 16% are energy companies, 13% are capital goods and industrial companies, 4% are basic materials companies and 14% are consumer companies. Our differentiated approach to research focuses our analysts' efforts toward delivering specific investment ideas and de-emphasizes maintenance research. We place significant emphasis on analyst collaboration, both within and between sectors. We sponsor a number of conferences every year that are focused on our Target

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Sectors and sub-sectors. During these conferences we highlight our investment research and provide significant investor access to corporate management teams. We provide research solely through our broker-dealers in connection with our provision of brokerage services.

Information About Geographic Areas

We are principally engaged in providing investment management services to global institutional investors and investment banking sales and trading and research services to corporations and institutional investor clients primarily in the United States. We provide brokerage services to companies and institutional investor clients in Europe through our broker-dealers located in the United Kingdom ("U.K.") Cowen International Limited ("Cowen International Ltd") and Convergex Limited (subsequently renamed to Cowen Execution Services Limited) (“Cowen Execution Ltd”).

Employees

As of March 5, 2018, the Company had 1,124 employees.

Competition

We compete with many other firms in all aspects of our business, including raising funds, seeking investment opportunities and hiring and retaining professionals, and we expect our business will continue to be highly competitive. The investment management and broker-dealer industries are currently undergoing contraction and consolidation, reducing the number of industry participants and generally resulting in the larger firms being better positioned to retain and gain market share. We compete in the United States and globally for investment opportunities, investor capital, client relationships, reputation and talent. We face competitors that are larger than we are and have greater financial, technical and marketing resources. Certain of these competitors continue to raise additional amounts of capital to pursue investment strategies that may be similar to ours. Some of these competitors may also have access to liquidity sources that are not available to us, which may pose challenges for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances or make different risk assessments than we do, allowing them to consider a wider variety of investments and establish broader networks of business relationships. Our competitive position depends on our reputation, our investment performance and processes, the breadth of our business platform and our ability to continue to attract and retain qualified employees while managing compensation and other costs. For additional information regarding the competitive risks that we face, see "Item 1A Risk Factors-Risks Related to the Company's Investment Management Business" and "Risk Factors-Risks Related to the Company's Broker-Dealer Business."

Regulation and Compliance

Our businesses, as well as the financial services industry generally, are subject to extensive regulation, including periodic examinations by governmental and self-regulatory organizations, in the United States and the jurisdictions in which we operate around the world. As a publicly traded company in the United States, we are subject to the U.S. federal securities laws and regulation by the SEC. Through our investment management and broker-dealer businesses we are subject to regulation by the SEC, the U.S. Commodity Futures Trading Commission (the "CFTC"), the Financial Industry Regulatory Authority, Inc. (“FINRA”) the National Futures Association (“NFA”), other self-regulatory organizations related to the financial services industry and the fifty state securities commissions in the U.S. and by the U.K. Financial Conduct Authority (“FCA”).

Virtually all aspects of our business are subject to various laws and regulations both inside and outside the United States, some of which are summarized below. Regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. Governmental authorities in the United States and in the other countries in which we operate from time to time propose additional disclosure requirements and regulations covering our investment management funds, our broker-dealers and our asset management business. The rules governing the regulation of the various aspects of our business are very detailed and technical. Accordingly, the discussion below is general in nature, does not purport to be complete and is current only as of the date of this report.

Rigorous legal and compliance analysis of our businesses and investments is important to our culture and risk management. We conduct regular training of our personnel to ensure that they are familiar with the laws and regulations governing our business and applicable to our clients as well as with our company's policies and procedures. In addition, we have adopted and implemented disclosure controls and procedures and internal controls over financial reporting, which have been documented, tested and assessed for design and operating effectiveness in compliance with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"). We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of conduct, compliance systems, communication of compliance guidance, conduct of annual compliance reviews and on-going employee education and training. Our corporate risk management function further analyzes our business, investment and other key risks, reinforcing their importance in our environment. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies

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and procedures. Our General Counsel supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities. Our compliance group also monitors the information barriers that we maintain between those of our different businesses that we are required to conduct separately or which present conflicts of interest, which we address through the use of information barriers. We believe that our various businesses' access to the intellectual capital, contacts and relationships that reside throughout our company's benefits all of our businesses. However, in order to maximize that access without compromising our legal and contractual obligations, our compliance group oversees and monitors the communications between or among our company's different businesses to ensure that we maintain material non-public information, client information and other confidential information in strict confidence. All parts of our business, including our brokerage and our investment management businesses, from time to time are subject to regulatory exams, investigations and proceedings, and our broker-dealers have received fines and penalties for infractions of various regulations relating to our activities. For additional information regarding the regulatory and compliance risks that we face, see "Item 1A Risk Factors-Risks Related to the Company's Investment Management Business" and "Risk Factors-Risks Related to the Company's Broker-Dealer Business."

Investment Management Business

The investment advisers responsible for the Company's investment management business are all registered as investment advisers with the SEC or rely upon the registration of an affiliated adviser. In addition, two of our investment advisers are also registered as Commodity Pool Operators (“CPOs”) and therefore are also subject to regulation by the NFA and the CFTC in respect to the futures and commodity-related fund business conducted by it. Registered investment advisers are subject to the requirements of the Advisers Act and the regulations promulgated thereunder. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, operational and marketing requirements, disclosure obligations, conflicts of interest, fees and prohibitions on fraudulent activities. The NFA and the CFTC each also administer a comparable regulatory system covering futures contracts and various other financial instruments that provide exposure to commodities, including swaps in which certain investment management products operated by the Company or its investment advisory affiliates or subsidiaries may invest.

The investment activities of our investment management business are also subject to regulation under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities Act of 1933, as amended (the "Securities Act"), the Investment Company Act of 1940, as amended ("the Investment Company Act") and various other statutes as well as the laws of the fifty states and the rules of various United States and non-United States securities exchanges related and self-regulatory organizations, including laws governing trading on inside information, market manipulation and a broad number of technical requirements (e.g., options and futures position limits, execution requirements and reporting obligations) and market regulation policies in the United States and globally. Congress, regulators, tax authorities and others continue to explore and implement regulations governing all aspects of the financial services industry. Most of our registered investment advisers are required to report certain information about a number of their investment management funds to the SEC and the two advisers registered as CPOs are also required to report certain information about a number of their commodity pools to the CFTC, pursuant to systemic risk reporting requirements adopted by both agencies.

In addition, certain of our investment advisers act as a “fiduciaries” under the Employee Retirement Income Security Act of 1974 (“ERISA”) and similar state laws with respect to private and public benefit plan clients. As such, the advisers, and certain of the investment management funds they advise, may be subject to ERISA and similar state law requirements and to regulations promulgated thereunder. ERISA, similar state laws and applicable provisions of the Internal Revenue Code of 1986 (the “IRC”), which regulate services provided to individual retirement accounts, impose duties on persons who are fiduciaries and other types of service providers to benefit plans and individual retirement accounts under ERISA, such state laws and the IRC, prohibit specified transactions involving IRA and benefit plan clients subject to ERISA or similar state laws (absent the availability of specified exemptions) and provide monetary penalties for violations of these prohibitions. In 2016, the U.S. Department of Labor (the “DOL) adopted amendments to the definition of “fiduciary” under the ERISA, which became applicable in June 2017, but is subject to delays in enforcement of certain of the provisions, including with respect to the applicability date for certain exemptions that were published by the DOL in connection with the amendments to the fiduciary rule. The fiduciary rule impacts certain aspects of the Company’s business, including sales of interest in private funds to IRAs and structuring of financial services to ERISA plans and IRAs. The Company has restructured its documentation and aspects of its business to comply with the fiduciary rule and to ensure that the Company does not become an unintended fiduciary.

Enacted on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was expansive in scope and led to the adoption of extensive regulations by the CFTC, the prudential regulators, the SEC and other governmental agencies. The current administration has suggested that it will seek to roll back some of this regulation, although it is not possible to predict whether changes will be made. Since its adoption, the Dodd-Frank Act has had an impact on the

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costs associated with derivatives trading by the Company and its clients, including as a result of requirements that transactions be margined, trade reported and, in some cases, centrally cleared.

The Dodd-Frank Act established the Financial Services Oversight Council (the "FSOC") to identify threats to the financial stability of the United States, promote market discipline, and respond to emerging risks to the stability of the United States financial system. The FSOC is empowered to determine whether the material financial distress or failure of a non-bank financial company would threaten the stability of the United States financial system, and such a determination can subject a non-banking finance company to supervision by the Board of Governors of the Federal Reserve and the imposition of standards and supervision including stress tests, liquidity requirements and enhanced public disclosures including the authority to require the supervision and regulation of systemically significant non-bank financial companies. We do not believe we are at risk of being considered a systemically significant non-bank financial company.

The regulation of swaps and derivatives under the Dodd-Frank Act directly affects the manner by which our investment management business utilizes and trades swaps and other derivatives, and has generally increased the costs of derivatives trading conducted on behalf of our clients. The European Union ("E.U.") (and some other countries) are now in the process of implementing similar requirements that will affect derivatives transactions with a counterparty organized in that country or otherwise subject to that country's derivatives regulation. The mandatory minimum margin requirements for bilateral derivatives adopted by the U.S. government and the E.U. came into effect in March 2017 in respect to variation margin and will be transitioned in through 2020 in respect to initial margin. Required margining of derivatives has affected our investment management business as these requirements generally increase costs associated with derivatives transactions and makes derivatives transactions more expensive.

Given our investment and insurance activities are carried out around the globe, we are subject to a variety of regulatory regimes that vary country by country. Our captive insurance and reinsurance companies are regulated by both the New York State Department of Finance and the Luxembourg Commissariat aux Assurances, respectively.

E.U. financial reforms included a number of initiatives to be reflected in new or updated directives and regulations, the most significant of which is the amendment to the pan-European regulatory regime, the Markets in Financial Instruments Directive ("MiFID II"), which went into effect in January 2018. MiFID II regulates the provision of investment services and activities throughout the European Economic Area. MiFID II requires that investment managers and investment advisers located in the E.U. "unbundle" research costs from commissions. As a result, investment firms subject to MiFID II may no longer pay for research using client commissions or "soft dollars." Going forward, such costs must be paid directly by the investment firm or through a research payment account funded by clients and governed by a budget that is agreed by the client. In the U.S., our investment management business expects to continue to pay for research using soft dollars consistent with applicable law. The change in regulations has also impacted the provisions of research by our U.S. broker-dealers. Because the acceptance of hard dollar payments would, under U.S. law, require registration as an investment adviser, our broker-dealers are requiring clients to continue to pay for research on a soft dollar basis unless the client is subject to MiFID II and we can rely on SEC relief so as not to have to register as an investment adviser.

Our businesses have operated for many years within a legal framework that requires us to be able to monitor and comply with a broad range of legal and regulatory developments that affect our activities both in the United States and abroad. As noted above, certain of our businesses are subject to compliance with laws and regulations of United States federal and state governments, foreign governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Additional legislation, changes in rules promulgated by the SEC, the CFTC, our other regulators and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect the mode of our operation and profitability. The United States and non-United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion or deregulation of a broker-dealer, an investment advisor or its directors, officers or employees.

Broker-Dealer Business

Cowen and Company, LLC ("Cowen and Company") is a registered broker-dealer with the SEC and in all 50 states, the District of Columbia and Puerto Rico and is a member in good standing with FINRA. Self-regulatory organizations, including FINRA, adopt and enforce rules governing the conduct and activities of its member firms, including Cowen and Company, ATM Execution, and Cowen Prime Services LLC ("Cowen Prime"), Convergex Execution Solutions LLC (subsequently renamed to Cowen Execution Services LLC) ("Cowen Execution") and Westminster Research Associates LLC (“Westminster”). In addition, state securities regulators have regulatory or oversight authority over our broker-dealer entities. Accordingly, Cowen and Company, ATM Execution, Cowen Prime, Cowen Execution and Westminster are subject to regulation and oversight by the SEC and FINRA and Cowen Prime, Cowen Execution and Westminster are also registered with and subject to oversight by the NFA. The Company's U.S. broker-dealers are also members of, and subject to regulation by various exchanges,

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based on their lines of business. Additionally, Cowen International Ltd and Cowen Execution Ltd are primarily regulated by the U.K. FCA.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds, conflicts of interest, securities and information, capital structure, research/banking interaction, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as registered broker-dealers and members of various self-regulatory organizations, Cowen and Company, ATM Execution, Cowen Prime, Cowen Execution and Westminster are subject to the SEC's uniform net capital rule. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule requires us to give prior notice to the SEC for certain withdrawals of capital. As a result, our ability to withdraw capital from our broker-dealer subsidiaries may be limited.

The effort to combat money laundering and terrorist financing is a priority in governmental policy with respect to financial institutions. The Bank Secrecy Act ("BSA"), as amended by Title III of the USA PATRIOT Act of 2001 and its implementing regulations ("Patriot Act"), requires broker-dealers and other financial services companies to maintain an anti-money laundering compliance program that includes written policies and procedures, designated compliance officer(s), appropriate training, independent review of the program, standards for verifying client identity at account opening and obligations to report suspicious activities and certain other financial transactions. Through these and other provisions, the BSA and Patriot Act seek to promote the identification of parties that may be involved in financing terrorism or money laundering. We must also comply with sanctions programs administered by the U.S. Department of Treasury's Office of Foreign Asset Control, which may include prohibitions on transactions with designated individuals and entities and with individuals and entities from certain countries.

Anti-money laundering laws outside the United States contain similar diligence and verification provisions. The obligation of financial institutions, including ours, to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures and controls that have increased, and may continue to increase, our costs. Any failure with respect to our programs in this area could subject us to serious regulatory consequences, including substantial fines, and potentially other liabilities.

Available Information

We routinely file annual, quarterly and current reports, proxy statements and other information required by the Exchange Act with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings also are available to the public from the SEC's internet site at http://www.sec.gov.

We maintain a public internet site at http://www.cowen.com and make available free of charge through this site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers, as well as any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also post on our website the charters for our Board of Directors' Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as our Corporate Governance Guidelines, our Code of Business Conduct and Ethics governing our directors, officers and employees and other related materials. The information on our website is not incorporated by reference into this Annual Report.

Item 1A. Risk Factors

Risks Related to the Company's Businesses and Industry

For purposes of the following risk factors, references made to the Company's funds include the various investment management products advised by the Company’s investment management business, the investment management products through which the Company invests its own capital, and real estate funds. References to the Company's broker-dealer business include Cowen and Company, ATM Execution, Cowen Execution, Westminster and Cowen Prime.

The Company

The Company's investment management and broker-dealer businesses have incurred losses in prior periods and may incur losses in the future.

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While the Company's broker-dealer business was profitable on an economic income basis for the year ended December 31, 2017, the Company's investment management business incurred a loss. In addition, the Company's broker-dealer business and investment management business have incurred losses in prior periods. For example, the Company's broker-dealer business incurred losses in each of the years ended December 31, 2016, 2013 and 2012. In addition, the Company's investment management business incurred losses in each of the years ended December 31, 2016, 2009 and 2008. The Company may incur losses in any of its future periods. Future losses may have a significant effect on the Company's liquidity as well as our ability to operate.

In addition, we may incur significant expenses in connection with any expansion, strategic acquisition or investment with respect to our businesses. Specifically, we have invested, and will continue to invest, in our broker-dealer business, including hiring a number of senior professionals to expand our research, investment banking and sales and trading product offerings. Accordingly, the Company will need to increase its revenues at a rate greater than its expenses to achieve and maintain profitability. If the Company's revenues do not increase sufficiently, or even if its revenues increase but it is unable to manage its expenses, the Company will not achieve and maintain profitability in future periods. As an alternative to increasing its revenues, the Company may seek additional capital through the sale of additional common stock or other forms of debt or equity financing. The Company cannot be certain that it would have access to such financing on acceptable terms.

The Company depends on its key senior personnel and the loss of their services would have a material adverse effect on the Company's businesses and results of operations, financial condition and prospects.

The Company depends on the efforts, skill, reputations and business contacts of its principals and other key senior personnel, the information and investment activity these individuals generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by the Company's senior professionals. Accordingly, the Company's continued success will depend on the continued service of these individuals. Key senior personnel may leave the Company in the future, and we cannot predict the impact that the departure of any key senior personnel will have on our ability to achieve our investment and business objectives. The loss of the services of any of them could have a material adverse effect on the Company's revenues, net income and cash flows and could harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future. Our senior and other key personnel possess substantial experience and expertise and have strong business relationships with investors in its funds, clients and other members of the business community. As a result, the loss of such personnel could have a material adverse effect on the Company's businesses and results of operations, financial condition and prospects.

The Company's ability to retain its senior professionals is critical to the success of its businesses, and its failure to do so may materially affect the Company's reputation, business and results of operations.

Our people are our most valuable resource. Our success depends upon the reputation, judgment, business generation capabilities and project execution skills of our senior professionals. Our employees' reputations and relationships with our clients are critical elements in obtaining and executing client engagements. The Company may encounter intense competition for qualified employees from other companies inside and outside of their industries. From time to time, the Company has experienced departures of professionals. Losses of key personnel have occurred and may occur in the future. In addition, if any of our client-facing employees or executive officers were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of the services of the Company.

The success of our businesses is based largely on the quality of our employees and we must continually monitor the market for their services and seek to offer competitive compensation. In challenging market conditions, which occurred in recent years, it may be difficult to pay competitive compensation without the ratio of our compensation and benefits expense to revenues becoming higher. In addition, a portion of the compensation of many of our employees takes the form of restricted stock or deferred cash that vest over a period of years, which is not as attractive to existing and potential employees as compensation consisting solely of cash or a lesser percentage of stock or other deferred compensation that may be offered by our competitors.

Difficult market conditions, market disruptions and volatility have adversely affected, and may in the future adversely affect, the Company's businesses, results of operations and financial condition.

The Company's businesses, by their nature, do not produce predictable earnings, and all of the Company's businesses may be materially affected by conditions in the global financial markets and by global economic conditions, such as interest rates, the availability of credit, inflation rates, economic uncertainty, changes in laws, commodity prices, asset prices (including real estate), currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts, protests or security operations). Challenging market conditions could affect the level and volatility of securities prices and the liquidity and the value of investments in the Company's funds or other investments in which the Company has investments of its own capital, and the Company may not be able to effectively manage its investment management business's exposure to

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challenging market conditions. Challenging market conditions can also adversely affect the Company's broker-dealer business as increased volatility and lower stock prices can make companies less likely to conduct transactions.

Volatility in the value of the Company's investments and securities portfolios or other assets and liabilities, including funds, or negative returns from the investments made by the Company could adversely affect the Company's results of operations and statement of financial condition.

The Company invests a significant portion of its capital base to help drive results and facilitate growth of its investment management and broker-dealer businesses. As of December 31, 2017, the Company's invested capital amounted to a net value $695.3 million (supporting a long market value of $1,063.8 million), representing approximately 93% of Cowen's stockholders' equity presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). In accordance with US GAAP, we define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP also establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Changes in fair value are reflected in the statement of operations at each measurement period. Therefore, continued volatility in the value of the Company's investments and securities portfolios or other assets and liabilities, including funds, will result in volatility of the Company's results. In addition, the investments made by the Company may not generate positive returns. As a result, changes in value or negative returns from investments made by the Company may have an adverse effect on the Company's financial condition or operations in the future.

If the Company were deemed an investment company under the U.S. Investment Company Act, applicable restrictions could make it impractical for the Company to continue its respective businesses as contemplated and could have a material adverse effect on the Company's businesses and prospects.

We are primarily engaged in a non-investment company business and believe the nature of our assets and the sources of our income exclude us from the definition of an investment company under the Investment Company Act.

The Investment Company Act and the rules thereunder contain detailed requirements for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. The Company intends to conduct its operations so that the Company will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause the Company to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on its capital structure, ability to transact business with affiliates (including subsidiaries) and ability to compensate key employees, could make it impractical for the Company to continue its business as currently conducted, impair the agreements and arrangements between and among it, its subsidiaries and its senior personnel, or any combination thereof, and materially adversely affect its business, financial condition and results of operations. Accordingly, the Company may be required to limit the amount of investments that it makes as a principal or otherwise conduct its business in a manner that does not subject the Company to the registration and other requirements of the Investment Company Act.

Limitations on access to capital by the Company and its subsidiaries could impair its liquidity and its ability to conduct its businesses.

Liquidity, or ready access to funds, is essential to the operations of financial services firms. Failures of financial institutions have often been attributable in large part to insufficient liquidity. Liquidity is of particular importance to Cowen and Company's trading business and Cowen Execution's clearing business and perceived liquidity issues may affect the willingness of the Company's broker-dealer clients and counterparties to engage in brokerage transactions with Cowen and Company and Cowen Execution. Cowen and Company's and Cowen Execution's liquidity could be impaired due to circumstances that the Company may be unable to control, such as a general market disruption or an operational problem that affects Cowen and Company and Cowen Execution, its trading clients or third parties. Furthermore, the Company's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

The Company primarily depends on its subsidiaries to fund its operations. Cowen and Company, ATM Execution, Cowen Prime, Cowen Execution, and Westminster are subject to the net capital requirements of the SEC and various self-regulatory organizations of which they are members. These requirements typically specify the minimum level of net capital a broker-dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. Cowen International Ltd, Ramius UK Ltd. ("Ramius UK"), Cowen Execution and the Company's U.K. registered broker-dealer subsidiaries, are subject to the capital requirements of the U.K. FCA. Any failure to comply with these capital requirements could impair the Company's ability to conduct its broker-dealer business.

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The Company's investment management and broker-dealer businesses' subsidiaries may become subject to additional regulations which could increase the costs and burdens of compliance or impose additional restrictions which could have a material adverse effect on the Company's businesses and the performance of the Company's funds.

Market disruptions like those experienced in 2008 have led to an increase in governmental as well as regulatory scrutiny from a variety of regulators, including the SEC, CFTC, FINRA, NFA, U.S. Treasury, the NYSE and state attorneys general. Penalties and fines sought by regulatory authorities have increased substantially over the last several years. In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. The Company may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. The Company also may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. The Company could be fined, prohibited from engaging in some of its business activities or subjected to limitations or conditions on its business activities. In addition, the Company could incur significant expense associated with compliance with any such legislation or regulations or the regulatory and enforcement environment generally. Substantial legal liability or significant regulatory action against the Company could have a material adverse effect on the financial condition and results of operations of the Company or cause significant reputational harm to the Company, which could seriously affect its business prospects.

The activities of certain of the Company's subsidiaries and affiliates are regulated primarily within the U.S. by the SEC, FINRA, the NFA, the CFTC and other self-regulatory organizations, as well as various state agencies, and are also subject to regulation by other agencies in the various jurisdictions in which they operate and are offered, including the FCA and the European Securities and Markets Authority. Certain legislation proposing greater regulation of the industry is regularly considered by the U.S. Congress - as well as by the governing bodies of non-U.S. jurisdictions - and from time to time adopted as in the case of the Dodd-Frank Act in the U.S. and MiFID II in the E.U.

The investment advisers responsible for the Company's investment management business are all registered as investment advisers with the SEC or rely upon the registration of an affiliated adviser. In addition, two of our investment advisers are also registered as CPOs and therefore subject to CFTC and NFA regulations. Certain investment advisors and/or the investment management products they advise are also subject to regulation by various regulatory authorities outside the U.S., including the U.K. FCA, the Swedish FCA and the European Securities and Markets Authority and may indirectly be subject to MiFID II regulations. Moreover, recent rulemaking by the SEC and certain non-U.S. regulatory bodies have imposed trading restrictions and reporting requirements on short selling, which have impacted certain of the investment strategies implemented on behalf of the Company's Funds, and continued restrictions on or further regulations of short sales could also negatively impact their performance.

These and other regulators in these jurisdictions have broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to make inquiries of companies regarding compliance with applicable regulations, to grant permits and to regulate marketing and sales practices and the maintenance of adequate financial resources as well as significant reporting obligations to regulatory authorities. Under the E.U. Alternative Investment Fund Managers Directive, the Company will only be permitted to actively market its funds in the E.U. if certain disclosure and reporting obligations are met, and certain cooperation arrangements with the domicile of the investment vehicle are in place. As such, the Company may need to modify its strategies or operations, face increased constraints on its investment management business or incur additional costs in order to satisfy new regulatory requirements or to compete in a changed business environment. It is difficult to predict the impact of such legislative initiatives on the Company and the markets in which it operates and/or invests.

It is difficult to predict what other changes may be instituted in the future in the regulation of the Company or the markets in which they invest, or the counterparties with which it does business, in addition to those changes already proposed or adopted in the U.S. or other countries. Any such regulation could have a material adverse effect on the profit potential of the Company’s operations.

