COWEN

ANNUAL REPORT 2020

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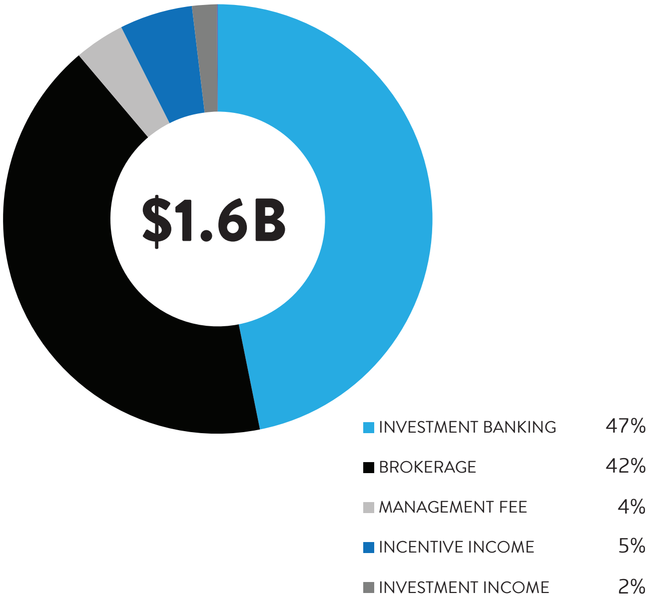
COWEN

LETTER FROM THE CHAIR & CEO

2020 was a challenging year, to put it mildly. But in the face of adversity and disruption, the Cowen team rose to the occasion, helping our clients outperform and delivering the best operating and financial results on record. **2020 was the first year we cracked the $1 billion mark in revenues, generating over $1.5 billion**. We also recorded our highest ever economic operating income with over $330 million. These impressive milestones did not happen overnight — they were years in the making. The direct result of careful strategic planning and targeted investment. But above all else, they are a testament to the hard work and dedication of the Cowen team.

A GROWING PLATFORM — 2020 REVENUE MIX*



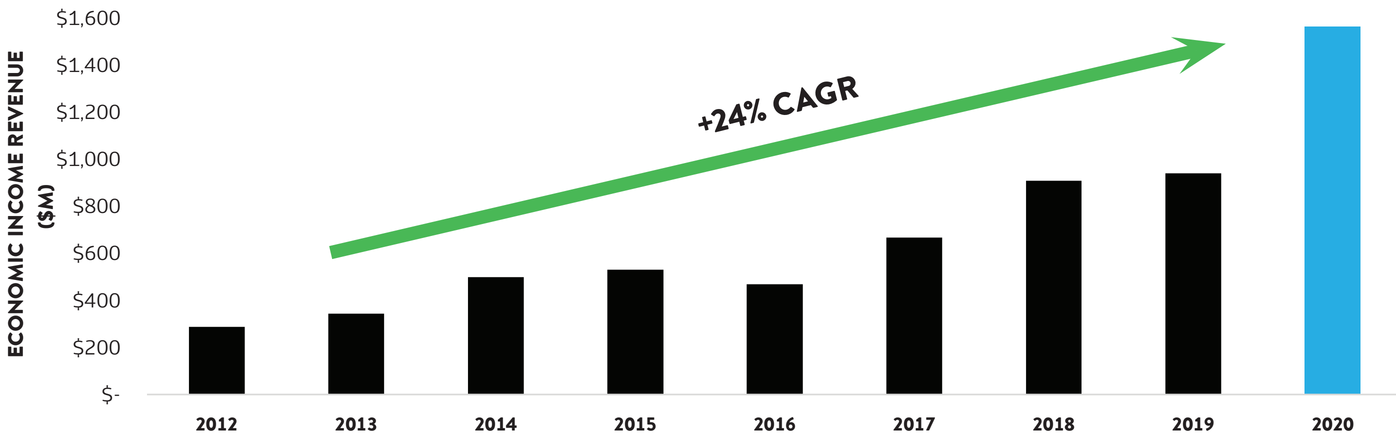
* Economic Income Revenue

DEAR SHAREHOLDERS, PARTNERS, COLLEAGUES AND FRIENDS:

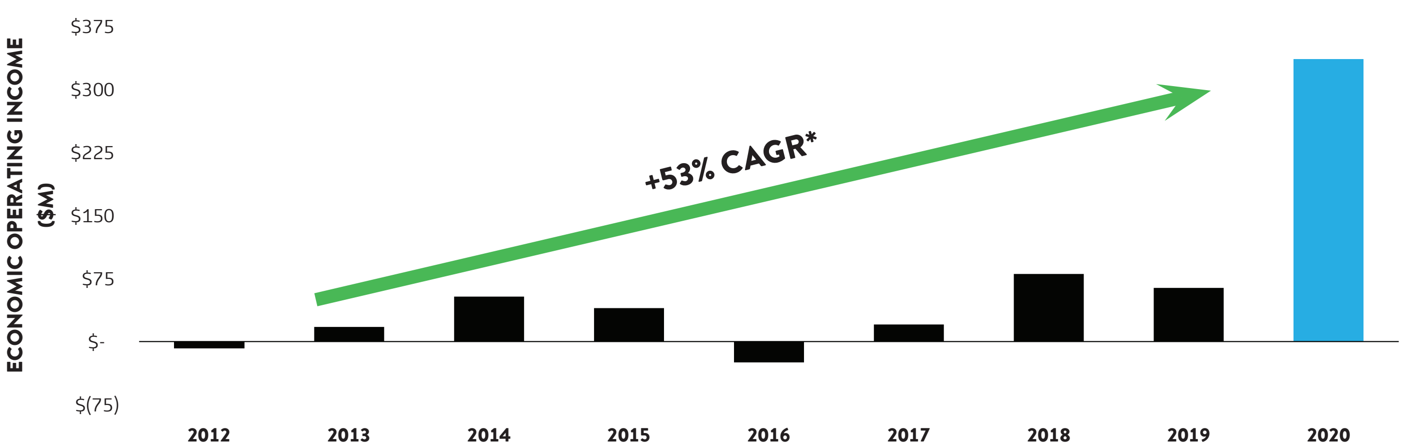
Much has been written about 2020 and its painful experiences – the disruption and divisions, challenges and chaos. It is the year that will forever be the watershed for the rest of our lives. A year when people around the world—individually and collectively—experienced something that was previously unthinkable—all at the same time. Perhaps the most enduring lesson of the year for Cowen as a whole is this: 2020 demonstrated that we thrive as an organization by helping others to fulfill their strategic goals and financial objectives. To put it simply: we only win when we help others

DELIVERING OUR BEST RESULTS YET

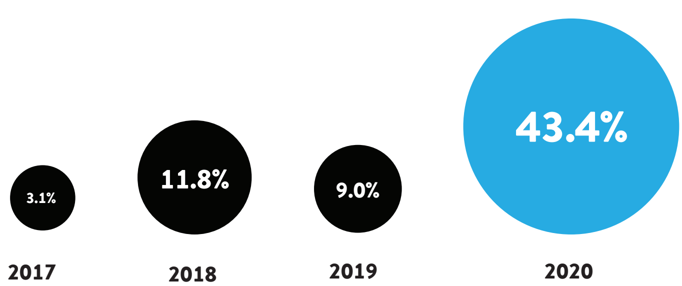
EXCEPTIONAL HISTORY OF REVENUE GROWTH....



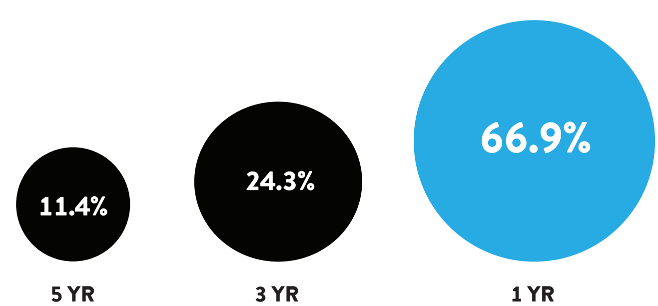
...WITH RISING PROFITABILITY



RETURN ON COMMON EQUITY REACHED NEW LEVELS...



... AS WE GENERATED HIGHER TOTAL ANNUAL SHAREHOLDER RETURNS



* Economic Operating Income CAGR based on FY'13 – FY'20

win. We are mindful of the fact that our success is dependent on the success of all our stakeholders and we realize that when we do well at Cowen, it enables us to do more good for others. That is a big part of what motivates us every day.

Many decades ago, a legendary automotive executive, "Engine" Charlie Wilson, was famously quoted (misquoted, it turns out) as saying "What is good for General Motors is good for America". At Cowen, we know the opposite to be true. What is good for all the communities around the world where we live and work is good for Cowen. That principle guides us — we work together as a team, we collaborate to help our clients and to take care of our colleagues, our families and our communities. We strive to apply this principle to our work: Helping health care companies secure the resources they need to discover new lifesaving drugs, tools and therapies; raising capital, providing strategic advice and investing in dozens of companies tackling urgent sustainability challenges in areas such as alternative energy, electric vehicle technologies and agricultural technology; providing world-class research and non-conflicted trade execution capabilities to institutional investors aiming to deliver higher returns for their own clients; and offering differentiated investment management products with Cowen DNA—our key areas of domain expertise.

We delivered on our 2020 objectives across the board, generating record profitability, handling record trading volumes, executing multiple complex transactions and advisory assignments and raising meaningful assets under management. We accomplished this all while more than 90% of our team was working remotely. During the year we completed 165 underwriting transactions (including 49 IPOs), 74 advisory assignments (a record year for our franchise) and 12 debt capital markets advisory transactions. Our growth was strong in all of our operating segments, with full-year revenues up 108% in investment banking and 41% in markets, while investment management fees rose 40% and incentive income climbed 87% versus full-year 2019. Even with the remote operating environment we remained highly engaged with our clients. Our total conference attendance actually rose 25% in 2020 despite the shift to virtual events. During the year Cowen held hundreds of virtual analyst marketing days and client conference calls, which drew tens of thousands of attendees.

2020 DEMONSTRATED THAT WE THRIVE AS AN ORGANIZATION BY HELPING OTHERS TO FULFILL THEIR STRATEGIC GOALS AND FINANCIAL OBJECTIVES.

TO PUT IT SIMPLY:
WE ONLY WIN WHEN WE HELP OTHERS WIN.

We also delivered for our shareholders. Total annual shareholder return was almost 67% in 2020, and 2021 is off to an even stronger start. We implemented a new quarterly cash dividend in February 2020, and we have increased the size of the dividend twice since then. Long-term shareholders have also been rewarded for placing their trust in Cowen: Annualized total three-year shareholder

POWERFUL **MOMENTUM**

+66%

TOTAL REVENUE*

+108%

INCREASE IN
INVESTMENT BANKING REVENUE

190,000

PAGES OF
RESEARCH PUBLISHED

+40%

INCREASE IN
MANAGEMENT FEES

+41%

INCREASE IN
MARKETS REVENUE

#1

NAMED US MID-MARKET
EQUITY HOUSE OF THE YEAR
BY IFR FOR THIRD
CONSECUTIVE YEAR

return was more than 24%, while annualized 5-year total shareholder return through the end of 2020 was over 11%.

Now, as we look forward to the balance of 2021 and beyond, there is much cause for optimism. The battle against COVID-19 continues, but we have seen some clear victories. Economies are emerging, and in some cases roaring back, from the deep freeze of the pandemic. And our political climate has grown less fevered and chaotic, and hopefully more constructive and solution-oriented.

At Cowen, we are excited about what the future holds, and we are committed to living our core values of Vision, Empathy, Sustainability and Tenacious Teamwork, which have served us well over the past year and act as our enduring guideposts as we help our clients to reach their goals.

With thanks for your continuing support,

JEFFREY M. SOLOMON
Chair and Chief Executive Officer

* Economic Income Revenue

TRANSLATING **VALUES INTO IMPACT**

PLEDGED TO ADVANCE DIVERSITY AND INCLUSION IN THE WORKPLACE

as a member of the CEO Action for Diversity & Inclusion™ coalition

COMMITTED TO RESPONSIBLE INVESTMENT

as a signatory to the UN's Principles for Responsible Investment (PRI)

PARTNERED WITH GOODTODAY, A CHARITABLE GIVING PLATFORM

through a company-sponsored program, employees engage with hundreds of causes and organizations around the globe daily

PLEDGED TO STRENGTHEN NYC'S ECONOMY IN THE WAKE OF THE PANDEMIC

as a member of the Partnership for New York City's Executive Committee

435

NON-PROFIT ORGANIZATIONS TO WHICH EMPLOYEES DONATED

WE COLLABORATE TO TAKE CARE OF **OUR EMPLOYEES, OUR FAMILIES** AND **OUR COMMUNITIES**

LEADING THE WAY
IN HELPING COMPANIES WHO HELP OTHERS

By leveraging our capital raising expertise and industry domain knowledge, we partner with companies who seek to disrupt the status quo

There is increasing investor demand for companies which are playing a part in the global transition away from carbon-intensive assets

SUSTAINABILITY

Investment management platform assets *(includes closing of Cowen Sustainable Investments' inaugural fund)*: **$1.1 billion**[1]

Investment banking transactions: **20**

Ahead Of The Curve® Series research publications *(examples)*:

- ***Sustainable Energy & Industrial Technology Primer***
- ***Future of Mobility Primer***
- ***Navigating the Energy Transition***

HEALTH CARE

Investment management platform assets: **$4.6 billion**[2]

Investment banking transactions: **149**

Ahead Of The Curve® Series research publications *(examples)*:

- ***The Role of Diagnostics in Covid-19 "Return to Normalcy"***
- ***Trials and Triumphs of Gene Therapy: A Compendium***
- ***The Liquid Biopsy Primer: Early Detection of Huge Opportunity***

Fast-track research efforts that led to breakthroughs in developing Covid-19 vaccines has highlighted to most people around the world the importance of biotech innovation

[1] Cowen Sustainable Investments AUM, provided as of April 1, 2021, is unaudited, net of applicable fees and expenses and includes unfunded capital commitments, where applicable.

[2] Healthcare AUM, provided as of April 1, 2021, includes Cowen Healthcare Investments and Healthcare Royalty Partners. The AUM data provided is unaudited, net of applicable fees and expenses and includes unfunded capital commitments, where applicable.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended: December 31, 2020

or

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

For the transition period from to

Commission file number: 001-34516

Cowen Inc.

(Exact name of registrant as specified in its charter)

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

599 Lexington Avenue
New York, New York 10022
(646) 562-1010

(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	COWN	The Nasdaq Global Market
7.35% Senior Notes due 2027	COWNZ	The Nasdaq Global Market
7.75% Senior Notes due 2033	COWNL	The Nasdaq Global Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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). 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.

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of Class A common stock held by non-affiliates of the registrant on June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the Class A common stock on the NASDAQ Global Market on that date was $429,938,446.

As of March 2, 2021 there were 26,673,114 shares of the registrant's Class A common stock outstanding.

Documents incorporated by reference:

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its 2021 Annual Meeting of Stockholders.

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Special Note Regarding Forward-Looking Statements

We have included or incorporated by reference into our Annual Report on Form 10-K (the "Annual Report"), and from time to time may make in our public filings, press releases or other public documents, certain statements, including (without limitation) those under Item 1—"Business," Item 1A—"Risk Factors," Item 3—"Legal Proceedings," Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A—"Quantitative and Qualitative Disclosures about Market Risk" that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking terms such as "may," "might," "will," "would," "could," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "possible," "potential," "intend," "seek" or "continue," the negative of these terms and other comparable terminology or similar expressions. In addition, our management may make forward-looking statements to analysts, representatives of the media and others. These forward-looking statements represent only the Company's beliefs regarding future events (many of which, by their nature, are inherently uncertain and beyond our control) and are predictions only, based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the risks outlined under Item 1A—"Risk Factors" in this Annual Report.

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

PART I

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

Item 1. Business

Overview

Cowen Inc., a Delaware corporation formed in 2009, is a diversified financial services firm that, together with its consolidated subsidiaries (collectively, "Cowen" or the "Company"), provides investment banking, research, sales and trading, prime brokerage, global clearing, securities financing, commission management services and investment management through its two business segments: the Operating Company ("Op Co") and the Asset Company ("Asset Co").

Operating Company

The Op Co segment consists of four divisions: the Cowen Investment Management ("CIM") division, the Investment Banking division, the Markets division (which includes sales and trading, prime brokerage, global clearing, securities financing and commission management services) and the Research division. The Company refers to the Investment Banking division, the Markets division and the Research division collectively as its investment banking businesses. Op Co's CIM division includes advisers to investment funds (including private equity structures and privately placed hedge funds), and registered funds. Op Co's investment banking businesses offer industry focused investment banking for growth-oriented companies including advisory and global capital markets origination, domain knowledge-driven research, sales and trading platforms for institutional investors, global clearing, commission management services and also a comprehensive suite of prime brokerage services.

The CIM division is the Company's investment management business, which operates primarily under the Cowen Investment Management name. CIM offers innovative investment products and solutions across the liquidity spectrum to institutional and private clients. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been registered with the United States ("U.S.") Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act") since 1997. The Company's investment management business offers investors access to a number of strategies to meet their specific needs including private healthcare investing, private sustainable investing, healthcare royalties, activism and merger arbitrage. A portion of the Company’s capital is invested alongside the Company's investment management clients. The Company has also invested some of its capital in its reinsurance businesses.

Op Co's investment banking businesses include investment banking, research, sales and trading, prime brokerage, global clearing and commission management services provided primarily to companies and institutional investor clients. Sectors covered by Op Co's investment banking business include healthcare, technology, media and telecommunications, consumer, industrials, information and technology services, and energy. We provide research and brokerage services to over 6,000 domestic and international clients seeking to trade securities and other financial instruments, principally in our sectors. The investment banking businesses also offer a full-service suite of introduced prime brokerage services targeting emerging private fund managers. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies. From time to time, the Company invests in private capital raising transactions of its investment banking clients.

Asset Company

The Asset Co segment consists of the Company's private investments, private real estate investments and other legacy investment strategies. The focus of Asset Co is to drive future monetization of the invested capital of the segment.

Principal Business Lines

Investment Banking

Our investment banking department provides strategic advisory and capital raising services to U.S. and international public and private companies in our sectors. Our strategic advisory services include, among other things, acquisitions, divestitures, fairness opinions, spin-offs, and partnerships. Our capital markets group consists of two groups: (i) equity capital markets (including convertible securities), which focuses on raising equity capital in the public markets, and (ii) private capital solutions, which focuses on providing alternative sources of capital and balance sheet solutions, including private equity, family offices, alternative lenders and liability management. A significant amount of our investment banking revenue has been earned from high-growth small and mid-capitalization companies. From time to time, the Company invests in private capital raising transactions of its clients.

Brokerage

Our team of brokerage professionals serves institutional investor clients in the U.S. and internationally. We trade common stocks, listed options, equity-linked securities and other financial instruments on behalf of our clients and offer a full-service suite of introduced prime brokerage services targeting emerging private fund managers. We provide our clients with an electronic execution suite. We provide global, multi-asset class algorithmic execution trading models to both buy side and sell side clients and also offer execution capabilities relating to these trading models through ATM Execution LLC ("ATM Execution"). We also provide our clients with commentary on political, economic and market conditions. We have relationships with over 6,000 institutional investor clients. Our brokerage team is comprised of experienced professionals dedicated to our sectors, which allows us to develop a level of knowledge and focus that we believe differentiates our brokerage capabilities from those of many of our competitors. We tailor our account coverage to the unique needs of our clients. We believe that our sector traders are able to provide superior execution because of their knowledge of the interests of our institutional investor clients in specific companies in our sectors.

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

Research

As of December 31, 2020, we had a research team of 54 senior analysts covering over 800 stocks. Within our equity coverage universe, approximately 34% are healthcare companies, 25% are TMT (technology, media and telecom) companies, 12% are energy companies, 11% are capital goods, industrial and basic materials companies, and 14% are consumer companies. Our approach to research, underpinned by our marquee Ahead Of The Curve® Series reports, focuses our analysts' efforts toward delivering differentiated investment ideas and de-emphasizes maintenance research. We place significant emphasis on analyst collaboration, both within and between sectors. We sponsor a number of conferences every year that are focused on our sectors and sub-sectors. During these conferences we highlight our investment research and provide significant investor access to corporate management teams. We provide research solely through our broker-dealers in connection with our provision of brokerage services.

Investment Management Strategies

The Company's investment management business, within the Op Co segment, focuses on addressing the needs of institutional investors and high net worth individuals to preserve and grow allocated capital. The Company and its affiliated investment advisors offer a variety of investment management products that provide access to a number of strategies, including private healthcare investing, private sustainable investing, merger arbitrage and activism.

The Company's investment management business, within the Asset Co segment, consists of the Company's private investments, private real estate investments and other legacy investment strategies. Certain multi-strategy hedge funds managed by the Company are currently in wind-down. The majority of assets remaining in these hedge funds include investments in private companies, real estate investments and special situations.

Information About Geographic Areas

We are principally engaged in providing investment management services to global institutional investors and investment banking sales and trading and research services to corporations and institutional investor clients primarily in the United States and Europe. We provide brokerage services to companies and institutional investor clients in Europe through our broker-dealers located in the United Kingdom ("U.K.") Cowen International Limited ("Cowen International Ltd") and Cowen Execution Services Limited ("Cowen Execution Ltd"). Cowen and Company (Asia) Limited ("Cowen Asia") is registered with and subject to the financial resources requirements of the Securities and Futures Commission ("SFC") of Hong Kong.

Human Capital

We believe a strong connected culture is what empowers our team members to help each other and our clients outperform. We do this by viewing what we do through the lens of our core values of vision, empathy, sustainability, and tenacious teamwork.

When the COVID-19 crisis hit in the first quarter of 2020, we moved rapidly to protect the health and safety of our team as we transitioned to operating remotely while continuing to serve our clients. We are approaching the structure of our future workplace with flexibility and considering individual challenges our team members face.

