BGC Partners, Inc.
Form 10-Q
May 09, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2016

OR

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

Commission File Numbers: 0-28191, 1-35591

BGC Partners, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-4063515**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
499 Park Avenue, New York, NY	**10022**
(Address of principal executive offices)	**(Zip Code)**

(212) 610-2200

(Registrant s telephone number, including area code)

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

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). x Yes ¨ No

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. (Check one):

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

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

On May 4, 2016, the registrant had 239,498,038 shares of Class A common stock, $0.01 par value, and 34,848,107 shares of Class B common stock, $0.01 par value, outstanding.

BGC PARTNERS, INC.

TABLE OF CONTENTS

Table of Contents

SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This Form 10-Q (this Form 10-Q) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as may, will, should, estimates, predicts, possible, potential, continue, strategy, believes, anticipates, plans, expects, intends, and are intended to identify forward-looking statements.

Our actual results and the outcome and timing of certain events may differ significantly from the expectations discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, the factors set forth below and may impact either or both of our operating segments:

market conditions, including trading volume and volatility, potential deterioration of equity and debt capital markets and markets for commercial real estate and related services, and our ability to access the capital markets;

pricing, commissions and fees, and market position with respect to our products and services and those of our competitors;

the effect of industry concentration and reorganization, reduction of customers, and consolidation;

liquidity, regulatory, and clearing capital requirements and the impact of credit market events;

our relationships with Cantor Fitzgerald, L.P. and its affiliates, which we refer to as Cantor, including Cantor Fitzgerald & Co., which we refer to as CF&Co, and Cantor Commercial Real Estate Company, L.P., which we refer to as CCRE, any related conflicts of interest, any impact of Cantor s results on our credit ratings and/or the associated outlooks, any loans to or from us or Cantor, CF&Co s acting as our sales agent under our controlled equity or other offerings, CF&Co s acting as a market maker in our debt securities, CF&Co s acting as our financial advisor in connection with potential business combinations, dispositions, or other transactions, our participation in various investments, stock loans or cash management vehicles placed by or recommended by CF&Co, and any services provided by CCRE;

economic or geopolitical conditions or uncertainties, the actions of governments or central banks, including uncertainty regarding a potential U.K. exit from the European Union, and the impact of natural disasters or weather-related or similar events, including power failures, communication and transportation disruptions, and other interruptions of utilities or other essential services;

the effect on our businesses, our clients, the markets in which we operate, and the economy in general of possible shutdowns of the U.S. government, sequestrations, uncertainties regarding the debt ceiling and the federal budget, and other potential political impasses;

the effect on our businesses of reductions in overall industry volumes in certain of our products as a result of central bank quantitative easing, interest rate changes, market volatility, and other factors;

the effect on our businesses of worldwide governmental debt issuances, austerity programs, increases or decreases in deficits, and other changes to monetary policy, and potential political impasses or regulatory requirements, including increased capital requirements for banks and other institutions;

extensive regulation of our businesses and customers, changes in regulations relating to financial services companies, commercial real estate and other industries, and risks relating to compliance matters, including regulatory examinations, inspections, investigations and enforcement actions, and any resulting costs, increased financial and capital requirements, enhanced oversight, fines, penalties, sanctions, and changes to or restrictions or limitations on specific activities, operations, compensatory arrangements, and growth opportunities, including acquisitions, hiring, and new businesses, products, or services;

factors related to specific transactions or series of transactions, including credit, performance, and principal risk, trade failures, counterparty failures, and the impact of fraud and unauthorized trading;

costs and expenses of developing, maintaining, and protecting our intellectual property, as well as employment and other litigation and their related costs, including judgments or settlements paid or received and the impact thereof on our financial results and cash flows in any given period;

certain financial risks, including the possibility of future losses, reduced cash flows from operations, increased leverage and the need for short- or long-term borrowings, including from Cantor, or other sources of cash relating to acquisitions, dispositions, or other matters, potential liquidity and other risks relating to our ability to obtain financing or refinancing of existing debt on terms acceptable to us, if at all, and risks of the resulting leverage, including potentially causing a reduction in our credit ratings and/or the associated outlooks and increased borrowing costs, as well as interest rate and foreign currency exchange rate fluctuations;

risks associated with the temporary or longer-term investment of our available cash, including defaults or impairments on our investments, stock loans or cash management vehicles and collectability of loan balances owed to us by partners, employees, or others;

our ability to enter new markets or develop new products, trading desks, marketplaces, or services for existing or new customers and to induce such customers to use these products, trading desks, marketplaces, or services and to secure and maintain market share;

our ability to enter into marketing and strategic alliances and business combinations or other transactions in the financial services, real estate, and other industries, including acquisitions, tender offers, dispositions, reorganizations, partnering opportunities and joint ventures, and our ability to maintain or develop relationships with independently owned offices in our real estate services business and our ability to grow in other geographic regions, the anticipated benefits of any such transactions, relationships or growth and the future impact of any such transactions, relationships or growth on our financial results for current or future periods, the integration of any completed acquisitions and the use of proceeds of any completed dispositions, and the value of and any hedging entered into in connection with consideration received or to be received in connection with such dispositions;

our estimates or determinations of potential value with respect to various assets or portions of our businesses, including with respect to the accuracy of the assumptions or the valuation models or multiples used;

our ability to hire and retain personnel, including brokers, salespeople, managers, and other professionals;

our ability to expand the use of technology for hybrid and fully electronic trading in our product and service offerings;

our ability to effectively manage any growth that may be achieved, while ensuring compliance with all applicable financial reporting, internal control, legal compliance, and regulatory requirements;

our ability to identify and remediate any material weaknesses in our internal controls that could affect our ability to prepare financial statements and reports in a timely manner, control our policies, practices and procedures, operations and assets, assess and manage our operational, regulatory, and financial risks, and integrate our acquired businesses and brokers, salespeople, managers and other professionals;

the effectiveness of our risk management policies and procedures, and the impact of unexpected market moves and similar events;

information technology risks, including capacity constraints, failures, or disruptions in our systems or those of the clients, counterparties, exchanges, clearing facilities, or other parties with which we interact, including cybersecurity risks and incidents and regulatory focus;

the fact that the prices at which shares of our Class A common stock are sold in one or more of our controlled equity offerings or in other offerings or other transactions may vary significantly, and purchasers of shares in such offerings or transactions, as well as existing stockholders, may suffer significant dilution if the price they paid for their shares is higher than the price paid by other purchasers in such offerings or transactions;

our ability to meet expectations with respect to payments of dividends and distributions and repurchases of shares of our Class A common stock and purchases or redemptions of limited partnership interests of BGC Holdings, L.P., which we refer to as BGC Holdings, or other equity interests in our subsidiaries, including from Cantor, our executive officers, other employees, partners, and others, and the net proceeds to be realized by us from offerings of shares of our Class A common stock; and

the effect on the market for and trading price of our Class A common stock of various offerings and other transactions, including our controlled equity and other offerings of our Class A common stock and convertible or exchangeable debt securities, our repurchases of shares of our Class A common stock and purchases of BGC Holdings limited partnership interests or other equity interests in our subsidiaries, any exchanges by Cantor of shares of our Class A common stock for shares of our Class B common stock, any exchanges or redemptions of limited partnership units and issuances of shares of Class A common stock in connection therewith, including in partnership restructurings, our payment of dividends on our Class A common stock and distributions on BGC Holdings limited partnership interests, convertible arbitrage, hedging, and other transactions engaged in by holders of our 4.50% Convertible Notes and counterparties to our capped call transactions, share sales and stock pledge, stock loan, and other financing transactions by holders of our shares (including by Cantor or others), including of shares acquired pursuant to our employee benefit plans, unit exchanges and redemptions, partnership restructurings, acquisitions, conversions of our Class B common stock and our convertible notes, conversions or exchanges of our convertible or exchangeable debt securities, stock pledge, stock loan, or other financing transactions, and distributions from Cantor pursuant to Cantor s distribution rights obligations and other distributions to Cantor partners, including deferred distribution rights shares.

Table of Contents

The foregoing risks and uncertainties, as well as those risks and uncertainties set forth in this Quarterly Report on Form 10-Q, may cause actual results and events to differ materially from the forward-looking statements. The information included herein is given as of the filing date of this Form 10-Q with the Securities and Exchange Commission (the SEC), and future results or events could differ significantly from these forward-looking statements. The Company does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). You may read and copy any document we file at the SEC s Public Reference Room located at One Station Place, 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of the documents, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. These filings are also available to the public from the SEC s website at www.sec.gov.

Our website address is www.bgcpartners.com. Through our website, we make available, free of charge, the following documents as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: our Annual Reports on Form 10-K; our proxy statements for our annual and special stockholder meetings; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D filed on behalf of Cantor, CF Group Management, Inc. (CFGM), our directors and our executive officers; and amendments to those documents. Our website also contains additional information with respect to our industry and business. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this Quarterly Report on Form 10-Q.

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except per share data)

(unaudited)

	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 456,116	$ 461,207
Cash segregated under regulatory requirements	5,751	3,199
Securities owned	32,767	32,361
Marketable securities	191,697	650,400
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	1,704,582	812,240
Accrued commissions receivable, net	367,425	342,299
Loans, forgivable loans and other receivables from employees and partners, net	228,008	158,176
Fixed assets, net	145,378	145,873
Investments	41,111	33,813
Goodwill	814,105	811,766
Other intangible assets, net	228,493	233,967
Receivables from related parties	23,257	15,466
Other assets	311,037	290,687
Total assets	$ 4,549,727	$ 3,991,454
Liabilities, Redeemable Partnership Interest, and Equity		
Securities loaned	$	$ 117,890
Accrued compensation	290,839	303,959
Securities sold, not yet purchased	1,834	
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	1,601,927	714,823
Payables to related parties	45,043	21,551
Accounts payable, accrued and other liabilities	546,533	692,639
Notes payable and collateralized borrowings	838,635	840,877
Total liabilities	3,324,811	2,691,739
Commitments and contingencies (Note 19)		
Redeemable partnership interest	55,449	57,145

Equity		
Stockholders equity:		
Class A common stock, par value $0.01 per share; 500,000 shares authorized; 280,737 and 255,859 shares issued at March 31, 2016 and December 31, 2015, respectively; and 236,750 and 219,063 shares outstanding at March 31, 2016 and December 31, 2015, respectively	2,807	2,559
Class B common stock, par value $0.01 per share; 100,000 shares authorized; 34,848 shares issued and outstanding at March 31, 2016 and December 31, 2015, convertible into Class A common stock	348	348
Additional paid-in capital	1,380,354	1,109,000
Contingent Class A common stock	49,915	50,095
Treasury stock, at cost: 43,987 and 36,796 shares of Class A common stock at March 31, 2016 and December 31, 2015, respectively	(261,832)	(212,331)
Retained deficit	(297,816)	(273,492)
Accumulated other comprehensive income (loss)	(19,073)	(25,056)
Total stockholders equity	854,703	651,123
Noncontrolling interest in subsidiaries	314,764	591,447
Total equity	1,169,467	1,242,570
Total liabilities, redeemable partnership and noncontrolling interests, and equity	$ 4,549,727	$ 3,991,454

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

Table of Contents

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenues:		
Commissions	$ 475,087	$ 415,283
Principal transactions	92,439	69,768
Real estate management services	46,058	40,602
Fees from related parties	7,070	6,606
Data, software and post-trade	12,317	11,527
Interest income	2,383	1,705
Other revenues	3,682	2,076
Total revenues	639,036	547,567
Expenses:		
Compensation and employee benefits	409,183	346,584
Allocations of net income and grant of exchangeability to limited partnership units and FPUs	32,924	37,054
Total compensation and employee benefits	442,107	383,638
Occupancy and equipment	50,002	42,965
Fees to related parties	6,209	4,567
Professional and consulting fees	15,410	23,281
Communications	30,908	24,937
Selling and promotion	25,598	20,476
Commissions and floor brokerage	9,043	6,278
Interest expense	13,458	15,902
Other expenses	22,811	21,041
Total expenses	615,546	543,085
Other income (losses), net:		
Gain (loss) on divestiture and sale of investments		(215)
Gains (losses) on equity method investments	558	803
Other income (loss)	(2,917)	31,200
Total other income (losses), net	(2,359)	31,788
Income from operations before income taxes	21,131	36,270
Provision for income taxes	4,840	10,046

Consolidated net income	$ 16,291	$ 26,224
Less: Net income attributable to noncontrolling interest in subsidiaries	2,632	12,169
Net income available to common stockholders	$ 13,659	$ 14,055
Per share data:		
Basic earnings per share		
Net income available to common stockholders	$ 13,659	$ 14,055
Basic earnings per share	$ 0.05	$ 0.06
Basic weighted-average shares of common stock outstanding	273,780	222,019
Fully diluted earnings per share		
Net income for fully diluted shares	$ 22,203	$ 20,741
Fully diluted earnings per share	$ 0.05	$ 0.06
Fully diluted weighted-average shares of common stock outstanding	434,855	338,484
Dividends declared per share of common stock	$ 0.14	$ 0.12
Dividends declared and paid per share of common stock	$ 0.14	$ 0.12

The accompanying Notes to the unaudited Condensed Consolidated Financial Statement

are an integral part of these financial statements.