Finally, financial services firms are subject to numerous perceived or actual conflicts of interest, which have drawn and which we expect will continue to draw scrutiny from the SEC and other federal and state regulators. For example, the research areas of investment banks have been and remain the subject of heightened regulatory scrutiny, which has led to increased restrictions on the interaction between equity research analysts and investment banking personnel at securities firms. Regulations have also been focusing on potential conflicts of interest or issues relating to impermissible disclosure of material nonpublic information. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if it fails to do so. Such policies and procedures to address or limit actual or perceived conflicts may also result in increased costs, additional operational personnel and increased regulatory risk. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation.

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The Company is subject to third party litigation risk and regulatory risk which could result in significant liabilities and reputational harm which, in turn, could materially adversely affect its business, results of operations and financial condition.

The Company depends to a large extent on its reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with the Company's services, it may be more damaging in its business than in other businesses. Moreover, the Company's role as advisor to clients on underwriting or merger and acquisition transactions involves complex analysis and the exercise of professional judgment, including rendering "fairness opinions" in connection with mergers and other transactions. Such activities may subject the Company to the risk of significant legal liabilities, not covered by insurance, to clients and aggrieved third parties, including stockholders of clients who could commence litigation against the Company. Although the Company's investment banking engagements typically include broad indemnities from its clients and provisions to limit exposure to legal claims relating to such services, these provisions may not protect the Company, may not be enforceable, or may be with foreign companies requiring enforcement in foreign jurisdictions which may raise the costs and decrease the likelihood of enforcement. As a result, the Company may incur significant legal and other expenses in defending against litigation and may be required to pay substantial damages for settlements and/or adverse judgments. In addition, in some instances Cowen Prime serves as a registered investment advisor providing advice to retail investors and retaining discretion over some retail investment accounts. The Company could be exposed to potential litigation and liability if any of these clients are not satisfied with the investment advisory services being provided. Substantial legal liability or significant regulatory action against the Company could have a material adverse effect on our results of operations or cause significant reputational harm, which could seriously harm our business and prospects.

In general, the Company is exposed to risk of litigation by investors in its investment management business if the management of any of its funds is alleged to have been grossly negligent or fraudulent. Investors or beneficial owners of the Company’s funds could sue to recover amounts lost due to any alleged misconduct, up to the entire amount of the loss. In addition, the Company faces the risk of litigation from investors and beneficial owners of any of its funds if applicable restrictions are violated. In addition, the Company is exposed to risks of litigation or investigation relating to transactions that presented conflicts of interest that were not properly addressed. In the majority of such actions the Company would be obligated to bear legal, settlement and other costs, which may be in excess of any available insurance coverage. In addition, although the Company is contractually entitled to indemnification from its funds, our rights to indemnification may be challenged. If the Company is required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds, if any, or is not wholly indemnified, our business, results of operations and financial condition could be materially adversely affected. In its investment management business, the Company is exposed to the risk of litigation if a fund suffers catastrophic losses due to the failure of a particular investment strategy or due to the trading activity of an employee who has violated market rules or regulations. Any litigation arising in such circumstances is likely to be protracted, expensive and surrounded by circumstances which are materially damaging to the Company's reputation and businesses.

The potential for conflicts of interest within the Company, and a failure to appropriately identify and deal with conflicts of interest could adversely affect our businesses.

Due to the combination of our investment management and broker-dealer businesses, we face an increased potential for conflicts of interest, including situations where our services to a particular client or investor or our own interests in our investments conflict with the interests of another client. Such conflicts may also arise if our broker-dealer business has access to material non-public information that may not be shared with our investment management business or vice versa. Additionally, our regulators have the ability to scrutinize our activities for potential conflicts of interest, including through detailed examinations of specific transactions.

Appropriately identifying and dealing with conflicts of interest is complex and difficult, and the willingness of clients to enter into transactions or engagements in which such a conflict might arise may be affected if we fail to identify and appropriately address potential conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or enforcement actions.

Employee misconduct could harm the Company by, among other things, impairing the Company's ability to attract and retain investors and subjecting the Company to significant legal liability, reputational harm and the loss of

revenue from its own invested capital.
It is not always possible to detect and deter employee misconduct. The precautions that the Company takes to detect and prevent this activity may not be effective in all cases, and we may suffer significant reputational harm and financial loss for any misconduct by our employees. The potential harm to the Company's reputation and to our business caused by such misconduct is impossible to quantify.

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There is a risk that the Company's employees or partners could engage in misconduct that materially adversely affects the Company's business, including a decrease in returns on its own invested capital. The Company is subject to a number of obligations and standards arising from its businesses. The violation of these obligations and standards by any of the Company's employees could materially adversely affect the Company and its investors. For instance, the Company's businesses require that the Company properly deal with confidential information. If the Company's employees were to improperly use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships. If one of the Company's employees were to engage in misconduct or were to be accused of such misconduct, the business and reputation of the Company could be materially adversely affected.

The Company may be unable to successfully identify, manage and execute future acquisitions, investments and strategic alliances, which could adversely affect our results of operations.

We intend to continually evaluate potential acquisitions, investments and strategic alliances to expand our investment management and broker-dealer businesses. In the future, we may seek additional acquisitions, investments, strategic alliances or similar arrangements, which may expose us to risks such as:

- the difficulty of identifying appropriate acquisitions, investments, strategic allies or opportunities on terms acceptable to us;
- the possibility that senior management may be required to spend considerable time negotiating agreements and monitoring these arrangements;
- potential regulatory issues applicable to the financial services business;
- the loss or reduction in value of the capital investment;
- our inability to capitalize on the opportunities presented by these arrangements; and
- the possibility of insolvency of a strategic ally.

Furthermore, any future acquisitions of businesses could entail a number of risks, including:

- problems with the effective integration of operations;
- inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

There can be no assurance that we would successfully overcome these risks or any other problems encountered with these acquisitions, investments, strategic alliances or similar arrangements.

The Company's future results will suffer if the Company does not effectively manage its expanded operations.

The Company may continue to expand its operations through new product and service offerings and through additional strategic investments, acquisitions or joint ventures, some of which may involve complex technical and operational challenges. The Company's future success depends, in part, upon its ability to manage its expansion opportunities, which pose numerous risks and uncertainties, including the need to integrate new operations into its existing business in an efficient and timely manner, to combine accounting and data processing systems and management controls and to integrate relationships with customers and business partners. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of common stock of the Company, which may dilute the ownership of the Company's stockholders.

The Company's failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on the Company's financial condition, results of operations and business and the price of our Class A common stock.

The Sarbanes Oxley Act and the related rules require our management to conduct an annual assessment of the effectiveness of our internal control over financial reporting and require a report by our independent registered public accounting firm addressing our internal control over financial reporting. To comply with Section 404 of the Sarbanes Oxley Act, we are required to document formal policies, processes and practices related to financial reporting that are necessary to comply with Section 404. Such policies, processes and practices are important to ensure the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and activities within our organization.

If we fail for any reason to comply with the requirements of Section 404 in a timely manner, our independent registered public accounting firm may, at that time, issue an adverse report regarding the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor

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confidence in us and the reliability of our financial statements. Any such event could adversely affect our financial condition, results of operations and business, and result in a decline in the price of our Class A common stock.

Certain provisions of the Company's amended and restated certificate of incorporation and bylaws and Delaware law may have the effect of delaying or preventing an acquisition by a third party.

The Company's amended and restated certificate of incorporation and bylaws contain several provisions that may make it more difficult for a third party to acquire control of the Company, even if such acquisition would be financially beneficial to the Company's stockholders. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in the Company's stockholders receiving a premium over the then-current trading price of our common stock. For example, the Company's amended and restated certificate of incorporation authorizes its board of directors to issue up to 10,000,000 shares of "blank check" preferred stock. Without stockholder approval, the board of directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for a third party to acquire the Company. In addition, the Company's amended and restated bylaws provide for an advance notice procedure with regard to the nomination of candidates for election as directors and with regard to business to be brought before a meeting of stockholders. The Company is also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an "interested stockholder," the Company may not enter into a "business combination" with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For the purposes of Section 203, "interested stockholder" means, generally, someone owning 15% or more of the Company's outstanding voting stock or an affiliate of the Company that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 has adversely affected, and may continue to adversely affect, the Company's business.

Enacted on July 21, 2010, the Dodd-Frank Act was expansive in scope and led to the adoption of extensive regulations by the CFTC, the prudential regulators, the SEC and other governmental agencies. The current administration has suggested that it will seek to roll back some of this regulation, although it is not possible to predict whether changes will be made. Since its adoption, the Dodd-Frank Act has had an impact on the costs associated with derivatives trading by the Company and its clients, including as a result of requirements that transactions be margined, trade reported and, in some cases, centrally cleared.

Heightened cyber-security risks may disrupt our businesses, result in losses or limit our growth.

We may be subject to cyber-attacks on our critical data and we may not be able to anticipate or prevent all such attacks. We may not have the resources or technical sophistication to anticipate or prevent current or rapidly evolving types of cyber- attacks. Attacks may be targeted at us, our clients or our vendors. We may incur increasing costs in an effort to minimize these risks and could be held liable for any security breach or loss. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information and communication systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. In addition, advances in computer capabilities, or other technological developments may result in the technology and security measures used by us to protect our systems being breached or compromised. Breaches can also occur as a result of non-technical issues, including intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships.

The occurrence of any failure, interruption or security breach of our information or communication systems could damage our reputation, result in a loss of business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

If securities analysts stop publishing research or reports about us or our business or if they downgrade our common stock, the market price of our common stock and, consequently, the trading price of our other securities could decline.

The market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. If any analyst who covers us downgrades our stock or lowers its future stock price targets or estimates of our operating results, our stock price could decline rapidly. Furthermore, if any analyst ceases to cover us, we could lose visibility in the market, which in turn could cause the market price of our securities to decline.

Risks relating to the Company's financing transactions.

We are a holding company and rely upon our subsidiaries for cash flow to make payments of principal and interest on our outstanding indebtedness.

We are a holding company with no business operations or assets other than the capital stock of our direct and indirect subsidiaries. Consequently, we are dependent on dividends, distributions, loans and other payments from these subsidiaries to

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make payments of principal and interest on all of our indebtedness including our senior notes due 2027 (the “2027 Notes”), our cash convertible notes due 2019 (the “2019 Convertible Notes”) and our convertible notes due 2022 (the "2022 Convertible Notes" and together with the 2019 Convertible Notes , the “Convertible Notes”)(the 2022 Convertible Notes, and together with the 2027 Notes and the 2019 Convertible Notes , the “Notes”). The ability of our subsidiaries to pay dividends and make other payments to us will depend on their cash flows and earnings, which, in turn, will be affected by all of the factors discussed in this annual report. The ability of our direct and indirect subsidiaries to pay dividends and make distributions to us may be restricted by, among other things, applicable laws and regulations and by the terms of any debt agreements or other agreements into which they enter. If we are unable to obtain funds from our direct and indirect subsidiaries as a result of restrictions under their debt or other agreements, applicable laws and regulations or otherwise, we may not be able to pay cash interest or principal on the Notes when due.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Despite our current consolidated debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed above.

Despite our current consolidated debt levels, we may be able to incur substantially more debt in the future, including secured debt. We are not restricted under the terms of the indentures governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indentures governing the Notes but that could diminish our ability to make payments on the Notes.

Future sales of our common stock in the public market could adversely impact the trading price of our securities.

In the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock are reserved for issuance upon vesting of restricted stock units and upon the conversion of the Convertible Notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of our securities and impair our ability to raise capital through the sale of additional equity securities.

The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, we may be required to pay cash to settle any such conversion, which could adversely affect our liquidity.

The accounting method for convertible debt securities that may be settled in cash, such as the 2022 Convertible Notes, could have a material effect on our reported financial results.

Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20 requires an entity to separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash (such as the 2022 Convertible Notes) in a manner that reflects the issuer’s economic interest cost for non-convertible debt. The liability component of the 2022 Convertible Notes is valued at the fair value of a similar debt instrument that does not have an associated equity component and is reflected as a liability in our consolidated balance sheet. The equity component of the 2022 Convertible Notes is included in the additional paid-in capital section of our stockholders’ equity on our consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. This original issue discount will be amortized to non-cash interest expense over the term of the 2022 Convertible Notes, and we will record a greater amount of non-cash interest expense as a result of this amortization. Accordingly, we will report lower net income in our financial results because ASC 470-20 will require the interest expense associated with the 2022 Convertible Notes to include both amortization of the original issue discount and the 2022 Convertible Notes' coupon interest, which could adversely affect our reported or future financial results and the trading price of our securities.

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In addition, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as the 2022 Convertible Notes) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the 2022 Convertible Notes are not included in the calculation of diluted earnings per share unless the conversion value of the 2022 Convertible Notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the 2022 Convertible Notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, are issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the 2022 Convertible Notes, then our diluted earnings per share could be adversely affected.

Notwithstanding the foregoing, because we may be required to elect to settle note conversions of the 2022 Convertible Notes solely in cash (or, subject to certain limitations, with a combination of cash and shares of our common stock) until we obtain the stockholder approval to issue shares of our common stock in full satisfaction of our conversion obligations, we have to separately account for the conversion option associated with the 2022 Convertible Notes as an embedded derivative under Accounting Standards Codification, or ASC, Topic 815, Derivatives and Hedging. Under this treatment, the 2022 Convertible Notes conversion option may be measured at its fair value and accounted for separately as a liability that is marked-to-market at the end of each reporting period. The initial value allocated to the conversion option will be treated as a debt discount that will be amortized into interest expense over the term of the Convertible Notes. For each financial statement period after the issuance of the 2022 Convertible Notes until we obtain the stockholder approval, a gain (or loss) will be reported in our statement of operations to the extent the valuation of the conversion option changes from the previous period.

As a result, we may experience related non-cash volatility to our net income (loss). In addition, as a result of the amortization of the debt discount, the interest expense associated with the 2022 Convertible Notes will be greater than the coupon rate on the 2022 Convertible Notes, which will result in lower reported net income. If we obtain the stockholder approval referred to above, then we expect that the conversion option will qualify for equity treatment and will no longer be marked to market at the end of each reporting period. However, we may never obtain this stockholder approval.

Certain provisions in the indentures governing the Convertible Notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us.

Certain provisions in the Convertible Notes and the indentures governing the Convertible Notes could make it more difficult or more expensive for a third party to acquire us. For example, if a takeover would constitute a fundamental change, holders of the Convertible Notes will have the right to require us to repurchase their Convertible Notes in cash. In addition, if a takeover constitutes a make-whole fundamental change, we may be required to increase the conversion rate for holders who convert their Convertible Notes in connection with such takeover. In either case, and in other cases, our obligations under the Convertible Notes and the indentures could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

The ability to use our tax net operating loss ("NOL") carryforwards could be limited.

As of December 31, 2017, we had NOL carryforwards of $248.4 million available for use in future years. Section 382 of the IRC, as amended, provides that if a loss corporation undergoes an “ownership change” the use of its pre-change losses is limited, generally, to an amount each year equal to the product of the value of the Company’s equity and the long-term tax-exempt rate for the month in which the ownership change occurs. An “ownership change” is defined as an increase in the ownership of the loss corporation by so-called 5% shareholders of more than 50% over a rolling three-year period. Cowen did not undergo an ownership change during 2017.

Based on the facts in existence on the date hereof, we do not believe any material portion of our losses is subject to limitation under Section 382, or that conversion of the Convertible Notes into our common stock would trigger an ownership change. There can be no assurance that purchases or other acquisitions of our shares will not in the future trigger an ownership change, thereby substantially limiting our ability to use our NOLs going forward.

We may not be able to realize the value of our deferred tax assets.

At December 31, 2017, we have significant deferred tax assets that we have recognized based on differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We have recognized deferred tax assets because management believes, based on earnings and financial projections, that it is more likely than not that we will have sufficient future earnings to utilize these assets to offset future income tax liabilities. We regularly review our deferred tax assets for recoverability based on our history of earnings, expectations for future earnings and expected timing of reversals of temporary differences. Realization of deferred tax assets requires us to apply significant judgment and is inherently speculative because it requires the future occurrence of circumstances that cannot be predicted with certainty and ultimately depends on the existence of sufficient future taxable income. There can be no assurance that we will achieve sufficient future taxable income as the basis for the ultimate realization of our deferred tax assets. Changes in facts and circumstances or unforeseen negative economic developments could require us to establish a valuation allowance in the future, potentially causing a material adverse effect on our future operating results and financial condition. In addition, as was the case in 2017 pursuant to the Tax Cuts and Jobs Act that was enacted in the US in December 2017, changes in statutory tax rates may change our deferred tax asset or liability balances, with either favorable or unfavorable impacts on our effective tax rate. Our deferred tax assets may also be impacted by new legislation or regulation.

The terms of our Series A Convertible Preferred Stock contains certain restrictions on our operations.

The certificate of designations governing our Series A Convertible Preferred Stock contains certain restrictions on our and our subsidiaries' ability to, among other things, pay dividends on, redeem or repurchase our Class A common stock and, under certain circumstances, our Series A Convertible Preferred Stock, and to issue additional preferred stock. Additionally, if dividends on our Series A Convertible Preferred Stock are in arrears and unpaid for at least six or more quarterly periods, the holders (voting as a single class) of our outstanding Series A Convertible Preferred Stock will be entitled to elect two additional directors to our Board of Directors until paid in full.

Risks Related to the Company's Investment Management Business

The Company's profitability may be adversely affected by decreases in revenue relating to changes in market and economic conditions.

Market conditions have been and remain inherently unpredictable and outside of the Company's control, and may result in reductions in the Company's revenue and results of operations. Such reductions may be caused by a decline in assets under management, resulting in lower management fees and incentive income, an increase in the cost of financial instruments, lower investment returns or reduced demand for assets held by investment management products advised by the Company's investment management business, which would negatively affect its ability to realize value from such assets or continued investor redemptions, resulting in lower fees and increased difficulty in raising new capital.

These factors may reduce the Company's revenue, revenue growth and income and may slow the growth of the investment management business or may cause the contraction of the investment management business. In particular, negative performance reduces assets under management, which decreases the management fees and incentive income that the Company ultimately earns. Negative performance of the Company's funds or its own proprietary investments also decreases revenue derived from the Company's returns on investment of its own capital.

The Company's ability to increase revenues and improve profitability will depend on increasing assets under management in existing investment strategies and developing and marketing new investment products and strategies, including identifying and hiring or affiliating with new investment teams.

The Company's investment management business generates management and incentive fee income based on its assets under management. If the Company is unable to increase its assets under management in its existing products it may be difficult to increase its revenues. The Company may launch new investment management products and hire or affiliate with new investment teams focusing on new investment strategies. If these products or strategies are not successful, or if the Company is unable to hire or affiliate with new investment teams, or successfully manage its relationships with its affiliated investment teams, the Company's profitability could be adversely affected.

The Company's revenues and, in particular, its ability to earn incentive income, would be adversely affected if its funds fall beneath their "high-water marks" as a result of negative performance.

Incentive income, which has historically comprised a substantial portion of the Company's investment management business annual revenues, is, in most cases, subject to "high-water marks" whereby incentive income is earned by the Company only to the extent that the net asset value of an investment advisory product at the end of a measurement period exceeds the highest net asset value as of the end of a preceding measurement period for which the Company earned incentive income. The Company's incentive allocations are also subject, in some cases, to performance hurdles or benchmarks. To the extent the Company's funds experience negative investment performance, the investors in or beneficial owners of these funds would need to recover cumulative losses before the Company can earn incentive income with respect to the investments of those who previously suffered losses.

It may be difficult for the Company's investment management business to retain investment professionals during periods where market conditions make it more difficult to generate positive investment returns.

Certain of the Company's funds face particular retention issues with respect to investment professionals whose compensation is tied, often in large part, to such performance thresholds. This retention risk is heightened during periods where market conditions make it more difficult to generate positive investment returns. For example, several investment professionals receive performance-based compensation at the end of each year based upon their annual investment performance, and this performance-based compensation represents substantially all of the compensation the professional is entitled to receive during

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the year. If the investment professional's annual performance is negative, the professional may not be entitled to receive any performance-based compensation for the year. If the Company's funds produce investment results that are negative (or below the applicable hurdle or benchmark), the affected investment professionals may be incentivized to join a competitor because doing so would allow them to earn performance-based compensation without the requirement that they first satisfy the high-water mark.

Investors and beneficial owners in the Company's funds can generally redeem investments with prior notice. The rate of redemptions could accelerate at any time. Historically, redemptions have created difficulties in managing the liquidity of certain of the Company's funds, reduced assets under management and adversely affected the Company's revenues, and may do so in the future.

Investors and beneficial owners in the Company's funds may generally redeem their investments with prior notice, subject to certain initial holding periods. Investors may reduce the aggregate amount of their investments, or transfer their investments to other funds or asset managers with different fee rate arrangements, for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. Furthermore, investors in the Company's funds may be investors in products managed by other asset managers where redemptions have been restricted or suspended. Such investors may redeem capital from Company's funds, even if the Company's funds' performance is superior, due to an inability to redeem capital from other managers. Increased volatility in global markets could accelerate the pace of redemptions. Redemptions of investments in the Company's funds could also take place more quickly than assets may be sold by those funds to meet the price of such redemptions, which could result in the relevant funds and/or the Company being in breach of applicable legal, regulatory and contractual requirements in relation to such redemptions, resulting in possible regulatory and investor actions against the Company and/or the Company's funds. If the Company's funds underperform, existing investors may decide to reduce or redeem their investments or transfer asset management responsibility to other asset managers and the Company may be unable to obtain new investment management business. Any such action could potentially cause further redemptions and/or make it more difficult to attract new investors.

The redemption of investments in the Company's funds could also adversely affect the revenues of the Company's investment management business, which are substantially dependent upon its assets under management. If redemptions of investments cause revenues to decline, they would likely have a material adverse effect on our business, results of operations or financial condition. If market conditions, negative performance or other factors cause an increased level of redemption activity returns, it could become more difficult to manage the liquidity requirements of the Company's funds, making it more difficult or more costly for the Company's funds to liquidate positions rapidly to meet redemption requests or otherwise. This in turn may negatively impact the Company's returns on its own invested capital.

In addition to the impact on the market value of assets under management, illiquidity and volatility of the global financial markets could negatively affect the ability of the Company's investment management business to manage inflows and outflows from the Company's funds. Several investment management managers, including the Company's investment management business, have in the past exercised, and may in the future exercise, their rights to limit, and in some cases, suspend, redemptions from the investment management products they advise. The Company's investment management business has also negotiated, and may in the future negotiate, with investors or exercise such rights in an attempt to limit redemptions or create a variety of other investor structures to bring assets and liquidity requirements into a more manageable balance. To the extent that the Company's investment management business has negotiated with investors to limit redemptions, it may be likely that such investors will continue to seek further redemptions in the future. Such actions may have an adverse effect on the ability of the Company's funds to attract new capital or to develop new investment platforms. Poor performance relative to other asset management firms may result in reduced investments in the Company's funds and increased redemptions. As a result, investment underperformance would likely have a material adverse effect on the Company's results of operations and financial condition.

Investments made by private funds, including the investments of the Company's own capital in the Company's private funds, are subject to other additional risks.

Investments by the Company's private funds are subject to certain risks that may result in losses. Decreases to assets under management as a result of investment losses or client redemptions may have a material adverse effect on the Company's revenues, net income and cash flows and could harm our ability to maintain or grow assets under management in existing funds or raise additional funds in the future. Additional risks include the following:

- Generally, there are few limitations on private funds' investment strategies, which are often subject to the sole discretion of the management company or the general partner of such funds.
- Private funds may engage in short selling, which is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security sold short may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot

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be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions. Furthermore, the SEC and other regulatory authorities outside the United States have imposed trading restrictions and reporting requirements on short selling, which in certain circumstances may impair private funds' ability to use short selling effectively.

- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position through a combination of financial instruments. A private fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the fund might only be able to acquire some but not all of the components of the position, or if the overall position were in need of adjustment, the fund might not be able to make such an adjustment. As a result, a private fund would not be able to achieve the market position selected by the management company or general partner of such fund, and might incur a loss in liquidating its position.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their respective liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This "systemic risk" may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms, other counterparties and exchanges) with which the private funds interact on a daily basis.
- Private funds are subject to risks due to the potential illiquidity of assets. Private funds may make investments or hold trading positions in markets that are volatile and which may become illiquid. The timely sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which they may be a party, and changes in industry and government regulations. It may be impossible or highly costly for private funds to liquidate positions rapidly to meet margin calls, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time, if the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limitations on the market. In addition, increased levels of redemptions may result in increased illiquidity as more liquid assets are sold to fund redemptions.
- Private fund assets are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, private funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade.
- Private fund assets that are not denominated in the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may, from time to time, take actions in respect of their currencies that could significantly affect the value of a private fund’s assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. While the Company generally expects to hedge its exposure to currencies other than the U.S. dollar, and may do so through foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, swaps or any combination thereof, but there can be no assurance that such hedging strategies will be implemented, or if implemented, will be effective. While a private fund may enter into currency hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in such hedging transactions. For a variety of reasons, the Company may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the

Company from achieving the intended hedge or expose a private fund to risk of loss.