During our history we have built and maintained long term relationships with our clients and continue to do so for our colleagues as evidenced by our 2020 voluntary turnover rate of 6.3%.

Collaboration and teamwork are standard operating procedures for our employees across the globe. As of December 31, 2020, we employed 1,364 employees: 1,143 in the US, 211 in Europe, and 10 in Asia (or Hong Kong). We strive to attract individuals who are smart, ambitious, work collaboratively and most importantly share our core values.

Our client facing professionals create annual business plans at the beginning of each year and are given feedback and developmental support to help deliver on those plans. Employees who show high potential work with performance coaches to develop leadership skills. Our Investment Banking Summer Analyst program is highly competitive and consists of two of weeks of formal training followed by eight weeks working within an Investment Banking group. This program is the main feeder to our Full-Time Investment Banking Analyst Program where the individual receives five weeks of formal training: the Investment Banking Class of 2021 (Full-time Analyst Program) is expected to have approximately 80% of those analysts who participated in our 2020 Investment Banking Summer Program.

We reward and recognize our employees with competitive health, wellness and compensation programs and recently issued COWN shares to every employee in appreciation for their efforts during 2020 to live our values and to provide all our colleagues with an ownership stake in the firm.

Our CEO has signed the CEO Action for Diversity & Inclusion in support of creating a more inclusive workplace for our employees, our communities and society at large. We partner with organizations to recruit and develop underserved students and established a program to attract women who outperform. We measure our Diversity and Inclusion efforts by listening and acting on feedback received from employees, engaging senior management in D&I efforts and creating commitment on the divisional and firm-wide level.

Through our Cowen Cares platform, we have created a culture of charitable giving through our Matching Gift Program and encourage service through the Volunteer Committee at local, national and global levels.

Competition

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

Regulation and Compliance

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

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

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

Rigorous legal and compliance analysis of our businesses and investments is important to our culture and risk management. We conduct regular training of our personnel regarding the laws and regulations governing our business and applicable to our clients as well as with our company's policies and procedures. In addition, we have adopted and implemented disclosure controls and procedures and internal controls over financial reporting, which have been documented, tested and assessed for design and operating effectiveness in compliance with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"). We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of conduct, compliance systems, communication of compliance guidance, conduct of annual compliance reviews and on-going employee education and training. Our corporate risk management function further analyzes our business, investment and other key risks, reinforcing their importance in our environment. We have a compliance group that monitors our compliance with all of the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our General Counsel supervises our compliance group, which is responsible for addressing all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments, document retention, potential conflicts of interest and the allocation of investment opportunities. Our compliance group also monitors the information barriers that we maintain between those of our different businesses that we are required to conduct separately or which present conflicts of interest, which we address through the use of physical and systematic information barriers. We believe that our various businesses' access to the intellectual capital, contacts and relationships benefit all of our businesses. However, in order to maximize that access without compromising our legal and contractual obligations, our compliance group oversees and monitors the communications between or among our different businesses to ensure that we maintain material non-public information, client information and other confidential information in strict confidence. All parts of our business from time to time are subject to regulatory exams, investigations and proceedings, and our broker-dealers have received fines and penalties for infractions of various regulations relating to our activities. For additional information regarding the regulatory and compliance risks that we face, see "Item 1A Risk Factors".

The investment advisers responsible for the Company's investment management businesses are all registered as investment advisers with the SEC or rely upon the registration of an affiliated adviser, and all are currently exempt from registration as Commodity Pool Operators and Commodity Trading Advisors.

Registered investment advisers are subject to the requirements of the Advisers Act and the regulations promulgated thereunder. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, operational and marketing requirements, disclosure obligations, conflicts of interest, fees and prohibitions on fraudulent activities.

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

In addition, certain of our investment advisers may act as a "fiduciaries" under the Employee Retirement Income Security Act of 1974 ("ERISA") and similar state laws with respect to private and public benefit plan clients. As such, the advisers, and certain of the investment funds they advise, may be subject to ERISA and similar state law requirements and to regulations promulgated thereunder. ERISA, similar state laws and applicable provisions of the Internal Revenue Code of 1986 (the "IRC"), which regulate services provided to individual retirement accounts, impose duties on persons who are fiduciaries and other types of service providers to benefit plans and individual retirement accounts under ERISA, such state laws and the IRC, prohibit specified transactions involving IRA and benefit plan clients subject to ERISA or similar state laws (absent the availability of specified exemptions) and provide monetary penalties for violations of these prohibitions.

Enacted on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was expansive in scope and led to the adoption of extensive regulations by the CFTC, the prudential regulators, the SEC and other governmental agencies. Since its adoption, the Dodd-Frank Act has had an impact on the costs associated with derivatives trading by the Company and its clients, including as a result of requirements that transactions be margined, trade reported and, in some cases, centrally cleared.

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

The regulation of swaps and derivatives under the Dodd-Frank Act directly affects the manner by which our investment management businesses utilizes and trades swaps and other derivatives, and has generally increased the costs of derivatives trading conducted on behalf of our clients. The European Union ("EU") (and some other countries) are now in the process of implementing similar requirements that will affect derivatives transactions with a counterparty organized in that country or otherwise subject to that country's derivatives regulation. The mandatory minimum margin requirements for bilateral derivatives adopted by the U.S. government and the EU came into effect in March 2017 with respect to variation margin and will be implemented through a phase-in compliance in respect to initial margin with the next compliance date set for October 6, 2021. Required margining of derivatives has affected our investment management businesses as these requirements generally increase costs associated with derivatives transactions and makes derivatives transactions more expensive.

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

Cowen and Company, LLC ("Cowen and Company"), ATM Execution LLC ("ATM Execution"), Cowen Prime Services LLC ("Cowen Prime"), and Westminster Research Associates LLC ("Westminster") are registered as broker-dealers with the SEC and are members in good standing with FINRA. All broker-dealers are registered with various U.S. states and territories except for ATM Execution. In addition to FINRA, some of these Cowen broker-dealers are also members of other self-regulatory organizations, including various registered securities exchanges. Self-regulatory organizations adopt and enforce rules governing the conduct and activities of their member firms. On May 1, 2020, Cowen and Company completed its merger with Cowen Execution Services LLC. Cowen and Company is the surviving entity. The merger had no impact to the Company's financial results. On July 3rd, 2020, Cowen Execution's registration was formally terminated with FINRA. Accordingly, Cowen and Company, ATM Execution, Cowen Prime, and Westminster are subject to regulation and oversight by the SEC, the U.S. states and territories in which they are registered, and FINRA and the other self-regulatory organizations of which they are members. Cowen Prime is also registered with the CFTC and is a member of the NFA and, consequently, is subject to regulation and oversight by them. Additionally, Cowen International Ltd and Cowen Execution Ltd are primarily regulated in the U.K. by the FCA and Cowen and Company Asia is registered with and subject to the financial resources requirements of the SFC of Hong Kong.

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

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

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

Certain of our businesses are subject to laws and regulations enacted by U.S. federal and state governments, the EU or other non-U.S. jurisdictions and/or enacted by various regulatory organizations or exchanges relating to the privacy of the information of clients, employees or others, including the European Union’s General Data Protection Regulation (the “GDPR”), the California Consumer Privacy Act (the “CCPA”), and the Gramm-Leach-Bliley Act (the “GLBA”). In the U.S. and elsewhere, additional privacy legislation has been proposed and may be passed, changes in existing regulations may be made or changes in the interpretation or enforcement of existing laws and rules may be made.

Available Information

We routinely file annual, quarterly and current reports, proxy statements and other information required by the Exchange Act with the SEC. Our SEC filings also are available to the public from the SEC's internet site at http://www.sec.gov.

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

Item 1A. Risk Factors

SUMMARY RISK FACTORS

Some of the factors that could materially and adversely affect our business, financial condition, results of operations or prospects include the following:

Market, Strategy and Industry Risk

a. Market volatility could have an adverse effect on our businesses, results of operations and financial condition.

b. The COVID-19 pandemic could adversely affect our business, financial condition and results of operations, including as a result of prolonged period of employees working remotely.

c. Our inability to successfully identify, manage and execute future acquisitions, investments and strategic alliances could adversely affect our results of operations.

d. Volatility in the value of our assets and liabilities could adversely affect our results of operations and statement of financial condition.

e. Our Linkem investment may not be successful and may adversely affect our results of operations or financial condition.

Human Capital Risk

a. The loss of key senior personnel would have a material adverse effect on our businesses.

b. Employee misconduct could harm investor retention and could cause legal liability, reputational harm and loss of revenue.

Business Risks

a. Deteriorations in the business environment in sectors focused on by our investment banking businesses could materially affect our business and cause substantial fluctuations in financial results from period-to-period.

b. We face strong competition from larger firms and competitive pressures may impair our revenues.

c. Our capital markets and strategic advisory engagements do not generally provide for subsequent engagements and can lead to payment risk.

d. Larger and more frequent capital commitments in our trading and underwriting businesses increase the potential for significant losses.

e. The market structure in which our market-making business operates may make sustained profitability difficult.

f. Electronic trading and new trading technology may adversely affect this business and may increase competition.

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

h. Our securities business and related global clearing operations expose us to material liquidity risk, including as a result of international market events, decreases in equity trading activity and declining securities prices.

i. Failures by our third-party clearing agents could materially impact our business and operating results.

j. Our revenues would be adversely affected if there are reversals to previously accrued incentive fees, if its investment funds fall beneath their "high-water marks" as a result of negative performance or if there is an acceleration of redemptions by investors in our hedge funds.

k. Our ability to increase revenues and improve profitability will depend on increasing assets under management in existing investment strategies and marketing new investment products and strategies.

l. Certain of our investment funds may invest in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities.

m. We may be unable cover our exposure if a counterparty defaults under one of our derivative or non-derivative contracts.

n. We may suffer losses in connection with the insolvency of agents whose services we use and who may hold our investment funds' assets.

o. Risk management activities may materially adversely affect the return on our investment funds' investments.

p. Our third party reinsurance business could expose us to losses.

Operational Risks

a. As a result of the COVID-19 pandemic, virtually all of our employees are working remotely. Remote working environments may be less secure and more susceptible to cybersecurity attacks which could adversely affect our ability to securely process transactions and maintain confidential financial, personal and other information.

b. Operational risks relating to the failure of data processing systems and other information systems and technology or other infrastructure may disrupt our business and result in losses or limit our operations and growth.

c. Any cyber attack or other security breach of or vulnerability in our technology systems, or those of our clients or other third party vendors we rely on, could have operational impacts, subject us to significant liability and harm our reputation.

Liquidity Risks

a. Higher volumes and price volatility in the markets due to COVID-19 could lead to higher cash requirements in our clearing businesses, which could adversely affect our liquidity position. Limitations on access to capital could impair our liquidity and its ability to conduct its businesses.

b. We rely upon our subsidiaries for cash flows and servicing our debt and funding our necessary capital expenditures requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt or to fund our necessary capital expenditures.

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

d. Certain provisions in the indentures governing the 2022 Convertible Notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us.

Litigation and Regulatory Risk

a. Our subsidiaries may become subject to additional regulations which could increase the costs and burdens of compliance or impose additional restrictions.

b. We are subject to third party litigation risk and regulatory risk which could result in significant liabilities and reputational harm.

c. A failure to appropriately identify and deal with conflicts of interest could adversely affect our businesses.

d. Increased regulatory focus could result in regulation that limits how we invest.

e. The U.K. exit from the EU could adversely impact our business, results of operations and financial condition.

Other Risks to Our Stockholders

a. We could change our existing dividend policy in the future.

b. The terms of our Series A Convertible Preferred Stock contain certain restrictions on our ability to pay dividends and repurchase our capital stock, and, under certain circumstances, provides the holders thereof the right to elect two additional directors to our Board of Directors.

c. Our failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business.

d. Certain provisions in our organizational documents could deter an acquisition by a third party.

Risks Related to the Company's Businesses and Industry

For purposes of the following risk factors, references made to the Company's investment funds include the various investment management products advised by the Company's investment management business and the investment funds through which the Company invests its own capital. The Company's investment banking businesses include the Investment Banking division, the Markets division and the Research division.

Market, Strategy and Industry Risk

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

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

In addition, global economic conditions and global financial markets remain vulnerable to the potential risks posed by certain events, which could include, among other things, political and financial uncertainty in the United States and the European Union, renewed concern about China's economy, complications involving terrorism and armed conflicts around the world, or other challenges to global trade or travel, such as have occurred or might occur in the event of a worldwide pandemic such as the COVID-19 pandemic. More generally, because our businesses are closely correlated to the general economic outlook, a significant deterioration in that outlook or realization of certain events would likely have an immediate and significant negative impact on our businesses and overall results of operations.

The effects of the outbreak of COVID-19 have negatively affected the global economy, the United States economy and the global financial markets, and have disrupted and may further disrupt our operations and our clients' operations. The effects of the COVID-19 pandemic could in future periods have an adverse effect on our business, financial condition and results of operations.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. Impacts to our businesses could include the following:

- Employees contracting COVID-19
- Reductions in our operating effectiveness as our employees work from home or disaster-recovery locations
- Unavailability of key personnel necessary to conduct our business activities
- Unprecedented volatility in global financial markets
- Reductions in revenue across our operating businesses
- Declines in collateral value
- Declines in demand for our products or services
- Unavailability of critical services provided to us by third parties
- Operational failures due to changes in our normal business practices
- Credit losses

We are taking precautions to protect the safety and well-being of our employees. However, no assurance can be given that the steps being taken will be deemed to be adequate or appropriate, nor can we predict the level of disruption which will occur to our employee's ability to service our clients and provide support for our businesses, particularly if the COVID-19 pandemic persists for a long period of time. Furthermore, our future success and profitability substantially depends on the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to the COVID-19 pandemic could harm our ability to operate our businesses or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

In the event that the COVID-19 pandemic persists and leads to increased volatility and lower stock prices for many companies, our investment banking activity could be materiality disrupted.

In addition, a sustained and continuing market downturn could lead to or exacerbate declines in the number of security transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads.

In addition, revenues from our investment management businesses could be negatively impacted by decreased securities prices, as well as widely fluctuating securities prices. Because our investment management businesses hold long and short positions in securities, changes in the prices of these securities, as well as any decrease in the liquidity of these securities, may adversely affect our revenues from investment management.

Any one or more of these developments could cause, contribute to or exacerbate the other risks and uncertainties discussed in this Annual Report. Furthermore, such developments may remain prevalent for a significant period of time and may in the future adversely affect our business, financial condition and results of operations even after the COVID-19 pandemic has subsided.

We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks, extreme weather events or other natural disasters.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic, such as COVID-19, or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create, and in the case of COVID-19 have created, and may continue to create, economic and financial disruptions, and in the case of COVID-19 have led to, and other future events could lead to, operational difficulties (including travel limitations) that may impair our ability to manage our businesses.

Our businesses have traditionally relied on collaboration among our employees, particularly in our markets business. While our employees have been able to work remotely since March 2020, we do not know how a continuing and prolonged period of remote working by our employees will impact our ability to collaborate. Accordingly, our business could be adversely affected by a prolonged period of employees working remotely.

Our business has traditionally relied on collaboration among our employees. In particular, the trading floor environment in our markets business facilitates idea generation and is more conducive to active trading. While we have been able to continue to operate all of our businesses, including our markets business, with our employees working remotely, we have been doing so since March 2020 and we do not know how a continuing and prolonged period of remote working by our employees will impact our ability to collaborate. Accordingly, our businesses could be adversely affected by a continuing and prolonged period of employees working remotely.

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

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

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

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

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

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

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

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

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

The Company invests a significant portion of its capital base to help drive results and facilitate growth of its investment management and investment bank businesses. As of December 31, 2020, the Company's invested capital amounted to a net value of $853.8 million (supporting a long market value of $993.8 million), representing approximately 88% of Cowen's stockholders' equity presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). In accordance with US GAAP, we define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP also establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Changes in fair value are reflected in the statement of operations at each measurement period. Therefore, continued volatility in the value of the Company's investments and securities portfolios or other assets and liabilities, including investment funds, will result in volatility of the Company's results. We have experienced this type of volatility in prior periods. In addition, the investments made by the Company may not generate positive returns. As a result, changes in value or negative returns from investments made by the Company may have an adverse effect on the Company's financial condition or operations in the future.

Our investment in Linkem may not prove to be successful and may adversely affect our results of operations or financial condition.

As of December 31, 2020, we had an approximately $87.9 million investment in Linkem S.p.A. ("Linkem"), the largest fixed wireless broadband service provider in Italy. Many factors, most of which are outside of our control, can affect Linkem's business, including the state of the Italian economy and capital markets in general, competition in the Italian telecommunications markets and other factors that directly and indirectly affect the results of operations, including the sales and profitability of Linkem, and consequently may adversely affect our results of operations or financial condition.

The Company faces strong competition from larger firms.

The research, brokerage and investment banking industries are intensely competitive, and the Company expects them to remain so. The Company competes on the basis of a number of factors, including client relationships, reputation, the abilities of the Company's professionals, market focus and the relative quality and price of the Company's services and products. The Company has experienced intense price competition in some of its businesses, including trading commissions and spreads in its brokerage business. In addition, pricing and other competitive pressures in investment banking, including the trends toward multiple book runners, co-managers and financial advisors, and a larger share of the underwriting fees and discounts being allocated to the book-runners, could adversely affect the Company's revenues from its investment bank business.

The Company is a relatively small investment bank. Many of the Company's competitors in the research, brokerage and investment banking industries have a broader range of products and services, greater financial resources, larger customer bases, greater name recognition and marketing resources, a larger number of senior professionals to serve their clients' needs, greater global reach and more established relationships with clients than the Company has. These larger competitors may be better able to respond to changes in the research, brokerage and investment banking industries, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally.

The scale of our competitors in the investment banking industry has increased in recent years as a result of substantial consolidation among companies in the research, brokerage and investment banking industries. In addition, a number of large commercial banks and other broad-based financial services firms have established or acquired underwriting or financial advisory practices and broker-dealers or have merged with other financial institutions. These firms have the ability to offer a wider range of products than the Company does which may enhance their competitive position. They also have the ability to support their investment banking and advisory groups with commercial banking and other financial services in an effort to gain market share, which has resulted, and could further result, in pricing pressure in the Company's businesses. If we are unable to compete effectively with our competitors in the investment banking industry, the Company's business and results of operations may be adversely affected.

Human Capital Risk

Our businesses are heavily dependent on our personnel so any adverse effects on their well-being or morale could adversely affect our business.

COVID-19 presents a significant threat to our employees' well-being and morale and the longer the pandemic persists the more significant the challenges could be to our employees' morale. While we have implemented a business continuity plan to protect the health of our employees, our business continuity plan cannot anticipate all scenarios and we may experience potential loss of productivity or a delay in the roll out of certain strategic plans as a result of the COVID-19 pandemic.

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

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

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

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

The success of our businesses is based largely on the quality of our employees and we must continually monitor the market for their services and seek to offer competitive compensation. In challenging market conditions, which occurred in recent years, it may be difficult to pay competitive compensation without the ratio of our compensation and benefits expense to revenues becoming higher. In addition, for our investment professionals whose performance-based compensation represents substantially all of the compensation the professional is entitled to receive in any year, negative performance which results in the professional not being entitled to receive any performance-based compensation could incentivize the professional to join a competitor.

Employee misconduct could harm the Company by, among other things, impairing the Company's ability to attract and retain investors and subjecting the Company to significant legal liability, reputational harm and the loss of revenue from its own invested capital.

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

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

Business Risks

The Company's investment banking businesses focus principally on specific sectors of the economy, and deterioration in the business environment in these sectors or a decline in the market for securities of companies within these sectors could materially affect our investment banking businesses.

Volatility in the business environment in the Company's sectors or in the market for securities of companies within these sectors could substantially affect the Company's financial results. The business environment for companies in these sectors has been subject to substantial volatility, and the Company's financial results have consequently been subject to significant variations from year to year. The market for securities in each of the Company's sectors may also be subject to industry-specific risks. For example, changes in policies of the United States Food and Drug Administration, along with changes to Medicare and government reimbursement policies, may affect the market for securities of healthcare companies, and changes to how the U.S. government reviews foreign acquisitions of U.S. based companies may make executing M&A transactions more difficult. In addition, revenue generated by the Company in its consumer sector could be adversely affected by changes in law or regulatory action with respect to companies that are in cannabis related businesses.

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

The financial results of the Company's investment banking businesses may fluctuate substantially from period to period.

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

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

The Company's brokerage business accounted for approximately 35.3% of the Company's revenues during 2020. Along with other firms, the Company has experienced price competition in this business in recent years. In particular, the ability to execute trades electronically and through alternative trading systems has increased the pressure on trading commissions and spreads. We expect to continue to experience competitive pressures in these and other areas in the future as some of our competitors in the investment banking industry seek to obtain market share by competing on the basis of price or use their own capital to facilitate client trading activities. In addition, the Company faces pressure from larger competitors, who may be better able to offer a broader range of complementary products and services to clients in order to win their trading or prime brokerage business. We are committed to maintaining and improving the Company's comprehensive research coverage to support its brokerage business and the Company may be required to make additional investments in the Company's research capabilities.

The Company's capital markets and strategic advisory engagements are singular in nature, do not generally provide for subsequent engagements and can lead to payment risk.

The Company's investment banking clients generally retain the Company on a short-term, engagement-by-engagement basis in connection with specific capital markets or mergers and acquisitions transactions, rather than on a recurring basis under long-term contracts. As these transactions are typically singular in nature and the Company's engagements with these clients may not recur, the Company must seek out new engagements when its current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If the Company is unable to generate a substantial number of new engagements that generate fees from new or existing clients, the Company's investment bank business and results of operations would likely be adversely affected. In addition, investment banking clients may on occasion refuse to pay investment banking fees owed pursuant to the terms of our engagement and we may need to expend resources to enforce our contracts. Any failure to pay the investment banking fees owed to us could adversely affect our results of operations.

Larger and more frequent capital commitments in the Company's trading and underwriting businesses increase the potential for significant losses.