Table of Contents

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2016	**2015**
Consolidated net income	$ 16,291	$ 26,224
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	4,266	(9,186)
Available for sale securities	1,955	(15,968)
Total other comprehensive income (loss), net of tax	6,221	(25,154)
Comprehensive income	22,512	1,070
Less: Comprehensive income attributable to noncontrolling interest in subsidiaries, net of tax	2,870	9,171
Comprehensive income (loss) attributable to common stockholders	$ 19,642	$ (8,101)

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

6

Table of Contents

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$ 16,291	$ 26,224
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Fixed asset depreciation and intangible asset amortization	19,468	16,599
Employee loan amortization and reserves on employee loans	10,459	8,066
Equity-based compensation and allocations of net income to limited partnership units and FPUs	36,633	43,124
Deferred compensation expense	5,942	3,167
Gains on equity method investments	(558)	(803)
Amortization of (premium)/discount on notes payable	(1,316)	1,464
Unrealized loss (gain) on marketable securities	10,275	(2,934)
Impairment of fixed assets	1,791	4,484
Deferred tax (benefit) provision	(2,764)	6,010
Sublease provision adjustment	(275)	(462)
Realized gain on marketable securities (see Note 9 Marketable Securities)	(9,499)	(29,040)
Other	(414)	215
Consolidated net income, adjusted for non-cash and non-operating items	86,033	76,114
Decrease (increase) in operating assets:		
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	(889,830)	(1,108,825)
Loans, forgivable loans and other receivables from employees and partners, net	(80,089)	(5,757)
Accrued commissions receivable, net	(24,589)	15,378
Securities borrowed		62,736
Securities owned	(406)	4,845
Receivables from related parties	(7,613)	2,063
Cash segregated under regulatory requirements	(2,545)	9,961
Other assets	(12,408)	(3,710)
Increase (decrease) in operating liabilities:		
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	886,130	1,032,280
Payables to related parties	23,326	5,166
Securities sold, not yet purchased	1,822	(1,557)
Securities loaned	(117,890)	57,396

Accounts payable, accrued and other liabilities	(37,122)	(117,699)
Accrued compensation	(26,896)	(91,735)
Net cash used in operating activities	$ (202,077)	$ (63,344)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	$ (11,894)	$ (5,499)
Capitalization of software development costs	(2,753)	(3,096)
Purchase of equity method investments	(6,828)	(224)
Payments for acquisitions, net of cash acquired	(112,251)	(118,003)
Purchase of marketable securities	(52,491)	
Proceeds from sale of marketable securities	511,161	
Disposal of assets and liabilities held for sale, net		1,982
Capitalization of trademarks, patent defense and registration costs	(181)	(552)
Net cash provided by (used in) investing activities	$ 324,763	$ (125,392)

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

Table of Contents

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

(unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of collateralized borrowings	$ (1,695)	$
Issuance of collateralized borrowings, net of deferred issuance costs		27,918
Earnings distributions	(17,591)	(17,771)
Redemption and repurchase of limited partnership interests	(10,261)	(7,311)
Dividends to stockholders	(37,980)	(26,509)
Repurchase of Class A common stock	(62,679)	(5,843)
Cancellation of restricted stock units in satisfaction of withholding tax requirements	(30)	
Proceeds from exercise of stock options		275
Repayments of short-term borrowings		(10,000)
Net cash used in financing activities	(130,236)	(39,241)
Cash and cash equivalents classified as assets held for sale		10,990
Effect of exchange rate changes on cash and cash equivalents	2,459	(5,641)
Net decrease in cash and cash equivalents	(5,091)	(222,628)
Cash and cash equivalents at beginning of period	461,207	648,277
Cash and cash equivalents at end of period	$ 456,116	$ 425,649
Supplemental cash information:		
Cash paid during the period for taxes	$ 29,647	$ 9,862
Cash paid during the period for interest	17,280	6,693
Supplemental non-cash information:		
Issuance of Class A common stock upon exchange of limited partnership interests	$ 7,852	$ 17,946
Issuance of Class A and contingent Class A common stock for acquisitions	651	14,719

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements

are an integral part of these financial statements.

Table of Contents

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2015

(in thousands, except share amounts)

	BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Contingent Class A Common Stock	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2015	$ 2,202	$ 348	$ 817,158	$ 47,383	$ (200,958)	$ (268,920)	$ 4,303	$ 180,406	$ 581,922
Consolidated net income						126,788		141,530	268,318
Other comprehensive gain, net of tax							(29,359)	(3,876)	(33,235)
Equity-based compensation, 825,996 shares	8		2,909					1,454	4,371
Dividends to common stockholders						(131,360)			(131,360)
Earnings distributions to limited partnership interests and other noncontrolling interests								(70,538)	(70,538)
Grant of exchangeability and redemption of limited partnership interests, issuance of 9,445,664 shares	94		141,262					75,684	217,040
Issuance of Class A common stock (net of costs), 129,151 shares	1		860					247	1,108

Redemption of FPUs, 539,275 units								(835)	(835)
Repurchase of Class A common stock, 1,416,991 shares					(9,371)			(2,743)	(12,114)
Forfeitures of restricted Class A common stock, 270,422 shares			688		(2,002)			(387)	(1,701)
Cantor purchase of Cantor units from BGC Holdings upon redemption of founding/working partner units, 1,775,481 units								6,573	6,573
Re-allocation of equity due to additional investment by founding/working partners								(80)	(80)
Issuance of Class A common stock for acquisitions, 1,199,052 shares	12		5,112	(4,579)					545
Issuance of contingent shares and limited partnership interests in connection with acquisitions			23,104	7,291				8,695	39,090
Conversion of 8.75% Convertible Notes to Class A common stock, 24,042,599 shares	240		117,178					32,582	150,000
Reclassification of Redeemable noncontrolling interest to noncontrolling interest for GFI Back-End Merger								222,148	222,148
Purchases of Newmark			731					(1,219)	(488)

noncontrolling interest									
Other	2		(2)					1,806	1,806
Balance, December 31, 2015	$ 2,559	$ 348	$ 1,109,000	$ 50,095	$ (212,331)	$ (273,492)	$ (25,056)	$ 591,447	$ 1,242,570

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

For the Three Months Ended March 31, 2016

(in thousands, except share amounts)

(unaudited)

	BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Contingent Class A Common Stock	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2016	$ 2,559	$ 348	$ 1,109,000	$ 50,095	$ (212,331)	$ (273,492)	$ (25,056)	$ 591,447	$ 1,242,570
Consolidated net income						13,659		2,632	16,291
Other comprehensive gain, net of tax							5,983	238	6,221
Equity-based compensation, 373,899 shares	4		987					502	1,493
Dividends to common stockholders						(37,980)			(37,980)
Earnings distributions to limited partnership interests and other noncontrolling interests								(15,697)	(15,697)
Grant of exchangeability and redemption of limited partnership interests, issuance of 894,602 shares	9		11,730					7,217	18,956
			138					37	175

Issuance of Class A common stock (net of costs), 27,226 shares									
Redemption of FPUs, 100,530 units								(508)	(508)
Repurchase of Class A common stock, 7,187,046 shares					(49,475)			(13,204)	(62,679)
Forfeitures of restricted Class A common stock, 3,702 shares			8		(26)			(5)	(23)
Issuance of Class A common stock for acquisitions, 100,325 shares	1		337	(338)					
Issuance of contingent shares and limited partnership interests in connection with acquisitions			369	157				140	666
Completion of GFI Back-End Mergers and Issuance of Class A common stock, 23,481,192 shares	235		258,440					(258,690)	(15)
Other	(1)		(655)	1		(3)		655	(3)
Balance, March 31, 2016	$ 2,807	$ 348	$ 1,380,354	$ 49,915	$ (261,832)	$ (297,816)	$ (19,073)	$ 314,764	$ 1,169,467

The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.

BGC PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Organization and Basis of Presentation

Business Overview

BGC Partners, Inc. (together with its subsidiaries, BGC Partners, BGC or the Company) is a leading global brokerage company servicing the financial and real estate markets through its two segments, Financial Services and Real Estate Services. Through its brands, including BGC®, GFI® and R.P. Martin™, among others, the Company s Financial Services segment specializes in the brokerage of a broad range of products, including fixed income (rates and credit), foreign exchange, equities, energy and commodities, and futures. It also provides a wide range of services, including trade execution, broker-dealer services, clearing, processing, information, and other back-office services to a broad range of financial and non-financial institutions. BGC Partners integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use voice, hybrid, or in many markets, fully electronic brokerage services in connection with transactions executed either over-the-counter (OTC) or through an exchange. Through its FENICS®, BGC Trader, BGC Market Data and Capitalab® brands, BGC Partners offers fully electronic brokerage, financial technology solutions, market data, post-trade services and analytics related to select financial instruments and markets.

Newmark Grubb Knight Frank (NGKF) is a full-service commercial real estate platform that comprises the Company s Real Estate Services segment, offering commercial real estate tenants, owners, investors and developers a wide range of services, including leasing and corporate advisory, investment sales and real estate finance, consulting, project and development management, and property and facilities management.

On February 26, 2015, the Company successfully completed a tender offer to acquire shares of common stock, par value $0.01 per share, of GFI Group Inc. (GFI) for $6.10 per share in cash and accepted for purchase 54.3 million shares (the Tendered Shares) tendered to the Company pursuant to our offer (the Offer). The Tendered Shares, together with the 17.1 million shares already owned by the Company, represented approximately 56% of GFI s outstanding shares. On April 28, 2015, a subsidiary of BGC purchased approximately 43.0 million newly issued shares of GFI s common stock at the price of $5.81 per share for an aggregate purchase price of $250 million, which increased our ownership in GFI to approximately 67.0%. The purchase price was paid to GFI in the form of a note due on June 19, 2018 that bore an interest rate of LIBOR plus 200 basis points.

On January 12, 2016, the Company, Jersey Partners, Inc. (JPI), New JP Inc. (New JPI), Michael A. Gooch, Colin Heffron, and certain subsidiaries of JPI and the Company closed on a previously agreed upon merger. This merger provided for the acquisition of JPI by BGC (the JPI Merger) as provided for by a merger agreement dated December 22, 2015. Shortly following the completion of the JPI Merger, a subsidiary of the Company merged with and into GFI pursuant to a short-form merger under Delaware law, with GFI continuing as the surviving entity (the GFI Merger and, together with the JPI Merger, the Back-End Mergers). The Back-End Mergers allowed the Company to acquire the remaining approximately 33% of the outstanding shares of GFI common stock that it did not already own. Following the closing of the Back-End Mergers, the Company and its affiliates now own 100% of the outstanding shares of GFI s common stock.

GFI is a leading intermediary and provider of trading technologies and support services to the global OTC and listed markets. GFI serves more than 2,500 institutional clients in operating electronic and hybrid markets for cash and derivative products across multiple asset classes.

The Company s customers include many of the world s largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, property owners, real estate developers and investment firms. BGC Partners has offices in dozens of major markets, including New York and London, as well as in Atlanta, Beijing, Boston, Charlotte, Chicago, Copenhagen, Dallas, Denver, Dubai, Hong Kong, Houston, Istanbul, Johannesburg, Los Angeles, Mexico City, Miami, Moscow, Nyon, Paris, Philadelphia, Rio de Janeiro, San Francisco, Santa Clara, São Paulo, Seoul, Shanghai, Singapore, Sydney, Tokyo, Toronto, Washington, D.C. and Zurich, as well as over 50 other offices.

