BGC Partners, Inc.
Form 10-Q
August 08, 2012
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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 June 30, 2012

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		**(I.R.S. Employer**
incorporation or organization)		**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	¨	Accelerated filer	x
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 August 3, 2012, the registrant had 111,539,933 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.

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BGC PARTNERS, INC.

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SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

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, potenti continue, strategy, believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking staten

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:

- pricing and commissions and market position with respect to any of 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;
- market conditions, including trading volume and volatility, potential deterioration of the equity and debt capital markets and our ability to access the capital markets;
- our relationships with Cantor Fitzgerald, L.P., which we refer to as Cantor and its affiliates, including Cantor Fitzgerald & Co., which we refer to as CF&Co, any related conflicts of interest, competition for and retention of brokers and other managers and key employees, support for liquidity and capital and other relationships, including Cantor s holding of our 8.75% Convertible Notes, CF&Co s acting as our sales agent under our controlled equity or other offerings, and CF&Co s acting as our financial advisor in connection with one or more business combinations or other transactions;
- economic or geopolitical conditions or uncertainties;
- extensive regulation of our businesses, changes in regulations relating to the financial services and other industries, and risks relating to compliance matters, including regulatory examinations, inspections, investigations and enforcement actions, and any resulting costs, fines, penalties, sanctions, enhanced oversight, increased financial and capital requirements, and changes to or restrictions or limitations on specific activities, operations, compensatory arrangements, and growth opportunities, including acquisitions, hiring, and new business, products, or services;
- factors related to specific transactions or series of transactions, including credit, performance and unmatched principal risk, counterparty failure, 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;
- certain financial risks, including the possibility of future losses and negative cash flows from operations, an increased need for short-term or long-term borrowings or other sources of cash, related to acquisitions 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 given by the rating agencies to those credit ratings, increased borrowing costs, as well as interest and currency rate fluctuations;

our ability to enter new markets or develop new products, trading desks, marketplaces or services and to induce 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 combination or other transactions in the financial services, real estate and other industries, including acquisitions, dispositions, reorganizations, partnering opportunities and joint ventures and to meet our financial reporting obligations with respect thereto, and the integration of any completed transaction;

our ability to hire and retain personnel;

our ability to expand the use of technology for hybrid and fully electronic trading;

our ability to effectively manage any growth that may be achieved, while ensuring compliance with all applicable 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, procedures, operations and assets, assess and manage our operational, regulatory, and financial risks, and integrate our acquired businesses;

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

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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 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 our shares of Class A common stock;

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 securities, our repurchases of shares of our Class A common stock and purchases of BGC Holdings limited partnership interests or other equity interests of our subsidiaries, 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, and resales of shares of our Class A common stock acquired from us or Cantor, including pursuant to our employee benefit plans, conversion of our convertible notes, and distributions from Cantor pursuant to Cantor s distribution rights obligations and other distributions to Cantor partners; and

the risk factors described in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we refer to as the SEC, and any updates to those risk factors or new risk factors contained herein and in our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC.

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 to differ materially from the forward-looking statements. Information in this Form 10-Q is given as of the date of filing the Form 10-Q with the SEC, and future events or circumstances could differ significantly from such information. We do 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

Our Internet website address is *www.bgcpartners.com*. Through our Internet 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, our directors and our executive officers; and amendments to those documents. In addition, our Internet website is the primary location for press releases regarding our business, including our quarterly and year-end financial results.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except per share data)

(unaudited)

	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 367,757	$ 369,713
Cash segregated under regulatory requirements	6,083	2,968
Securities owned	37,856	16,282
Marketable securities		1,238
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	548,663	192,053
Accrued commissions receivable, net	245,452	222,293
Loans, forgivable loans and other receivables from employees and partners, net	220,097	192,658
Fixed assets, net	141,918	136,068
Investments	32,008	20,367
Goodwill	142,204	141,142
Other intangible assets, net	21,249	16,994
Receivables from related parties	6,457	5,754
Other assets	105,777	87,655
Total assets	$ 1,875,521	$ 1,405,185
Liabilities, Redeemable Partnership Interest, and Equity		
Short-term borrowings	$	$ 13,600
Accrued compensation	141,499	143,800
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	492,897	144,683
Payables to related parties	43,991	19,667
Accounts payable, accrued and other liabilities	251,412	250,552
Notes payable and collateralized borrowings	302,216	181,916
Notes payable to related parties	150,000	150,000
Total liabilities	1,382,015	904,218
Redeemable partnership interest	80,435	86,269
Equity		
Stockholders equity:		
Class A common stock, par value $0.01 per share; 500,000 shares authorized; 126,423 and 115,217 shares issued at June 30, 2012 and December 31, 2011, respectively; and 108,381 and 97,220 shares outstanding at June 30, 2012 and December 31, 2011, respectively	1,264	1,152
Class B common stock, par value $0.01 per share; 100,000 shares authorized; 34,848 shares issued and outstanding at June 30, 2012 and December 31, 2011, convertible into Class A common stock	348	348
Additional paid-in capital	536,071	489,369
Contingent Class A common stock	16,078	20,133
Treasury stock, at cost: 18,042 and 17,997 shares of Class A common stock at June 30, 2012 and December 31, 2011, respectively	(110,090)	(109,870)
Retained deficit	(117,963)	(80,726)

Accumulated other comprehensive loss	(5,333)	(3,752)
Total stockholders equity	320,375	316,654
Noncontrolling interest in subsidiaries	92,696	98,044
Total equity	413,071	414,698
Total liabilities, redeemable partnership interest, and equity	$ 1,875,521	$ 1,405,185

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

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Revenues:				
Commissions	$ 308,030	$ 239,132	$ 580,518	$ 483,846
Principal transactions	83,686	102,007	183,431	200,116
Real estate management services	31,674		32,566	
Fees from related parties	13,494	16,206	26,041	31,641
Market data	3,990	4,598	8,954	9,174
Software solutions	2,487	2,257	4,936	4,390
Interest income	1,543	954	3,738	2,360
Other revenues	7,286	803	9,423	1,114
Losses on equity investments	(2,652)	(1,399)	(5,108)	(3,060)
Total revenues	449,538	364,558	844,499	729,581
Expenses:				
Compensation and employee benefits	308,029	218,729	554,898	427,698
Allocations of net income to limited partnership units and founding/working partner units	1,909	9,237	7,889	18,437
Total compensation and employee benefits	309,938	227,966	562,787	446,135
Occupancy and equipment	39,092	35,740	75,321	65,026
Fees to related parties	3,169	3,018	6,688	5,619
Professional and consulting fees	19,515	15,211	38,834	28,552
Communications	21,402	21,801	43,360	43,131
Selling and promotion	23,513	19,443	42,959	39,629
Commissions and floor brokerage	5,833	6,932	11,513	13,027
Interest expense	7,578	4,768	15,136	9,163
Other expenses	15,048	6,199	24,539	31,280
Total expenses	445,088	341,078	821,137	681,562
Income from operations before income taxes	4,450	23,480	23,362	48,019
Provision for income taxes	70	6,031	7,272	13,432
Consolidated net income	$ 4,380	$ 17,449	$ 16,090	$ 34,587
Less: Net income attributable to noncontrolling interest in subsidiaries	2,422	7,785	5,943	16,257
Net income available to common stockholders	$ 1,958	$ 9,664	$ 10,147	$ 18,330
Per share data:				
Basic earnings per share				
Net income available to common stockholders	$ 1,958	$ 9,664	$ 10,147	$ 18,330
Basic earnings per share	$ 0.01	$ 0.09	$ 0.07	$ 0.17

Basic weighted-average shares of common stock outstanding	140,368	112,644	138,257	105,027
Fully diluted earnings per share				
Net income for fully diluted shares	$ 3,878	$ 21,160	$ 19,668	$ 41,995
Fully diluted earnings per share	$ 0.01	$ 0.09	$ 0.07	$ 0.17
Fully diluted weighted-average shares of common stock outstanding	274,756	244,110	269,482	240,703
Dividends declared per share of common stock	$ 0.17	$ 0.17	$ 0.34	$ 0.31
Dividends declared and paid per share of common stock	$ 0.17	$ 0.17	$ 0.34	$ 0.31

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

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Consolidated net income	$ 4,380	$ 17,449	$ 16,090	$ 34,587
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(3,630)	1,648	(1,910)	4,007
Unrealized (loss) gain on securities available for sale	(41)	(1,006)		(2,309)
Total other comprehensive (loss) income, net of tax	(3,671)	642	(1,910)	1,698
Comprehensive income	709	18,091	14,180	36,285
Less: comprehensive income attributable to noncontrolling interest in subsidiaries, net of tax	1,762	7,929	5,614	16,700
Comprehensive (loss) income attributable to common stockholders	$ (1,053)	$ 10,162	$ 8,566	$ 19,585

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

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$ 16,090	$ 34,587
Adjustments to reconcile consolidated net income to net cash (used in) provided by operating activities:		
Fixed asset depreciation and intangible asset amortization	24,752	24,092
Employee loan amortization	14,371	16,213
Equity-based compensation	61,943	41,979
Allocations of net income to limited partnership units and founding/working partner units	7,889	18,437
Losses on equity investments	5,108	3,060
Accretion of discount on convertible notes	2,172	
Impairment of fixed assets	991	
Impairment loss on marketable securities	291	
Deferred tax (benefit) provision	(4,115)	2,259
Sublease provision adjustment	(1,959)	4,244
Other	133	1,678
Decrease (increase) in operating assets:		
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	(354,646)	(364,560)
Loans, forgivable loans and other receivables from employees and partners, net	(41,779)	(40,817)
Accrued commissions receivable, net	18,062	(45,888)
Securities owned	(22,038)	(1,495)
Receivables from related parties	(59)	(2,449)
Cash segregated under regulatory requirements	(3,115)	(1,212)
Other assets	(7,050)	1,053
Increase (decrease) in operating liabilities:		
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	348,162	345,929
Payables to related parties	24,315	(2,576)
Accounts payable, accrued and other liabilities	1,985	(20,172)
Accrued compensation	(7,927)	(18,494)
Net cash provided by (used in) operating activities	$ 83,576	$ (4,132)

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

(unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	$ (19,532)	$ (15,127)
Capitalization of software development costs	(6,701)	(6,937)
Investment in unconsolidated entities	(16,828)	(884)
Payments for acquisitions, net of cash acquired	(25,679)	
Purchase of notes receivable	(22,000)	
Capitalization of trademarks, patent defense and registration costs	(234)	(468)
Sale of marketable securities	906	
Net cash used in investing activities	(90,068)	(23,416)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable and collateralized borrowings	118,128	(2,768)
Short-term borrowings	(13,600)	
Earnings distributions to limited partnership interests and other noncontrolling interests	(47,821)	(43,283)
Redemption of limited partnership interests	(13,255)	(468)
Dividends to stockholders	(47,385)	(34,136)
Proceeds from offering of Class A common stock, net	11,939	13,590
Repurchase of Class A common stock	(337)	(126)
Cancellation of restricted stock units in satisfaction of withholding tax requirements	(1,974)	(1,362)
Proceeds from exercises of stock options		8,195
Tax impact on exercise/delivery of equity awards		2,760
Net cash provided by (used in) financing activities	5,695	(57,598)
Effect of exchange rate changes on cash and cash equivalents	(1,159)	7,281
Net (decrease) increase in cash and cash equivalents	(1,956)	(77,865)
Cash and cash equivalents at beginning of period	369,713	364,104
Cash and cash equivalents at end of period	$ 367,757	$ 286,239
Supplemental cash information:		
Cash paid during the period for taxes	$ 3,219	$ 16,694
Cash paid during the period for interest	$ 12,580	$ 10,794
Supplemental non-cash information:		
Issuance of Class A common stock upon exchange of limited partnership interests	$ 37,155	$ 12,460
Donations with respect to Charity Day	7,446	3,900
Issuance of Class A common stock upon purchase of notes receivable	3,055	
Issuance of Class A common stock upon exchange of Cantor units		8,407
Issuance of Class B common stock upon exchange of Cantor units		8,407
Use of notes receivable in business acquisition	25,492	

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

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2011

(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 Earnings (Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2011	$ 881	$ 258	$ 366,827	$ 3,171	$ (109,627)	$ (23,616)	$ (977)	$ 94,939	$ 331,856
Comprehensive income:									
Consolidated net income						20,137		18,223	38,360
Other comprehensive loss, net of tax									
Change in cumulative translation adjustment							(3,471)	(508)	(3,979)
Unrealized gain (loss) on securities available for sale							696	(25)	671
Comprehensive income						20,137	(2,775)	17,690	35,052
Equity-based compensation, 1,937,093 shares	19		4,337					4,365	8,721
Dividends to common stockholders						(77,244)			(77,244)
Earnings distributions to limited partnership interests								(69,816)	(69,816)
Grant of exchangeability and redemption of limited partnership interests, issuance of 12,259,184 shares	123		79,928					31,836	111,887
Issuance of Class A common stock (net of costs), 3,829,176 shares	39		14,774					11,952	26,765
Issuance of Class A common stock upon exchange of Cantor units, 9,000,000 shares	90		8,317					(8,407)	
Issuance of Class B common stock upon exchange of Cantor units, 9,000,000 shares		90	8,317					(8,407)	
Redemption of founding/working partner units, 236,741 units			(395)					(531)	(926)
Repurchase of Class A common stock, 60,929					(243)			(149)	(392)

shares									
Capital contribution by founding/working partners with respect to Charity Day			5,130					3,046	8,176
Re-allocation of equity due to additional investment by founding/working partners								(6,121)	(6,121)
Purchase of capped call, net of tax			(6,219)					(3,692)	(9,911)
Equity component of convertible notes, net of tax			10,073					5,980	16,053
Acquisition of CantorCO2e, L.P.			(1,255)					(745)	(2,000)
Issuance of contingent Class A common stock for acquisitions, 4,716,848 shares			236	16,962				9,580	26,778
Newmark noncontrolling interest								14,384	14,384
Other			(701)			(3)		2,140	1,436
Balance, December 31, 2011	$ 1,152	$ 348	$ 489,369	$ 20,133	$ (109,870)	$ (80,726)	$ (3,752)	$ 98,044	$ 414,698

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

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BGC PARTNERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

For the Six Months Ended June 30, 2012

(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 Earnings (Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Subsidiaries	Total
Balance, January 1, 2012	$ 1,152	$ 348	$ 489,369	$ 20,133	$ (109,870)	$ (80,726)	$ (3,752)	$ 98,044	$ 414,698
Comprehensive income:									
Consolidated net income						10,147		5,943	16,090
Other comprehensive income, net of tax									
Change in cumulative translation adjustment							(1,581)	(329)	(1,910)
Comprehensive income						10,147	(1,581)	5,614	14,180
Equity-based compensation, 876,289 shares	9		1,065					977	2,051
Dividends to common stockholders						(47,385)			(47,385)
Earnings distributions to limited partnership interests and other noncontrolling interests								(47,821)	(47,821)
Grant of exchangeability and redemption of limited partnership interests, issuance of 6,004,888 shares	60		33,084					32,702	65,846
Issuance of Class A common stock (net of costs), 2,952,161 shares	29		12,582					6,716	19,327
Issuance of Class A common stock upon purchase of notes receivable, 453,172 shares	5		1,991					1,059	3,055
Redemption of founding/working partner units, 1,907,851 units			(6,082)					(3,279)	(9,361)
Repurchase of Class A common stock, 44,013 shares					(220)			(117)	(337)
Cantor purchase of Cantor units from BGC Holdings upon redemption of								2,732	2,732

founding/working partner units, 920,729 units									
Re-allocation of equity due to additional investment by founding/working partners								(144)	(144)
Issuance of contingent and Class A common stock for acquisitions, 918,835 shares	9		4,921	(4,441)				236	725
Newmark noncontrolling interest			(828)	386				(3,940)	(4,382)
Other			(31)			1		(83)	(113)
Balance, June 30, 2012	$ 1,264	$ 348	$ 536,071	$ 16,078	$ (110,090)	$ (117,963)	$ (5,333)	$ 92,696	$ 413,071

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

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BGC PARTNERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Organization and Basis of Presentation

BGC Partners, Inc. (together with its subsidiaries, BGC Partners, BGC or the Company) is a leading global brokerage company primarily servicing the wholesale financial and real estate markets. The Company specializes in the brokering of a broad range of products, including fixed income securities, interest rate swaps, foreign exchange, equities, equity derivatives, credit derivatives, commercial real estate, commodities, futures and structured products. BGC Partners also provides a full 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 eSpeed, BGC Trader and BGC Market Data brands, BGC Partners offers financial technology solutions, market data, and analytics related to select financial instruments and markets. Through its Newmark Grubb Knight Frank brand, the Company offers commercial real estate tenants, owners, investors and developers a wide range of brokerage services as well as property and facilities management. BGC Partners 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, Chicago, Copenhagen, Dubai, Hong Kong, Houston, Istanbul, Johannesburg, Los Angeles, Mexico City, Miami, Moscow, Nyon, Paris, Rio de Janeiro, São Paulo, Seoul, Singapore, Sydney, Tokyo, Toronto, Washington, D.C. and Zurich.

The Company s unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States (U.S.) Securities and Exchange Commission (SEC) and in conformity with accounting principles generally accepted in the United States of America (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.

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. The results of operations for the 2012 interim periods are not necessarily indicative of results to be expected for the entire fiscal year, which will end on December 31, 2012.

Recently Adopted Accounting Pronouncements:

In December 2010, the FASB issued guidance that modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity shall consider whether there are any adverse qualitative factors indicating that impairment may exist. This FASB guidance became effective with the first reporting period that began after December 15, 2010 and was adopted by the Company on January 1, 2011. The adoption of this FASB guidance did not have a material impact on the Company s unaudited condensed consolidated financial statements.

Beginning with the quarter ended September 30, 2011, the Company early adopted the FASB s guidance on *Comprehensive Income Presentation of Comprehensive Income*. This guidance requires (i) presentation of other comprehensive income either in a continuous statement of comprehensive income or in a separate statement presented consecutively with the statement of operations and (ii) presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. The adoption of this FASB guidance did not have an impact on the Company s unaudited condensed consolidated financial statements as it requires only a change in presentation. The Company has presented other comprehensive income in a separate statement following the Company s unaudited condensed consolidated statements of operations.

In May 2011, the FASB issued guidance on *Fair Value Measurement Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This guidance expands the disclosure requirements around fair

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value measurements categorized in Level 3 of the fair value hierarchy. It also clarifies and expands upon existing requirements for fair value measurements of financial assets and liabilities as well as instruments classified in stockholders equity. This FASB guidance is effective for interim and annual periods beginning after December 15, 2011. The adoption of this FASB guidance did not have a material impact on the Company s unaudited condensed consolidated financial statements.

Beginning with the year ended December 31, 2011, the Company adopted the FASB s guidance on *Intangibles Goodwill and Other Testing Goodwill for Impairment*, to simplify how entities test goodwill for impairment. This guidance allows entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a more than 50% likelihood exists that the fair value is less than the carrying amount, then a two-step goodwill impairment test must be performed. 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 December 2011, the FASB issued guidance on *Disclosures about Offsetting Assets and Liabilities*, which will require entities to disclose information about offsetting and related arrangements to enable users of financial statements to evaluate the potential effect of netting arrangements on an entity s financial position, including the potential effect of rights of set-off. This FASB guidance is effective for interim and annual reporting periods beginning on or after January 1, 2013. The adoption of this FASB guidance is not expected to have a material impact on the Company s unaudited condensed consolidated financial statements, as this guidance only requires additional disclosures concerning offsetting and related arrangements.

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 Cantor units held by Cantor Fitzgerald, L.P. (Cantor), each as defined 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 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 founding/working partner units are redeemable upon termination of a partner, which includes the 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 based on their weighted-average pro rata share of economic ownership of the operating subsidiaries. Upon termination of employment or otherwise ceasing to provide substantive services, the founding/working partner units are redeemed, and the unit holders are no longer entitled to participate in the quarterly cash distributed 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 separate component of compensation expense under Allocations of net income to limited partnership units and founding/working partner units 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, and PSIs, collectively the limited partnership units). Generally, such units receive quarterly allocations of net income based on their weighted-average pro rata share of economic ownership of the operating subsidiaries. These allocations are cash distributed on a quarterly basis and are generally 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 separate component of compensation expense under Allocations of net income to limited partnership units and founding/working partner units in the Company s unaudited condensed consolidated statements of operations.

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.

Cantor Units

Cantor s limited partnership interest (Cantor units) in BGC Holdings is 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 based on its weighted-average pro rata share of economic ownership of the operating subsidiaries for each quarterly period. This allocation is reflected as a component of Net income attributable to noncontrolling interest in subsidiaries in the Company s unaudited condensed consolidated statements of operations. In quarterly periods in which the Company has a net loss, the amount reflected as a component of Net income attributable to noncontrolling interest in subsidiaries represents the loss allocation for founding/working partner units, limited partnership units and Cantor units.

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). Any exchange of limited partnership interests into Class A common shares would not impact the total 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 founding/working partner units, limited partnership units and Cantor units is reflected as a component of Net income attributable to noncontrolling interest in subsidiaries. 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, to recover any losses taken in earlier quarters. The remaining income is allocated to the limited partnership interests based on their weighted-average pro rata share of economic ownership of the operating subsidiaries for the quarter. This income allocation process has no impact on the net income allocated to common stockholders.

3. Acquisitions

Newmark

On October 14, 2011, the Company completed the acquisition of Newmark. Certain former shareholders of Newmark have also agreed to transfer their interests in certain other related companies for nominal consideration at the request of BGC. All of these former shareholders of Newmark have agreed to provide services to affiliates of BGC commencing at the closing. The total consideration transferred for Newmark was $90.1 million. The excess of the consideration transferred plus the fair value of the noncontrolling interest over the fair value of the net assets acquired has been recorded as goodwill of $59.5 million and was allocated to the Company s Real Estate Services segment. The consideration transferred included approximately 4.83 million shares of the Company s Class A common stock that may be issued over a five-year period contingent on certain revenue targets being met, with an estimated fair value of $26.8 million. The Company had total direct costs of approximately $3.2 million related to the acquisition of Newmark.

During the six months ended June 30, 2012, the Company purchased a majority interest in another affiliated company of Newmark for total consideration transferred of approximately $2.1 million. As a result of such transaction, the Company recognized additional goodwill of approximately $1.8 million, which was allocated to the Company s Real Estate Services segment. Also, during the six months ended June 30, 2012, the Company purchased additional noncontrolling interests related to Newmark for approximately $5.6 million.

The Company has made a preliminary allocation of the consideration transferred to the assets acquired and liabilities assumed as of the acquisition date. The Company expects to finalize its analysis of the intangible assets and receivables (including contingent receivables) acquired within the first year of the acquisition, and therefore adjustments to goodwill, intangible assets, brokerage receivables and commissions payable may occur.

Grubb & Ellis

On April 13, 2012, the Company completed the acquisition of substantially all of the assets of Grubb & Ellis Company (Grubb & Ellis).

The total consideration transferred for Grubb & Ellis was $47.1 million.

The consideration transferred included the extinguishment of approximately $30.0 million (principal amount) pre-bankruptcy senior secured debt (the Prepetition Debt), which the Company purchased at a discount, and which had a fair value of approximately $25.6 million as of the acquisition date. The consideration transferred also included approximately $5.5 million under debtor-in-possession term loans and

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$16.0 million in cash to the bankruptcy estate for the benefit of Grubb & Ellis unsecured creditors. The Company had total direct costs of approximately $2.8 million related to the acquisition of Grubb & Ellis. For the three months ended June 30, 2012, Grubb & Ellis total U.S. GAAP revenues subsequent to its acquisition by the Company were $65.6 million.

The following tables summarize the preliminary allocation of the consideration transferred to the assets acquired and liabilities assumed as of the acquisition date (in millions). The Company expects to finalize its analysis of the intangible assets and receivables (including contingent receivables) acquired within the first year of the acquisition, and therefore adjustments may occur.

Calculation of estimated consideration transferred

Prepetition Debt	$ 25.6
Debtor-in-possession term loans	5.5
Cash paid to the bankruptcy estate	16.0
Total fair value of consideration transferred	47.1
Total fair value of net assets acquired	47.1
Preliminary goodwill related to Grubb & Ellis	$

Preliminary allocation of estimated consideration transferred to net assets acquired

	April 13, 2012
Assets	
Cash and cash equivalents	$ 0.6
Brokerage receivables, net	40.0
Fixed assets	2.8
Intangible assets	6.3
Other assets	10.5
Total assets acquired	60.2
Liabilities	
Other liabilities and accrued expenses	13.1
Total liabilities assumed	13.1
Net assets acquired	$ 47.1

The following unaudited pro forma summary presents consolidated information of the Company as if the acquisition of Grubb & Ellis had occurred on January 1, 2011. Grubb & Ellis results for the second quarter of 2012 prior to its acquisition by the Company are not material and, as a result, pro forma unaudited supplemental information has not been provided for the three months ended June 30, 2012 as the amounts are materially consistent with the amounts recognized in the unaudited condensed consolidated statements of operations for the three months ended June 30, 2012. These pro forma results are not indicative of operations that would have been achieved, nor are they indicative of future results of operations. The pro forma results do not reflect any potential cost savings or other operational efficiencies that could result from the acquisition. The historical financials of Grubb & Ellis and the pro forma information contain unusual and non-recurring expenses incurred during the distressed period leading up to the Grubb & Ellis bankruptcy. The pro forma information also does not include any adjustments for expenses with respect to assets or liabilities not acquired or assumed by the Company.

In millions	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	2011
Pro forma revenues	$ 495.3	$ 927.4	$ 969.8
Pro forma consolidated net income	12.7	9.3	20.0

The results of operations of Newmark and Grubb & Ellis have been included in the Company s consolidated financial statements subsequent to their respective dates of acquisition.

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4. 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. Net income is allocated to each of the economic ownership classes described above in Note 2 Limited Partnership Interests in BGC Holdings, and the Company s outstanding common stock, based on each class s pro rata economic ownership of the operating subsidiaries.

The Company s earnings for the three and six months ended June 30, 2012 and 2011 were allocated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income available to common stockholders	$ 1,958	$ 9,664	$ 10,147	$ 18,330
Allocation of net income to limited partnership interests in BGC Holdings	$ 3,034	$ 16,047	$ 13,471	$ 33,805

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Basic earnings per share:				
Net income available to common stockholders	$ 1,958	$ 9,664	$ 10,147	$ 18,330
Basic weighted-average shares of common stock outstanding	140,368	112,644	138,257	105,027
Basic earnings per share	$ 0.01	$ 0.09	$ 0.07	$ 0.17

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 16 Notes Payable, Collateralized and Short-Term Borrowings) and expense related to dividend equivalents for certain restricted stock units (RSUs) (if applicable) 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, RSUs and warrants. The limited partnership interests are potentially exchangeable into shares of Class A common stock; as a result, they are included in the fully diluted EPS computation to the extent that the effect would be dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Fully diluted earnings per share:				
Net income available to common stockholders	$ 1,958	$ 9,664	$ 10,147	$ 18,330
Allocation of net income to limited partnership interests in BGC Holdings, net of tax	1,836	11,055	9,373	23,224
Dividend equivalent expense on RSUs, net of tax	84	441	148	441
Net income for fully diluted shares	$ 3,878	$ 21,160	$ 19,668	$ 41,995
Weighted-average shares:				
Common stock outstanding	140,368	112,644	138,257	105,027
Limited partnership interests in BGC Holdings	132,035	129,461	129,158	133,372
RSUs (Treasury stock method)	585	1,768	765	1,979

Other	1,768	237	1,302	325
Fully diluted weighted-average shares of common stock outstanding	274,756	244,110	269,482	240,703
Fully diluted earnings per share	$ 0.01	$ 0.09	$ 0.07	$ 0.17

For the three months ended June 30, 2012 and 2011, approximately 48.4 million and 27.6 million shares underlying Convertible Notes, stock options, RSUs, and warrants 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 June 30, 2012 included, on a weighted-average basis, 39.1 million shares underlying Convertible Notes and 9.3 million other securities or other contracts to issue shares of common stock.