There has been a trend toward larger and more frequent commitments of capital by financial services firms in many of their activities. For example, in order to compete for certain transactions, investment banks may commit to purchase large blocks of stock from publicly traded issuers or significant stockholders, instead of the more traditional marketed underwriting process in which marketing is completed before an investment bank commits to purchase securities for resale. To the extent the total net capital of the Company's broker-dealers allows it, the Company anticipates participating in this trend and, as a result, the Company will be subject to increased risk as it commits capital to facilitate business. Furthermore, the Company may suffer losses as a result of the positions taken in these transactions even when economic and market conditions are generally favorable for others in the industry.

The Company may enter into large transactions in which it commits its own capital as part of its trading business to facilitate client trading activities. The number and size of these large transactions may materially affect the Company's results of operations in a given period. Market fluctuations may also cause the Company to incur significant losses from its trading activities. To the extent that the Company owns assets (i.e., has long positions), a downturn in the value of those assets or in the markets in which those assets are traded could result in losses. Conversely, to the extent that the Company has sold assets it does not own (i.e., has short positions), in any of those markets, an upturn in the value of those assets or in markets in which those assets are traded could expose the Company's investment banking businesses to potentially large losses as they attempt to cover short positions by acquiring assets in a rising market.

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

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

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

The continued growth of electronic trading and the introduction of new technologies is changing our market-making business and presenting new challenges. Securities, futures and options transactions are increasingly occurring electronically, through alternative trading systems. It appears that the trend toward alternative trading systems will continue to accelerate. This acceleration could further increase program trading, increase the speed of transactions and decrease our ability to participate in transactions as principal, which would reduce the profitability of our market-making business. Some of these alternative trading systems compete with our market-making business and with our algorithmic trading platform, and we may experience continued competitive pressures in these and other areas. Significant resources have been invested in the development of our electronic trading systems, which includes our ATM business, but there is no assurance that the revenues generated by these systems will yield an adequate return on the investment, particularly given the increased program trading and increased percentage of stocks trading off of the historically manual trading markets.

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

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

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

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

We may be required to provide considerable additional funds with clearing and settlement organizations of which we are members, such as the National Securities Clearing Corporation ("NSCC") or Depository Trust and Clearing Corporation in the U.S., especially during periods of high market volatility or when we are obligated to clear large notional amounts of securities that are not eligible for settlement through the NSCC's Continuous Net Settlement system and, consequently, may be subject to higher margin requirements. In addition, regulatory agencies have recently required these clearing and settlement organizations to increase the level of margin deposit requirements, and they may continue to do so in the future. We rely on our excess cash, certain established credit facilities and the use of outsourced clearing arrangements to meet or reduce these demands. While we have historically met requests for additional margin deposits, there is no guarantee that our excess cash and our established credit facilities and clearing arrangements will be sufficient for future needs, particularly if there is an increase in requirements. There is also no guarantee that these established credit facilities will be extended beyond their expiration.

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

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

In certain jurisdictions we are dependent on agents for the clearing and settlement of securities transactions. If our agents fail to properly facilitate the clearing and settlement of our customer trades, we could be subject to financial, legal and regulatory risks and costs that may impact our business and operating results. In addition, it could cause our clients to reduce or cease their trading with us, which would adversely affect our revenues and financial results.

Moreover, certain of the clearing agreements provide our clearing agents with rights to increase our deposit requirements or to terminate the agreements upon short notice. There is no guarantee we will be able to satisfy any increased deposit requirements within the time frames demanded by our clearing agents, and if we fail to satisfy such demands on a timely basis, it could constitute a default under our clearing agreements. If our clearing agents terminate a clearing agreement on short notice, there is no guarantee that we could obtain alternative services in a timely manner and any interruption of the normal course of our trading and clearing operations could have a material impact on our business and results of operations.

Our clearing and execution operations are global and international market events could adversely impact our financial results.

Because we offer brokerage products and services on a global basis, our revenues derived from non-U.S. operations are subject to risk of loss from social or political instability, changes in government policies or policies of central banks, downgrades in the credit ratings of sovereign countries, expropriation, nationalization, confiscation of assets and unfavorable legislative and political developments in such non-U.S. jurisdictions. Revenues from the trading of non-U.S. securities may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations on our results could be magnified because generally non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets.

Decreases in equity trading activity by active fund managers and declining securities prices could harm our business and profitability.

Declines in the trading activity of active fund managers generally result in lower revenues from our brokerage products and services. In addition, securities' price declines adversely affect our trading commissions outside North America, which are based on the value of transactions. The demand for our brokerage products and services is directly affected by factors such as economic, regulatory and political conditions that may lead to decreased trading activity and prices in the securities markets in the U.S. and in all of the foreign markets we serve. Significant flows of investments out of actively managed equity funds have curtailed their trading activity, which has weighed on our buy-side trading volumes and the use of some of our higher value services. Volatility levels also impact the amount of trading activity. Sustained periods of low volatility can result in lower levels of trading activity and trading activity tends to decline in periods following extreme levels of volatility. In addition, any substantial shift from active fund management to passive fund management could have an adverse effect on our trading commissions.

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

For our private equity funds, the incentive fee crystallizes upon realization of the investment. In those circumstances, until the investment is realized, the accrued incentive fees are subject to reversal even if those accruals were made in prior years. The Company's incentive allocations are also subject, in some cases, to performance hurdles or benchmarks. To the extent the Company's investment funds experience negative investment performance, the investors in or beneficial owners of these investment funds would need to recover cumulative losses before the Company can earn investment income at the end of the performance period with respect to the investments of those who previously suffered losses. With respect to our hedge fund products, incentive income, is, in most cases, subject to "high-water marks" whereby incentive income is earned by the Company only to the extent that the net asset value of an investment advisory product at the end of a measurement period exceeds the highest net asset value as of the end of a preceding measurement period for which the Company earned incentive income. The Company recognizes incentive income charged to the Company's hedge funds based on the net profits of the hedge funds. For a majority of the hedge funds, the incentive fee crystallizes annually when the high-water mark for such hedge funds is reset, which delays recognition of the incentive fee until year end. As a result, negative performance could adversely affect the Company's incentive and investment income from both its private equity and hedge fund products.

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

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

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

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

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

Before making investments, particularly investments in securities that are not publicly traded, the Company endeavors to conduct a due diligence review of such investment that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company is often required to evaluate critical and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment bankers and financial analysts may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company is limited to the resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigation that the Company conducts with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful, which may adversely affect the performance of the Company's investment funds and the Company's ability to generate returns on its own invested capital from any such investment.

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

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

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

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

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

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

- Generally, there are few limitations on investment funds' strategies, which are often subject to the sole discretion of the management company or the general partner of such funds.
- Investment funds may engage in short selling, which is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security sold short may appreciate before the short position is closed out. An investment fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the investment fund is otherwise unable to borrow securities that are necessary to hedge its positions. Furthermore, the SEC and other regulatory authorities outside the United States have imposed trading restrictions and reporting requirements on short selling, which in certain circumstances may impair an investment fund's ability to use short selling effectively.
- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position through a combination of financial instruments. An investment fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the investment fund might only be able to acquire some but not all of the components of the position, or if the overall position were in need of adjustment, the investment fund might not be able to make such an adjustment. As a result, an investment fund would not be able to achieve the market position selected by the management company or general partner of such fund, and might incur a loss in liquidating its position.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their respective liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This "systemic risk" may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms, other counterparties and exchanges) with which the investment funds interact on a daily basis.

- Investment funds are subject to risks due to the potential illiquidity of assets. Investment funds may make investments or hold trading positions in markets that are volatile and which may become illiquid. The timely sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which they may be a party, and changes in industry and government regulations. It may be impossible or highly costly for investment funds to liquidate positions rapidly to meet margin calls, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time, if the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limitations on the market. In addition, increased levels of redemptions may result in increased illiquidity as more liquid assets are sold to fund redemptions.
- Investment fund assets are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, investment funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade.
- Investment fund assets that are not denominated in the U.S. dollar are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may, from time to time, take actions in respect of their currencies that could significantly affect the value of an investment fund's assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. While the Company generally expects to hedge its exposure to currencies other than the U.S. dollar, and may do so through foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, swaps or any combination thereof, but there can be no assurance that such hedging strategies will be implemented, or if implemented, will be effective. While an investment fund may enter into currency hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in such hedging transactions. For a variety of reasons, the Company may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Company from achieving the intended hedge or expose an investment fund to risk of loss.
- Investment funds are also subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of investments. War, terrorism, and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and non-U.S. economies and markets generally. Those events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of the investment fund's assets.

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

The Company's investment funds enter into numerous types of financing arrangements with a wide array of counterparties around the world, including loans, hedge contracts, swaps, repurchase agreements and other derivative and non-derivative contracts. The terms of these contracts are generally complex and often customized and generally are not subject to regulatory oversight. The Company is subject to the risk that the counterparty to one or more of these contracts may default, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur at any time without notice. Additionally, the Company may not be able to take action to cover its exposure if a counterparty defaults under such a contract, either because of a lack of the contractual ability or because market conditions make it difficult to take effective action. The impact of market stress or counterparty financial condition may not be accurately foreseen or evaluated and, as a result, the Company may not take sufficient action to reduce its risks effectively.

Counterparty risk is accentuated where the investment management product has concentrated its transactions with a single or small group of counterparties. Generally, investment funds are not restricted from concentrating any or all of their transactions with one counterparty. Moreover, the Company's internal review of the creditworthiness of their counterparties may prove inaccurate. The absence of a regulated market to facilitate settlement and the evaluation of creditworthiness may increase the potential for losses.

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

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

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

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

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

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

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

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

Our third party reinsurance business could expose us to losses.

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

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

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

The Company may incur losses in the future.

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

Operational Risks

We have taken steps to protect our businesses from cybersecurity attacks while our employees have been working remotely, but remote working environments may be less secure and more susceptible to cybersecurity attaches which could adversely affect our ability to securely process transactions and maintain confidential financial, personal and other information.

The Company's businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across diverse markets, and the transactions that the Company processes have become increasingly complex. As a result of the COVID-19 pandemic virtually all of our employees, including those who process our transactions, are working remotely. While we have implemented risk management and contingency plans and taken other precautions with respect to the COVID-19 pandemic, such measures may not adequately protect our businesses from the full impact of the COVID-19 pandemic as remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic. Accordingly, if our systems are breached as a result of a cybersecurity attack that takes advantage of the COVID-19 pandemic, our ability to securely process transactions and maintain confidential financial, personal and other information could be adversely affected.

In addition, the effects of the COVID-19 pandemic, including remote working arrangements for employees, may also impact our financial reporting systems and internal control over financial reporting, disclosure controls and procedures, however, to date, these arrangements have not materially affected our ability to maintain our business operations.

Our information and technology systems are critical components of our business and operations, and a failure of those systems or other aspects of our business operations may disrupt our business, cause financial loss, increase our legal liability and constrain our growth.

Our operations rely extensively on the secure processing, storage and transmission of confidential financial, personal and other information in our computer systems and networks. Although we take protective measures and devote significant resources to maintaining and upgrading our systems and networks with measures such as intrusion and detection prevention systems, monitoring firewalls to safeguard critical business applications and supervising third party providers that have access to our systems, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. Additionally, if a client's computer system, network or other technology is compromised by unauthorized access, we may face losses or other adverse consequences by unknowingly entering into unauthorized transactions. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in and transmitted through our computer systems and networks. Furthermore, such events may cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, including the transmission and execution of unauthorized transactions. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not covered or not fully covered through our insurance. The increased use of smartphones, tablets and other mobile devices as well as cloud computing may also heighten these and other operational risks. Similar to other firms, we and our third party providers continue to be the subject of attempted unauthorized access, computer viruses and malware, and cyber attacks designed to disrupt or degrade service or cause other damage and denial of service. Additional challenges are posed by external parties, including foreign state actors. There can be no assurance that such unauthorized access or cyber incidents will not occur in the future, and they could occur more frequently and on a larger scale. We are also subject to laws and regulations relating to the privacy and security of the information of our clients, employees or others, and any failure to comply with these regulations could expose us to liability and/or reputational damage.

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

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

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

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

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

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

Any cyber attack or other security breach of or vulnerability in our technology systems, or those of our clients or other third party vendors we rely on, could have operational impacts, subject us to significant liability and harm our reputation.

Our operations rely heavily on the secure processing, storage and transmission of sensitive and confidential financial, personal and other information in our computer systems and networks. There have been several highly publicized cases involving financial services companies reporting the unauthorized disclosure of client or other confidential information in recent years, as well as cyber attacks involving theft, dissemination and destruction of corporate information or other assets, in some cases as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties. Like other financial services firms, we have been the target of attempted cyber attacks. Cyber attacks can originate from a variety of sources, including third parties affiliated with foreign governments, organized crime or terrorist organizations. Third parties may also attempt to place individuals within our firm or induce employees, clients or other users of our systems to disclose sensitive information or provide access to our data, and these types of risks may be difficult to detect or prevent. Although cybersecurity incidents among financial services firms are on the rise, we are not aware of any material losses relating to cyber attacks or other information security breaches. However, the techniques used in these attacks are increasingly sophisticated, change frequently and are often not recognized until launched. Although we seek to maintain a robust suite of authentication and layered information security controls, these controls could fail to detect, mitigate or remediate these risks in a timely manner. Despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code, and other events that could result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations.

We also rely on numerous third-party service providers to conduct other aspects of our business operations, and we face similar risks relating to them. While we regularly conduct security assessments on these third-party vendors, we cannot be certain that their information security protocols are sufficient to withstand a cyber attack or other security breach. In addition, in order to access our products and services, our customers may use computers and other devices that are beyond our security control systems and processes.

Notwithstanding the precautions we take, if a cyber attack or other information security breach were to occur, this could jeopardize the information we confidentially maintain, or otherwise cause interruptions in our operations or those of our clients and counterparties, exposing us to liability. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our protective measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber attacks to our customers. Though we have insurance against some cyber risks and attacks, we may be subject to litigation and financial losses that exceed our policy limits or are not covered under any of our current insurance policies. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators. Additionally, the SEC issued guidance in February 2018 stating that, as a public company, we are expected to have controls and procedures that relate to cybersecurity disclosure, and are required to disclose information relating to certain cyber attacks or other information security breaches in disclosures required to be made under the federal securities laws. Further, successful cyber attacks at other large financial institutions or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in financial institutions that could negatively affect us, including harming the market perception of the effectiveness of our security measures or the financial system in general, which could result in a loss of business.

Further, in light of the high volume of transactions we process, the large number of our clients, partners and counterparties, and the increasing sophistication of malicious actors, a cyber attack could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber attack would take substantial amounts of time and resources, and that there may be extensive delays before we obtain full and reliable information. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered. All of which would further increase the costs and consequences of such an attack.

We may also be subject to liability under various data protection laws including, the GDPR and the CCPA. We are subject to numerous laws and regulations designed to protect personal information. These laws and regulations are increasing in complexity and number. If any person, including any of our associates, vendors or other service providers, negligently disregards or intentionally breaches our established controls with respect to sensitive or confidential client, employee or other data, or otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client, employee or other data, whether through system failure, vendor fault, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and related revenue. Potential liability in the event of a security breach of sensitive or confidential data could be significant. Depending on the circumstances giving rise to the breach, this liability may not be subject to a contractual limit or an exclusion of consequential or indirect damages.

Liquidity Risks

The soundness of other financial institutions may adversely affect Cowen.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. Cowen has exposure to many different industries and counterparties and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and institutional clients. Many of these transactions expose Cowen to credit risk in the event of a default by a counterparty or client. In the past, defaults by, or even speculation about, one or more financial services institutions or the financial services industry generally during moments of economic crisis have led to market-wide liquidity problems. The economic volatility resulting from the current COVID-19 pandemic could, as similar events in the past have, result in similar defaults and, as a result, impair the confidence of our counterparties and ultimately affect our ability to effect transactions. In addition, Cowen's credit risk may be exacerbated when the collateral held by Cowen cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit exposure due to Cowen. Any such losses could have an adverse effect on Cowen's financial condition and results of operations.

Higher volumes and price volatility in the markets due to COVID-19 could lead to higher cash requirements in our clearing businesses, which could adversely affect our liquidity position.

Since the COVID-19 pandemic began, the capital markets have experienced a higher level of stress due to the global COVID-19 pandemic. Higher volumes and price volatility have led to increased margin requirements at clearing corporations and exchanges, along with increased levels of fails due to operational friction in the financial system. Certain of these higher cash requirements have required us, and may continue to require us, to use more liquidity for our clearing businesses and our overall liquidity could, in the future, be adversely affected as a result.

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

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

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

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

We are a holding company with no business operations or assets other than the capital stock of our direct and indirect subsidiaries. Consequently, we are dependent on dividends, distributions, loans and other payments from these subsidiaries to make payments of principal and interest on all of our indebtedness including our senior notes due 2024 (the "2024 Notes"), our senior notes due 2027 (the "2027 Notes"), our senior notes due 2033 (the "2033 Notes") and our convertible notes due 2022 (the "2022 Convertible Notes"), and together with the 2024 Notes, the 2027 Notes and the 2033 Notes, the "Notes"). The ability of our subsidiaries to pay dividends and make other payments to us will depend on their cash flows and earnings, which, in turn, will be affected by all of the factors discussed in this annual report. The ability of our direct and indirect subsidiaries to pay dividends and make distributions to us may be restricted by, among other things, applicable laws and regulations and by the terms of any debt agreements or other agreements into which they enter. If we are unable to obtain funds from our direct and indirect subsidiaries as a result of restrictions under their debt or other agreements, applicable laws and regulations or otherwise, we may not be able to pay cash interest or principal on the Notes when due.

Servicing our debt and funding our necessary capital expenditures requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt or to fund our necessary capital expenditures.

Our ability to make scheduled payments of the principal and to pay interest on or to refinance our indebtedness, including our senior notes due 2024, our senior notes due 2027, our senior notes due 2033 and our convertible notes due 2022, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Furthermore, to the extent that businesses are unable to generate cash flows sufficient to fund necessary capital expenditures during the COVID-19 pandemic, we may be required to seek additional capital through issuances of debt or equity securities; however, we may be unable to complete any such transactions on favorable terms to us, or at all.

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

Despite our current consolidated debt levels, we may be able to incur substantially more debt in the future, including secured debt. While there are some provisions under the terms of the indentures governing the 2024 Notes that could restrict us from incurring additional debt, so long as we comply with the financial covenants in the 2024 Notes we are not restricted from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indentures governing the Notes but that could diminish our ability to make payments on the Notes.

The conditional conversion feature of the 2022 Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

As of December 31, 2020, the conditional conversion feature of the 2022 Convertible Notes had been triggered, allowing holders of the 2022 Convertible Notes to convert their 2022 Convertible Notes at any time during the period beginning on January 2, 2021 and ending at the close of business on March 31, 2021. The future conditional convertability of the 2022 Convertible Notes will be monitored at each quarterly reporting date and analyzed dependent upon market prices of our Class A common stock during the prescribed measurement periods, and as a result, it is possible that holders of the 2022 Convertible Notes will continue to be entitled to convert their 2022 Convertible Notes at any time during specified periods at their option. If one or more of the holders of the 2022 Convertible Notes elects to convert their 2022 Convertible Notes, unless we satisfy our conversion obligation by delivering only shares of our Class A common stock, we would be required settle all or a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

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

Accounting Standards Codification ("The Accounting Standards") 470-20, Debt with Conversion and Other Options, or ASC 470-20 requires an entity to separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash (such as the 2022 Convertible Notes) in a manner that reflects the issuer's economic interest cost for non-convertible debt. The equity component of the 2022 Convertible Notes is included in the additional paid-in capital section of our stockholders' equity on our consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. This original issue discount will be amortized to non-cash interest expense over the term of the 2022 Convertible Notes, and we will record a greater amount of non-cash interest expense as a result of this amortization. Accordingly, we will report lower net income in our financial results because ASC 470-20 will require the interest expense associated with the 2022 Convertible Notes to include both amortization of the original issue discount and the 2022 Convertible Notes' coupon interest, which could adversely affect our reported or future financial results and the trading price of our securities.

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

As a result, we may experience related non-cash volatility to our net income (loss). In addition, as a result of the amortization of the debt discount, the interest expense associated with the 2022 Convertible Notes will be greater than the coupon rate on the 2022 Convertible Notes, which will result in lower reported net income.

Certain provisions in the indentures governing the 2022 Convertible Notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us.

Certain provisions in the 2022 Convertible Notes and the indenture governing the 2022 Convertible Notes could make it more difficult or more expensive for a third party to acquire us. For example, if a takeover would constitute a fundamental change, holders of the 2022 Convertible Notes will have the right to require us to repurchase their 2022 Convertible Notes in cash. In addition, if a takeover constitutes a make-whole fundamental change, we may be required to increase the conversion rate for holders who convert their 2022 Convertible Notes in connection with such takeover. In either case, and in other cases, our obligations under the 2022 Convertible Notes and the indenture governing the 2022 Convertible Notes could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

Any substantial and sustained downturn in our operations due to the COVID-19 pandemic or other factors may cause us to be in breach of our debt covenants which would limit our ability to incur additional indebtedness.

The instruments governing our existing indebtedness require us to comply with certain restrictive covenants and any substantial and sustained downturn in our operations due to the COVID-19 pandemic or other factors may cause us to be in breach of such covenants. If we breach these covenants our ability to incur additional indebtedness would be limited. In addition, to the extent we borrow under our $25 million revolving credit facility a breach of the maintenance covenants under that facility could constitute an event of default and cause our outstanding indebtedness under the revolving credit facility to be declared immediately due and payable. If applicable, such acceleration of our outstanding indebtedness could cause our secured lenders to foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. Any inability to obtain additional liquidity as and when needed, or to maintain compliance with the instruments governing our indebtedness, would have a material adverse effect on our financial condition and results of operations.