Basis of Presentation

The Company s unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the SEC) and in conformity with accounting principles generally accepted in the U.S. (U.S. GAAP). The Company s unaudited condensed consolidated financial statements include the Company s accounts and all subsidiaries in which the Company has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

During the three months ended March 31, 2016, the Company changed the line item formerly known as Market data and software solutions to Data, software and post-trade. Reclassifications have been made to previously reported amounts to conform to the current presentation.

Table of Contents

In addition, for the three months ended March 31, 2015, the Company has made reclassifications to previously reported amounts related to GFI to conform to the current presentation for the line items Compensation and employee benefits and Professional and consulting fees.

The unaudited condensed consolidated financial statements contain all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the unaudited condensed consolidated statements of financial condition, the unaudited condensed consolidated statements of operations, the unaudited condensed consolidated statements of comprehensive income, the unaudited condensed consolidated statements of cash flows and the unaudited condensed consolidated statements of changes in equity of the Company for the periods presented.

Recently Adopted Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the requirements for reporting discontinued operations in ASC 205-20. The ASU includes changes in the criteria and required disclosures for disposals qualifying as discontinued operations, as well as additional required disclosures for disposals not considered discontinued operations. The amendments in this update were effective for the annual period beginning on January 1, 2015 for the Company. The adoption of this FASB guidance did not have a material impact on the Company s unaudited condensed consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendment eliminates the deferral of certain consolidation standards for entities considered to be investment companies and modifies the consolidation analysis performed on certain types of legal entities. The guidance was effective beginning January 1, 2016 and early adoption was permitted. The adoption of this FASB guidance did not have a material impact on the Company s unaudited condensed consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest Imputation of Interest, which relates to simplifying the presentation of debt issuance costs. The ASU requires that debt issuance costs related to a recognized liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update were effective for the annual period beginning January 1, 2016 for the Company, and early adoption was permitted. The adoption of this FASB guidance did not have a material impact on the Company s unaudited condensed financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU requires adjustments to provisional amounts that are identified during the measurement period of a business combination to be recognized in the reporting period in which the adjustment amounts are determined. Acquirers are no longer required to revise comparative information for prior periods as if the accounting for the business combination had been completed as of the acquisition date. The guidance was effective beginning January 1, 2016, with early adoption permitted. The adoption of this FASB guidance did not have a material impact on the Company s unaudited condensed consolidated financial statements.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which relates to how an entity recognizes the revenue it expects to be entitled to for the transfer of promised goods and services to customers. The ASU will replace certain existing revenue recognition guidance. The guidance, as stated in ASU No. 2014-09, was initially effective beginning on January 1, 2017. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers Deferral of Effective Date, which defers the effective date by one year, with early adoption on the original effective date permitted. The standard permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact of the future adoption of the ASU on the Company s unaudited condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements Going Concern, which relates to disclosure of uncertainties about an entity s ability to continue as a going concern. The ASU provides additional guidance on management s responsibility to evaluate the condition of an entity and the required disclosures based on this assessment. The amendments in this update are effective for the annual period ending after December 15, 2016, and early application is permitted. The adoption of this FASB guidance would not impact the Company s unaudited condensed consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. Entities will also have to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income. In addition, entities will be required to present enhanced disclosures of financial assets and financial liabilities. The guidance is effective beginning January 1, 2018, with early adoption of certain provisions of the ASU permitted. Management is currently evaluating the impact of the new guidance on the Company s unaudited condensed consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures. Accounting guidance for lessors is largely unchanged. The guidance is effective beginning January 1, 2019, with early adoption permitted. Management is currently evaluating the impact of the new guidance on the Company s unaudited condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting,* which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The new standard will become effective for the Company beginning with the first quarter of 2017, and early adoption is permitted. Management is currently evaluating the impact of the new guidance on the Company s unaudited condensed consolidated financial statements.

2. Limited Partnership Interests in BGC Holdings

BGC Holdings, L.P. (BGC Holdings) is a consolidated subsidiary of the Company for which the Company is the general partner. The Company and BGC Holdings jointly own BGC Partners, L.P. (BGC US) and BGC Global Holdings L.P. (BGC Global), the two operating partnerships. Listed below are the limited partnership interests in BGC Holdings. The founding/working partner units, limited partnership units and limited partnership interests held by Cantor Fitzgerald, L.P. (Cantor) (Cantor units), each as described below, collectively represent all of the limited partnership interests in BGC Holdings.

Founding/Working Partner Units

Founding/working partners have a limited partnership interest in BGC Holdings. The Company accounts for founding/working partner units (FPUs) outside of permanent capital, as Redeemable partnership interest, in the Company s unaudited condensed consolidated statements of financial condition. This classification is applicable to founding/working partner units because these units are redeemable upon termination of a partner, including a termination of employment, which can be at the option of the partner and not within the control of the issuer.

Founding/working partner units are held by limited partners who are employees and generally receive quarterly allocations of net income. Upon termination of employment or otherwise ceasing to provide substantive services, the founding/working partner units are generally redeemed, and the unit holders are no longer entitled to participate in the quarterly allocations of net income. Since these allocations of net income are cash distributed on a quarterly basis and are contingent upon services being provided by the unit holder, they are reflected as a component of compensation expense under Allocations of net income and grant of exchangeability to limited partnership units and FPUs in the Company s unaudited condensed consolidated statements of operations.

Limited Partnership Units

Certain employees hold limited partnership interests in BGC Holdings (e.g., REUs, RPUs, PSUs, PSIs and LPUs, collectively the limited partnership units). Generally, such units receive quarterly allocations of net income, which are cash distributed and generally are contingent upon services being provided by the unit holders. As prescribed in FASB guidance, the quarterly allocations of net income on such limited partnership units are reflected as a component of compensation expense under Allocations of net income and grant of exchangeability to limited partnership units and FPUs in the Company s unaudited condensed consolidated statements of operations. From time to time the Company issues limited partnership units as part of the consideration for acquisitions; these units are not entitled to a distribution of earnings.

Certain of these limited partnership units entitle the holders to receive post-termination payments equal to the notional amount of the units in four equal yearly installments after the holder s termination. These limited partnership units are accounted for as post-termination liability awards, and in accordance with FASB guidance, the Company records compensation expense for the awards based on the change in value at each reporting date in the Company s unaudited condensed consolidated statements of operations as part of Compensation and employee benefits.

The Company has also awarded certain preferred partnership units (Preferred Units). Each quarter, the net profits of BGC Holdings are allocated to such units at a rate of either 0.6875% (which is 2.75% per calendar year) or such other amount as set forth in the award documentation (the Preferred Distribution). These allocations are deducted before the calculation and distribution of the quarterly partnership distribution for the remaining partnership units and are generally contingent upon services being provided by the unit holder. The Preferred Units are not entitled to participate in partnership distributions other than with respect to the Preferred Distribution. Preferred Units may not be made exchangeable into the Company s Class A common stock and are only entitled to the Preferred Distribution, and accordingly they are not included in the Company s fully diluted share count. The quarterly allocations of net income on Preferred Units are reflected in compensation expense under Allocations of net income and grant of exchangeability to limited partnership units and FPUs in the Company s unaudited condensed consolidated statements of operations. After deduction of the Preferred Distribution, the remaining partnership units generally receive quarterly allocations of net income based on their weighted-average pro rata share of economic ownership of the operating subsidiaries.

Table of Contents

Cantor Units

Cantor units are reflected as a component of Noncontrolling interest in subsidiaries in the Company s unaudited condensed consolidated statements of financial condition. Cantor receives allocations of net income, which are cash distributed on a quarterly basis and are reflected as a component of Net income attributable to noncontrolling interest in subsidiaries in the Company s unaudited condensed consolidated statements of operations.

General

Certain of the limited partnership interests, described above, have been granted exchangeability into Class A common stock on a one-for-one basis (subject to adjustment); additional limited partnership interests may become exchangeable for Class A common stock on a one-for-one basis (subject to adjustment). Because they are included in the Company s fully diluted share count, if dilutive, any exchange of limited partnership interests into Class A common shares would not impact the fully diluted number of shares and units outstanding. Because these limited partnership interests generally receive quarterly allocations of net income, such exchange would have no significant impact on the cash flows or equity of the Company. Each quarter, net income is allocated between the limited partnership interests and the common stockholders. In quarterly periods in which the Company has a net loss, the loss allocation for FPUs, limited partnership units and Cantor units is allocated to Cantor and reflected as a component of Net income attributable to noncontrolling interest in subsidiaries in the Company s unaudited condensed consolidated statements of operations. In subsequent quarters in which the Company has net income, the initial allocation of income to the limited partnership interests is to Net income attributable to noncontrolling interests in subsidiaries, to recover any losses taken in earlier quarters, with the remaining income allocated to the limited partnership interests. This income (loss) allocation process has no impact on the net income allocated to common stockholders.

3. Acquisitions

Financial Services

On February 26, 2015, the Company successfully completed its tender offer to acquire shares of common stock, par value $0.01 per share, of GFI for $6.10 per share in cash and accepted for purchase 54.3 million shares tendered to the Company pursuant to the offer. The Tendered Shares, together with the 17.1 million shares already owned by the Company, represented approximately 56% of the then- outstanding shares of GFI. The Company issued payment for the Tendered Shares on March 4, 2015 in the aggregate amount of $331.1 million. On April 28, 2015, a subsidiary of the Company purchased from GFI approximately 43.0 million new shares at that date s closing price of $5.81 per share, for an aggregate purchase price of $250 million. The purchase price was paid to GFI in the form of a note due on June 19, 2018 that bears an interest rate of LIBOR plus 200 basis points. The new shares and the note eliminate in consolidation. Following the issuance of the new shares, the Company owned approximately 67% of GFI s outstanding common stock. On January 12, 2016, the Company completed its acquisition of JPI. Shortly following the JPI Merger, a subsidiary of the Company merged with and into GFI pursuant to a short-form merger under Delaware law, with GFI continuing as the surviving entity. The Company issued approximately 23.5 million shares of its Class A common stock and paid $111.2 million in cash in connection with the closing of the Back-End Mergers. Following the closing of the Back-End Mergers, the Company and its affiliates now own 100% of the outstanding shares of GFI common stock. The excess of total consideration over the fair value of the total net assets acquired, of approximately $450.0 million, has been recorded to goodwill and was allocated to the Company s Financial Services segment. In addition, Total revenues in the Company s unaudited condensed consolidated statements of operations for the three months ended March 31, 2016 and March 31, 2015 included $154.3 million and $64.4 million, respectively, related to GFI.

The following tables summarize the components of the purchase consideration transferred and the allocation of the assets acquired and liabilities assumed based on the fair values as of the acquisition date (in millions, except share and per share amounts).

Calculation of purchase consideration transferred

		February 26, 2015
Cash	$	331.1
Cost value of shares already owned (17,075,464 shares)		75.1
Redeemable noncontrolling interest (56,435,876 shares at $6.10 per share)		344.3
Total purchase consideration and noncontrolling interest (cost value)		750.5
Appreciation of shares already owned (17,075,464 shares at $6.10 per share less cost value)		29.0
Total purchase consideration and noncontrolling interest (fair value)	$	779.5

14

Table of Contents

Allocation of the assets acquired and the liabilities assumed

		February 26, 2015
Cash and cash equivalents	$	238.8
Receivables from broker-dealers, clearing organizations, customers and related-broker dealers		704.8
Accrued commissions receivable, net		93.6
Fixed assets, net		58.4
Goodwill		450.0
Finite-lived intangible assets:		
Non-compete agreement		15.4
Technology		39.2
Customer relationships		133.8
Acquired intangibles		6.7
Indefinite-lived intangible assets:		
Trade name		92.1
Other assets		194.2
Assets held for sale		208.3
Short-term borrowings		(70.0)
Accrued compensation		(141.0)
Payables to broker-dealers, clearing organizations, customers and related broker-dealers		(648.6)
Accounts payable, accrued and other liabilities		(163.3)
Notes payable and collateralized borrowings		(255.3)
Liabilities held for sale		(175.5)
Pre-existing noncontrolling interest		(2.1)
Total	$	779.5

The following unaudited pro forma summary presents consolidated information of the Company as if the acquisition of GFI had occurred on January 1, 2015, and as if the Company owned 100% of GFI from the date of acquisition. The unaudited pro forma results are not indicative of operations that would have been achieved, nor are they indicative of future results of operations. The unaudited pro forma results do not reflect any potential cost savings or other operations efficiencies that could result from the acquisition. In addition, the unaudited pro forma condensed combined financial information does not include any adjustments in respect of certain expenses recorded in the GFI financial statements that were associated with non-recurring events unrelated to the acquisition and does not include any adjustments in respect of any potential future sales of assets. However, the unaudited pro forma results below for the three months ended March 31, 2015 do include non-recurring pro forma adjustments directly related to the acquisition which mainly consisted of: (a) Prior to the acquisition, GFI had entered into an agreement with the CME Group Inc. (CME) for CME to acquire GFI. The CME transaction was terminated and as a result, GFI incurred breakage costs of approximately $24.7 million; (b) Severance and compensation restructuring charges of $22.2 million incurred by GFI; (c) The aggregate of BGC s and GFI s professional fees incurred which totaled $24.9 million; and (d) The $29.0 million gain recorded by the Company upon acquisition of GFI on the 17.1 million shares of GFI common stock owned prior to the completion of the acquisition.