Additionally, for the three months ended June 30, 2012 and 2011, respectively, approximately 3.5 million and 0.5 million shares of contingent Class A common stock were excluded from the computation of fully diluted EPS because the conditions for issuance had not been met by the end of the respective periods.

Business Partner Warrants

As of June 30, 2012, the Company had a balance of 175 thousand business partner warrants with a weighted-average exercise price of $8.75 and a weighted-average remaining contractual term of 0.1 years. The Company did not recognize any expense related to the business partner warrants for the three or six months ended June 30, 2012 and 2011.

5. Unit Redemptions and Stock Transactions

Unit Redemptions and Stock Repurchase Program

During the three months ended June 30, 2012, the Company redeemed approximately 2.6 million limited partnership units at an average price of $6.47 per unit and approximately 0.3 million founding/working partner units at an average price of $7.76 per unit. During the three months ended June 30, 2011, the Company redeemed approximately 0.8 million limited partnership units at an average price of $7.88 per unit and approximately 18 thousand founding/working partner units at an average price of $8.99 per unit.

During the six months ended June 30, 2012, the Company redeemed approximately 5.4 million limited partnership units at an average price of $6.61 per unit and approximately 1.3 million founding/working partner units at an average price of $6.55 per unit. During the six months ended June 30, 2011, the Company redeemed approximately 1.0 million limited partnership units at an average price of $8.08 per unit and approximately 51 thousand founding/working partner units at an average price of $9.23 per unit.

The Company did not repurchase any shares of Class A common stock during the three months ended June 30, 2012. During the three months ended June 30, 2011, the Company repurchased 7,991 shares of Class A common stock at an aggregate purchase price of approximately $71 thousand for an average price of $8.94 per share.

During the six months ended June 30, 2012, the Company repurchased 44,013 shares of Class A common stock at an aggregate purchase price of approximately $0.3 million for an average price of $7.66 per share. During the six months ended June 30, 2011, the Company repurchased 14,445 shares of Class A common stock at an aggregate purchase price of approximately $126 thousand for an average price of $8.74 per share.

The Company s Board of Directors and Audit Committee have authorized repurchases of the Company s common stock and redemptions of BGC Holdings limited partnership interests or other equity interests in the Company s subsidiaries. As of June 30, 2012, the Company had approximately $39.4 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares or redeem units.

Unit redemption and share repurchase activity for the six months ended June 30, 2012 was as follows:

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			
January 1, 2012 March 31, 2012	3,833,973	$ 6.60	
April 1, 2012 April 30, 2012	1,522,783	7.12	
May 1, 2012 May 31, 2012	624,179	6.01	
June 1, 2012 June 30, 2012	775,279	6.06	
Total Redemptions	6,756,214	$ 6.60	
Repurchases			
January 1, 2012 March 31, 2012	44,013	$ 7.66	
April 1, 2012 April 30, 2012			
May 1, 2012 May 31, 2012			
June 1, 2012 June 30, 2012			
Total Repurchases	44,013	$ 7.66	
Total Redemptions and Repurchases	6,800,227	$ 6.61	$ 39,423,017

Stock Issuances

On various dates in 2010 and 2011, and most recently on February 15, 2012, the Company entered into controlled equity offering sales agreements with Cantor Fitzgerald & Co. (CF&Co) pursuant to which the Company may offer and sell up to an aggregate of 31 million shares of Class A common stock. CF&Co is a wholly-owned subsidiary of Cantor and an affiliate of the Company. Under these agreements, the Company has agreed to pay CF&Co 2% of the gross proceeds from the sale of shares.

During the three months ended June 30, 2012 and 2011, the Company issued 2,530,980 and 1,111,046 shares, respectively, of its Class A common stock related to redemptions and exchanges of limited partnership interests. During the six months ended June 30, 2012 and 2011, the Company issued 6,004,888 and 2,004,419 shares, respectively, of its Class A common stock related to redemptions and exchanges of limited partnership interests. The issuances related to redemptions of limited partnership interests did not impact the total number of shares and units outstanding.

During the three months ended June 30, 2012, the Company issued an aggregate of 839,120 shares of its Class A common stock in connection with the Company s acquisitions. During the six months ended June 30, 2012, the Company issued an aggregate of 918,835 shares of its Class A common stock in connection with the Company s acquisitions. The Company did not issue any shares of its Class A common stock in connection with the Company s acquisitions during the three or six months ended June 30, 2011.

During the three months ended June 30, 2012 and 2011, the Company issued 201,316 and 989,400 shares, respectively, of its Class A common stock related to vesting of RSUs. Additionally, during the three months ended June 30, 2012, the Company issued an aggregate of 12,409 shares of its Class A common stock in connection with the Company s Dividend Reinvestment and Stock Purchase Plan and 34,614 shares of its Class A common stock for general corporate purposes. The Company did not issue any shares of its Class A common stock related to the exercise of stock options during the three months ended June 30, 2012. During the three months ended June 30, 2011, the Company issued an aggregate of 51,313 shares of its Class A common stock related to the exercise of stock options and 11,111 shares of its Class A common stock to a former partner. During the three months ended June 30, 2011, the Company issued and donated an aggregate of 443,686 shares of Class A common stock to the Cantor Fitzgerald Relief Fund (the Relief Fund) in connection with the Company s annual Charity Day. These shares have been registered for resale by the Relief Fund. During the three months ended June 30, 2011, the Company issued 9,000,000 shares of Class A common stock to Cantor upon Cantor s exchange of 9,000,000 Cantor units. In addition, during the three months ended June 30, 2011, the Company issued 9,000,000 shares of Class B common stock of the Company to Cantor upon Cantor s exchange of 9,000,000 Cantor units. All of these shares are restricted securities. These issuances did not change the fully diluted number of shares outstanding. The Company did not issue

any shares of its Class A common stock related in connection with the Company s Dividend Reinvestment and Stock Purchase Plan during the three months ended June 30, 2011.

During the six months ended June 30, 2012 and 2011, the Company issued 876,289 and 1,469,399 shares, respectively, of its Class A common stock related to vesting of RSUs. Additionally, during the six months ended June 30, 2012, the Company issued an aggregate of 25,524 shares of its Class A common stock in connection with the Company s Dividend Reinvestment and Stock Purchase Plan and 1,876,637 shares of its Class A common stock for general corporate purposes. The Company did not issue any shares of its Class A common stock related to the

exercise of stock options during the six months ended June 30, 2012. During the six months ended June 30, 2011, the Company issued 1,650,584 shares of its Class A common stock related to the exercise of stock options and 1,135,230 shares of its Class A common stock for general corporate purposes. The Company did not issue any shares of its Class A common stock related in connection with the Company s Dividend Reinvestment and Stock Purchase Plan during the six months ended June 30, 2011.

During the six months ended June 30, 2012, the Company issued and donated an aggregate of 1,050,000 shares of Class A common stock to the Relief Fund in connection with the Company s annual Charity Day, which shares have been registered for resale by the Relief Fund. Additionally, during the six months ended June 30, 2012, the Company issued an aggregate of 453,172 shares of Class A common stock upon purchase of notes receivable in connection with the Company s acquisition.

During the six months ended June 30, 2011, the Company issued and donated an aggregate of 443,686 shares of Class A common stock to the Relief Fund. Additionally, the Company issued 9,000,000 shares of Class A common stock and 9,000,000 shares of Class B common stock to Cantor upon Cantor s exchange of 18,000,000 Cantor units. In addition, the Company issued an aggregate of 11,111 shares of its Class A common stock to a former partner.

6. Securities Owned

Securities owned primarily consist of unencumbered U.S. Treasury bills held for liquidity purposes. Total securities owned were $37.9 million and $16.3 million as of June 30, 2012 and December 31, 2011, respectively.

Securities owned consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Government debt	$ 37,720	$ 16,007
Equities	136	275
Total	$ 37,856	$ 16,282

As of June 30, 2012, the Company has not pledged any of the securities owned to satisfy deposit requirements at exchanges or clearing organizations.

7. Marketable Securities

Marketable securities consist of the Company s ownership of various investments. The Company had no marketable securities as of June 30, 2012. As of December 31, 2011, the Company had $1.2 million of marketable securities, which were classified as available-for-sale and recorded at fair value. During the three months ended March 31, 2012, the Company sold certain of its marketable securities for approximately $0.9 million. Unrealized gains or losses are generally included as part of Accumulated other comprehensive loss in the Company s unaudited condensed consolidated statements of financial condition. When the fair value of an available-for-sale security is lower than its cost, the Company evaluates the security to determine whether the impairment is considered other-than-temporary. If the impairment is considered other-than-temporary, the Company records an impairment charge in the Company s unaudited condensed consolidated statements of operations. The Company recorded impairment charges of $0.3 million for the three months ended June 30, 2012. No impairment charges were recorded for the three months ended June 30, 2011.

8. 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. The Receivables from and Payables to broker-dealers, clearing organizations, customers and

related broker-dealers consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to deliver	$ 477,291	$ 130,675
Receivables from clearing organizations	54,638	48,681
Other receivables from broker-dealers and customers	7,574	8,060

	June 30, 2012	December 31, 2011
Open derivative contracts	1,405	1,185
Net pending trades	7,755	3,452
Total	$ 548,663	$ 192,053
Payables to broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to receive	$ 467,317	$ 124,282
Payables to clearing organizations	16,737	5,077
Other payables to broker-dealers and customers	8,843	14,990
Open derivative contracts		334
Total	$ 492,897	$ 144,683

A portion of these receivables and payables are with Cantor. See Note 12 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 June 30, 2012 have subsequently settled at the contracted amounts.

9. Notes Receivable, Net

In connection with the Company s agreement to acquire substantially all of the assets of Grubb & Ellis, on February 17, 2012, the Company purchased notes with a principal amount of approximately $30.0 million. The Company recorded interest income associated with the notes in Interest income on the Company s unaudited condensed consolidated statements of operations. Total interest income recognized for the three months ended June 30, 2012 was approximately $0.1 million. Total interest income recognized for the six months ended June 30, 2012 was approximately $0.6 million. The Company did not recognize any interest income for the three or six months ended June 30, 2011. The notes were a component of the consideration transferred with respect to the acquisition of Grubb & Ellis on April 13, 2012. Prior to the acquisition of Grubb & Ellis, the notes were recorded at fair value and recorded in Notes receivable, net in the Company s unaudited condensed consolidated statements of financial condition.

10. Derivatives

In the normal course of operations the Company enters into derivative contracts. These derivative contracts primarily consist of interest rate and foreign exchange swaps. The Company enters into derivative contracts to facilitate client transactions, to hedge principal positions and to 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 the closing price of the exchange-traded derivatives. 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 unaudited condensed 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 or payables to broker-dealers, clearing organizations, customers and related broker-dealers in the Company s unaudited condensed consolidated statements of financial condition. The change in fair value of derivative contracts is reported as part of Principal transactions in the Company s unaudited condensed consolidated statements of operations.

The fair value of derivative financial instruments, computed in accordance with the Company s netting policy, is set forth below (in thousands):

	June 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	$ 1,182	$	$ 1,185	$
Foreign exchange swaps	223			334
	$ 1,405	$	$ 1,185	$ 334

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The notional amounts of the interest rate swaps transactions at June 30, 2012 and December 31, 2011 were $1.2 billion and $1.2 billion, respectively. These represent matched customer transactions settled through and guaranteed by a central clearing organization.

All of the Company s foreign exchange swaps are with Cantor. The notional amounts of the foreign exchange swap transactions at June 30, 2012 and December 31, 2011 were $271.5 million and $234.1 million, respectively.

The replacement cost of contracts in a gain position at June 30, 2012 was $1.4 million.

As described in Note 16 Notes Payable, Collateralized and Short-Term Borrowings, on July 29, 2011, the Company issued 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. The embedded conversion feature was measured in the amount of approximately $19.0 million on a pre-tax basis ($16.1 million net of taxes and issuance costs) at the issuance of the 4.50% Convertible Notes 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.

11. Fair Value of Financial Assets and Liabilities

The following tables set forth by level within the fair value hierarchy financial assets and liabilities, including marketable securities and those pledged as collateral, accounted for at fair value under FASB guidance at June 30, 2012 (in thousands):

	Assets at Fair Value at June 30, 2012 (1)				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Government debt	$ 37,720	$	$	$	$ 37,720
Interest rate swaps		1,182			1,182
Foreign exchange swaps		223			223
Securities owned Equities	136				136
Total	$ 37,856	$ 1,405	$	$	$ 39,261

	Liabilities at Fair Value at June 30, 2012 (1)				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Total	$	$	$	$	$

(1) 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, including marketable securities and those pledged as collateral, accounted for at fair value under FASB guidance at December 31, 2011 (in thousands):

	Assets at Fair Value at December 31, 2011 (1)				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Government debt	$ 16,007	$	$	$	$ 16,007
Marketable securities	1,238				1,238
Interest rate swaps		1,185			1,185
Securities owned Equities	275				275
Total	$ 17,520	$ 1,185	$	$	$ 18,705

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	Liabilities at Fair Value at December 31, 2011 (1)				
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Foreign exchange swaps	$	$ 334	$	$	$ 334
Total	$	$ 334	$	$	$ 334

(1) 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.

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12. 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 Company, together with other leading financial institutions, formed ELX Futures, L.P. (ELX), a limited partnership that has established a fully-electronic futures exchange. The Company now has a 49.0% voting interest in ELX and accounts for ELX under the equity method of accounting (see Note 13 Investments for more details). During the six months ended June 30, 2012, the Company made a $16 million equity investment in ELX. During the six months ended June 30, 2011, the Company made no equity investments in ELX. The Company has entered into a technology services agreement with ELX pursuant to which the Company provides software technology licenses, monthly maintenance support and other technology services as requested by ELX. For the three months ended June 30, 2012 and 2011, the Company recognized related party revenues of $13.5 million and $16.2 million, respectively, for the services provided to Cantor and ELX. 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 June 30, 2012 and 2011, the Company was charged $9.6 million and $10.0 million, respectively, for the services provided by Cantor and its affiliates, of which $6.4 million and $7.0 million, respectively, were to cover compensation to leased employees for the three months ended June 30, 2012 and 2011. For the six months ended June 30, 2012 and 2011, the Company was charged $17.1 million and $17.2 million, respectively, for the services provided by Cantor and its affiliates, of which $10.4 million and $11.6 million, respectively, were to cover compensation to leased employees for the six months ended June 30, 2012 and 2011. 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.

As of June 30, 2012 and 2011, Cantor s share of the net profit in Tower Bridge was $0.4 million and $0.9 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.

Clearing Agreement

The Company receives certain clearing services (Clearing Services) from Cantor pursuant to its clearing agreement (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.

Receivables from and Payables to Related Broker-Dealers

Amounts due from or to Cantor and Freedom International Brokerage 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 June 30, 2012 and December 31, 2011, the Company had receivables from Cantor and Freedom International Brokerage of $3.2 million and $3.7 million, respectively. As of June 30, 2012 and December 31, 2011, the Company had $0.2 million receivable from Cantor and $0.3 million payable to Cantor, respectively, related to open derivative contracts.

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

The Company has entered into various agreements with certain of its employees and partners whereby these individuals receive loans which may be either wholly or in part repaid from the distribution earnings that the individual receives 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.

As of June 30, 2012 and December 31, 2011, the aggregate balance of these employee loans was $220.1 million and $192.7 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. This increase was primarily due to employee loans related to recent acquisitions. Compensation expense for the above mentioned employee loans for the three months ended June 30, 2012 and 2011, was $7.4 million and $7.3 million, respectively. Compensation expense for the above mentioned employee loans for the six months ended June 30, 2012 and 2011, was $14.4 million and $16.2 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. The Company recorded interest expense related to the 8.75% Convertible Notes in the amount of $3.3 million for both the three months ended June 30, 2012 and 2011. The Company recorded interest expense related to the 8.75% Convertible Notes in the amount of $6.6 million for both the six months ended June 30, 2012 and 2011. See Note 16 Notes Payable, Collateralized and Short-Term Borrowings, for more information.

Controlled Equity Offerings/Payment of Commissions to CF&Co

As discussed in Note 5 Unit Redemptions and Stock Transactions, the Company has entered into controlled equity offering agreements with CF&Co, as the Company s sales agent. For the three months ended June 30, 2012 and 2011, the Company was charged approximately $0.3 million and $0.1 million, respectively, for services provided by CF&Co. For the six months ended June 30, 2012 and 2011, the Company was charged approximately $0.9 million and $0.4 million, respectively, for services provided by CF&Co. These expenses are included as part of Professional and consulting fees in the Company s unaudited condensed consolidated statements of operations.

Cantor Rights upon Redemption of Founding/Working Partner Units by BGC Holdings

Cantor has the right to purchase Cantor units from BGC Holdings upon redemption of non-exchangeable founding/working partner units 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).

During the six months ended June 30, 2012, in connection with the redemption by BGC Holdings of an aggregate of 431,985 non-exchangeable founding partner units from founding partners of BGC Holdings for an aggregate consideration of $1,282,045, Cantor purchased 431,985 exchangeable limited partnership units from BGC Holdings for an aggregate of $1,282,045. The redemption of the non-exchangeable founding partner units and issuance of an equal number of exchangeable limited partnership units did not change the fully diluted number of shares outstanding. In addition, pursuant to the Sixth Amendment to the BGC Holdings Limited Partnership Agreement, during the six months ended June 30, 2012, Cantor purchased 488,744 exchangeable limited partnership units from BGC Holdings for an aggregate consideration of $1,449,663 in connection with the grant of exchangeability and exchange of 488,744 founding partner units. Such exchangeable limited partnership units 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 June 30, 2012, there were 137,126 non-exchangeable founding/working partner units remaining in which BGC Holdings had the right to redeem and Cantor had the right to purchase an equivalent number of Cantor units.

BGC Partners Acquisition of CantorCO2e, L.P.

On August 2, 2011, the Company s Board of Directors and Audit Committee approved the Company s acquisition from Cantor of its North American environmental brokerage business, CantorCO2e, L.P. (CO2e). On August 9, 2011, the Company completed the acquisition of CO2e from Cantor for the assumption of approximately $2.0 million of liabilities and announced the launch of BGC

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Environmental Brokerage Services. Headquartered in New York, BGC Environmental Brokerage Services focuses on environmental commodities, offering brokerage, escrow and clearing, consulting, and advisory services to clients throughout the world in the industrial, financial and regulatory sectors.

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 which offers new pools of block liquidity to the global equities markets, of up to $5.0 million in the aggregate; such arrangements would be proportionally and on the same terms as similar arrangements between Aqua and Cantor. A $2.0 million increase in this amount was authorized on November 1, 2010. Aqua is 51% owned by Cantor and 49% owned by the Company. Aqua is accounted for under the equity method of accounting. During the six months ended June 30, 2012 and 2011, the Company made $0.8 million and $0.9 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.

On June 21, 2012, the Company signed an agreement with Thesys Technologies, the infrastructure affiliate of Tradeworx, Inc., to invest in the creation of high-speed microwave data networks for the financial community. In connection with the agreement, the Company has committed to fund up to approximately $13.0 million to Epsilon Networks, LLC as it meets certain milestone targets. During the six months ended June 30, 2012, the Company made loans of approximately $1.1 million to Epsilon Networks, LLC, which are recorded in Receivables from related parties in the Company s unaudited condensed consolidated statements of financial condition.

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 June 30, 2012, 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 will be utilized to determine the shares of profit or loss allocated to each for the period. During the six months ended June 30, 2012, the Company recognized its share of foreign exchange loss of $17 thousand. This loss is included as part of Other expenses in the Company s unaudited condensed consolidated statements of operations.

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.

During the year ended December 31, 2011, the Company issued 9,000,000 shares of Class A common stock to Cantor upon Cantor s exchange of 9,000,000 Cantor units. In addition, during the year ended December 31, 2011, the Company issued 9,000,000 shares of Class B common stock to Cantor upon Cantor s exchange of 9,000,000 Cantor units. These issuances did not impact the total number of shares and units outstanding. As a result of these exchanges and the transactions described above, as of June 30, 2012, Cantor held an aggregate of 48,782,933 Cantor units. (See Note 5 Unit Redemptions and Stock Transactions.)

On October 14, 2011, the Company completed the acquisition of Newmark (see Note 3 Acquisitions). In connection with this acquisition, the Company paid an advisory fee of $1.4 million to CF&Co. This fee was recorded as part of Professional and consulting fees in the Company s unaudited condensed consolidated statements of operations.

On April 13, 2012, the Company completed the acquisition of Grubb & Ellis (see Note 3 Acquisitions). In connection with this acquisition, the Company will pay an advisory fee of $1.0 million to CF&Co. This fee is included as part of Professional and consulting fees in the Company s unaudited condensed consolidated statements of operations.

On June 26, 2012, the Company issued an aggregate $112.5 million principal amount of 8.125% Senior Notes due 2042 (the 8.125% Senior Notes). In connection with this issuance, the Company will pay fees of approximately $0.2 million to CF&Co. This fee is included as part of Professional and consulting fees in the Company s unaudited condensed consolidated statements of operations.

During the year ended December 31, 2011, Howard W. Lutnick, the Company s Chief Executive Officer, exercised an employee stock option with respect to 1,500,000 shares of Class A common stock at an exercise price of $5.10 per share. The exercise price was paid in cash from Mr. Lutnick s personal funds.

During the year ended December 31, 2011, other executive officers of the Company exercised employee stock options with respect to 152,188 shares of Class A common stock at an average exercise price of $5.10 per share. A portion of these shares were withheld to pay the option exercise price and the applicable tax obligations. During the year ended December 31, 2011, these executive officers sold 6,454 of these shares of Class A common stock that they acquired upon exercise of options to the Company at an average price of $8.50 per share.

During the six months ended June 30, 2012, the Company repurchased 44,013 shares of Class A common stock, at an average price of $7.66 per share. An aggregate of 41,523 of such shares were purchased from Stephen M. Merkel, the Company s Executive Vice President, General Counsel and Secretary, and certain family trusts.

During the year ended December 31, 2011, the Company repurchased 60,929 shares of Class A common stock, at an average price of $6.43 per share, from a director, executive officers, and employees of the Company.

During the six months ended June 30, 2012, the Company issued and donated an aggregate of 1,050,000 shares of Class A common stock to the Relief Fund in connection with the Company s annual Charity Day, which shares have been registered for resale by the Relief Fund.

13. Investments

Equity Method Investments

The Company s equity method investments consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Equity method investments	$ 32,008	$ 20,367

On March 28, 2012, the Company made a further equity investment of $16.0 million in ELX. As a result of the additional equity investment and certain related transactions, (i) the Company s voting and equity interests in ELX increased from 26.3% each to 49.0% and 56.7%, respectively, and (ii) the Company has been granted the authority to manage and conduct the day-to-day business, operations and affairs of ELX, subject to the oversight and control of the supervisory board.

The Company s share of losses related to its investments was $2.7 million and $1.4 million for the three months ended June 30, 2012 and 2011, respectively. The Company s share of losses related to its investments was $5.1 million and $3.1 million for the six months ended June 30, 2012 and 2011, respectively. The Company s share of the losses is reflected in Losses on equity investments in the Company s unaudited condensed consolidated statements of operations.

Investments in Variable Interest Entities

Certain of the Company s equity method investments included in the equity method investment table above are considered variable interest entities (VIE), as defined under the accounting guidance for consolidation. The Company is not considered the primary beneficiary of, and therefore does not consolidate, any of the variable interest entities in which it holds a variable interest. 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 variable interest entities is its investment in such entities as well as a credit facility and other funding commitments. The following table sets forth the Company s investment in its unconsolidated variable interest entities and the maximum exposure to loss with respect to such entities as of June 30, 2012 and December 31, 2011. The amounts presented in the Investment column below are included in, and not in addition to, the equity method investment table above (in thousands):

	June 30, 2012		December 31, 2011	
	Investment	Maximum Exposure to Loss	Investment	Maximum Exposure to Loss
Variable interest entities(1)	$ 19,998	$ 48,978	$	$

(1) In addition to its equity investments, the Company has entered into a credit agreement to lend one of its variable interest entities (ELX) up to $16.0 million. The commitment period for such credit facility extends through March 28, 2015. Additionally, the Company has committed to fund up to approximately $13.0 million to another variable interest entity (Epsilon Networks, LLC) as it meets certain milestone targets. The Company s maximum exposure to loss with respect to its variable interest entities is the sum of its equity investment plus the $16.0 million credit facility and the funding commitment of approximately $13.0 million.

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14. Fixed Assets, Net

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

	June 30, 2012	December 31, 2011
Computer and communications equipment	$ 215,963	$ 198,322
Software, including software development costs	142,502	138,845
Leasehold improvements and other fixed assets	130,911	111,573
	489,376	448,740
Less: accumulated depreciation and amortization	347,458	312,672
Fixed assets, net	$ 141,918	$ 136,068

Depreciation expense was $9.3 million and $8.3 million for the three months ended June 30, 2012 and 2011, respectively. Depreciation expense was $18.2 million and $16.7 million for the six months ended June 30, 2012 and 2011, respectively. Depreciation is included as part of Occupancy and equipment in the Company s unaudited condensed consolidated statements of operations.

In accordance with FASB guidance, the Company capitalizes qualifying computer software development costs incurred during the application development stage and amortizes them over their estimated useful life of three years on a straight-line basis. For the three months ended June 30, 2012 and 2011, software development costs totaling $2.7 million and $3.6 million, respectively, were capitalized. For the six months ended June 30, 2012 and 2011, software development costs totaling $6.7 million and $6.9 million, respectively, were capitalized. Amortization of software development costs totaled $2.0 million and $2.7 million for the three months ended June 30, 2012 and 2011, respectively. Amortization of software development costs totaled $4.7 million and $5.6 million for the six months ended June 30, 2012 and 2011, 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 $0.2 million were recorded for the three months ended June 30, 2012, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges of $1.0 million were recorded for the six months ended June 30, 2012, 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.

15. Goodwill and Other Intangible Assets, Net

The changes in the carrying amount of goodwill for the six months ended June 30, 2012 were as follows (in thousands):

	Financial Services	Real Estate Services	Total
Balance at December 31, 2011	$ 81,602	$ 59,540	$ 141,142
Additional goodwill related to Newmark		1,829	1,829
Cumulative translation adjustment	(767)		(767)
Balance at June 30, 2012	$ 80,835	$ 61,369	$ 142,204

The Company acquired substantially all of the assets of Grubb & Ellis following the April 13, 2012 approval of the transaction by the U.S. Bankruptcy Court for the Southern District of New York. Based on the Company s preliminary allocation of the consideration transferred to the assets acquired and liabilities assumed, the Company does not expect to recognize any goodwill from the acquisition.

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*.

Other intangible assets consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Definite life intangible assets:		
Patents	$ 36,018	$ 35,944
Customer base/relationships	15,082	15,280
Internally developed software	5,722	5,722
Noncompete agreements	3,418	3,418
All other	3,786	3,778
Total gross definite life intangible assets	64,026	64,142
Less: accumulated amortization	54,962	52,996
Net definite life intangible assets	9,064	11,146

	June 30, 2012	December 31, 2011
Indefinite life intangible assets:		
Trade name	10,685	4,348
Horizon license	1,500	1,500
Total net intangible assets	$ 21,249	$ 16,994

Intangible amortization expense was $0.9 million and $0.9 million for the three months ended June 30, 2012 and 2011, respectively. Intangible amortization expense was $1.8 million and $1.8 million for the six months ended June 30, 2012 and 2011, respectively. Intangible amortization is included as part of Other expenses in the Company s unaudited condensed consolidated statements of operations.