In addition, the current uncertain condition of the capital markets and their actual or perceived effects on our business, financial condition and results of operations, along with the current unfavorable economic environment in the United States and much of the world resulting from the COVID-19 pandemic, may increase the likelihood that one or more of the major independent credit agencies would downgrade our credit ratings, which could have a negative effect on our access to capital and the cost of any future debt financing. In addition, the terms of future debt agreements could include more restrictive covenants or require incremental collateral, which may further restrict our business operations.

Litigation and Regulatory Risk

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

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

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

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

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

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

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

We are also subject to laws and regulations, such as the GDPR, the CCPA and the GLBA, relating to the privacy of the information of clients, employees or others, and any failure to comply with these laws and regulations could expose us to liability and/or reputational damage. As new privacy-related laws and regulations are implemented and as the interpretation and enforcement of existing requirements evolves, the time and resources needed for us to comply with such laws and regulations, as well as our potential liability for non-compliance and reporting obligations in the case of data breaches, may significantly increase.

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

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

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

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

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

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

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

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

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

Our business could be adversely affected by the ongoing impact of MiFID II in Europe.

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

The U.K. exit from the EU could adversely impact our business, results of operations and financial condition.

The U.K. left the EU on January 31, 2020, with a transition period until December 31, 2020 during which time the U.K. followed EU rules and a U.K.-EU trade agreement was negotiated governing EU and U.K. relations from January 1, 2021 resulting in a Trade and Cooperation Agreement together with a Political Declaration covering a number of areas including financial services. The Trade and Cooperation Agreement does not include substantive provisions for financial services, in particular it does not allow U.K. investment firms to provide services into the EU under the Passporting regime.

We conduct business in Europe primarily through our U.K. subsidiaries. Under the Trade and Cooperation Agreement, our U.K. subsidiaries are currently not able to rely on a "Passporting" regime on which our U.K. Subsidiaries may rely, that allows immediate access to the single EU market. If the U.K. and EU do not agree to a Passporting regime, we may need to establish one or more new regulated subsidiaries in the EU in order to provide our trading platform and certain post-trade services to clients in the EU.

In general, the potential impacts related to Brexit or the terms of the new economic and security relationship between the U.K. and the EU on the movement of goods, services, people and capital between the U.K. and the EU, customer behavior, economic conditions, interest rates, currency exchange rates, availability of capital or other matters are unclear and could adversely affect our businesses, including our revenues from our trading activities, particularly in Europe, and our results of operations and financial condition.

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

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

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

Other Risks to Our Stockholders

We could change our existing dividend policy in the future and there can be no assurance that we will continue to declare cash dividends.

We began paying quarterly cash dividends to holders of record of our Class A common stock in March 2020. Although we expect to continue to pay dividends to our stockholders in accordance with our dividend policy, as described under the heading "Dividend Policy", we have no obligation to pay any dividend, and our dividend policy may change at any time without notice. The declaration and payment of dividends on our Class A common stock is at the discretion of our Board of Directors in accordance with applicable law after taking into account various factors, including general economic and business conditions; our financial condition and operating results; our available cash and current and anticipated cash needs; capital requirements; contractual restrictions (including under agreements related to indebtedness to which we are a party), legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us; and such other factors as our board of directors may deem relevant. For example, in the event that there is deterioration in our financial performance and/or our liquidity position, a downturn in global economic conditions or disruptions in the credit markets and our ability to obtain financing, our Board of Directors could decide to suspend dividend payments in the future. As a Delaware corporation, we are required to meet certain surplus thresholds for our Board of Directors to declare a dividend in accordance with the Delaware General Corporation Law. As a result, we may not pay dividends at all in the future.

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

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

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

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

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

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

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

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

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

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

In the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock are reserved for issuance upon vesting of restricted stock units and performance-linked restricted stock units and upon the conversion of the 2022 Convertible Notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of our securities and impair our ability to raise capital through the sale of additional equity securities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal offices, all of which are leased, are located in New York City, Boston, San Francisco and London. Our other offices, all of which are leased, are located in Atlanta, Chicago, Cleveland, Dallas, Greenwich, Houston, Lake Mary, Stamford, Washington D.C., Luxembourg, Belfast, and other various locations. Our corporate headquarters are located in New York, New York and comprise approximately 124,000 square feet of leased space pursuant to a lease agreement through 2024. Our additional New York locations are comprised of approximately 46,000 square feet pursuant to lease agreements through

2025. We lease approximately 19,100 square feet of space in Boston pursuant to lease agreements expiring through 2023. In San Francisco, we lease approximately 26,000 square feet of space, pursuant to lease agreements expiring through 2025. Our London offices are subject to lease agreements expiring through 2022.

Item 3. Legal Proceedings

In the ordinary course of business, the Company and its affiliates, subsidiaries and current and former officers, directors and employees (the "Company and Related Parties") are named as defendants in, or as parties to, various legal actions and proceedings. Certain of these actions and proceedings assert claims or seek relief in connection with alleged violations of securities, banking, anti-fraud, anti-money laundering, employment and other statutory and common laws. Certain of these actual or threatened legal actions and proceedings include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief.

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

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

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

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

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

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

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

Stock Price Information and Stockholders

Our Class A common stock is listed and trades on the NASDAQ Global Market under the symbol "COWN." As of March 2, 2021, there were approximately 38 holders of record of our Class A common stock. This number does not include stockholders for whom shares were held in "nominee" or "street" name.

Dividend Policy

Though we currently expect that cash dividends comparable to cash dividends paid by us during our most recently completed fiscal year will continue to be paid in the future, the declaration and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors will take into account: general economic and business conditions; our financial condition and operating results; our available cash and current and anticipated cash needs; capital requirements;

contractual restrictions (including under agreements related to indebtedness to which we are a party), legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us; and such other factors as our board of directors may deem relevant.

We credit dividend equivalents on all unvested Restricted Stock Units and Performance Share Awards concurrently with the payment of dividends to the holders of Class A common stock. The dividend equivalents have the same vesting and delivery terms as the underlying award agreements relating to the Restricted Stock Units and Performance Share Awards.

Issuer Purchases of Equity Securities: Sales of Unregistered Securities

As of December 31, 2020, the Company's Board of Directors has approved a share repurchase program that authorizes the Company to purchase up to $271.5 million of Cowen Class A common stock from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. The specific timing and amount of repurchases will vary depending on various factors, including, among others, market conditions and competing needs for the use of our capital. We may elect to conduct future share repurchases through open market purchases, private transactions or automatic share repurchase programs under SEC Rule 10b5-1. During the year ended December 31, 2020, through the share repurchase program, the Company repurchased 3,139,751 shares of Cowen Class A common stock at an average price of $15.07 per share.

The table below sets forth the information with respect to purchases made by or on the behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act, as amended), of our Class A common stock during the year ended December 31, 2020.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Month 1 (January 1, 2020 – January 31, 2020)				
Common stock repurchases(1)	—	$ —	—	$ 12,934,590
Employee transactions(2)	4,052	$ 16.00	—	—
Other (3)	3,051	$ 15.57	—	—
Total	7,103	$ 15.81	—	
Month 2 (February 1, 2020 – February 29, 2020)				
Common stock repurchases(1)	299,545	$ 16.16	299,545	$ 20,158,853
Employee transactions(2)	5,489	$ 16.89	—	—
Other (3)	—	—	—	—
Total	305,034	$ 16.17	299,545.00	
Month 3 (March 1, 2020 – March 31, 2020)				
Common stock repurchases(1)	1,084,112	$ 12.15	1,084,112	$ 6,981,750
Employee transactions(2)	219,016	$ 12.18	—	—
Other (3)	—	—	—	—
Total	1,303,128	$ 12.16	1,084,112	
Month 4 (April 1, 2020 – April 30, 2020)				
Common stock repurchases(1)	—	$ —	—	$ 6,981,750
Employee transactions(2)	25,014	$ 9.66	—	—
Other (3)	—	—	—	—
Total	25,014	$ 9.66	—	
Month 5 (May 1, 2020 – May 31, 2020)				
Common stock repurchases(1)	—	$ —	—	$ 6,981,750
Employee transactions(2)	105,347	$ 11.77	—	—
Other (3)	2,138	$ 10.33	—	—
Total	107,485	$ 11.74	—	
Month 6 (June 1, 2020 – June 30, 2020)				
Common stock repurchases(1)	446,800	$ 14.67	446,800	$ 24,165,575
Employee transactions(2)	131,799	$ 13.07	—	—
Other (3)	—	$ —	—	
Total	578,599	$ 14.30	446,800	
Month 7 (July 1, 2020 – July 31, 2020)				
Common stock repurchases(1)	—	$ —	—	$ 24,165,575
Employee transactions(2)	3,450	$ 15.76	—	—
Other (3)	1,837	$ 14.38	—	—
Total	5,287	$ 15.28	—	

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Month 8 (August 1, 2020 – August 31, 2020)						
Common stock repurchases(1)	236,790	$	16.75	236,790	$	20,199,771
Employee transactions(2)	—	$	—	—		—
Other (3)	—	$	—	—		—
Total	236,790	$	16.75	236,790		
Month 9 (September 1, 2020 – September 30, 2020)						
Common stock repurchases(1)	907,464	$	16.43	907,464	$	5,294,360
Employee transactions(2)	11,535	$	18.41	—		—
Other (3)	—	$	—	—		—
Total	918,999	$	16.45	907,464		
Month 10 (October 1, 2020 – October 31, 2020)						
Common stock repurchases(1)	8,690	$	15.48	8,690	$	24,865,439
Employee transactions(2)	—			—		—
Other (3)	721	$	16.81	—		—
Total	9,411	$	15.59	8,690		
Month 11 (November 1, 2020 – November 30, 2020)						
Common stock repurchases(1)	51,397	$	22.55	51,397	$	23,706,348
Employee transactions(2)	—			—		—
Total	51,397	$	22.55	51,397		
Month 12 (December 1, 2020 – December 31, 2020)						
Common stock repurchases(1)	104,953	$	24.56	104,953	$	21,128,277
Employee transactions(2)	361,082	$	24.51	—		—
Other (3)	—			—		—
Total	466,035	$	24.53	104,953		
Total (January 1, 2020 – December 31, 2020)						
Common stock repurchases(1)	3,139,751	$	15.07	3,139,751	$	21,128,277
Employee transactions(2)	866,784	$	17.48	—		—
Other (3)	7,747	$	13.96	—		—
Total	4,014,282	$	15.59	3,139,751		

(1) The Company's Board of Directors have authorized the repurchase, subject to market conditions, of up to $271.5 million of the Company's outstanding Class A common stock.

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

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

Item 6. Selected Financial Data

The following table sets forth our selected consolidated financial and other data for the years ended December 31, 2020, 2019, 2018, 2017, and 2016. The selected consolidated statements of financial condition data and consolidated statements of operations data as of and for the years ended December 31, 2020, 2019, 2018, 2017, and 2016 have been derived from our audited consolidated financial statements. Any presentation reclassifications made in filings subsequent to the associated Form 10-K filing for each year have been applied here retrospectively as well. Our selected consolidated financial data are only a summary and should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands except per share data)				
Consolidated Statements of Operations Data:					
Revenues					
Investment banking	$ 769,486	$ 375,025	$ 357,222	$ 223,614	$ 133,279
Brokerage	572,548	402,747	413,582	293,610	199,180
Management fees	47,515	32,608	29,658	33,245	40,612
Incentive income	592	1,547	3,117	5,383	8,334
Interest and dividends	187,459	174,913	108,009	49,440	14,732
Reimbursement from affiliates	1,048	1,026	1,038	2,860	10,504
Aircraft lease revenue	—	—	1,852	3,751	4,161
Reinsurance premiums	30,147	46,335	38,096	30,996	32,459
Other revenues	8,621	5,433	4,504	8,561	22,355
Consolidated Funds revenues	5,888	9,809	9,838	7,321	5,949
Total revenues	1,623,304	1,049,443	966,916	658,781	471,565
Interest and dividends expense	187,725	168,628	104,116	60,949	29,308
Total net revenues	1,435,579	880,815	862,800	597,832	442,257
Expenses					
Employee compensation and benefits	860,531	535,772	512,627	404,087	310,038
Non-compensation expense	392,517	355,959	328,616	249,550	168,804
Reinsurance claims, commissions and amortization of deferred acquisition costs	33,905	44,070	41,086	30,486	29,904
Goodwill impairment	—	4,100	—	—	—
Consolidated Funds expenses	5,409	8,963	8,615	12,526	9,064
Total expenses	1,292,362	948,864	890,944	696,649	517,810
Other income (loss)					
Net gains (losses) on securities, derivatives and other investments	175,877	80,409	68,043	76,179	23,381
Bargain purchase gain	—	—	—	6,914	—
Gain/(loss) on debt extinguishment	2,719	—	(556)	(16,039)	—
Consolidated Funds net gains (losses)	(24,376)	58,363	56,255	38,725	20,685
Total other income (loss)	154,220	138,772	123,742	105,779	44,066
Income (loss) before income taxes	**297,437**	**70,723**	**95,598**	**6,962**	**(31,487)**
Income tax expense (benefit)	90,373	14,853	15,719	44,053	(19,092)
Net income (loss)	207,064	55,870	79,879	(37,091)	(12,395)
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	(9,299)	31,239	37,060	23,791	6,882
Net income (loss) attributable to Cowen Inc.	216,363	24,631	42,819	(60,882)	(19,277)
Preferred stock dividends	6,792	6,792	6,792	6,792	6,792
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 209,571**	**$ 17,839**	**$ 36,027**	**$ (67,674)**	**$ (26,069)**
Weighted average common shares outstanding:					
Basic	27,790	29,525	29,545	29,492	26,857
Diluted	29,519	31,286	30,735	29,492	26,857
Earnings (loss) per share:					
Basic	$ 7.54	$ 0.60	$ 1.22	$ (2.29)	$ (0.97)
Diluted	$ 7.10	$ 0.57	$ 1.17	$ (2.29)	$ (0.97)

	As of December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands)				
Consolidated Statements of Financial Condition Data:					
Total assets	$ 7,828,199	$ 5,162,025	$ 3,346,303	$ 3,296,252	$ 2,018,523
Total liabilities	$ 6,659,078	$ 3,866,575	$ 2,270,093	$ 2,107,629	$ 866,668
Redeemable non-controlling interests	$ —	$ 391,275	$ 216,923	$ 335,017	$ 280,527
Nonredeemable non-controlling interests	$ 199,624	$ 94,320	$ 64,880	$ 105,587	$ 98,678
Total Stockholders' Equity	**$ 969,497**	**$ 809,855**	**$ 794,407**	**$ 748,019**	**$ 772,650**

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

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

Overview

Cowen Inc., a Delaware corporation formed in 2009, is a diversified financial services firm that, together with its consolidated subsidiaries (collectively, "Cowen" or the "Company"), provides investment banking, research, sales and trading, prime brokerage, global clearing, securities financing, commission management services and investment management through its two business segments: the Operating Company ("Op Co") and the Asset Company ("Asset Co").

Operating Company

The Op Co segment consists of four divisions: the Cowen Investment Management ("CIM") division, the Investment Banking division, the Markets division (which includes sales and trading, prime brokerage, global clearing, securities financing and commission management services) and the Research division. The Company refers to the Investment Banking division, the Markets division and the Research division collectively as its investment banking businesses. Op Co's CIM division includes advisers to investment funds (including private equity structures and privately placed hedge funds), and registered funds. Op Co's investment banking businesses offer industry focused investment banking for growth-oriented companies including advisory and global capital markets origination, domain knowledge-driven research, sales and trading platforms for institutional investors, global clearing, commission management services and also a comprehensive suite of prime brokerage services.

The CIM division is the Company's investment management business, which operates primarily under the Cowen Investment Management name. CIM offers innovative investment products and solutions across the liquidity spectrum to institutional and private clients. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act") since 1997. The Company's investment management business offers investors access to a number of strategies to meet their specific needs including private healthcare investing, private sustainable investing, healthcare royalties, activism and merger arbitrage. A portion of the Company’s capital is invested alongside the Company's investment management clients. The Company has also invested some of its capital in its reinsurance businesses.

Op Co's investment banking businesses include investment banking, research, sales and trading, prime brokerage, global clearing and commission management services provided primarily to companies and institutional investor clients. Sectors covered by Op Co's investment banking business include healthcare, technology, media and telecommunications, consumer, industrials, information and technology services, and energy. We provide research and brokerage services to over 6,000 domestic and international clients seeking to trade securities and other financial instruments, principally in our sectors. The investment banking businesses also offer a full-service suite of introduced prime brokerage services targeting emerging private fund managers. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies. From time to time, the Company invests in private capital raising transactions of its investment banking clients.

Asset Company

The Asset Co segment consists of the Company's private investments, private real estate investments and other legacy investment strategies. The focus of Asset Co is to drive future monetization of the invested capital of the segment.

Certain Factors Impacting Our Business

Our Company's businesses and results of operations are impacted by the following factors:

- *Underwriting, private placement and strategic/financial advisory fees.* Our revenues from investment banking are directly linked to the underwriting fees we earn in equity and debt securities offerings in which the Company acts as an underwriter, private placement fees earned in non-underwritten transactions, sales commissions earned in at-the-market offerings and success fees earned in connection with advising both buyers and sellers, principally in mergers and acquisitions. As a result, the future performance of our investment banking business will depend on, among other things, our ability to secure lead manager and co-manager roles in clients' capital raising transactions as well as our ability to secure mandates as a client's strategic financial advisor.
- *Liquidity.* As a clearing broker-dealer in the U.S., we are subject to cash deposit requirements with clearing organizations, brokers and banks that may be large in relation to our total liquid assets.

- *Equity research fees.* Equity research fees are paid to the Company for providing access to equity research. The Company also permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. Our ability to generate revenues relating to our equity research depends on the quality of our research and its relevance to our institutional customers and other clients.
- *Principal transactions.* Principal transactions revenue includes net trading gains and losses from the Company's market-making activities and net trading gains and losses on inventory and other Company positions. Commissions associated with these transactions are also included herein. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk.
- *Commissions.* Our commission revenues depend for the most part on our customers' trading volumes and on the notional value of the non-U.S. securities traded by our customers.
- *Investment performance.* Our revenues from incentive income are linked to the performance of the investment funds and accounts that we manage. Performance also affects assets under management because it influences investors' decisions to invest assets in, or withdraw assets from, the investment funds and accounts managed by us.
- *Fee and allocation rates.* Our management fee revenues are linked to the management fee rates we charge as a percentage of contributed and invested capital. Our incentive income revenues are linked to the incentive allocation rates we charge as a percentage of performance-driven asset growth. Our incentive allocations are generally subject to "high-water marks," whereby incentive income is generally earned by us only to the extent that the net asset value of an investment fund at the end of a measurement period exceeds the highest net asset value as of the end of the earlier measurement period for which we earned incentive income. Our incentive allocations, in some cases, are subject to performance hurdles. Additionally, our revenues from management fees are directly linked to assets under management. Positive performance in our legacy funds increases assets under management which results in higher management fees.
- *Investment performance of our own capital.* We invest our own capital and the performance of such invested capital affects our revenues. Investment income in the investment bank business includes gains and losses generated by the capital the Company invests in private capital raising transactions of its investment banking clients. Our revenues from investment income are linked to the performance of the underlying investments.

External Factors Impacting Our Business

Our financial performance is highly dependent on the environment in which our businesses operate. We believe a favorable business environment is characterized by many factors, including a stable geopolitical climate, transparent financial markets, low inflation, low interest rates, low unemployment, strong business profitability and high business and investor confidence. Unfavorable or uncertain economic or market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability (or increases in the cost of) credit and capital, increases in inflation or interest rates, exchange rate volatility, unfavorable global asset allocation trends, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in the capital markets, global health crisis, such as the ongoing COVID-19 pandemic, or a combination of these or other factors. Until the COVID-19 pandemic subsides, we could experience reduced levels in certain of our investment banking activities, reduced revenues from incentive income in our investment management business and reduced investment income. Our businesses and profitability have been and may continue to be adversely affected by market conditions in many ways, including the following:

- Our investment bank business has been, and may continue to be, adversely affected by market conditions. Increased competition continues to affect our investment banking and capital markets businesses. The same factors also affect trading volumes in secondary financial markets, which affect our brokerage business. Commission rates, market volatility, increased competition from larger financial firms and other factors also affect our brokerage revenues and may cause these revenues to vary from period to period.
- Our investment management business can be adversely affected by unanticipated levels of requested redemptions. We experienced significant levels of requested redemptions during the 2008 financial crisis and, while the environment for investing in investment management products has since improved, it is possible that we could intermittently experience redemptions above historical levels, regardless of investment fund performance.
- Our investment bank business focuses primarily on small to mid-capitalization and private companies in specific industry sectors. These sectors may experience growth or downturns independent of general economic and market conditions, or may face market conditions that are disproportionately better or worse than those impacting the economy and markets generally. In addition, increased government regulation has had, and may continue to have, a disproportionate effect on capital formation by smaller companies. Therefore, our investment bank business could be affected differently than overall market trends.

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

Basis of Presentation

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

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

Acquisition

On October 1, 2020 (the "Acquisition Date"), the Company, through its indirect wholly owned subsidiary, Cowen and Company LLC ("C&C"), completed its previously announced acquisition (the "Acquisition") of certain assets and liabilities of MHT Partners, LP ("MHT Partners"). MHT Partners is an investment bank, based primarily in Dallas and San Francisco, focused on representing innovative companies in growing markets.

Expenses

The Company's expenses consist of compensation and benefits, reinsurance costs, general, administrative and other, and Consolidated Funds expenses.