In millions (unaudited)

	Three Months Ended March 31,	
	2016	2015
Pro forma revenues	$ 639.0	$ 710.8
Pro forma consolidated net income	$ 16.3	$ 25.1

Real Estate Services

On February 26, 2016, the Company completed the acquisition of Rudesill-Pera Multifamily, LLC (Memphis Multifamily). Memphis Multifamily is a multifamily brokerage firm operating in Memphis and the Mid-South Region.

The total consideration for acquisitions during the three months ended March 31, 2016, within the Real Estate Services segment was approximately $3.6 million in total fair value, comprised of cash and BGC Holdings limited partnership units, of which $1.4 million may be issued contingent on certain targets being met through 2019. The excess of the consideration over the fair value of the net assets acquired has been recorded as goodwill of approximately $3.6 million and was allocated to the Company s Real Estate Service segment.

The results of operations of the Company s acquisitions have been included in the Company s unaudited condensed consolidated financial statements subsequent to their respective dates of acquisition. The Company has made a preliminary allocation of the consideration to the assets acquired and liabilities assumed as of the acquisition date, and expects to finalize its analysis with respect to acquisitions within the first year after the completion of the transaction. Therefore, adjustments to preliminary allocations may occur.

Table of Contents

4. Divestitures

Sales of KGL and KBL

In connection with the successful completion of the tender offer to acquire GFI on February 26, 2015, the Company acquired Kyte Group Limited (KGL) which primarily included GFI s clearing business, and Kyte Broking Limited (KBL).

On January 24, 2015, GFI entered into an agreement to sell its 100% equity ownership of KGL, and the transaction was completed in March 2015. The total cash consideration received by the Company was approximately $10.6 million. The loss incurred from the sale of KGL of $0.2 million is included within Gain (loss) on divestiture and sale of investments in the Company s unaudited condensed consolidated statements of operations.

On February 3, 2015, GFI entered into an agreement to sell 100% equity ownership of KBL. In May 2015, the Company completed the sale of KBL. The transaction included total cash consideration of $6.1 million and the Company recorded a gain on the sale of $0.8 million, which is included within Gain (loss) on divestiture and sale of investments in the Company s unaudited condensed consolidated statements of operations. KBL s operations prior to the completion of the transaction were included in the Company s unaudited condensed consolidated statements of operations.

Sale of Trayport

In connection with the successful completion of the tender offer to acquire GFI, the Company also acquired GFI s Trayport business. The Trayport Business was GFI s European electronic energy software business. On December 11, 2015, the Company completed the sale of its Trayport business to Intercontinental Exchange, Inc. (Intercontinental Exchange or ICE). Under the terms of the purchase agreement, Intercontinental Exchange acquired the Trayport business from the Company in exchange for 2,527,658 ICE common shares issued with respect to the $650.0 million purchase price, which was adjusted at closing. The Company recorded a pre-tax gain on the sale of $391.0 million, net of $10.4 million in fees, which was included within Gain on divestiture and sale of investments in the Company s consolidated statements of operations for the year ended December 31, 2015. Trayport s operations prior to the completion of the transaction were included in the Company s unaudited condensed consolidated statements of operations within the Financial Services segment.

5. Earnings Per Share

FASB guidance on Earnings Per Share (EPS) establishes standards for computing and presenting EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average shares of common stock outstanding and contingent shares for which all necessary conditions have been satisfied except for the passage of time. Net income is allocated to the Company s outstanding common stock, FPUs, limited partnership units and Cantor units (see Note 2 Limited Partnership Interests in BGC Holdings).

The following is the calculation of the Company s basic EPS (in thousands, except per share data):

	Three Months Ended March 31,	
	2016	2015

Basic earnings per share:		
Net income available to common stockholders	$ 13,659	$ 14,055
Basic weighted-average shares of common stock outstanding	273,780	222,019
Basic earnings per share	$ 0.05	$ 0.06

Fully diluted EPS is calculated utilizing net income available for common stockholders plus net income allocations to the limited partnership interests in BGC Holdings, as well as adjustments related to the interest expense on the Convertible Notes, if applicable (see Note 17 Notes Payable, Collateralized and Short-Term Borrowings), as the numerator. The denominator is comprised of the Company s weighted-average outstanding shares of common stock and, if dilutive, the weighted-average number of limited partnership interests and other contracts to issue shares of common stock, including Convertible Notes, stock options and RSUs. The limited partnership interests generally are potentially exchangeable into shares of Class A common stock and are entitled to remaining earnings after the deduction for the Preferred Distribution; as a result, they are included in the fully diluted EPS computation to the extent that the effect would be dilutive.

Table of Contents

The following is the calculation of the Company s fully diluted EPS (in thousands, except per share data):

	Three Months Ended March 31,	
	2016	2015
Fully diluted earnings per share		
Net income available to common stockholders	$ 13,659	$ 14,055
Allocation of net income to limited partnership interests in BGC Holdings, net of tax	7,020	6,686
Interest expense on convertible notes, net of tax	1,524	
Net income for fully diluted shares	$ 22,203	$ 20,741
Weighted-average shares:		
Common stock outstanding	273,780	222,019
Limited partnership interests in BGC Holdings	139,825	114,564
Convertible notes	16,260	
RSUs (Treasury stock method)	858	944
Other	4,132	957
Fully diluted weighted-average shares of common stock outstanding	434,855	338,484
Fully diluted earnings per share	$ 0.05	$ 0.06

For the three months ended March 31, 2016 and 2015 respectively, approximately 1.0 million and 41.3 million potentially dilutive securities were not included in the computation of fully diluted EPS because their effect would have been anti-dilutive. Anti-dilutive securities for the three months ended March 31, 2016 included, on a weighted-average basis, 1.0 million other securities or other contracts to issue shares of common stock. Anti-dilutive securities for the three months ended March 31, 2015 included, on a weighted-average basis, 40.3 million limited partnership interests and 1.0 million other securities or other contracts to issue shares of common stock.

Additionally, as of March 31, 2016 and 2015, respectively, approximately 6.1 million and 10.6 million shares of contingent Class A common stock and limited partnership units were excluded from the fully diluted EPS computations because the conditions for issuance had not been met by the end of the respective periods.

6. Stock Transactions and Unit Redemptions

Class A Common Stock

Changes in shares of the Company s Class A common stock outstanding for the three months ended March 31, 2016 and 2015 were as follows:

	Three Months Ended March 31,	
	2016	2015
Shares outstanding at beginning of period	219,063,365	185,108,316
Share issuances:		
Exchanges of limited partnership interests[1]	894,602	2,158,311
Vesting of restricted stock units (RSUs)	373,899	428,233
Acquisitions	23,581,517	100,325
Other issuances of Class A common stock[2]	27,226	39,848
Treasury stock repurchases	(7,187,046)	(734,561)
Forfeitures of restricted Class A common stock	(3,702)	(147,785)
Shares outstanding at end of period	236,749,861	186,952,687

1 The issuance related to redemptions and exchanges of limited partnership interests did not impact the fully diluted number of shares and units outstanding.

2 The Company did not issue shares of Class A common stock for general corporate purposes during the three months ended March 31, 2016 or March 31, 2015.

Class B Common Stock

The Company did not issue any shares of Class B common stock during the three months ended March 31, 2016 and 2015. As of March 31, 2016 and 2015, the Company s Class B common stock outstanding was 34,848,107 shares.

Controlled Equity Offering

The Company has entered into a controlled equity offering (CEO) sales agreement with CF&Co (November 2014 Sales Agreement), pursuant to which the Company may offer and sell up to an aggregate of 20 million shares of Class A common stock. Shares of the Company s Class A common stock sold under its CEO sales agreements are used primarily for redemptions and exchanges of limited partnership interests in BGC Holdings. CF&Co is a wholly owned subsidiary of Cantor and an affiliate of the Company. Under this

Table of Contents

agreement, the Company has agreed to pay CF&Co 2% of the gross proceeds from the sale of shares. As of March 31, 2016, the Company has sold 6,831,023 shares of Class A common stock under this agreement. For additional information, see Note 13 Related Party Transactions.

Unit Redemptions and Share Repurchase Program

The Company s Board of Directors and Audit Committee have authorized repurchases of the Company s Class A common stock and redemptions of BGC Holdings limited partnership interests or other equity interests in the Company s subsidiaries. In February 2014, the Company s Audit Committee authorized such repurchases of stock or units from Cantor employees and partners. On October 27, 2015, the Company s Board of Directors and Audit Committee increased the BGC Partners share repurchase and unit redemption authorization to $300 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities. As of March 31, 2016, the Company had approximately $225.1 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares and/or redeem units. The table below represents unit redemption and share repurchase activity for the three months ended March 31, 2016.

Period	Total Number of Units Redeemed or Shares Repurchased	Average Price Paid per Unit or Share	Approximate Dollar Value of Units and Shares That May Yet Be Redeemed/Purchased Under the Plan
Redemptions[1]			
January 1, 2016 March 31, 2016	775,791	$ 8.59	
Repurchases[2]			
January 1, 2016 January 31, 2016	285,845	$ 9.09	
February 1, 2016 February 29, 2016	6,683,611	8.69	
March 1, 2016 March 31, 2016	217,590	9.09	
Total Repurchases	7,187,046	$ 8.72	
Total Redemptions and Repurchases	7,962,837	$ 8.71	$ 225,060,546

1 During the three months ended March 31, 2016, the Company redeemed approximately 0.7 million limited partnership units at an aggregate redemption price of approximately $5.8 million for an average price of $8.65 per unit and approximately 101 thousand FPUs at an aggregate redemption price of approximately $0.8 million for an average price of $8.23 per unit. During the three months ended March 31, 2015, the Company redeemed approximately 2.0 million limited partnership units at an aggregate redemption price of approximately $17.7 million for an average price of $8.65 per unit and approximately 10 thousand FPUs at an aggregate redemption price of approximately $85 thousand for an average price of $8.60 per unit.

2 During the three months ended March 31, 2016, the Company repurchased approximately 7.2 million shares of its Class A common stock at an aggregate purchase price of approximately $62.7 million for an average price of $8.72 per share. During the three months ended March 31, 2015, the Company repurchased approximately 0.7 million

shares of its Class A common stock at an aggregate purchase price of approximately $5.8 million for an average price of $7.96 per share.

The table above represents the gross unit redemptions and share repurchases of the Company s Class A common stock during the three months ended March 31, 2016. Approximately 0.4 million of the 0.8 million units above were redeemed using cash from the Company s CEO program, and therefore did not impact the fully diluted number of shares and units outstanding. The remaining redemptions along with the Class A common stock repurchases resulted in a 7.6 million reduction in the fully diluted share count. This net reduction cost the Company approximately $65.9 million (or $8.70 per share/unit) during the three months ended March 31, 2016. This reduction partially offset the overall growth in the fully diluted share count which resulted from acquisitions, equity-based compensation and front office hires.