16. Notes Payable, Collateralized and Short-Term Borrowings

Notes payable, collateralized and short-term borrowings consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
8.75% Convertible Notes	$ 150,000	$ 150,000
4.50% Convertible Notes	141,148	138,976
8.125% Senior Notes	108,723	
Collateralized borrowings	52,345	42,940
Short-term borrowings		13,600
Total	$ 452,216	$ 345,516

Convertible Notes

On April 1, 2010, BGC Holdings issued an aggregate of $150.0 million principal amount of 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 $150.0 million principal amount of Senior Notes that matured on April 1, 2010. The 8.75% Convertible Notes are senior unsecured obligations and rank equally and ratably with all existing and future senior unsecured obligations of the Company. The 8.75% Convertible Notes bear an annual interest rate of 8.75%, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2010, and are currently convertible into 22,959,124 million shares of Class A common stock. The 8.75% Convertible Notes will mature on April 15, 2015, unless earlier repurchased, exchanged or converted. The Company recorded interest expense related to the 8.75% Convertible Notes of $3.3 million and $3.3 million for the three months ended June 30, 2012 and 2011, respectively, and $6.6 and $6.6 million for the six months ended June 30, 2012 and June 30, 2011, respectively.

The 8.75% Convertible Notes are currently convertible, at the holder s option, at a conversion rate of 153.0608 shares of Class A common stock per $1,000 principal amount of notes, subject to customary adjustments upon certain corporate events, including stock dividends and stock splits on the Class A common stock and the Company s payment of a quarterly cash dividend in excess of $0.10 per share of Class A common stock. The conversion rate will not be adjusted for accrued and unpaid interest to the conversion date.

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). The 4.50% Convertible Notes are general senior unsecured obligations of BGC Partners, Inc. The 4.50% Convertible Notes pay interest semiannually at a rate of 4.50% per annum and were priced at par. The 4.50% Convertible Notes will mature on July 15, 2016, unless earlier repurchased, exchanged or converted. The Company recorded interest expense related to the 4.50% Convertible Notes of $2.9 million for the three months ended June 30, 2012. The Company recorded interest expense related to the 4.50% Convertible Notes of $5.8 million for the six months ended June 30, 2012. There was no interest expense related to the 4.50% Convertible Notes for the three or six months ended June 30, 2011.

The 4.50% Convertible Notes are currently convertible, at the holder s option, at a conversion rate of 101.6260 shares of Class A common stock per $1,000 principal amount of notes, subject to adjustment in certain circumstances, including stock dividends and stock splits on the Class A

common stock and the Company s payment of a quarterly cash dividend in excess of $0.17 per share of Class A common stock. This conversion rate is equal to a conversion price of approximately $9.84 per share, a 20% premium over the $8.20 closing price of BGC s Class A common stock on the NASDAQ on July 25, 2011. Upon conversion, the Company will pay or deliver, cash, shares of the Company s Class A common stock, or a combination thereof at the Company s election. The 4.50% Convertible Notes are currently convertible into approximately 16.3 million shares of Class A common stock.

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As prescribed by FASB guidance, *Debt*, the Company recognized the value of the embedded conversion feature of the 4.50% Convertible Notes as an increase to additional paid-in capital of approximately $19.0 million on a pre-tax basis ($16.1 million net of taxes and issuance costs). The embedded conversion feature was measured as the difference between the proceeds received and the fair value of a similar liability without the conversion feature. The value of the conversion feature is treated as a debt discount and reduced the initial carrying value of the 4.50% Convertible Notes to $137.1 million, net of debt issuance costs of $3.9 million allocated to the debt component of the instrument. The discount is amortized as interest cost and the carrying value of the notes will accrete up to the face amount over the term of the notes.

In connection with the offering of the 4.50% Convertible Notes, the Company entered into capped call transactions, which are expected generally to reduce the potential dilution of the Company s Class A common stock upon any conversion of the 4.50% Convertible Notes in the event that the market value per share of the Company s Class A common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions (which corresponds to the initial conversion price of the 4.50% Convertible Notes and is subject to certain adjustments similar to those contained in the 4.50% Convertible Notes). The capped call transactions have a cap price equal to $12.30 per share (50% above the last reported sale price of the Company s Class A common stock on the NASDAQ on July 25, 2011). 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). The capped call transactions cover approximately 16.3 million shares of BGC s Class A common stock.

Below is a summary of the Company s Convertible Notes (in thousands, except share and per share amounts):

	4.50% Convertible Notes		8.75% Convertible Notes	
	June 30, 2012	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
Principal amount of debt component	$ 160,000	$ 160,000	$ 150,000	$ 150,000
Unamortized discount	(18,852)	(21,024)		
Carrying amount of debt component	141,148	138,976	150,000	150,000
Carrying amount of equity component	18,972	18,972		
Effective interest rate	7.61%	7.61%	8.75%	8.75%
Maturity date (period through which discount is being amortized)	7/15/2016	7/15/2016	4/15/2015	4/15/2015
Conversion price	$ 9.84	$ 9.84	$ 6.53	$ 6.66
Number of shares to be delivered upon conversion	16,260,160	16,260,160	22,959,124	22,508,095
Amount by which the notes if-converted value exceeds their principal amount	$	$	$	$

Below is a summary of the interest expense related to the Company s Convertible Notes (in thousands):

	4.50% Convertible Notes				8.75% Convertible Notes			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30, 2012	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Coupon interest	$ 1,800	$	$ 3,600	$	$ 3,281	$ 3,281	$ 6,562	$ 6,562
Amortization of discount	1,090		2,172					
Total interest expense	$ 2,890	$	$ 5,772	$	$ 3,281	$ 3,281	$ 6,562	$ 6,562

Senior Notes

On June 26, 2012, the Company issued an aggregate of $112.5 million principal amount of 8.125% Senior Notes due 2042 pursuant to the Company s effective Shelf Registration Statement on Form S-3, as amended. The 8.125% Senior Notes are senior unsecured obligations of BGC Partners, Inc. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company s option, at any time and from time to time, until maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date. The 8.125% Senior Notes are listed on the New York Stock Exchange under the symbol BGCA. The Company intends to use the proceeds to repay short-term borrowings under its unsecured

revolving credit facility and for general corporate purposes, including potential acquisitions.

The initial carrying value of the 8.125% Senior Notes was $108.7 million, net of debt issuance costs of $3.8 million. The issuance costs are amortized as interest cost and the carrying value of the notes will accrete up to the face amount over the term of the notes. The Company recorded interest expense related to the 8.125% Senior Notes of $0.1 million for the three and six months ended June 30, 2012. There was no interest expense related to the 8.125% Senior Notes for the three and six months ended June 30, 2011.

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Collateralized Borrowings

On various dates beginning in 2009 and most recently on June 29, 2012, the Company entered into secured loan arrangements under which it pledged certain fixed assets in exchange for loans. The secured loan arrangements have fixed rates between 2.62% and 8.09% per annum and are repayable in consecutive monthly installments with the final payments due in June 2016. The outstanding balance of the secured loan arrangements was $35.2 million and $20.6 million as of June 30, 2012 and December 31, 2011, respectively. The value of the fixed assets pledged was $31.6 million and $18.0 million as of June 30, 2012 and December 31, 2011, respectively. The secured loan arrangements are guaranteed by the Company. The Company recorded interest expense related to the secured loan arrangements of $0.3 million and $0.2 million for the three months ended June 30, 2012 and 2011, respectively. The Company recorded interest expense related to the secured loan arrangements of $0.7 million and $0.4 million for the six months ended June 30, 2012 and 2011, respectively.

On various dates during the years ended December 31, 2011 and 2010, the Company sold certain furniture, equipment and software for $34.2 million, net of costs and concurrently entered into agreements to lease the property back. The principal and interest on the leases are repayable in equal monthly installments for terms of 36 months (software) and 48 months (furniture and equipment) with maturities through September 2014. The outstanding balance of the leases was $17.2 million and $22.4 million as of June 30, 2012 and December 31, 2011, respectively. The value of the fixed assets pledged was $12.2 million and $17.0 million as of June 30, 2012 and December 31, 2011, respectively. The Company recorded interest expense of $0.3 million and $0.4 million for the three months ended June 30, 2012 and 2011, respectively. The Company recorded interest expense of $0.6 million and $0.7 million for the six months ended June 30, 2012 and 2011, respectively.

Because assets revert back to the Company at the end of the leases, the transactions were capitalized. As a result, consideration received from the purchaser is included in the Company s unaudited condensed consolidated statements of financial condition as a financing obligation, and payments made under the lease are being recorded as interest expense (at an effective rate of approximately 6%). Depreciation on these fixed assets will continue to be charged to Occupancy and equipment in the Company s unaudited condensed consolidated statements of operations.

Credit Agreement

On June 23, 2011, the Company entered into a credit agreement with a bank syndicate (the Credit Agreement) which provides for up to $130.0 million of unsecured revolving credit through June 23, 2013. Borrowings under the Credit Agreement will bear interest at a per annum rate equal to, at the Company s option, either (a) a base rate equal to the greatest of (i) the prime rate as established by the Administrative Agent from time to time, (ii) the average federal funds rate plus 0.5%, and (iii) the reserve adjusted one month LIBOR reset daily plus 1.0%, or (b) the reserve adjusted LIBOR for interest periods of one, two, three or six months, as selected by the Company, in each case plus an applicable margin. The applicable margin will initially be 2.0% with respect to base rate borrowings in (a) above and 3.0% with respect to borrowings selected as LIBOR borrowings in (b) above, but may increase to a maximum of 3.0% and 4.0%, respectively, depending upon the Company s credit rating. The Credit Agreement also provides for an unused facility fee and certain upfront and arrangement fees. The Credit Agreement requires that the outstanding loan balance be reduced to zero every 270 days for three days. The Credit Agreement further provides for certain financial covenants, including minimum equity, tangible equity and interest coverage, as well as maximum levels for total assets to equity capital and debt to equity. The Credit Agreement also contains certain other affirmative and negative covenants. As of June 30, 2012, there were no borrowings outstanding under the Credit Agreement. The Company recorded interest expense related to the Credit Agreement of $0.7 million and $0.8 million for the three and six months ended June 30, 2012, respectively. There was no interest expense related to the Credit Agreement for the three or six months ended June 30, 2011.

17. Compensation

Limited Partnership Units

A summary of the activity associated with limited partnership units is as follows:

	Number of Units
Balance at December 31, 2011	45,814,354
Granted	19,356,090
Redeemed/Exchanged units	(6,151,058)
Forfeited units	(806,662)

Balance at June 30, 2012	58,212,724

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Certain limited partnership units are granted exchangeability into Class A common stock on a one-for-one basis (subject to adjustment). Upon grant of exchangeability, the limited partnership units are cancelled, and the partner is granted a partnership unit that is exchangeable for shares of the Company s Class A common stock. At the time exchangeability is granted, the Company recognizes an expense based on the fair value of the award on that date which is included in Compensation and employee benefits in the Company s unaudited condensed consolidated statements of operations. During the three months ended June 30, 2012 and 2011, the Company granted exchangeability on 6.2 million and 2.5 million limited partnership units for which the Company incurred compensation expense, before associated income taxes, of $38.1 million and $23.0 million, respectively. During the six months ended June 30, 2012 and 2011, the Company granted exchangeability on 10.1 million and 3.7 million limited partnership units for which the Company incurred compensation expense, before associated income taxes, of $64.1 million and $34.0 million, respectively.

The number of unvested limited partnership units as of June 30, 2012 and December 31, 2011 was 2.6 million and 2.6 million, respectively.

As of June 30, 2012 and December 31, 2011, the number of limited partnership units exchangeable into shares of Class A common stock at the discretion of the unit holder was 5.8 million and 1.8 million, respectively.

Compensation expense related to limited partnership units with a post-termination pay-out amount is recognized over the stated service period. These units generally vest over three years from the date of the grant. The Company recognized a pre-tax compensation expense of $1.2 million and $1.7 million for the three months ended June 30, 2012 and 2011, respectively, related to limited partnership units that were not redeemed. The Company recognized a pre-tax compensation expense of $1.5 million and $3.9 million for the six months ended June 30, 2012 and 2011, respectively, related to limited partnership units that were not redeemed. As of June 30, 2012 and December 31, 2011, the notional value of the applicable limited partnership units was $29.9 million and $37.6 million, respectively. As of June 30, 2012 and December 31, 2011, the aggregate estimated fair value of the limited partnership units held by executives and non-executive employees, awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses, was $11.5 million and $16.5 million, respectively.

Restricted Stock Units

A summary of the activity associated with RSUs is as follows:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (Years)
Balance at December 31, 2011	2,721,820	$ 5.96	1.76
Granted	1,373,845	5.51	
Delivered units	(1,180,050)	4.84	
Forfeited units	(187,766)	6.19	
Balance at June 30, 2012	2,727,849	$ 6.20	2.10

The fair value of RSUs awarded to employees and directors is determined on the date of grant based on the market value of Class A common stock (adjusted if appropriate based upon the award s eligibility to receive dividends), and is recognized, net of the effect of estimated forfeitures, ratably over the vesting period. The Company uses historical data, including historical forfeitures and turnover rates, to estimate expected forfeiture rates for both employee and director RSUs. Each RSU is settled in one share of Class A common stock upon completion of the vesting period.

During the six months ended June 30, 2012 and 2011, the Company granted 1.4 million and 1.0 million, respectively, of RSUs with aggregate estimated grant date fair values of approximately $7.6 million and $8.3 million, respectively, to employees and directors. These RSUs were awarded in lieu of cash compensation for salaries, commissions and/or discretionary or guaranteed bonuses. RSUs granted to these individuals generally vest over a two to four-year period.

For RSUs that vested during the six months ended June 30, 2012, the Company withheld shares valued at $2.0 million to pay payroll taxes due at the time of vesting.

As of June 30, 2012 and December 31, 2011, the aggregate estimated grant date fair value of outstanding RSUs was approximately $16.9 million and $16.2 million, respectively.

Compensation expense related to RSUs, before associated income taxes, was approximately $1.1 million and $2.5 million for the three months ended June 30, 2012 and 2011, respectively. Compensation expense related to RSUs, before associated income taxes, was approximately $4.0 million and $4.6 million for the six months ended June 30, 2012 and 2011, respectively. As of June 30, 2012, there was approximately $14.8 million of total unrecognized compensation expense related to unvested RSUs.

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Stock Options

A summary of the activity associated with stock options is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at December 31, 2011	8,256,066	$ 14.07	2.9	$
Forfeited options	(96,977)	9.34		
Balance at June 30, 2012	8,159,089	$ 14.13	2.4	$
Options exercisable at June 30, 2012	8,159,089	$ 14.13	2.4	$

The Company did not grant any stock options during the six months ended June 30, 2012 and 2011. During the six months ended June 30, 2012, there were no exercises of options. During the six months ended June 30, 2011, the aggregate intrinsic value of options exercised was $0.6 million, determined as of the date of option exercise. The exercise prices for these options equaled the closing price of the Company s Class A common stock on the date of grant of each option. Cash received from option exercises during the six months ended June 30, 2011 was $7.7 million.

The Company did not record any compensation expense related to stock options for the three or six months ended June 30, 2012 and 2011, as all of these options vested in prior years. As of June 30, 2012, there was no unrecognized compensation expense related to unvested stock options.

18. Commitments, Contingencies and Guarantees

Contingencies

In the ordinary course of business, various legal actions are brought and are pending against the Company and its affiliates in the U.S. and internationally. In some of these actions, substantial amounts are claimed. The Company is also involved, from time to time, in reviews, examinations, inspections, investigations and enforcement actions by governmental and self-regulatory agencies (both formal and informal) regarding the Company s businesses. These matters may result in judgments, settlements, costs, fines, penalties, sanctions or other relief. The following generally does not include matters that the Company has pending against other parties which, if successful, would result in awards in favor of the Company or its subsidiaries.

Employment, Competitor-Related and Other Litigation

From time to time, the Company and its affiliates are involved in litigation, claims and arbitrations in the U.S. and internationally, relating to various employment matters, including with respect to termination of employment, hiring of employees currently or previously employed by competitors, terms and conditions of employment and other matters. In light of the competitive nature of the brokerage industry, litigation, claims and arbitration between competitors regarding employee hiring are not uncommon.

In August 2004, Trading Technologies International, Inc. (TT) commenced an action in the United States District Court, Northern District of Illinois, Eastern Division, against us. In its complaint, TT alleged that the Company infringed two of TT s patents. TT later added eSpeed International Ltd., ECCO LLC and ECCO Ware LLC as defendants. On June 20, 2007, the Court granted eSpeed s motion for partial summary judgment on TT s claims of infringement covering the then current versions of certain products. As a result, the remaining products at issue in the case were the versions of the eSpeed and ECCO products that have not been on the market in the U.S. since around the end of 2004.

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On June 9, 2010, TT filed in the District Court a Motion to Enforce the Money Judgment. The Company opposed this motion on the ground that no money judgment was entered prior to the taking of the appeal by TT. A Magistrate Judge concluded there was no money judgment, but on its own initiative recommended the District Court amend the Final Judgment to include damages in the principal amount of $2.5 million. On March 29, 2011, the District Court affirmed. The parties subsequently stipulated to a further amendment to the judgment to apportion this amount in accordance with remitted jury verdict between eSpeed. The Company reserved its rights with respect to this amended judgment and on May 27, 2011 filed an appeal of the amended judgment. On June 6, 2012, the United States Court of Appeals for the Federal Circuit affirmed the amended judgment; its mandate issued on July 13, 2012. The amended judgment has been satisfied, while the issue of costs remains pending before the District Court.

On February 3, 2010, TT filed another civil action against the Company in the Northern District of Illinois, alleging direct and indirect infringement of three additional patents, U.S. Patents Nos. 7,533,056, 7,587,357, and 7,613,651, and by later amendment to the complaint No. 7,676,411 by the eSpeedometer product. On June 24, 2010, TT filed a Second Amended Complaint to add certain of the Company s affiliates. On February 4, 2011, the Court ordered that the case be consolidated with nine other cases filed by TT in February 2010 against other defendants, involving some of the same patents. On May 25, 2011, TT filed a Third Amended Complaint substituting certain of the Company s affiliates for the previously-named defendants. On June 15, 2011, TT filed a Fourth Amended Complaint adding claims of direct and indirect infringement of six additional U.S. Patents Nos. 7,685,055, 7,693,768, 7,725,382, 7,813,996, 7,904,374, and 7,930,240. On October 3, 2011 the Company filed an answer and counterclaims. On February 9, 2012, the Court granted a motion for partial summary judgment, holding that Patent No. 7,676,411 is invalid, and a motion for partial summary judgment that Patent No. 7,533,056 is not invalid for lack of written description. On July 31, 2012, the Court entered a final judgment of invalidity as Patents Nos. 7,676,411, 7,685,055, 7,693,768, and 7,904,374, and certified that final judgment for immediate interlocutory appeal. TT filed a notice of appeal from that final judgment on July 31, 2012.

On August 24, 2009, Tullett Liberty Securities LLC (Tullett Liberty) filed a claim with FINRA dispute resolution (the FINRA Arbitration) in New York, New York against BGC Financial, L.P., an affiliate of BGC Partners (BGC Financial), one of BGC Financial s officers, and certain persons formerly or currently employed by Tullett Liberty subsidiaries. Tullett Liberty thereafter added Tullett Prebon Americas Corp. (Tullett Americas, together with Tullett Liberty, the Tullett Subsidiaries) as a claimant, and added 35 individual employees, who were formerly employed by the Tullett Subsidiaries, as respondents. In the FINRA Arbitration, the Tullett Subsidiaries allege that BGC Financial harmed their inter-dealer brokerage business by hiring 79 of their employees, and that BGC Financial aided and abetted various alleged wrongs by the employees, engaged in unfair competition, misappropriated trade secrets and confidential information, tortiously interfered with contract and economic relationships, and violated FINRA Rules of Conduct. The Tullett Subsidiaries also alleged certain breaches of contract and duties of loyalty and fiduciary duties against the employees. BGC Financial has generally agreed to indemnify the employees. In the FINRA Arbitration, the Tullett Subsidiaries claim compensatory damages of not less than $779 million and exemplary damages of not less than $500 million. The Tullett Subsidiaries also seek costs and permanent injunctions against the defendants.

The parties stipulated to consolidate the FINRA Arbitration with five other related arbitrations (FINRA Case Nos. 09-04807, 09-04842, 09-06377, 10-00139 and 10-01265) two arbitrations previously commenced against Tullett Liberty by certain of its former brokers now employed by BGC Financial, as well as three arbitrations commenced against BGC Financial by brokers who were previously employed by BGC Financial before returning to Tullett Liberty. FINRA consolidated them. BGC Financial and the employees filed their Statement of Answer and BGC s Statement of Counterclaim. Tullett Liberty responded to BGC s Counterclaim. Tullett filed an action in the Supreme Court, New York County against three of BGC s executives involved in the recruitment in the New York metropolitan area. Tullett agreed to discontinue the action in New York state court and add these claims to the FINRA Arbitration. Tullett and the Company have also agreed to join Tullett s claims against BGC Capital Markets, L.P. to the FINRA Arbitration. The parties and FINRA also agreed to consolidate an eighth arbitration filed against the Tullett Subsidiaries by certain of its former brokers now employed by BGC Financial. The hearings in the FINRA Arbitration and the arbitrations consolidated therewith began in mid-April 2012.

On October 22, 2009, Tullett Prebon plc (Tullett) filed a complaint in the United States District Court for the District of New Jersey against BGC Partners captioned Tullett Prebon plc vs. BGC Partners, Inc. (the New Jersey Action). In the New Jersey Action, Tullett asserted claims relating to decisions made by approximately 81 brokers to terminate their employment with the Tullett Subsidiaries and join BGC Partners affiliates. In its complaint, Tullett made a number of allegations against BGC Partners related to raiding, unfair competition, New Jersey RICO, and other claims arising from the brokers current or prospective employment by BGC Partners affiliates. Tullett claimed compensatory damages against BGC Partners in excess of $1 billion for various alleged injuries as well as exemplary damages. It also sought costs and an injunction against additional hirings.

In response to a BGC motion, Tullett filed its First Amended Complaint (the Amended New Jersey Complaint), which largely repeated the allegations of injury and the claims asserted in the initial complaint. The Amended New Jersey Complaint incorporates the damages sought in the FINRA Arbitration, repeats many of the allegations raised in the FINRA Arbitration and also references hiring of employees of Tullett affiliates by BGC Partners or BGC Partners affiliates overseas, for which Tullett and/or the Tullett Subsidiaries have filed suit outside of the United States, including one in the High Court in London and another commenced by a Tullett affiliate against seven brokers at a BGC Partners

affiliate in Hong Kong, on which the Company may have certain indemnity obligations. In the London action, the High Court found liability for certain of BGC Partners actions, affirmed on appeal, and the case

was settled during the damages hearing thereafter. The Hong Kong case has also been settled. BGC Partners moved to dismiss the Amended New Jersey Complaint, or in the alternative, to stay the action pending the resolution of the FINRA Arbitration. In that motion, BGC Partners argued that Tullett lacked standing to pursue its claims, that the court lacked subject matter jurisdiction and that each of the causes of action in the Amended New Jersey Complaint failed to state a legally sufficient claim. On June 18, 2010, the District Court ordered that the First Amended Complaint be dismissed with prejudice. Tullett appealed. On May 13, 2011, the United States Court of Appeals for the Third Judicial Circuit affirmed the decision of the District Court dismissing the case with prejudice. Subsequently, Tullett, joined by two subsidiaries, has filed a complaint against BGC Partners in New Jersey state court alleging substantially the same claims. The New Jersey state action also raises claims related to employees who decided to terminate their employment with Tullett and join a BGC Partners affiliate subsequent to the federal complaint. BGC has moved to stay the New Jersey state action and has also moved to dismiss certain of the claims asserted therein. On November 9, 2011, the court granted BGC Partners motion to dismiss Tullett s claim for raiding, but otherwise denied the motions to dismiss and for a stay. BGC Partners moved for leave to appeal the denial of its motions. On December 21, 2011, the Superior Court, Appellate Division, denied BGC Partners motion for leave to appeal. On December 22, 2011, BGC Partners filed its Answer and Affirmative Defenses. This action is proceeding to discovery.

Subsidiaries of Tullett filed additional claims with FINRA on April 4, 2011, seeking unspecified damages and injunctive relief against BGC Financial, and nine additional former employees of the Tullett subsidiaries alleging similar claims (similar to those asserted in the previously filed FINRA Arbitration) related to BGC Financial s hiring of those nine employees in 2011. These claims have not been consolidated with the other FINRA proceedings. BGC Financial and those employees filed their Statement of Answer and the employees Statement of Counterclaims, and the Tullett subsidiaries responded to the employees counterclaims. This case is scheduled for hearings before FINRA in October 2012.

BGC Partners and its affiliates intend to vigorously defend against and seek appropriate affirmative relief in the FINRA Arbitration and the other actions, and believe that they have substantial defenses to the claims asserted against them in those proceedings, believe that the damages and injunctive relief sought against them in those proceedings are unwarranted and unprecedented, and believe that Tullett Liberty, Tullett and the Tullett Subsidiaries are attempting to use the judicial and industry dispute resolution mechanisms in an effort to shift blame to BGC Partners for their own failures. However, no assurance can be given as to whether Tullett, Tullett Liberty or any of the Tullett Subsidiaries may actually succeed against either BGC Partners or any of its affiliates.

In November 2010, the Company s affiliates filed three proceedings against Tullett Prebon Information (C.I.) Ltd and certain of its affiliates. In these proceedings, the Company s affiliates seek to recover significant damages relating to Tullett s theft of BGCantor Market Data s proprietary data. BGCantor Market Data (and two predecessors in interest) seek contractual damages and two of the Company s brokerage affiliates seek disgorgement of profits due to unfair competition. An award has been rendered in the arbitration by BGCantor Market Data (and two predecessors in interest) in favor of the Company in the approximate amount of $0.8 million. The Company has moved to vacate the award because of its failure to award attorneys fees and award a greater amount in damages. Tullett has moved to confirm the award.

On March 9, 2012, a purported derivative action was filed in the Supreme Court of the State of New York, County of New York captioned International Painters and Allied Trades Industry Pension Fund, etc. v. Cantor Fitzgerald L.P., CF Group Management, Cantor Fitzgerald & Co., the Company and its directors, Index No. 650736-2012, which suit alleges that the terms of the April 1, 2010 8.75% Convertible Notes issued to Cantor were unfair to the Company, the Company s Controlled Equity Offerings unfairly benefited Cantor at the Company s expense and the August 2011 amendment to the change in control agreement of Mr. Lutnick was unfair to the Company. It seeks to recover for the Company unquantified damages, disgorgement of payments received by defendants, a declaration that the 8.75% Convertible Notes are void and attorneys fees. On April 2, 2012, a purported derivative action was filed in the Court of Chancery of the State of Delaware captioned Samuel Pill v. Cantor Fitzgerald L.P., CF Group Management, Cantor Fitzgerald & Co., the Company and its directors, Civil Action No. 7382-CS, which suit alleged that the terms of the April 1, 2010 8.75% Convertible Notes issued to Cantor were unfair to the Company, the Company s Controlled Equity Offerings unfairly benefited Cantor at the Company s expense and the August 2011 amendment to the change in control agreement of Mr. Lutnick was unfair to the Company. It seeks to recover for the Company unquantified damages, disgorgement of payments received by defendants, a declaration that the 8.75% Convertible Notes are void and attorneys fees. On April 12, 2012, this Complaint was subsequently amended to delete any claim for relief in connection with the 8.75% Convertible Notes. On June 8, 2012, Defendants filed a motion simultaneously in New York and Delaware requesting that the two actions proceed in one forum. In response to Defendants motion, Plaintiff Samuel Pill voluntarily dismissed the Delaware action, without prejudice, in the Court of Chancery in the State of Delaware on June 19, 2012. On the same date, Plaintiff Pill refiled his complaint in the Supreme Court of the State of New York, County of New York, captioned Samuel Pill v. Cantor Fitzgerald, L.P., CF Group Management, Cantor Fitzgerald & Co., the Company and its directors, Index No. 652126-2012. It is the Company s expectation that the two actions now pending in New York will be consolidated. Responses to both complaints are not yet due. The Company believes that each of these allegations is without merit and intends to defend against them vigorously.

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In the ordinary course of business, various legal actions are brought and may be pending against the Company. The Company is also involved, from time to time, in other reviews, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company s business. Any such actions may result in judgments, settlements, fines, penalties, injunctions or other relief.