- Private funds are also subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of investments. War, terrorism, and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and non-U.S. economies and markets generally. Those events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or

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related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of the private fund's assets.

If the Company's fund's counterparty for any of its derivative or non-derivative contracts defaults on the performance of those contracts, the Company may not be able to cover its exposure under the relevant contract.

The Company's funds enter into numerous types of financing arrangements with a wide array of counterparties around the world, including loans, hedge contracts, swaps, repurchase agreements and other derivative and non-derivative contracts. The terms of these contracts are generally complex and often customized and generally are not subject to regulatory oversight. The Company is subject to the risk that the counterparty to one or more of these contracts may default, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur at any time without notice. Additionally, the Company may not be able to take action to cover its exposure if a counterparty defaults under such a contract, either because of a lack of the contractual ability or because market conditions make it difficult to take effective action. The impact of market stress or counterparty financial condition may not be accurately foreseen or evaluated and, as a result, the Company may not take sufficient action to reduce its risks effectively. Counterparty risk is accentuated where the investment management product has concentrated its transactions with a single or small group of counterparties. Generally, private funds are not restricted from concentrating any or all of their transactions with one counterparty. Moreover, the Company's internal review of the creditworthiness of their counterparties may prove inaccurate. The absence of a regulated market to facilitate settlement and the evaluation of creditworthiness may increase the potential for losses.

In addition, these financing arrangements often contain provisions that give counterparties the ability to terminate the arrangements if any of a number of defaults occurs with respect to the Company's funds, including declines in performance or assets under management and losses of key management personnel, each of which may be beyond our control. In the event of any such termination, the Company's funds may not be able to enter into alternative arrangements with other counterparties and our business may be materially adversely affected.

The Company may suffer losses in connection with the insolvency of prime brokers, custodians, administrators and other agents whose services the Company uses and who may hold assets of the Company's funds.

All of the Company's funds use the services of prime brokers, custodians, administrators or other agents to carry out certain securities transactions and to conduct certain business of the Company's funds. In the event of the insolvency of a prime broker and/or custodian, the Company's funds might not be able to recover equivalent assets in full as they may rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, the Company's funds' cash held with a prime broker or custodian (if any) may not be segregated from the prime broker's or custodian's own cash, and the funds will therefore rank as unsecured creditors in relation thereto.

Operational risks relating to the failure of data processing systems and other information systems and technology may disrupt our investment management business, result in losses and/or limit the business's operations and growth.

The Company's investment management business and its funds rely heavily on financial, accounting, trading and other data processing systems to, among other things, execute, confirm, settle and record transactions across markets and geographic locations in a time-sensitive, efficient and accurate manner. If any of these systems does not operate properly or are disabled, the Company could suffer financial loss, a disruption of its business, liability to the Company's funds, regulatory intervention and/or reputational damage. In addition, the Company's investment management business is highly dependent on information systems and technology, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate the operational needs of the Company's investment management business, or an increase in costs related to such information systems, could have a material adverse effect on the Company, both with respect to a decrease in the operational performance of its investment management business and an increase in costs that may be necessary to improve such systems.

The Company depends on its presence in New York, New York, where most of the Company's investment management personnel are located, for the continued operation of its business. We have taken precautions to limit the impact that a disruption to operations at our New York headquarters could cause (for example, by ensuring that the Company can operate independently of offices in other geographic locations). Although these precautions have been taken, a disaster or a disruption in the infrastructure that supports our investment management business, including a disruption involving electronic communications or other services used by the third parties with whom the Company's investment management business conducts business or directly affecting the New York, New York, headquarters, could have a material adverse impact on the Company's ability to continue to operate its investment management business without interruption. The Company's disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance might only partially reimburse us for our losses, if at all. Finally, the Company relies on third party service providers for certain aspects of its business, including for certain information systems and technology and administration of the

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Company's funds. Severe interruptions or deteriorations in the performance of these third parties or failures of their information systems and technology could impair the quality of the Company's investment management business operations and could impact the Company's reputation and materially adversely affect our investment management business.

Certain of the Company's funds may invest in relatively high-risk, illiquid assets, and the Company may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amounts of these investments.

Certain of the Company's funds invest a portion of their assets in securities that are not publicly traded. In many cases, they may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or there may not be a public market for such securities. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the disposition period. Accordingly, under certain conditions, the Company's funds may be forced to either sell securities at lower prices than they had expected to realize or defer, potentially for a considerable period of time, sales that they had planned to make. Investing in these types of investments can involve a high degree of risk, and the Company's funds may lose some or all of the principal amount of such investments, including our own invested capital.

Risk management activities may materially adversely affect the return on the Company's funds' investments if such activities do not effectively limit exposure to decreases in investment values or if such exposure is overestimated.

When managing the Company's funds' exposure to market risks, the relevant investment management product may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative financial instruments to limit its exposure to changes in the relative values of investments that may result from market developments, including changes in interest rates, currency exchange rates and asset prices. The success of such derivative transactions generally will depend on the Company's ability to accurately predict market changes in a timely fashion, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, these transactions may result in poorer overall investment performance than if they had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases. A perfect correlation between the instruments used in a hedging or other derivative transaction and the position being hedged may not be attained. An imperfect correlation could give rise to a loss. Also, it may not be possible to fully or perfectly limit exposure against all changes in the value of an investment because the value of an investment is likely to fluctuate as a result of a number of factors, many of which will be beyond the Company's control or ability to hedge.

Fluctuations in currency exchange rates could materially affect the Company's investment management business and its results of operations and financial condition.

The Company uses U.S. dollars as its reporting currency. Investments in the Company's funds and managed accounts are made in different currencies, including Euros, Pounds Sterling, Australian Dollar and Yen. In addition, the Company's funds and managed accounts hold investments denominated in many foreign currencies. To the extent that the Company's revenues from its investment management business are based on assets under management denominated in such foreign currencies, our reported revenues may be significantly affected by the exchange rate of the U.S. dollar against these currencies. Typically, an increase in the exchange rate between U.S. dollars and these currencies will reduce the impact of revenues denominated in these currencies in the financial results of our investment management business. For example, management fee revenues derived from each Euro and Australian Dollar of assets under management denominated in Euros and Australian Dollar will decline in U.S. dollar terms if the value of the U.S. dollar appreciates against the Euro and Australian Dollar. In addition, the calculation of the amount of assets under management is affected by exchange rate movements as assets under management denominated in foreign currencies are converted to U.S. dollars. The Company's investment management business also incurs a portion of its expenditures in currencies other than U.S. dollars. As a result, our investment management business is subject to the effects of exchange rate fluctuations with respect to any currency conversions and the Company’s ability to hedge these risks and the cost of such hedging or the Company’s decision not to hedge could impact the performance of the Company's funds and our investment management business and its results of operations and financial condition.

The due diligence process that the Company's investment management business undertakes in connection with investments by the Company's funds is inherently limited and may not reveal all facts that may be relevant in connection with making an investment.

Before making investments, particularly investments in securities that are not publicly traded, the Company endeavors to conduct a due diligence review of such investment that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company is often required to evaluate critical and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment bankers and financial analysts may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an

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investment, the Company is limited to the resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigation that the Company conducts with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful, which may adversely affect the performance of the Company's funds and the Company's ability to generate returns on its own invested capital from any such investment.

The Company's real estate business is subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

The Company's real estate business is subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include those associated with general and local economic conditions, changes in supply of and demand for competing properties in an area, changes in environmental regulations and other laws, various uninsured or uninsurable risks, natural disasters, changes in real property tax rates, changes in interest rates, the reduced availability of mortgage financing which may render the sale or refinancing of properties difficult or impracticable, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond our control. Further, the U.S. Environmental Protection Agency has found that global climate change could increase the severity and perhaps the frequency of extreme weather events, which could subject real property to increased weather-related risks in the coming years. There are also presently a number of current and proposed regulatory initiatives, both domestically and globally, that are geared towards limiting and scaling back the emission of greenhouse gases, which certain scientists have linked to global climate change. Although not known with certainty at this time, such regulation could adversely affect the costs to construct and operate real estate in the coming years, such as through increased energy costs.

The commercial real estate markets in the United States generally have experienced major disruptions in the past due to the lack of available capital, in the form of either debt or equity, and declines in value as a result of overall economic decline. If these conditions were to occur again transaction volume may drop precipitously, negatively impacting the valuation and performance of the Company's real estate investments significantly. Additionally, if the Company's real estate business acquires direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost, potential for cost overruns and timely completion of construction (including risks beyond the control of the investor, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

The investment management industry is intensely competitive, which may adversely affect the Company's ability to attract and retain investors and investment professionals.

The investment management industry is extremely competitive. Competition includes numerous international, national, regional and local asset management firms and broker-dealers, commercial bank and thrift institutions, and other financial institutions. Many of these institutions offer products and services that are similar to, or compete with, those offered by us and have substantially more personnel and greater financial resources than the Company does. The key areas for competition include historical investment performance, the ability to identify investment opportunities, the ability to attract and retain the best investment professionals and the quality of service provided to investors. The Company's ability to compete may be adversely affected if it underperforms in comparison to relevant benchmarks, peer groups or competing asset managers. The competitive market environment may result in increased downward pressure on fees, for example, by reduced management fee and incentive allocation percentages. The future results of operations of the Company's investment management business are dependent in part on its ability to maintain appropriate fee levels for its products and services. In the current economic environment, many competing asset managers experienced substantial declines in investment performance, increased redemptions, or counterparty exposures which impaired their businesses. Some of these asset managers have reduced their fees in an attempt to avoid additional redemptions. Competition within the investment management industry could lead to pressure on the Company to reduce the fees that it charges its clients for investment management products and services. A failure to compete effectively may result in the loss of existing clients and business, and of opportunities to generate new business and grow assets under management, each of which could have a material adverse effect on the Company's investment management business and results of operations, financial condition and prospects. Furthermore, consolidation in the investment management industry may accelerate, as many asset managers are unable to withstand the substantial declines in investment performance, increased redemptions, and other pressures impacting their businesses, including increased regulatory, compliance and control requirements. Some competitors may acquire or combine with other competitors. The combined business may have greater resources than the Company does and may be able to compete more effectively against the Company and rapidly acquire significant market share.

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Increased regulatory focus could result in regulation that may limit the manner in which the Company and its funds invest, materially impacting the Company's business.

The Company's investment management business may be adversely affected if new or revised legislation or regulations are enacted, or by changes in the interpretation or enforcement of existing rules and regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets and their participants. Such changes could place limitations on the type of investor that can invest in the Company's funds or on the conditions under which such investors may invest. Further, such changes may limit the scope of investing activities that may be undertaken by the Company's funds. It is impossible to determine the extent of the impact of any new or recently enacted laws, including the Dodd-Frank Act and MiFID II, or any other regulations or initiatives that may be proposed, or whether any proposed regulations or initiatives will become law. Compliance with any new laws or regulations could be difficult and expensive and affect the manner in which the Company's investment management business conducts itself, which may adversely impact its results of operations, financial condition and prospects.

Additionally, as a result of highly publicized financial scandals, investors, regulators and the general public have exhibited concerns over the integrity of both the U.S. financial markets and the regulatory oversight of these markets. As a result, the business environment in which Company's investment management business operates is subject to heightened regulation. With respect to the Company's funds, in recent years, there has been debate in both U.S. and foreign governments about new rules or regulations, including increased oversight or taxation, in addition to the recently enacted legislation described above. As calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of investment funds, including the Company's funds. Such investigations may impose additional expenses on the Company, may require the attention of senior management and may result in fines if any of the Company's funds are deemed to have violated any regulations.

The Company's investment management business may suffer as a result of loss of business from key investors.

The loss of all or a substantial portion of the business provided by key investors could have a material impact on income derived from management fees and incentive allocations and consequently have a material adverse effect on our investment management business and results of operations or financial condition.

The success of our Cowen Aviation business depends on our ability to lease the aircraft we own and to dispose of the aircraft at the end of the lease terms.

Our Cowen Aviation business leases specialized aircraft to various counterparties. We may incur losses if these counterparties do not renew their leases with us if we are unable to re-lease the aircraft to different counterparties. In addition, we may also incur losses if the residual value of the aircraft at the end of the lease terms is less than what we expected the value to be or if we are unable to dispose of the aircraft at the end of the lease term.

Our third party reinsurance business could expose us to losses.

We provide third party reinsurance coverage through our Luxembourg subsidiary, Hollenfels Re S.A (“Hollenfels”). We have written polices relating to property and casualty, workers' compensation, general liability and construction performance bonds and may issue reinsurance policies relating to other types of insurance. Because we write reinsurance, the success of our underwriting efforts depends, in part, upon the policies, procedures and expertise of the ceding companies making the original underwriting decisions. We face the risk that these ceding companies may fail to accurately assess the risks that they assume initially, which, in turn, may lead us to inaccurately assess the risks we assume. If we fail to establish and receive appropriate premium rates or the claims we receive exceed the premiums and retrocession recoverables we are able to collect, we will suffer losses.

We may be unable to purchase retrocession reinsurance and our retrocession agreements subject us to third-party credit risk.

We may enter into retrocession agreements with third parties in order to limit our exposure to losses from the reinsurance coverage provided by Hollenfels. Changes in the availability and cost of retrocession reinsurance, which are subject to market conditions that are outside of our control, may reduce to some extent our ability to use retrocession reinsurance to balance exposures across our reinsurance operations. Accordingly, we may not be able to obtain our desired amounts of retrocession reinsurance. In addition, even if we are able to obtain such reinsurance, we may not be able to negotiate terms that we deem appropriate or acceptable or obtain such reinsurance from entities with satisfactory creditworthiness. While we seek to do business with creditworthy counterparties, if the parties who provide us with retrocession are not able to meet their obligations to us or fail to make timely payments under the terms of our retrocession agreements, we could be materially and adversely affected because we may remain liable under the terms.

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Risks Related to the Company's Broker-Dealer Business

The Company's broker-dealer business focuses principally on specific sectors of the economy, and deterioration in the business environment in these sectors or a decline in the market for securities of companies within these sectors could materially affect our broker-dealer business.

The Company focuses principally on the Target Sectors of the economy. Therefore, volatility in the business environment in these sectors or in the market for securities of companies within these sectors could substantially affect the Company's financial results. The business environment for companies in these sectors has been subject to substantial volatility, and the Company's financial results have consequently been subject to significant variations from year to year. The market for securities in each of the Company's target sectors may also be subject to industry-specific risks. For example, changes in policies of the United States Food and Drug Administration, along with changes to Medicare and government reimbursement policies, may affect the market for securities of healthcare companies, and changes to how the U.S. government reviews foreign acquisitions of U.S. based companies may make executing M&A transactions more difficult.

As an investment bank which focuses primarily on specific growth sectors of the economy, the Company also depends significantly on private company transactions for sources of revenues and potential business opportunities. To the extent the pace of these private company transactions slows or the average size declines due to a decrease in private equity financings, difficult market conditions in the Company's target sectors or other factors, the Company's business and results of operations may be adversely affected.

The financial results of the Company's broker-dealer business may fluctuate substantially from period to period.

The Company has experienced, and we expect to experience in the future, significant periodic variations in its revenues and results of operations. These variations may be attributed in part to the fact that its investment banking revenues are typically earned upon the successful completion of a transaction, the timing of which is uncertain and beyond the Company's control. In most cases, the Company receives little or no payment for investment banking engagements that do not result in the successful completion of a transaction. As a result, our broker-dealer business is highly dependent on market conditions as well as the decisions and actions of its clients and interested third parties. For example, a client's acquisition transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other problems in the client's or counterparty's business. If the parties fail to complete a transaction on which the Company is advising or an offering in which the Company is participating, we will earn little or no revenue from the transaction, and we may incur significant expenses that may not be recouped. This risk may be intensified by the Company's focus on growth companies in the Target Sectors as the market for securities of these companies has experienced significant variations in the number and size of equity offerings. Many companies initiating the process of an IPO are simultaneously exploring other strategic alternatives, such as a merger and acquisition transaction. The Company's broker-dealer revenues would be adversely affected in the event that an IPO for which it is acting as an underwriter is preempted by the company's sale if the Company is not also engaged as a strategic advisor in such sale. As a result, our broker-dealer business is unlikely to achieve steady and predictable earnings on a quarterly basis.

Pricing and other competitive pressures may impair the revenues of the Company's brokerage business.

The Company's brokerage business accounted for approximately 56% of the broker-dealer segment's revenues during 2017. Along with other firms, the Company has experienced price competition in this business in recent years. In particular, the ability to execute trades electronically and through alternative trading systems has increased the pressure on trading commissions and spreads. We expect to continue to experience competitive pressures in these and other areas in the future as some of our competitors in the investment banking industry seek to obtain market share by competing on the basis of price or use their own capital to facilitate client trading activities. In addition, the Company faces pressure from larger competitors, who may be better able to offer a broader range of complementary products and services to clients in order to win their trading or prime brokerage business. We are committed to maintaining and improving the Company's comprehensive research coverage to support its brokerage business and the Company may be required to make additional investments in the Company's research capabilities.

The Company faces strong competition from larger firms.

The research, brokerage and investment banking industries are intensely competitive, and the Company expects them to remain so. The Company competes on the basis of a number of factors, including client relationships, reputation, the abilities of the Company's professionals, market focus and the relative quality and price of the Company's services and products. The Company has experienced intense price competition in some of its businesses, including trading commissions and spreads in its brokerage business. In addition, pricing and other competitive pressures in investment banking, including the trends toward

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multiple book runners, co-managers and financial advisors, and a larger share of the underwriting fees and discounts being allocated to the book-runners, could adversely affect the Company's revenues from its broker-dealer business.
The Company is a relatively small investment bank. Many of the Company's competitors in the research, brokerage and investment banking industries have a broader range of products and services, greater financial resources, larger customer bases, greater name recognition and marketing resources, a larger number of senior professionals to serve their clients' needs, greater global reach and more established relationships with clients than the Company has. These larger competitors may be better able to respond to changes in the research, brokerage and investment banking industries, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally.
The scale of our competitors in the investment banking industry has increased in recent years as a result of substantial consolidation among companies in the research, brokerage and investment banking industries. In addition, a number of large commercial banks and other broad-based financial services firms have established or acquired underwriting or financial advisory practices and broker-dealers or have merged with other financial institutions. These firms have the ability to offer a wider range of products than the Company does which may enhance their competitive position. They also have the ability to support their investment banking and advisory groups with commercial banking and other financial services in an effort to gain market share, which has resulted, and could further result, in pricing pressure in the Company's businesses. If we are unable to compete effectively with our competitors in the investment banking industry, the Company's business and results of operations may be adversely affected.
The Company's capital markets and strategic advisory engagements are singular in nature and do not generally provide for subsequent engagements.
The Company's investment banking clients generally retain the Company on a short-term, engagement-by-engagement basis in connection with specific capital markets or mergers and acquisitions transactions, rather than on a recurring basis under long-term contracts. As these transactions are typically singular in nature and the Company's engagements with these clients may not recur, the Company must seek out new engagements when its current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If the Company is unable to generate a substantial number of new engagements that generate fees from new or existing clients, the Company's broker-dealer business and results of operations would likely be adversely affected.
Larger and more frequent capital commitments in the Company's trading and underwriting businesses increase the potential for significant losses.
There has been a trend toward larger and more frequent commitments of capital by financial services firms in many of their activities. For example, in order to compete for certain transactions, investment banks may commit to purchase large blocks of stock from publicly traded issuers or significant stockholders, instead of the more traditional marketed underwriting process in which marketing is completed before an investment bank commits to purchase securities for resale. To the extent the total net capital of the Company's broker-dealers allows it, the Company anticipates participating in this trend and, as a result, the Company will be subject to increased risk as it commits capital to facilitate business. Furthermore, the Company may suffer losses as a result of the positions taken in these transactions even when economic and market conditions are generally favorable for others in the industry.
The Company may enter into large transactions in which it commits its own capital as part of its trading business to facilitate client trading activities. The number and size of these large transactions may materially affect the Company's results of operations in a given period. Market fluctuations may also cause the Company to incur significant losses from its trading activities. To the extent that the Company owns assets (i.e., has long positions), a downturn in the value of those assets or in the markets in which those assets are traded could result in losses. Conversely, to the extent that the Company has sold assets it does not own (i.e., has short positions), in any of those markets, an upturn in the value of those assets or in markets in which those assets are traded could expose the Company's broker-dealer business to potentially large losses as it attempts to cover short positions by acquiring assets in a rising market.
Operational risks relating to the failure of data processing systems and other information systems and technology or other infrastructure may disrupt the Company's broker-dealer business and result in losses or limit our operations and growth in the industry.

The Company's broker-dealer business is highly dependent on its ability to process, on a daily basis, a large number of transactions across diverse markets, and the transactions that the Company processes have become increasingly complex. The inability of the Company's systems to accommodate an increasing volume of transactions could also constrain the Company's ability to expand its broker-dealer business. If any of these systems do not operate properly or are disabled, or if there are other shortcomings or failures in the Company's internal processes, people or systems, the Company could suffer impairments, financial loss, a disruption of its broker-dealer business, liability to clients, regulatory intervention or reputational damage.

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The Company has outsourced certain aspects of its technology infrastructure including data centers and wide area networks, as well as some trading applications. The Company is dependent on its technology providers to manage and monitor those functions. A disruption of any of the outsourced services would be out of the Company's control and could negatively impact our broker-dealer business. The Company has experienced disruptions on occasion, none of which has been material to the Company's operations and results. However, there can be no guarantee that future material disruptions with these providers will not occur.

The Company also faces the risk of operational failure of or termination of relations with any of the clearing agents, exchanges, clearing houses or other financial intermediaries that the Company uses to facilitate its securities transactions. Any such failure or termination could adversely affect the Company's ability to effect transactions and to manage its exposure to risk.

In addition, the Company's ability to conduct its broker-dealer business may be adversely impacted by a disruption in the infrastructure that supports Company and the communities in which we are located. This may affect, among other things, the Company's financial, accounting or other data processing systems. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which the Company conducts business, whether due to fire, other natural disaster, power or communications failure, act of terrorism or war or otherwise. Nearly all of our broker-dealer employees in our primary locations in New York, Boston, San Francisco and London work in close proximity to each other. Although the Company has a formal disaster recovery plan in place, if a disruption occurs in one location and our broker-dealer employees in that location are unable to communicate with or travel to other locations, the Company's ability to service and interact with its clients may suffer, and the Company may not be able to implement successfully contingency plans that depend on communication or travel.

Our broker-dealer business also relies on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The Company's computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this could jeopardize our or our broker-dealer clients' or counterparties' confidential and other information processed and stored in, and transmitted through, the Company's computer systems and networks, or otherwise cause interruptions or malfunctions in our broker-dealer business', its clients', its counterparties' or third parties' operations. The Company may be required to expend significant additional resources to modify its protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications, and the Company may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by the Company.

Our business could be adversely affected by the recent implementation of MiFID II in Europe.

MiFID II, which went into effect in January 2018, regulates the provision of investment services and activities throughout the European Economic Area. MiFID II requires that investment managers and investment advisors located in the E.U. “unbundle” research costs from commissions. As a result, investment firms subject to MiFID II may no longer pay for research using client commissions or “soft dollars”. Going forward, such costs must be paid directly by the investment firm or through a research payment account funded by clients and governed by a budget that is agreed by the client. Because the MiFID II requirements are just taking effect, we cannot predict the effects that this new regulation will have on our research and sales and trading businesses. If investment managers and investment advisors decide to reduce their spending on research or decide to trade with other broker-dealers as a result of the new MiFID II regulations our business could be adversely affected.

The market structure in which our market-making business operates may make it difficult for this business to maintain profitability.

Market structure changes have had an adverse effect on the results of operations of our market-making business. These changes may make it difficult for us to maintain and/or predict levels of profitability of, or may cause us to generate losses in, our market-making business.

The growth of electronic trading and the introduction of new technology in the markets in which our market-making business operates may adversely affect this business and may increase competition.

The continued growth of electronic trading and the introduction of new technologies is changing our market-making business and presenting new challenges. Securities, futures and options transactions are increasingly occurring electronically, through alternative trading systems. It appears that the trend toward alternative trading systems will continue to accelerate. This acceleration could further increase program trading, increase the speed of transactions and decrease our ability to participate in transactions as principal, which would reduce the profitability of our market-making business. Some of these alternative trading systems compete with our market-making business and with our algorithmic trading platform, and we may experience continued competitive pressures in these and other areas. Significant resources have been invested in the development of our

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electronic trading systems, which includes our ATM business, but there is no assurance that the revenues generated by these systems will yield an adequate return on the investment, particularly given the increased program trading and increased percentage of stocks trading off of the historically manual trading markets.