- *Compensation and Benefits.* Compensation and benefits is comprised of salaries, benefits, discretionary cash bonuses and equity-based compensation. Annual incentive compensation is variable, and the amount paid is generally based on a combination of employees' performance, their contribution to their business segment, and the Company's performance. Generally, compensation and benefits comprise a significant portion of total expenses, with annual incentive compensation comprising a significant portion of total compensation and benefits expenses.
- *Reinsurance claims, commissions and amortization of deferred acquisition costs.* Reinsurance-related expenses reflect loss and claim reserves, acquisition costs and other expenses incurred with respect to our insurance and reinsurance operations.
- *Operating, General and Administrative.* General, administrative and other expenses are primarily related to professional services, occupancy and equipment, business development expenses, communications, expenses associated with our reinsurance business and other miscellaneous expenses. These expenses may also include certain one-time charges and non-cash expenses.
- *Depreciation and Amortization.* Depreciation and amortization is comprised of depreciation expense for tangible assets and the amortization of intangible assets. The depreciation of assets capitalized under finance leases is included in depreciation and amortization expenses as well.
- *Consolidated Funds Expenses.* The Company's consolidated financial statements reflect the expenses of the Consolidated Funds and the portion attributable to other investors is allocated to a non-controlling interest.

Income Taxes

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

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

Non-Controlling Interests

Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities. When non-controlling interest holders have redemption features that can be exercised at the option of the holder currently or contingent upon the occurrence of future events, their ownership has been classified as temporary equity. Ownership which has been classified in permanent equity are non-controlling interests which are either not redeemable at the option of the holder or the holder does not have the unilateral right to redeem its ownership interests.

Investment Fund Performance and Assets Under Management

For the three months ended December 31, 2020, the performance of the Company's activist and merger arbitrage investment strategies (including the merger arbitrage-focused UCITS Fund) had positive results. The Company's healthcare royalty strategy is now making allocations from the strategy's fourth fund. Our private healthcare strategy is now deploying capital from its third fund, having made twenty investments by the end of the three months ended December 31, 2020, with a pipeline of opportunities ahead. Finally, our sustainable investing strategy is now deploying capital from its first fund, and has made two investments as of December 31, 2020, with a pipeline of opportunities ahead. The liquidation of certain multi-strategy hedge funds advised by the Company also continues.

As of December 31, 2020, the Company had assets under management of $12.5 billion.

Capability	Private Healthcare Investments	Healthcare Royalties	Activism	Merger Arbitrage	Sustainability	Other (a)
			(dollars in millions)			
AUM	$896	$3,579	$6,420	$392	$477	$715
Team						
Private Equity	✓	✓			✓	
Hedge Fund			✓	✓		
Managed Account		✓	✓	✓	✓	
UCITS				✓		
Other						✓

(a) Other capabilities include private equity funds, legacy funds, and other trading strategies.

The Company's Invested Capital

The Company invests a significant portion of its capital base to help drive results and facilitate the growth of the Op Co and Asset Co business segments. Within Op Co, management allocates capital to three primary investment categories: (i) broker-dealer capital and related trading strategies; (ii) liquid alternative trading strategies; and (iii) public and private healthcare strategies. Broker-dealer capital and related trading strategies include capital investments in the Company's broker-dealers as well as securities finance and special purpose acquisition company trading strategies to grow liquidity and returns within operating businesses. Much of the Company's public and private healthcare strategies and liquid alternative trading strategies portfolios are invested alongside the Company's investment management clients. The Company's liquid alternative trading strategies include merger arbitrage and activist fund strategies. In addition, from time to time, the Company makes investments in private capital raising transactions of its investment banking clients.

The Company allocates capital to Asset Co's private investments. Asset Co's private investments include the Company's investment in Italian wireless broadband provider Linkem, private equity funds Formation8 and Eclipse and legacy real estate investments.

As of December 31, 2020, the Company's invested capital amounted to a net value of $853.8 million (supporting a long market value of $993.8 million), representing approximately 88% of Cowen's stockholders' equity presented in accordance with US GAAP. The table below presents the Company's invested equity capital by strategy and as a percentage of Cowen's stockholders' equity as of December 31, 2020. The total net values presented in the table below do not tie to Cowen's consolidated statement of financial condition as of December 31, 2020 because they represent only some of the line items in the accompanying consolidated statement of financial condition.

Strategy	Net Value	% of Stockholders' Equity
	(dollars in millions)	
Op Co		
Broker-dealer capital and related trading	$ 567.4	59%
Public and Private Healthcare	68.8	7%
Liquid Alternative Trading	72.0	7%
Other	14.6	2%
Asset Co		
Private Investments	131.0	14%
Total	**853.8**	**88%**
Cowen Inc. Stockholders' Equity	$ 969.5	

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

Results of Operations

To provide comparative information of the Company's operating results for the periods presented, a discussion of Economic Income (Loss) (which is a non-GAAP measure) of our Op Co and Asset Co segments follows the discussion of our total consolidated US GAAP results.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

	Consolidated Statements of Operations			
	Year Ended December 31,		Period to Period	
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	$ 769,486	$ 375,025	$ 394,461	105 %
Brokerage	572,548	402,747	169,801	42 %
Management fees	47,515	32,608	14,907	46 %
Incentive income	592	1,547	(955)	(62)%
Interest and dividends	187,459	174,913	12,546	7 %
Reimbursement from affiliates	1,048	1,026	22	2 %
Reinsurance premiums	30,147	46,335	(16,188)	(35)%
Other revenues	8,621	5,433	3,188	59 %
Consolidated Funds revenues	5,888	9,809	(3,921)	(40)%
Total revenues	**1,623,304**	**1,049,443**	**573,861**	**55 %**
Interest and dividends expense	187,725	168,628	19,097	11 %
Total net revenues	**1,435,579**	**880,815**	**554,764**	**63 %**
Expenses				
Employee compensation and benefits	860,531	535,772	324,759	61 %
Reinsurance claims, commissions and amortization of deferred acquisition costs	33,905	44,070	(10,165)	(23)%
Operating, general, administrative and other expenses	369,840	335,499	34,341	10 %
Depreciation and amortization expense	22,677	20,460	2,217	11 %
Goodwill impairment	—	4,100	(4,100)	NM
Consolidated Funds expenses	5,409	8,963	(3,554)	(40)%
Total expenses	**1,292,362**	**948,864**	**343,498**	**36 %**
Other income (loss)				
Net gains (losses) on securities, derivatives and other investments	175,877	80,409	95,468	119 %
Gain/(loss) on debt extinguishment	2,719	—	2,719	NM
Consolidated Funds net gains (losses)	(24,376)	58,363	(82,739)	(142)%
Total other income (loss)	**154,220**	**138,772**	**15,448**	**11 %**
Income (loss) before income taxes	**297,437**	**70,723**	**226,714**	**321 %**
Income tax expense (benefit)	90,373	14,853	75,520	508 %
Net income (loss)	**207,064**	**55,870**	**151,194**	**271 %**
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	(9,299)	31,239	(40,538)	(130)%
Net income (loss) attributable to Cowen Inc.	**216,363**	**24,631**	**191,732**	**778 %**
Preferred stock dividends	6,792	6,792	—	— %
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 209,571**	**$ 17,839**	**$ 191,732**	**1,075 %**

Revenues

Investment Banking

Investment banking revenues increased $394.5 million to $769.5 million for the year ended December 31, 2020 compared with $375.0 million in the prior year period. During the year ended December 31, 2020, the Company completed 165 underwriting transactions, 74 strategic advisory transactions and 12 debt capital markets transactions. During the year ended December 31, 2019, the Company completed 126 capital markets transactions, 48 strategic advisory transactions and 14 debt capital markets transactions.

Brokerage

Brokerage revenues increased $169.8 million to $572.5 million for the year ended December 31, 2020 compared with $402.7 million in the prior year period. This was attributable to an increase in Institutional Brokerage, primarily Special Situations and electronic trading commission revenue and an increase in Institutional Services, primarily Prime Brokerage. Customer trading volumes across the industry (according to Bloomberg) increased 56% for the year ended December 31, 2020 compared to the prior year period.

Management Fees

Management fees increased $14.9 million to $47.5 million for the year ended December 31, 2020 compared with $32.6 million in the prior year period. This increase is primarily related to the healthcare royalty business, our healthcare investments business and our sustainable investments business.

Incentive Income

Incentive income decreased $0.9 million to $0.6 million for the year ended December 31, 2020 compared with $1.5 million in the prior year period. This decrease is primarily related to the merger arbitrage business. Revenue recognition standards, effective January 1, 2018, require the Company to recognize the majority of incentive income allocated to the Company as net gains (losses) on securities, derivatives and other investments or as incentive income when the fees are no longer subject to reversal or are crystallized.

Interest and Dividends

Interest and dividends increased $12.6 million to $187.5 million for the year ended December 31, 2020 compared with $174.9 million in the prior year period. Interest and dividends amounts are primarily attributable to securities finance activity. The increase in the securities finance activity is due to higher customer demand which has created more matched book opportunities for international securities.

Reimbursements from Affiliates

Reimbursements from affiliates remained fairly flat at $1.0 million for the year ended December 31, 2020 compared with $1.0 million in the prior year period.

Reinsurance Premiums

Reinsurance premiums decreased $16.2 million to $30.1 million for the year ended December 31, 2020 compared with $46.3 million in the prior year period. This decrease is because premiums from policies that were not renewed in 2020 outweighed premiums from new policies in 2020 and because of lower activity in certain existing contracts due to COVID-19.

Other Revenues

Other revenues increased $3.2 million to $8.6 million for the year ended December 31, 2020 compared with $5.4 million in the prior year period. The increase relates to an increase in board monitoring fees from our private equity business.

Consolidated Funds Revenues

Consolidated Funds revenues decreased $3.9 million to $5.9 million for the year ended December 31, 2020 compared with $9.8 million in the prior year period. The decrease is due to the deconsolidation of two consolidated funds during 2020.

Interest and Dividends Expense

Interest and dividends expense increased $19.1 million to $187.7 million for the year ended December 31, 2020 compared with $168.6 million in the prior year period. Interest and dividends amounts are primarily attributable to securities finance activities. There was an increase in the securities finance activity due to higher customer demand which has created more matched book opportunities for international securities.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $324.7 million to $860.5 million for the year ended December 31, 2020 compared with $535.8 million in the prior year period. The increase is primarily due to $573.9 million higher total revenues as well as an increase of $15.4 million in other income (loss) during 2020 as compared to 2019 and thus resulting in a higher compensation and benefits accrual. The compensation to revenue ratio, including other income (loss), was 48% for the year ended December 31, 2020, compared with 45% in the prior year period.

Reinsurance Claims and Commissions

Reinsurance-related expenses decreased $10.2 million to $33.9 million for the year ended December 31, 2020 compared with $44.1 million in the prior year period. This decrease is due to fewer policies in force during 2020 compared to 2019 partially offset by a higher loss ratio.

Operating, General, Administrative and Other Expenses

Operating, general, administrative and other expenses increased $34.3 million to $369.8 million for the year ended December 31, 2020 compared with $335.5 million in the prior year period. The increase is primarily related to higher brokerage and trade execution costs as well as higher underwriting fees, due to higher brokerage and investment banking revenues, offset only partially by decreased marketing and business development expenses and occupancy costs.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $2.2 million to $22.7 million for the year ended December 31, 2020 compared with $20.5 million in the prior year period. The increase is primarily related to an increase in tangible and intangible assets related to software purchases and recent acquisitions.

Consolidated Funds Expenses

Consolidated Funds expenses decreased $3.6 million to $5.4 million for the year ended December 31, 2020 compared with $9.0 million in the prior year period. The decrease is due to the deconsolidation of two consolidated funds during 2020.

Other Income (Loss)

Other income (loss) increased $15.4 million to $154.2 million for the year ended December 31, 2020 compared with $138.8 million in the prior year period. The increase in other income (loss) was primarily attributable to the increase in Net gains (losses) on securities, derivatives and other investments which relates to an increase in performance in our activist investments, and Cowen Merchant Banking, specifically the $27 million increase in our investment in electric truck maker Nikola Corporation. The liquid strategy increases were partially offset by the impairment of our Surfside real estate investment. The increase was partially offset by a decrease in Other Income (loss) from Consolidated Funds which decreased during 2020 due to weaker performance of our UCITS Fund and losses in the Ramius Merger Fund LLC compared to the prior year period. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such investment funds, and the portion of those gains or losses that are attributable to other investors is allocated to non-controlling interests.

Income Taxes

Income tax expense increased $75.5 million to $90.4 million for the year ended December 31, 2020 compared with an income tax expense of $14.9 million in the prior year period. This change is primarily attributable to the change in the Company’s income before income taxes for the respective periods.

Net Income (Loss) Attributable to Non-controlling Interests

Net income (loss) attributable to non-controlling interests decreased $40.5 million to a loss of $9.3 million for the year ended December 31, 2020 compared with income of $31.2 million in the prior year period. The decrease was primarily the result of a decrease in income earned from our Cowen Private fund as 2019 had a large amount of positive realizations and the fund continues to wind down into 2020. We also experienced weaker performance in the Merger Fund and UCITS Fund prior to their deconsolidation in 2020. Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities.

Preferred Stock Dividends

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

Year Ended December 31, 2019 Compared with the Year Ended December 31, 2018

	Consolidated Statements of Operations			
	Year Ended December 31,		Period to Period	
	2019	2018	$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	$ 375,025	$ 357,222	$ 17,803	5 %
Brokerage	402,747	413,582	(10,835)	(3)%
Management fees	32,608	29,658	2,950	10 %
Incentive income	1,547	3,117	(1,570)	(50)%
Interest and dividends	174,913	108,009	66,904	62 %
Reimbursement from affiliates	1,026	1,038	(12)	(1)%
Aircraft lease revenue	—	1,852	(1,852)	NM
Reinsurance premiums	46,335	38,096	8,239	22 %
Other revenues	5,433	4,504	929	21 %
Consolidated Funds revenues	9,809	9,838	(29)	— %
Total revenues	**1,049,443**	**966,916**	**82,527**	**9 %**
Interest and dividends expense	168,628	104,116	64,512	62 %
Total net revenues	**880,815**	**862,800**	**18,015**	**2 %**
Expenses				
Employee compensation and benefits	535,772	512,627	23,145	5 %
Reinsurance claims, commissions and amortization of deferred acquisition costs	44,070	41,086	2,984	7 %
Operating, general, administrative and other expenses	335,499	316,180	19,319	6 %
Depreciation and amortization expense	20,460	12,436	8,024	65 %
Goodwill impairment	4,100	—	4,100	NM
Consolidated Funds expenses	8,963	8,615	348	4 %
Total expenses	**948,864**	**890,944**	**57,920**	**7 %**
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	80,409	68,043	12,366	18 %
Gain/(loss) on debt extinguishment	—	(556)	556	NM
Consolidated Funds net gains (losses)	58,363	56,255	2,108	4 %
Total other income (loss)	**138,772**	**123,742**	**15,030**	**12 %**
Income (loss) before income taxes	**70,723**	**95,598**	**(24,875)**	**(26)%**
Income tax expense (benefit)	14,853	15,719	(866)	(6)%
Net income (loss)	**55,870**	**79,879**	**(24,009)**	**(30)%**
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	31,239	37,060	(5,821)	(16)%
Net income (loss) attributable to Cowen Inc.	24,631	42,819	(18,188)	(42)%
Preferred stock dividends	6,792	6,792	—	— %
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 17,839**	**$ 36,027**	**$ (18,188)**	**(50)%**

Revenues

Investment Banking

Investment banking revenues increased $17.8 million to $375.0 million for the year ended December 31, 2019 compared with $357.2 million in the prior year period. During the year ended December 31, 2019, the Company completed 126 capital markets transactions, 48 strategic advisory transactions and 14 debt capital markets transactions. During the year ended December 31, 2018, the Company completed 114 underwriting transactions, 30 strategic advisory transactions and seven debt capital markets transactions.

Brokerage

Brokerage revenues decreased $10.9 million to $402.7 million for the year ended December 31, 2019 compared with $413.6 million in the prior year period. This was attributable to a decrease in institutional services and cross asset revenues partially offset by an increase in commission management revenue. Customer trading volumes across the industry (according to Bloomberg) decreased 4% for the year ended December 31, 2019 compared to the prior year period.

Management Fees

Management fees increased $2.9 million to $32.6 million for the year ended December 31, 2019 compared with $29.7 million in the prior year period. This increase is primarily related to the healthcare royalty business.

Incentive Income

Incentive income decreased $1.6 million to $1.5 million for the year ended December 31, 2019, compared with $3.1 million in the prior year period. This decrease is primarily related to the merger arbitrage business. Revenue recognition standards, effective January 1, 2018, require the Company to recognize the majority of incentive income allocated to the Company as net gains (losses) on securities, derivatives and other investments or as incentive income when the fees are no longer subject to reversal or are crystalized.

Interest and Dividends

Interest and dividends increased $66.9 million to $174.9 million for the year ended December 31, 2019 compared with $108.0 million in the prior year period. This is primarily attributable to an increase in the securities finance activity due to customer demand which has created greater matched book opportunities for both domestic and international securities.

Reimbursements from Affiliates

Reimbursements from affiliates remained fairly flat at $1.0 million for the year ended December 31, 2019 and the prior year period.

Aircraft Lease Revenues

Aircraft lease revenue ceased at the end of 2018 due to our exit from the aviation business.

Reinsurance Premiums

Reinsurance premiums increased $8.2 million to $46.3 million for the year ended December 31, 2019 compared with $38.1 million in the prior year period. This increase is due to a higher change in unearned premiums in 2019 compared to 2018 as well as higher premium volume from renewed policies in 2019 compared to 2018.

Other Revenues

Other revenues increased $0.9 million to $5.4 million for the year ended December 31, 2019 compared with $4.5 million in the prior year period.

Consolidated Funds Revenues

Consolidated Funds revenues remained flat at $9.8 million for the year ended December 31, 2019 and prior year period.

Interest and Dividends Expenses

Interest and dividends expenses increased $64.5 million to $168.6 million for the year ended December 31, 2019 compared with $104.1 million in the prior year period. This is primarily attributable to securities finance activities. The increase in the securities finance activity is due to customer demand which has created greater matched book opportunities for both domestic and international securities.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $23.2 million to $535.8 million for the year ended December 31, 2019 compared with $512.6 million in the prior year period. The increase is primarily due to a higher compensation and benefits accrual. The compensation to revenue ratio, including other income (loss), was 45% for the year ended December 31, 2019, compared with 47% in the prior year period.

Reinsurance Claims Commissions

Reinsurance related expenses increased $3.0 million to $44.1 million for the year ended December 31, 2019 compared with $41.1 million in the prior year period. This increase is primarily due to additional reinsurance-related expenses in 2019 from additional reinsurance policies, partially offset by a better claims experience in 2019 compared to 2018.

Operating, General, Administrative and Other Expenses

Operating, general, administrative and other expenses increased $19.3 million to $335.5 million for the year ended December 31, 2019 compared with $316.2 million in the prior year period. The increase is primarily related to increased professional fees and client servicing and business development costs.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $8.1 million to $20.5 million for the year ended December 31, 2019 compared with $12.4 million in the prior year period. The increase in amortization expenses primarily related to intangibles acquired through the Quarton acquisition in January 2019.

Consolidated Funds Expenses

Consolidated Funds expenses increased $0.4 million to $9.0 million for the year ended December 31, 2019 compared with $8.6 million in the prior year period. The increase is due to increased professional, advisory and other fees expenses in the Consolidated Funds.

Other Income (Loss)

Other income (loss) increased $15.1 million to $138.8 million for the year ended December 31, 2019 compared with $123.7 million in the prior year period. The increase primarily relates to an increase in performance in the Company's own invested capital, primarily Cowen Healthcare (the healthcare investment strategy), and our activist strategy. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such investment funds, and the portion of those gains or losses that are attributable to other investors is allocated to non-controlling interests.

Income Taxes

Income tax expense decreased $0.8 million to $14.9 million for the year ended December 31, 2019 compared with an income tax expense of $15.7 million in the prior year period. This change is primarily attributable to the change in the Company's income before income taxes and non-deductible expenses for the respective periods.

Net Income (Loss) Attributable to Non-controlling Interests

Net income (loss) attributable to non-controlling interests decreased $5.9 million to $31.2 million for the year ended December 31, 2019 compared with $37.1 million in the prior year period. The decrease was primarily the result of a decrease in income earned by the Merger Fund in the current year period offset partially by an increase in performance of our Cowen Private fund (our healthcare strategy). Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities.

Preferred Stock Dividends

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

Segment Analysis, Economic Income (Loss) and related components

Economic Income (Loss) and related components

The Company presents supplemental financial measures that are not prepared in accordance with US GAAP. These non-GAAP financial measures include (i) Economic Income (Loss), (ii) Economic Operating Income (Loss), (iii) Economic Proceeds and related components, (iv) Net Economic Proceeds and related components (v) Economic Expenses and related components and (vi) related per share measures. The Company believes that these non-GAAP financial measures, viewed in addition to, and not in lieu of, the Company's reported US GAAP results, provide useful information to investors and analysts regarding its performance and overall results of operations as it presents investors and analysts with a supplemental operating view of the Company's financials to help better inform their analysis of the Company's performance.

These Non-GAAP financial measures are an integral part of the Company's internal reporting to measure the performance of its business segments, allocate capital and other strategic decisions as well as assess the overall effectiveness of senior management. The Company believes that presenting these non-GAAP measures may provide expanded transparency into the Company's business operations, growth opportunities and expense allocation decisions.

The Company's primary non-GAAP financial measures of profit or loss are Economic Income (Loss) and Economic Operating Income (Loss). Economic Income (Loss) is a pre-tax measure that (i) includes management reclassifications which the Company believes provides additional insight on the performance of the Company's core businesses and divisions (ii) eliminates the impact of consolidation for Consolidated Funds and excludes (iii) goodwill and intangible impairment (iv) certain other transaction-related adjustments and/or reorganization expenses and (v) certain costs associated with debt. Economic Operating Income (Loss) is a similar measure but before depreciation and amortization expenses. The Company believes that these non-GAAP financial measures provide analysts and investors transparency into the measures of profit and loss management uses to evaluate the financial performance of and make operating decisions for the segments including determining appropriate compensation levels. Additionally, the measures provide investors and analysts with additional insight into the activities of the Company's core businesses, taking into account, among other things, the impact of minority investment stakes, securities borrowing and lending activities and expenses from investment banking activities on US GAAP reported results.