Legal reserves are established in accordance with FASB guidance on *Accounting for Contingencies*, when a material legal liability is both probable and reasonably estimable. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. The outcome of such items cannot be determined with certainty; therefore, the Company cannot predict what the eventual loss related to such matters will be. Management believes that, based on currently available information, the final outcome of these current pending matters will not have a material adverse effect on the Company s financial position, results of operations, or cash flows.

Letter of Credit Agreements

The Company has irrevocable uncollateralized letters of credit with various banks, where the beneficiaries are clearing organizations through which it transacted, that are used in lieu of margin and deposits with those clearing organizations. As of June 30, 2012, the Company was contingently liable for $1.9 million under these letters of credit.

Risk and Uncertainties

The Company generates revenues by providing financial intermediary and securities trading and brokerage activities to institutional customers and by executing and, in some cases, clearing transactions for institutional counterparties. Revenues for these services are transaction-based. As a result, revenues could vary based on the transaction volume of global financial markets. Additionally, financing is sensitive to interest rate fluctuations, which could have an impact on its overall profitability.

Guarantees

The Company provides guarantees to securities clearing houses and exchanges which meet the definition of a guarantee under FASB interpretations. Under these standard securities clearing house and exchange membership agreements, members are required to guarantee, collectively, the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the clearing house or exchange, all other members would be required to meet the shortfall. In the opinion of management, the Company s liability under these agreements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential of being required to make payments under these arrangements is remote. Accordingly, no contingent liability has been recorded in the Company s unaudited condensed consolidated statements of financial condition for these agreements.

19. Income Taxes

The Company s unaudited condensed consolidated financial statements include U.S. federal, state and local income taxes on the Company s allocable share of the U.S. results of operations, as well as taxes payable to jurisdictions outside the U.S. In addition, certain of the Company s entities are taxed as U.S. partnerships and are subject to the Unincorporated Business Tax (UBT) in New York City. Therefore, the tax liability or benefit related to the partnership income or loss except for UBT rests with the partners, (see Note 2 Limited Partnership Interests in BGC Holdings for discussion of partnership interests) rather than the partnership entity. Income taxes are accounted for using the asset and liability method, as prescribed in FASB guidance on *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is deemed more likely than not that those assets will not be realized. No deferred U.S. federal income taxes have been provided for the undistributed foreign corporate earnings since they have been permanently reinvested in the Company s foreign operations. It is not practical to determine the amount of additional tax that may be payable in the event these earnings are repatriated. Pursuant to FASB guidance on *Accounting for Uncertainty in Income Taxes*, the Company provides for uncertain tax positions based upon management s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. As of June 30, 2012, the Company had $3.3 million of unrecognized tax benefits, all of which would affect the Company s effective tax rate if recognized. The Company recognizes interest and penalties related to income tax matters in Interest expense and Other expenses, respectively, in the Company s unaudited condensed consolidated statements of operations. As of June 30, 2012, we had approximately $0.5 million of accrued interest related to uncertain tax positions. During the three and six months ended June 30, 2012, the Company did not have any material charges with respect to interest and penalties.

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20. Regulatory Requirements

Many of the Company s businesses are subject to regulatory restrictions and minimum capital requirements. These regulatory restrictions and capital requirements may restrict the Company s ability to withdraw capital from its subsidiaries.

Certain U.S. subsidiaries of the Company are registered as U.S. broker-dealers or Futures Commissions Merchants subject to Rule 15c3-1 of the SEC and Rule 1.17 of the Commodity Futures Trading Commission, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require a significant part of the registrants assets be kept in relatively liquid form. As of June 30, 2012, the Company s U.S. subsidiaries had net capital in excess of their minimum capital requirements.

Certain European subsidiaries of the Company are regulated by the U.K. Financial Services Authority (FSA) and must maintain financial resources (as defined by the FSA) in excess of the total financial resources requirement of the FSA. As of June 30, 2012, the European subsidiaries had financial resources in excess of their requirements.

Certain other subsidiaries of the Company are subject to regulatory and other requirements of the jurisdictions in which they operate.

The regulatory requirements referred to above may restrict the Company s ability to withdraw capital from its regulated subsidiaries. As of June 30, 2012, $362.7 million of net assets were held by regulated subsidiaries. These subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of $182.8 million.

21. Segment and Geographic Information

Segment Information

The Company s business segments are determined based on the products and services provided and reflect the manner in which financial information is evaluated by management. Prior to the quarter ended June 30, 2012, the Company had one reportable segment. Following the acquisition of substantially all of the assets of Grubb & Ellis, the Company has changed its segment reporting structure. As a result, for the quarter ended June 30, 2012, the Company s operations consisted of two reportable segments, Financial Services and Real Estate Services. Accordingly, all segment information presented herein reflects the Company s revised segment reporting structure for all periods presented. Financial Services provides financial intermediary services to the financial markets, integrated voice and electronic brokerage and trade execution services in a broad range of products and services, including global fixed income securities, equities, futures, foreign exchange, derivatives and other instruments, including proprietary market data offerings thereon. Real Estate Services includes commercial real estate brokerage and sales and related financial services, consulting, project and development management, and property and facilities management.

The Company evaluates the performance and reviews the results of the segments based on each segment s income (loss) from operations before income taxes. The Company s segment information does not include analysis of assets by segment. Except for goodwill, the Company does not allocate assets by operating segment, nor does management evaluate operating segments using discrete asset information. See Note 15 Goodwill and Other Intangible Assets, Net for goodwill by reportable segment.

Selected financial information for the Company s segments is presented below. The amounts shown below for the Financial Services and Real Estate Services segments reflect the amounts that are used by management to allocate resources and assess performance, which is based on each segment s income (loss) from operations before income taxes. In addition to the two business segments, the tables below include a Corporate Items category, which includes fees from related parties and interest income as well as unallocated expenses, such as the grant of exchangeability to limited partnership units, allocations of net income to founding/working partner units and limited partnership units, certain professional and consulting fees, executive compensation and interest expense, which are managed separately at the corporate level.

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Three months ended June 30, 2012 (dollars in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Brokerage revenues:				
Rates	$ 134,403	$	$	$ 134,403
Credit	70,084			70,084
Foreign exchange	53,241			53,241
Equities and other asset classes	41,714			41,714
Real estate		92,274		92,274
Real estate management services		31,674		31,674
Market data	3,990			3,990
Software solutions	2,487			2,487
Fees from related parties	3,076		10,418	13,494
Losses on equity investments			(2,652)	(2,652)
Other revenues	25	7,132	129	7,286
Total non-interest revenues	309,020	131,080	7,895	447,995
Interest income	223	117	1,203	1,543
Total revenues	309,243	131,197	9,098	449,538
Interest expense	1,426	77	6,075	7,578
Other expenses	249,341	125,974	62,195	437,510
Income (loss) from operations before taxes	$ 58,476	$ 5,146	$ (59,172)	$ 4,450

For the three months ended June 30, 2012, the Real Estate Services segment income from operations before taxes excludes $8.8 million related to the collection of receivables and associated expenses that were capitalized as part of acquisition accounting.

Three months ended June 30, 2011 (dollars in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Brokerage revenues:				
Rates	$ 145,715	$	$	$ 145,715
Credit	78,134			78,134
Foreign exchange	55,630			55,630
Equities and other asset classes	61,660			61,660
Real estate				
Real estate management services				
Market data	4,598			4,598
Software solutions	2,257			2,257
Fees from related parties	2,981		13,225	16,206
Losses on equity investments			(1,399)	(1,399)
Other revenues	565		238	803
Total non-interest revenues	351,540		12,064	363,604
Interest income	997		(43)	954

Total revenues	352,537		12,021	364,558
Interest expense	384		4,384	4,768
Other expenses	280,292		56,018	336,310
Income (loss) from operations before taxes	$ 71,861	$	$ (48,381)	$ 23,480

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Six months ended June 30, 2012 (dollars in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Brokerage revenues:				
Rates	$ 281,287	$	$	$ 281,287
Credit	154,455			154,455
Foreign exchange	111,972			111,972
Equities and other asset classes	85,535			85,535
Real estate		130,700		130,700
Real estate management services		32,566		32,566
Market data	8,954			8,954
Software solutions	4,936			4,936
Fees from related parties	5,980		20,061	26,041
Losses on equity investments			(5,108)	(5,108)
Other revenues	46	9,057	320	9,423
Total non-interest revenues	653,165	172,323	15,273	840,761
Interest income	714	291	2,733	3,738
Total revenues	653,879	172,614	18,006	844,499
Interest expense	3,080	258	11,798	15,136
Other expenses	515,872	168,459	121,670	806,001
Income (loss) from operations before taxes	$ 134,927	$ 3,897	$ (115,462)	$ 23,362

For the six months ended June 30, 2012, the Real Estate Services segment income from operations before taxes excludes $11.4 million related to the collection of receivables and associated expenses that were capitalized as part of acquisition accounting.

Six months ended June 30, 2011 (dollars in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Brokerage revenues:				
Rates	$ 298,525	$	$	$ 298,525
Credit	165,327			165,327
Foreign exchange	109,849			109,849
Equities and other asset classes	110,261			110,261
Real estate				
Real estate management services				
Market data	9,174			9,174
Software solutions	4,390			4,390
Fees from related parties	6,594		25,047	31,641
Losses on equity investments			(3,060)	(3,060)
Other revenues	674		440	1,114
Total non-interest revenues	704,794		22,427	727,221
Interest income	374		1,986	2,360

Total revenues	705,168		24,413	729,581
Interest expense	790		8,373	9,163
Other expenses	560,326		112,073	672,399
Income (loss) from operations before taxes	$ 144,052	$	$ (96,033)	$ 48,019

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Geographic Information

The Company offers products and services in the U.S., U.K., Asia (including Australia), France, Other Americas, Other Europe, and the Middle East and Africa region (defined as the MEA region). Information regarding revenues for the three and six months ended June 30, 2012 and 2011, respectively, and information regarding long-lived assets (defined as loans, forgivable loans and other receivables from employees and partners, net, fixed assets, net, certain other investments, goodwill, other intangible assets, net of accumulated amortization, and rent and other deposits) in the geographic areas as of June 30, 2012 and December 31, 2011, were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
United States	$ 218,906	$ 90,920	$ 364,103	$ 188,137
United Kingdom	134,355	157,468	277,370	319,357
Asia	52,029	60,746	108,807	118,507
France	22,731	34,621	51,254	63,275
Other Americas	10,818	11,977	22,706	22,964
Other Europe/MEA	10,699	8,826	20,259	17,341
Total revenues	$ 449,538	$ 364,558	$ 844,499	$ 729,581

	June 30, 2012	December 31, 2011
Long-lived assets:		
United States	$ 312,635	$ 293,912
United Kingdom	146,114	139,741
Asia	56,592	53,721
France	9,935	10,044
Other Americas	17,530	19,556
Other Europe/MEA	3,148	3,746
Total long-lived assets	$ 545,954	$ 520,720

22. Subsequent Events

Second Quarter Dividend

On July 24, 2012, the Company s Board of Directors declared a quarterly cash dividend of $0.17 per share for the second quarter of 2012 payable on August 23, 2012 to Class A and Class B common stockholders of record as of August 9, 2012.

Controlled Equity Offering

During the period from July 1, 2012 through August 3, 2012, the Company issued, pursuant to its controlled equity offerings, 1,800,000 shares of Class A common stock related to exchanges and redemptions of limited partnership interests as well as for general corporate purposes.

Share Repurchase and Unit Redemption Authorization

On August 6, 2012 the Company s Board of Directors increased the BGC Partners share repurchase and unit redemption authorization to $100.0 million.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The following discussion of BGC Partners, Inc. s financial condition and results of operations should be read together with BGC Partners, Inc. s unaudited condensed consolidated financial statements and notes to those statements, as well as the cautionary statements relating to forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), included elsewhere in this document. When used herein, the terms BGC Partners, BGC, the Company, we, us and our refer to BGC Partners, Inc., including consolidated subsidiaries.

This discussion summarizes the significant factors affecting our results of operations and financial condition during the three and six months ended June 30, 2012 and 2011. This discussion is provided to increase the understanding of, and should be read in conjunction with, our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Report.

Overview and Business Environment

BGC Partners is a leading global brokerage company primarily servicing the wholesale financial and property markets. The Company specializes in the brokering of a broad range of products, including fixed income securities, interest rate swaps, foreign exchange, equities, equity derivatives, credit derivatives, commercial real estate, commodities, futures, and structured products. BGC Partners also provides a full range of financial 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 eSpeed, BGC Trader and BGC Market Data brands, BGC Partners offers financial technology solutions, market data, and analytics related to select financial instruments and markets.

In the second quarter of 2012, the Company completed the acquisition of substantially all of the assets of Grubb & Ellis Company and its direct and indirect subsidiaries (Grubb & Ellis) and has been integrating the Grubb & Ellis assets with its Newmark Knight Frank brand. The resulting brand, Newmark Grubb Knight Frank, is a full-service commercial real estate platform. Through this Newmark Grubb Knight Frank brand, the Company offers commercial real estate tenants, owners, investors and developers a wide range of services, including leasing and corporate advisory, investment sales and financial services, consulting, project and development management, and property and facilities management.

BGC Partners 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. Named after fixed income trading innovator B. Gerald Cantor, BGC has offices in dozens of major markets, including New York and London, as well as in Atlanta, Beijing, Boston, Chicago, Copenhagen, Dubai, Hong Kong, Houston, Istanbul, Johannesburg, Los Angeles, Mexico City, Miami, Moscow, Nyon, Paris, Rio de Janeiro, São Paulo, Seoul, Singapore, Sydney, Tokyo, Toronto, Washington, D.C. and Zurich. The Company expects to have additional offices as it integrates the Grubb & Ellis business. The Company is completing the process of transitioning hundreds of brokers from the Grubb & Ellis bankruptcy estate to entities that it owns. While the Company has executed employment/service and partnership arrangements with a large majority of the brokers, the Company is operating under a transition services agreement with the estate to assist with the process and expects to complete the transfer to its partnership and employment/service arrangements with respect to the remaining brokers shortly. In the interim, the Company is entitled to the revenues and is responsible for the expenses of these brokers under the transition services agreement. No assurance can be given that the Company will be able to successfully hire all of the remaining brokers.

The financial intermediary sector has been a competitive area that has had strong revenue growth over the past decade due to several factors. One factor is the increasing use of derivatives to manage risk or to take advantage of the anticipated direction of a market by allowing users to protect gains and/or guard against losses in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often used to mitigate the risks associated with interest rate movements, equity ownership, changes in the value of foreign currency, credit defaults by corporate and sovereign debtors and changes in the prices of commodity products. Over the past decade, demand from financial institutions, financial services intermediaries and large corporations has increased volumes in the wholesale derivatives market, thereby increasing the business opportunity for financial intermediaries.

Another key factor in the growth of the financial intermediary sector over the past decade has been the increase in the number of new products. As market participants and their customers strive to mitigate risk, new types of equity and fixed income securities, futures, options and other financial instruments are developed. These new securities and derivatives are not immediately ready for more liquid and standardized electronic markets, and generally increase the need for trading and require broker-assisted execution.

Financial Services:

Growth Drivers

As a wholesale intermediary, our business is driven by several key drivers in addition to those listed above. These include: overall industry volumes in the markets in which we broker, the size and productivity of our front-office headcount (sales people and brokers alike), regulatory issues, overall economic growth and employment trends in the U.S., and the percentage of our revenues related to fully electronic brokerage.

Some of these main drivers had a positive impact, on our results in the second quarter of 2012 compared to the year earlier period, while others had a negative impact.

Overall Market Volumes and Volatility

Volume is driven by a number of items, including the level of issuance for financial instruments, the price volatility of financial instruments, overall macro-economic conditions, the creation and adoption of new products, the regulatory environment, and the introduction and adoption of new trading technologies. In general, increased price volatility increases the demand for hedging instruments, including many of the cash and derivative products which we broker.

During the second quarter of 2012, industry volumes generally declined year-over-year for many of the OTC and listed products we broker in Rates, Credit, Foreign Exchange and Equities. This was due in large part to volatility being lower than the 10-year average in these asset classes during the quarter. For example, a broader measure of volatility across rates, credit, FX, equities, and other markets is Bank of America Merrill Lynch s Global Financial Stress Index (GFSI). It averaged approximately 0.67 over the last five years, and has been as high as 3.01 during the second half of 2008, but averaged only 0.42 during the second quarter of 2012. In Real Estate Services, the overall industry volumes were more favorable for our business in the first quarter. These industry volumes are generally good proxies for the volumes across our five asset class categories. Below is a discussion of the volume and growth drivers of our various brokerage product categories.

Rates Volumes and Volatility

BGC s Rates business is particularly influenced by the level of sovereign debt issuance globally, and over the past year this issuance has generally continued to grow, though with some pullback in 2011. For example, according to the Securities Industry and Financial Markets Association (SIFMA), gross U.S. Treasury issuance, increased by approximately 33.8% for the first six months of 2012 versus the same period last year, although it was down by approximately 16% for all of 2011.

Rates volumes are also influenced by market volatility, and such volatility has been dampened in recent months due to quantitative easing undertaken by the U.S. Federal Reserve and other central banks. Quantitative easing entails the central banks buying government securities or other securities in the open market particularly longer-dated instruments in an effort to promote increased lending and liquidity and bring down long-term interest rates. When central banks hold these instruments, they tend not to trade and are not hedged thus lowering Rates volumes across cash and derivatives markets industry-wide. As of July 12, 2012, the U.S. Federal Reserve had over $2.2 trillion worth of long-dated U.S. Treasury and Federal Agency securities, compared with $1.7 trillion at the beginning of 2011, $1.4 trillion at the beginning of 2010, and less than $20 billion at the beginning of 2009. Other major central banks have also greatly increased the amount of longer-dated debt on their balance sheets over the past three years.

Largely as a result of quantitative easing, and the short-term decline in U.S. Treasury issuance in 2011, the U.S. Federal Reserve reported that U.S. Treasury average daily volumes traded by primary dealers decreased by 12.1% year-over-year in the second quarter of 2012, while volumes for CME Treasury, Euronext and Eurex rates volumes declined by 20.4%, 8.6%, and 23.3%, respectively. BGC s fully electronic Rates notional volumes decreased by 14.0% year-over-year in the second quarter of 2012, in-line with the overall industry, while our Rates revenues were down by 8.0%.

Analysts and economists expect sovereign debt issuance to remain at these high levels for the foreseeable future as governments finance their future deficits and roll over their sizable existing debt. For instance, according to the Congressional Budget Office (the CBO), U.S. federal debt will be 70% for fiscal year 2012, and approximately 61% of GDP at the end of fiscal year 2022, versus 36% at the end of fiscal year 2007. Similarly, the European Commission reports that, in the aggregate, European Union (EU 27) government debt as a percent of GDP will have increased from 59% in 2007 to 83% by 2011. Meanwhile, analysts expect that the effects of various forms of quantitative easing will continue to impact markets for at least the next few quarters, because economic growth remains weak in most G-20 nations. As a result, we expect long term tailwinds in our Rates business from continuing high levels of government debt, but near term headwinds due to quantitative easing.

Credit Volumes

The cash portion of BGC s Credit business is impacted by the level of global corporate bond issuance, while both the cash and credit derivatives sides of this business are impacted by sovereign and corporate issuance. BGC s Credit revenues decreased in the second quarter of 2012 compared to the second quarter of 2011, reflecting an industry-wide softening in corporate bond and credit derivative activity. For example, TRACE eligible corporate securities volumes were up by less than 2% year-over-year in the second quarter of 2012, while DTCC total credit derivatives notional amount outstanding was down by 12% year-over-year at quarter end. With BGC s fully electronic credit volume-up by approximately 51% year-over-year in the second quarter of 2012, BGC s fully electronic Credit desks did, however, continue to outperform the

overall market. Our overall Credit revenues declined by 10% over the same timeframe.

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Foreign Exchange Volumes and Volatility

The overall FX market saw decreased volatility industry-wide. For example, CVIX (the Deutsche Bank Currency Volatility Index) has averaged approximately 12 over the past five years. It has been as high as 24 in the fourth quarter of 2008 and above 15 in more recent periods of market uncertainty. In the second quarter of 2012, it was 10.4 on average. This was partially a result of the central banks of Japan and Switzerland in the currency markets to keep the yen and franc, respectively, from appreciating. Because of these factors, most industry volumes had only modest increases or decreases in the second quarter compared to a year earlier. CLS Group (CLS), which settles the majority of bank-to-bank spot and forward FX transactions, reports that its average daily value traded grew by 4.5% year-over-year in the second quarter of 2012, while CME FX futures and EBS spot FX volumes were up by 1.9% and down by 27.3%, respectively. With respect to BGC s FX business, our revenues were largely in-line with corresponding industry figures in the second quarter of 2012: our overall FX revenues were down by 4.3%, while our fully electronic FX revenues were up by approximately 49% year-over-year.

Equity-Related Volumes and Volatility

BGC s revenues from Equities and Other Asset Classes were negatively impacted in the second quarter of 2012 due in part to lower equity cash and derivatives volumes globally. Our European businesses was particularly impacted. During the second quarter of 2012, equity derivatives volumes (including indices) as reported by the Options Clearing Corporation, Eurex, and Euronext, were down by approximately 5.4%, 12%, and 14%, respectively, all when compared to the second quarter of 2011. Total U.S. Stock dollar volume was down by 6.7% year -over -year. In addition, the following European Indices showed year-on-year price declines: Euro Stoxx 50 Price Eur, Deutsche Borse AG German Stock Index and the FTSE 100 Index. Overall, BGC s Equities and Other Asset Classes business declined by 32.3% year-over-year.

Hybrid and Fully Electronic Trading

Historically, e-broking growth has led to higher margins and greater profits over time for exchanges and wholesale financial intermediaries alike, even if overall company revenues remain consistent. This is largely because fewer front-office employees are needed to process the same amount of volume as trading becomes more automated. Over time, electronification of exchange-traded and OTC markets has also generally led to volumes increasing faster than commissions decline, and thus often an overall increase in the rate of growth in revenues. BGC has been a pioneer in creating and encouraging hybrid and fully electronic trading, and continually works with its customers to expand such trading across more asset classes and geographies.

Outside of U.S. Treasuries and spot FX, the banks and broker-dealers which dominate the OTC markets had generally been hesitant in adopting e-broking. However, in recent years, hybrid and fully electronic inter-dealer OTC markets for products, including CDS indices, FX options, and most recently interest rate swaps, have sprung up as banks and dealers have become more open to e-broking and as firms like BGC have invested in the kinds of technology favored by our customers. Pending regulation in Europe and the U.S. regarding banking, capital markets, and OTC derivatives is likely to only hasten the spread of fully electronic trading.

The combination of more market acceptance of hybrid and fully electronic trading and BGC Partners competitive advantage in terms of technology and experience has contributed to our strong gains in e-broking. During the second quarter of 2012, we continued to invest in hybrid and fully electronic technology broadly across our product categories.

Revenues related to fully electronic trading were down 6.6% to $37.9 million. This represented 12.3% of Financial Services revenues and 8.4% of total revenues. A year earlier, revenues related to fully electronic trading were $40.5 million or 11.5% of Financial Services revenues and 11.1% of total revenues. The year-on-year change in fully electronic revenues was driven primarily by a modest decline in Rates e-brokerage, which reflected weaker overall industry volumes, as well as a slight decrease in fully electronic Credit revenues. These were partially offset by an approximately 49% increase in the e-brokerage of Foreign Exchange products, with particularly strong growth from options desks. BGC now offers e-broking on over 100 out of approximately 230 desks, compared with approximately 80 of 200 a year ago. Although revenues related to fully electronic trading as a percentage of Financial Services revenues were higher year-over-year, the total revenues related to fully electronic trading were down due to the general reduction in global volumes. As we continue to roll out BGC Trader and Volume Match to more of our desks, we expect growth in fully electronic trading to resume over time.

Real Estate Services:

On October 14, 2011, BGC acquired all of the outstanding shares of Newmark & Company Real Estate, Inc., plus a controlling interest in its affiliated companies. On April 13, 2012, BGC acquired substantially all of the assets of Grubb & Ellis Company and its direct and indirect subsidiaries (collectively Grubb & Ellis). Newmark & Company Real Estate, Inc., Grubb & Ellis, and certain independently-owned partner offices of the two, operate as Newmark Grubb Knight Frank in the Americas, and are associated with

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London-based Knight Frank. BGC s discussion of financial results for Newmark Grubb Knight Frank or Real Estate reflect only those businesses owned by BGC and do not include the results for independently-owned partner offices or for Knight Frank.

The key drivers of revenue growth for U.S. commercial real estate brokerage services companies include the overall health of the U.S. economy, which drives demand for various types of commercial leases and purchases; the institutional ownership of commercial real estate as an investible asset class; and the ability to attract and retain talent to our new real estate services platform.

Following the financial crises of 2007/2008, the U.S. commercial property market generally saw steep declines in activity in 2009. In 2010, the market began to revive, and by the end of 2011 there were signs that the recovery was continuing, although still not to levels seen prior to the crises. If the U.S. economy continues to improve in 2012, we would expect this to aid in the continued recovery in these and other parts of the commercial real estate market.

Although overall industry metrics are not as highly correlated to our quarterly revenues for Real Estate as they are in Rates, Credit, Foreign Exchange, and Equities, they do provide some indication for general direction of the business. According to Newmark Grubb Knight Frank Research, the overall vacancy rate for office properties in the nation s key markets improved by 4.3% year-over-year to 16.1% from 16.8% in the second quarter of 2011, and is at the lowest level since late 2009. The national vacancy rate for industrial properties was 11.8% in the second quarter of 2012, an improvement on the 13.0% rate measured one year ago. Rents for all property types in the U.S. continued to improve modestly. CoStar Group (a leading provider of information and analytic services) reported similar improvements in vacancy rates and rents for the national office, industrial, and retail markets. CoStar Commercial Repeat-Sale Composite Value Weighted Index (a comprehensive measure of commercial real estate prices in the United States) showed prices up 13.8% year-over-year through May 2012.

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Regulatory Environment

In the case of our financial intermediary businesses, regulators and legislators in the U.S. and EU continue to craft new laws and regulations for the global OTC derivatives markets, including, most recently, the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new rules and proposals for rules have mainly called for additional transparency, position limits and collateral or capital requirements, as well as for central clearing of most standardized derivatives. We believe that uncertainty around the final form such new rules might take may have negatively impacted trading volumes in certain markets in which we broker. We believe that it is too early to comment on specific aspects of the U.S. regulations as rules are still being created, and much too early to comment on laws not yet passed in Europe. However, overall we believe the net effect of the rules and regulations will be positive for our business.

From time to time, we and our associated persons have been and are subject to periodic examinations, inspections and investigations that have and may result in significant costs and possible disciplinary actions by our regulators, including the Securities and Exchange Commission (the SEC), the Commodities Futures Trading Commission (the CFTC), the U.K. Financial Services Authority (the FSA), self-regulatory organizations and state securities administrators.

The FSA s periodic Advanced, Risk-Responsive Operating Frame Work (ARROW) risk assessment of our U.K. group s regulated businesses identified certain weaknesses in our U.K. group s risk, compliance and control functionality, including governance procedures. In accordance with its normal process, the FSA provided us with an initial written Risk Mitigation Program (the Program) regarding the foregoing. In response to this we retained an international consultancy firm and U.K. external counsel to assist us with a wide program of remediation to address the points raised.

Within the Program, we provided an assessment of the appropriateness of the scope and structure of the businesses in our U.K. group. We increased the liquidity and capital levels of certain of our U.K. group s existing FSA-regulated businesses, and also reviewed and enhanced our policies and procedures relating to assessing risks and our liquidity and capital requirements. We also produced detailed contingency planning steps to determine the stand-alone viability of each of the businesses in our U.K. group, as well as a theoretical orderly wind-down scenario for these businesses. Finally, we agreed to a temporary, voluntary limitation on acquisitions of new businesses regulated by the FSA and entering into new regulated business lines.