We are subject to potential losses and default risks as a result of our clearing and execution activities.

As a clearing member firm providing services to certain of our brokerage customers, we are ultimately responsible for their financial performance in connection with various securities transactions. Our clearing operations require a commitment of our capital and involve risks of losses due to the potential failure of our customers to perform their obligations under these transactions. We are required to finance customers' unsettled positions from time to time, and we could be held responsible for the defaults of those customers. If customers default on their obligations, we remain financially liable for such obligations, and while some of these obligations may be collateralized, we are still subject to market risk in the liquidation of customer collateral to satisfy those obligations. While we have risk management procedures designed to mitigate certain risks, there can be no assurance that our risk management procedures will be adequate. Although we regularly review our credit exposure to customers, default risk may arise from events or circumstances that may be difficult to detect or foresee. Default by our customers may also give rise to the Company incurring penalties imposed by execution venues, regulatory authorities and clearing and settlement organizations. Any liability arising from clearing operations could have a material adverse effect on our business, financial condition and results of operations.

We are also exposed to credit risk from third parties that owe us money, securities or other obligations, including our trading counterparties. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons, and we could be held responsible for such defaults. In addition, customer trading errors may cause us to incur financial losses, which customers may be unable or unwilling to cover. Volatile securities markets, credit markets and regulatory changes may increase our exposure to our customers' and counterparties' credit profiles, which could adversely affect our financial condition and operating results. Our review of the credit risk of customers and trading counterparties may not be adequate to provide sufficient protection from these risks.

Our securities business and related clearing operations expose us to material liquidity risk.

We may be required to provide considerable additional funds with clearing and settlement organizations of which we are members, such as the National Securities Clearing Corporation or Depository Trust and Clearing Corporation in the U.S., especially during periods of high market volatility. In addition, regulatory agencies have recently required these clearing and settlement organizations to increase the level of margin deposit requirements, and they may continue to do so in the future. We rely on our excess cash, certain established credit facilities and the use of outsourced clearing arrangements to meet or reduce these demands. While we have historically met requests for additional margin deposits, there is no guarantee that our excess cash and our established credit facilities and clearing arrangements will be sufficient for future needs, particularly if there is an increase in requirements. There is also no guarantee that these established credit facilities will be extended beyond their expiration.

As a clearing member firm of securities clearing houses in the U.S., we are also exposed to clearing member credit risk. Securities clearing houses require member firms to deposit cash and/or government securities to a clearing fund. If a clearing member defaults in its obligations to the clearing house in an amount larger than its own margin and clearing fund deposits, the shortfall is absorbed pro rata from the deposits of the other clearing members. The clearing houses of which we are members also have the authority to assess their members for additional funds if the clearing fund is depleted. A large clearing member default could result in a substantial cost to us if we are required to pay such assessments.

In certain jurisdictions we are dependent on third-party clearing agents and any failures by such clearing agents could materially impact our business and operating results.

In certain jurisdictions we are dependent on agents for the clearing and settlement of securities transactions. If our agents fail to properly facilitate the clearing and settlement of our customer trades, we could be subject to financial, legal and regulatory risks and costs that may impact our business and operating results. In addition, it could cause our clients to reduce or cease their trading with us, which would adversely affect our revenues and financial results. Moreover, certain of the clearing agreements provide our clearing agents with rights to increase our deposit requirements or to terminate the agreements upon short notice. There is no guarantee we will be able to satisfy any increased deposit requirements within the time frames demanded by our clearing agents, and if we fail to satisfy such demands on a timely basis, it could constitute a default under our clearing agreements. If our clearing agents terminate a clearing agreement on short notice, there is no guarantee that we could obtain alternative services in a timely manner and any interruption of the normal course of our trading and clearing operations could have a material impact on our business and results of operations.

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Our clearing and execution operations are global and international market events could materially adversely impact our financial results.
Because we offer brokerage products and services on a global basis, our revenues derived from non-U.S. operations are subject to risk of loss from social or political instability, changes in government policies or policies of central banks, downgrades in the credit ratings of sovereign countries, expropriation, nationalization, confiscation of assets and unfavorable legislative and political developments in such non-U.S. jurisdictions. Revenues from the trading of non-U.S. securities may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations on our results could be magnified because generally non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets.
Decreases in equity trading activity by active fund managers and declining securities prices could harm our business and profitability.
Declines in the trading activity of active fund managers generally result in lower revenues from our brokerage products and services. In addition, securities' price declines adversely affect our trading commissions outside North America, which are based on the value of transactions. The demand for our brokerage products and services is directly affected by factors such as economic, regulatory and political conditions that may lead to decreased trading activity and prices in the securities markets in the U.S. and in all of the foreign markets we serve. Significant flows of investments out of actively managed equity funds has curtailed their trading activity, which has weighed on our buy side trading volumes and the use of some of our higher value services. Volatility levels also impact the amount of trading activity. Sustained periods of low volatility can result in lower levels of trading activity. In addition, trading activity tends to decline in periods following extreme levels of volatility.
The U.K. electorate voted in favor of a U.K. exit from the E.U. in a referendum, which could adversely impact our business, results of operations and financial condition.
The U.K. has voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit") and at the end of March 2017 the U.K. provided formal notice of withdrawal to the E.U. Under the process for withdrawing from the E.U. contemplated in the Treaty on European Union, the U.K. will remain a member state until a withdrawal agreement is entered into or, if later (and no extension is agreed), two years following the date notification of the U.K.'s intention to withdraw was provided to the E.U. The effects of Brexit on us will depend on any agreements the U.K. makes to retain access to E.U. markets (including for financial services) either during a transitional period or more permanently. Brexit is expected to significantly affect the fiscal, monetary and regulatory landscape in the U.K., and could have a material impact on its economy and the future growth of its various industries, including the financial services industry in which we operate.
We conduct business in Europe primarily through our U.K. subsidiaries. Depending on the terms of Brexit, we could face new regulatory costs and challenges. For instance, our U.K. subsidiaries may not be able to rely on the existence of a "passporting" regime that allows immediate access to the single E.U. market. If this occurred, we may need to establish one or more new regulated subsidiaries in the E.U. in order to provide our trading platform and certain post-trade services to clients in the E.U.
Changes to U.K. immigration policy could likewise occur as a result of Brexit. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate. Any such new laws and regulations in the U.K. may be difficult and/or costly to implement.
Although it is not possible at this point in time to predict the effects of an exit of the U.K. from the E.U., any of the foregoing factors could have a material adverse effect on our business, financial condition and results of operations. In addition, Brexit may impact our ability to comply with the extensive government regulation to which we are subject.
Item 1B. Unresolved Staff Comments
None.
Item 2. Properties
Our principal offices, all of which are leased, are located in New York City, Boston, San Francisco and London. Our other offices, all of which are leased, are located in Atlanta, Chicago, Cleveland, Greenwich, Houston, Jersey City, Menlo Park, Orlando, Stamford, Washington D.C., Luxembourg, Belfast, and other various locations. Our corporate headquarters are located in New York, New York and comprise approximately 98,000 square feet of leased space

pursuant to a lease agreement through 2022. Our additional New York locations are comprised of approximately 77,000 square feet pursuant to a lease agreement through 2019 and approximately 41,000 square feet pursuant to a lease agreement through 2022. We lease approximately 19,000 square feet of space in Boston pursuant to a lease agreement expiring in 2023, which is used primarily by our broker-dealer segment. In San Francisco, we lease approximately 26,000 square feet of space, pursuant to a lease agreement expiring in 2025 which is used by our broker-dealer segment. Our London offices are subject to lease agreements expiring in 2022 which are used by our investment management and broker-dealer segments.

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Item 3. Legal Proceedings

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

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

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

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

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

The Company appropriately reserves for certain matters where, in the opinion of management, the likelihood of liability is probable and the extent of such liability is reasonably estimable. Such amounts are included within accounts payable, accrued expenses and other liabilities in the accompanying consolidated statements of financial condition. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, the Company's defenses and its experience in similar cases or proceedings as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. The Company may increase or decrease its legal reserves in the future, on a matter-by-matter basis, to account for developments in such matters. The Company accrues legal fees as incurred.

The following information reflects developments with respect to the Company’s legal proceedings that occurred during the year ended December 31, 2017.

On December 27, 2013, Landol Fletcher filed a putative class action lawsuit against Convergex Holdings, LLC, Convergex Group, LLC, Cowen Execution, Convergex Global Markets Limited and G-Trade Services LLC (collectively, “Convergex”) in the United States District Court for the Southern District of New York (Landol Fletcher and all others similarly situated v. Convergex Group LLC, Cowen Execution, Convergex Global Markets Ltd., Convergex Holdings LLC, G-Trade Services LLC, & Does 1-10, No. 1:13-CV-09150-LLS). The suit alleges breaches of fiduciary duty and prohibited transactions under ERISA and seeks to maintain a class action on behalf of all ERISA plan participants, beneficiaries and named fiduciaries whose plans were impacted by net trading by Convergex Global Markets Limited from October 2006 to December 2011. On April 11, 2014, Landol Fletcher and Frederick P. Potter Jr., filed an amended complaint raising materially similar allegations. This matter was assumed by the Company as a result of the Company’s previously announced acquisition of Convergex Group, which was completed on June 1, 2017. On February 17, 2016, the District Court granted Convergex’s motion to dismiss the amended complaint. Plaintiffs filed an appeal to the Second Circuit, and the AARP and Department of Labor filed amicus briefs on plaintiffs' behalf.

The appeal was argued on December 12, 2016. On February 10, 2017, the Second Circuit Court of Appeals (1) reversed the District Court, finding that plaintiff has constitutional standing in a “representative” capacity to sue for damages to the ERISA defined benefit plan in which he is a participant, and (2) remanded to the District Court to reconsider, in light of the Circuit Court’s decision, the issue whether plaintiff has standing to pursue claims on behalf of ERISA plans in which plaintiff is not a participant. Convergex filed a petition for rehearing, and the Court of Appeals denied the petition. On June 30, 2017, the Company filed a notice of motion and memorandum of law in support of a motion to stay the proceedings in the District Court pending resolution of its petition for writ of certiorari, which the Company intended to file with the U.S.

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Supreme Court. On August 16, 2017, the District Court granted the Company's motion to stay the proceedings in the District Court pending resolution of the Company's petition for writ of certiorari. On September 1, 2017, the Company filed a petition with the United States Supreme Court for a writ of certiorari requesting review of the decision of the Court of Appeals. On January 8, 2018, the U.S. Supreme Court denied the Company's petition for a writ of certiorari. The previously granted stay of the proceedings in the District Court will now lift and the case will proceed in the District Court. We are indemnified against losses arising from this matter pursuant to, and subject to, the provisions of the purchase agreement relating to the acquisition of Convergex Group. Because the case is in its preliminary stages, the Company cannot predict the outcome at this time, but it does not currently expect this case to have a material effect on its financial position or its results of operations.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Price Information and Stockholders

Our Class A common stock is listed and trades on the NASDAQ Global Market under the symbol "COWN." As of March 5, 2018, there were approximately 43 holders of record of our Class A common stock. This number does not include stockholders for whom shares were held in "nominee" or "street" name.

The following table contains historical quarterly price information for the year ended December 31, 2017. On December 5, 2016, we effected a one-for-four reverse stock split. On March 5, 2018, the last reported sale price of our Class A common stock was $14.45.

2017 Fiscal Year	High	Low
First Quarter	$16.65	$12.45
Second Quarter	16.95	13.00
Third Quarter	17.95	15.00
Fourth Quarter	18.25	13.50

2016 Fiscal Year	High	Low
First Quarter	$15.88	$9.88
Second Quarter	15.56	10.92
Third Quarter	15.32	11.48
Fourth Quarter	16.75	11.60

Dividend Policy

We have never declared or paid any cash dividends on Class A common stock or any other class of common stock. Any payment of cash dividends on stock in the future will be at the discretion of our board of directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions and other factors deemed relevant by our board of directors. We currently intend to retain any future earnings to fund the operation, development and expansion of our business, and therefore we do not anticipate paying any cash dividends on common stock in the foreseeable future.

Issuer Purchases of Equity Securities: Sales of Unregistered Securities

As of December 31, 2017, the Company's Board of Directors has approved a share repurchase program that authorizes the Company to purchase up to $138.3 million of Cowen Class A common stock from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. During the year ended December 31, 2017, through the share repurchase program, the Company repurchased 1,401,866 shares of Cowen Class A common stock at an average price of $13.90 per share.

The table below sets forth the information with respect to purchases made by or on the behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act, as amended), of our common stock during the year ended December 31, 2017. All amounts have been retroactively updated to reflect the one-for-four reverse stock split, which was effective December 5, 2016.

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Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Month 1 (January 1, 2017 – January 31, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	19,626	$ 14.84	—	—
Total	19,626	$ 14.84		
Month 2 (February 1, 2017 – February 28, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	6,355	$ 15.79	—	—
Total	6,355	$ 15.79		
Month 3 (March 1, 2017 – March 31, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	302,257	$ 13.44	—	—
Total	302,257	$ 13.44		
Month 4 (April 1, 2017 – April 30, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	5,324	$ 13.49	—	—
Total	5,324	$ 13.49		
Month 5 (May 1, 2017 – May 31, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	337,798	$ 15.00	—	—
Total	337,798	$ 15.00		
Month 6 (June 1, 2017 – June 30, 2017)				
Common stock repurchases(1)		$ —		20,916,234
Employee transactions(2)	111,029	$ 15.19	—	—
Total	111,029	$ 15.19		
Month 1 (July 1, 2017 – July 31, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)			—	—
Total	—			
Month 2 (August 1, 2017 – August 31, 2017)				
Common stock repurchases(1)				20,916,234
Employee transactions(2)	17	$ 15.00	—	—
Total	17	$ 15.00		
Month 3 (September 1, 2017 – September 30, 2017)				
Common stock repurchases(1)				20,916,234
Employee transactions(2)	9,321	$ 16.55	—	—
Total	9,321	$ 16.55		
Month 10 (October 1, 2017 – October 31, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	134	$ 17.95	—	—
Other (3)	97,612	$ 16.66	—	—

Total	97,746	$ 16.66	—	
Month 11 (November 1, 2017 – November 30, 2017)				
Common stock repurchases(1)	—	$ —	—	20,916,234
Employee transactions(2)	152	$ 14.75	—	—
Total	152	$ 14.75		
Month 12 (December 1, 2017 – December 31, 2017)				
Common stock repurchases(1)	1,401,866	$ 13.90	1,401,866	1,430,297
Employee transactions(2)	30,983	$ 14.56	—	—
Total	1,432,849	$ 13.91		
Total (January 1, 2017 – December 31, 2017)				
Common stock repurchases(1)	1,401,866	$ 13.90	1,401,866	1,430,297
Employee transactions(2)	822,996	$ 14.45	—	—
Other (3)	97,612	$ 16.66	—	—
Total	2,322,474	$ 14.21	$ 1,401,866	

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

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

(3) Represents shares of common stock distributed to the Company from an escrow account established to satisfy the Company’s indemnification claims arising under the terms of the purchase agreement entered into in connection with the Company’s acquisition of Convergex Group, LLC.

Item 6. Selected Financial Data

The following table sets forth our selected consolidated financial and other data for the years ended December 31, 2017, 2016, 2015, 2014, and 2013. The selected consolidated statements of financial condition data and consolidated statements of operations data as of and for the years ended December 31, 2017, 2016, 2015, 2014, and 2013 have been derived from our audited consolidated financial statements. Our selected consolidated financial data are only a summary and should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

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	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands except per share data)				
Consolidated Statements of Operations Data:					
Revenues					
Investment banking	$223,614	$133,279	$222,781	$170,506	$105,333
Brokerage	293,610	199,180	157,722	140,132	114,593
Management fees	33,245	40,612	41,906	40,627	37,303
Incentive income	5,383	8,334	1,466	2,785	12,586
Interest and dividends	49,440	14,732	13,796	48,870	39,454
Reimbursement from affiliates	2,860	10,504	21,557	12,495	10,434
Aircraft lease revenue	3,751	4,161	—	—	—
Reinsurance premiums	30,996	32,459	—	—	—
Other revenues	8,561	22,355	3,726	9,446	5,418
Consolidated Funds revenues	7,321	5,949	1,613	2,915	3,398
Total revenues	658,781	471,565	464,567	427,776	328,519
Expenses					
Employee compensation and benefits	404,087	310,038	321,386	305,483	207,248
Non-compensation expense	310,499	198,112	180,678	180,740	151,630
Reinsurance claims, commissions and amortization of deferred acquisition costs	30,486	29,904	—	—	—
Goodwill impairment	—	—	—	2,334	—
Consolidated Funds expenses	12,526	9,064	2,310	1,634	2,039
Total expenses	757,598	547,118	504,374	490,191	360,917
Other income (loss)					
Net gains (losses) on securities, derivatives and other investments	76,179	23,381	36,789	104,928	39,651
Bargain purchase gain	6,914	—	—	—	—
Gain/(loss) on debt extinguishment	(16,039)	—	—	—	—
Consolidated Funds net gains (losses)	38,725	20,685	14,497	15,323	11,044
Total other income (loss)	105,779	44,066	51,286	120,251	50,695
Income (loss) before income taxes	6,962	(31,487)	11,479	57,836	18,297
Income tax expense (benefit)	44,053	(19,092)	(47,496)	(124,944)	457
Net income (loss)	(37,091)	(12,395)	58,975	182,780	17,840
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	23,791	6,882	15,246	15,564	13,193
Net income (loss) attributable to Cowen Inc.	(60,882)	(19,277)	43,729	167,216	4,647
Preferred stock dividends	6,792	6,792	4,075	—	—
Net income (loss) attributable to Cowen Inc. common stockholders	$(67,674)	$(26,069)	$39,654	$167,216	$4,647
Weighted average common shares outstanding:					
Basic (a)	29,492	26,857	27,522	28,731	29,175
Diluted (a)	29,492	26,857	29,043	29,871	30,279
Earnings (loss) per share:					
Basic (a)	$(2.29)	$(0.97)	$1.44	$5.82	$0.16
Diluted (a)	$(2.29)	$(0.97)	$1.37	$5.60	$0.15

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

	As of December 31,				
	2017	2016	2015	2014	2013
Consolidated Statements of Financial Condition Data:	(dollars in thousands)				
Total assets	$3,296,252	$2,018,523	$1,787,659	$2,399,718	$1,842,000
Total liabilities	2,107,629	866,668	810,755	1,635,967	1,248,420
Redeemable non-controlling interests	440,604	379,205	186,911	86,076	85,814
Total Stockholders' Equity	$748,019	$772,650	$789,993	$677,675	$507,766

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes that appear elsewhere in this Annual Report. In addition to historical information, this discussion includes forward-looking information that involves risks and assumptions, which could cause actual results to differ materially from management's expectations. See "Special Note Regarding Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K.

Overview

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

The Company's investment management platform, which operates primarily under the Cowen Investment Management name (formerly "Ramius"), offers innovative investment products and solutions across the liquidity spectrum to institutional and private clients. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act") since 1997. The Company's investment management business offers investors access to a number of strategies to meet their specific needs including long/short equity, merger arbitrage, activism, health care royalties, private healthcare and private real estate. The Company's investment management business focuses on attracting and retaining talented in-house and affiliated investment teams and providing seed capital and working capital, an institutional infrastructure, robust sales and marketing and industry knowledge. A significant portion of the Company's capital is invested alongside the Company's investment management clients. The Company has also invested some of its capital in its aviation and reinsurance businesses. Our investment management business had approximately $11.0 billion of assets under management as of January 1, 2018. See the section titled "Assets Under Management and Fund Performance" for further analysis.

Our broker-dealer businesses include investment banking, research, sales and trading, prime brokerage, global clearing and commission management services to companies and primarily institutional investor clients. Our primary target sectors ("Target Sectors") are healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, energy and transportation. We provide research and brokerage services to over 4,000 domestic and international clients seeking to trade securities and other financial instruments, principally in our target sectors. The broker-dealer segment also offers a full-service suite of introduced prime brokerage services targeting emerging private fund managers. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies. From time to time, the Company invests in private capital raising transactions of its investment banking clients.

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

Certain Factors Impacting Our Business

Our investment management business and results of operations are impacted by the following factors:

- Assets under management. Our revenues from management fees are directly linked to assets under management. As a result, the future performance of our investment management business will depend on, among other things, our ability to retain assets under management and to grow assets under management from existing and new products. In addition, positive performance increases assets under management which results in higher management fees.
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- Investment performance. Our revenues from incentive income are linked to the performance of the funds and accounts that we manage. Performance also affects assets under management because it influences investors' decisions to invest assets in, or withdraw assets from, the funds and accounts managed by us.
- Fee and allocation rates. Our management fee revenues are linked to the management fee rates we charge as a percentage of assets under management. Our incentive income revenues are linked to the incentive allocation rates we charge as a percentage of performance-driven asset growth. Our incentive allocations are generally subject to “high-water marks,” whereby incentive income is generally earned by us only to the extent that the net asset value of a fund

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at the end of a measurement period exceeds the highest net asset value as of the end of the earlier measurement period for which we earned incentive income. Our incentive allocations, in some cases, are subject to performance hurdles.

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

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

- Underwriting, private placement and strategic/financial advisory fees. Our revenues from investment banking are directly linked to the underwriting fees we earn in equity and debt securities offerings in which the Company acts as an underwriter, private placement fees earned in non-underwritten transactions, sales commissions earned in at-the-market offerings and success fees earned in connection with advising both buyers and sellers, principally in mergers and acquisitions. As a result, the future performance of our investment banking business will depend on, among other things, our ability to secure lead manager and co-manager roles in clients' capital raising transactions as well as our ability to secure mandates as a client's strategic financial advisor.
- Commissions. Our commission revenues depend for the most part on our customer trading volumes and on the notional value of the non-U.S. securities traded by our customers.
- Principal transactions. Principal transactions revenue includes net trading gains and losses from the Company's market-making activities and net trading gains and losses on inventory and other Company positions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk.
- Equity and credit research fees. Equity and credit research fees are paid to the Company for providing equity and credit research. The Company also permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. Our ability to generate revenues relating to our equity and credit research depends on the quality of our research and its relevance to our institutional customers and other clients.
- Investment performance of our own capital. Investment income in the broker-dealer business includes gains and losses generated by the capital the Company invests in private capital raising transactions of its investment banking clients. Our revenues from investment income are linked to the performance of the underlying investments.
- Liquidity. As a clearing broker-dealer in the U.S., we are subject to cash deposit requirements with clearing organizations, brokers and banks that may be large in relation to our total liquid assets.

External Factors Impacting Our Business

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

- Our broker-dealer business has been, and may continue to be, adversely affected by market conditions. Increased competition continues to affect our investment banking and capital markets businesses. The same factors also affect trading volumes in secondary financial markets, which affect our brokerage business. Commission rates, market volatility, increased competition from larger financial firms and other factors also affect our brokerage revenues and may cause these revenues to vary from period to period.
- Our broker-dealer business focuses primarily on small to mid-capitalization and private companies in specific industry sectors. These sectors may experience growth or downturns independent of general economic and market conditions, or may face market conditions that are disproportionately better or worse than those impacting the economy and markets generally. In addition, increased government regulation has had, and may continue to have, a disproportionate

effect on capital formation by smaller companies. Therefore, our broker-dealer business could be affected differently than overall market trends.

- Our investment management business can be adversely affected by unanticipated levels of requested redemptions. We experienced significant levels of requested redemptions during the 2008 financial crisis and, while the environment for

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investing in investment management products has since improved, it is possible that we could intermittently experience redemptions above historical levels, regardless of fund performance.

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

Recent Developments

On December 27, 2017, Jeffrey M. Solomon became Chief Executive Officer of the Company, pursuant to the Company’s succession plan. Peter A. Cohen remains Chairman of the Board of Directors of the Company.

On December 8, 2017 the Company completed a public offering of $120.0 million of 7.35% senior notes due 2027. On December 14, 2017 the underwriters exercised in full their option to purchase an additional $18.0 million principal amount of the notes. The net proceeds of the offering, after deducting the underwriting discount and estimated offering expenses payable by the Company, were approximately $133.0 million and were used to redeem the Company’s outstanding ($63.25 million principal amount) 8.25% senior notes due 2021 (the “2021 Notes”) following which the 2021 Notes were delisted from NASDAQ.

On December 14, 2017, the Company issued $135.0 million aggregate principal amount of 3.00% convertible senior notes due 2022. The Company used the net proceeds from the offering, together with cash on hand, for general corporate purposes, including the repurchase or repayment of $115.1 million of the Company’s outstanding 3.0% cash convertible senior notes due 2019 and the repurchase of approximately $19.5 million of the Company’s shares of its common stock from purchasers of the notes in privately negotiated transactions, which were consummated substantially concurrently with the closing of the offering.