Redeemable Partnership Interest

The changes in the carrying amount of redeemable partnership interest for the three months ended March 31, 2016 and 2015 were as follows (in thousands):

	Three Months Ended March 31,	
	2016	**2015**
Balance at beginning of period	$ 57,145	$ 59,501
Consolidated net income allocated to FPUs	711	
Earnings distributions	(1,894)	
FPUs exchanged	(191)	
FPUs redeemed	(322)	(20)
Balance at end of period	$ 55,449	$ 59,481

Table of Contents

7. Securities Owned and Securities Sold, Not Yet Purchased

Securities owned primarily consist of unencumbered U.S. Treasury bills held for liquidity purposes. Total securities owned were $32.8 million as of March 31, 2016 and $32.4 million as of December 31, 2015. Total securities sold, not yet purchased were $1.8 million as of March 31, 2016. There were no securities sold, not yet purchased as of December 31, 2015. For additional information, see Note 12 Fair Value of Financial Assets and Liabilities.

8. Collateralized Transactions

Securities Loaned

As of March 31, 2016, the Company had no Securities loaned transactions. As of December 31, 2015, the Company has Securities loaned transactions of $117.9 million with CF&Co. The market value of the securities lent was $116.3 million. As of December 31, 2015, the cash collateral received from CF&Co bore interest rates ranging from 0.80% to 1.00%. Securities loaned transactions are included in Securities loaned in the Company s unaudited condensed consolidated statements of financial condition.

9. Marketable Securities

Marketable securities consist of the Company s ownership of various investments. The investments had a fair value of $191.7 million and $650.4 million as of March 31, 2016 and December 31, 2015, respectively.

As of March 31, 2016 and December 31, 2015, the Company held marketable securities classified as trading securities with a market value of $183.5 million and $644.9 million, respectively. These securities are measured at fair value, with any changes in fair value recognized currently in earnings and included in Other income (loss) in the Company s unaudited condensed consolidated statements of operations. During the three months ended March 31, 2016 and 2015, the Company recognized a net loss (realized and unrealized) of $0.3 million and a gain of $2.9 million, respectively, related to the mark-to-market on these shares and any related hedging transactions when applicable.

In connection with the Company s sale of its on-the-run, electronic benchmark U.S. Treasury platform (eSpeed) to Nasdaq, Inc. (Nasdaq, formerly known as NASDAQ OMX Group, Inc.) on June 28, 2013, the Company will receive a remaining earn-out of up to 11,906,964 shares of Nasdaq common stock ratably over the next approximately 12 years, provided that Nasdaq, as a whole, produces at least $25 million in gross revenues each year.

As of March 31, 2016 and December 31, 2015, the Company held marketable securities classified as available-for-sale with a market value of $8.2 million and $5.5 million, respectively. These securities are measured at fair value, with unrealized gains or losses included as part of Other comprehensive loss in the Company s unaudited condensed consolidated statements of comprehensive income. During the three months ended March 31, 2016, the Company recognized gains of $0.8 million related to these marketable securities classified as available-for-sale.

During the three months ended March 31, 2016, the Company purchased marketable securities with a market value of $52.6 million at the time of purchase and sold marketable securities with a market value of $511.2 million at the time of sale.

10.

Receivables from and Payables to Broker-Dealers, Clearing Organizations, Customers and Related Broker-Dealers

Receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers primarily represent amounts due for undelivered securities, cash held at clearing organizations and exchanges to facilitate settlement and clearance of matched principal transactions, spreads on matched principal transactions that have not yet been remitted from/to clearing organizations and exchanges and amounts related to open derivative contracts, including derivative contracts into which the Company may enter to minimize the effect of price changes of the Company s Nasdaq shares (see Note 11 Derivatives). As of March 31, 2016 and December 31, 2015, receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to deliver	$ 1,547,092	$ 692,530
Receivables from clearing organizations	134,855	92,915
Other receivables from broker-dealers and customers	20,160	18,252
Net pending trades		6,544
Open derivative contracts	2,475	1,999
Total	$ 1,704,582	$ 812,240
Payables to broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to receive	$ 1,481,751	$ 660,365
Payables to clearing organizations	93,722	30,037
Other payables to broker-dealers and customers	20,079	23,287
Net pending trades	2,844	
Open derivative contracts	3,531	1,134
Total	$ 1,601,927	$ 714,823

Table of Contents

A portion of these receivables and payables are with Cantor. See Note 13 Related Party Transactions, for additional information related to these receivables and payables.

Substantially all open fails to deliver, open fails to receive and pending trade transactions as of March 31, 2016 have subsequently settled at the contracted amounts.

11. Derivatives

In the normal course of operations, the Company enters into derivative contracts. These derivative contracts primarily consist of interest rate swaps, futures, forwards, foreign exchange/commodities options, and foreign exchange swaps. The Company enters into derivative contracts to facilitate client transactions, hedge principal positions and facilitate hedging activities of affiliated companies.

Derivative contracts can be exchange-traded or OTC. Exchange-traded derivatives typically fall within Level 1 or Level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The Company generally values exchange-traded derivatives using their closing prices. OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. Such instruments are typically classified within Level 2 of the fair value hierarchy.

The Company does not designate any derivative contracts as hedges for accounting purposes. FASB guidance requires that an entity recognize all derivative contracts as either assets or liabilities in the consolidated statements of financial condition and measure those instruments at fair value. The fair value of all derivative contracts is recorded on a net-by-counterparty basis where a legal right to offset exists under an enforceable netting agreement. Derivative contracts are recorded as part of Receivables from broker-dealers, clearing organizations, customers and related broker-dealers and Payables to broker-dealers, clearing organizations, customers and related broker-dealers in the Company s unaudited condensed consolidated statements of financial condition. The fair value of derivative contracts, computed in accordance with the Company s netting policy, is set forth below (in thousands):

	March 31, 2016		December 31, 2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forwards	$ 802	$ 123	$ 821	$ 178
Foreign exchange swaps	429	2,623	883	375
Interest rate swaps	286		256	
Foreign exchange/commodities options		229		537
Futures	958		39	44
Equity options		556		
Total	$ 2,475	$ 3,531	$ 1,999	$ 1,134

The notional amounts of these derivative contracts at March 31, 2016 and December 31, 2015 were $8.9 billion and $10.9 billion, respectively. At March 31, 2016, the notional amounts primarily consisted of long futures of $4.3 billion and short futures of $4.0 billion. As of March 31, 2016, these notional values of long and short futures contracts were primarily related to fixed income futures in a consolidated VIE acquired in the acquisition of GFI, of which the Company s exposure to economic loss is approximately $5.2 million.

The interest rate swaps represent matched customer transactions settled through and guaranteed by a central clearing organization. Certain of the Company s foreign exchange swaps are with Cantor. See Note 13 Related Party Transactions, for additional information related to these transactions.

The replacement cost of contracts in a gain position at March 31, 2016 was $2.5 million.

The change in fair value of interest rate swaps, futures, foreign exchange/commodities options and foreign exchange swaps is reported as part of Principal transactions in the Company s unaudited condensed consolidated statements of operations, and the change in fair value of equity options related to the Nasdaq hedges and forwards are included as part of Other income (loss) in the Company s unaudited condensed consolidated statements of operations. The table below summarizes gains and losses on derivative contracts for the three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
Derivative contract	**2016**	**2015**
Futures	$ 732	$ 1,629
Foreign exchange/commodities options	3,129	417
Interest rate swaps	4	(38)
Foreign exchange swaps	120	(34)
Forwards	152	467
Equity options	444	
Gain (loss)	$ 4,581	$ 2,441

Table of Contents

As described in Note 17 Notes Payable, Collateralized and Short-Term Borrowings, on July 29, 2011, the Company issued an aggregate of $160.0 million principal amount of 4.50% Convertible Senior Notes due 2016 (the 4.50% Convertible Notes) containing an embedded conversion feature. The conversion feature meets the requirements to be accounted for as an equity instrument, and the Company classifies the conversion feature within Additional paid-in capital in the Company s unaudited condensed consolidated statements of financial condition. At the issuance of the 4.50% Convertible Notes, the embedded conversion feature was measured at approximately $19.0 million on a pre-tax basis ($16.1 million net of taxes and issuance costs) as the difference between the proceeds received and the fair value of a similar liability without the conversion feature and is not subsequently remeasured.

Also in connection with the issuance of the 4.50% Convertible Notes, the Company entered into capped call transactions. The capped call transactions meet the requirements to be accounted for as equity instruments, and the Company classifies the capped call transactions within Additional paid-in capital in the Company s unaudited condensed consolidated statements of financial condition. The purchase price of the capped call transactions resulted in a decrease to Additional paid-in capital of $11.4 million on a pre-tax basis ($9.9 million on an after-tax basis) at the issuance of the 4.50% Convertible Notes, and such capped call transactions are not subsequently remeasured.

12. Fair Value of Financial Assets and Liabilities

FASB guidance 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 measurements Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 measurements Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 measurements Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As required by FASB guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth by level within the fair value hierarchy financial assets and liabilities accounted for at fair value under FASB guidance at March 31, 2016 and December 31, 2015 (in thousands):

	Assets at Fair Value at March 31, 2016				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Marketable Securities	$ 191,697	$	$	$	$ 191,697
Government debt	32,560				32,560
Securities Owned Equities	207				207
Forwards		802			802

Foreign exchange swaps				758				(329)		429
Interest rate swaps				286						286
Futures				958						958
Foreign exchange/commodities options		267						(267)		
Total	$	224,731	$	2,804	$		$	(596)	$	226,939

	Liabilities at Fair Value at March 31, 2016									
	Level 1		Level 2		Level 3		Netting and Collateral		Total	
Forwards	$		$	123	$		$		$	123
Foreign exchange/commodities options		496						(267)		229
Foreign exchange swaps				2,952				(329)		2,623
Securities Sold Not Yet Purchased-Equities		1,834								1,834
Equity options				556						556
Contingent consideration						64,337				64,337
Total	$	2,330	$	3,631	$	64,337	$	(596)	$	69,702

Table of Contents

	Assets at Fair Value at December 31, 2015				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Marketable Securities	$ 650,315	$ 85	$	$	$ 650,400
Government debt	32,352				32,352
Securities Owned Equities	9				9
Forwards		869		(48)	821
Foreign exchange swaps		1,256		(373)	883
Interest rate swaps		283		(27)	256
Futures		39			39
Foreign exchange/commodities options	309			(309)	
Total	$ 682,985	$ 2,532	$	$ (757)	$ 684,760

	Liabilities at Fair Value at December 31, 2015				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Forwards	$	$ 226	$	$ (48)	$ 178
Futures		44			44
Government debt	12				12
Foreign exchange/commodities options	846			(309)	537
Foreign exchange swaps		748		(373)	375
Interest rate swaps		27		(27)	
Contingent consideration			65,043		65,043
Total	$ 858	$ 1,045	$ 65,043	$ (757)	$ 66,189

Changes in Level 3 contingent consideration measured at fair value on a recurring basis for the three months ended March 31, 2016 are as follows:

	Opening Balance	Total realized and unrealized gains (losses) included in Net income[(1)]	Unrealized gains (losses) included in Other comprehensive income (loss)	Issuances	Settlements	Closing Balance at March 31, 2016	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at March 31, 2016
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration	$ 65,043	$ 4	$ (5)	$ 833	$ (1,540)	$ 64,337	$ 1

(1) Realized and unrealized gains (losses) are reported in Other expenses in the Company s unaudited condensed consolidated statements of operations.

Table of Contents

Changes in Level 3 contingent consideration measured at fair value on a recurring basis for the three months ended March 31, 2015 are as follows:

	Opening Balance	Total realized and unrealized gains (losses) included in Net income[(1)]	Unrealized gains (losses) included in Other comprehensive income (loss)	Issuances	Settlements	Closing Balance at March 31, 2015	Unrealized gains (losses) for Level 3 Assets / Liabilities Outstanding at March 31, 2015
Liabilities							
Accounts payable, accrued and other liabilities:							
Contingent consideration	$ 56,299	$ (1,236)	$ 41	$ 7,564	$ (1,544)	$ 63,514	$ 1,195

(1) Realized and unrealized gains (losses) are reported in Other expenses in the Company s unaudited condensed consolidated statements of operations.