A significant number of outputs from the remediation program were delivered to the FSA in December 2011. The FSA responded positively, and on March 1, 2012, the FSA confirmed that it had relaxed the voluntary undertaking of BGC Brokers L.P., a U.K. subsidiary of the Company. With respect to acquisitions, for new business lines or material change in its risk profile, members of the BGC European Group intend to provide prior notice to the FSA to consider and determine that it has no objection. At around the same time that the voluntary undertaking was relaxed, the FSA presented us with the second part of the Risk Mitigation Program, although the majority of the items presented have either already been remediated or form part of an existing work plan. The items identified are scheduled to be completed within 2012.

The FSA has confirmed that through the use of a Skilled Person s Report, they will seek to test implementation effectiveness of specific areas covered under the remediation program in the second half of the year as the Company continues to remediate the areas indicated by the FSA in its recent reviews and will continue to dedicate time, resources and funds to such efforts. The Company is scheduled to undergo its periodic ARROW risk assessment in the fourth quarter. We do not anticipate that the current costs in connection with the FSA remedial work or the ARROW risk assessment will have a material adverse effect on our businesses, financial condition, results of operations or prospects.

Liquidity and Capital Resources

During the year ended December 31, 2011, the Company entered into a credit agreement with a bank syndicate (the Credit Agreement) which provides for up to $130.0 million of unsecured revolving credit through June 23, 2013 (for a detailed description of this facility, see Note 16 Notes Payable, Collateralized and Short-Term Borrowings to the Company s unaudited condensed consolidated financial statements). The borrowings under the Credit Agreement will be used for general corporate purposes, including, but not limited to, financing the Company s existing businesses and operations, expanding its businesses and operations through additional broker hires, strategic alliances and acquisitions, and repurchasing shares of its Class A common stock or purchasing limited partnership interests in BGC Holdings or other equity interests in the Company s subsidiaries. As of June 30, 2012, the Company had no borrowings outstanding under the Credit Agreement.

In addition, 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). For a complete description of these notes, see Note 16 Notes Payable, Collateralized and Short-Term Borrowings to the Company s unaudited condensed consolidated financial statements.

In connection with the offering of the 4.50% Convertible Notes, the Company entered into capped call transactions, which are expected generally to reduce the potential dilution of the Company s Class A common stock upon any conversion of the 4.50% Convertible Notes in the event that the market value per share of the Company s Class A common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions (which corresponds to the initial conversion price of the 4.50% Convertible Notes and is subject to certain adjustments similar to those contained in the 4.50% Convertible Notes).

The net proceeds from this offering were approximately $144.2 million after deducting the initial purchasers discounts and commissions, estimated offering expenses and the cost of the capped call transactions. The Company used the net proceeds from the offering for general corporate purposes, including financing acquisitions.

On June 26, 2012, the Company issued an aggregate of $112.5 million principal amount of 8.125% Senior Notes due 2042 (the 8.125% Senior Notes) pursuant to the Company s effective Shelf Registration Statement on Form S-3, as amended. The 8.125% Senior Notes are senior unsecured obligations of BGC Partners, Inc. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company s option, at any time and from time to time, until maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date. The 8.125% Senior Notes are listed on the New York Stock Exchange under the symbol BGCA. The Company intends to use the proceeds to repay short-term borrowings under its unsecured revolving credit facility and for general corporate purposes, including potential acquisitions.

The initial carrying value of the 8.125% Senior Notes was $108.7 million, net of debt issuance costs of $3.8 million. The issuance costs are amortized as interest cost and the carrying value of the notes will accrete up to the face amount over the term of the notes. The Company recorded interest expense related to the 8.125% Senior Notes of $0.1 million for the three and six months ended June 30, 2012. There was no interest expense related to the 8.125% Senior Notes for the three and six months ended June 30, 2011.

Hiring and Acquisitions

Another key driver of our revenue growth is front-office headcount. We believe that our strong technology platform and unique partnership structure have enabled us to use both acquisitions and recruiting to profitably increase our front-office staff at a faster rate than our largest competitors over the past year and since the formation of BGC in 2004.

BGC Partners has invested significantly to capitalize on the current business environment through acquisitions, technology spending and the hiring of new brokers. The business climate for these acquisitions has been competitive, and it is expected that these conditions will persist for the foreseeable future. BGC Partners has been able to attract businesses and brokers to its platform as it believes they recognize that BGC Partners has the scale, technology, experience and expertise to succeed in the current business environment.

As of June 30, 2012, our front-office headcount was up by over 46% year-over-year to 2,605 brokers and salespeople. For the three months ended June 30, 2012, average revenue generated per broker or salesperson was approximately $159,000, down approximately 21% from the

three months ended June 30, 2011 when it was approximately $200,000.

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BGC Partners average revenue per front office employee has historically declined year-over-year for the periods following significant headcount increases, as new brokers and salespeople generally achieve significantly higher productivity levels in their second year with the Company. The year-on-year differences in front office productivity were also due in part to lower overall industry volumes across the Financial Services segment in the second quarter. In addition, commercial real estate services firms typically generate less revenue per broker than do wholesale market intermediaries, although their overall levels of profitability are generally similar.

The laws and regulations passed or proposed on both sides of the Atlantic concerning OTC trading seem likely to favor increased use of technology by all market participants, and are likely to accelerate the adoption of both hybrid and fully electronic trading. We believe these developments will favor the larger inter-dealer brokers over smaller, non-public ones, as the smaller ones generally do not have the financial resources to invest the necessary amounts in technology. We believe this will lead to further consolidation in our industry, and thus further allow us to profitably grow our front-office headcount.

On August 2, 2011, the Company s Board of Directors and Audit Committee approved the Company s acquisition from Cantor its North American environmental brokerage business CantorCO2e, L.P. (CO2e). On August 9, 2011, the Company completed the acquisition of CO2e from Cantor for the assumption of approximately $2.0 million of liabilities and announced the launch of BGC Environmental Brokerage Services. Headquartered in New York, BGC Environmental Brokerage Services focuses on environmental commodities, offering brokerage, escrow and clearing, consulting, and advisory services to clients throughout the world in the industrial, financial and regulatory sectors.

On October 14, 2011, BGC acquired all of the outstanding shares of Newmark & Company Real Estate, Inc., plus a controlling interest in its affiliated companies.

The aggregate purchase price paid by BGC to the former shareholders of Newmark & Company Real Estate consisted of approximately $63.0 million in cash and approximately 339 thousand shares of BGC s Class A common stock. The former shareholders of Newmark will also be entitled to receive up to an additional approximately 4.83 million shares of BGC s Class A common stock over a five-year period if Newmark achieves certain enumerated gross revenue targets post-closing. The former shareholders of Newmark have also agreed to transfer their interests in certain other related companies for nominal consideration at the request of BGC. The Company expects to purchase the non controlling interest in certain Newmark regional offices at a later date. Cantor Fitzgerald & Co. (CF&Co), an affiliate of Cantor, acted as an advisor to BGC in connection with this transaction.

On March 27, 2012, the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) approved the purchase by BGC Partners of substantially all of the assets of Grubb & Ellis under chapter 11 of title 11 of the United States Code (the Bankruptcy Code) pursuant to a Second Amended and Restated Asset Purchase Agreement, dated April 13, 2012, between BGC Partners and Grubb & Ellis (the APA). The APA was supplemented by a Transition Services Supplement dated April 13, 2012 between BGC Partners and Grubb & Ellis (the Supplement) approved by the Bankruptcy Court on April 11, 2012. The Bankruptcy Court s order approved the sale of such assets to BGC Partners free and clear of all liens, claims and encumbrances pursuant to Section 363 of the Bankruptcy Code.

Pursuant to the APA, BGC Partners agreed to purchase from Grubb & Ellis substantially all of its assets in exchange for a credit bid of (a) approximately $30.0 million in pre-bankruptcy senior secured debt (the Prepetition Debt) which had been purchased at a discount, and (b) approximately $5.5 million under the Debtor in Possession term loans which had previously been entered into. BGC Partners also agreed to provide the following additional consideration: (i) $16.0 million in cash to the bankruptcy estate for the benefit of Grubb & Ellis unsecured creditors pursuant to the Settlement Agreement (described below); (ii) payment of amounts necessary to cure defaults under executory contracts and unexpired leases that BGC Partners designates for assumption and assignment to BGC Partners; and (iii) assumption of liability for priority claims asserted by Grubb & Ellis employees for paid-time-off to the extent such claims exceed $3.0 million. BGC Partners will have the opportunity after closing to identify those contracts or real estate leases it desires to have Grubb & Ellis either assume and assign to BGC Partners or reject.

The terms of the APA were agreed to by the official committee of unsecured creditors appointed in Grubb & Ellis chapter 11 cases (the Committee) pursuant to the Stipulation and Settlement Agreement, dated as of March 21, 2012 (the Settlement Agreement), and so ordered by the Bankruptcy Court on March 27, 2012. The Committee also agreed as part of the Settlement Agreement to release BGC Partners and its affiliates, subsidiaries, officers, employees and other parties from all claims and causes of action that the Committee may be or become entitled to assert (directly, indirectly or derivatively through Grubb & Ellis) against BGC Partners, including, without limitation, with respect to the validity, enforceability and priority of the Prepetition Debt and the liens securing same.

On April 13, 2012, BGC completed the acquisition of substantially all of the assets of Grubb & Ellis (the Closing). CF&Co. acted as an advisor to BGC in connection with this transaction and is expected to receive a fee of $1.0 million.

The Company is completing the process of transitioning hundreds of brokers from the Grubb & Ellis bankruptcy estate to entities that it owns. While the Company has executed employment/service and partnership arrangements with a large majority of the brokers, the Company is operating under a transition services agreement with the estate to assist with the process and expects to complete the transfer to its partnership and employment/service arrangements with respect to

the remaining brokers shortly. In the interim, the Company is entitled to the revenues and is responsible for the expenses of these brokers under the transition services agreement. No assurance can be given that the Company will be able to successfully hire all of the remaining brokers.

Financial Highlights

For the three months ended June 30, 2012, the Company had income from operations before income taxes of $4.5 million compared to $23.5 million, a decrease of $19.0 million from the year earlier period. Total revenues increased approximately $85.0 million and total expenses increased approximately $104.0 million.

Total revenues were $449.5 million and $364.6 million for the three months ended June 30, 2012 and 2011, respectively, representing a 23.3% increase. The main factors contributing to the increase were:

- Revenues generated by our Real Estate Services segment which is comprised of Newmark Knight Frank (acquired in the fourth quarter of 2011) and Grubb & Ellis (acquired in the second quarter of 2012). The key components of this segment were brokerage revenues of $92.3 million and real estate management services revenues of $31.7 million.

- Revenues generated by our Financial Services segment were down $43.3 million to $309.2 million from the year earlier period. Lower activity from our large bank customers contributed to declines in market activity industry wide across the Financial Services asset classes.

- An increase in our front-office personnel from 1,780 at June 30, 2011 to 2,605 at June 30, 2012.

- Revenues related to fully electronic trading were 12.3% of Financial Services revenues compared to 11.5% a year ago. BGC s overall fully electronic performance was generally better than most comparable industry metrics. Revenues related to fully electronic trading include brokerage revenues as well as certain revenues recorded in fees from related parties.

Total Compensation and employee benefits expense increased by $89.3 million or 40.8% for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, primarily related to increased headcount (including as a result of the acquisitions of Newmark and Grubb & Ellis) as well as a $38.1 million charge associated with the granting of exchangeability to limited partnership units and our year-over-year growth in brokerage revenue, which resulted in a corresponding increase in compensation for the period.

The three months ended June 30, 2012 was a challenging period in the Financial Services industry. Even in this difficult environment, we believe BGC is well positioned as we continue to increase the scale and depth of our real estate platform and continue to seek market driven opportunities to expand our business in numerous financial asset classes. We believe the overall performance of the Company will improve as we continue to increase the percentage of Financial Services revenues generated from fully electronic trading, and extend our employment agreements, through our partnership enhancement program. We believe these initiatives will continue to improve BGC s competitive position in the marketplace and improve employee retention.

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Results of Operations

The following table sets forth BGC s unaudited condensed consolidated statements of operations data expressed as a percentage of total revenues for the periods indicated (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
Revenues:								
Commissions	$ 308,030	68.5%	$ 239,132	65.6%	$ 580,518	68.8%	$ 483,846	66.3%
Principal transactions	83,686	18.6	102,007	28.0	183,431	21.7	200,116	27.4
Total brokerage revenues	391,716	87.1	341,139	93.6	763,949	90.5	683,962	93.7
Real estate management services	31,674	7.1			32,566	3.9		
Fees from related parties	13,494	3.0	16,206	4.4	26,041	3.1	31,641	4.3
Market data	3,990	0.9	4,598	1.3	8,954	1.1	9,174	1.3
Software solutions	2,487	0.6	2,257	0.6	4,936	0.6	4,390	0.6
Interest income	1,543	0.3	954	0.3	3,738	0.4	2,360	0.3
Other revenues	7,286	1.6	803	0.2	9,423	1.0	1,114	0.2
Losses on equity investments	(2,652)	(0.6)	(1,399)	(0.4)	(5,108)	(0.6)	(3,060)	(0.4)
Total revenues	449,538	100.0	364,558	100.0	844,499	100.0	729,581	100.0
Expenses:								
Compensation and employee benefits	308,029	68.5	218,729	60.0	554,898	65.7	427,698	58.6
Allocation of net income to limited partnership units and founding/working partner units	1,909	0.4	9,237	2.5	7,889	0.9	18,437	2.5
Total compensation and employee benefits	309,938	68.9	227,966	62.5	562,787	66.6	446,135	61.1
Occupancy and equipment	39,092	8.7	35,740	9.8	75,321	8.9	65,026	8.9
Fees to related parties	3,169	0.7	3,018	0.8	6,688	0.8	5,619	0.8
Professional and consulting fees	19,515	4.3	15,211	4.2	38,834	4.6	28,552	3.9
Communications	21,402	4.8	21,801	6.0	43,360	5.1	43,131	5.9
Selling and promotion	23,513	5.2	19,443	5.4	42,959	5.1	39,629	5.4
Commissions and floor brokerage	5,833	1.3	6,932	1.9	11,513	1.4	13,027	1.8
Interest expense	7,578	1.7	4,768	1.3	15,136	1.8	9,163	1.3
Other expenses	15,048	3.4	6,199	1.7	24,539	2.9	31,280	4.3
Total expenses	445,088	99.0	341,078	93.6	821,137	97.2	681,562	93.4
Income from continuing operations before income taxes	4,450	1.0	23,480	6.4	23,362	2.8	48,019	6.6
Provision for income taxes	70	0.0	6,031	1.7	7,272	0.9	13,432	1.8
Consolidated net income	4,380	1.0	17,449	4.8	16,090	1.9	34,587	4.7
Less: Net income (loss) attributable to non-controlling interest in subsidiaries	2,422	0.6	7,785	2.1	5,943	0.7	16,257	2.2

Net income available to common stockholders	$	1,958	0.4%	$	9,664	2.7%	$ 10,147	1.2%	$ 18,330	2.5%

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Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Revenues

Brokerage Revenues

Total brokerage revenues increased by $50.6 million, or 14.8%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Commission revenues increased by $68.9 million, or 28.8%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Principal transactions revenues decreased by $18.3 million, or 18.0%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011.

The increase in brokerage revenues was driven by increases in the revenues for commercial real estate, partially offset by lower revenues in rates, credit products, foreign exchange and equities and other assets.

Financial Services

Financial Services brokerage revenues decreased $41.7 million for the three months ended June 30, 2012 as compared to a year earlier as lower activity from our large bank customers contributed to declines in market activity industry wide across the Financial Services asset classes, particularly in Europe. The year-over-year decrease by product was as follows: Rates decreased $11.3 million, Credit decreased $8.1 million, Foreign Exchange decreased $2.4 million, and Equities and other asset classes decreased $19.9 million.

Real Estate Services

Real Estate brokerage revenues were $92.3 million for the three months ended June 30, 2012. These revenues were generated by Newmark Knight Frank which was acquired in the fourth quarter of 2011, and Grubb & Ellis which was acquired in the second quarter of 2012.

Real Estate Management Services

Real Estate Management Services revenues were $31.7 million for the three months ended June 30, 2012. The revenues associated with property and facilities management fees are earned by Newmark Knight Frank and Grubb & Ellis, which were acquired in the fourth quarter of 2011 and the second quarter of 2012, respectively.

Fees from Related Parties

Fees from related parties decreased by $2.7 million, or 16.7%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The decrease was primarily due to lower revenues related to ELX and less back office service fees for services provided to Cantor.

Market Data

Market data revenues decreased by $0.6 million, or 13.2%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011.

Software Solutions

Software solutions revenues increased by $0.2 million, or 10.2%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, primarily due to an increase in dedicated network access clients in the second quarter of 2012.

Interest Income

Interest income increased by $0.6 million, or 61.7%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was primarily driven by an increase in interest earned on employee loans.

Other Revenues

Other revenues increased by $6.5 million to $7.3 million for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was primarily due to revenues related to Newmark Knight Frank and Grubb & Ellis which were acquired in the fourth quarter of 2011 and the second quarter of 2012, respectively.

Losses on Equity Investments

Losses on equity investments increased by $1.3 million, or 89.6%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Losses on equity investments represent our pro rata share of the net losses on investments for which we have a significant ownership but do not control.

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Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense increased by $89.3 million, or 40.8%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This increase was primarily related to the acquisitions of Newmark and Grubb & Ellis, which increased headcount in the second quarter of 2012 compared to the prior year period. In addition, we incurred $38.1 million in expense related to the granting of exchangeability in the three months ended June 30, 2012 which represented an increase of $15.1 million as compared to the year earlier period.

Allocations of Net Income to Limited Partnership Units and Founding/Working Partner Units

Allocation of income to limited partnership units and founding/working partner units decreased by $7.3 million for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Allocation of income to limited partnership units and founding/working partner units represent the pro rata interest in net income attributable to such partners units based on weighted-average economic ownership. The allocation of income to limited partnership units and founding/working partner units for the three months ended June 30, 2012, was $1.9 million.

Occupancy and Equipment

Occupancy and equipment expense increased by $3.4 million, or 9.4%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was primarily due to the acquisitions of Newmark and Grubb & Ellis, and associated costs related to new facilities.

Fees to Related Parties

Fees to related parties increased by $0.2 million, or 5.0%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. Fees to related parties are allocations paid to Cantor for administrative and support services.

Professional and Consulting Fees

Professional and consulting fees increased by $4.3 million, or 28.3%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was primarily due to increased costs associated with legal and regulatory matters.

Communications

Communications expense decreased by $0.4 million, or 1.8%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. As a percentage of total revenues, communications remained relatively unchanged across the two periods.

Selling and Promotion

Selling and promotion expense increased by $4.1 million, or 20.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The increase was associated with an increase in promotional and corporate events in the three months ended June 30, 2012.

Commissions and Floor Brokerage

Commissions and floor brokerage expense decreased by $1.1 million, or 15.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011, primarily due to decreased volumes in our equities business during the three months ended June 30, 2012.

Interest Expense

Interest expense increased by $2.8 million, or 58.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This increase was primarily driven by the interest cost associated with our 4.50% Convertible Senior Notes issued in July 2011. In addition, there were additional costs related to short-term borrowings during the three months ended June 30, 2012.

Other Expenses

Other expenses increased by $8.8 million, or 142.7%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. This increase was primarily driven by the expenses related to Newmark Knight Frank and Grubb & Ellis which were acquired in the fourth quarter of 2011 and the second quarter of 2012, respectively.

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Net Income Attributable to Noncontrolling Interest in Subsidiaries

Net income attributable to noncontrolling interest in subsidiaries decreased by $5.4 million, or 68.9%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011. The decrease was primarily due to the decrease in the allocation of net income to Cantor units in the three months ended June 30, 2012.

Provision for Income Taxes

Provision for income taxes decreased to $70 thousand for the three months ended June 30, 2012 as compared to $6.0 million for the three months ended June 30, 2011. This decrease was primarily driven by a decrease in taxable income in the three months ended June 30, 2012 as compared to the year earlier period as well as the utilization of net operating losses and the release of a valuation allowance. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Revenues

Brokerage Revenues

Total brokerage revenues increased by $80.0 million, or 11.7%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Commission revenues increased by $96.7 million, or 20.0%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Principal transactions revenues decreased by $16.7 million, or 8.3%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

The increase in brokerage revenues was primarily driven by increases in the revenues for commercial real estate and foreign exchange partially offset by lower revenues in rates, credit products and equities and other asset classes.

Financial Services

Financial Services brokerage revenues decreased $50.7 million for the six months ended June 30, 2012 as compared to a year earlier as lower activity from our large bank customers contributed to declines in market activity industry wide across the Financial Services asset classes, particularly in Europe. The year-over-year decrease by product was as follows: Rates decreased $17.2 million, Credit decreased $10.9 million, and Equities and other asset classes decreased $24.7 million; partially offset by a $2.1 million increase in Foreign Exchange brokerage revenues.

Real Estate Services

Real Estate brokerage revenues were $130.7 million for the six months ended June 30, 2012. These revenues were generated by Newmark Grubb Knight Frank which is our Real Estate Services brand name and is comprised of Newmark Knight Frank, which was acquired in the fourth quarter of 2011, and Grubb & Ellis, which was acquired in the second quarter of 2012.

Real Estate Management Services

Real Estate Management Services revenues were $32.6 million for the six months ended June 30, 2012. The revenues associated with property and facilities management fees are earned by Newmark Knight Frank and Grubb & Ellis, which were acquired in the fourth quarter of 2011 and the second quarter of 2012, respectively.

Fees from Related Parties

Fees from related parties decreased by $5.6 million, or 17.7%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The decrease was primarily due to lower revenues related to ELX and a reduced level of fees related to back office services provided to Cantor.

Market Data

Market data revenues decreased by $0.2 million, or 2.4%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

Software Solutions

Software solutions revenues increased by $0.5 million, or 12.4%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, primarily due to increased clients as compared to the six months ended June 30, 2011.

Interest Income

Interest income increased by $1.4 million, or 58.4%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily related to interest arising from the notes receivable acquired in the Grubb & Ellis transaction. Also contributing to this variance was an increase in interest earned on employee loans.

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Other Revenues

Other revenues increased by $8.3 million to $9.4 million for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily due to revenues related to Newmark Knight Frank and Grubb & Ellis which were acquired in the fourth quarter of 2011 and the second quarter of 2012, respectively.

Losses on Equity Investments

Losses on equity investments increased by $2.0 million, or 66.9%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Losses on equity investments represent our pro rata share of the net losses on investments for which we have a significant ownership but do not control.

Expenses

Compensation and Employee Benefits

Compensation and employee benefits expense increased by $127.2 million, or 29.7%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This increase was primarily related to the increase in headcount in the second quarter of 2012 compared to the prior year period which was primarily related to our acquisitions of Newmark and Grubb & Ellis. In addition, we incurred $64.1 million in expense related to the granting of exchangeability in the six months ended June 30, 2012 which represented an increase of $30.0 million as compared to the year earlier period.

Allocations of Net Income to Limited Partnership Units and Founding/Working Partner Units

Allocation of income to limited partnership units and founding/working partner units decreased by $10.5 million for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Allocation of income to limited partnership units and founding/working partner units represent the pro rata interest in net income attributable to such partners units based on weighted-average economic ownership. The allocation of income to limited partnership units and founding/working partner units for the six months ended June 30, 2012, was $7.9 million.

Occupancy and Equipment

Occupancy and equipment expense increased by $10.3 million, or 15.8%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily due to the acquisitions of Newmark and Grubb & Ellis and the associated costs related to new facilities.

Fees to Related Parties

Fees to related parties increased by $1.1 million, or 19.0%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Fees to related parties are allocations paid to Cantor for administrative and support services.

Professional and Consulting Fees

Professional and consulting fees increased by $10.3 million, or 36.0%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily due to increased costs associated with legal and regulatory matters.

Communications

Communications expense increased by $0.2 million, or 0.5%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. This increase was primarily driven by increased market data and communication costs associated with our increased headcount. As a percentage of total revenues, communications remained relatively unchanged across the two periods.

Selling and Promotion

Selling and promotion expense increased by $3.3 million, or 8.4%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was associated with a decrease in promotional and corporate events in the six months ended June 30, 2012.

Commissions and Floor Brokerage

Commissions and floor brokerage expense decreased by $1.5 million, or 11.6%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, primarily due to decreased volumes in our equities business during the six months ended June 30, 2012.

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Interest Expense

Interest expense increased by $6.0 million, or 65.2%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase was primarily related to the Company s issuance of the 4.50% Convertible Notes in July 2011. In addition, we incurred increased costs associated with short-term borrowings during the six months ended June 30, 2012.

Other Expenses

Other expenses decreased by $6.7 million, or 21.6%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The decrease was primarily due to a reduction in costs associated with the hiring of new brokers in the six months ended June 30, 2012.

Net Income Attributable to Noncontrolling Interest in Subsidiaries

Net income attributable to noncontrolling interest in subsidiaries decreased by $10.3 million, or 63.4%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The decrease was primarily due to the decrease in the allocation of net income to Cantor units in the six months ended June 30, 2012.

Provision for Income Taxes

Provision for income taxes decreased to $7.3 million for the six months ended June 30, 2012 as compared to $13.4 million for the six months ended June 30, 2011. This decrease was primarily driven by a decrease in taxable income in the six months ended June 30, 2012 as compared to the year earlier period as well as the utilization of net operating losses and the release of a valuation allowance. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

Business Segment Results

Following the acquisition of substantially all of the assets of Grubb & Ellis, we have changed our segment reporting structure. As a result, beginning with the quarter ended June 30, 2012, our operations consist of two reportable segments, Financial Services and Real Estate Services. The business segment financial results presented reflect our current organization.

The business segments are determined based on the products and services provided and reflect the manner in which financial information is evaluated by management. The Company evaluates the performance and reviews the results of the segments based on each segment s income (loss) from operations before income taxes.

Our segment information does not include analysis of assets by segment. Except for goodwill, we do not allocate assets by operating segment, nor does management evaluate operating segments using discrete asset information.

Selected financial information for the Company s segments is presented below. The amounts shown below for the Financial Services and Real Estate Services segments reflect the amounts that are used by management to allocate resources and assess performance, which is based on each segment s income (loss) from operations before income taxes. In addition to the two business segments, the tables below include a Corporate Items category which includes fees from related parties and interest income as well as unallocated expenses, such as the grant of exchangeability to limited partnership units, allocations of net income to founding/working partner units and limited partnership units, certain professional and consulting fees, executive compensation and interest expense, which are managed separately at the corporate level.

Three months ended June 30, 2012 (dollars in thousands):

	Financial Services	Real Estate Services*	Corporate Items	Total
Total revenues	$ 309,243	$ 131,197	$ 9,098	$ 449,538
Total expenses	250,767	126,051	68,270	445,088
Income (loss) from operations before taxes	$ 58,476	$ 5,146	$ (59,172)	$ 4,450

* For the three months ended June 30, 2012, the Real Estate Services segment income from operations before taxes excludes $8.8 million related to the collection of receivables and associated expenses that were capitalized as part of acquisition accounting.

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Three months ended June 30, 2011 (dollars in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Total revenues	$ 352,537	$	$ 12,021	$ 364,558
Total expenses	280,676		60,402	341,078
Income (loss) from operations before taxes	$ 71,861	$	$ (48,381)	$ 23,480

Six months ended June 30, 2012 (dollars in thousands):

	Financial Services	Real Estate Services*	Corporate Items	Total
Total revenues	$ 653,879	$ 172,614	$ 18,006	$ 844,499
Total expenses	518,952	168,717	133,468	821,137
Income (loss) from operations before taxes	$ 134,927	$ 3,897	$ (115,462)	$ 23,362

* For the six months ended June 30, 2012, the Real Estate Services segment income from operations before taxes excludes $11.4 million related to the collection of receivables and associated expenses that were capitalized as past of acquisition accounting.

Six months ended June 30, 2011 (dollars in thousands):

	Financial Services	Real Estate Services	Corporate Items	Total
Total revenues	$ 705,168	$	$ 24,413	$ 729,581
Total expenses	561,116		120,446	681,562
Income (loss) from operations before taxes	$ 144,052	$	$ (96,033)	$ 48,019

Segment Results for the Three Months Ended June 30, 2012 Compared to the Three Months Ended June 30, 2011

Revenues

Revenues for Financial Services decreased $43.3 million, or 12.3%, to $309.2 million for the three months ended June 30, 2012 from $352.5 million for the three months ended June 30, 2011. The decrease in revenues for our Financial Services segment was due to a decline in brokerage revenues across the Financial Services Asset classes.