Basis of presentation

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

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

Acquisition

On June 1, 2017, the Company, through its wholly owned subsidiary Cowen CV Acquisition LLC, entered into a securities purchase agreement with, among others, Convergex Holdings LLC to acquire all the outstanding interests in Convergex Group, LLC ("Convergex Group") (subsequently renamed to Cowen Execution Holdco LLC). This acquisition was accounted for under the acquisition method of accounting in accordance with US GAAP. As such, results of operations for Convergex Group are included in the accompanying consolidated statements of operations since the date of acquisition, and the assets acquired and liabilities assumed were recorded at their fair value as of the acquisition date.

On May 6, 2016, the Company completed its previously announced acquisition of the credit products, credit research, special situations and emerging markets units from CRT Capital Group LLC (“CRT”). The acquisition was completed for a combination of cash of $6.3 million and contingent consideration payable annually based on future revenues exceeding specific targets. The acquisition was accounted for under the acquisition method of accounting in accordance with US GAAP. As such, the results of operations of the businesses acquired are included in the accompanying consolidated statements of operations since the date of the acquisition and the assets acquired, liabilities assumed and the resulting goodwill were recorded at their fair values within their respective line items on the accompanying consolidated statement of financial condition.

On April 22, 2016, Cowen Aviation Finance Holdings Inc. ("Cowen Aviation Finance") entered into a transaction whereby Cowen Aviation Finance acquired Low Country III, LLC, which is comprised of a portfolio of four specialized aircraft currently on lease in exchange for an immaterial upfront payment and a minority equity interest in Cowen Aviation Finance. As part of

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the transaction Cowen Aviation Finance also acquired the associated debt financing and lease contracts for each aircraft. Separate from the transaction, Cowen Aviation Finance entered into services agreements with Tempus Applied Solutions, Inc., a related party through common directors, which, among other services, will provide marketing, maintenance, and lease administration services for Cowen Aviation Finance's current aircraft fleet. This acquisition was accounted for as an asset acquisition in accordance with US GAAP because, upon separation from the seller, the acquired assets do not meet the definition of a business.

Divestitures

On September 23, 2016, the Company and the portfolio managers of Ramius Alternative Solutions LLC ("RASL") completed the sale of their respective ownership interests in RASL, an investment advisor, and RASL was deconsolidated as of that date. RASL offered a range of customized hedge fund investment solutions with approximately $2.5 billion in client assets. As the Company will continue to offer its investment management platform to institutional and retail investors, the sale was not presented as discontinued operations. The overall impact on the consolidated financial position, results of operations and cash flows is not expected to be significant.

Effective as of August 2017, Cowen and the relevant sub-adviser, Archview Investment Group LP, elected to close the Ramius Archview Credit & Distressed Fund, to which Cowen had been a sponsor and held a significant minority interest.

Effective as of the beginning of the fourth quarter of 2017, Cowen withdrew from its partnership with Caerus Investors, LLC, an equity long short strategy in which Cowen had a significant minority interest.

Effective as of January 31, 2018, Cowen withdrew from its partnership with Quadratic Capital Management LLC, an options-based discretionary macro strategy in which Cowen had a significant minority interest.

Revenue recognition

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

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

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

Management fees

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

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

Management fees are generally paid on a quarterly basis at the beginning of each quarter in arrears and are prorated for capital inflows and redemptions. While some investors may have separately negotiated fees, in general the management fees are as follows:

- Private Funds. Management fees for the Company's private funds, including the private healthcare fund, are generally charged at an annual rate of up to 2% of assets under management or notional trading level. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.
- Real Estate. Management fees from the Company's real estate business are generally charged at an annual rate from 0.25% to 1.50% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period.
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HealthCare Royalty Partners. In HealthCare Royalty Partners main funds, during the investment period (as defined in the relevant partnership agreements), management fees are generally charged at an annual rate of 1% to 2% of committed capital. After the investment period, management fees for these funds are generally charged at an annual rate of 0.5% to 2% of the net asset value or the aggregate cost basis of the unrealized investments held by the funds.

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For the other funds (and managed accounts) managed by Healthcare Royalty Partners, the management fee ranges from 0.2% to 1% and there is no adjustment based on an investment period. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.

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

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) with respect to certain of the Company's investment management products, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have been carried forward from prior years. For the products we offer, incentive income earned is typically up to 20% for private funds (in certain cases on performance in excess of a benchmark), of the net profits earned for the full year that are attributable to each fee-paying investor. Generally, incentive income on real estate funds is earned after the investor has received a full return of their invested capital, plus a preferred return. However, for certain real estate funds, the Company is entitled to receive incentive fees earlier, provided that the investors have received their preferred return on a current basis or on an investor by investor basis. These funds are generally subject to a potential clawback of these incentive fees upon the liquidation of the fund if the investor has not received a full return of its invested capital plus the preferred return thereon. Incentive income in the HealthCare Royalty Partners funds is generally earned only after investors receive a full return of their capital plus a preferred return. Several general partners of the Company's private funds are jointly owned by the Company and third parties. Accordingly, the incentive fees generated by these funds are split between the Company and these third parties. Pursuant to US GAAP, incentive income received by the general partners that are accounted for under the equity method of accounting are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.

In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a “high-water mark.” The Company has elected to record incentive income revenue in accordance with “Method 2” of US GAAP. Under Method 2, the incentive income from the Company's investment management products for any period is based upon the net profits of those investment management products at the reporting date. Any incentive income recognized in the accompanying consolidated statement of operations may be subject to future reversal based on subsequent negative performance prior to the conclusion of the fiscal year, when all contingencies have been resolved.

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

Investment Banking

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

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

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

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

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recognizes as co-manager. Such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically within 90 days following the closing of the transaction.

- Strategic/financial advisory fees. The Company's strategic advisory revenues include success fees earned in connection with advising companies, principally in mergers, acquisitions and restructuring transactions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.
- Placement and sales agent fees. The Company earns agency placement fees and sales agent commissions in non-underwritten transactions such as private placements of loans and debt and equity securities, including, private investment in public equity transactions ("PIPEs"), and as sales agent in at-the-market offerings of equity securities. The Company records placement revenues (which may be in cash and/or securities) when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. The Company records sales agent commissions on a trade date basis. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

Brokerage revenue consists of commissions, principal transactions, equity and credit research fees and trade conversion revenue.

- Commissions. Commission revenue includes fees from executing and clearing client transactions and commission sharing arrangements. These fees are recognized on a trade date basis. The Company permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. Commissions on soft dollar brokerage are recorded net of the related expenditures on an accrual basis. The costs of commission recapture arrangements are recorded on an accrual basis for each eligible trade and shown net of commission revenue. Commission revenues also includes fees from making algorithms available to clients.
- Principal transactions. Principal transactions revenue includes net trading gains and losses from the Company's market-making activities in over-the-counter equity and fixed income securities, trading of convertible securities, and trading gains and losses on inventory and other Company positions, which include warrants previously received as part of investment banking transactions. In certain cases, the Company provides liquidity to clients by buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration.
- Equity and credit research fees. Equity and credit research fees are paid to the Company for providing equity and credit research. Revenue is recognized once an arrangement exists, access to research has been provided, the fee amount is fixed or determinable, and collection is reasonably assured.
- Trade conversion revenue. Trade conversion revenue includes the fee earned from converting foreign securities into an American Depository Receipt ("ADR") and the fee earned from converting an ADR into foreign securities on behalf of customers, and margins earned from facilitating customer foreign exchange transactions. Trade conversion revenue is recognized on a trade date basis.

Investment Income

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

Interest and Dividends

Interest and dividends are earned by the Company from various sources. The Company receives interest and dividends primarily from securities finance activities and securities held by the Company for purposes of investing capital, investments held by its Consolidated Funds and its brokerage balances. Interest is recognized on an accrual basis and interest income is recognized on the debt of those issuers that is deemed collectible. Interest income and expense includes premiums and discounts amortized and accreted on debt investments based on criteria determined by the Company using the effective yield method, which assumes the reinvestment of all interest payments. Dividends are recognized on the ex-dividend date.

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Reimbursement from Affiliates

The Company allocates, at its discretion, certain expenses incurred on behalf of its private fund and real estate businesses. These expenses relate to the administration of such subsidiaries and assets that the Company manages for its funds. In addition, pursuant to the funds' offering documents, the Company charges certain allowable expenses to the funds, including charges and personnel costs for legal, compliance, accounting, tax compliance, risk and technology expenses that directly relate to administering the assets of the funds. Such expenses that have been reimbursed at their actual costs are included in the consolidated statements of operations as employee compensation and benefits, professional, advisory and other fees, communications, occupancy and equipment, client services and business development and other.

Aircraft lease revenue

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

Reinsurance premiums

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

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

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

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

Expenses

The Company's expenses consist of compensation and benefits, interest and dividends, reinsurance costs, general, administrative and other, and consolidated fund expenses.

- Compensation and Benefits. Compensation and benefits is comprised of salaries, benefits, discretionary cash bonuses and equity-based compensation. Annual incentive compensation is variable, and the amount paid is generally based on a combination of employees' performance, their contribution to their business segment, and the Company's performance. Generally, compensation and benefits comprise a significant portion of total expenses, with annual incentive compensation comprising a significant portion of total compensation and benefits expenses.
- Interest and Dividends. Interest and dividends expense relates primarily to securities finance activities, trading activity with respect to the Company's investments and interest expense on debt.
- Reinsurance claims, commissions and amortization of deferred acquisition costs. Reinsurance related expenses reflect loss and claim reserves, acquisition costs and other expenses incurred with respect to our insurance and reinsurance operations.
- General, Administrative and Other. General, administrative and other expenses are primarily related to professional services, occupancy and equipment, business development expenses, communications, expenses associated with our reinsurance business and other miscellaneous expenses. These expenses may also include certain one-time charges and non-cash expenses.
- Consolidated Funds Expenses. Certain funds are consolidated by the Company pursuant to US GAAP. As such, the Company's consolidated financial statements reflect the expenses of these consolidated entities and the portion

attributable to other investors is allocated to a redeemable non-controlling interest.

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Income Taxes

The taxable results of the Company's U.S. operations are subject to U.S. federal, state and city taxation as a corporation. The Company is also subject to foreign taxation on income it generates in certain countries.

The Company records deferred tax assets and liabilities for the future tax benefit or expense that will result from differences between the carrying value of its assets for income tax purposes and for financial reporting purposes, as well as for operating or capital loss and tax credit carryovers. A valuation allowance is recorded to bring the net DTA to a level that, in management's view, is more likely than not to be realized in the foreseeable future. This level will be estimated based on a number of factors, especially the amount of net deferred tax assets of the Company that are actually expected to be realized, for tax purposes, in the foreseeable future. Deferred tax liabilities that cannot be realized in a similar future time period and thus that cannot offset the Company's deferred tax assets are not taken into account when calculating the Company's net DTA.

In December 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was enacted. The 2017 Tax Act represents major tax reform legislation that, among other provisions, reduces the U.S. corporate tax rate. Certain income tax effects of the 2017 Tax Act, including $46.6 million of tax expense recorded principally due to the re-measurement of our net deferred tax assets at this new rate, are reflected in our financial results in accordance with Staff Accounting Bulletin No. 118 (SAB 118), which provides SEC staff guidance regarding the application of Accounting Standards Codification (ASC) Topic 740, Income Taxes, in the reporting period in which the 2017 Tax Act became law. See Note 21 to the consolidated financial statements for further information on the financial statement impact of the 2017 Tax Act.

Redeemable Non-controlling Interests

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

Assets Under Management and Fund Performance

Assets Under Management

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

Assets under management also include the fair value of assets the Company manages pursuant to separately managed accounts, collateralized debt obligations for which the Company is the collateral manager, and, as indicated in the footnotes to the table below, proprietary assets which the Company has invested in these products. Also, as indicated, assets under management for certain products may represent committed capital or committed funding that may not be under our control but forms part of the investment management product's trading level.

As of January 1, 2018, the Company had assets under management of $11.0 billion, a 4.4% increase as compared to assets under management of $10.5 billion as of January 1, 2017. The $0.5 billion increase in assets under management during the year ended December 31, 2017 primarily resulted from subscriptions in private funds and real estate and offset by distributions or redemptions in the healthcare royalty and private funds businesses.

The following table is a breakout of total assets under management by platform as of January 1, 2018 (which excludes cross investments from other Ramius platforms):

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	Platform							
	Private Funds (a) (b) (g)	Alternative Solutions (a)	Cowen Trading Strategies (h)	Real Estate (a) (d) (i)	Healthcare Royalty Partners (c) (d) (i)	Private Healthcare (d) (i) (k)	Other (j)	Total
	(dollars in millions)							
January 1, 2015	$4,218	$3,784	$ 147	$1,707	$2,582	$ —	$48	$12,486
Subscriptions	2,725	997	—	—	—	—	—	3,722
Redemptions	(572)	(810)	(49)	(65)	(178)	—	(14)	(1,688)
Performance (e)	(781)	(419)	(3)	—	5	—	—	(1,198)
Net Return (f)	(18.52)%	(11.07)%	(2.04)%	— %	0.19 %	— %	— %	(9.59)%
January 1, 2016	5,590	3,552	95	1,642	2,409	—	34	13,322
Subscriptions	1,537	—	—	—	—	—	—	1,537
Redemptions	(714)	(3,641)	(40)	(220)	(137)	—	(21)	(4,773)
Performance (e)	362	89	(3)	—	10	—	—	458
Net Return (f)	6.48 %	2.51 %	(3.16)%	— %	0.42 %	— %	— %	3.44 %
January 1, 2017	6,775	—	52	1,422	2,282	—	13	10,544
Subscriptions	823	—	163	583	—	179	51	1,799
Redemptions	(1,168)	—	(59)	—	(521)	(12)	—	(1,760)
Performance (e)	430	—	1	—	(26)	15	—	420
Net Return (f)	6.35 %	— %	1.92 %	— %	(1.14)%	— %	— %	3.98 %
January 1, 2018	$6,860	$—	$ 157	$2,005	$1,735	$ 182	$64	$11,003

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

(b) These amounts include the Company's invested capital of approximately $160.9 million, $176.6 million and $173.6 million as of January 1, 2018, January 1, 2017 and 2016, respectively (including interests in both a registered investment company and an Undertakings for Collective Investment Trust (UCITS), each of which pursues a private fund-style strategy). Assets under management amounts are as of January 1, 2018 and include approximately $611.2 million of committed but undrawn capital that will be charged fees when invested.

(c) These amounts include the Company's invested capital of approximately $5.6 million, $10.5 million and $20.2 million as of January 1, 2018, January 1, 2017 and 2016, respectively.

(d) This amount includes unfunded capital commitments.

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

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

(g) The Company's actively marketed private fund products have varying liquidity terms typically ranging from daily to quarterly liquidity with less liquidity applying to certain co-investment vehicles. In 2010, the Company suspended redemption rights with respect to certain private funds that are being wound down. The private funds that have suspended redemption rights represent approximately 3.13% of the total private fund assets under management.

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

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(i) The real estate, healthcare royalty and private healthcare funds do not provide investors with redemption rights. Investors receive distributions upon dispositions of the funds' underlying investments.

(j) Includes the assets of separate accounts managed by the Company for non-institutional clients that had been managed prior to July 1, 2017 but had not previously been included in the Company's calculation of its assets under management. Prior to June 1, 2017, "Other" assets under management included the assets of a CDO managed by the Company, which are now part of the Cowen Trading Strategies business.

(k) The Company began managing a private healthcare funds in September 2015. This amount includes the Company's investment of $36.9 million as of January 1, 2018. The Company owns 100% of the investment manager of the private healthcare business.

Fund Performance

For the quarter ended December 31, 2017 the Company's investment strategies had mixed results, with performance varying in comparison to relevant benchmarks. As had been the case throughout the year, there were no significant drawdowns in any strategy. Our activist strategy had positive performance for the quarter and for the year. The merger arbitrage strategy finished the quarter with modestly negative results, primarily due to hedging costs earlier in the quarter, followed by spread widening after the government's decision to contest the Time Warner / AT&T transaction but there was some recovery in December and overall the strategy had modest positive results for the year. The UCITS Merger Fund, in partnership with Bank of America Merrill Lynch, also had positive performance for the year. The fund has met expectations for its more diversified portfolio since the July 2016 launch.

Our options-based global macro strategy had modestly negative performance for the quarter and the year, given the persistence of continued low levels of implied volatility across multiple asset classes. Depressed volatility, especially in equities, has been a dominant condition throughout both 2016 and 2017.

Our equity long/short affiliate, which follows a multi-sector approach with a focus on technology and consumer companies, finished the quarter with positive results, led by a strong month in October. The strategy had positive results for the year.

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

Our healthcare royalty strategy's third fund still remains in its investment period. Ongoing opportunities in the pharmaceutical and healthcare sectors remain robust. As a result, the strategy has been able to invest significant capital in both its latest commingled fund and separate managed accounts.

Our new health care portfolio team, having produced strong results in its first fund, launched a second fund in November 2017 which completed its capital raising in January 2018. The strategy invests in private companies with potentially transformative therapeutics. The fund is a medium-term vehicle with private equity drawdown features.

Invested Capital

The Company invests a significant portion of its capital base to help drive results and facilitate the growth of its investment management and broker-dealer businesses. Management allocates capital to three primary investment categories: (i) trading strategies; (ii) merchant banking investments; and (iii) real estate investments. The Company seeks to make strategic and opportunistic investments in varying capital structures across a diverse array of businesses, private funds and mutual funds. Much of the Company's trading strategy portfolio is invested alongside the Company's investment management clients and includes liquid investment strategies such as corporate credit trading, event driven, macro trading, and enhanced cash management. Within its merchant banking investments, management generally takes a long-term view that typically involves investing directly in public and private companies globally, private equity funds and alongside its investment management clients. In addition, from time to time the Company makes investments in private capital raising transactions of its investment banking clients. The

Company's real estate investment strategy focuses on making investments alongside the investment management clients invested in the RCG Longview funds, as well as in direct investments in commercial real estate projects.
As of December 31, 2017, the Company's invested capital amounted to a net value of $695.3 million (supporting a long market value of $1,063.8 million), representing approximately 93% of Cowen's stockholders' equity presented in accordance

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with US GAAP. The table below presents the Company's invested equity capital by strategy and as a percentage of Cowen's stockholders' equity as of December 31, 2017. The net values presented in the table below do not tie to Cowen's consolidated statement of financial condition as of December 31, 2017 because they are included in various line items of the accompanying consolidated statement of financial condition, including “securities owned, at fair value”, “other investments”, “cash and cash equivalents”, and “consolidated funds-securities owned, at fair value”.

Strategy	Net Value (dollars in millions)	% of Stockholders' Equity
Trading	$ 503.7	67%
Merchant Banking	148.8	20%
Real Estate	42.8	6%
Total	695.3	93%
Stockholders' Equity	$ 748.0	100%

The allocations shown in the table above will change over time.

Results of Operations

To provide comparative information of the Company's operating results for the periods presented, a discussion of Economic Income (Loss) (which is a non-GAAP measure) of our investment management and broker-dealer segments follows the discussion of our total consolidated US GAAP results. Economic Income (Loss) reflects, on a consistent basis for all periods presented in the Company's consolidated financial statements, income earned from the Company's funds and managed accounts and from its own invested capital. Economic Income (Loss) excludes certain adjustments required under US GAAP. See the section titled “Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company-Segment Analysis and Economic Income (Loss),” and Note 27 to the accompanying Company's consolidated financial statements, appearing elsewhere in this Form 10-K, for a reconciliation of Economic Income (Loss) to total Company US GAAP net income (loss).

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Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

	Consolidated Statements of Operations			
	Year Ended December 31,		Period to Period	
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	$223,614	$133,279	$90,335	68 %
Brokerage	293,610	199,180	94,430	47 %
Management fees	33,245	40,612	(7,367)	(18)%
Incentive income	5,383	8,334	(2,951)	(35)%
Interest and dividends	49,440	14,732	34,708	236 %
Reimbursement from affiliates	2,860	10,504	(7,644)	(73)%
Aircraft lease revenue	3,751	4,161	(410)	(10)%
Reinsurance premiums	30,996	32,459	(1,463)	(5)%
Other revenues	8,561	22,355	(13,794)	(62)%
Consolidated Funds revenues	7,321	5,949	1,372	23 %
Total revenues	658,781	471,565	187,216	40 %
Expenses				
Employee compensation and benefits	404,087	310,038	94,049	30 %
Interest and dividends	60,949	29,308	31,641	108 %
Reinsurance claims, commissions and amortization of deferred acquisition costs	30,486	29,904	582	2 %
Operating, general, administrative and other expenses	227,709	156,091	71,618	46 %
Depreciation and amortization expense	13,078	12,713	365	3 %
Restructuring costs	8,763	—	8,763	NM
Consolidated Funds expenses	12,526	9,064	3,462	38 %
Total expenses	757,598	547,118	210,480	38 %
Other income (loss)				
Net gains (losses) on securities, derivatives and other investments	76,179	23,381	52,798	226 %
Bargain purchase gain, net of tax	6,914	—	6,914	NM
Gain/(loss) on debt extinguishment	(16,039)	—	(16,039)	NM
Consolidated Funds net gains (losses)	38,725	20,685	18,040	87 %
Total other income (loss)	105,779	44,066	61,713	140 %
Income (loss) before income taxes	6,962	(31,487)	38,449	122 %
Income tax expense (benefit)	44,053	(19,092)	63,145	331 %
Net income (loss)	(37,091)	(12,395)	(24,696)	(199)%
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	23,791	6,882	16,909	246 %
Net income (loss) attributable to Cowen Inc.	(60,882)	(19,277)	(41,605)	(216)%
Preferred stock dividends	6,792	6,792	—	— %
Net income (loss) attributable to Cowen Inc. common stockholders	$(67,674)	$(26,069)	$(41,605)	(160)%

Revenues

Investment Banking

Investment banking revenues increased $90.3 million to $223.6 million for the year ended December 31, 2017 compared with $133.3 million in the prior year period. During the year ended December 31, 2017, the Company completed 103 underwriting transactions, 16 strategic advisory transactions and two debt capital market transactions. During the year ended December 31, 2016, the Company completed 76 underwriting transactions, 15 strategic advisory transactions and seven debt capital market transactions. The average underwriting fee per transaction was 33.8% greater for the year ended December 31, 2017 as compared to the prior year period.

Brokerage

Brokerage revenues increased $94.4 million to $293.6 million for the year ended December 31, 2017 compared with $199.2 million in the prior year period. This was attributable to an increase in revenues due to the initiation of the credit trading business in May 2016 and the acquisition of Convergex Group in June 2017. Customer trading volumes across the industry (according to Bloomberg) decreased 11% for the year ended December 31, 2017 compared to the prior year period.

Management Fees

Management fees decreased $7.4 million to $33.2 million for the year ended December 31, 2017 compared with $40.6 million in the prior year period. This decrease in management fees was primarily related to the sale of our interest in the alternative solutions business during the third quarter of 2016 and a decrease in management fees from the real estate business.

Incentive Income

Incentive income decreased $2.9 million to $5.4 million for the year ended December 31, 2017, compared with $8.3 million in the prior year period. This decrease was primarily related to a decrease in performance fees from the multi-strategy business.

Interest and Dividends

Interest and dividends increased $34.7 million to $49.4 million for the year ended December 31, 2017 compared with $14.7 million in the prior year period. This was primarily attributable to securities financing activities during the second half of the year from the June 2017 acquisition of Convergex Group.

Reimbursements from Affiliates

Reimbursements from affiliates decreased $7.6 million to $2.9 million for the year ended December 31, 2017 compared with $10.5 million in the prior year period. The decrease is primarily related to a decrease in reimbursements from the activist business.

Aircraft Lease Revenues

Aircraft lease revenues decreased to $3.8 million for the year ended December 31, 2017 compared to $4.2 million in the prior year period. This decrease was related to the sale of one plane during the third quarter of 2017.

Reinsurance Premiums

Reinsurance premiums decreased $1.5 million to $31.0 million for the year ended December 31, 2017 compared with $32.5 million in the prior year period. This decrease reflects the reduction, in 2017, of our quota share participation in one of the reinsurance policies.

Other Revenues

Other revenues decreased $13.8 million to $8.6 million for the year ended December 31, 2017 compared with $22.4 million in the prior year period. The decrease primarily relates to the sale of our interest in the alternative solutions business and the principal owners of Starboard Value exercising their right to acquire a portion of the Company’s ownership interest in the activist business in the prior year.