The following tables present information about the offsetting of derivative instruments and collateralized transactions as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016					
				Gross Amounts Not Offset		
	Gross Amounts	Gross Amounts Offset	Net Amounts Presented in the Statements of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
Assets						
Forwards	$ 802	$	$ 802	$	$	$ 802
Foreign exchange swaps	758	329	429			429
Interest rate swaps	286		286			286
Futures	958		958			958
Foreign exchange/commodities options	267	267				
Total	$ 3,071	$ 596	$ 2,475	$	$	$ 2,475
Liabilities						
Forwards	$ 123	$	$ 123	$	$	$ 123
Foreign exchange swaps	2,952	329	2,623			2,623
Equity options	556		556			556

Foreign exchange/commodities options	496	267	229			229
Total	$ 4,127	$ 596	$ 3,531	$	$	$ 3,531

	December 31, 2015					
				Gross Amounts Not Offset		
	Gross Amounts	Gross Amounts Offset	Net Amounts Presented in the Statements of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
Assets						
Forwards	$ 869	$ 48	$ 821	$	$	$ 821
Foreign exchange swaps	1,256	373	883			883
Interest rate swaps	283	27	256			256
Futures	39		39			39
Foreign exchange/commodities options	309	309				
Total	$ 2,756	$ 757	$ 1,999	$	$	$ 1,999
Liabilities						
Forwards	$ 226	$ 48	$ 178	$	$	$ 178
Foreign exchange swaps	748	373	375			375
Interest rate swaps	27	27				
Futures	44		44			44
Foreign exchange/commodities options	846	309	537			537
Total	$ 1,891	$ 757	$ 1,134	$	$	$ 1,134

Table of Contents

Certain of the Company s foreign exchange swaps are with Cantor. See Note 13 Related Party Transactions, for additional information related to these transactions.

Quantitative Information About Level 3 Fair Value Measurements

The following tables present quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurement of Level 3 assets and liabilities measured at fair value on a recurring basis.

	Fair Value as of March 31, 2016	Valuation Technique	Unobservable Inputs	Weighted Average
Liabilities				
Accounts payable, accrued and other liabilities:				
Contingent consideration	$ 64,337	Present value of expected payments	Discount rate	5.5% (a)
			Forecasted financial information	

(a) The Company s estimate of contingent consideration as of March 31, 2016 was based on the acquired business projected future financial performance, including revenues.

	Fair Value as of December 31, 2015	Valuation Technique	Unobservable Inputs	Weighted Average
Liabilities				
Accounts payable, accrued and other liabilities:				
Contingent consideration	$ 65,043	Present value of expected payments	Discount rate	5.6% (a)
			Forecasted financial information	

(a) The Company s estimate of contingent consideration as of December 31, 2015 was based on the acquired business projected future financial performance, including revenues.

Valuation Processes Level 3 Measurements

Valuations for contingent consideration are conducted by the Company. Each reporting period, the Company updates unobservable inputs. The Company has a formal process to review changes in fair value for satisfactory explanation.

Sensitivity Analysis Level 3 Measurements

The significant unobservable inputs used in the fair value of the Company s contingent consideration are the discount rate and forecasted financial information. Significant increases (decreases) in the discount rate would have resulted in a lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would have resulted in a higher (lower) fair value measurement. As of March 31, 2016 and December 31, 2015, the present value of expected payments related to the Company s contingent consideration was $64.3 million and $65.0 million, respectively. The undiscounted value of the payments, assuming that all contingencies are met, would be $74.2 million and $76.1 million, respectively.

13. Related Party Transactions

Service Agreements

Throughout Europe and Asia, the Company provides Cantor with administrative services, technology services and other support for which it charges Cantor based on the cost of providing such services plus a mark-up, generally 7.5%. In the U.K., the Company provides these services to Cantor through Tower Bridge. The Company owns 52% of Tower Bridge and consolidates it, and Cantor owns 48%. Cantor s interest in Tower Bridge is reflected as a component of Noncontrolling interest in subsidiaries in the Company s unaudited condensed consolidated statements of financial condition, and the portion of Tower Bridge s income attributable to Cantor is included as part of Net income attributable to noncontrolling interest in subsidiaries in the Company s unaudited condensed consolidated statements of operations. In the U.S., the Company provides Cantor with technology services for which it charges Cantor based on the cost of providing such services.

The administrative services agreement provides that direct costs incurred are charged back to the service recipient. Additionally, the service recipient generally indemnifies the service provider for liabilities that it incurs arising from the provision of services other than liabilities arising from fraud or willful misconduct of the service provider. In accordance with the administrative service agreement, the Company has not recognized any liabilities related to services provided to affiliates.

Table of Contents

For the three months ended March 31, 2016 and 2015, the Company recognized related party revenues of $7.1 million and $6.6 million, respectively, for the services provided to Cantor. These revenues are included as part of Fees from related parties in the Company s unaudited condensed consolidated statements of operations.

In the U.S., Cantor and its affiliates provide the Company with administrative services and other support for which Cantor charges the Company based on the cost of providing such services. In connection with the services Cantor provides, the Company and Cantor entered into an employee lease agreement whereby certain employees of Cantor are deemed leased employees of the Company. For the three months ended March 31, 2016 and 2015, the Company was charged $12.9 million and $10.6 million, respectively, for the services provided by Cantor and its affiliates, of which $6.7 million and $6.0 million, respectively, were to cover compensation to leased employees for the three months ended March 31, 2016 and 2015. The fees paid to Cantor for administrative and support services, other than those to cover the compensation costs of leased employees, are included as part of Fees to related parties in the Company s unaudited condensed consolidated statements of operations. The fees paid to Cantor to cover the compensation costs of leased employees are included as part of Compensation and employee benefits in the Company s unaudited condensed consolidated statements of operations.

For the three months ended March 31, 2016 and 2015, Cantor s share of the net profit in Tower Bridge was $0.5 million and $0.6 million, respectively. Cantor s noncontrolling interest is included as part of Noncontrolling interest in subsidiaries in the Company s unaudited condensed consolidated statements of financial condition.

Equity Method Investment

On June 3, 2014, the Company s Board of Directors and Audit Committee authorized the purchase of 1,000 Class B Units of LFI Holdings, LLC (LFI), a subsidiary of Cantor, representing 10% of the issued and outstanding Class B Units of LFI after giving effect to the transaction. On the same day, the Company completed the acquisition for $6.5 million and was granted an option to purchase an additional 1,000 Class B Units of LFI for an additional $6.5 million. On January 15, 2016, the Company closed on the exercise of its option to acquire additional Class B Units of LFI Holdings, LLC. At the closing, the Company made a payment of $6.5 million to LFI. As a result of the option exercise, the Company has a 20% ownership interest in LFI. LFI is a limited liability corporation headquartered in New York which is a technology infrastructure provider tailored to the financial sector. The Company accounts for the investment using the equity method.

Clearing Agreement with Cantor

The Company receives certain clearing services (Clearing Services) from Cantor pursuant to its clearing agreement. These Clearing Services are provided in exchange for payment by the Company of third-party clearing costs and allocated costs. The costs associated with these payments are included as part of Fees to related parties in the Company s unaudited condensed consolidated statements of operations.

Other Agreements with Cantor

The Company is authorized to enter into short-term arrangements with Cantor to cover any failed U.S. Treasury securities transactions and to share equally any net income resulting from such transactions, as well as any similar clearing and settlement issues. As of March 31, 2016 and December 31, 2015, the Company had not entered into any arrangements to cover any failed U.S. Treasury transactions.

To more effectively manage the Company s exposure to changes in foreign exchange rates, the Company and Cantor agreed to jointly manage the exposure. As a result, the Company is authorized to divide the quarterly allocation of any profit or loss relating to foreign exchange currency hedging between Cantor and the Company. The amount allocated to each party is based on the total net exposure for the Company and Cantor. The ratio of gross exposures of Cantor and the Company is utilized to determine the shares of profit or loss allocated to each for the period. During the three months ended March 31, 2016 and 2015, the Company recognized its share of foreign exchange gains of $149 thousand and $646 thousand, respectively. These gains are included as part of Other expenses in the Company s unaudited condensed consolidated statements of operations.

Pursuant to the separation agreement relating to the Company s acquisition of certain BGC businesses from Cantor in 2008, Cantor has a right, subject to certain conditions, to be the Company s customer and to pay the lowest commissions paid by any other customer, whether by volume, dollar or other applicable measure. In addition, Cantor has an unlimited right to internally use market data from the Company without any cost. Any future related-party transactions or arrangements between the Company and Cantor are subject to the prior approval by our Audit Committee. During the three months ended March 31, 2016 and 2015, the Company recorded revenues from Cantor entities of $52 thousand and $64 thousand, respectively, related to commissions paid to the Company by Cantor.

In March 2009, the Company and Cantor were authorized to utilize each other s brokers to provide brokerage services for securities not brokered by such entity, so long as, unless otherwise agreed, such brokerage services were provided in the ordinary course and on terms no less favorable to the receiving party than such services are provided to typical third-party customers.

In August 2013, the Audit Committee authorized the Company to invest up to $350 million in an asset-backed commercial paper program for which certain Cantor entities serve as placement agent and referral agent. The program issues short-term notes to money market investors and is expected to be used by the Company from time to time as a liquidity management vehicle. The notes are backed by assets of highly rated banks. The Company is entitled to invest in the program so long as the program meets investment policy guidelines, including policies related to ratings. Cantor will earn a spread between the rate it receives from the short-term note issuer and the rate it pays to the Company on any investments in this program. This spread will be no greater than the spread earned by Cantor for placement of any other commercial paper note in the program. As of March 31, 2016 and December 31, 2015, the Company did not have any investments in the program.

On June 5, 2015, the Company entered into an agreement with Cantor providing Cantor, CF Management Group, Inc. (CFGM) and other Cantor affiliates entitled to hold Class B common stock the right to exchange from time to time, on a one-to-one basis, subject to adjustment, up to an aggregate of 34,649,693 shares of Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34,649,693 shares of Class B common stock. Such shares of Class B common stock, which currently can be acquired upon the exchange of exchangeable limited partnership units owned in BGC Holdings, are already included in the Company s fully diluted share count and will not increase Cantor s current maximum potential voting power in the common equity. These shares of Class B common stock represent the remaining 34,649,693 authorized but unissued shares of Class B common stock available under the Company s Amended and Restated Certificate of Incorporation. The exchange agreement will enable the Cantor entities to acquire the same number of shares of Class B common stock that they are already entitled to acquire without having to exchange its exchangeable limited partnership units in BGC Holdings. The Company s Audit Committee and full Board of Directors determined that it was in the best interests of the Company and its stockholders to approve the exchange agreement because it will help ensure that Cantor retains its exchangeable limited partnership units in BGC Holdings, which is the same partnership in which the Company s partner employees participate, thus continuing to align the interests of Cantor with those of the partner employees.

Under the exchange agreement, Cantor Fitzgerald, L.P. (CFLP) and CFGM have the right to exchange 17,019,009 shares of Class A common stock owned by them as of March 31, 2016 (including the remaining shares of Class A common stock held by Cantor from the exchange of convertible notes for 24,042,599 shares of Class A common stock on April 13, 2015) for the same number of shares of Class B common stock. Cantor would also have the right to exchange any shares of Class A common stock subsequently acquired by it for shares of Class B common stock, up to the limit of the then-remaining authorized but unissued shares of Class B common stock (34,649,693 as of March 31, 2016).

The Company and Cantor have agreed that any shares of Class B common stock issued in connection with the exchange agreement would be deducted from the aggregate number of shares of Class B common stock that may be issued to the Cantor entities upon exchange of exchangeable limited partnership units in BGC Holdings. Accordingly, the Cantor entities will not be entitled to receive any more shares of Class B common stock under this agreement than they were previously eligible to receive upon exchange of exchangeable limited partnership units.

On June 23, 2015, the Audit Committee of the Company authorized management to enter into a revolving credit facility with Cantor of up to $150 million in aggregate principal amount pursuant to which Cantor or BGC would be entitled to borrow funds from each other from time to time. The outstanding balances would bear interest at the higher of the borrower s or the lender s short term borrowing rate then in effect plus 1%. On October 1, 2015, the Company borrowed $100.0 million under this facility (the Cantor Loan). The Company did not have any interest expense related to the Cantor Loan for the three months ended March 31, 2016 or 2015. The Cantor Loan was repaid on December 31, 2015. As of March 31, 2016, there were no borrowings outstanding under this facility.