Revenues for Real Estate Services were $131.2 million for the three months ended June 30, 2012. Prior to our acquisition of Newmark on October 14, 2011, we had no revenues from Real Estate Services.

Expenses

Total expenses for Financial Services decreased $29.9 million, or 10.7%, to $250.8 million for the three months ended June 30, 2012 from $280.7 million for the three months ended June 30, 2011. The decrease in expenses for our Financial Services segment was primarily due to a decrease in compensation expense as well as selling and promotion expenses associated with a decrease in promotional and corporate events.

Total expenses for Real Estate Services were $126.1 million for the three months ended June 30, 2012. Prior to our acquisition of Newmark on October 14, 2011, we had no expenses from Real Estate Services.

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Income from operations before tax

Income from operations before tax for Financial Services decreased $13.4 million, or 18.6%, to $58.5 million for the three months ended June 30, 2012 from $71.9 million for the three months ended June 30, 2011. The decrease in income from operations before tax for our Financial Services segment was primarily due to lower brokerage revenues, as described above, partially offset by decreases in expense, as described above.

Income from operations before tax for Real Estate Services was $5.1 million for the three months ended June 30, 2012. Prior to our acquisition of Newmark on October 14, 2011, we had no income from operations before tax from Real Estate Services.

Segment Results for the Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011

Revenues

Revenues for Financial Services decreased $51.3 million, or 7.3%, to $653.9 million for the six months ended June 30, 2012 from $705.2 million for the six months ended June 30, 2011. The decrease in revenues for our Financial Services segment was primarily due to a decline in brokerage revenues in Rates, Credit and Equities and Other Asset Classes, partially offset by growth from Foreign Exchange brokerage.

Revenues for Real Estate Services were $172.6 million for the six months ended June 30, 2012. Prior to our acquisition of Newmark on October 14, 2011, we had no revenues from Real Estate Services.

Expenses

Total expenses for Financial Services decreased approximately $42.2 million, or 7.5%, to $519.0 million for the six months ended June 30, 2012 from $561.1 million for the six months ended June 30, 2011. The decrease in expenses for our Financial Services segment was primarily due to a decrease in compensation expense and selling and promotion expenses associated with a decrease in promotional and corporate events, partially offset by increased interest expenses.

Total expenses for Real Estate Services were $168.7 million for the six months ended June 30, 2012. Prior to our acquisition of Newmark on October 14, 2011, we had no expenses from Real Estate Services.

Income from operations before tax

Income from operations before tax for Financial Services decreased $9.1 million, or 6.3%, to $134.9 million for the six months ended June 30, 2012 from $144.1 million for the six months ended June 30, 2011. The decrease in income from operations before tax for our Financial Services segment was primarily due to lower brokerage revenues, as described above, partially offset by decreases in expense, as also described above.

Income from operations before tax for Real Estate Services was $3.9 million for the six months ended June 30, 2012. Prior to our acquisition of Newmark on October 14, 2011, we had no income from operations before tax from Real Estate Services.

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Quarterly Results of Operations

The following table sets forth our unaudited quarterly results of operations for the indicated periods. Results of any period are not necessarily indicative of results for a full year and may, in certain periods, be affected by seasonal fluctuations in our business.

	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Revenues:								
Commissions	$ 308,030	$ 272,488	$ 250,921	$ 261,496	$ 239,132	$ 244,714	$ 206,275	$ 208,918
Principal transactions	83,686	99,745	79,888	94,997	102,007	98,109	91,466	83,381
Fees from related parties	13,494	12,547	15,366	15,220	16,206	15,435	17,221	16,413
Market data	3,990	4,964	4,042	4,556	4,598	4,576	4,869	4,614
Software solutions	2,487	2,449	2,472	2,328	2,257	2,133	2,476	1,816
Interest income	1,543	2,195	1,351	1,730	954	1,406	656	1,199
Real estate management services	31,674	892	1,222					
Other revenues	7,286	2,137	1,777	1,283	803	311	682	11,770
Losses on equity investments	(2,652)	(2,456)	(1,870)	(1,675)	(1,399)	(1,661)	(1,890)	(1,609)
Total revenues	449,538	394,961	355,169	379,935	364,558	365,023	321,755	326,502
Expenses:								
Compensation and employee benefits	308,029	246,869	216,298	253,879	218,729	208,969	179,600	179,871
Allocation of net income to limited partnership units and founding/working partner units	1,909	5,980			9,237	9,200	12,320	5,824
Total compensation and employee benefits	309,938	252,849	216,298	253,879	227,966	218,169	191,920	185,695
Occupancy and equipment	39,092	36,229	34,118	29,943	35,740	29,286	28,982	28,161
Fees to related parties	3,169	3,519	2,719	3,297	3,018	2,601	3,017	3,061
Professional and consulting fees	19,515	19,319	19,569	19,625	15,211	13,341	14,380	10,773
Communications	21,402	21,958	21,753	21,508	21,801	21,330	21,254	19,459
Selling and promotion	23,513	19,446	19,951	19,507	19,443	20,186	18,739	17,183
Commissions and floor brokerage	5,833	5,680	6,311	6,539	6,932	6,095	5,688	4,564
Interest expense	7,578	7,558	8,689	6,754	4,768	4,395	3,777	3,796
Other expenses	15,048	9,491	14,939	23,365	6,199	25,081	7,038	27,436
Total expenses	445,088	376,049	344,347	384,417	341,078	340,484	294,795	300,128
Income (loss) from operations before income taxes	4,450	18,912	10,822	(4,482)	23,480	24,539	26,960	26,374
Provision (benefit) for income taxes	70	7,202	3,905	(1,338)	6,031	7,401	2,942	6,878
Consolidated net income (loss)	4,380	11,710	6,917	(3,144)	17,449	17,138	24,018	19,496
Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	2,422	3,521	3,077	(1,111)	7,785	8,472	12,267	13,272
Net income (loss) available to common stockholders	$ 1,958	$ 8,189	$ 3,840	$ (2,033)	$ 9,664	$ 8,666	$ 11,751	$ 6,224

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The tables below detail our brokerage revenues by product category for the indicated periods (in thousands):

	For the Three Months Ended							
	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Brokerage revenue by product (actual results):								
Rates	$ 134,403	$ 146,884	$ 128,115	$ 151,813	$ 145,715	$ 152,810	$ 135,919	$ 135,596
Credit	70,084	84,371	66,148	83,507	78,134	87,193	70,317	73,923
Foreign exchange	53,241	58,731	47,383	61,120	55,630	54,219	47,966	44,439
Real estate	92,274	38,426	44,980					
Equities and other asset classes	41,714	43,821	44,183	60,053	61,660	48,601	43,539	38,341
Total brokerage revenues	$ 391,716	$ 372,233	$ 330,809	$ 356,493	$ 341,139	$ 342,823	$ 297,741	$ 292,299
Brokerage revenue by product (percentage):								
Rates	34.3%	39.4%	38.7%	42.6%	42.7%	44.6%	45.7%	46.4%
Credit	17.9	22.7	20.0	23.4	22.9	25.4	23.6	25.3
Foreign exchange	13.6	15.8	14.3	17.1	16.3	15.8	16.1	15.2
Real estate	23.6	10.3	13.6					
Equities and other asset classes	10.6	11.8	13.4	16.9	18.1	14.2	14.6	13.1
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Brokerage revenue by voice/hybrid and fully electronic (actual results):								
Voice/hybrid	$ 357,987	$ 336,713	$ 299,307	$ 322,335	$ 305,338	$ 308,658	$ 270,047	$ 266,905
Fully electronic	33,729	35,520	31,502	34,158	35,801	34,165	27,694	25,394
Total brokerage revenues	$ 391,716	$ 372,233	$ 330,809	$ 356,493	$ 341,139	$ 342,823	$ 297,741	$ 292,299
Brokerage revenue by voice/hybrid and fully electronic (percentage):								
Voice/hybrid	91.4%	90.5%	90.5%	90.4%	89.5%	90.0%	90.7%	91.3%
Fully electronic	8.6	9.5	9.5	9.6	10.5	10.0	9.3	8.7
Total brokerage revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Liquidity and Capital Resources

Balance Sheet

Our balance sheet and business model are not capital intensive. We maintain minimal securities inventory; our assets consist largely of cash, collateralized and uncollateralized short-dated receivables and less liquid assets needed to support our business. Longer term funding (equity and long-term debt) is held to support the less liquid assets. Total assets at June 30, 2012 were $1.9 billion, an increase of 33.5% as compared to December 31, 2011. The increase in total assets was driven primarily by an increase in receivables from broker-dealers, clearing organizations, customers and related broker-dealers, securities owned, and loans, forgivable loans and other receivables from employees and partners, net. We maintain a significant portion of our assets in cash, with cash and cash equivalents at June 30, 2012 of $367.8 million. See Cash Position Analysis below for a further discussion of cash and cash equivalents.

Funding

Our funding base consists of longer-term capital (equity, notes payable and collateralized borrowings), shorter-term liabilities (including our credit facility to the extent drawn) and accruals that are a natural outgrowth of specific assets and/or the business model, such as matched fails and accrued compensation. We have limited need for short-term unsecured funding in our regulated entities for their brokerage business. Contingent liquidity needs are largely limited to potential cash collateral that may be needed to meet clearing bank, clearinghouse, and exchange margins and/or to fund fails. Capital expenditures tend to be cash neutral and approximately in line with depreciation. Current cash balances significantly exceed our unsecured letters of credit, unsecured bank borrowings and the amortization of our collateralized long-term debt. We have also entered into secured loan arrangements, which are repayable in consecutive monthly installments with the final payments due in June 2016. A significant portion of our cash is held in our largest regulated entities, and we believe that cash in and available to these entities, inclusive of financing provided by clearing banks, is adequate for potential cash demands of normal operations such as margin or fail financing. We expect our operating activities going forward to generate adequate cash flows to fund normal operations, including any dividends issued pursuant to our dividend policy. However, we believe that there are a significant number of capital intensive opportunities for us to maximize our growth and strategic position, including, among other things, acquisitions, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt and acquisition alternatives. As a result, we may need to raise additional funds to:

- increase the regulatory net capital necessary to support operations;

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support continued growth in our business;

effect acquisitions;

develop new or enhanced services and markets; and

respond to competitive pressures.

Acquisitions and financial reporting obligations related thereto may impact our ability to access capital markets on a timely basis and may necessitate greater short-term borrowings in the interim. This may impact the interest rates on our debt or our credit rating. We may need to access short-term capital sources to meet business needs from time to time, including, but not limited to, financing acquisitions, conducting operations, hiring or retaining brokers, and providing liquidity, including in situations where we may not be able to access the capital markets in a timely manner when desired by the Company. Accordingly, we cannot guarantee that we will be able to obtain additional financing when needed on terms that are acceptable to us, if at all.

On April 1, 2010, BGC effectively refinanced $150.0 million in Senior Notes payable via issuance of the 8.75% Convertible Notes to Cantor. The details of this issuance are provided in the Notes Payable, Collateralized and Short-Term Borrowings section below. On May 6, 2010, we filed a $100.0 million Shelf Registration Statement on Form S-3 with the SEC. We intend to use the net proceeds of any shares of Class A common stock sold for general corporate purposes, including potential acquisitions, redemptions of limited partnership units and founding/working partner units in BGC Holdings and repurchases of shares of Class A common stock from partners, executive officers and other employees of ours or our subsidiaries and of Cantor and its affiliates. Certain of such partners will be expected to use the proceeds from such sales to repay outstanding loans issued by, or credit enhanced by, Cantor or BGC Holdings. In addition to general corporate purposes, this registration along with our share buy-back authorization is designed as a planning device in order to facilitate the redemption process. Going forward, we may redeem units and reduce our fully diluted share count under our repurchase authorization or later sell Class A shares under the registration.

On June 23, 2011, the Company entered into a Credit Agreement with a bank syndicate which provides for up to $130.0 million of unsecured revolving credit through June 23, 2013. Borrowings under the Credit Agreement will bear interest on a floating rate basis with various terms available from which the Company can select. The Credit Agreement also provides for an unused facility fee and certain upfront and arrangement fees. The Credit Agreement requires that the outstanding loan balance be reduced to zero every 270 days for three days. The Credit Agreement further provides for certain financial covenants, including minimum equity, tangible equity and interest coverage, as well as maximum levels for total assets to equity capital and debt to equity. The Credit Agreement also contains certain other affirmative and negative covenants. The borrowings under the Credit Agreement will be used for general corporate purposes, including, but not limited to, financing the Company s existing businesses and operations, expanding its businesses and operations through additional broker hires, strategic alliances and acquisitions, and repurchasing shares of its Class A common stock or purchasing limited partnership interests in BGC Holdings or other equity interests in the Company s subsidiaries. As of July 31, 2012, the Company did not have any borrowings outstanding under the Credit Agreement.

On July 29, 2011, the Company issued an aggregate of $160.0 million principal amount of 4.50% Convertible Notes. The 4.50% Convertible Notes are general senior unsecured obligations of BGC Partners, Inc. The 4.50% Convertible Notes pay interest semiannually at a rate of 4.50% per annum and were priced at par. The 4.50% Convertible Notes are currently convertible into approximately 16.3 million shares of Class A common stock. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company s Class A common stock, or a combination thereof at the Company s election. The 4.50% Convertible Notes will mature on July 15, 2016, unless earlier repurchased, exchanged or converted. The carrying value of the 4.50% Convertible Notes was approximately $141.1 million as of June 30, 2012. Additional details regarding this issuance are provided in the Notes Payable, Collateralized and Short-Term Borrowings section below.

On June 26, 2012, the Company issued an aggregate of $112.5 million principal amount of 8.125% Senior Notes due 2042 (the 8.125% Senior Notes) pursuant to the Company s effective Shelf Registration Statement on Form S-3, as amended. The 8.125% Senior Notes are senior unsecured obligations of BGC Partners, Inc. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company s option, at any time and from time to time, until maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date. The 8.125% Senior Notes are listed on the New York Stock Exchange under the symbol BGCA. The Company intends to use the proceeds to repay short-term borrowings under its unsecured revolving credit facility and for general corporate purposes, including potential acquisitions. The initial carrying value of the 8.125% Senior Notes was $108.7 million, net of debt issuance costs of $3.8 million. Cantor Fitzgerald & Co., an affiliate of the Company, served as one of the underwriters in this transaction and will be paid an underwriting fee of approximately $0.2 million.

We may raise additional funds from time to time through equity or debt financing, including public and private sales of debt securities, to finance our business, operations and possible acquisitions.

Credit Ratings

Our public long-term credit ratings and associated outlook are as follows:

	Rating	Outlook
Fitch Ratings Inc.	BBB	Stable
Moody s Investors Service*	Ba1	Negative
Standard & Poor s	BBB-	Stable

* On July 5, 2012, BGC terminated its rating engagement with Moody s Investors Service. As a result, the rating agreement between BGC and Moody s is being terminated. On July 30, 2012, Moody s placed BGC s rating on review for possible downgrade.

Credit ratings and associated outlooks are influenced by a number of factors, including but not limited to: earnings and profitability trends, the prudence of funding and liquidity management practices, balance sheet size/composition and resultant leverage, cash flow coverage of interest, composition and size of the capital base, available liquidity, outstanding borrowing levels and the firm s competitive position in the industry. A credit rating and/or the associated outlook can be revised upward or downward at any time by a rating agency if such rating agency decides that circumstances warrant such a change. Any reduction in our credit ratings and/or the associated outlook could adversely affect the availability of debt financing on terms acceptable to us, as well as the cost and other terms upon which we are able to obtain any such financing. In addition, credit ratings and associated outlooks may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions. In connection with certain trading agreements, we may be required to provide additional collateral in the event of a credit ratings downgrade.

Cash Position Analysis

Below is an analysis of the changes in our cash position for the six months ended June 30, 2012 and 2011. Our cash position is defined as cash and cash equivalents plus unencumbered securities held for liquidity purposes. The analysis below describes the key components of our earnings, dividends and distributions, investing and funding, security settlements and our working capital activities.

Our cash analysis starts with consolidated net income adjusted for certain non-cash items (e.g., grants of exchangeability) as presented on the cash flow statement. Dividends and distributions are payments made to our holders of common shares and limited partnership interests and are related to distributions and dividends related to prior periods.

Our investing and funding activities represent a combination of our capital raising activities, including short-term borrowings and issuances under our controlled equity offerings (net), and our investments (e.g. acquisitions, forgivable loans to new brokers and capital expenditures all net of depreciation and amortization).

Our securities settlement activities primarily represent deposits with clearing organizations. In addition, when advantageous, we may elect to facilitate the settlement of matched principal transactions by funding failed trades which results in a temporary secured use of cash and is economically beneficial to the Company.

Other changes in working capital represent changes primarily in receivables and payables and accrued liabilities that impact our cash position.

For the six months ended June 30, 2012, our cash position increased $19.8 million to $405.5 as of June 30, 2012.

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	Six Months Ended June 30, 2012	2011
Cash position	$ 385.7	$ 375.1
Earnings adjusted for non-cash items (after taxes)	88.6	105.1
Dividends and distributions related to prior periods	(95.2)	(77.4)
Treasury stock buy backs	(0.3)	(0.1)
Net cash from earnings, dividends and distributions	(6.9)	27.6
Investing and funding activities:		
Increases in funding	104.1	21.3
Investments	(95.6)	(25.3)
Net investing and funding activities	8.5	(4.0)
Securities settlements	(6.8)	(19.1)
Other changes in working capital	26.2	(88.6)
All other	(1.2)	7.2
Cash position	$ 405.5	$ 298.2

Discussion of six months ended June 30, 2012

For the six months ended June 30, 2012, we generated earnings adjusted for non-cash items of $88.6 million and paid dividends and distributions to shareholders and limited partners of $95.2 million of which $47.4 million related to dividends associated with fourth quarter 2011 and first quarter 2012 earnings and $47.8 million related to partnership earnings in the third and fourth quarter of 2011.

Our investing and funding activities generated approximately $8.5 million of cash during the period. Increases in our funding generated $104.1 million primarily driven by the issuance of $112.5 million of Senior Notes on June 26, 2012. During this period, we invested $95.6 million primarily in investments in Grubb & Ellis and ELX.

Our securities settlement activities utilized $6.8 million of cash during the period, which is a temporary use of cash.

Working capital and other sources of cash were approximately $25.0 million.

Discussion of six months ended June 30, 2011

In the six months ended June 30, 2011, we generated earnings adjusted for non-cash items of $105.1 million and paid dividends and distributions to shareholders and limited partners of $77.4 million of which $34.1 million related to dividends associated with fourth quarter 2010 and first quarter 2011 earnings and $43.3 million related to partnership earnings in the third and fourth quarter of 2010.

Our investing and funding activities utilized approximately $4.0 million of cash during the period. Increases in our funding generated $21.3 million primarily driven by the net proceeds of Class A share issuances under our controlled equity offerings and the exercise of stock options during the period. Our investments were approximately $25.3 million which was primarily comprised of the issuance of employee loans, net of amortization.

Our securities settlements activities utilized $19.1 million of cash during the period. Other changes in working capital utilized $88.6 million cash during the period. This was primarily driven by a significant increase in accrued commissions consistent with our growth in revenue as well as decreases in accounts payable and accrued expenses.

Notes Payable, Collateralized and Short-Term Borrowings

On April 1, 2010, BGC Holdings issued an aggregate of $150.0 million principal amount of the 8.75% Convertible Notes to Cantor. The Company used the proceeds to repay at maturity $150.0 million aggregate principal amount of Senior Notes.

The 8.75% Convertible Notes are senior unsecured obligations and rank equally and ratably with all existing and future senior unsecured obligations of the Company. The 8.75% Convertible Notes bear an annual interest rate of 8.75% currently, which will be payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2010, and are currently convertible into approximately 22,959,124 million shares of Class A common stock. The 8.75% Convertible Notes will mature on April 15, 2015, unless earlier repurchased, exchanged or converted.

On July 29, 2011, the Company issued an aggregate of $160.0 million principal amount of 4.50% Convertible Notes. In connection with the offering of the 4.50% Convertible Notes, the Company entered into an Indenture, dated as of July 29, 2011, with U.S. Bank National Association, as trustee. The 4.50% Convertible Notes were offered and sold solely to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

The 4.50% Convertible Notes are general senior unsecured obligations of BGC Partners, Inc. The 4.50% Convertible Notes pay interest semiannually at a rate of 4.50% per annum and were priced at par. The 4.50% Convertible Notes are currently convertible, at the holder s option, at a conversion rate of 101.6260 shares of Class A common stock per $1,000 principal amount of notes, subject to adjustment in certain circumstances. This conversion rate is equal to a conversion price of $9.84 per share, a 20% premium over the $8.20 closing price of BGC s Class A common stock on the NASDAQ on July 25, 2011. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company s Class A common stock, or a combination thereof at the Company s election. The 4.50% Convertible Notes are currently convertible into approximately 16.3 million shares of Class A common stock.

In connection with the offering of the 4.50% Convertible Notes, the Company entered into capped call transactions, which are expected generally to reduce the potential dilution of the Company s Class A common stock upon any conversion of 4.50% Convertible Notes in the event that the market value per share of the Company s Class A common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions (which corresponds to the initial conversion price of the 4.50% Convertible Notes and is subject to certain adjustments similar to those contained in the 4.50% Convertible Notes). The capped call transactions have a cap price equal to $12.30 per share (50% above the last reported sale price of the Company s common stock on the NASDAQ on July 25, 2011).

The net proceeds from this offering were approximately $144.2 million after deducting the initial purchasers discounts and commissions, estimated offering expenses and the cost of the capped call transactions. The Company used the net proceeds from the offering for general corporate purposes, including financing acquisitions.

On June 26, 2012, the Company issued an aggregate of $112.5 million principal amount of 8.125% Senior Notes due 2042 (the 8.125% Senior Notes) pursuant to the Company s effective Shelf Registration Statement on Form S-3, as amended. The 8.125% Senior Notes are senior unsecured obligations of BGC Partners, Inc. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company s option, at any time and from time to time, until maturity at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date. The 8.125% Senior Notes are listed on the New York Stock Exchange under the symbol BGCA. The Company intends to use the proceeds to repay short-term borrowings under its unsecured revolving credit facility and for general corporate purposes, including potential acquisitions. The initial carrying value of the 8.125% Senior Notes was $108.7 million, net of debt issuance costs of $3.8 million.

On various dates beginning in 2009 and most recently on June 29, 2012, the Company entered into secured loan arrangements under which it pledged certain fixed assets in exchange for loans. The secured loan arrangements have fixed rates between 2.62% and 8.09% per annum and are repayable in consecutive monthly installments with the final payments due in June 2016. The outstanding balance of the secured loan arrangements was $35.2 million and $20.6 million as of June 30, 2012 and December 31, 2011, respectively. The value of the fixed assets pledged was $31.6 million and $18.0 million as of June 30, 2012 and December 31, 2011, respectively. The secured loan arrangements are guaranteed by the Company.

On various dates during the year ended December 31, 2010 and continuing through December 31, 2011, the Company sold certain furniture, equipment, and software for $34.2 million, net of costs, and concurrently entered into agreements to lease the property back. The principal and interest on the leases are repayable in equal monthly installments for terms of 36 months (software) and 48 months (furniture and equipment) with maturities through September 2014. The outstanding balance of the leases was $17.2 million as of June 30, 2012. The value of the fixed assets pledged was $12.2 million as of June 30, 2012. Because assets revert back to the Company at the end of the leases, the transactions were capitalized. As a result, consideration received from the purchaser is included in the Company s unaudited condensed consolidated statements of financial condition as a financing obligation, and payments made under the lease are being recorded as interest expense (at an effective rate of approximately 6%). Depreciation on these fixed assets will continue to be charged to Occupancy and equipment in the Company s unaudited condensed consolidated statements of operations.

During the year ended December 31, 2011, the Company entered into a Credit Agreement with a bank syndicate which provides for up to $130.0 million of unsecured revolving credit through June 23, 2013 (for a detailed description of this facility, see Note 16 Notes Payable, Collateralized and Short-Term Borrowings to the Company s unaudited condensed consolidated financial statements). The borrowings under the Credit Agreement will be used for general corporate purposes, including, but not limited to, financing the Company s existing businesses and operations, expanding its businesses and operations through additional broker hires, strategic alliances and acquisitions, and repurchasing shares of its Class A common stock or purchasing limited partnership interests in BGC Holdings or other equity interests in the Company s subsidiaries. As of July 31, 2012, the Company did not have any borrowings outstanding under the Credit Agreement.

Clearing Capital

In November 2008, we entered into a clearing capital agreement with Cantor to clear U.S. Treasury and U.S. government agency securities transactions on our behalf. Pursuant to the terms of this agreement, so long as Cantor is providing clearing services to us, Cantor shall be entitled to request from us, and we shall post as soon as practicable, cash or other property acceptable to Cantor in the amount reasonably requested by Cantor under the clearing capital agreement.

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Regulatory Requirements

Our liquidity and available cash resources are restricted by regulatory requirements of our operating subsidiaries. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer. In addition, self-regulatory organizations such as the FINRA and the National Futures Association (NFA) along with statutory bodies such as the FSA and the SEC require strict compliance with their rules and regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with broker-dealers and are not designed to specifically protect stockholders. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

As of June 30, 2012, $362.7 million of net assets were held by regulated subsidiaries. As of June 30, 2012, these subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of $182.8 million.

Unit Redemptions and Stock Repurchase Program

During the three months ended June 30, 2012, the Company redeemed approximately 2.6 million limited partnership units at an average price of $6.47 per unit and approximately 0.3 million founding/working partner units at an average price of $7.76 per unit. During the three months ended June 30, 2011, the Company redeemed approximately 0.8 million limited partnership units at an average price of $7.88 per unit and approximately 18 thousand founding/working partner units at an average price of $8.99 per unit.

During the six months ended June 30, 2012, the Company redeemed approximately 5.4 million limited partnership units at an average price of $6.61 per unit and approximately 1.3 million founding/working partner units at an average price of $6.55 per unit. During the six months ended June 30, 2011, the Company redeemed approximately 1.0 million limited partnership units at an average price of $8.08 per unit and approximately 51 thousand found/working partner units at an average price of $9.23 per unit.

The Company did not repurchase any shares of Class A common stock during the three months ended June 30, 2012. During the three months ended June 30, 2011, the Company repurchased 7,991 shares of Class A common stock at an aggregate purchase price of approximately $71 thousand for an average price of $8.94 per share.

During the six months ended June 30, 2012, the Company repurchased 44,013 shares of Class A common stock at an aggregate purchase price of approximately $0.3 million for an average price of $7.66 per share. During the six months ended June 30, 2011, the Company repurchased 14,445 shares of Class A common stock at an aggregate purchase price of approximately $126 thousand for an average price of $8.74 per share.

The Company s Board of Directors and Audit Committee have authorized repurchases of the Company s common stock and redemptions of BGC Holdings limited partnership interests or other equity interests in the Company s subsidiaries. As of June 30, 2012, the Company had approximately $39.4 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares or redeem units. On August 6, 2012 the Company s Board of Directors increased the BGC Partners share repurchase and unit redemption authorization to $100 million.

Unit redemption and share repurchase activity for the six months ended June 30, 2012 was as follows:

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			
January 1, 2012 March 31, 2012	3,833,973	$ 6.60	
April 1, 2012 April 30, 2012	1,522,783	7.12	
May 1, 2012 May 31, 2012	624,179	6.01	
June 1, 2012 June 30, 2012	775,279	6.06	
Total Redemptions	6,756,214	$ 6.60	
Repurchases			
January 1, 2012 March 31, 2012	44,013	$ 7.66	
April 1, 2012 April 30, 2012			
May 1, 2012 May 31, 2012			
June 1, 2012 June 30, 2012			
Total Repurchases	44,013	$ 7.66	
Total Redemptions and Repurchases	6,800,227	$ 6.61	$ 39,423,017

Stock Issuances

On various dates in 2010 and 2011, and most recently on February 15, 2012, the Company entered into controlled equity offering sales agreements with Cantor Fitzgerald & Co. (CF&Co) pursuant to which the Company may offer and sell up to an aggregate of 31 million shares of Class A common stock. CF&Co is a wholly-owned subsidiary of Cantor and an affiliate of the Company. Under these agreements, the Company has agreed to pay CF&Co 2% of the gross proceeds from the sale of shares.