Consolidated Funds Revenues

Consolidated Funds revenues increased $1.4 million to $7.3 million for the year ended December 31, 2017 compared with $5.9 million in the prior year period. The increase is due to interest and dividends income from the consolidated funds.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $94.0 million to $404.1 million for the year ended December 31, 2017 compared with $310.0 million in the prior year period. The increase is primarily due to $187.2 million higher total revenues and $61.7 million more other income (loss) during 2017 as compared to 2016 resulting in a higher compensation and benefits accrual. The compensation to revenue ratio, including other income (loss), was 53% for the year ended December 31, 2017, compared with 60% in the prior year period.

Interest and Dividends

Interest and dividends expenses increased $31.6 million to $60.9 million for the year ended December 31, 2017 compared with $29.3 million in the prior year period. This was primarily attributable to securities finance activities during the second half of the year from the June 2017 acquisition of Convergex Group, an increase in debt, an increase in the number of investments sold short and an increase in margin balances during 2017 as compared to 2016.

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Reinsurance Claims, Commissions and Amortization of Deferred Acquisition Costs

Reinsurance related expenses increased $0.6 million to $30.5 million for the year ended December 31, 2017 compared with $29.9 million in the prior year period. This increase was predominantly due to higher than expected claims that resulted from severe weather events in the US in the third and fourth quarters of 2017.

General, Administrative and Other Expenses

General, administrative and other expenses increased $71.6 million to $227.7 million for the year ended December 31, 2017 compared with $156.1 million in the prior year period. The increase is primarily related to higher floor brokerage and trade execution costs, due to higher brokerage revenue, and increased marketing and business development expenses, legal and other professional fees and increased occupancy costs, which are mostly related to the acquisition of Convergex Group during June 2017.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $0.4 million to $13.1 million for the year ended December 31, 2017 compared with $12.7 million in the prior year period. The increase is primarily related to an increase in amortization of intangible assets related to recent acquisitions.

Restructuring Costs

Restructuring costs expenses were $8.8 million for the year ended December 31, 2017. In conjunction with the integration of the acquired businesses of Convergex Group, the Company evaluated the combined broker-dealer businesses and operations and incurred integration and restructuring costs which primarily related to exit and disposal costs, discontinuation of redundant technology services and severance costs.

Consolidated Funds Expenses

Consolidated Funds expenses increased $3.4 million to $12.5 million for the year ended December 31, 2017 compared with $9.1 million in the prior year period. The increase is due to increased interest and dividends expense in one of the consolidated funds.

Other Income (Loss)

Other income (loss) increased $61.7 million to $105.8 million for the year ended December 31, 2017 compared with $44.1 million in the prior year period. The increase primarily relates to an increase in performance of the Company's own invested capital and the bargain purchase gain related to the acquisition of Convergex Group during June 2017 partially offset by costs associated with extinguishing debt. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to redeemable non-controlling interests.

Income Taxes

Income tax expense increased $63.0 million to $44.1 million for the year ended December 31, 2017 compared with an income tax benefit of $19.1 million in the prior year period. This increase in expense is primarily attributable to the impact of the federal tax reform enacted in 2017 and higher non-deductible expenses.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests increased $16.9 million to $23.8 million for the year ended December 31, 2017 compared with $6.9 million in the prior year period. The increase was primarily the result of losses incurred by one of the consolidated funds in the prior year period. Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities.

Preferred Stock Dividends

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

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Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

	Consolidated Statements of Operations			
	Year Ended December 31,		Period to Period	
	2016	2015	$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	$133,279	$222,781	$(89,502)	(40)%
Brokerage	199,180	157,722	41,458	26 %
Management fees	40,612	41,906	(1,294)	(3)%
Incentive income	8,334	1,466	6,868	468 %
Interest and dividends	14,732	13,796	936	7 %
Reimbursement from affiliates	10,504	21,557	(11,053)	(51)%
Aircraft lease revenue	4,161	—	4,161	NM
Reinsurance premiums	32,459	—	32,459	NM
Other revenues	22,355	3,726	18,629	500 %
Consolidated Funds revenues	5,949	1,613	4,336	269 %
Total revenues	471,565	464,567	6,998	2 %
Expenses				
Employee compensation and benefits	310,038	321,386	(11,348)	(4)%
Interest and dividends	29,308	26,220	3,088	12 %
Reinsurance claims, commissions and amortization of deferred acquisition costs	29,904	—	29,904	NM
Depreciation and amortization	12,713	9,498	3,215	34 %
General, administrative and other expenses	156,091	144,960	11,131	8 %
Consolidated Funds expenses	9,064	2,310	6,754	292 %
Total expenses	547,118	504,374	42,744	8 %
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	23,381	36,789	(13,408)	(36)%
Consolidated Funds net gains (losses)	20,685	14,497	6,188	43 %
Total other income (loss)	44,066	51,286	(7,220)	(14)%
Income (loss) before income taxes	(31,487)	11,479	(42,966)	(374)%
Income tax expense (benefit)	(19,092)	(47,496)	28,404	60 %
Net income (loss)	(12,395)	58,975	(71,370)	(121)%
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	6,882	15,246	(8,364)	(55)%
Net income (loss) attributable to Cowen Inc.	(19,277)	43,729	(63,006)	(144)%
Preferred stock dividends	6,792	4,075	2,717	67 %
Net income (loss) attributable to Cowen Inc. common stockholders	$(26,069)	$39,654	$(65,723)	(166)%

Revenues

Investment Banking

Investment banking revenues decreased $89.5 million to $133.3 million for the year ended December 31, 2016 compared with $222.8 million in the prior year period. During the year ended December 31, 2016, the Company completed 76 underwriting transactions, 15 strategic advisory transactions and seven debt capital market transactions. During the year ended December 31, 2015, the Company completed 129 underwriting transactions, 13 strategic advisory transactions and seven debt capital market transactions. The average underwriting fee per transaction was 12.2% less for the twelve months ended December 31, 2016 as compared to the prior year.

Brokerage

Brokerage revenues increased $41.5 million to $199.2 million for the year ended December 31, 2016 compared with $157.7 million in the prior year period. This was attributable to higher commissions due to an increase in customer trading volumes, the initiation of the prime brokerage businesses in the third and fourth quarters of 2015 and the initiation of the credit trading business in May 2016. Customer trading volumes across the industry (according to Bloomberg) increased 6% for the twelve months ended December 31, 2016 compared to the prior year.

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Management Fees
Management fees decreased $1.3 million to $40.6 million for the year ended December 31, 2016 compared with $41.9 million in the prior year period. The decrease was primarily related to lower management fees from the alternative solutions business (due to the sale of our interest in the business) offset partially by an increase in management fees from the prime services business (acquired during the fourth quarter of 2015) and the macro options business.
Incentive Income
Incentive income increased $6.8 million to $8.3 million for the year ended December 31, 2016, compared with $1.5 million in the prior year period. This increase was primarily related to an increase in performance fees from certain private investments.
Interest and Dividends
Interest and dividends increased $0.9 million to $14.7 million for the year ended December 31, 2016 compared with $13.8 million in the prior year period. This was primarily attributable to an increase in the number of investments in interest bearing securities during 2016 as compared to 2015.
Reimbursements from Affiliates
Reimbursements from affiliates decreased $11.1 million to $10.5 million for the year ended December 31, 2016 compared with $21.6 million in the prior year period. The decrease is primarily related to a decrease in reimbursements from the activist business.
Aircraft lease revenues
Aircraft lease revenues were $4.2 million for the year ended December 31, 2016 relating to the new aircraft leasing business which began during 2016.
Reinsurance premiums
Reinsurance premiums of $32.5 million relate to premiums from the insurance-related business (which was entered into at the end of the fourth quarter of 2015).
Other Revenues
Other revenues increased $18.7 million to $22.4 million for the year ended December 31, 2016 compared with $3.7 million in the prior year period. The increase primarily relates to the sale of our interest in the alternative solutions business.
Consolidated Funds Revenues
Consolidated Funds revenues increased $4.3 million to $5.9 million for the year ended December 31, 2016 compared with $1.6 million in the prior year period. The increase is due to the consolidation of new funds during 2016.
Expenses
Employee Compensation and Benefits
Employee compensation and benefits expenses decreased $11.3 million to $310.0 million for the year ended December 31, 2016 compared with $321.4 million in the prior year period. The decrease is primarily due to $7.0 million higher total revenues offset by $7.2 million lower other income (loss) during 2016 as compared to 2015, resulting in a lower compensation and benefits accrual. The compensation to revenue ratio, including other income (loss), was 60% for the year ended December 31, 2016, compared with 62% in the prior year period.
Interest and Dividends
Interest and dividends expenses increased $3.1 million to $29.3 million for the year ended December 31, 2016 compared with $26.2 million in the prior year period. This was primarily attributable to an increase in the number of debt securities held during 2016 as compared to 2015.
Reinsurance claims, commissions and amortization of deferred acquisition costs
Reinsurance related expenses of $29.9 million relate to loss and claim reserves, acquisition costs and other expenses related to the insurance and reinsurance related policies entered into during the second quarter of 2016 and are related to our respective businesses which commenced at the end of the fourth quarter of 2015.
General, Administrative and Other Expenses
General, administrative and other expenses increased $11.1 million to $156.1 million for the year ended December 31, 2016 compared with $145.0 million in the prior year period. The increase is primarily related to higher floor brokerage and

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trade execution costs, due to higher brokerage revenue, and increased marketing and business development expenses, legal and other professional fees and increased occupancy costs, some of which is related to acquisitions during late 2015 and during 2016.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $3.2 million to $12.7 million for the year ended December 31, 2016 compared with $9.5 million in the prior year period. The increase is primarily related to an increase in amortization on intangible assets related to recent acquisitions.

Consolidated Funds Expenses

Consolidated Funds expenses increased $6.8 million to $9.1 million for the year ended December 31, 2016 compared with $2.3 million in the prior year period. The increase is due to the consolidation of new funds during 2016.

Other Income (Loss)

Other income (loss) decreased $7.2 million to $44.1 million for the year ended December 31, 2016 compared with $51.3 million in the prior year period. The decrease primarily relates to decrease in performance of the Company's own invested capital. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to redeemable non-controlling interests.

Income Taxes

Income tax benefit decreased $28.4 million to $19.1 million for the year ended December 31, 2016 compared with an income tax benefit of $47.5 million in the prior year period. This decrease in benefit is primarily attributable to the deferred tax benefit recognized by the Company’s Luxembourg subsidiary in 2015, partially offset by the reversal of a basis difference in the Company’s Luxembourg subsidiaries in 2016.

Income (Loss) Attributable to Redeemable Non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests decreased $8.4 million to income of $6.9 million for the year ended December 31, 2016 compared with income of $15.2 million in the prior year period. The decrease was primarily the result of losses incurred by one of the consolidated funds. Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities.

Preferred Stock Dividends

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

Segment Analysis and Economic Income (Loss)

Segments

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

For the years ended December 31, 2017, 2016, and 2015, the Company's investment management segment includes private funds, managed accounts, commodity pools, real estate funds, private equity structures, registered investment companies and listed vehicles operating results and other investment platforms operating results.

For the years ended December 31, 2017, 2016, and 2015, the Company's broker-dealer segment includes investment banking, research, sales and trading, prime brokerage, global clearing and commission management services businesses' operating results.

Economic Income (Loss)

The performance measure used by the Company for each segment is Economic Income (Loss), which management uses to evaluate the financial performance of and to make operating decisions for the Company as a whole and each segment. Accordingly, management assesses its business by analyzing the performance of each segment and believes that investors should review the same performance measure that it uses to analyze its segment and business performance. In addition, management believes that Economic Income (Loss) is helpful to gain an understanding of its segment results of operations because it reflects such results on a consistent basis for all periods presented.

Our Economic Income (Loss) may not be comparable to similarly titled measures used by other companies. We use Economic Income (Loss) as a measure of each segment's operating performance, not as a measure of liquidity. Economic Income (Loss) should not be considered in isolation or as a substitute for operating income, net income, operating cash flows,

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investing and financing activities, or other income or cash flow statement data prepared in accordance with US GAAP. As a result of the adjustments made to arrive at Economic Income (Loss), Economic Income (Loss) has limitations in that it does not take into account certain items included or excluded under US GAAP, including our Consolidated Funds. Economic Income (Loss) is considered by management as a supplemental measure to the US GAAP results to provide a more complete understanding of each segment's performance as measured by management. For a reconciliation of Economic Income (Loss) to US GAAP net income (loss) for the periods presented and additional information regarding the reconciling adjustments discussed above, see Note 27 to the Company's consolidated financial statements included elsewhere in this Form 10-K.

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

Economic Income (Loss) Revenues

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

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

Our broker-dealer segment generates Economic Income (Loss) revenues through two principal sources: investment banking and brokerage. The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's Target Sectors: healthcare, technology, media and telecommunications, information and technology services, consumer, aerospace and defense, industrials, energy and transportation. The Company's brokerage revenues consist of commissions, principal transactions and fees paid for equity and credit research and trade conversion. Cowen's broker-dealer segment also offers a full-service suite of prime brokerage services. Management reviews brokerage revenue on a combined basis as the vast majority of the revenue is derived from the same group of clients. The Company derives its brokerage revenue primarily from trading equity and equity-linked securities on behalf of institutional investors. The majority of the Company's trading gains and losses are a result of activities that support the facilitation of client orders in both listed and over-the-counter securities, although all trading gains and losses are recorded in brokerage revenue in the accompanying consolidated statement of operations.

Economic Income (Loss) Expenses

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

Non-controlling Interests

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

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Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

	Year Ended December 31,						Total	
	2017			2016			Period-to-Period	
	Investment Management	Broker-Dealer	Total	Investment Management	Broker-Dealer	Total	$ Change	% Change
	(dollars in thousands)							
Economic Income Revenues								
Investment banking	$—	$ 223,614	$223,614	$—	$ 133,279	$133,279	$90,335	68 %
Brokerage	38	312,742	312,780	—	207,040	207,040	105,740	51 %
Management fees	52,239	3,148	55,387	64,086	3,162	67,248	(11,861)	(18)%
Incentive income (loss)	26,028	—	26,028	26,274	—	26,274	(246)	(1)%
Investment income (loss)	31,447	13,695	45,142	3,015	1,008	4,023	41,119	NM
Other income (loss)	1,575	1,656	3,231	29,202	565	29,767	(26,536)	(89)%
Total economic income revenues	$111,327	$ 554,855	$666,182	$122,577	$ 345,054	467,631	198,551	42 %

Economic Income (Loss)

Total Economic Income (Loss) was $15.8 million for the year ended December 31, 2017, an increase of $44.6 million compared to Economic Income (Loss) which was a loss of $28.7 million in the prior year period.

Total Economic Income (Loss) revenues were $666.2 million for the year ended December 31, 2017, an increase of $198.6 million compared to Economic Income (Loss) revenues of $467.6 million in the prior year period. This was related to an increase in investment banking and brokerage activity and an increase in performance in investment income.

Investment Management Segment Revenues

Investment management segment Economic Income (Loss) revenues were $111.3 million for the year ended December 31, 2017, a decrease of $11.3 million compared to Economic Income (Loss) revenues of $122.6 million in the prior year period.

Management Fees. Management fees for the segment decreased $11.9 million to $52.2 million for the year ended December 31, 2017 compared with $64.1 million in the prior year period. This decrease in management fees was primarily related to the sale of our interest in the alternative solutions business during the third quarter of 2016 and a decrease in management fees from the real estate business.

Incentive Income (Loss). Incentive income for the segment decreased $0.3 million to $26.0 million for the year ended December 31, 2017 compared with $26.3 million in the prior year period. This decrease was related to a decrease in performance fees from the multi-strategy business offset partially by an increase in performance from the activist business.

Investment Income (Loss). Investment income for the segment increased $28.4 million to income of $31.4 million for the year ended December 31, 2017 compared with $3.0 million in the prior year period. The increase primarily relates to an increase in performance of the Company's own invested capital.

Other Income (Loss). Other income (loss) for the segment decreased $27.6 million to $1.6 million for the year ended December 31, 2017 compared with $29.2 million in the prior year period. The decrease primarily relates to the sale of our interest in the alternative solutions business and the principal owners of Starboard Value exercising their right to acquire a portion of the Company's ownership interest in the activist business in the prior year.

Broker-Dealer Segment Revenues

Broker-dealer segment Economic Income (Loss) revenues were $554.9 million for the year ended December 31, 2017, an increase of $209.8 million compared with Economic Income (Loss) revenues of $345.1 million in the prior year.

Investment Banking. Investment banking revenues increased $90.3 million to $223.6 million for the year ended December 31, 2017 compared with $133.3 million in the prior year period. During the year ended December 31, 2017, the Company completed 103 underwriting transactions, 16 strategic advisory transactions and two debt capital market transactions. During the year ended December 31, 2016, the Company completed 76 underwriting transactions, 15 strategic advisory transactions and seven debt capital market transactions. The average underwriting fee per transaction was 33.8% greater for the year ended December 31, 2017 as compared to the prior year period.

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Brokerage. Brokerage revenues increased $105.7 million to $312.7 million for the year ended December 31, 2017, compared with $207.0 million in the prior year period. This was attributable to an increase in revenues due to the initiation of the credit trading business in May 2016 and the acquisition of Convergex Group in June 2017. Customer trading volumes across the industry (according to Bloomberg) decreased 11% for the year ended December 31, 2017 compared to the prior year period.

Investment Income (Loss). Investment income for the segment increased $12.7 million to $13.7 million for the year ended December 31, 2017, compared with $1.0 million in the prior year period.

Other Income (Loss). Other income (loss) for the segment increased $1.1 million to $1.7 million for the year ended December 31, 2017, compared with $0.6 million in the prior year period.

Non-Interest Expenses

Non-interest expenses. Total non-interest expenses increased $154.0 million to $625.4 million for the year ended December 31, 2017, compared with $471.4 million in the prior year period.

Compensation and benefits expenses. Compensation and benefits expenses, included within non-interest expenses, increased $87.6 million to $388.0 million for the year ended December 31, 2017 compared with $300.4 million in the prior year period. The increase is due to $198.6 million higher revenues during 2017 as compared to 2016 which resulted in a higher compensation and benefits accrual. The compensation to revenue ratio was 58% for the year ended December 31, 2017 compared with 64% in the prior year period.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses, included within non-interest expenses, increased $21.1 million to $122.1 million for the year ended December 31, 2017 compared with $101.0 million in the prior year period. The increase is primarily related to the acquisition of Convergex Group during June 2017.

The following table shows the components of the non-compensation expenses—fixed, for the year ended December 31, 2017 and 2016:

	Year Ended December 31,		Period-to-Period	
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—fixed:				
Communications	$23,378	$17,752	$5,626	32 %
Professional, advisory and other fees	20,944	17,280	3,664	21 %
Occupancy and equipment	33,928	29,975	3,953	13 %
Service fees	14,896	7,831	7,065	90 %
Expenses from equity investments	11,156	15,844	(4,688)	(30)%
Other	17,819	12,297	5,522	45 %
Total	$122,121	$100,979	$21,142	21 %

Depreciation and amortization expenses. Depreciation and amortization expenses increased $0.6 million to $11.6 million for the year ended December 31, 2017 compared with $11.0 million in the prior year period.

Non-compensation Expenses—Variable. Variable non-compensation expenses, included within non-interest expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $44.6 million to $105.8 million for the year ended December 31, 2017 compared with $61.2 million in the prior year period. The increase is primarily related to higher floor brokerage and trade execution costs, related to the acquisition of Convergex Group during June 2017.

The following table shows the components of the non-compensation expenses—variable, for the year ended December 31, 2017 and 2016:

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	Year Ended December 31,		Period-to-Period	
	2017	2016	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	$73,133	$29,432	$43,701	148 %
HealthCare Royalty Partners syndication costs	528	528	—	— %
Expenses related to Luxembourg companies	3,279	2,406	873	36 %
Marketing and business development	27,336	26,163	1,173	4 %
Other	1,510	2,649	(1,139)	(43)%
Total	$105,786	$61,178	$44,608	73 %

Reimbursement from Affiliates. Reimbursements from affiliates, included within non-interest expenses, which relate to the investment management segment decreased $0.3 million to $2.0 million for the year ended December 31, 2017 compared to $2.3 million in the prior year period.

Interest expense

Interest expense increased $1.7 million to $18.9 million for the year ended December 31, 2017 compared with $17.2 million in the prior year period. Interest expense primarily relates to debt issued during 2014 and 2017.

Non-Controlling Interest

Income (loss) attributable to redeemable non-controlling interests decreased by $1.7 million to $6.1 million for the year ended December 31, 2017 compared with $7.8 million in the prior year period. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to our partners in those subsidiaries.

Year Ended December 31, 2016 Compared with the Year Ended December 31, 2015

	Year Ended December 31,						Total	
	2016			2015			Period-to-Period	
	Investment Management	Broker-Dealer	Total	Investment Management	Broker-Dealer	Total	$ Change	% Change
	(dollars in thousands)							
Economic Income Revenues								
Investment banking	$—	$ 133,279	$133,279	$—	$ 222,781	$222,781	$(89,502)	(40)%
Brokerage	—	207,040	207,040	—	160,436	160,436	46,604	29 %
Management fees	64,186	3,062	67,248	68,926	1,089	70,015	(2,767)	(4)%
Incentive income (loss)	26,274	—	26,274	(1,544	—	(1,544)	27,818	1,802 %
Investment income (loss)	3,015	1,008	4,023	49,244	13,352	62,596	(58,573)	(94)%
Other income (loss)	29,502	265	29,767	14,490	892	15,382	14,385	94 %
Total economic income revenues	122,577	345,054	467,631	131,181	398,485	529,666	(62,035)	(12)%

Economic Income (Loss)

Total Economic Income (Loss) was a loss of $28.7 million for the year ended December 31, 2016, a decrease of $63.2 million compared to Economic Income (Loss) of $34.5 million in the prior year period.

Total Economic Income (Loss) revenues were $467.6 million for the year ended December 31, 2016, a decrease of $62.1 million compared to Economic Income (Loss) revenues of $529.7 million in the prior year period. This was related to a decrease in investment banking activity and a decrease in performance in investment income offset partially by an increase in brokerage activity, incentive fees and other income.

Investment Management Segment Revenues

Investment management segment Economic Income (Loss) revenues were $122.6 million for the year ended December 31, 2016, a decrease of $8.6 million compared to Economic Income (Loss) revenues of $131.2 million in the prior year period.

Management Fees. Management fees for the segment decreased $4.9 million to $64.1 million for the year ended December 31, 2016 compared with $69.0 million in the prior year period. This decrease was primarily related to a decrease in

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management fees for the alternative solutions and the activist businesses offset partially by an increase in management fees from the macro options and equities businesses.

Incentive Income (Loss). Incentive income for the segment increased $27.8 million to $26.3 million for the year ended December 31, 2016 compared with a loss of $1.5 million in the prior year period. This increase was primarily related to an increase in performance from the activist business and certain private investments.

Investment Income (Loss). Investment income for the segment decreased $46.2 million to $3.0 million for the year ended December 31, 2016 compared with $49.2 million in the prior year period. The decrease primarily relates to a prior year deferred tax benefit recorded pursuant to the acquisition of Hollenfels and a decrease in performance of the Company's own invested capital.

Other Income (Loss). Other income (loss) for the segment increased $14.7 million to $29.2 million for the year ended December 31, 2016 compared with $14.5 million in the prior year period. This increase is primarily related to the sale of our interest in the alternative solutions business and the principal owners of Starboard Value exercising their right to acquire a portion of the Company’s ownership interest in the activist business.

Broker-Dealer Segment Revenues

Broker-dealer segment Economic Income (Loss) revenues were $345.1 million for the year ended December 31, 2016, a decrease of $53.4 million compared with Economic Income (Loss) revenues of $398.5 million in the prior year.

Investment Banking. Investment banking revenues decreased $89.5 million to $133.3 million for the year ended December 31, 2016 compared with $222.8 million in the prior year period. During the year ended December 31, 2016, the Company completed 76 underwriting transactions, 15 strategic advisory transactions and seven debt capital market transactions. During the year ended December 31, 2015, the Company completed 129 underwriting transactions, 13 strategic advisory transactions and seven debt capital market transactions. The average underwriting fee per transaction was 12.2% less for the twelve months ended December 31, 2016 as compared to the prior year.

Brokerage. Brokerage revenues increased $46.6 million to $207.0 million for the year ended December 31, 2016, compared with $160.4 million in the prior year period. This was attributable to higher commissions due to an increase in customer trading volumes, the initiation of the prime brokerage businesses in the third and fourth quarters of 2015 and the initiation of the credit trading business in May 2016. Customer trading volumes across the industry (according to Bloomberg) increased 6% for the twelve months ended December 31, 2016 compared to the prior year.

Investment Income (Loss). Investment income for the segment decreased $12.4 million to $1.0 million for the year ended December 31, 2016, compared with $13.4 million in the prior year period. The decrease is a result of a decrease in overall investment income which is allocated amongst the segments.