Receivables from and Payables to Related Broker-Dealers

Amounts due to or from Cantor and Freedom International Brokerage, one of our equity method investments, are for transactional revenues under a technology and services agreement with Freedom International Brokerage as well as for open derivative contracts. These are included as part of Receivables from broker-dealers, clearing organizations, customers and related broker-dealers or Payables to broker-dealers, clearing organizations, customers and related broker-dealers in the Company s unaudited condensed consolidated statements of financial condition. As of March 31, 2016 and December 31, 2015, the Company had receivables from Freedom International Brokerage of $4.6 million and $4.1 million, respectively. As of March 31, 2016 and December 31, 2015, the Company had $0.4 million and $0.9 million, respectively, in receivables from Cantor related to open derivative contracts. As of March 31, 2016 and December 31, 2015, the Company had $2.6 million and $0.4 million, respectively, in payables to Cantor related to open derivative contracts. Additionally, as of March 31, 2016 and December 31, 2015, the Company had $1.1 million and $4.6 million, respectively, in payables to Cantor related to fails and equity trades pending settlement.

Loans, Forgivable Loans and Other Receivables from Employees and Partners, Net

The Company has entered into various agreements with certain employees and partners whereby these individuals receive loans which may be either wholly or in part repaid from the distribution earnings that the individuals receive on some or all of their limited partnership interests or may be forgiven over a period of time. The forgivable portion of these loans is recognized as compensation expense over the life of the loan. From time to time, the Company may also enter into agreements with employees and partners to grant bonus and salary advances or other types of loans. These advances and loans are repayable in the timeframes outlined in the underlying agreements.

Table of Contents

As of March 31, 2016 and December 31, 2015, the aggregate balance of employee loans, net of reserve, was $228.0 million and $158.2 million, respectively, and is included as Loans, forgivable loans and other receivables from employees and partners, net in the Company s unaudited condensed consolidated statements of financial condition. Compensation expense for the above mentioned employee loans for the three months ended March 31, 2016 and 2015 was $10.5 million and $8.1 million, respectively. The compensation expense related to these employee loans is included as part of Compensation and employee benefits in the Company s unaudited condensed consolidated statements of operations.

8.75% Convertible Notes

On April 1, 2010, BGC Holdings issued an aggregate of $150.0 million principal amount of 8.75% Convertible Senior Notes due 2015 (the 8.75% Convertible Notes) to Cantor in a private placement transaction. The Company used the proceeds of the 8.75% Convertible Notes to repay at maturity $150.0 million aggregate principal amount of Senior Notes due April 1, 2010. On April 13, 2015, the Company s 8.75% Convertible Notes, due April 15, 2015, were fully converted into 24,042,599 shares of the Company s Class A common stock, par value $0.01 per share, and the shares were issued to Cantor Fitzgerald, L.P. as settlement of the notes. The Company recorded interest expense related to the 8.75% Convertible Notes of $3.3 million for the three months ended March 31, 2015. See Note 17 Notes Payable, Collateralized and Short-Term Borrowings, for more information. On June 15, 2015, the Company filed a resale registration statement on Form S-3 pursuant to which 24,042,599 shares of Class A common stock may be sold from time to time by Cantor or by certain of its pledgees, donees, distributees, counterparties, transferees or other successors of interest of the shares, including banks or other financial institutions which may enter into stock pledge, stock loan or other financing transactions with Cantor or its affiliates, as well as by their respective pledgees, donees, distributees, counterparties, transferees or other successors in interest.

Repurchases from Cantor

On February 23, 2016, the Company purchased from Cantor 5,000,000 shares of the Company s Class A common stock at a price of $8.72 per share, the closing price on the date of the transaction. This transaction was included in the Company s stock repurchase authorization and was approved by the Audit Committee of the Board of Directors.

Controlled Equity Offerings and Other Transactions with CF&Co

As discussed in Note 6 Stock Transactions and Unit Redemptions, the Company has entered into the November 2014 Sales Agreements with CF&Co, as the Company s sales agent. During the three months ended March 31, 2016, the Company sold 0.4 million shares under the November 2014 Sales Agreement for aggregate proceeds of $3.4 million, at a weighted-average price of $9.01 per share. For the three months ended March 31, 2016 and 2015, the Company was charged approximately $0.1 million and $0.3 million, respectively, for services provided by CF&Co related to the Company s November 2014 Sales Agreement. These expenses are included as part of Professional and consulting fees in the Company s unaudited condensed consolidated statements of operations.

The Company has engaged CF&Co and its affiliates to act as financial advisor in connection with one or more third-party business combination transactions as requested by the Company on behalf of its affiliates from time to time on specified terms, conditions and fees. The Company may pay finders , investment banking or financial advisory fees to broker-dealers, including, but not limited to, CF&Co and its affiliates, from time to time in connection with certain business combination transactions, and, in some cases, the Company may issue shares of the Company s Class A common stock in full or partial payment of such fees.

On February 26, 2015, the Company completed the tender offer for GFI shares. In connection with the acquisition of GFI, during the three months ended March 31, 2015, the Company recorded advisory fees of $7.1 million payable to CF&Co. These fees were included in Professional and Consulting Fees in the Company s unaudited condensed consolidated statements of operations.

On May 7, 2015, GFI retained CF&Co to assist it in the sale of Trayport. During the year ended December 31, 2015, the Company recorded advisory fees of $5.1 million payable to CF&Co in connection with the sale of Trayport. These fees were netted against the gain on sale in Gain on divestures and sale of investments in the Company s consolidated statements of operations.

Under rules adopted by the Commodity Futures Trading Commission (CFTC), all foreign introducing brokers engaging in transactions with U.S. persons are required to register with the National Futures Association and either meet financial reporting and net capital requirements on an individual basis or obtain a guarantee agreement from a registered Futures Commission Merchant. From time to time, the Company s foreign-based brokers engage in interest rate swap transactions with U.S.-based counterparties, and therefore the Company is subject to the CFTC requirements. CF&Co has entered into guarantees on behalf of the Company, and the Company is required to indemnify CF&Co for the amounts, if any, paid by CF&Co on behalf of the Company pursuant to this arrangement. There have been no payments made pursuant to this arrangement.

Transactions with Cantor Commercial Real Estate Company, L.P.

On October 29, 2013, the Audit Committee of the Board of Directors authorized the Company to enter into agreements from time to time with Cantor and/or its affiliates, including Cantor Commercial Real Estate Company, L.P. (CCRE), to provide services, including finding and reviewing suitable acquisition or partner candidates, structuring transactions, negotiating and due diligence services, in connection with the Company s acquisition and other business strategies in commercial real estate and other businesses. Such services are provided at fees not to exceed the fully-allocated cost of such services plus 10%. In connection with this agreement, the Company did not recognize any expense for the three months ended March 31, 2016 and 2015.

Table of Contents

The Company also has a referral agreement in place with CCRE, in which brokers are incentivized to refer business to CCRE through a revenue-share arrangement. In connection with this revenue-share agreement, the Company recognized revenues of $0.7 million and $120 thousand for the three months ended March 31, 2016 and 2015, respectively. This revenue was recorded as part of Commissions in the Company s unaudited condensed consolidated statements of operations.

Cantor Rights to Purchase Limited Partnership Interests from BGC Holdings

Cantor has the right to purchase limited partnership interests (Cantor units) from BGC Holdings upon redemption of non-exchangeable FPUs redeemed by BGC Holdings upon termination or bankruptcy of the founding/working partner. Any such Cantor units purchased by Cantor are exchangeable for shares of Class B common stock or, at Cantor s election or if there are no additional authorized but unissued shares of Class B common stock, shares of Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

On November 4, 2015, the Company issued exchange rights with respect to, and Cantor purchased, in transactions exempt from registration pursuant to Section 4(a)(2) of the Securities Act, an aggregate of 1,775,481 exchangeable limited partnership units in BGC Holdings, as follows: In connection with the redemption by BGC Holdings of an aggregate of 588,356 non-exchangeable founding partner units from founding partners of BGC Holdings for an aggregate consideration of $2,296,801, Cantor purchased 554,196 exchangeable limited partnership units from BGC Holdings for an aggregate of $2,115,306 (after offset of a founding partner s $46,289 debt due to Cantor). In addition, pursuant to the Sixth Amendment to the BGC Holdings Limited Partnership Agreement, on November 4, 2015, Cantor purchased 1,221,285 exchangeable limited partnership units from BGC Holdings for an aggregate consideration of $4,457,436 in connection with the grant of exchangeability and exchange of 1,221,285 founding partner units. Exchangeable limited partnership units held by Cantor are exchangeable by Cantor at any time on a one-for-one basis (subject to adjustment) for shares of Class A common stock of the Company.

As of March 31, 2016, there were 660,800 non-exchangeable FPUs remaining in which BGC Holdings had the right to redeem and Cantor had the right to purchase an equivalent number of Cantor units.

Transactions with Executive Officers and Directors

On May 9, 2014, partners of BGC Holdings approved the Tenth Amendment to the Agreement of Limited Partnership of BGC Holdings (the Tenth Amendment) effective as of May 9, 2014. In order to facilitate partner compensation and for other corporate purposes the Tenth Amendment creates a new class of partnership units (NPSUs), which are working partner units.

NPSUs are not entitled to participate in Partnership distributions, will not be allocated any items of profit or loss and may not be made exchangeable into shares of the Company s Class A common stock. Subject to the approval of the Compensation Committee or its designee, N Units may be exchanged for the underlying unit type (i.e. an NREU will be converted into an REU) and will then participate in Partnership distributions, subject to terms and conditions determined by the General Partner of the Partnership in its sole discretion, including that the recipient continue to provide substantial services to the Company and comply with his or her partnership obligations. The Tenth Amendment was approved by the Audit Committee of the Board of Directors and by the full Board of Directors.

On January 1, 2015, (i) 1,000,000 of Mr. Lutnick s NPSUs converted into 550,000 PSUs and 450,000 PPSUs, of which Mr. Lutnick has the right to exchange for shares and cash, which he waived under the Company s policy, 239,739 PSUs and 196,150 PPSUs, and (ii) 142,857 of Mr. Merkel s NPSUs converted into 78,571 PSUs and 64,286 PPSUs, of which 5,607 PSUs and 4,588 PPSUs were made exchangeable and repurchased by the Company at the average price of shares of Class A common stock sold under the Company s controlled equity offering less 2%, or $91,558.

On January 30, 2015, the Compensation Committee granted 4,000,000 NPSUs to Mr. Lutnick and 1,000,000 NPSUs to Mr. Lynn. One-quarter of the NPSUs vested on January 1, 2016 and were converted into an equivalent number PSUs/PPSUs for Mr. Lutnick and LPUs/PLPUs for Mr. Lynn on such date. Subject to the approval of the Compensation Committee each year, the remaining NPSUs may be converted pro rata into an equivalent number of PSUs/PPSUs for Mr. Lutnick and LPUs/PLPUs for Mr. Lynn on January 1 of each year beginning on January 1, 2017 and ending January 1, 2020. The grant of exchange rights with respect to such PSUs/PPSUs and LPUs/PLPUs will be determined in accordance with the Company s practices when determining discretionary bonuses or awards, which may include the Compensation Committee s exercise of negative discretion to reduce or withhold any such awards.

On January 30, 2015, the Compensation Committee approved the acceleration of the lapse of restrictions on transferability with respect to an aggregate of 598,904 shares of restricted stock held by our executive officers as follows: Mr. Lynn, 455,733 shares; Mr. Merkel, 16,354 shares; Mr. Windeatt, 95,148 shares; and Mr. Sadler, 31,669 shares. On January 30, 2015, these executives sold these shares to the Company at $7.83 per share. In connection with such sales, an aggregate of 87,140 of LPUs were redeemed for zero as follows: Mr. Lynn, 68,381 units; Mr. Windeatt, 20,684 units; and Mr. Sadler 4,752 units.

Table of Contents

On July 27, 2015, the Audit Committee granted exchange rights with respect to 8,536 PSUs and 6,983 PPSUs that were issued pursuant to vested NPSUs that were awarded to Mr. Merkel, an executive officer of the Company, in May 2014. On October 29, 2015, the Company repurchased (i) the 8,536 PSUs at a price of $8.34 per share, the closing price of the Class A common stock on the date the Company approved the transaction, and (ii) the 6,983 PPSUs at a price of $9.15 per share, the closing price of the Class A common stock on December 31, 2014.