In addition to Economic Income (Loss) and Economic Operating Income (Loss), the Company also presents Economic Proceeds, Net Economic Proceeds, Economic Expenses, as well as their related components. These measures include management reclassifications and the elimination of the impact of the consolidation for Consolidated funds as described for Economic Income (Loss) and Economic Operating Income (Loss) described above. These adjustments are meant to provide comparability to our peers as well as to provide investors and analysts with transparency into how the Company manages its operating businesses and how analysts and investors review and analyze the Company's and its peers' similar lines of businesses. For example, among others, within the Company's Op Co business segment, investors and analysts typically review and analyze the performance of investment banking revenues net of underwriting expenses and excluding the impact of reimbursable expenses. Additionally, the performance of the Company's Markets business is typically analyzed as a unit incorporating commissions, interest from securities financing transactions and gains and losses from proprietary and facilitation trading. The Company's investment management business performance is analyzed and reviewed by investors and analysts through investment income, incentive income and management fees. The presentation of Economic Proceeds, Net Economic Proceeds, Economic Expenses as well as their related components align with these and other examples of how the Company's business activities and performance are reviewed by analysts and investors in addition to providing simplification related to legacy businesses and investments for which the Company maintains long-term monetization strategies . Additionally, the Company manages its operating businesses to an Economic Compensation-to-Proceeds ratio. Presentation of Economic Compensation Expense and Economic Proceeds provides transparency in addition to the Company's US GAAP Compensation Expense.

Reconciliations to comparable US GAAP measures are presented along with the Company's Non-GAAP financial measures. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other public companies and are not identical to corresponding measures used in our various agreements or public filings.

These Non-GAAP measures should not be considered in isolation or as a substitute for revenue, expenses, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with US GAAP. As a result of the adjustments made to arrive at Economic Income (Loss) described below, Economic Income (Loss) has limitations in that it does not take into account certain items included or excluded under US GAAP, including its consolidated funds.

For a reconciliation of US GAAP net income (loss) to Economic Income (Loss) for the periods presented and additional information regarding the reconciling adjustments discussed above, see the following section "Reconciliation of US GAAP (Unaudited) to Non-GAAP Measures".

The Company conducts its operations through two segments: Op Co and Asset Co. The Company's principle sources of revenues included in Economic Income (Loss) are derived from activities in the following business segments. The Op Co and Asset Co segments do not conduct inter-segment transactions.

The Op Co segment generates revenue through five principal sources: investment banking revenue, brokerage revenue, management fees, incentive income and investment income from the Company's own capital.

The Asset Co segment generates revenue through management fees, incentive income and investment income from the Company's own capital.

Year Ended December 31, 2020 Compared with Year Ended December 30, 2019

Total Economic Operating Income (Loss) was $335.9 million for the year ended December 31, 2020, an increase of $271.8 million compared to Economic Operating Income (Loss) of $64.1 million in the prior year period. Total Economic Income (Loss) was $313.2 million for the year ended December 31, 2020, an increase of $269.5 million compared to Economic Income (Loss) of $43.7 million in the prior year period.

Economic Proceeds included in total Economic Income (Loss) were $1,556.3 million for the year ended December 31, 2020, an increase of $616.5 million compared to $939.8 million in the prior year period. This was primarily related to an increase in investment banking and brokerage revenues.

Operating Company Segment

Economic Proceeds

	Year Ended December 31,		Total Period-to-Period	
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Economic Proceeds				
Investment banking	$ 729,180	$ 351,085	$ 378,095	108 %
Brokerage	652,647	459,143	193,504	42 %
Management fees	58,154	40,321	17,833	44 %
Incentive income	83,435	44,600	38,835	87 %
Investment income (loss)	37,786	32,614	5,172	16 %
Other economic proceeds	775	5,785	(5,010)	(87)%
Total: Economic Proceeds	**1,561,977**	**933,548**	**628,429**	**67 %**
Economic Interest Expense	24,519	22,576	**1,943**	9 %
Net Economic Proceeds	**$ 1,537,458**	**$ 910,972**	**$ 626,486**	**69 %**

*Economic Proceed*s The Op Co segment economic proceeds included in Economic Income (Loss) were $1,562.0 million for the year ended December 31, 2020, an increase of $628.4 million compared to $933.5 million in the prior year period.

Investment Banking Economic Proceeds increased $378.1 million to $729.2 million for the year ended December 31, 2020 compared with $351.1 million in the prior year period. During the year ended December 31, 2020, the Company completed 165 underwriting transactions, 74 strategic advisory transactions and 12 debt capital markets transactions. During the year ended December 31, 2019, the Company completed 126 capital markets transactions, 48 strategic advisory transactions and 14 debt capital markets transactions.

Brokerage Economic Proceeds increased $193.5 million to $652.6 million for the year ended December 31, 2020, compared with $459.1 million in the prior year period. This was attributable to an increase in Institutional Brokerage, primarily Special Situations and electronic trading commission revenue and an increase in Institutional Services, primarily Prime Brokerage. Customer trading volumes across the industry (according to Bloomberg) increased 56% for the year ended December 31, 2020 compared to the prior year period.

Management Fees Economic Proceeds for the segment increased $17.9 million to $58.2 million for the year ended December 31, 2020 compared with $40.3 million in the prior year period. This increase is primarily related to the healthcare royalty business and our healthcare investments business.

Incentive Income (Loss) Economic Proceeds for the segment increased $38.8 million to $83.4 million for the year ended December 31, 2020 compared with $44.6 million in the prior year period. This increase was primarily related to an increase in performance fees from our healthcare investments businesses and our activist strategy.

Investment Income (Loss) Economic Proceeds for the segment increased $5.2 million to $37.8 million for the year ended December 31, 2020 compared with income of $32.6 million in the prior year period. The increase primarily relates to an increase in performance by our merchant banking investments, namely electric truck maker Nikola Corporation, merchant banking and our activist investments. The liquid strategy increases were partially offset by the impairment of our Surfside real estate investment.

Other Income (Loss) Economic Proceeds for the segment decreased $5.0 million to $0.8 million for the year ended December 31, 2020 compared with $5.8 million in the prior year period. This decrease is because premiums from policies that were not renewed in 2020 outweighed premiums from new policies in 2020 and because of lower activity in certain existing contracts due to COVID-19.

Economic Interest Expenses were $24.5 million for the year ended December 31, 2020, an increase of $1.9 million compared with $22.6 million in the prior year period.

Net Economic Proceeds were $1,537.5 million for the year ended December 31, 2020, an increase of $626.5 million compared with $911.0 million in the prior year period.

Economic Expenses

	Year Ended December 31,		Total Period-to-Period	
	2020	2019	$ Change	% Change
Economic Expenses	(dollars in thousands)			
Employee compensation and benefits	$ 860,753	$ 532,468	$ 328,285	62 %
Non-Compensation Expense	312,173	294,614	17,559	6 %
Depreciation & Amortization	22,655	20,403	2,252	11 %
Non-Controlling Interest	6,892	4,796	2,096	44 %
Total: Economic Expenses	**$ 1,202,473**	**$ 852,281**	**$ 350,192**	**41 %**

Economic Expenses were $1,202.5 million for the year ended December 31, 2020, an increase of $350.2 million compared with $852.3 million in the prior year period.

Economic Compensation Expenses were $860.8 million compared to $532.5 million in the prior year period. The increase was due to higher revenues offset only partially by a lower economic compensation-to-proceeds ratio. The economic compensation-to-proceeds ratio was 55% a decrease from 57% in the prior year period.

Economic Non-compensation Expenses Fixed non-compensation expense increased $2.1 million to $146.2 million for the year ended December 31, 2020 compared with $144.1 million in the prior year period. The increase is primarily related to increased service, professional, advisory and other fees offset partially by lower occupancy and equipment expenses. Variable non-compensation expense which primarily are comprised of expenses that are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $15.4 million to $165.9 million for the year ended December 31, 2020 compared with $150.5 million in the prior year period. The increase is related to increased brokerage and trade execution costs partially offset by lower marketing and business development costs.

Economic Depreciation and Amortization Expenses increased to $22.7 million for the year ended December 31, 2020 compared with $20.4 million in the prior year period.

Economic Non-controlling interests increased by $2.1 million to $6.9 million for the year ended December 31, 2020 compared with $4.8 million in the prior year period. Non-controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to our partners in those subsidiaries.

Economic Income and Economic Operating Income

	Year Ended December 31,		Total Period-to-Period	
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Economic Income (Loss)	**$ 329,381**	**$ 53,257**	**$ 276,124**	**518 %**
Add back: Depreciation and amortization expense	22,655	20,403	2,252	11 %
Economic Operating Income (Loss)	**$ 352,036**	**$ 73,660**	**$ 278,376**	**378 %**

** Economic Income (loss) is net of preferred dividends*

Economic Income (Loss) was $329.4 million for the year ended December 31, 2020 compared with $53.3 million in the prior year period.

Economic Operating Income (Loss) was $352.0 million for the year ended December 31, 2020 compared with $73.7 million in the prior year period.

Asset Co Segment

	Year Ended December 31,		Total Period-to-Period	
	2020	2019	$ Change	% Change
Economic Proceeds	(dollars in thousands)			
Management fees	$ 946	$ 1,976	$ (1,030)	(52) %
Incentive income	1,927	1,132	795	70 %
Investment income (loss)	(8,564)	3,111	(11,675)	(375) %
Other economic proceeds	5	58	(53)	(91) %
Total: Economic Proceeds	**(5,686)**	**6,277**	**(11,963)**	**(191)%**
Economic Interest Expense	5,123	5,449	**(326)**	(6) %
Net Economic Proceeds	**$ (10,809)**	**$ 828**	**$ (11,637)**	**(1,405)%**

*Economic Proceed*s The Asset Co segment proceeds included in Economic Income (Loss) were a loss of $5.7 million for the year ended December 31, 2020, a decrease of $12.0 million compared with $6.3 million in the prior year period.

Management Fees Economic Proceeds for the segment decreased $1.0 million to $0.9 million for the year ended December 31, 2020 compared with $2.0 million in the prior year period. This decrease in management fees was primarily related to a decrease in management fees from the Company's real estate investments.

Incentive Income (Loss) Economic Proceeds for the segment increased $0.8 million to $1.9 million for the year ended December 31, 2020 compared with $1.1 million in the prior year period. This increase was related to an increase in performance fees from the Company's multi-strategy business.

Investment Income (Loss) Economic Proceeds for the segment decreased $11.7 million to $(8.6) million for the year ended December 31, 2020, compared with $3.1 million in the prior year period. The decrease primarily relates to a decrease in valuation of our legacy real estate investments.

Economic Interest Expenses were $5.1 million for the year ended December 31, 2020, a decrease of $0.3 million compared with $5.4 million in the prior year period.

Net Economic Proceeds for the segment were $10.8 million for the year ended December 31, 2020, an increase of $11.6 million compared with $0.8 million in the prior year period.

Economic Expenses

	Year Ended December 31,		Total Period-to-Period	
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Economic Expenses				
Employee compensation and benefits	$ 3,767	$ 5,070	$ (1,303)	(26) %
Non-Compensation Expense	350	3,924	(3,574)	(91) %
Depreciation & Amortization	22	36	(14)	(39) %
Total: Economic Expenses	$ 4,139	$ 9,030	$ (4,891)	(54) %

Economic Expenses were $4.1 million for the year ended December 31, 2020, a decrease of $4.9 million compared to $9.0 million in the prior year period.

Economic Compensation Expenses were $3.8 million for the year ended December 31, 2020, compared to $5.1 million in the prior year period. The decrease was due to lower revenues related to investment income losses. This resulted in an economic compensation-to-proceeds ratio of (66)%, a decrease from 81% in the prior year period.

Economic Non-compensation Expenses Fixed non-compensation expense decreased $2.2 million to $0.3 million for the year ended December 31, 2020 compared with $2.5 million in the prior year period. The decrease is primarily related to decreased professional, advisory and other fees and fees related to our real estate business. Variable non-compensation expenses are comprised of expenses that are incurred as a direct result of the processing and soliciting of revenue generating activities.

Economic Depreciation and Amortization Expenses remained fairly flat for the year ended December 31, 2020 compared to December 31, 2019 and relates to costs allocated from general company assets.

Economic Income and Economic Operating Income

	Year Ended December 31,		Total Period-to-Period	
	2020	2019	$ Change	% Change
	(dollars in thousands)			
Economic Income (Loss)	**$ (16,136)**	**$ (9,560)**	**$ (6,576)**	**69 %**
Add back: Depreciation and amortization expense	22	36	(14)	(39) %
Economic Operating Income (Loss)	**$ (16,114)**	**$ (9,524)**	**$ (6,590)**	**69 %**

* *Economic Income (loss) is net of preferred dividends*

Economic Income (Loss) was $(16.1) million for the year ended December 31, 2020 compared with $(9.6) million in the prior year period.

Economic Operating Income (Loss) was $(16.1) million for the year ended December 31, 2020 compared with $(9.5) million in the prior year period.

Year Ended December 31, 2019 Compared with Year Ended December 30, 2018

Total Economic Operating Income (Loss) (which is Economic Income (Loss) was $64.1 million for the year ended December 31, 2019, a decrease of $16.4 million compared to Economic Operating Income (Loss) of $80.5 million in the prior year period. Total Economic Income (Loss) was $43.7 million for the year ended December 31, 2019, a decrease of $25.2 million compared to Economic Income (Loss) of $68.9 million in the prior year period.

Proceeds included in total Economic Income (Loss) were $939.8 million for the year ended December 31, 2019, an increase of $30.8 million compared to $909.0 million in the prior year period. This was primarily related to an increase in investment banking and incentive income offset partially by a decrease in brokerage income.

Operating Company Segment

Economic Proceeds

	Year Ended December 31,		Total Period-to-Period	
	2019	2018	$ Change	% Change
	(dollars in thousands)			
Economic Proceeds				
Investment banking	$ 351,085	$ 329,062	$ 22,023	7 %
Brokerage	459,143	467,117	(7,974)	(2) %
Management fees	40,321	43,466	(3,145)	(7) %
Incentive income	44,600	16,269	28,331	174 %
Investment income (loss)	32,614	38,776	(6,162)	(16) %
Other economic proceeds	5,785	(1,619)	7,404	(457) %
Total: Economic Proceeds	933,548	893,071	40,477	5 %
Economic Interest Expense	22,576	17,490	5,086	29 %
Net Economic Proceeds	$ 910,972	$ 875,581	$ 35,391	4 %

Economic Proceeds The Op Co segment Economic Proceeds included in Economic Income (Loss) were $933.5 million for the year ended December 31, 2019, an increase of $40.4 million compared to $893.1 million in the prior year period.

Investment Banking Economic Proceeds increased $22.0 million to $351.1 million for the year ended December 31, 2019 compared with $329.1 million in the prior year period. During the year ended December 31, 2019, the Company completed 126 capital markets transactions, 48 strategic advisory transactions and 14 debt capital markets transactions. During the year ended December 31, 2018, the Company completed 114 underwriting transactions, 30 strategic advisory transactions and seven debt capital markets transactions.

Brokerage Economic Proceeds decreased $8.0 million to $459.1 million for the year ended December 31, 2019, compared with $467.1 million in the prior year period. This was attributable to a decrease in institutional services and cross asset revenues partially offset by an increase in commission management revenue. Customer trading volumes across the industry (according to Bloomberg) decreased 4% for the year ended December 31, 2019 compared to the prior year period.

Management Fees Economic Proceeds for the segment decreased $3.2 million to $40.3 million for the year ended December 31, 2019 compared with $43.5 million in the prior year period. This increase in management fees was primarily related to an increase from our healthcare royalty business partially offset by a decrease in management fees from our activist business.

Incentive Income (Loss) Economic Proceeds for the segment increased $28.3 million to $44.6 million for the year ended December 31, 2019 compared with $16.3 million in the prior year period. This increase was related to an increase in performance fees from our activist and healthcare investments businesses.

Investment Income (Loss) Economic Proceeds for the segment decreased $6.2 million to $32.6 million for the year ended December 31, 2019 compared with income of $38.8 million in the prior year period. The decrease primarily relates to a decrease in relative performance of the Merger strategy and our Private Investments (Linkem and Formation 8).

Other Income (Loss) *Economic Proceeds* for the segment increased $7.4 million to $5.8 million for the year ended December 31, 2019 compared with $1.6 million in the prior year period. The increase is due to higher premiums and lower claims and claims-related reserves from our reinsurance business through 2019 compared to the same period in 2018.

Economic Interest Expenses were $22.6 million for the year ended December 31, 2019, an increase of $5.1 million compared to $17.5 million in the prior year period.

Net Economic Proceeds were $911.0 million for the year ended, an increase of $35.4 million compared to $875.6 million in the prior year period.

Economic Expenses

	Year Ended December 31,		Total Period-to-Period	
	2019	2018	$ Change	% Change
	(dollars in thousands)			
Economic Expenses				
Employee compensation and benefits	$ 532,468	$ 498,771	$ 33,697	7 %
Non-Compensation Expense	294,614	278,099	16,515	6 %
Depreciation & Amortization	20,403	11,402	9,001	79 %
Non-Controlling Interest	4,796	4,212	584	14 %
Total: Economic Expenses	$ 852,281	$ 792,484	$ 59,797	8 %

Economic Expenses were $852.3 million for the year ended December 31, 2019, an increase $59.8 million compared to $792.5 million in the prior year period.

Economic Compensation Expenses expense was $532.5 million compared to $498.8 million in the prior year period. The increase was due to higher revenues. The economic compensation-to-proceeds ratio was 57%, an increase from 56% in the prior year period.

Economic Non-compensation Expenses Fixed non-compensation expenses increased $9.0 million to $144.1 million for the year ended December 31, 2019 compared with $135.1 million in the prior year period. The increase is primarily related to increased professional, advisory and other fees offset partially by lower expenses from equity investments. Variable non-compensation expense which primarily are comprised of expenses that are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $7.5 million to $150.5 million for the year ended December 31, 2019 compared with $143.0 million in the prior year period. The increase is related to increased marketing and business development costs offset partially by lower brokerage and trade execution costs.

Economic Depreciation and Amortization Expenses increased to $20.4 million for the year ended December 31, 2019 compared with $11.4 million in the prior year period.

Economic Non-controlling interests increased by $0.6 million to $4.8 million for the year ended December 31, 2019 compared with $4.2 million in the prior year period. Non-controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to our partners in those subsidiaries.

Economic Income and Economic Operating Income

	Year Ended December 31,		Total Period-to-Period	
	2019	2018	$ Change	% Change
	(dollars in thousands)			
Economic Income (Loss)	$ 53,257	$ 77,935	$ (24,678)	(32) %
Add back: Depreciation and amortization expense	20,403	11,402	9,001	79 %
Economic Operating Income (Loss)	$ 73,660	$ 89,337	$ (15,677)	(18) %

** Economic Income (loss) is net of preferred dividends*

Economic Income (Loss) was $53.3 million for the year ended December 31, 2019 compared with $77.9 million in the prior year period.

Economic Operating Income (Loss) was $73.7 million for the year ended December 31, 2019 compared with $89.3 million in the prior year period.

Asset Co Segment

Economic Proceeds

	Year Ended December 31,		Total Period-to-Period	
	2019	2018	$ Change	% Change
Economic Proceeds		(dollars in thousands)		
Management fees	$ 1,976	$ 5,709	$ (3,733)	(65) %
Incentive income	1,132	7,035	(5,903)	(84) %
Investment income (loss)	3,111	2,753	358	13 %
Other economic proceeds	58	451	(393)	(87) %
Total: Economic Proceeds	**6,277**	**15,948**	**(9,671)**	**(61)%**
Economic Interest Expense	5,449	5,523	**(74)**	(1) %
Net Economic Proceeds	**$ 828**	**$ 10,425**	**$ (9,597)**	**(92)%**

Economic Proceeds The Asset Co segment Economic Proceeds included in Economic Income (Loss) were income of $6.3 million for the year ended December 31, 2019, a decrease of $9.7 million compared with $15.9 million in the prior year.

Management fees Economic Proceeds for the segment decreased $3.7 million to $2.0 million for the year ended December 31, 2019 compared with $5.7 million in the prior year period. This decrease in management fees was primarily related to a decrease in management fees from the real estate investments.

Incentive income Economic Proceeds for the segment decreased $5.9 million to $1.1 million for the year ended December 31, 2019 compared with income of $7.0 million in the prior year period. This decrease was related to a decrease in performance fees from the real estate investments and was partially offset by an increase in performance fees from the multi-strategy business.

Investment income Economic Proceeds for the segment increased $0.3 million to income of $3.1 million for the year ended December 31, 2019 compared with income of $2.8 million in the prior year period. The increase primarily relates to an increase in performance of the Company's own invested capital.

Economic Interest Expenses were $5.4 million for the year ended December 31, 2019, a decrease of $0.1 million for the year ended December 31, 2019 compared with $5.5 million in the prior year period.

Net Economic Proceeds were $0.8 million for the year ended December 31, 2019, a decrease of $9.6 million compared with $10.4 million in the prior year period.

Economic Expenses

	Year Ended December 31,		Total Period-to-Period	
	2019	2018	$ Change	% Change
		(dollars in thousands)		
Economic Expenses				
Employee compensation and benefits	$ 5,070	$ 10,847	$ (5,777)	(53) %
Non-Compensation Expenses	3,924	6,059	(2,135)	(35) %
Depreciation & Amortization	36	181	(145)	(80) %
Non-Controlling Interest	—	742	(742)	(100) %
Total: Economic Expenses	**$ 9,030**	**$ 17,829**	**$ (8,799)**	**(49)%**

Economic Expenses were $9.0 million for the year ended December 31, 2019, a decrease of $8.8 million compared with $17.8 million in the prior year period.

Economic Compensation Expenses expense was $5.1 million compared to $10.8 million in the prior year period. The decrease was due to lower revenues offset only partially by a higher economic compensation-to-proceeds ratio. The economic compensation-to-proceeds ratio was 81%, an increase from 68% in the prior year period.