During the three months ended June 30, 2012 and 2011, the Company issued 2,530,980 and 1,111,046 shares, respectively, of its Class A common stock related to redemptions and exchanges of limited partnership interests. During the six months ended June 30, 2012 and 2011, the Company issued 6,004,888 and 2,004,419 shares, respectively, of its Class A common stock related to redemptions of limited partnership interests. The issuances related to redemptions of limited partnership interests did not impact the total number of shares and units outstanding.

During the three months ended June 30, 2012, the Company issued an aggregate of 839,120 shares of its Class A common stock in connection with the Company s acquisitions. During the six months ended June 30, 2012, the Company issued an aggregate of 918,835 shares of its Class A common stock in connection with the Company s acquisitions. The Company did not issue any shares of its Class A common stock in connection with the Company s acquisition during the three or six months ended June 30, 2011.

During the three months ended June 30, 2012 and 2011, the Company issued 201,316 and 989,400 shares, respectively, of its Class A common stock related to vesting of RSUs. Additionally, during the three months ended June 30, 2012, the Company issued an aggregate of 12,409 shares of its Class A common stock in connection with the Company s Dividend Reinvestment and Stock Purchase Plan and 34,614 shares of its Class A common stock for general corporate purposes. The Company did not issue any shares of its Class A common stock related to the exercise of stock options during the three months ended June 30, 2012. During the three months ended June 30, 2011, the Company issued an aggregate of 51,313 shares of its Class A common stock related to the exercise of stock options and 11,111 shares of its Class A common stock to a former partner. During the three months ended June 30, 2011, the Company issued and donated an aggregate of 443,686 shares of Class A common stock to the Cantor Fitzgerald Relief Fund (the Relief Fund) in connection with the Company s annual Charity Day. These shares have been registered for resale by the Relief Fund. During the three months ended June 30, 2011, the Company issued 9,000,000 shares of Class A common stock to Cantor upon Cantor s exchange of 9,000,000 Cantor units. In addition, during the three months ended June 30, 2011, the Company issued 9,000,000 shares of Class B common stock of the Company to Cantor upon Cantor s exchange of 9,000,000 Cantor units. All of these shares are restricted securities. These issuances did not change the fully diluted number of shares outstanding. The Company did not issue any shares of its Class A common stock related in connection with the Company s Dividend Reinvestment and Stock Purchase Plan during the

three months ended June 30, 2011.

During the six months ended June 30, 2012 and 2011, the Company issued 876,289 and 1,469,399 shares, respectively, of its Class A common stock related to vesting of RSUs. Additionally, during the six months ended June 30, 2012, the Company issued an aggregate of 25,524 shares of its Class A common stock in connection with the Company s Dividend Reinvestment and Stock Purchase Plan and 1,876,637 shares of its Class A common stock for general corporate purposes. The Company did not issue any shares of its Class A common stock related to the exercise of stock options during the six months ended June 30, 2012. During the six months ended June 30, 2011, the Company issued 1,650,584 shares of its Class A common stock related to the exercise of stock options and 1,135,230 shares of its Class A common stock for general corporate purposes. The Company did not issue any shares of its Class A common stock related in connection with the Company s Dividend Reinvestment and Stock Purchase Plan during the six months ended June 30, 2011.

During the six months ended June 30, 2012, the Company issued and donated an aggregate of 1,050,000 shares of Class A common stock to the Relief Fund in connection with the Company s annual Charity Day, which shares have been registered for resale by the Relief Fund. Additionally, during the six months ended June 30, 2012, the Company issued an aggregate of 453,172 shares of Class A common stock upon purchase of notes receivable in connection with the Company s acquisition.

During the six months ended June 30, 2011, the Company issued and donated an aggregate of 443,686 shares of Class A common stock to the Relief Fund. Additionally, the Company issued 9,000,000 shares of Class A common stock and 9,000,000 shares of Class B common stock to Cantor upon Cantor s exchange of 18,000,000 Cantor units. In addition, the Company issued an aggregate of 11,111 shares of its Class A common stock to a former partner.

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The fully diluted weighted-average share counts for the three months ended June 30, 2012 were as follows (in thousands):

Common stock outstanding(1)	140,368
Limited partnership interests in BGC Holdings	132,035
RSUs (Treasury stock method)	585
Other	1,768
Total (2)	274,756

(1) Common stock outstanding consisted of Class A shares and Class B shares. For the quarter ended June 30, 2012, the weighted-average share count of Class A shares was 105.5 million and Class B shares was 34.8 million.

(2) For the quarter ended June 30, 2012, 39.1 million Class A shares issuable upon conversion of Convertible Notes were not included in the computation of fully diluted earnings per share because their effect would have been anti-dilutive. In addition, approximately 3.5 million shares of contingent Class A common stock were excluded because the conditions for issuance had not been met by the end of the period.

Stock Option Exercises

During the year ended December 31, 2011, Howard W. Lutnick, the Company s Chief Executive Officer, exercised an employee stock option with respect to 1,500,000 shares of Class A common stock at an exercise price of $5.10 per share. The exercise price was paid in cash from Mr. Lutnick s personal funds.

During the year ended December 31, 2011, Mr. Merkel exercised employee stock options with respect to 110,000 shares of Class A common stock at an average exercise price of $5.10 per share. Mr. Merkel sold 4,664 of these shares to the Company at an average price of $8.50 per share.

During the year ended December 31, 2011, Mr. Lynn exercised employee stock options with respect to 42,188 shares of Class A common stock at an average exercise price of $5.10 per share. Mr. Lynn sold 1,790 of these shares to the Company at an average price of $8.50 per share.

The Company did not issue any shares of its Class A common stock related to the exercise of stock options during the three and six months ended June 30, 2012.

Executive Compensation

On May 4, 2012, the Compensation Committee authorized management to restructure the partnership and compensation arrangement of Mr. Lutnick by authorizing (i) the issuance to Mr. Lutnick of 2,449,312 PSUs and the cancellation of the equivalent number of outstanding REUs which had been previously issued to Mr. Lutnick and (ii) the grant of a right of exchange with respect to

such 2,449,312 PSUs. The Compensation Committee had previously offered Mr. Lutnick the opportunity, which he had waived in advance, to receive exchangeability with respect to 775,745 PSUs and 2,228,874 REUs. Mr. Lutnick has indicated that he has no current plans to exchange the PSUs into shares of Class A common stock at this time, and the Company has no current plans to redeem the PSUs.

Cantor Rights upon Redemption of Founding/Working Partner Units by BGC Holdings

Cantor has the right to purchase Cantor units from BGC Holdings upon redemption of non-exchangeable founding/working partner units 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 May 4, 2012, in connection with the redemption of 34,160 non-exchangeable founding partner units from founding partners of BGC Holdings for an aggregate consideration of $135,274, Cantor purchased 34,160 exchangeable limited partnership units from BGC Holdings for an aggregate of $135,274 in a transaction exempt pursuant to Section 4(2) of the Securities Act. The redemption of the non-exchangeable founding partner units and issuance of an equal number of exchangeable limited partnership units did not change the fully diluted number of shares outstanding.

Partner Loan Agreements

On July 5, 2011, BGC Holdings assigned its obligation under the global partnership redemption and compensation program to redeem 901,673 exchangeable limited partnership units and 294,628 exchangeable founding/working partner units under the global partnership redemption and compensation program to a new non-executive employee of the Company who transferred to the Company from Cantor and wanted to make an investment in BGC Holdings in connection with his new position. The amount that the purchasing employee paid for each unit was approximately $8.36, which was the volume-weighted average sales price per share of the Company s Class A common stock during May 2011, less 2%, for an aggregate purchase price of $10.0 million. Cantor approved the grant of exchange rights to founding partner units in connection with the program, as well as the sale of the exchangeable founding partner units to the new employee. Certain of the selling partners used the proceeds from the sale of their exchangeable units to the new employee to repay any outstanding loans to, or credit enhanced by, Cantor.

The purchase of the exchangeable units by the new employee was funded in part by an $8.0 million bridge loan from Cantor. The bridge loan carried an interest rate of 3.79% per annum and was payable on demand. The Company also made a $440,000 loan to the employee. The Company loan was payable on demand and bore interest at the higher of 3.27% per annum or the three month LIBOR rate plus 2.25%, as adjusted quarterly.

On April 5, 2012, the Company repurchased an aggregate of 895,141 partnership interests at a price of $7.82 per share from an employee. Approximately $4.6 million of the proceeds were used to repay two notes previously issued by the Company and approximately $2.4 million of the proceeds were used towards a $3.4 million third-party note, to which the shares underlying the employee s remaining 301,160 exchangeable units remain pledged. Cantor has guaranteed this third-party loan.

Market Summary

The following table provides certain volume and transaction count information on the eSpeed system for the quarterly periods indicated:

	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
Volume (in billions)					
Fully Electronic Rates (1)	$ 11,984	$ 12,091	$ 10,920	$ 14,300	$ 13,939
Fully Electronic FX, Credit, Equities & Other (2)	1,407	1,413	1,186	848	928
Total Fully Electronic Volume	13,391	13,504	12,106	15,148	14,867
Total Hybrid Volume (3)	34,719	35,152	26,336	33,418	39,675
Total Fully Electronic and Hybrid Volume	$ 48,110	$ 48,656	$ 38,442	$ 48,566	$ 54,542

Transaction Count (in thousands, except for days)					
Fully Electronic Rates (1)	4,538	4,860	4,956	6,486	5,713
Fully Electronic FX, Credit, Equities & Other (2)	896	845	705	398	457
Total Fully Electronic Transactions	5,434	5,705	5,661	6,884	6,170
Total Hybrid Transactions	707	587	536	467	630
Total Transactions	6,141	6,292	6,197	7,351	6,800
Trading Days	63	62	63	64	63

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(1) Defined as U.S. Treasuries, Canadian Sovereigns, European Government Bonds, Repos, Interest Rate Swaps, and Futures.
(2) Defined as Foreign Exchange Derivatives, Spot Foreign Exchange, Credit Derivatives, Corporate Bonds, Commodity Derivatives, and Equity-Related Products.
(3) Defined as volume from hybrid transactions conducted by BGC Brokers using the eSpeed system, exclusive of voice-only transactions.

Note: The above historical volume figures have been adjusted to reflect the reclassification of certain brokerage desks. These reclassifications had no impact on the Company s total fully electronic or hybrid volumes or on BGC Partners revenues related to fully electronic trading, overall revenues, or earnings.

All trades executed on the eSpeed platform settle for clearing purposes against CF&Co, a BGC affiliate. CF&Co is a member of Financial Industry Regulatory Authority (FINRA) and the Fixed Income Clearing Corporation, a subsidiary of DTCC. CF&Co, BGC, and other affiliates participate in U.S. Treasuries as well as other markets by posting quotations for their account and by acting as principal on trades with platform users. Such activity is intended, among other things, to assist CF&Co, BGC, and their affiliates in managing their proprietary positions (including, but not limited to, those established as a result of combination trades and errors), facilitating transactions, framing markets, adding liquidity, increasing commissions and attracting order flow.

Quarterly Market Activity

Fully electronic volume on the eSpeed and BGC Trader system, including new products, was $13.4 trillion for the three months ended June 30, 2012, down 9.9% from $14.9 trillion for the three months ended June 30, 2011. Our combined voice-assisted and screen-assisted volume for the three months ended June 30, 2012 was $48.1 trillion, down 11.8% from $54.5 trillion for the three months ended June 30, 2011.

Contractual Obligations and Commitments

The following table summarizes certain of our contractual obligations at June 30, 2012 (in thousands):

	Total	Less Than 1 year	1-3 years	3-5 years	More Than 5 years
Operating leases(1)	$ 209,747	$ 38,495	$ 62,959	$ 45,509	$ 62,784
Notes payable and collateralized obligations(2)	475,299	23,648	176,595	162,556	112,500
Interest on notes payable(2)(3)	341,109	31,184	57,171	25,736	227,018
Total contractual obligations	$ 1,026,155	$ 93,327	$ 296,725	$ 233,801	$ 402,302

(1) Operating leases are related to rental payments under various non-cancelable leases, principally for office space, net of sub-lease payments to be received. The total amount of sub-lease payments to be received is approximately $14.6 million over the life of the agreement. These sub-lease payments are included in the table above.
(2) Notes payable and collateralized obligations reflects the issuance of $150.0 million of the 8.75% Convertible Notes with a contractual maturity date in 2015 (unless earlier repurchased, exchanged or converted), $160.0 million of the 4.50% Convertible Notes (the $160.0 million represents the principal amount of the debt; the carrying value of the 4.50% Convertible Notes as of June 30, 2012 was approximately $141.1 million) with a contractual maturity date in 2016 (unless earlier repurchased, exchanged or converted), $112.5 million of the 8.125% Senior Notes (the $112.5 million represents the principal amount of the debt; the carrying value of the 8.125% Senior Notes as of June 30, 2012 was approximately $108.7 million) with a contractual maturity date in 2042 (which may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company s option) and $52.8 million of secured loan arrangements (the $52.8 million represents the principal amount of the debt; the carrying value of the secured loan arrangements as of June 30, 2012 was approximately $52.3 million) with maturity dates from 2012 to 2016. See Note 16 Notes Payable, Collateralized Short-Term Borrowings, to the Company s unaudited condensed consolidated financial statements for more information regarding these obligations, including timing of payments and compliance with debt covenants.
(3)

The $227.0 million of interest on notes payable that are due in more than 5 years represents interest on the 8.125% Senior Notes. The 8.125% Senior Notes may be redeemed for cash, in whole or in part, on or after June 26, 2017, at the Company s option, which may impact the actual interest paid.

Off-Balance Sheet Arrangements

In the ordinary course of business, we enter into arrangements with unconsolidated entities, including variable interest entities. See Note 13 Investments to the Company s unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information related to the Company s investments in unconsolidated entities.

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Recently Adopted Accounting Pronouncements

See Note 1 Organization and Basis of Presentation, to the Company s unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding recently adopted accounting pronouncements.

New Accounting Pronouncements

See Note 1 Organization and Basis of Presentation, to the Company s unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding new accounting pronouncements.

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Our Organizational Structure

We are a holding company and our business is operated through two operating partnerships, BGC U.S., which holds our U.S. businesses, and BGC Global, which holds our non-U.S. businesses. The limited partnership interests of the two operating partnerships are held by us and BGC Holdings, and the limited partnership interests of BGC Holdings are currently held by Cantor, the founding/working partners and holders of limited partnership units. We hold the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitle us to remove and appoint the general partner of BGC Holdings, and serve as the general partner of BGC Holdings, which entitles us to control BGC Holdings. BGC Holdings, in turn, holds the BGC U.S. general partnership interest and the BGC U.S. special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC U.S., and the BGC Global general partnership interest and the BGC Global special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC Global, and serves as the general partner of BGC U.S. and BGC Global, all of which entitle BGC Holdings (and thereby us) to control each of BGC U.S. and BGC Global. BGC Holdings holds its BGC Global general partnership interest through a company incorporated in the Cayman Islands, BGC Global Holdings GP Limited.

The following diagram illustrates our ownership structure as of June 30, 2012. The following diagram does not reflect the various subsidiaries of BGC, BGC U.S., BGC Global, BGC Holdings or Cantor, or the noncontrolling interests in the Company s consolidated subsidiaries other than Cantor s limited partnership interest in BGC Holdings.

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* Shares of our Class B common stock are convertible into shares of our Class A common stock at any time in the discretion of the holder on a one-for-one basis. Accordingly, if Cantor converted all of its Class B common stock into Class A common stock, Cantor would hold 27.7% of the voting power, and the public stockholders would hold 72.3% of the voting power (and the indirect

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economic interests in BGC U.S. and BGC Global would remain unchanged). The diagram reflects (i) 1,010,655 shares of Class A common stock that Cantor distributed to its partners on February 14, 2012 and 282,023 shares of Class A common stock that Cantor distributed to its partners on March 21, 2012 (but not the 1,928,103 February 2012 distribution rights shares that remain to be distributed by Cantor); (ii) an aggregate of 721,679 April 2008 distribution rights shares that Cantor has distributed since September 2011, including the 498,960 shares of Class A common stock that Cantor distributed on February 14, 2012 (but not the 15,545,606 April 2008 distribution rights shares that remain to be distributed by Cantor); (iii) 75,000 shares of Class A common stock that Cantor donated to The Cantor Fitzgerald Relief Fund on March 9, 2012, all of which shares are included in this Form 10-Q; (iv) an aggregate of 1,050,000 shares of Class A common stock that we donated to The Cantor Fitzgerald Relief Fund on February 3, 2012 and March 9, 2012, all of which shares may be offered and sold under our separate shelf Registration Statement on Form S-3 (Registration No. 333-180391); (v) an aggregate of 5,290,090 shares of Class A common stock that we have sold under the September 2011 sales agreement since January 1, 2012, pursuant to our shelf Registration Statement on Form S-3 (Registration No. 333-176523); (vi) an aggregate of 1,434,910 shares of Class A common stock that we have sold under the February 2012 sales agreement since June 4, 2012 (but not the 8,565,090 shares that remain to be sold under that sales agreement), pursuant to our shelf Registration Statement on Form S-3 (Registration No. 333-176523); (vii) an aggregate of 886,569 Cantor units that Cantor purchased from BGC Holdings on March 13, 2012 in connection with the redemption of and/or grant of exchangeability to non-exchangeable founding/working partner units; (viii) an aggregate of 34,160 Cantor units that Cantor purchased from BGC Holdings on May 4, 2012 in connection with the redemption of non-exchangeable founding/working partner units; (ix) an aggregate of 44,013 shares of Class A common stock that we repurchased, including an aggregate of 41,523 shares from Mr. Merkel and certain family trusts, on March 13, 2012; and (x) 895,141 exchangeable founding/working partner units that we repurchased from a founding/working partner on April 5, 2012. The diagram does not reflect Cantor s economic interest in the 8.75% convertible notes or the 22,959,124 shares of Class A common stock acquirable by Cantor upon conversion thereof. If Cantor converted all of the 8.75% convertible notes into shares of Class A common stock, Cantor would hold 78.4% of the voting power, and the public stockholders would hold 21.6% of the voting power (and Cantor s indirect economic interests in each of BGC U.S. and BGC Global would be 37.6%). Further, the diagram does not reflect (i) 9,949,187 shares of Class A common stock that remain available to be sold pursuant to the BGC Partners, Inc. Dividend Reinvestment and Stock Purchase Plan under our shelf Registration Statement on Form S-3 (Registration No. 333-173109); (ii) 18,368,970 shares of Class A common stock that may be sold under our acquisition shelf Registration Statement on Form S-4 (Registration No. 333-169232); (iii) 16,260,160 shares of Class A common stock that may be issued upon conversion of the 4.50% convertible notes; or (iv) any shares of Class A common stock that may become issuable upon the conversion or exchange of any convertible or exchangeable debt securities that may in the future be sold under our shelf Registration Statement on Form S-3 (Registration No. 333-180331). For purposes of the diagram and this paragraph, Cantor s percentage ownership also includes CFGM s percentage ownership.

Stock Ownership

As of June 30, 2012, there were approximately 108,381,374 shares of our Class A common stock outstanding, of which 4,791,196 were held by Cantor and CF Group Management Group, Inc. (CFGM), Cantor s managing general partner. Each share of Class A common stock is generally entitled to one vote on matters submitted to a vote of our stockholders. In addition, as of June 30, 2012, Cantor and CFGM held 34,848,107 shares of our Class B common stock (which represents all of the outstanding shares of our Class B common stock), representing, together with our Class A common stock held by Cantor and CFGM, approximately 77.3% of our voting power. Each share of Class B common stock is generally entitled to the same rights as a share of Class A common stock, except that, on matters submitted to a vote of our stockholders, each share of Class B common stock is entitled to 10 votes. The Class B common stock generally votes together with the Class A common stock on all matters submitted to a vote of our stockholders.

We hold the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitle us to remove and appoint the general partner of BGC Holdings, and serve as the general partner of BGC Holdings, which entitles us to control BGC Holdings. BGC Holdings, in turn, holds the BGC U.S. general partnership interest and the BGC U.S. special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC U.S., and the BGC Global general partnership interest and the BGC Global special voting limited partnership interest, which entitles the holder thereof to remove and appoint the general partner of BGC Global, and serves as the general partner of each of BGC U.S. and BGC Global, all of which entitle BGC Holdings (and thereby us) to control each of BGC U.S. and BGC Global. BGC Holdings holds its BGC Global general partnership interest through a company incorporated in the Cayman Islands, BGC Global Holdings GP Limited. In addition, as of June 30, 2012, we held directly and indirectly, through wholly-owned subsidiaries, BGC U.S. limited partnership interests and BGC Global limited partnership interests consisting of approximately 143,229,481 units and 143,229,481 units, representing approximately 52.4% and 52.4% of the outstanding BGC U.S. limited partnership interests and BGC Global limited partnership interests, respectively. We are a holding company that holds these interests, serves as the general partner of BGC Holdings, and, through BGC Holdings, acts as the general partner of each of BGC U.S. and BGC Global. As a result of our ownership of the general partnership interest in BGC Holdings and BGC Holdings general partnership interest in each of BGC U.S. and BGC Global, we consolidate BGC U.S. s and BGC Global s results for financial reporting purposes.

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Partners directly and Cantor indirectly hold BGC Holdings limited partnership interests. BGC Holdings, in turn, holds BGC U.S. limited partnership interests and BGC Global limited partnership interests and, as a result, founding partners, limited partnership unit holders and Cantor indirectly have, and working partners have interests in BGC U.S. limited partnership interests and BGC Global limited partnership interests.

Through June 30, 2012, Cantor has distributed an aggregate of 19,118,816 shares of Class A common stock consisting of (i) 17,826,138 shares to certain partners to satisfy certain of Cantor s deferred stock distribution obligations provided to such partners on April 1, 2008 (the April 2008 distribution rights shares) (10,152,056 shares with respect to retained partners and 7,674,082 shares with respect to founding partners), and (ii) 1,292,678 shares to certain partners of Cantor to satisfy certain of Cantor s deferred stock distribution obligations provided to such partners on February 14, 2012 in connection with Cantor s payment of previous quarterly partnership distributions (the February 2012 distribution rights shares). As of June 30, 2012, Cantor is obligated to distribute an aggregate of 17,473,709 shares of Class A common stock consisting of (A) 15,545,606 April 2008 distribution rights shares and (B) 1,928,103 February 2012 distribution rights shares. Partners of Cantor owning these 17,473,709 shares have elected to defer receipt of their shares and receive a distribution equivalent. In addition, as of June 30, 2012, there were 58,212,724 limited partnership units outstanding and 22,869,470 founding/working partner units. These amounts reflect the fact that certain retained partners have terminated service, with the result that they are not eligible to receive an accelerated distribution of their distribution rights shares.

The BGC Holdings limited partnership interests held by Cantor are exchangeable with us for our Class B common stock (or, at Cantor s option or if there are no additional authorized but unissued shares of our Class B common stock, our Class A common stock) on a one-for-one basis (subject to customary anti-dilution adjustments). Upon certain circumstances, certain of the outstanding founding/working partner units and limited partnership units may become exchangeable.

In March 2010, the Amended and Restated BGC Holdings, L.P. limited partnership agreement was further amended by its general partner and Cantor to create two new types of limited partnership units, PSUs and PSIs. These new units are expected to be used by us for future compensatory grants, compensation modifications, redemptions of partnership interests and other purposes. In September 2011, the Amended and Restated BGC Holdings, L.P. limited partnership agreement was further amended by its general partner and Cantor to create five new classes of limited partnership units, all of which shall be considered Working Partner Units. Four new units, AREUs, ARPUs, APSUs, and APSIs, are identical in all respects to existing REUs, RPUs, PSUs and PSIs, respectively, for all purposes under the Partnership Agreement, except that (i) until any related distribution conditions specified in the applicable award agreement are met, if ever, only net losses shall be allocable with respect to such units; and (ii) no distributions shall be made until such distribution conditions are met. The other new unit, the PSE, is identical in all respects to existing PSUs for all purposes under the Partnership Agreement, except that (x) PSEs shall require minimum distributions of no less than $0.015 per fiscal quarter; and (y) such distributions may be delayed for up to four quarters in the discretion of the General Partner. The Amendment was entered into principally to create new classes of Partnership units in order to provide flexibility to the Company and the Partnership in using units in connection with compensation arrangements and acquisitions.

We are continuing our global program in 2012 whereby partners redeem their REUs or RPUs in exchange for partnership units and receive exchangeability or cash for certain of their limited partnership units and, in many cases, a modification or extension of their employment arrangements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

Credit risk arises from potential non-performance by counterparties and customers. BGC Partners has established policies and procedures to manage its exposure to credit risk. BGC Partners maintains a thorough credit approval process to limit exposure to counterparty risk and employs stringent monitoring to control the counterparty risk from its matched principal and agency businesses. BGC Partners account opening and counterparty approval process includes verification of key customer identification, anti-money laundering verification checks and a credit review of financial and operating data. The credit review process includes establishing an internal credit rating and any other information deemed necessary to make an informed credit decision, which may include correspondence, due diligence calls and a visit to the entity s premises, as necessary.

Credit approval is granted subject to certain trading limits and may be subject to additional conditions, such as the receipt of collateral or other credit support. On-going credit monitoring procedures include reviewing periodic financial statements and publicly available information on the client and collecting data from credit rating agencies, where available, to assess the on-going financial condition of the client. For U.S. Treasury transactions conducted through the eSpeed electronic trading platform, BGC Partners has developed and utilizes an electronic credit monitoring system which measures and controls credit usage, which may include the ability to prohibit execution of trades that would exceed risk limits and permit only risk reducing trades. This system is compliant with SEC Rule 15c3-5, which became effective November 30, 2011. The Rule relates to systems such as eSpeed that provide direct market access to an exchange or Alternative Trading System. The Rule requires firms to set and monitor pre-trade limits for all activities subject to the Rule.

Principal Transaction Risk

Through its subsidiaries, BGC Partners executes matched principal transactions in which it acts as a middleman by serving as counterparty to both a buyer and a seller in matching back-to-back trades. These transactions are then settled through a recognized settlement system or third-party clearing organization. Settlement typically occurs within one to three business days after the trade date. Cash settlement of the transaction occurs upon receipt or delivery of the underlying instrument that was traded. BGC Partners generally avoids settlement of principal transactions on a free-of-payment basis or by physical delivery of the underlying instrument. However, free-of-payment transactions may occur on a very limited basis.

The number of matched principal trades BGC Partners executes has continued to grow as compared to prior years. Receivables from broker-dealers and clearing organizations and Payables to broker-dealers and clearing organizations on the Company s unaudited condensed consolidated statements of financial condition primarily represent the simultaneous purchase and sale of the securities associated with those matched principal transactions that have not settled as of their stated settlement dates. BGC Partners experience has been that substantially all of these transactions ultimately settle at the contracted amounts.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices or other factors will result in losses for a specified position. BGC Partners may allow certain of its desks to enter into unmatched principal transactions in the ordinary course of business and hold long and short inventory positions. These transactions are primarily for the purpose of facilitating clients execution needs, adding liquidity to a market or attracting additional order flow. As a result, BGC Partners may have market risk exposure on these transactions. BGC Partners exposure varies based on the size of its overall positions, the risk characteristics of the instruments held and the amount of time the positions are held before they are disposed of. BGC Partners has limited ability to track its exposure to market risk and unmatched positions on an intra-day basis; however, it attempts to mitigate its market risk on these positions by strict risk limits, extremely limited holding periods and hedging its exposure. These positions are intended to be held short term to facilitate customer transactions. However, due to a number of factors, including the nature of the position and access to the market on which it trades, BGC Partners may not be able to unwind the position and it may be forced to hold the position for a longer period than anticipated. All positions held longer than intra-day are marked to market.