On February 24, 2016, the Compensation Committee granted 1,500,000 NPSUs to Mr. Lutnick, 2,000,000 NPSUs to Mr. Lynn, 1,000,000 NPSUs to Mr. Merkel and 75,000 NPSUs to Mr. Windeatt. Conversion of NPSUs into PSUs/PPSUs for Messrs. Lutnick and Merkel and into LPUs/PLPUs for Messrs. Lynn and Windeatt may be (i) 25% per year with respect to NPSUs granted in 2016; (ii) 25% of the previously awarded NPSUs currently held by Messrs. Lutnick and Lynn based upon the original issuance date (the first 25% having already been converted); and (iii) 25% per year of the current balance of NPSUs previously awarded to Mr. Merkel, provided that, with respect to all of the foregoing, such future conversions are subject to the approval of the Compensation Committee each year. The grant of exchange rights with respect to such PSUs/PPSUs and LPUs/PLPUs will be determined in accordance with the Company s practices when determining discretionary bonuses or awards, and any grants of exchangeability shall be subject to the approval of the Compensation Committee.

On February 24, 2016, the Compensation Committee granted 750,000 non-exchangeable PSUs and 291,667 PPSUs (which may not be made exchangeable) to Mr. Lutnick; 641,429 non-exchangeable LPUs and 241,667 PLPUs (which may not be made exchangeable) to Mr. Lynn; 114,583 non-exchangeable PSUs and 93,750 PPSUs (which may not be made exchangeable) to Mr. Merkel; 105,188 non-exchangeable LPUs and 40,906 non-exchangeable PLPUs (which may not be made exchangeable) to Mr. Windeatt; and 55,688 non-exchangeable LPUs and 21,656 non-exchangeable PLPUs (which may not be made exchangeable) to Mr. Sadler.

On February 24, 2016, the Compensation Committee approved the acceleration of the lapse of restrictions on transferability with respect to 612,958 shares of restricted stock held by our executive officers as follows: Mr. Lynn, 431,782 shares; Mr. Merkel, 150,382 shares; and Mr. Sadler, 30,794 shares. On February 24, 2016, Messrs. Lynn and Sadler sold these shares to the Company at $8.40 per share, and Mr. Merkel sold 120,000 of such shares to the Company at $8.40 per share. In connection with such transaction, 64,787 of Mr. Lynn s and 4,621 of Mr. Sadler s partnership units were redeemed for zero.

In February 2016, the Company granted exchange rights and/or released transfer restrictions with respect to 2,127,648 rights available to Mr. Lutnick with respect to some of his non-exchangeable limited partnership units (which amount included the lapse of restrictions with respect to 235,357 shares of restricted stock held by him), which were all of such rights available to him at such time. Mr. Lutnick has not transferred or exchanged such shares or units as of the date hereof.

On March 9, 2016, Howard W. Lutnick, the Company s Chief Executive Officer, exercised an employee stock option with respect to 250,000 shares of Class A common stock at an exercise price of $8.42 per share. The net exercise of the option resulted in 17,403 shares of the Company s Class A common stock being issued to Mr. Lutnick.

Transactions with Relief Fund

During the year ended December 31, 2015, the Company issued an interest-free loan to the Relief Fund for $1.0 million in connection with the Company s annual Charity Day. As a result of the loan, the Relief Fund issued a promissory note to the Company in the aggregate principal amount of $1.0 million due on August 4, 2016. On March 2, 2016, the promissory note was canceled in connection with charitable contribution commitments related to the Company s annual Charity Day.

During the years ended December 31, 2015 and 2013, the Company committed to make charitable contributions to the Relief Fund in the amounts of $40.0 million and $25.0 million, respectively, which the Company recorded in Other expenses in the Company s unaudited condensed consolidated statements of operations for the years ended December 31, 2015 and 2013, respectively. As of March 31, 2016, the remaining liability associated with these commitments was $38.0 million, which is included in Accounts payable, accrued and other liabilities in the Company s unaudited condensed consolidated statements of financial condition.

On February 23, 2016, the Company purchased from The Cantor Fitzgerald Relief Fund 970,639 shares of the Company s Class A common stock at a price of $8.72 per share, the closing price on the date of the transaction.

Other Transactions

The Company is authorized to enter into loans, investments or other credit support arrangements for Aqua Securities L.P. (Aqua), an alternative electronic trading platform that offers new pools of block liquidity to the global equities markets, such arrangements are proportionally and on the same terms as similar arrangements between Aqua and Cantor. On October 27, 2015; the Company s Board of Directors and Audit Committee increased the authorized amount by an additional $4.0 million, to $16.2 million. The Company has been further authorized to provide counterparty or similar guarantees on behalf of Aqua from time to time, provided that liability for any such guarantees, as well as similar guarantees provided by Cantor, would be shared proportionally with Cantor. Aqua is 51% owned by Cantor and 49% owned by the Company. Aqua is accounted for under the equity method of accounting. During the three months ended March 31, 2016 and 2015, the Company made $0.3 million and $0.2 million, respectively, in cash contributions to Aqua. These contributions are recorded as part of Investments in the Company s unaudited condensed consolidated statements of financial condition.

Table of Contents

The Company has also entered into a Subordinated Loan Agreement with Aqua, whereby the Company agreed to lend Aqua the principal sum of $980 thousand. The scheduled maturity date on the subordinated loan is September 1, 2017, and the current rate of interest on the loan is three month LIBOR plus 600 basis points. The loan to Aqua is recorded as part of Receivables from related parties in the Company s unaudited condensed consolidated statements of financial condition.

14. Investments

Equity Method and Similar Investments

(in thousands)	March 31, 2016	December 31, 2015
Equity method investments	$ 39,619	$ 32,277
Cost method investments	1,492	1,536
	$ 41,111	$ 33,813

The Company recognized gains of $0.6 million and $0.2 million related to its equity method investments for the three months ended March 31, 2016 and 2015, respectively. The Company s share of the gains or losses is reflected in Gains (losses) on equity method investments in the Company s unaudited condensed consolidated statements of operations. As a result of the GFI acquisition, the Company also had certain investments in brokerage businesses in which the Company had a contractual right to receive a percentage of revenues, less certain direct expenses. The Company accounted for these investments in a manner similar to the equity method of accounting. The sale of KBL (see Note 4 Divestitures) in May 2015 included these investments. Through the date of sale, the Company s share of gain on these investments was $1.0 million. The Company s total share of gains and losses is reflected in Gains (losses) on equity method investments in the Company s unaudited condensed consolidated statement of operations.

See Note 13 Related Party Transactions, for information regarding related party transactions with unconsolidated entities included in the Company s unaudited condensed consolidated financial statements.

Investments in Variable Interest Entities

Certain of the Company s equity method investments included in the tables above are considered Variable Interest Entities (VIEs), as defined under the accounting guidance for consolidation. The Company is not considered the primary beneficiary of, and therefore does not consolidate, these VIEs. The Company s involvement with such entities is in the form of direct equity interests and related agreements. The Company s maximum exposure to loss with respect to the VIEs is its investment in such entities as well as a credit facility and a subordinated loan.

The following table sets forth the Company s investment in its unconsolidated VIEs and the maximum exposure to loss with respect to such entities as of March 31, 2016 and December 31, 2015. The amounts presented in the Investment column below are included in, and not in addition to, the equity method investment table above (in thousands):

	March 31, 2016	December 31, 2015

	Investment	Maximum Exposure to Loss	Investment	Maximum Exposure to Loss
Variable interest entities[1]	$ 4,392	$ 5,372	$ 3,858	$ 4,838

[1] The Company has entered into a subordinated loan agreement with a VIE (Aqua), whereby the Company agreed to lend the principal sum of $980 thousand. As of March 31, 2016, the Company s maximum exposure to loss with respect to its unconsolidated VIEs includes the sum of its equity investments in its unconsolidated VIEs and the $980 thousand subordinated loan to Aqua.

Consolidated VIE

Through the acquisition of GFI, the Company is invested in a limited company that is focused on developing a proprietary trading business. The limited company is a VIE and it was determined that the Company is the primary beneficiary of this VIE because the Company, through GFI, was the provider of the majority of this VIE s start-up capital and has the power to direct the activities of this VIE that most significantly impact its economic performance, primarily through its voting percentage and consent rights on the activities that would most significantly influence the entity. The consolidated VIE had total assets of $9.2 million at March 31, 2016, which primarily consisted of clearing margin. There were no material restrictions on the consolidated VIE s assets. The consolidated VIE had total liabilities of $1.3 million at March 31, 2016. The Company s exposure to economic loss on this VIE is approximately $5.2 million.

Table of Contents

Cost Method Investments

As a result of the GFI acquisition, the Company acquired investments for which it did not have the ability to exert significant influence over operating and financial policies. These investments are generally accounted for using the cost method of accounting in accordance with ASC 325-10, Investments Other. At both March 31, 2016 and December 31,2015, the carrying value of these cost method investments was $1.5 million.

15. Fixed Assets, Net

Fixed assets, net consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Computer and communications equipment	$ 143,104	$ 142,511
Software, including software development costs	139,053	140,416
Leasehold improvements and other fixed assets	145,418	137,736
	427,575	420,663
Less: accumulated depreciation and amortization	(282,197)	(274,790)
Fixed assets, net	$ 145,378	$ 145,873

Depreciation expense was $6.9 million and $7.9 million for the three months ended March 31, 2016 and 2015, respectively. Depreciation is included as part of Occupancy and equipment in the Company s unaudited condensed consolidated statements of operations.

The Company has approximately $6.7 million of asset retirement obligations related to certain of its leasehold improvements. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. The liability is discounted and accretion expense is recognized using the credit adjusted risk-free interest rate in effect when the liability was initially recognized.

For the three months ended March 31, 2016 and 2015, software development costs totaling $2.8 million and $3.1 million, respectively, were capitalized. Amortization of software development costs totaled $7.2 million and $3.7 million for the three months ended March 31, 2016 and 2015, respectively. Amortization of software development costs is included as part of Occupancy and equipment in the Company s unaudited condensed consolidated statements of operations.

Impairment charges of $1.8 million and $4.5 million were recorded for the three months ended March 31, 2016 and 2015, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges related to capitalized software and fixed assets are reflected in Occupancy and equipment in the Company s unaudited condensed consolidated statements of operations.

16. Goodwill and Other Intangible Assets, Net

The changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2016 were as follows (in thousands):

	Financial Services	Real Estate Services	Total
Balance at December 31, 2015	$ 418,929	$ 392,837	$ 811,766
Acquisitions		3,593	3,593
Measurement period adjustments	(3,803)	1,966	(1,837)
Cumulative translation adjustment	583		583
Balance at March 31, 2016	$ 415,709	$ 398,396	$ 814,105

During the three months ended March 31, 2016, the Company recognized additional goodwill of approximately $3.6 million, which was allocated to the Company s Real Estate Services segment. See Note 3 Acquisitions for more information.

During the three months ended March 31, 2016, the Company recognized measurement period adjustments of approximately $(3.8) million relating to Financial Services, and $2.0 million for Real Estate Services. The Company considers the adjustments insignificant to its consolidated financial statements and accordingly the Company s unaudited condensed consolidated statements of financial condition at December 31, 2015, were not retrospectively adjusted.

Goodwill is not amortized and is reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with FASB guidance on Goodwill and Other Intangible Assets.

Table of Contents

Other intangible assets consisted of the following (in thousands, except weighted average life):

	March 31, 2016			
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life (Years)
Definite life intangible assets:				
Patents	$ 9,658	$ 7,643	$ 2,015	2.1
Acquired intangibles	174,193	41,452	132,741	14.3
Noncompete agreements	1,790	1,790		
All other	2,132	150	1,982	3.0
Total definite life intangible assets	187,773	51,035	136,738	14.0
Indefinite life intangible assets:				
Trade names	90,255		90,255	N/A
Horizon license	1,500		1,500	N/A
Total indefinite life intangible assets	91,755		91,755	N/A
Total	$ 279,528	$ 51,035	$ 228,493	14.0

	December 31, 2015			
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life (Years)
Definite life intangible assets:				
Patents	$ 8,144	$ 6,944	$ 1,200	2.4
Acquired intangibles	177,858	37,996	139,862	13.9
Noncompete agreements	1,790	1,790		
All other	2,127	977	1,150	3.3
Total definite life intangible assets	189,919	47,707	142,212	13.7
Indefinite life intangible assets:				
Trade names	90,255		90,255	N/A
Horizon license	1,500		1,500	N/A