Other Income (Loss). Other income (loss) for the segment decreased $0.3 million to $0.6 million for the year ended December 31, 2016, compared with $0.9 million in the prior year period.

Non-Interest Expenses

Non-interest expenses. Total non-interest expenses increased $1.6 million to $471.4 million for the year ended December 31, 2016, compared with $469.8 million in the prior year period.

Compensation and benefits expenses. Compensation and benefits expenses, included within non-interest expenses, decreased $17.2 million to $300.4 million for the year ended December 31, 2016 compared with $317.6 million in the prior year period. The decrease is due to $62.1 million lower revenues during 2016 as compared to 2015 which resulted in a lower compensation and benefits accrual. The compensation to revenue ratio was 64% for the year ended December 31, 2016 compared with 60% in the prior year period.

Non-compensation Expenses—Fixed. Fixed non-compensation expenses, included within non-interest expenses, increased $6.8 million to $101.0 million for the year ended December 31, 2016 compared with $94.2 million in the prior year period. This increase was primarily due to higher communications and increased occupancy costs both of which are primarily related to acquisitions during late 2015 and during 2016.

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The following table shows the components of the non-compensation expenses—fixed, for the year ended December 31, 2016 and 2015:

	Year Ended December 31,		Period-to-Period	
	2016	2015	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—fixed:				
Communications	$17,752	$14,320	$3,432	24 %
Professional, advisory and other fees	17,280	17,605	(325)	(2)%
Occupancy and equipment	29,975	26,739	3,236	12 %
Service fees	7,831	7,503	328	4 %
Expenses from equity investments	15,844	14,156	1,688	12 %
Other	12,297	13,913	(1,616)	(12)%
Total	$100,979	$94,236	$6,743	7 %

Depreciation and amortization expenses. Depreciation and amortization expenses increased $1.5 million to $11.0 million for the year ended December 31, 2016 compared with $9.5 million in the prior year period. The increase is primarily related to an increase in amortization of intangible assets related to acquisitions during late 2015 and during 2016.

Non-compensation Expenses—Variable. Variable non-compensation expenses, included within non-interest expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $5.0 million to $61.2 million for the year ended December 31, 2016 compared with $56.2 million in the prior year period. The increase is primarily related to higher floor brokerage and trade execution costs, due to higher brokerage revenue, and increased marketing and business development expenses, some of which is related to acquisitions during late 2015 and during 2016. Costs related to the 2015 acquisition of Hollenfels also decreased.

The following table shows the components of the non-compensation expenses—variable, for the year ended December 31, 2016 and 2015:

	Year Ended December 31,		Period-to-Period	
	2016	2015	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses—Variable:				
Floor brokerage and trade execution	$29,432	$24,054	$5,378	22 %
HealthCare Royalty Partners syndication costs	528	528	—	— %
Expenses related to Luxembourg companies	2,406	5,475	(3,069)	(56)%
Marketing and business development	26,163	23,367	2,796	12 %
Other	2,649	2,726	(77)	(3)%
Total	$61,178	$56,150	$5,028	9 %

Reimbursement from Affiliates. Reimbursements from affiliates, included within non-interest expenses, which relate to the investment management segment, decreased $5.4 million to $2.3 million for the year ended December 31, 2016 compared with $7.7 million in the prior year period.

Interest expense

Interest expense, which primarily relates to debt issued during the first and fourth quarters of 2014, increased $0.6 million to $17.2 million for the year ended December 31, 2016 compared with $16.6 million in the prior year period.

Non-Controlling Interest

Income (loss) attributable to redeemable non-controlling interests decreased by $1.0 million to $7.8 million for the year ended December 31, 2016 compared with $8.8 million in the prior year period. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to our partners in those subsidiaries.

Liquidity and Capital Resources

We continually monitor our liquidity position. The working capital needs of the Company's business have been met through current levels of equity capital, current cash and cash equivalents, and anticipated cash generated from our operating activities, including management fees, incentive income, returns on the Company's own capital, investment banking fees and

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brokerage commissions. The Company expects that its primary working capital liquidity needs over the next twelve months will be:

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

Based on our historical results, management's experience, our current business strategy and current assets under management, the Company believes that its existing cash resources will be sufficient to meet its anticipated working capital and capital expenditure requirements for at least the next twelve months. Our cash reserves include cash, cash equivalents and assets readily convertible into cash such as our securities held in inventory. Securities inventories are stated at fair value and are generally readily marketable. As of December 31, 2017, we had cash and cash equivalents of $130.1 million and net liquid investment assets of $400.6 million, which includes cash and cash equivalents and short-term investments held by foreign subsidiaries as of December 31, 2017 of $15.6 million. The Company continues to permanently reinvest the capital and accumulated earnings of its United Kingdom and Hong Kong subsidiaries.

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

As a clearing member firm providing services to certain of our brokerage customers, we are subject to cash deposit requirements with clearing organizations, brokers and banks that may be large in relation to total liquid assets and may fluctuate significantly based upon the nature and size of customers' trading activity and market volatility. At December 31, 2017, we had security deposits totaling $94.0 million with clearing organizations in the U.S. for the settlement of equity trades. In the normal course of our U.S. settlement activities, we may also need to temporarily finance customer securities positions from short settlements or delivery failures.

Unfunded commitments

The following table summarizes unfunded commitments as of December 31, 2017:

Entity	Unfunded Commitments (dollars in millions)	Commitment term
Real estate (a)	$ 19.5	(a)
HealthCare Royalty Partners funds (b)	6.2	2 years
Eclipse Ventures Fund I, L.P. (formerly Formation8 Partners Hardware Fund I, L.P.)	0.4	7 years
Lagunita Biosciences, LLC	2.0	3 years
Eclipse Fund II, L.P.	0.9	8 years
Eclipse Continuity Fund I, L.P.	0.6	9 years

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

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

Due to the nature of the securities business and our role as a market-maker and execution agent, the amount of our cash and short-term investments, as well as operating cash flow, may vary considerably due to a number of factors, including the dollar value of our positions as principal, whether we are net buyers or sellers of securities, the dollar volume of executions by our customers and clearing house requirements, among others. Certain regulatory requirements constrain the use of a portion of our liquid assets for financing, investing or operating activities. Similarly, due to the nature of our business lines, the capital necessary to maintain current operations and our current funding needs subject our cash and cash equivalents to different requirements and uses.

Preferred Stock and Purchase of Capped Call Option

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

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

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

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

The Company may also incur additional indebtedness or raise additional capital under certain circumstances to respond to market opportunities and challenges. Current market conditions may make it more difficult or costly to borrow additional funds or raise additional capital.

Regulation

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

Cowen Execution is also subject to Commodity Futures Trading Commission Regulation 1.17 ("Regulation 1.17") and Options Clearing Corporation ("OCC") Rule 302. Regulation 1.17 requires Cowen Execution to maintain net capital equal to or in excess of $45,000 or the amount of net capital required by Rule 15c3-1, whichever is greater. OCC Rule 302 requires maintenance of net capital equal to the greater of $2,000,000 or 2% of aggregate debit items. At December 31, 2017, the Company had $108.7 million of net capital in excess of this minimum requirement.

Ramius UK, Cowen International Ltd and Cowen Execution Ltd are subject to the capital requirements of the FCA of the U.K. Financial Resources, as defined, must exceed the requirement of the FCA.

As of December 31, 2017, these regulated broker-dealers had regulatory net capital or financial resources, regulatory net capital requirements or minimum FCA requirement and excess as follows:

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Subsidiary	Net Capital	Net Capital Requirement	Excess Net Capital
	(dollars in millions)		
Cowen and Company	$40.2	$ 1.0	$39.2
Cowen Execution	$111.4	$ 2.7	$108.7
ATM Execution	$1.0	$ 0.3	$0.7
Cowen Prime	$12.3	$ 0.3	$12.0
Westminster	$7.6	$ 0.3	$7.3
Ramius UK	$0.2	$ 0.1	$0.1
Cowen International Ltd	$11.5	$ 7.1	$4.4
Cowen Execution Ltd	$3.8	$ 2.6	$1.2

Cowen and Company, Cowen Prime and ATM Execution claim exemption from SEC Rule 15c3-3 subparagraph (k)(2)(ii) of the Securities Exchange Act of 1934 since they clear their securities transactions on a fully disclosed basis and promptly transmits all customer funds and securities to the clearing broker-dealer that carries the accounts. Cowen and Company, Cowen Prime and Westminster claim exemption from SEC Rule 15c3-3 subparagraph (k)(2)(i) of the Securities Exchange Act of 1934 since they conduct primarily all financial transactions with their customers through a bank account designated as Special Account for the Exclusive Benefit of Customers.
In accordance with the requirements of SEC Rule 15c3-3, Cowen Execution may be required to deposit in a Special Reserve Account, cash or acceptable qualified securities for the exclusive benefit of customers. As of December 31, 2017, Cowen Execution had segregated approximately $20.3 million of cash, while its required deposit was $10.5 million.
As a clearing broker-dealer, Cowen Execution is required to compute a reserve requirement for proprietary accounts of broker-dealers (“PAB”), as defined in SEC Rule 15c3-3. PAB calculation is completed to allow each correspondent firm that uses Cowen Execution as its clearing broker-dealer to classify its assets held by Cowen Execution as allowable assets in the correspondent's net capital calculation. At December 31, 2017, Cowen Execution had $29.7 million of cash on deposit in special reserve bank accounts for PAB, which was in excess of its required deposit of $17.1 million.
PAB held at external clearing brokers are considered allowable assets for net capital purposes, pursuant to agreements between Cowen and Company, ATM Execution, Cowen Prime, and their clearing brokers, which require, among other things, that those clearing brokers perform computations for PAB and segregate certain balances on behalf of Cowen and Company, ATM Execution and Cowen Prime, if applicable.
Cowen’s Luxembourg reinsurance companies, Vianden RCG Re SCA (“Vianden”) and Hollenfels, are required to maintain a solvency capital ratio as calculated by relevant European Commission directives and local regulatory rules in Luxembourg. Each company’s solvency capital ratio as of December 31, 2017 was in excess of this minimum requirement.
Based on minimum capital and surplus requirements pursuant to the laws of the state of New York that apply to captive insurance companies, RCG Insurance Company, Cowen’s captive insurance company incorporated and licensed in the state of New York, was required to maintain capital and surplus of approximately $0.3 million as of December 31, 2017. RCG Insurance Company’s capital and surplus as of December 31, 2017 totaled approximately $28.7 million.
Cash Flows Analysis
The Company's primary sources of cash are derived from its operating activities, fees and realized returns on its own invested capital. The Company's primary uses of cash include compensation and general and administrative expenses.
Operating Activities. Net cash used by operating activities of $116.4 million for the year ended December 31, 2017 was primarily related to (i) purchases of securities owned, at fair value and an increase in receivable from brokers, dealers and clearing organizations partially offset by an increase in payable to customers, cash acquired through acquisitions and sales of securities owned, at fair value. Net cash used in operating activities of $354.5 million for the year ended December 31, 2016 was primarily related to purchases of other investments and cash used to pay for year

end bonuses. Net cash used in operating activities of $68.6 million for the year ended December 31, 2015 was primarily related to purchases of securities and other investments partially offset by a decrease in cash held at other brokers.

Investing Activities.   Net cash used in investing activities of $2.4 million for the year ended December 31, 2017 was primarily related to the purchase of Convergex Group, loans issued and purchases of other investments offset partially by sales of other investments and fixed assets. Net cash provided by investing activities of $58.5 million for the year ended December 31, 2016 was primarily related to repayment of certain loans made for investing purposes and sales of other investments offset partially by the purchases of other investments and fixed assets. Net cash used in investing activities of $47.4 million for the year ended December 31, 2015 was primarily related to the purchases of businesses, other investments and fixed assets partially offset by proceeds from sales of other investments.

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Financing Activities. Net cash provided by financing activities for the year ended December 31, 2017 of $137.9 million was primarily related to proceeds from the issuance of convertible debt, borrowings on notes and other debt and contributions from non-controlling interests in Consolidated Funds offset partially by repayments on convertible debt, notes and other debt, withdrawals from non-controlling interests in Consolidated Funds and purchase of treasury stock. Net cash provided by financing activities for the year ended December 31, 2016 of $249.8 million was primarily related to contributions from non-controlling interests in Consolidated Funds. Net cash provided by financing activities for the year ended December 31, 2015 of $143.8 million was primarily related to the proceeds from issuance of preferred stock and contributions from non-controlling interests in Consolidated Funds offset partially by repurchase of shares of our common stock.

Debt

Convertible Debt

2022 Convertible Notes

The Company, on December 14, 2017, issued $135.0 million aggregate principal amount of 3.00% convertible senior notes due 2022 (the “2022 Convertible Notes”). The 2022 Convertible Notes are due on December 15, 2022 unless earlier repurchased by the Company or converted by the holder in accordance with their terms prior to such date. The interest on the 2022 Convertible Notes is payable semi-annually on December 15 and June 15 of each year. The notes are senior unsecured obligations of Cowen. The 2022 Convertible Notes may be converted into cash or shares of Class A common stock at the Company's election based on the current conversion price. The 2022 Convertible Notes were issued with an initial conversion price of $17.375 per share of Cowen’s Class A common stock.

The Company used the net proceeds, together with cash on hand, from the offering for general corporate purposes, including the repurchase or repayment of $115.1 million of the Company’s outstanding 3.0% cash convertible senior notes due 2019 (the "2019 Convertible Notes") and the repurchase of approximately $19.5 million of the Company’s shares of its Class A common stock, which were consummated substantially concurrently with the closing of the offering.

The Company recorded interest expense of $0.2 million for the year ended December 31, 2017. The Company recognized the embedded cash conversion option at issuance date fair value, which also represents the initial unamortized discount on the 2022 Convertible Notes of $23.4 million and is shown net in convertible debt in the accompanying consolidated statements of financial condition. Amortization on the discount, included within interest expense in the accompanying consolidated statements of operations is $0.2 million for the year ended December 31, 2017, based on an effective interest rate of 7.13%. The Company capitalized the debt issuance costs in the amount of $2.1 million, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the 2022 Convertible Notes.

2019 Convertible Notes

On March 10, 2014, the Company issued $149.5 million of 3.0% cash convertible senior notes (the "2019 Convertible Notes"). The 2019 Convertible Notes are due on March 15, 2019 unless earlier repurchased by the Company or converted by the holder into cash in accordance with their terms prior to such date. The interest on the 2019 Convertible Notes is payable semi-annually on March 15 and September 15 of each year. The 2019 Convertible Notes are senior unsecured obligations of the Company. The 2019 Convertible Notes may be converted into cash, upon the occurrence of certain events, whereby a holder will receive, per $1,000 principal amount of notes being converted, an amount equal to the sum of principal amount outstanding and the conversion amount based on the current conversion price (the "Conversion Option"). The 2019 Convertible Notes were issued with an initial conversion price of $21.32 per share (per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective as of December 5, 2016). During December 2017, the Company repurchased and extinguished $115.1 million of the outstanding balance of the 2019 Convertible Notes.

The Company recorded interest expense of $4.3 million, $4.5 million and $4.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. The initial unamortized discount on the 2019 Convertible Notes was $35.7 million and is shown net in convertible debt in the accompanying consolidated statements of financial condition. Amortization on the discount, included within interest expense in the accompanying consolidated statements of operations is $7.3 million, $6.9 million and $6.3 million for the years ended December 31, 2017, 2016, and 2015, respectively, based on an effective interest rate of 8.89%. The Company capitalized the debt issuance costs in the amount of $0.9 million, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the 2019 Convertible Notes. In conjunction with the partial extinguishment of the 2019 Convertible Notes, the Company accelerated the pro-rata unamortized discount and capitalized debt issuance costs. The Company recognized $11.6 million of gain/ (loss) on debt extinguishment.

Of the net proceeds from the sale of the 2019 Convertible Notes, approximately $20.5 million was applied to pay the net cost of a cash convertible note economic hedge and warrant transaction, which increased the effective conversion price to $28.72 (see Note 6) (per share amounts have been retroactively updated to reflect the one-for-four reverse stock split effective

as of December 5, 2016), and approximately $0.3 million was applied to repurchase shares of Cowen Class A common stock. The remainder of the net proceeds is being used for general corporate purposes.
Note Payable
2027 Notes
On December 8, 2017, the Company completed its public offering of $120 million of 7.35% senior notes due 2027 (the “2027 Notes”) and subsequently the underwriters exercised in full their option to purchase an additional $18.0 million principal amount of the 2027 Notes. Interest on the 2027 Notes is payable quarterly in arrears on March 15, June 15, September 15 and December 15. The Company recorded interest expense of $0.6 million for the year ended December 31, 2017. The Company capitalized debt issuance costs of approximately $5.1 million which is a direct deduction from the carrying value of the debt and will be amortized over the life of the 2027 Notes. The net proceeds of the offering, after deducting the underwriting discount and estimated offering expenses payable by the Company were used to redeem all of its 8.25% senior notes due 2021 (the "2021 Notes") and for general corporate purposes.
2021 Notes
The Company redeemed the Company's outstanding $63.25 million principal amount of the 2021 Notes, following which the 2021 Notes were delisted from NASDAQ. The redemption was made pursuant to the terms of the 2021 Notes and the indenture governing the 2021 Notes. The redemption price for the 2021 Notes was equal to 106.188% of the principal amount of the 2021 Notes plus accrued and unpaid interest. The Company recorded interest expense of $5.3 million, $5.2 million and $5.2 million for the years ended December 31, 2017, 2016, and 2015 respectively. In conjunction with the extinguishment of the 2021 Notes, the Company expensed the unamortized capitalized debt issuance costs. The Company recognized $5.6 million of loss on debt extinguishment.
Term Loan
On June 30, 2017, the Company borrowed $28.2 million to fund general corporate purposes. This term loan has an effective interest rate of LIBOR plus 3.75% with a lump sum payment of the entire principal amount due on June 29, 2018. The loan is secured by the value of the Company's limited partnership interests in two affiliated funds. The Company has provided a guarantee for this loan. The Company recorded interest expense of $0.7 million for the year ended December 31, 2017.
Other Notes Payable
During January 2017, the Company borrowed $2.1 million to fund insurance premium payments. This note has an effective interest rate of 1.50% and is due on December 31, 2017, with monthly payment requirements of $0.2 million. As of December 31, 2017, the note was fully repaid. Interest expense for the year ended December 31, 2017 was insignificant.
The Company has entered into various financing for its aircraft. The aircraft financing, net of debt costs, is recorded in notes payable and short-term borrowings in the accompanying consolidated statements of financial condition. The debt maturities ranged from January 2019 to April 2021 and interest rates ranged from 4.21% to 7.25%. As of December 31, 2017, and 2016, the remaining balance on the aircraft financing agreements was $8.2 million and $14.4 million, respectively. Interest expense was $0.7 million and $0.8 million for the years ended December 31, 2017 and 2016, respectively.
Capital Lease Obligations
The Company has entered into a capital lease for computer equipment, which amounted to $6.9 million and is recorded in fixed assets as capital lease obligations. In addition, as part of the Convergex Group acquisition, the Company holds two capital leases for computer equipment which amounted to $0.8 million and are recorded as capital lease obligations. These capital lease obligations are included in short-term borrowings and other debt in the accompanying consolidated statements of financial condition, and have lease terms that range from 48 to 60 months and interest rates that range from 3.70% to 5.69%. As of December 31, 2017, the remaining balance on these capital leases was $4.1 million. Interest expense was $0.1 million, $0.1 million, $0.2 million for the years ended December 31, 2017, 2016, and 2015, respectively.
Letters of Credit
As of December 31, 2017, the Company has the following eight irrevocable letters of credit, related to leased office space, for which there is cash collateral pledged, which the Company pays a fee on the stated amount of the letter of

credit. The Company also has pledged as collateral, $11.8 million, as of December 31, 2017, and $5.5 million, as of December 31, 2016, due between March 2018 and March 2021, for reinsurance agreements.

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Location	Amount (dollars in thousands)	Maturity
Connecticut	$ 65	January 2018
Boston	$ 382	March 2018
New York	$ 355	April 2018
New York	$ 70	May 2018
New York	$ 596	October 2018
New York	$ 2,250	October 2018
New York	$ 1,600	November 2018
San Francisco	$ 710	January 2019

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

Contractual Obligations

The following tables summarize the Company's contractual cash obligations as of December 31, 2017:

	Total	< 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(dollars in thousands)				
Equipment/Aircraft Leases, Service Payments and Facility Leases					
Real Estate	$ 101,927	$ 25,960	$ 39,079	$ 29,534	$ 7,354
Service Payments	34,494	21,631	12,526	337	—
Equipment leases	4,843	2,251	1,533	1,059	—
Aircraft	1,995	1,260	735	—	—
Total	143,259	51,102	53,873	30,930	7,354
Debt					
Convertible Debt	190,915	4,840	42,975	143,100	—
Note Payable	239,627	10,340	20,286	20,286	188,715
Term Loan	28,901	28,901	—	—	—
Other Notes Payable	9,317	2,032	4,773	2,512	—
Total	$ 468,760	$ 46,113	$ 68,034	$ 165,898	$ 188,715

Clawback obligations

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

The clawback liability, however, is not realized until the end of the fund's life. The life of the real estate funds with a potential clawback obligation is currently in a winding-up phase whereby the remaining assets of the fund are being liquidated as promptly as possible so as to maximize value, however a final date for liquidation has not been set. The fund is currently winding-down as of December 31, 2017 and the clawback obligations were $6.2 million (see Note 6 to the Company's consolidated financial statements).

Minimum payments for all debt outstanding

Annual scheduled maturities of debt and minimum payments for all debt outstanding as of December 31, 2017, are as follows:

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	Convertible Debt	Note Payable	Term Loan	Other Note Payable	Capital Lease Obligation
	(dollars in thousands)				
2018	$4,840	$10,340	$—	$2,032	$ 2,059
2019	38,925	10,143	28,901	3,410	717
2020	4,050	10,143	—	1,363	639
2021	4,050	10,143	—	2,512	639
2022	139,050	10,143	—	—	420
Thereafter	—	188,715	—	—	—
Subtotal	190,915	239,627	28,901	9,317	4,474
Less (a)	(49,413)	(106,657)	(780)	(1,070)	(354)
Total	$141,502	$132,970	$28,121	$8,247	$ 4,120

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

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as of December 31, 2017. However, through indemnification provisions in our clearing agreements, customer activities may expose us to off-balance-sheet credit risk. Pursuant to the clearing agreements, we are required to reimburse our clearing broker, without limit, for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. However, these transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date.

Cowen and Company, Cowen Prime, Cowen Execution and ATM Execution are members of various securities exchanges and clearing organizations. Under the standard membership agreement, members are required to guarantee the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the various securities exchange and clearing organizations, all other members would be required to meet the shortfall. The Company's liability under these arrangements is not quantifiable. Accordingly, no contingent liability is carried in the accompanying consolidated statements of financial condition for these arrangements.

Critical Accounting Policies and Estimates

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

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

Consolidation

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

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

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

In accordance with these standards, during the twelve months ended December 31, 2017 the Company consolidated seven funds for which it acts (or acted) as the general partner and investment manager. As of December 31, 2017 the Company consolidated the following funds: Ramius Enterprise LP (“Enterprise LP”), Ramius Merger Fund LLC (the "Merger Fund"), Cowen Private Investments LP ("Cowen Private"), Cowen Healthcare Investments Fund II LP ("Cowen Healthcare II"), Caerus

Select Fund LP ("Caerus LP") (between May 1, 2016 through March 1, 2017 when the fund was liquidated), Ramius Archview Credit and Distressed Master Fund ("Archview Master Fund") (from December 31, 2015 through July 31, 2017 when the fund was liquidated) and Ramius Merger Arbitrage UCITS Fund ("UCITS Fund") (collectively the "Consolidated Funds").

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

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

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

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

The Company reconsiders whether it is the primary beneficiary of a VIE by performing a periodic qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, contractual agreements between the Company and the VIE, the economic interests that create or absorb variability, related party relationships and the design of the VIE.

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

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

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

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

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

Retention of Specialized Accounting—The Consolidated Funds and certain other consolidated companies are investment companies and apply specialized industry accounting for investment companies. The Company has retained this specialized accounting for these funds pursuant to US GAAP. The Company reports its investments on the 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 consolidated financial statements reflect different accounting policies for investments depending on whether or not they are held through a consolidated investment company. In addition, the Company's broker-dealer subsidiaries apply the specialized

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industry accounting for brokers and dealers in securities also prescribed under US GAAP. The Company also retains specialized accounting upon consolidation.