Economic Non-compensation Expenses decreased $2.9 million to $2.5 million for the year ended December 31, 2019 compared with $5.4 million in the prior year period. The decrease is primarily related to decreased professional, advisory and other fees and fees related to our real estate business. Variable non-compensation expense which primarily are comprised of expenses that are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $0.8 million to $1.4 million for the year ended December 31, 2019 compared with $0.6 million in the prior year period. The increase is related to increased marketing and business development costs offset partially by lower brokerage and trade execution costs.

Economic Depreciation and Amortization Expenses remained fairly flat for the year ended December 31, 2019 compared to December 31, 2018 and relates to costs allocated from general company assets.

Economic Non-controlling interests There were no economic non-controlling interests for the year ended December 31, 2019 compared with $0.7 million in the prior year period. Non-controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to our partners in those subsidiaries.

Economic Income and Economic Operating Income

	Year Ended December 31,		Total Period-to-Period	
	2019	2018	$ Change	% Change
	(dollars in thousands)			
Economic Income (Loss)	**$ (9,560)**	**$ (9,034)**	**$ (526)**	**6 %**
Add back: Depreciation and amortization expense	36	181	(145)	(80) %
Economic Operating Income (Loss)	**$ (9,524)**	**$ (8,853)**	**$ (671)**	**8 %**

** Economic Income (loss) is net of preferred dividends*

Economic Income (Loss) was $(9.6) million for the year ended December 31, 2019 compared with $(9.0) million in the prior year period.

Economic Operating Income (Loss) was $(9.5) million for the year ended December 31, 2019 compared with $(8.9) million in the prior year period.

Reconciliation of US GAAP to Non-GAAP Measures for the years ended December 31, 2020, 2019 and 2018

The following tables reconciles total US GAAP Revenues to total Economic Proceeds for the twelve months ended December 31, 2020, 2019 and 2018:

		(unaudited)											
		Year Ended December 31, 2020											
(Dollar amounts in thousands)		Investment Banking	Brokerage	Management Fees	Incentive Income	Investment Income	Interest and Dividends	Reimbursement from Affiliates	Reinsurance premiums	Other revenues	Consolidated Funds Revenues	Other Income (Loss)	Total
Total US GAAP Revenues and Other Income (Loss)		$ 769,486	$ 572,548	$ 47,515	$ 592	$ —	$ 187,459	$ 1,048	$ 30,147	$ 8,621	$ 5,888	$ 154,220	$ 1,777,524
Management Presentation Reclassifications:													
Underwriting expenses	**a**	(22,565)	—	—	—	—	—	—	—	—	—	—	(22,565)
Reimbursable client expenses	**b**	(17,741)	—	—	—	—	—	(1,098)	—	—	—	—	(18,839)
Securities financing interest expense	**c**	—	14,499	—	—	—	(142,998)	—	—	—	—	—	(128,499)
Fund start-up costs and distribution fees	**d**	—	(293)	(3,970)	(719)	—	—	—	—	(2,529)	—	—	(7,511)
Certain equity method investments	**e**	—	—	12,540	24,121	—	—	—	—	—	—	(28,346)	8,315
Carried interest	**f**	—	—	—	61,335	—	—	—	—	—	—	(61,335)	—
Proprietary trading gains and losses	**g**	—	—	—	—	42,564	(17,442)	—	—	(1,518)	—	(56,351)	(32,747)
Insurance related activities expenses	**h**	—	—	—	—	—	—	—	(30,147)	(3,759)	—	—	(33,906)
Facilitation trading gains and losses	**i**	—	65,893	—	—	(13,342)	(27,019)	—	—	—	—	(31,768)	(6,236)
Total Management Presentation Reclassifications:		(40,306)	80,099	8,570	84,737	29,222	(187,459)	(1,098)	(30,147)	(7,806)	—	(177,800)	(241,988)
Fund Consolidated Reclassifications	**l**	—	—	3,015	33	—	—	50	—	(35)	(5,888)	26,299	23,474
Income Statement Adjustments:													
Debt extinguishment	**q**	—	—	—	—	—	—	—	—	—	—	(2,719)	(2,719)
Total Economic Proceeds		$ 729,180	$ 652,647	$ 59,100	$ 85,362	$ 29,222	$ —	$ —	$ —	$ 780	$ —	$ —	**$ 1,556,291**

(Dollar amounts in thousands)		Investment Banking	Brokerage	Management Fees	Incentive Income	Investment Income	Interest and Dividends	Reimbursement from Affiliates	Reinsurance premiums	Other revenues	Consolidated Funds Revenues	Other Income (Loss)	Total
		(unaudited) Year Ended December 31, 2019											
Total US GAAP Revenues and Other Income (Loss)		$ 375,025	$ 402,747	$ 32,608	$ 1,547	$ —	$ 174,913	$ 1,026	$ 46,335	$ 5,433	$ 9,809	$ 138,772	$ 1,188,215
Management Presentation Reclassifications:													
Underwriting expenses	**a**	(15,067)	—	—	—	—	—	—	—	—	—	—	(15,067)
Reimbursable client expenses	**b**	(15,485)	—	—	—	—	—	(1,148)	—	—	—	—	(16,633)
Securities financing interest expense	**c**	—	22,198	—	—	—	(132,000)	—	—	—	—	—	(109,802)
Fund start-up costs and distribution fees	**d**	—	—	(5,500)	—	—	—	—	—	(1,123)	—	—	(6,623)
Certain equity method investments	**e**	—	—	12,919	19,975	—	—	—	—	—	—	(25,204)	7,690
Carried interest	**f**	—	—	—	23,610	—	—	—	—	—	—	(23,610)	—
Proprietary trading gains and losses	**g**	—	—	—	—	54,455	(24,067)	—	—	(725)	—	(44,631)	(14,968)
Insurance related activities expenses	**h**	—	—	—	—	—	—	—	(46,335)	2,243	—	—	(44,092)
Facilitation trading gains and losses	**i**	6,612	34,198	—	—	(18,730)	(18,846)	—	—	—	—	(8,662)	(5,428)
Total Management Presentation Reclassifications:		(23,940)	56,396	7,419	43,585	35,725	(174,913)	(1,148)	(46,335)	395	—	(102,107)	(204,923)
Fund Consolidated Reclassifications	**l**	—	—	2,270	600	—	—	122	—	15	(9,809)	(36,665)	(43,467)
Total Economic Proceeds		$ 351,085	$ 459,143	$ 42,297	$ 45,732	$ 35,725	$ —	$ —	$ —	$ 5,843	$ —	$ —	**$ 939,825**

(Dollar amounts in thousands)		Investment Banking	Brokerage	Management Fees	Incentive Income	Investment Income	Interest and Dividends	Reimbursement from Affiliates	Aircraft lease revenue	Reinsurance premiums	Other revenues	Consolidated Funds Revenues	Other Income Gain/ Loss	Total
		(unaudited)												
		Year Ended December 31, 2018												
Total US GAAP Revenues and Other Income (Loss)		$ 357,222	$ 413,582	$ 29,658	$ 3,117	$ —	$ 108,009	$ 1,038	$ 1,852	$ 38,096	$ 4,504	$ 9,838	$ 123,742	$ 1,090,658
Management Presentation Reclassifications:														
Underwriting expenses	**a**	(15,282)	—	—	—	—	—	—	—	—	—	—	—	(15,282)
Reimbursable client expenses	**b**	(12,878)	—	—	—	—	—	(1,307)	—	—	—	—	—	(14,185)
Securities financing interest expense	**c**	—	4,744	—	—	—	(59,019)	—	—	—	—	—	—	(54,275)
Fund start-up costs and distribution fees	**d**	—	—	(1,111)	(6,365)	—	—	—	—	—	(1,407)	—	—	(8,883)
Certain equity method investments	**e**	—	—	18,114	6,567	—	—	—	—	—	—	—	(12,680)	12,001
Carried interest	**f**	—	—	—	19,933	—	—	—	—	—	—	—	(19,933)	—
Proprietary trading gains and losses	**g**	—	—	—	—	41,529	(22,060)	—	(1,852)	—	(506)	—	(31,501)	(14,390)
Insurance related activities expenses	**h**	—	—	—	—	—	—	—	—	(38,096)	(2,986)	—	—	(41,082)
Facilitation trading gains and losses	**i**	—	48,791	—	—	—	(26,930)	—	—	—	—	—	(25,260)	(3,399)
Total Management Presentation Reclassifications:		(28,160)	53,535	17,003	20,135	41,529	(108,009)	(1,307)	(1,852)	(38,096)	(4,899)	—	(89,374)	(139,495)
Fund Consolidated Reclassifications	**l**	—	—	2,514	52	—	—	269	—	—	—	(9,838)	(35,494)	(42,497)
Income Statement Adjustments:														
Acquisition adjustments	**n**	—	—	—	—	—	—	—	—	—	(773)	—	—	(773)
Debt extinguishment	**q**	—	—	—	—	—	—	—	—	—	—	—	570	570
Exited business costs	**r**	—	—	—	—	—	—	—	—	—	—	—	556	556
Total Income Statement Adjustments:		—	—	—	—	—	—	—	—	—	(773)	—	1,126	353
Total Economic Proceeds		$ 329,062	$ 467,117	$ 49,175	$ 23,304	$ 41,529	$ —	$ —	$ —	$ —	$ (1,168)	$ —	$ —	**$ 909,019**

The following table reconciles total US GAAP interest and dividends expense to total Economic Interest Expense for the years ended December 31, 2020, 2019 and 2018:

		(unaudited)		
		Year Ended December 31,		
(Dollar amounts in thousands)		2020	2019	2018
Total US GAAP Interest & Dividend Expense		$ 187,725	$ 168,628	$ 104,116
Management Presentation Reclassifications:				
Securities financing interest expense	c	(128,499)	(109,802)	(54,275)
Proprietary trading gains and losses	g	(18,849)	(21,076)	(12,003)
Facilitation trading gains and losses	i	(6,236)	(5,428)	(3,399)
Total Management Presentation Reclassifications:		(153,584)	(136,306)	(69,677)
Income Statement Adjustments:				
Amortization of discount/(premium) on debt	m	(4,499)	(4,297)	(11,426)
Total Economic Interest Expense		$ 29,642	$ 28,025	$ 23,013

The following tables reconcile total US GAAP Expenses and non-controlling interests to total Economic Expenses for the years ended December 31, 2020, 2019 and 2018:

		(unaudited)			
		Year Ended December 31, 2020			
(Dollar amounts in thousands)		Employee Compensation and Benefits	Non-compensation US GAAP Expenses	Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	Total
Total US GAAP		$ 860,531	$ 431,831	$ (9,299)	$ 1,283,063
Management Presentation Reclassifications:					
Underwriting expenses	a	—	(22,565)	—	(22,565)
Reimbursable client expenses	b	—	(18,839)	—	(18,839)
Fund start-up costs and distribution fees	d	—	(7,511)	—	(7,511)
Certain equity method investments	e	—	8,315	—	8,315
Proprietary trading gains and losses	g	—	5,686	(19,584)	(13,898)
Insurance related activities expenses	h	—	(33,906)	—	(33,906)
Associated partner/banker compensation	j	5,377	(5,377)	—	—
Management company non-Controlling interest	k	(1,388)	(5,504)	6,892	—
Total Management Presentation Reclassifications:		3,989	(79,701)	(12,692)	(88,404)
Fund Consolidated Reclassifications	l	—	(5,409)	28,883	23,474
Income Statement Adjustments:					
Acquisition adjustments	n	—	(9,098)	—	(9,098)
Goodwill and other impairment	o	—	(2,423)	—	(2,423)
Total Income Statement Adjustments:		—	(11,521)	—	(11,521)
Total Economic Expenses		$ 864,520	$ 335,200	$ 6,892	**$ 1,206,612**

(Dollar amounts in thousands)		(unaudited) Year Ended December 31, 2019			
		Employee Compensation and Benefits	Non-compensation US GAAP Expenses	Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	Total
Total US GAAP		$ 535,772	$ 413,092	$ 31,239	$ 980,103
Management Presentation Reclassifications:					
Underwriting expenses	**a**	—	(15,067)	—	(15,067)
Reimbursable client expenses	**b**	—	(16,633)	—	(16,633)
Fund start-up costs and distribution fees	**d**	—	(6,623)	—	(6,623)
Certain equity method investments	**e**	—	7,690	—	7,690
Proprietary trading gains and losses	**g**	—	2,843	3,265	6,108
Insurance related activities expenses	**h**	—	(44,092)	—	(44,092)
Associated partner/banker compensation	**j**	3,419	(3,419)	—	—
Management company non-Controlling interest	**k**	(1,653)	(3,143)	4,796	—
Total Management Presentation Reclassifications:		1,766	(78,444)	8,061	(68,617)
Fund Consolidated Reclassifications	**l**	—	(8,963)	(34,504)	(43,467)
Income Statement Adjustments:					
Acquisition adjustments	**n**	—	(2,608)	—	(2,608)
Goodwill and other impairment	**o**	—	(4,100)	—	(4,100)
Total Income Statement Adjustments:		—	(6,708)	—	(6,708)
Total Economic Expenses		$ 537,538	$ 318,977	$ 4,796	**$ 861,311**

(Dollar amounts in thousands)		(unaudited) Year Ended December 31, 2018 Employee Compensation and Benefits	Non-compensation US GAAP Expenses	Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	Total
Total US GAAP		$ 512,627	$ 378,317	$ 37,060	$ 928,004
Management Presentation Reclassifications:					
Underwriting expenses	**a**	—	(15,282)	—	(15,282)
Reimbursable client expenses	**b**	—	(14,185)	—	(14,185)
Fund start-up costs and distribution fees	**d**	—	(8,883)	—	(8,883)
Certain equity method investments	**e**	—	12,001	—	12,001
Proprietary trading gains and losses	**g**	—	(1,154)	(1,233)	(2,387)
Insurance related activities expenses	**h**	—	(41,082)	—	(41,082)
Management company non-Controlling interest	**k**	(3,009)	4,954	(1,945)	—
Total Management Presentation Reclassifications:		(3,009)	(63,631)	(3,178)	(69,818)
Fund Consolidated Reclassifications	**l**	—	(8,615)	(33,882)	(42,497)
Income Statement Adjustments:					
Acquisition adjustments	**n**	—	(3,550)	—	(3,550)
Exited business costs	**r**	—	(1,826)	—	(1,826)
Total Income Statement Adjustments:		—	(5,376)	—	(5,376)
Total Economic Expenses		$ 509,618	$ 300,695	$ —	**$ 810,313**

The following table reconciles US GAAP Net Income (loss) Attributable to Cowen Inc. Common Stockholders to Economic Income (loss) and Economic Operating Income (loss) for the years ended December 31, 2020, 2019 and 2018:

(Dollar amounts in thousands)		(unaudited) Year Ended December 31, 2020	2019	2018
US GAAP Net income (loss) attributable to Cowen Inc. common stockholders		**$ 209,571**	**$ 17,839**	**$ 36,027**
Income Statement Adjustments:				
Income tax expense (benefit)	**p**	90,373	14,853	15,719
Amortization of discount (premium) on debt	**m**	4,499	4,297	4,010
Exited business costs	**r**	—	—	2,395
Debt extinguishment	**q**	(2,719)	—	7,972
Goodwill and other impairment	**o**	2,423	4,100	—
Transaction-related and other costs	**n**	9,098	2,608	2,778
Economic Income (Loss)		**$ 313,245**	**$ 43,697**	**$ 68,901**
Add back: Depreciation and amortization expense		22,677	20,439	11,583
Economic Operating Income (Loss)		**$ 335,922**	**$ 64,136**	**$ 80,484**

Management Reclassifications

Management reclassification adjustments and fund consolidation reclassification adjustments have no effect on economic income. These adjustments are reclassifications to change the location of certain line items.

a Underwriting expenses: Economic Income (Loss) presents investment banking revenues net of underwriting expenses.

b Reimbursable client expenses: Economic Income (Loss) presents expenses reimbursed from clients and affiliates within their respective expense category but is included as a part of revenues under US GAAP.

c Securities financing interest expense: Economic Income (Loss) brokerage revenues included net securities borrowed and securities loaned activities which are shown gross in interest income and interest expense for US GAAP.

d Fund start-up costs and distribution fees: Economic Income (Loss) presents revenues net of fund start-up costs and distribution fees paid to agents.

e Certain equity method investments: Economic Income (Loss) recognizes the Company's proportionate share of management and incentive fees and associated share of expenses on a gross basis for equity method investments within the activist business, real estate operating entities and the healthcare royalty business. The Company applies the equity method of accounting to these entities and accordingly the results from these businesses are recorded within Other Income (Loss) for US GAAP.

f Carried interest: The Company applies an equity ownership model to carried interest which is recorded in Other Income (Loss) for US GAAP. The Company presents carried interest as incentive income for Economic Income (Loss).

g Proprietary trading gains and losses: Economic Income (Loss) recognizes Company income from proprietary trading (including interest and dividends) for which the majority of this activity is shown in other income (loss) for US GAAP reporting.

h Insurance related activities expenses: Economic Income (Loss) recognizes underwriting income from the Company's insurance related activities, net of expenses, within other revenue. The costs are recorded within expenses for US GAAP reporting.

i Facilitation trading gains and losses: Economic Income (Loss) recognizes gains and losses on investments held as part of the Company's facilitation and trading business within brokerage revenues as these investments are directly related to the markets business activities.

j Associated partner/banker compensation reclassification: Economic Income (Loss) presents certain payments to associated banking partners as compensation rather than non-compensation expenses.

k Management company non-controlling interest: Economic income (Loss) non-controlling interest represents only operating entities that are not wholly owned by the Company. The Company also presents non-controlling interests within total expenses for Economic Income (Loss).

Fund Consolidation Reclassifications

l The impacts of consolidation and the related elimination entries of the Consolidated Funds are not included in Economic Income (Loss). Adjustments to reconcile to US GAAP Net Income (Loss) included elimination of incentive income and management fees earned from the Consolidated Funds and addition of investment fund expenses excluding management fees paid, investment fund revenues and investment income (loss).

Income Statement Adjustments

m Economic Income (Loss) excludes the amortization of discount (premium) on debt.

n Economic Income (Loss) excludes acquisition related adjustments.

o Economic Income (Loss) excludes goodwill and other impairments.

p Economic Income (Loss) excludes income taxes.

q Economic Income (Loss) excludes gain/(loss) on debt extinguishment.

r Economic income (Loss) excludes certain exited business costs

Liquidity and Capital Resources

We continually monitor our liquidity position. The working capital needs of the Company's business have been met through current levels of equity capital, current cash and cash equivalents, and anticipated cash generated from our operating activities, including management fees, incentive income, returns on the Company's own capital, investment banking fees and brokerage commissions. The Company expects that its primary working capital liquidity needs over the next twelve months will be:

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

Based on our historical results, management's experience, our current business strategy and current assets under management, the Company believes that its existing cash resources will be sufficient to meet its anticipated working capital and capital expenditure requirements for at least the next twelve months. However, the Company’s assessment could be affected by various risks and uncertainties, including but not limited to, the effects of the COVID-19 pandemic. Our cash reserves include cash, cash equivalents and assets readily convertible into cash such as our securities held in inventory. Securities inventories are stated at fair value and are generally readily marketable. As of December 31, 2020, we had cash and cash equivalents of $645.2 million and net liquid investment assets of $954.5 million, which includes cash and cash equivalents and short-term investments held by foreign subsidiaries as of December 31, 2020 of $65.1 million. The Company continues to permanently reinvest the capital and accumulated earnings of its subsidiaries in the United Kingdom, Germany, Switzerland, Canada, South Africa and Hong Kong.

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

As a clearing member firm providing services to certain of our brokerage customers, we are subject to cash deposit requirements with clearing organizations, brokers and banks that may be large in relation to total liquid assets and may fluctuate significantly based upon the nature and size of customers' trading activity and market volatility. At December 31, 2020, the Company had security deposits totaling $105.0 million with clearing organizations in the U.S. for the settlement of equity trades. In the normal course of our U.S. settlement activities, we may also need to temporarily finance customer securities positions from short settlements or delivery failures.

Unfunded commitments

The following table summarizes unfunded commitments as of December 31, 2020:

Entity	Unfunded Commitments	Commitment term
	(dollars in thousands)	
HealthCare Royalty Partners funds (a)	$ 7,571	4 years
Eclipse Ventures Fund I, L.P.	$ 59	4 years
Eclipse Fund II, L.P.	$ 100	5 years
Eclipse Continuity Fund I, L.P.	$ 58	6 years
Cowen Healthcare Investments II LP	$ 1,202	1 year
Cowen Healthcare Investments III LP	$ 5,094	6 years
Cowen Sustainable Investments I LP	$ 10,639	9 years

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

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

Preferred Stock and Purchase of Capped Call Option

On May 19, 2015, the Company completed its offering of 120,750 shares of the Company's 5.625% Series A cumulative perpetual convertible preferred stock ("Series A Convertible Preferred Stock") that provided $117.2 million of proceeds, net of underwriting fees and issuance costs of $3.6 million. Each share of the Series A Convertible Preferred Stock is entitled to dividends at a rate of 5.625% per annum, which will be payable, when and if declared by the board of directors of the Company, quarterly, in arrears, on February 15, May 15, August 15 and November 15 of each year. The Company may, at its option, pay dividends in cash, common stock or a combination thereof. The Company declared and accrued a cash dividend in respect of the Series A Convertible Preferred Stock of $6.8 million, for the years ended December 31, 2020, 2019, and 2018, respectively.