Our risk management procedures and strict limits are designed to monitor and limit the risk of unintended loss and have been effective in the past. However, there is no assurance that these procedures and limits will be effective at limiting unanticipated losses in the future. Adverse movements in the securities positions or a downturn or disruption in the markets for these positions could result in a substantial loss. In addition, principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on BGC Partners unaudited condensed consolidated financial condition and results of operations for any particular reporting period.

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Operational Risk

Our businesses are highly dependent on our ability to process a large number of transactions across numerous and diverse markets in many currencies on a daily basis. If any of our data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

In addition, despite our contingency plans, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with whom we conduct business.

Foreign Currency Risk

BGC Partners is exposed to risks associated with changes in foreign exchange rates. Changes in foreign currency rates create volatility in the U.S. dollar equivalent of the Company s revenues and expenses in particular with regard to British Pounds and Euros. In addition, changes in the remeasurement of BGC Partners foreign currency denominated net assets are recorded as part of its results of operations and fluctuate with changes in foreign currency rates. BGC monitors the net exposure in foreign currencies on a daily basis and hedges its exposure as deemed appropriate with highly rated major financial institutions.

Interest Rate Risk

BGC Partners had $452.2 million in fixed-rate debt outstanding as of June 30, 2012. These debt obligations are not currently subject to fluctuations in interest rates, although in the event of refinancing or issuance of new debt, such debt could be subject to changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

BGC Partners maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by BGC Partners is recorded, processed, summarized, accumulated and communicated to its management, including its Chairman and Chief Executive Officer and its Chief Financial Officer, to allow timely decisions regarding required disclosure, and reported within the time periods specified in the SEC s rules and forms. The Chairman and Chief Executive Officer and the Chief Financial Officer have performed an evaluation of the effectiveness of the design and operation of BGC Partners disclosure controls and procedures as of June 30, 2012. Based on that evaluation, the Chairman and Chief Executive Officer and the Chief Financial Officer concluded that BGC Partners disclosure controls and procedures were effective as of June 30, 2012.

Changes in Internal Control over Financial Reporting

During the six months ending June 30, 2012, BGC Partners continued the process of integrating policies, processes, people, technology and operations related to the Newmark Grubb Knight Frank acquisitions. The integration may result in changes to our internal control over financial reporting in the future. Management will continue to evaluate our internal control over financial reporting as we execute our integration activities. There were no changes in our internal control over financial reporting during the six months ended June 30, 2012 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the description of legal proceedings in Note 18 Commitments, Contingencies and Guarantees to the Company s unaudited condensed consolidated financial statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference herein.

ITEM 1A. RISK FACTORS

Set forth below are new risk factors and updates to certain of our risk factors.

Regulatory/Legal

The financial services industry in which we operate is subject to significant regulation. We are subject to regulatory capital requirements on our regulated businesses, and a significant operating loss or any extraordinary charge against capital could adversely affect our ability to expand or, depending upon the magnitude of the loss or charge, even to maintain the current level of our businesses.

Many aspects of our businesses, like those of other financial intermediary firms, are subject to significant capital requirements. In the U.S., the Securities and Exchange Commission (the SEC), the Financial Industry Regulatory Authority (FINRA) and various other regulatory bodies (including the Commodities Futures Trading Commission (CFTC) and the National Futures Association (the NFA) have stringent provisions with respect to capital applicable to the operation of brokerage firms, which vary depending upon the nature and extent of the broker-dealer s activities. We currently operate two U.S.-registered broker-dealers. In addition, we hold a 49% limited partnership interest in Aqua Securities, L.P., a U.S. registered broker-dealer. These broker-dealers are subject to SEC, FINRA, CFTC and NFA net capital requirements.

Our international operations are also subject to capital requirements. BGC Brokers L.P. and BGC European Holdings, L.P. are currently subject to capital requirements established by the U.K. Financial Services Authority (the FSA), the statutory regulator for the U.K. financial services industry. The FSA applies stringent provisions with respect to capital applicable to the operation of these brokerage firms, which vary depending upon the nature and extent of their activities. The provisions relating to capital and liquidity requirements enforced by the FSA are undergoing significant change in response to the current regulatory landscapes, and our U.K. businesses are being required to maintain significantly higher regulatory capital than they have in the past.

In addition, the majority of our other foreign subsidiaries are subject to similar regulation by the relevant authorities in the countries in which they do business. These regulations often include minimum capital requirements, which are subject to change. Similar requirements are applied to certain of our other subsidiaries that are regulated in other countries, such as Australia, France and Hong Kong.

We expect to continue to maintain levels of capital in excess of regulatory minimums. Should we fail to maintain the required capital, we may be required to reduce some of our operations or suspend our broker-dealer operations during the period that we are not in compliance with capital requirements, and may be subject to suspension or revocation of registration or withdrawal of authorization or other disciplinary action from domestic and international regulators, which would have a material adverse effect on us. In addition, should we fail to maintain the capital required by clearing organizations of which we are a member, our ability to clear through those clearing organizations may be impaired, which may adversely affect our ability to process trades. If the capital rules are changed or expanded, or if there is an unusually large charge against capital, our operations that require the intensive use of capital would be limited. Our ability to withdraw capital from our regulated subsidiaries is subject to restrictions, which, in turn, could limit our ability to pay dividends on our Class A common stock, and distributions on our BGC Holdings, L.P. (BGC Holdings) limited partnership interests, repay debt and repurchase shares of our Class A common stock or purchase BGC Holdings limited partnership interests or other equity interests in our subsidiaries, including from Cantor, our executive officers, other employees, partners and others, and pursue strategic acquisitions or other growth opportunities. In addition, we may become subject to capital requirements in other foreign jurisdictions in which we currently operate or in which we may enter. We cannot predict our future capital needs or our ability to obtain additional financing.

Changes in legislation and in the rules and regulations promulgated by the SEC, the CFTC, the U.S. Department of Treasury (the Treasury), the FSA and other domestic and international regulators and self-regulatory organizations, as well as changes in the interpretation or enforcement of existing laws and rules, often directly affect the method of operation and profitability of broker-dealers and could result in restrictions in the way we conduct our business. For example, the U.S. Congress, the Treasury, the Board of Governors of the Federal Reserve System and the SEC are continuing to review the nature and scope of their regulation and oversight of the government securities markets and U.S. markets. In Europe,

the implementation of the Markets in Financial Instruments Directive in Europe (MIFID) in November 2007 involved wide-ranging changes to European financial services regulation. Future legislation and/or regulation, for example resulting from the review of MIFID that is currently underway, and uncertainties resulting from the possibility of legislation and/or regulation, could adversely impact our business. Failure to comply with any of these laws,

rules or regulations could result in fines, restrictions or limitations on business activity, suspension or expulsion from the industry, any of which could have a material adverse effect upon us. Changes in tax laws, such as the bank payroll taxes introduced in the U.K. and France at the end of the 2009, could have a material adverse effect on our compensation policies or businesses, financial condition and results of operations. Further, new rules and regulations proposed, or which may be proposed, by the U.S. President and his administration could have a significant impact on us.

In addition, financial intermediary firms are subject to numerous conflicts of interests or perceived conflicts, including for example principal trading and trading to make markets. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts, and we will regularly seek to review and update our policies, controls and procedures. However, these policies, controls and procedures may result in increased costs and additional operational personnel. Failure to adhere to these policies, controls and procedures may result in regulatory sanctions or customer litigation.

Our businesses, financial condition, results of operations and prospects could be adversely affected by new laws or regulations or by changes in existing laws or regulations or the application thereof.

The financial services industry, in general, is heavily regulated.

Changes in laws and in the rules and regulations promulgated by the SEC, FINRA, the CFTC, the Treasury, the FSA, and other domestic and international regulators and self-regulatory organizations, as well as changes in the interpretation or enforcement of existing laws, rules and regulations, often directly affect the method of operation and profitability of broker-dealers and could result in restrictions or limitations on the way we conduct our businesses. For a number of years, the U.S. Congress, the Treasury, the Board of Governors of the Federal Reserve System and the SEC have been reviewing the nature and scope of their regulation and oversight of the government securities markets and U.S. markets generally. In Europe, the implementation of MIFID in November 2007 involved wide-ranging changes to European financial services regulation. Future legislation and/or regulation, and uncertainties resulting from the possibility of such legislation and/or regulation, including changes in tax laws, such as the bank payroll taxes introduced in the U.K. and France at the end of the 2009, could have a material adverse effect on our businesses, financial condition, results of operations and prospects.

For example, in light of recent events in the U.S. and global financial markets and economy, regulators and legislators in the U.S. and European Union (EU) continue to craft new laws and regulations for the global over-the-counter (OTC) derivatives markets, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that became law in July 2010. The Dodd-Frank Act mandates or encourages several reforms regarding derivatives, including new regulations for swaps markets creating impartiality considerations, additional pre- and post-trade transparency requirements, and heightened collateral or capital standards, as well as recommendations for the obligatory use of central clearing for most standardized derivatives. The Act also requires that standardized derivatives be traded in an open and non-exclusionary manner on a regulated exchange or a swap execution facility (SEF).

In September 2010, the European Commission released a draft proposal for a similar set of rules to cover the EU. Among other things, the Commission proposed that information on OTC derivative contracts should be reported to trade repositories and be accessible to supervisory authorities, that some transaction and price related information should be made available to more market participants than is currently common practice, and that standard OTC derivative contracts be cleared through central counterparties. While the Commission s initial proposals are currently in a consultation phase prior to being presented to the European Parliament and the European Council for consideration, these rules will not be operational at least until the end of 2012.

Although we currently broker a number of centrally cleared products, and believe that we will qualify as a SEF in the U.S. and its equivalent in the EU, there can be no guarantee that the final rules will not negatively impact our volumes or revenues. In the event that the U.S. government, EU or other countries authorities ultimately were to mandate central clearing without ensuring fair and open access, or forcing trading via SEFs or exchanges for large portions of the OTC marketplace, and we were unable to provide transaction execution and reporting in an authorized manner, or to do so on a competitive basis, we would be negatively impacted. Further, it is conceivable that the new regulatory landscape will fundamentally alter the historical relationship between OTC wholesale brokers and our clients, which may have an adverse effect on us.

In the U.K., the FSA has implemented far-reaching reform rules, designed to enhance firms liquidity risk management practices, based on the lessons learned since the start of the recent credit crisis. Implications of these rules include better liquidity risk management capability (including the use of stress testing and contingency funding plans), less reliance on short-term wholesale funding, and higher amounts and quality of liquid asset securities (government securities), leading to an increased likelihood of surviving a severe liquidity stress event, the overarching principles being self-sufficiency and adequacy of liquid resources.

Further, the authorities of certain EU countries have instituted a series of changes to tax law, including an excise tax on certain compensation payments that, if applicable to us, could have a material adverse effect on our businesses, financial condition, results of operations and prospects. Similarly, the current U.S. administration has proposed a series of changes to U.S. tax law, some of which

could apply to us. It is not possible to predict if any of these new provisions will be enacted or, if they are, what form they may take. It is possible that one or more of such provisions could negatively impact our costs and our effective tax rate, which would affect our after-tax earnings. If any of such changes to tax law were implemented and/or deemed to apply to us, they could have a material adverse effect on our businesses, financial condition, results of operations and prospects, including on our ability to attract and retain executives and brokers.

In addition, the U.K. has passed the Bribery Act of 2010, which came into force on July 1, 2011. It creates four new offenses: two general offenses of bribing another person and being bribed, and bribing a foreign public official and a corporate offense of failing to prevent bribery. The corporate offense is a strict liability offense which is subject to the defense that the relevant commercial organization had adequate procedures in place to prevent bribery. Official guidance on what constitutes adequate measures to combat bribery has also been published.

The Bribery Act has a global reach and applies to all companies, partnerships and individuals based in the U.K., as well as foreign companies and individuals doing business in the U.K. The Act s extra-territorial application means that it applies to acts or omissions taking place anywhere in the world. This means that it may be more likely for bribery taking place outside the U.K. to attract the attention of the U.K. authorities, as well as the attention of authorities in multiple jurisdictions. Failure to comply with the Act could result in unlimited fines for commercial organizations, debarment from competing for public contracts and/or imprisonment of individuals, which could have a material adverse effect on us.

There is uncertainty regarding the impact of the Bribery Act, as it could restrict the way business is currently conducted, particularly in relation to corporate hospitality, gifts and facilitation payments. The ability to attract and retain clients and business may be constrained, compared with competitors who are not subject to the same restrictions and levels of scrutiny. Ensuring compliance with the Act may result in increased costs and use of personnel resources.

Proposals for additional legislation further regulating the financial services industry are periodically introduced in the United States, the EU and other counties. Moreover, the agencies regulating the financial services industry also periodically adopt changes to their rules and regulations, particularly as these regulators have increased the focus and intensity of their regulation of the financial services industry.

We are unable to predict how any of these new laws, rules, regulations and proposals will be implemented or in what form, or whether any additional or similar changes to laws or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our businesses, financial condition, results of operations and prospects. We believe that uncertainty and potential delays around the final form such new laws and regulations might take may negatively impact trading volumes in certain markets in which we broker. Increased capital requirements may also diminish transaction velocity. While the broad framework of currently proposed laws and regulations is known, we believe that it is too early for there to be clarity on the specific aspects of the U.S. and EU proposals which may directly impact our businesses as many proposals have not yet been finalized. Additionally, unintended consequences of the laws and regulations may adversely affect us in ways yet to be determined.

We are also affected by the other policies adopted by regulatory authorities and bodies of the U.S., U.K. and other countries. For example, the actions of the U.S. Federal Reserve and international central banking authorities directly impact our cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments we hold. In addition, changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

Risks Relating to Regulatory Review

Extensive regulation of our businesses restricts and limits our operations and activities which results in ongoing exposure to potential significant costs and penalties, including fines or additional restrictions or limitations on our ability to conduct or grow our businesses.

The financial services industry, including our businesses, is subject to extensive regulation, which is very costly. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. These regulations will often serve to restrict or limit our operations and activities, including through capital, customer protection and market conduct requirements.

Firms in the financial services industry, including our businesses, have experienced increased scrutiny in recent years, and penalties and fines sought by regulatory authorities, including the SEC, the CFTC, FINRA, state securities commissions, state attorneys general and the FSA, have increased accordingly. This trend toward a heightened regulatory and enforcement environment can be expected to continue for the foreseeable future, and this environment may create uncertainty.

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Our businesses are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to bring enforcement actions and to conduct administrative proceedings and examinations, inspections, and investigations, which may result in costs, fines, penalties, enhanced oversight, additional requirements, restrictions, or limitations, and censure, suspension, or expulsion. Self-regulatory organizations such as FINRA and the NFA, along with statutory bodies such as the SEC, the CFTC and the FSA, require strict compliance with their rules and regulations.

From time to time, we and our associated persons have been and are subject to periodic examinations, inspections and investigations that have and may result in significant costs and possible disciplinary actions by the SEC, the CFTC, the FSA, self-regulatory organizations and state securities administrators.

The FSA s periodic ARROW risk assessment of our U.K. group s regulated businesses identified certain weaknesses in our U.K. group s risk, compliance and control functionality, including governance procedures. In accordance with its normal process, the FSA provided us with an initial written Risk Mitigation Program (the Program) regarding the foregoing. In response to this, we retained an international consultancy firm and U.K. external counsel to assist us with a wide program of remediation to address the points raised.

Within the Program, we provided an assessment of the appropriateness of the scope and structure of the businesses in our U.K. group. We increased the liquidity and capital levels of certain of our U.K. group s existing FSA-regulated businesses, and also reviewed and enhanced our policies and procedures relating to assessing risks and our liquidity and capital requirements. We also produced detailed contingency planning steps to determine the stand-alone viability of each of the businesses in our U.K. group, as well as a theoretical orderly wind-down scenario for these businesses. Finally, we agreed to a temporary, voluntary limitation on acquisitions of new businesses regulated by the FSA and entering into new regulated business lines.

A significant number of outputs from the remediation program were delivered to the FSA in December 2011. The FSA responded positively and on March 1, 2012, the FSA confirmed that it had relaxed the voluntary undertaking of BGC Brokers. With respect to acquisitions, for new business lines or material change in its risk profile, members of the BGC European Group intend to provide prior notice to the FSA to consider and determine that it has no objection. At around the same time that the voluntary undertaking was relaxed, the FSA presented us with the second part of the Risk Mitigation Program, although the majority of the items presented have either already been remediated or form part of an existing work plan. The items identified are scheduled to be completed within calendar year 2012.

The FSA has confirmed that through the use of a Skilled Person s Report, they will seek to test implementation effectiveness of specific areas covered under the remediation program in the second half of the year as the Company continues to remediate the areas indicated by the FSA in its recent reviews and will continue to dedicate time, resources and funds to such efforts. The Company is scheduled to undergo its periodic ARROW risk assessment in the fourth quarter. We do not anticipate that the current costs in connection with the FSA remedial work or the ARROW risk assessment will have a material adverse effect on our businesses, financial condition, results of operations or prospects.

Risks Relating to Europe Sovereign Debt Crisis

Market developments and government actions regarding the sovereign debt crisis in Europe, particularly in Portugal, Ireland, Italy, Greece and Spain, could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Although BGC generally does not make markets in, trade for its own account, or otherwise have balance sheet risk with respect to sovereign debt, the ongoing sovereign debt crisis in Europe could have negative implications for our business. Concerns persist regarding the ability of certain European countries to continue to service their sovereign debt obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. The global recession and disruption of the financial markets has led to concerns over access to capital markets and the solvency of EU Member States, including Portugal, Ireland, Italy, Greece and Spain, and of financial institutions that have significant direct or indirect exposure to debt issued by, or the economies of, these countries. The continued uncertainty over the outcome of international financial support programs and the possibility that EU Member States may experience similar financial troubles could further disrupt global markets. Recent rating agency downgrades on certain European sovereign debt, as well as downgrades on certain European financial institutions, and growing concern of the potential default of government issuers or of a possible withdrawal by one or more EU Member States from the Eurozone or a break-up of the EU has further contributed to this uncertainty. The negative impact of market developments and government actions regarding the sovereign debt crisis in Europe on economic conditions and global markets generally could have an adverse effect on the level and volume of trading activity of European issuers or banks and financial institutions in the Eurozone, which could in turn effect our business, financial condition, results of operations and liquidity.

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Risks Related to the 8.125% Senior Notes

On June 26, 2012, the Company closed its offering and sale of $100 million aggregate principal amount of its 8.125% Senior Notes due 2042 (the 8.125% Senior Notes), which were registered under the Company s effective Shelf Registration Statement on Form S-3, as amended (Registration No. 333-180331). On June 27, 2012, the underwriters of the 8.125% Senior Notes exercised their option to purchase an additional $12.5 million aggregate principal amount of the 8.125% Senior Notes, which offering and sale closed on June 28, 2012.

The effective subordination of the 8.125% Senior Notes may limit our ability to satisfy our obligations under the notes.

The 8.125% Senior Notes are our senior unsecured obligations and rank equally with all of our other indebtedness that is not expressly subordinated to the 8.125% Senior Notes. Including the 8.125% Senior Notes, we had outstanding $422.5 million principal amount of senior unsecured indebtedness (exclusive of intercompany debt, trade payables, distributions payable and accrued expenses) as of June 30, 2012. However, the 8.125% Senior Notes will be effectively subordinated to all liabilities of all of our subsidiaries. As of June 30, 2012, our subsidiaries had outstanding $1.0 billion of liabilities (excluding such $422.5 million principal amount of senior unsecured indebtedness but including $52.3 million of secured indebtedness). In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to any such subsidiary, we, as an equity owner of such subsidiary, and therefore holders of our debt, including the 8.125% Senior Notes, will be subject to the prior claims of such subsidiary s creditors, including trade creditors, and preferred equity holders.

We conduct substantially all of our operations through our subsidiaries. We do not have any material assets other than our direct and indirect ownership in the equity of our operating subsidiaries. As a result, our cash flow and our ability to service our debt, including the 8.125% Senior Notes, are dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. Certain debt and security agreements entered into by our subsidiaries contain various restrictions, including restrictions on payments by our subsidiaries to us and the transfer by our subsidiaries of assets pledged as collateral.

The 8.125% Senior Notes will also be effectively subordinated to all of our secured indebtedness to the extent of the value of the collateral securing such indebtedness. As of June 30, 2012, we had no secured indebtedness and our subsidiaries had total secured indebtedness of approximately $52.3 million. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us, the holders of any secured indebtedness will be entitled to proceed directly against the collateral that secures such secured indebtedness. Therefore, such collateral will not be available for satisfaction of any amounts owed under our unsecured indebtedness, including the notes, until such secured indebtedness is satisfied in full.

There are limited covenants and protections in the indenture governing the 8.125% Senior Notes, as supplemented by the first supplemental indenture thereto (together, the indenture).

While the indenture governing the 8.125% Senior Notes and the 8.125% Senior Notes contain terms intended to provide protection to holders upon the occurrence of certain events involving significant corporate transactions and our creditworthiness, these terms are limited and may not be sufficient to protect an investment in the notes. For example, there are no financial covenants in the indenture governing the 8.125% Senior Notes. As a result, we could enter into transactions that could increase the total amount of our outstanding indebtedness, adversely affect our capital structure or our credit ratings, or otherwise adversely affect the holders of the notes.

In addition, as described in indenture, upon the occurrence of a Change of Control Triggering Event, holders of the 8.125% Senior Notes are entitled to require us to repurchase their notes at 101% of their principal amount. However, the definition of the term Change of Control Triggering Event is limited and does not cover a variety of transactions (such as acquisitions by us, recapitalizations or going private transactions by our affiliates) that could negatively affect the value of the notes. A change of control transaction under the indenture may only occur if there is a change in the controlling interest in our business. For a Change of Control Triggering Event to occur there must be not only a change of control transaction as defined in the indenture governing the notes, but also, a ratings downgrade resulting from such transaction. If we were to enter into a significant corporate transaction that negatively affects the value of the notes, but would not constitute a Change of Control Triggering Event, holders of the 8.125% Senior Notes would not have any rights to require us to repurchase such notes prior to their maturity, which also would adversely affect an investment in the 8.125% Senior Notes.

Ratings of the 8.125% Senior Notes may not reflect all risks of an investment in the 8.125% Senior Notes and changes in our credit rating could adversely affect the market price of the notes.

We are currently rated by three nationally recognized statistical rating organizations. A debt rating is not a recommendation to purchase, sell or hold the notes. Moreover, a debt rating does not reflect all risks of an investment in the 8.125% Senior Notes and does not take into account market price or suitability for a particular investor. The market price for the 8.125% Senior Notes is based on a number of factors, including our

ratings with major rating agencies. Rating agencies revise their ratings for the companies that

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they follow from time to time and our ratings may be revised or withdrawn in their entirety at any time. We cannot be sure that rating agencies will maintain their current ratings. We undertake no obligation to maintain the ratings or to advise holders of 8.125% Senior Notes of any change in ratings. A negative change in our ratings could have an adverse effect on the market price or liquidity of the notes.

Changes in the credit markets could adversely affect the market price of the notes.

The market price for the 8.125% Senior Notes is based on a number of factors, including:

- the prevailing interest rates being paid by other companies similar to us; and
- the overall condition of the financial markets

The condition of the credit markets and prevailing interest rates have fluctuated in the past and can be expected to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price and liquidity of the notes.

An active trading market may not develop for the notes, which could adversely affect the price of the 8.125% Senior Notes in the secondary market and the ability to resell the 8.125% Senior Notes.

The 8.125% Senior Notes are a new issue of securities and there is no established trading market for the notes. The 8.125% Senior Notes trade on the New York Stock Exchange under the symbol BGCA ; however, we cannot make any assurance as to:

- the development of an active trading market;
- the liquidity of any trading market that may develop;
- the ability of holders to sell their 8.125% Senior Notes; or
- the price at which the holders would be able to sell their 8.125% Senior Notes

If an active trading market were to develop, the market prices of the 8.125% Senior Notes will depend on many factors, including prevailing interest rates, our credit ratings published by major rating agencies, the market for similar securities and our operating performance and financial condition. If a trading market does develop, there is no assurance that it will continue. If an active public trading market for the 8.125% Senior Notes does not develop or does not continue, the market price and liquidity of the 8.125% Senior Notes is likely to be adversely affected and notes traded after their purchase may trade at a discount from their purchase price.

We may not be able to repurchase the 8.125% Senior Notes upon a Change of Control Triggering Event.

Upon the occurrence of a Change of Control Triggering Event (as defined in the first supplemental indenture), unless we have exercised our right to redeem the 8.125% Senior Notes, holders of the 8.125% Senior Notes will have the right to require us to repurchase all or any part (in minimum original principal amounts of $25 and integral multiples of $25 in excess thereof) of their notes at a price in cash equal to 101% of the then outstanding aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the 8.125% Senior Notes repurchased, to, but excluding, the date of purchase. If we experience a Change of Control Triggering Event, we cannot provide assurance that we would have sufficient financial resources available to satisfy our obligations to repurchase the notes. Our failure to repurchase the 8.125% Senior Notes as required under the indenture governing the 8.125% Senior Notes would result in a default under the indenture, which could result in defaults under agreements governing any of our other indebtedness, including the acceleration of the payment of any borrowings thereunder, and have material adverse consequences for us and the holders of the notes. In addition, the change of control provisions in the indenture may not protect holders of the 8.125% Senior Notes from certain important corporate events (such as acquisitions by us, recapitalizations or going private transactions by our affiliates) that could negatively affect the value of the notes. A change of control

transaction under the indenture may only occur if there is a change in the controlling interest in our business. For a Change of Control Triggering Event to occur there must be not only a change of control transaction as defined in the indenture, but also, a ratings downgrade resulting from such transaction. If an event occurs that does not constitute a Change of Control Triggering Event as defined in the indenture, we will not be required to make an offer to repurchase the 8.125% Senior Notes and holders of the notes may be required to continue to hold the notes despite the event.

Redemption may adversely affect the return on the 8.125% Senior Notes.

On or after June 26, 2017 we will have the right to redeem at par some or all of the 8.125% Senior Notes prior to maturity. We may redeem the 8.125% Senior Notes at times when prevailing interest rates may be relatively low compared to rates at the time of issuance of the 8.125% Senior Notes. Accordingly, holders of the 8.125% Senior Notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the notes.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The information required by this Item is set forth in Note 5 Unit Redemptions and Stock Transactions and Note 12 Related Party Transactions to the unaudited condensed consolidated financial statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q and in Management s Discussion and Analysis of Financial Condition and Results of Operations (Item 2 of Part I) and is incorporated by reference herein.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

The information required by this Item is set forth under the headings Executive Compensation and Cantor Rights upon Redemption of Founding/Working Partner Units by BGC Holdings and Liquidity and Capital Resources in the Management s Discussion and Analysis of Financial Condition and Results of Operations, included in Item 2 of Part I of this Quarterly Report on Form 10-Q and is incorporated by reference herein.

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ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from BGC Partners Quarterly Report on Form 10-Q for the period ended June 30, 2012 are formatted in eXtensible Business Reporting Language (XBRL): (i) the Unaudited Condensed Consolidated Statements of Financial Condition, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Comprehensive Income, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, (v) the Unaudited Condensed Consolidated Statements of Changes in Equity, and (vi) Notes to the Unaudited Condensed Consolidated Financial Statements. This Exhibit 101 is deemed not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarter ended June 30, 2012 to be signed on its behalf by the undersigned thereunto duly authorized.

BGC Partners, Inc.

/s/ Howard W. Lutnick

Name: **Howard W. Lutnick**
Title: **Chairman of the Board and Chief Executive Officer**

/s/ Anthony Graham Sadler

Name: **Anthony Graham Sadler**
Title: **Chief Financial Officer**

Date: August 8, 2012

[Signature page to the Quarterly Report on Form 10-Q for the period ended June 30, 2012 dated August 8, 2012.]

Exhibit Index

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