Valuation of investments and derivative contracts

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

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

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

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

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

The Company and its operating subsidiaries act as the manager for the Consolidated Funds. Both the Company and the Consolidated Funds hold certain investments which are valued by the Company, acting as the investment manager. The fair value of these investments is generally estimated based on proprietary models developed by the Company, which include discounted cash flow analysis, public market comparables, and other techniques and may be based, at least in part, on independently sourced market information. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, timing of, and estimated proceeds from expected financings. Significant judgment and estimation goes into the selection of an appropriate valuation methodology as well as the assumptions used in these models, and the timing and actual values realized with respect to investments could be materially different from values derived based on the use of those estimates. The valuation methodologies applied impact the reported value of the Company's investments and the investments held by the Consolidated Funds in the consolidated financial statements. Certain of the Company's investments are relatively illiquid or thinly traded and may not be immediately liquidated on demand if needed. Fair values assigned to these investments may differ significantly from the fair values that would have been used had a ready market for the investments existed and such differences could be material.

The Company primarily uses the "market approach" to value its financial instruments measured at fair value. In determining an instrument's level within the hierarchy, the Company categorizes the Company's financial instruments into three categories: securities, derivative contracts and other investments. To the extent applicable, each of these categories can further be divided between those held long or sold short.

The Company has the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument.

The Company has elected the fair value option for certain of its investments held by its operating companies. This option has been elected because the Company believes that it is consistent with the manner in which the business is managed as well as the way that financial instruments in other parts of the business are recorded.
Securities— Securities with values based on quoted market prices in active markets for identical assets are classified within level 1 of the fair value hierarchy. These securities include active listed equities, certain U.S. government and sovereign obligations, Exchange Traded Funds ("ETFs"), mutual funds and certain money market securities. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

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

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

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

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

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

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

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

Revenue recognition

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

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

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

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Management fees

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

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

Management fees are generally paid on a quarterly basis at the beginning of each quarter in arrears and are prorated for capital inflows and redemptions. While some investors may have separately negotiated fees, in general the management fees are as follows:

- Private Funds. Management fees for the Company's private funds, including the private healthcare fund, are generally charged at an annual rate of up to 2% of assets under management or notional trading level. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.
- Real Estate. Management fees from the Company's real estate business are generally charged at an annual rate from 0.25% to 1.50% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period.
- HealthCare Royalty Partners. In HealthCare Royalty Partners main funds, during the investment period (as defined in the relevant partnership agreements), management fees are generally charged at an annual rate of 1% to 2% of committed capital. After the investment period, management fees for these funds are generally charged at an annual rate of 0.5% to 2% of the net asset value or the aggregate cost basis of the unrealized investments held by the funds. For the other funds (and managed accounts) managed by Healthcare Royalty Partners, the management fee ranges from 0.2% to 1% and there is no adjustment based on an investment period. Management fees for the HealthCare Royalty Partners funds are calculated on a quarterly basis.
- Cowen Trading Strategies. Advisory fees for the Company's collateral management advisory business are typically paid quarterly based on assets under management but generally subject to a minimum fee.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) with respect to certain of the Company's investment management products, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have been carried forward from prior years. For the products we offer, incentive income earned is typically up to 20% for private funds (in certain cases on performance in excess of a benchmark), of the net profits earned for the full year that are attributable to each fee-paying investor. Generally, incentive income on real estate funds is earned after the investor has received a full return of their invested capital, plus a preferred return. However, for certain real estate funds, the Company is entitled to receive incentive fees earlier, provided that the investors have received their preferred return on a current basis or on an investor by investor basis. These funds are generally subject to a potential clawback of these incentive fees upon the liquidation of the fund if the investor has not received a full return of its invested capital plus the preferred return thereon. Incentive income in the HealthCare Royalty Partners funds is generally earned only after investors receive a full return of their capital plus a preferred return. Several general partners of the Company's private funds are jointly owned by the Company and third parties. Accordingly, the incentive fees generated by these funds are split between the Company and these third parties. Pursuant to US GAAP, incentive income received by the general partners that are accounted for under the equity method of accounting are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.

In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a “high-water mark.” The Company has elected to record incentive income revenue in accordance with “Method 2” of US GAAP. Under Method 2, the incentive income from the Company's investment management products for any period is based upon the net profits of those investment management products at the reporting date. Any incentive income recognized in the accompanying consolidated statement of operations may be subject to future

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reversal based on subsequent negative performance prior to the conclusion of the fiscal year, when all contingencies have been resolved.

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

Investment Banking

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

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

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

When the Company is not the lead manager for an underwriting transaction, management must estimate the Company's share of transaction-related expenses incurred by the lead manager in order to recognize revenue. Transaction-related expenses are deducted from the underwriting fee and therefore reduce the revenue the Company recognizes as co-manager. Such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically within 90 days following the closing of the transaction.

- Strategic/financial advisory fees. The Company's strategic advisory revenues include success fees earned in connection with advising companies, principally in mergers, acquisitions and restructuring transactions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.
- Placement and sales agent fees. The Company earns agency placement fees and sales agent commissions in non-underwritten transactions such as private placements of loans and debt and equity securities, including, private investment in public equity transactions ("PIPEs"), and as sales agent in at-the-market offerings of equity securities. The Company records placement revenues (which may be in cash and/or securities) when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. The Company records sales agent commissions on a trade date basis. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

Brokerage revenue consists of commissions, principal transactions, equity and credit research fees and trade conversion revenue.

- Commissions. Commission revenue includes fees from executing and clearing client transactions and commission sharing arrangements. These fees are recognized on a trade date basis. The Company permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. Commissions on soft dollar brokerage are recorded net of the related expenditures on an accrual basis. The costs of commission recapture arrangements are recorded on an accrual basis for each eligible trade and shown net of commission revenue.

- Principal transactions. Principal transactions revenue includes net trading gains and losses from the Company's market-making activities in over-the-counter equity and fixed income securities, trading of convertible securities, and

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trading gains and losses on inventory and other Company positions, which include warrants previously received as part of investment banking transactions. In certain cases, the Company provides liquidity to clients by buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a very short duration.

- Equity and credit research fees. Equity and credit research fees are paid to the Company for providing equity and credit research. Revenue is recognized once an arrangement exists, access to research has been provided, the fee amount is fixed or determinable, and collection is reasonably assured.
- Trade conversion revenue. Trade conversion revenue includes the fee earned from converting foreign securities into an American Depository Receipt ("ADR") and the fee earned from converting an ADR into foreign securities on behalf of customers, and margins earned from facilitating customer foreign exchange transactions. Trade conversion revenue is recognized on a trade date basis.

Investment Income

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

Goodwill and Intangible Assets

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

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

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

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

Income taxes

The Company accounts for income taxes in accordance with US GAAP which requires the recognition of tax benefits or expenses based on the estimated future tax effects of temporary differences between the financial statement and tax basis of its assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date. Valuation allowances are established to reduce deferred tax assets to an amount that is more likely than not to be realized. We evaluate our deferred tax assets for recoverability considering negative and positive evidence, including our historical financial performance, projections of future taxable income, future reversals of existing taxable

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temporary differences, and tax planning strategies. We record a valuation allowance against our deferred tax assets to bring them to a level that it is more likely than not to be utilized. In evaluating the need for a valuation allowance, we estimate future taxable income based on management approved business plans. This process involves significant management judgment about assumptions that are subject to change from period to period. Because the recognition of deferred tax assets requires management to make significant judgments about future earnings, the periods in which items will impact taxable income and the application of inherently complex tax laws, we have identified the assessment of deferred tax assets and the need for any related valuation allowance as a critical accounting estimate.

Legal Reserves

The Company estimates potential losses that may arise out of legal and regulatory proceedings and records a reserve and takes a charge to income when losses with respect to such matters are deemed probable and can be reasonably estimated, in accordance with US GAAP. These amounts are reported in other expenses, net of recoveries, in the consolidated statements of operations. See Note 22 "Commitments and Contingencies" in our accompanying consolidated financial statements for the annual ended December 31, 2017 for further discussion.

Recently adopted and future adoption of accounting pronouncements

For a detailed discussion, see Note 3 "Recently issued accounting pronouncements" in our accompanying consolidated financial statements for the annual ended December 31, 2017.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company's primary exposure to market risk is a function of our role as investment manager for our funds and managed accounts, our role as a financial intermediary in customer trading and market making activities, as well as the fact that a significant portion of our own capital is invested in securities. Adverse movements in the prices of securities that are either owned or sold short may negatively impact the Company's management fees and incentive income, as well as the value of our own invested capital.

The market value of the assets and liabilities in our funds and managed accounts, as well as the Company's own securities, may fluctuate in response to changes in equity prices, interest rates, credit spreads, currency exchange rates, commodity prices, implied volatility, dividends, prepayments, recovery rates and the passage of time. The net effect of market value changes caused by fluctuations in these risk factors will result in gains (losses) for our funds and managed accounts which will impact our management fees and incentive income and for the Company's securities which will impact the value of our own invested capital as well as the capital utilized in facilitating customer trades.

The Company's risk measurement and risk management processes are an integral part of our proprietary investment process as well as market making and customer facilitation trading activities. These processes are implemented at the individual position, strategy and total portfolio levels and are designed to provide a complete picture of the risks of the Company's balance sheet. The key elements of our risk reporting include sensitivities, exposures, stress testing and profit and loss attribution. As a result of our views of levels of risk being taken, the Company may undertake to hedge out some or all of any or all risks at either the individual position, strategy or total portfolio levels.

Impact on Management Fees

The Company's management fees are generally based on the net asset value of the Company's funds and managed accounts. Accordingly, management fees will change in proportion to changes in the market value of investments held by the Company's funds and managed accounts.

Impact on Incentive Income

The Company's incentive income is generally based on a percentage of the profits of the Company's various funds and managed accounts, which is impacted by global economies and market conditions as well as other factors. Consequently, incentive income cannot be readily predicted or estimated.

Custody and prime brokerage risks

There are risks involved in dealing with the custodians or prime brokers who settle trades. Under certain circumstances, including certain transactions where the Company's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where the Company's assets are held at a non-U.S. prime broker, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical or timing problems associated with enforcing the Company's rights to its assets in the case of an insolvency of any such party.

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Market risk
Market risk represents the risk of loss that may result from the change in value of a financial instrument due to fluctuations in its market price. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Our exposure to market risk is primarily related to the fluctuation in the fair values of securities owned and sold, but not yet purchased in the Company's funds and our role as a financial intermediary in customer trading and to our market making and investment activities. Market risk is inherent in financial instruments and risks arise in options, warrants and derivative contracts from changes in the fair values of their underlying financial instruments. Securities sold, but not yet purchased, represent obligations of the Company's funds to deliver specified securities at contracted prices and thereby create a liability to repurchase the securities at prevailing future market prices. We trade in equity securities as an active participant in both listed and over the counter markets. We typically maintain securities in inventory to facilitate our market making activities and customer order flow. We may use a variety of risk management techniques and hedging strategies in the ordinary course of our trading business to manage our exposures. In connection with our trading business, management also reviews reports appropriate to the risk profile of specific trading activities. Typically, market conditions are evaluated and transaction details and securities positions are reviewed. These activities are intended to ensure that our trading strategies are conducted within acceptable risk tolerance parameters, particularly when we commit our own capital to facilitate client trading. Activities include price verification procedures, position reconciliations and reviews of transaction booking. We believe these procedures, which stress timely communications between traders, trading management and senior management, are important elements of the risk management process.
A 10% change in the fair value of the investments held by the Company's funds as of December 31, 2017 would result in a change of approximately $1.1 billion in our assets under management and would impact management fees by approximately $5.3 million on an annual basis. This number is an estimate. The amount would be dependent on the fee structure of the particular fund or funds that experienced such a change.
Currency risk
The Company is also exposed to foreign currency fluctuations. Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of such financial instruments, including direct or indirect investments in securities of non-U.S. companies. A 10% weakening or strengthening of the U.S. dollar against all or any combination of currencies to which the Company's investments or the Company's funds have exposure to exchange rates would not have a material effect on the Company's revenues, net loss or Economic Income.
Inflation risk
Because our assets are, to a large extent, liquid in nature, they are not significantly affected by inflation. However, the rate of inflation affects such expenses as employee compensation and communications charges, which may not be readily recoverable in the prices of services we offer. To the extent inflation results in rising interest rates and has other adverse effects on the securities markets, it may adversely affect our financial condition and results of operations in certain businesses.
Leverage and interest rate risk
There is no guarantee that the Company's borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Company. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Company. In addition, a decline in market value of the Company's assets may have particular adverse consequences in instances where we have borrowed money based on the market value of those assets. A decrease in market value of those assets may result in the lender (including derivative counterparties) requiring the Company to post additional collateral or otherwise sell assets at a time when it may not be in the Company's best interest to do so.
Credit risk
The Company clears all of its securities transactions through clearing brokers on a fully disclosed basis. Pursuant to the terms of the agreements between the Company and the clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. As the right

to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, we believe there is no maximum amount assignable to this right. Accordingly, at December 31, 2017, the Company had recorded no liability.

Credit risk is the potential loss the Company may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. The Company's exposure to credit risk at any point in time is represented by the fair value of the amounts reported as assets at such time.

In the normal course of business, our activities may include trade execution for our clients as well as agreements to borrow or lend securities. These activities may expose us to risk arising from price volatility which can reduce clients' ability to

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meet their obligations. To the extent investors are unable to meet their commitments to us, we may be required to purchase or sell financial instruments at prevailing market prices to fulfill clients' obligations.

In accordance with industry practice, client trades are settled generally three business days after trade date. Should either the client or the counterparty fail to perform, we may be required to complete the transaction at prevailing market prices.

We manage credit risk by monitoring the credit exposure to and the standing of each counterparty, requiring additional collateral where appropriate, and using master netting agreements whenever possible.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. We outsource all or a portion of certain critical business functions, such as clearing. Accordingly, we negotiate our agreements with these firms with attention focused not only on the delivery of core services but also on the safeguards afforded by back-up systems and disaster recovery capabilities. We make specific inquiries on any relevant exceptions noted in a service provider's System and Organization Controls (SOC) report on the state of its internal controls, when available.

Our service offerings in electronic and algorithmic trading require us to maintain consistent levels of speed and accuracy in the management of orders generated by our models. We monitor these activities on a continuous basis and do not believe that they comprise a material risk.

Our Internal Audit department oversees, monitors, measures, analyzes and reports on operational risk across the Company. The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the Company's system of internal controls and is sufficiently broad to help determine whether the Company's network of risk management, control and governance processes, as designed by management, is adequate and functioning as intended. Internal Audit works with the senior management to help ensure a transparent, consistent and comprehensive framework exists for managing operational risk within each area, across the Company and globally.

We are focused on maintaining our overall operational risk management framework and minimizing or mitigating these risks through a formalized control assessment process to ensure awareness and adherence to key policies and control procedures. Primary responsibility for management of operational risk is with the businesses and the business managers therein. The business managers, generally, maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. As new products and business activities are developed and processes are designed and modified, operational risks are considered.

Legal risk

Legal risk includes the risk of non-compliance with applicable legal and regulatory requirements and standards. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. The Company has established procedures based on legal and regulatory requirements that are designed to achieve compliance with applicable statutory and regulatory requirements. The Company, principally through the Legal and Compliance Division, also has established procedures that are designed to require that the Company's policies relating to conduct, ethics and business practices are followed. In connection with its businesses, the Company has and continuously develops various procedures addressing issues such as regulatory capital requirements, sales and trading practices, new products, potential conflicts of interest, use and safekeeping of customer funds and securities, money laundering, privacy and recordkeeping. In addition, the Company has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The legal and regulatory focus on the financial services industry presents a continuing business challenge for the Company.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by this item are listed in Item 15—"Exhibits and Financial Statement Schedules" of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial

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Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2017, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

For Management's report on internal control over financial reporting see page F-2, and attestation report of our independent registered public accounting firm see page F-3.

In addition, there were no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred in the fourth quarter.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information in the definitive proxy statement for our 2018 annual meeting of stockholders under the captions "Executive Officers," "Board of Directors," "Information Regarding the Board of Directors and Corporate Governance—Committees of the Board—Audit Committee," "Information Regarding the Board of Directors and Corporate Governance—Director Nomination Process," "Information Regarding the Board of Directors and Corporate Governance—Procedures for Nominating Director Candidates," "Information Regarding the Board of Directors and Corporate Governance—Code of Business Conduct and Ethics" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

Item 11. Executive Compensation

The information in the definitive proxy statement for our 2018 annual meeting of stockholders under the captions "Executive Compensation—Compensation and Benefits Committee Report," "Certain Relationships and Related Transactions—Compensation and Benefits Committee Interlocks and Insider Participation" and "Information Regarding the Board of Directors and Corporate Governance—Compensation Program for Non-Employee Directors" is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information in the definitive proxy statement for our 2018 annual meeting of stockholders under the captions "Security Ownership—Beneficial Ownership of Directors, Nominees and Executive Officers," "Security Ownership—Beneficial Owners of More than Five Percent of our Common Stock" and "Securities Authorized for Issuance Under Equity Compensation Plans" are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information in the definitive proxy statement for our 2018 annual meeting of stockholders under the captions "Information Regarding the Board of Directors and Corporate Governance—Director Independence," "Certain Relationships and Related Transactions—Transactions with Related Persons," and "Certain Relationships and Related Transactions—Review and Approval of Transactions with Related Persons" is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information in the definitive proxy statement for our 2018 annual meeting of stockholders under the captions "Audit Committee Report and Payment of Fees to Our Independent Auditor—Auditor Fees" and "Audit Committee Report and Payment of Fees to Our Independent Auditor—Auditor Services Pre-Approval Policy" is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in the Annual Report on Form 10-K are listed on page F-1 hereof. The required financial statements appear on pages F-1 through F-78 hereof.

2. Financial Statement Schedules

Separate financial statement schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements.

3. Exhibits

See the Exhibit Index on pages E-1 through E-2 for a list of the exhibits being filed or furnished with or incorporated by reference into this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

Not Applicable.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Management's Report on Internal Control over Financial Reporting

Management of Cowen Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of the Company's 2017 fiscal year, management conducted an assessment of the Company's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2017 was effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

The Company's internal control over financial reporting as of December 31, 2017 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cowen Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statement of financial condition of Cowen Inc. and subsidiaries (the “Company”) as of December 31, 2017, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for the year ended December 31, 2017, and the related notes (collectively, the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinion

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have served as the Company’s auditor since 2017.

/s/ KPMG LLP

New York, New York

March 6, 2018

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member of Cowen Inc.:
In our opinion, the consolidated balance sheet as of December 31, 2016 and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the two years in the period ended December 31, 2016 present fairly, in all material respects, the financial position of Cowen Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 27, 2017

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

Assets	As of December 31, 2017	As of December 31, 2016
Cash and cash equivalents	$130,052	$110,990
Cash collateral pledged	17,888	13,342
Segregated cash	116,268	1,024
Securities owned, at fair value	673,221	700,876
Receivable on derivative contracts, at fair value	69,177	22,901
Securities borrowed	443,148	—
Other investments	141,548	157,279
Deposits with clearing organizations, brokers and banks	93,996	8,939
Receivable from brokers, dealers and clearing organizations	508,178	78,898
Receivable from customers, net of allowance of $1,550 and $0 respectively	49,891	—
Fees receivable, net of allowance of $1,736 and $0, respectively	111,784	45,883
Due from related parties	34,814	39,629
Fixed assets, net of accumulated depreciation and amortization of $28,355 and $23,867, respectively	40,496	42,408
Goodwill	60,678	60,678
Intangible assets, net of accumulated amortization of $33,081 and $29,418, respectively	29,955	25,769
Deferred tax asset, net	116,323	165,656
Other assets	88,268	38,406
Consolidated Funds		
Cash and cash equivalents	21,988	17,761
Securities owned, at fair value	165,916	79,237
Receivable on derivative contracts, at fair value	2,520	893
Other investments	374,111	401,465
Receivable from brokers	5,644	5,978
Other assets	388	511
Total Assets	$3,296,252	$2,018,523
Liabilities and Stockholders' Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$342,527	$266,090
Payable for derivative contracts, at fair value	42,750	20,762
Securities loaned	456,831	—
Payables to brokers, dealers and clearing organizations	252,153	210,309
Payable to customers	352,467	—
Commission management payable	70,451	3,590
Compensation payable	150,206	98,084
Notes payable and other debt	173,458	77,030
Convertible debt	141,502	130,029
Fees payable	8,047	3,272
Due to related parties	570	573
Accounts payable, accrued expenses and other liabilities	96,533	47,525
Consolidated Funds		
Securities sold, not yet purchased, at fair value	—	883
Payable for derivative contracts, at fair value	7,130	572

Payable to brokers	751	3,700
Contributions received in advance	—	2,000
Capital withdrawals payable	11,931	1,408
Accounts payable, accrued expenses and other liabilities	322	841
Total Liabilities	$2,107,629	$866,668

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

	As of December 31, 2017	As of December 31, 2016
(continued)		
Commitments and Contingencies (Note 22)		
Redeemable non-controlling interests	$440,604	$379,205
Stockholders' equity		
Preferred stock, par value $0.01 per share: 10,000,000 shares authorized, 120,750 shares issued and outstanding as of December 31, 2017 (aggregate liquidation preference of $120,750,000) and 10,000,000 shares authorized, 120,750 shares issued and outstanding as of as of December 31, 2016 (aggregate liquidation preference of $120,750,000), respectively	$1	$1
Class A common stock, par value $0.01 per share: 62,500,000 shares authorized, 41,765,296 shares issued and 29,632,020 outstanding as of December 31, 2017 and 62,500,000 shares authorized,36,542,091 shares issued and 26,731,289 outstanding as of December 31, 2016, respectively (including 191,962 and 162,176 restricted shares, respectively)	324	292
Class B common stock, par value $0.01 per share: 62,500,000 authorized, no shares issued and outstanding as of December 31, 2017 and 2016, respectively	—	—
Additional paid-in capital	1,004,664	928,646
(Accumulated deficit) retained earnings	(70,116)	(2,442)
Accumulated other comprehensive income (loss)	(8)	(2)
Less: Class A common stock held in treasury, at cost, 12,133,276 and 9,810,802 shares, respectively	(186,846)	(153,845)
Total Stockholders' Equity	$748,019	$772,650
Total Liabilities and Stockholders' Equity	$3,296,252	$2,018,523

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

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

	Year Ended December 31,		
	2017	2016	2015
Revenues			
Investment banking	$223,614	$133,279	$222,781
Brokerage	293,610	199,180	157,722
Management fees	33,245	40,612	41,906
Incentive income	5,383	8,334	1,466
Interest and dividends	49,440	14,732	13,796
Reimbursement from affiliates	2,860	10,504	21,557
Aircraft lease revenue	3,751	4,161	—
Reinsurance premiums	30,996	32,459	—
Other revenues	8,561	22,355	3,726
Consolidated Funds			
Interest and dividends	5,870	4,792	1,086
Other revenues	1,451	1,157	527
Total revenues	658,781	471,565	464,567
Expenses			
Employee compensation and benefits	404,087	310,038	321,386
Floor brokerage and trade execution	75,601	32,286	27,460
Interest and dividends	60,949	29,308	26,220
Professional, advisory and other fees	31,942	23,190	25,578
Service fees	14,999	7,918	7,535
Communications	23,460	17,768	14,325
Occupancy and equipment	35,184	32,286	29,055
Depreciation and amortization	13,078	12,713	9,498
Client services and business development	28,327	27,828	25,413
Reinsurance claims, commissions and amortization of deferred acquisition costs	30,486	29,904	—
Restructuring costs	8,763	—	—
Other expenses	18,196	14,815	15,594
Consolidated Funds			
Interest and dividends	9,836	6,434	1,104
Professional, advisory and other fees	1,145	1,148	654
Floor brokerage and trade execution	318	431	51
Other expenses	1,227	1,051	501
Total expenses	757,598	547,118	504,374
Other income (loss)			
Net gains (losses) on securities, derivatives and other investments	76,179	23,381	36,789
Bargain purchase gain, net of tax	6,914	—	—
Gain/(loss) on debt extinguishment	(16,039)	—	—
Consolidated Funds			
Net realized and unrealized gains (losses) on investments and other transactions	19,660	7,085	12,517
Net realized and unrealized gains (losses) on derivatives	19,476	13,503	2,071
Net gains (losses) on foreign currency transactions	(411)	97	(91)
Total other income (loss)	105,779	44,066	51,286
Income (loss) before income taxes	6,962	(31,487)	11,479
Income tax expense (benefit)	44,053	(19,092)	(47,496)

Net income (loss)	(37,091)	(12,395)	58,975
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries and funds	23,791	6,882	15,246
Net income (loss) attributable to Cowen Inc.	(60,882)	(19,277)	43,729
Preferred stock dividends	6,792	6,792	4,075
Net income (loss) attributable to Cowen Inc. common stockholders	$(67,674)	$(26,069)	$39,654

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

	Year Ended December 31,		
	2017	2016	2015
(continued)			
Weighted average common shares outstanding:			
Basic (a)	29,492	26,857	27,522
Diluted (a)	29,492	26,857	