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

Each share of Series A Convertible Preferred Stock is convertible, at the option of the holder, into a number of shares of the Company's Class A common stock equal to the liquidation preference of $1,000 divided by the conversion rate. The initial conversion rate (subsequent to the December 5, 2016 reverse stock split) is 38.0619 shares (which equates to $26.27 per share) of the Company's Class A common stock for each share of the Series A Convertible Preferred Stock. At any time on or after May 20, 2020, when the Company's capped call option expired, the Company may elect to convert all outstanding shares of the Series A Convertible Preferred Stock into shares of the Company's Class A common stock, cash or a combination thereof, at the Company's election, in each case, based on the then-applicable conversion rate (which at December 31, 2020 was 38.488), if the last reported sale price of the Company's Class A common stock equals or exceeds 150% of the then-current conversion price on at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days (including on the last trading day of such period) immediately prior to such election. At the time of conversion, the conversion rate may be adjusted based on certain events, including but not limited to the issuance of cash dividends or Class A common stock as dividends to the Company's Class A common shareholders or a share split or combination. The Company has the intent and ability to settle the preferred shares in cash and, as a result, the preferred shares do not have an impact on the Company's diluted earnings per share calculation (See Note 26).

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

Regulation

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

On May 1, 2020, Cowen and Company completed its merger with Cowen Execution. Cowen and Company is the surviving entity. The merger had no impact to the Company's financial results. On July 3rd, 2020, Cowen Execution's registration was formally terminated with FINRA.

Cowen Prime is also subject to Commodity Futures Trading Commission ("CFTC") Regulation 1.17 ("Regulation 1.17"). Regulation 1.17 requires net capital equal to or in excess of $45,000 or the amount of net capital required by SEC Rule 15c3-1, whichever is greater. Cowen and Company is also subject to Options Clearing Corporation ("OCC") Rule 302. OCC Rule 302 requires maintenance of net capital equal to the greater of $2.0 million or 2% of aggregate debit items. At December 31, 2020, Cowen and Company had $288.2 million of net capital in excess of this minimum requirement.

Cowen International Ltd and Cowen Execution Ltd are subject to the capital requirements of the U.K. Financial Conduct Authority ("FCA"), as defined, and must exceed the minimum capital requirement set forth by the FCA.

Cowen Asia, a previously established entity, was re-registered with regulatory approval on May 17, 2019. Cowen Asia is subject to the financial resources requirements of the Securities and Futures Commission ("SFC") of Hong Kong. Financial Resources must exceed the Total Financial Resources requirement of the SFC.

As of December 31, 2020, these regulated broker-dealers had regulatory net capital or financial resources, regulatory net capital requirements or minimum FCA or SFC requirement and excess as follows:

Subsidiary	Net Capital	Net Capital Requirement	Excess Net Capital
		(dollars in thousands)	
Cowen and Company	$ 291,803	$ 3,594	$ 288,209
ATM Execution	$ 3,857	$ 250	$ 3,607
Cowen Prime	$ 18,553	$ 250	$ 18,303
Westminster	$ 29,330	$ 250	$ 29,080
Cowen International Ltd	$ 29,511	$ 22,699	$ 6,812
Cowen Execution Ltd	$ 12,188	$ 3,331	$ 8,857
Cowen Asia	$ 2,030	$ 387	$ 1,643

The Company's U.S. broker-dealers must also comply with SEC Rule 15c3-3 or claim an exemption pursuant to subparagraphs (k)(2)(i) or (k)(2)(ii) of that rule. Firms can rely on more than one exemption. Cowen Prime and ATM Execution claim the (k)(2)(ii) exemption with regard to all of their customer accounts and transactions that are introduced on a fully-disclosed basis to their clearing agents for clearing, settlement and custody. Cowen Prime and Westminster claim the (k)(2)(i) exemption with regards to customer transactions and balances that are cleared, settled and custodied in bank accounts designated as Special Accounts for the Exclusive Benefit of Customers ("Special Bank Accounts"). Westminster also claims exemption for other business activities that are not covered under (k)(2)(i) contemplated by Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 for receiving transaction-based compensation in return for providing commission management services.

In accordance with the requirements of SEC Rule 15c3-3, Cowen and Company may be required to deposit in a Special Reserve Account cash or acceptable qualified securities for the exclusive benefit of customers. As of December 31, 2020, Cowen and Company had segregated approximately $49.2 million of cash, while its required deposit was $31.3 million.

As a clearing broker-dealer, Cowen and Company is required to compute a reserve requirement for proprietary accounts of broker-dealers ("PAB"), as defined in SEC Rule 15c3-3. Cowen and Company conducts PAB reserve computations in order to determine the amount it is required to deposit in its PAB Reserve Bank Accounts pursuant to SEC Rule 15c3-3. This allows each correspondent firm that uses Cowen and Company as its clearing broker-dealer to classify its PAB account assets held at Cowen and Company as allowable assets in the correspondent's net capital calculation. At December 31, 2020, Cowen and Company had $28.8 million of cash on deposit in PAB Reserve Bank Accounts, which was more than its required deposit of $19.2 million. Cowen and Company, ATM Execution, and Cowen Prime also maintain certain assets in PAB accounts held at their respective clearing brokers. Each treats its assets held in those PAB accounts at the respective clearing brokers as allowable assets for net capital purposes.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law on July 21, 2010. The Dodd-Frank Act contains provisions that require the registration of all swap dealers, major swap participants, security-based swap dealers, and/or major security-based swap participants. The CFTC has finalized rules establishing capital requirements and financial reporting requirements for CFTC registered swap dealers not subject to regulation by a banking regulator. The SEC has finalized rules establishing similar standards for an entity registering as a standalone securities-based swaps dealer. Compliance with these rules is required by October 6, 2021. Cowen Financial Products LLC is expected to comply with the SEC capital rules for standalone securities-based swaps dealers by the effective date. Under the rules there is a minimum net capital requirement for, among others, an entity that acts as a dealer in security-based swaps, which is the greater of $20 million or 2% (that the SEC could, in the future, increase up to 4% or 8% of a risk margin amount. The risk margin amount means the sum of (i) the total initial margin required to be maintained by the SEC securities-based swaps dealer at each clearing agency with respect to securities-based swaps transactions cleared for securities-based swap customers and (ii) the total initial margin amount calculated by the SEC securities-based swaps dealer swaps dealer with respect to non-cleared securities-based swaps under new SEC rules.

Cowen's Luxembourg reinsurance companies, Vianden RCG Re SCA and Hollenfels, individually and their Luxembourg parent holding company, Ramius Enterprise Luxembourg Holdco S.à r.l., on a combined basis with the reinsurance companies, are required to maintain a solvency capital ratio as calculated by relevant European Commission directives and local regulatory rules in Luxembourg. Each reinsurance company's individual solvency capital ratio as well as the combined solvency capital ratio of the holding and reinsurance companies calculated as of December 31 of each year must exceed a minimum requirement. As of, December 31, 2019, all of these entities were in excess of this minimum requirement. Hollenfels and Vianden RCG Re SCA were tested at December 31, 2020 and were again in excess of the minimum requirement. The remaining company is expected to be also in compliance at its next testing date of December 31, 2020.

Based on minimum capital and surplus requirements pursuant to the laws of the state of New York that apply to captive insurance companies, RCG Insurance Company, Cowen's captive insurance company incorporated and licensed in the state of

New York, was required to maintain capital and surplus of approximately $0.3 million as of December 31, 2020. RCG Insurance Company's capital and surplus as of December 31, 2020 totaled approximately $6.4 million.

Cash Flows Analysis

The Company's primary sources of cash are derived from its operating activities and realized returns on its own invested capital. The Company's primary uses of cash include compensation and general and administrative expenses.

Operating Activities. Net cash provided by operating activities of $521.3 million for the year ended December 31, 2020 was primarily related to (i) Company net income, (ii) proceeds from securities owned, at fair value, held at broker-dealers (iii) increase in payable to customers offset partially by the decrease in purchases of securities owned, at fair value, the decrease in securities borrowed, and the decrease in receivable from brokers, dealers and clearing organizations. Net cash used in operating activities of $179.9 million for the year ended December 31, 2019 was primarily related to the purchases of securities owned, at fair value, held at broker dealer, offset partially by stock borrow stock loan activity. Net cash provided by operating activities of $324.5 million for the year ended December 31, 2018 was primarily related to the (i) proceeds from sales of other investments in consolidated funds (ii) proceeds from sales of securities owned, at fair value, (iii) increase in payable to customers offset by decrease in receivable from brokers, dealers and clearing organizations and purchases of securities owned, at fair value.

Investing Activities. Net cash used in investing activities of $20.8 million for the year ended December 31, 2020 was primarily related to the purchases of other investments only partially offset by the proceeds from sales of other investments. Net cash used in investing activities of $47.6 million for the year ended December 31, 2019 was primarily related to the purchase of Quarton and other investments. Net cash used in investing activities of $17.9 million for the year ended December 31, 2018 was primarily related to purchases of other investments partially offset by proceeds from sales of other investments.

Financing Activities. Net cash provided by financing activities for the year ended December 31, 2020 of $25.6 million was primarily related to (i) capital contributions by non-controlling interests in Consolidated Funds offset only partially by capital withdrawals by non-controlling interests in Consolidated Funds and (ii) borrowings on notes and other debt offset only partially by repayments on notes and other debt. Net cash provided by financing activities for the year ended December 31, 2019 of $200.4 million was primarily related to (i) capital contributions by non-controlling interests offset only partially by capital withdrawals by non-controlling interests in Consolidating Funds and (ii) borrowings on notes and other debt. Net cash provided by financing activities for the year ended December 31, 2018 of $128.7 million was primarily related to capital withdrawal to non-controlling interests in Consolidating Funds offset partially contributions from non-controlling interests in Consolidated Funds.

Debt

December 2022 Convertible Notes

The Company, on December 14, 2017, issued $135.0 million aggregate principal amount of 3.00% convertible senior notes due December 2022 (the "December 2022 Convertible Notes"). The December 2022 Convertible Notes are due on December 15, 2022 unless earlier repurchased by the Company or converted by the holder in accordance with their terms prior to such date. The interest on the December 2022 Convertible Notes is payable semi-annually on December 15 and June 15 of each year. The December 2022 Convertible Notes are senior unsecured obligations of Cowen. The December 2022 Convertible Notes may be converted into cash or shares of Class A common stock at the Company's election based on the current conversion price (which at December 31, 2020 was 58.198). The December 2022 Convertible Notes were issued with an initial conversion price of $17.375 per share of Cowen's Class A common stock.

On June 26, 2018, the Company received shareholder approval for the Company to settle the December 2022 Convertible Notes entirely in Class A common stock. Upon receiving shareholder approval, the Company reclassified the separately recognized conversion option from a derivative liability to equity. Pursuant to the indenture governing the December 2022 Convertible Notes, conversions of the December 2022 Convertible Notes will be settled by the delivery and/or payment, as the case may be, of Cowen's Class A Common Stock, cash, or a combination thereof, at the Company's election. The Company has the intent and ability to settle the convertible notes in cash and, as a result, the convertible notes do not have an impact on the Company's diluted earnings per share calculation (See Note 26).

The Company recognized the embedded cash conversion option at issuance date fair value, which also represents the initial unamortized discount on the December 2022 Convertible Notes of $23.4 million and is shown net in convertible debt in the accompanying consolidated statements of financial condition. Amortization on the discount, included within interest and dividends expense in the accompanying consolidated statements of operations is $4.6 million, $4.3 million and $4.0 million for the years ended December 31, 2020, 2019, and 2018, respectively, based on an effective interest rate of 7.13%. The Company capitalized the debt issuance costs in the amount of $2.2 million, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the December 2022 Convertible Notes in interest and dividends expense in the accompanying consolidated statements of operations. The Company recorded interest expense of $4.0 million, $4.1 million and $4.1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

During December 2020, the Company repurchased and extinguished $46.9 million of the outstanding principal amount of the December 2022 Convertible Notes for cash consideration of $70.5 million. In conjunction with the partial extinguishment of the December 2022 Convertible Notes, the Company accelerated the pro rata unamortized discount of $3.6 million and capitalized debt issuance costs of $0.4 million. The Company allocated $29.6 million of the cash consideration paid to the extinguishment of the equity component of the December 2022 Convertible Notes. The Company recognized $2.7 million of gain on debt extinguishment. As of December 31, 2020, the outstanding principal amount of the December 2022 Convertible Notes was $88.1 million.

Notes Payable

May 2024 Notes

On May 7, 2019, the Company completed its private placement of $53.0 million aggregate principal amount of 7.25% senior notes due May 2024 (the "May 2024 Notes") with certain institutional investors. On September 30, 2019, the Company issued an additional $25.0 million of the same series of notes. The additional May 2024 Notes were purchased at a premium of $0.5 million, which is shown net in notes payable in the accompanying consolidated statement of financial condition. To date the May 2024 Notes have maintained their initial private rating, and the interest rate has remained unchanged. Interest on the May 2024 Notes is payable semi-annually in arrears on May 6 and November 6. The Company recorded interest expense of $5.7 million and $2.9 million for the years ended December 31, 2020 and 2019, respectively. The Company capitalized debt issuance costs of approximately $1.5 million in May 2019 and $0.6 million in December 2019, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the May 2024 Notes in interest and dividends expense in the accompanying consolidated statements of operations.

June 2033 Notes

On June 11, 2018, the Company completed its public offering of $90.0 million of 7.75% senior notes due June 2033 (the "June 2033 Notes") and subsequently the underwriters exercised in full their option to purchase an additional $10.0 million principal amount of the June 2033 Notes. Interest on the June 2033 Notes is payable quarterly in arrears on March 15, June 15, September 15 and December 15. The Company recorded interest expense of $7.7 million, $7.7 million and $4.3 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Company capitalized debt issuance costs of approximately $3.6 million which is a direct deduction from the carrying value of the debt and will be amortized over the life of the June 2033 Notes in interest and dividends expense in the accompanying consolidated statements of operations.

December 2027 Notes

On December 8, 2017, the Company completed its public offering of $120.0 million of 7.35% senior notes due December 2027 (the "December 2027 Notes") and subsequently the underwriters exercised in full their option to purchase an additional $18.0 million principal amount of the December 2027 Notes. Interest on the December 2027 Notes is payable quarterly in arrears on March 15, June 15, September 15 and December 15. The Company recorded interest expense of $10.1 million, $10.1 million and $10.1 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Company capitalized debt issuance costs of approximately $5.0 million which is a direct deduction from the carrying value of the debt and will be amortized over the life of the December 2027 Notes in interest and dividends expense in the accompanying consolidated statements of operations. The net proceeds of the offering, after deducting the underwriting discount and estimated offering expenses payable by the Company were used to redeem all of its 8.25% senior notes due October 2021 and for general corporate purposes.

Term Loans

On June 30, 2017, a subsidiary of the Company borrowed $28.2 million to fund general corporate purposes. In July 2019, the subsidiary of the Company borrowed separately, from the same lender, $4.0 million to fund general corporate purposes. Each loan was secured by the value of the Company's limited partnership interests in two affiliated investment funds. The Company had provided a guarantee for these loans. Both loans had an effective interest rate of London Inter-bank Offered Rate ("LIBOR") plus 3.75% with a lump sum payment of the entire combined principal amount due (as amended) on June 26, 2020 when they were both fully repaid. The Company recorded interest expense of $0.8 million, $1.8 million and $1.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Other Notes Payable

During January 2020, the Company borrowed $2.9 million to fund insurance premium payments. This note had an effective interest rate of 2.01% and was due in December 2020, with monthly payment requirements of $0.3 million. As of December 31, 2020, the note was fully repaid. Interest expense for the years ended December 31, 2020, 2019, and 2018 was insignificant.

During November 2019, the Company borrowed $2.6 million to fund general corporate capital expenditures. This note had an effective interest rate of 6% and is due in November 2024, with monthly payment requirements of $0.1 million. As of December 31, 2020, the outstanding balance on this note was $2.1 million. Interest expense for the years ended December 31, 2020 was $0.1 million and for year ended December 31, 2019 was insignificant.

On September 30, 2020, the Company borrowed $72.0 million from Purple Protected Asset S-91 ("PPA S-91"), a Luxembourg entity unrelated to Cowen. The loan is payable on September 30, 2023, had an initial interest rate of 1.4 times the Secured Overnight Financing Rate ("SOFR") plus 6.07% until December 31, 2020 and 1.4 times the SOFR plus 5.8% thereafter with quarterly interest payments. The loan obligation, as well as a loan issued by The Military Mutual Ltd (a United Kingdom company unrelated to Cowen) with principal of $28.4 million that was sold by Hollenfels to PPA S-91 at fair value for no gain or loss on September 30, 2020, are fully cash collateralized through a reinsurance policy provided by Hollenfels which is reflected in cash collateral pledged in the consolidated statements of financial condition as of December 31, 2020 (see Notes 4 and 18). The Company capitalized debt issuance costs of approximately $1.7 million which is a direct deduction from the carrying value of the loan and will be amortized over the life of the loan in interest and dividends expense shown in the accompanying consolidated statements of operations. The Company recorded interest expense of $1.2 million for the year ended December 31, 2020 related to its loan payable to PPA S-91.

Spike Line

Pursuant to an amendment in May 2020, Cowen and Company replaced Cowen Execution as the borrower and accepted, reaffirmed and assumed all of Cowen Execution’s rights, duties, obligations and liabilities under the spike line facility and the related loan documents. In August 2020, Cowen and Company renewed a one-year committed spike line facility to cover short term increases in National Securities Clearing Corporation margin deposit requirements. The spike line facility has a capacity of $70 million. This facility has (i) an effective interest rate equal to the Federal Funds rate plus 2.50% on any money drawn from the liquidity facility and (ii) a commitment or unused line fee that is 50 basis points on the undrawn amount. All amounts outstanding under this facility were fully repaid during the second quarter of 2020. Interest expense for the year ended December 31, 2020 was $0.4 million.

Revolving Credit Facility

In December 2019, the Company entered into a two-year committed corporate credit facility with a capacity of $25.0 million. This credit facility has (i) an effective interest rate equal to LIBOR plus 3.25% on any money drawn from the credit facility and (ii) a commitment or unused line fee that is 50 basis points on the undrawn amount. All amounts outstanding under this credit facility were fully repaid during the second quarter of 2020. Interest expense for the year ended December 31, 2020 was $0.3 million.

Finance Lease Obligations

The Company has entered into various finance leases for computer equipment. These finance lease obligations are included in notes payable and other debt in the accompanying consolidated statements of financial condition.

For the years ended December 31, 2020 and 2019, quantitative information regarding the Company's finance lease obligations reflected in the accompanying consolidated statements of operations, the supplemental cash flow information and certain other information related to finance leases were as follows:

	Year Ended December 31,	
	2020	2019
	(dollars in thousands)	
Lease cost		
Finance lease cost:		
Amortization of finance lease right-of-use assets	$ 1,232	$ 1,266
Interest on lease liabilities	171	227
Weighted average remaining lease term - operating leases (in years)	2.24	3.21
Weighted average discount rate - operating leases	4.89 %	4.88 %

Letters of Credit

As of December 31, 2020, the Company has the following irrevocable letters of credit, related to leased office space, for which there is cash collateral pledged, which the Company pays a fee on the stated amount of the letter of credit. The Company also has pledged cash collateral for reinsurance agreements which amounted to $106.8 million, as of December 31, 2020, and $2.0 million, as of December 31, 2019, which are expected to be released periodically as per the terms of the reinsurance policy between June 30, 2021 and March 31, 2024.

Location	Amount		Maturity
	(dollars in thousands)		
New York	$	208	April 2021
New York	$	1,424	October 2022
New York	$	1,252	November 2021
Boston	$	386	March 2021
San Francisco	$	712	October 2025
	$	**3,982**	

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of December 31, 2020 and 2019 there were no amounts due related to these letters of credit.

Contractual Obligations

The following tables summarize the Company's contractual cash obligations as of December 31, 2020:

	Total	< 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(dollars in thousands)				
Equipment, Service and Facility Leases					
Real Estate and Other Facility Rental	$ 90,145	$ 24,520	$ 40,092	$ 19,570	$ 5,963
Service Payments	66,927	24,610	23,167	8,556	10,594
Operating Equipment Leases	444	283	161	—	—
Total	**157,516**	**49,413**	**63,420**	**28,126**	**16,557**
Debt					
Convertible Debt	93,407	2,644	90,763	—	—
Notes Payable	503,669	23,548	47,096	116,614	316,411
Finance Lease Obligation	3,072	1,483	1,578	11	—
Other Notes Payable	78,587	4,858	73,186	543	—
Total	**$ 678,735**	**$ 32,533**	**$ 212,623**	**$ 117,168**	**$ 316,411**

Minimum payments for all debt outstanding

Annual scheduled maturities of debt and minimum payments for all debt outstanding as of December 31, 2020, are as follows:

	Convertible Debt	Notes Payable	Other Notes Payable	Finance Lease Obligation
	(dollars in thousands)			
2021	$ 2,644	$ 23,548	$ 4,858	$ 1,483
2022	90,763	23,548	593	1,167
2023	—	23,548	72,593	411
2024	—	98,721	543	11
2025	—	17,893	—	—
Thereafter	—	316,411	—	—
Subtotal	93,407	503,669	78,587	3,072
Less (a)	(12,599)	(196,016)	(6,082)	(163)
Total	**$ 80,808**	**$ 307,653**	**$ 72,505**	**$ 2,909**

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

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as of December 31, 2020. However, through indemnification provisions in our clearing agreements, customer activities may expose us to off-balance-sheet credit risk. Pursuant to the clearing agreements, we are required to reimburse our clearing broker, without limit, for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. However, these transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date.

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

Cowen and Company temporarily loans securities to other brokers in connection with its securities lending activities. Cowen and Company receives cash as collateral for the securities loaned. Increases in securities prices may cause the market value of the securities loaned to exceed the amount of cash received as collateral. In the event that counterparty to these transactions does not return the loaned securities, Cowen and Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its client obligations. Cowen and Company controls this risk by requiring credit approvals for counterparties, by monitoring the market value of securities loaned on a daily basis, and by requiring additional cash as collateral or returning collateral when necessary.

Cowen and Company temporarily borrows securities from other brokers in connection with its securities borrowing activities. Cowen and Company deposits cash as collateral for the securities borrowed. Decreases in securities prices may cause the market value of the securities borrowed to fall below the amount of cash deposited as collateral. In the event that counterparty to these transactions does not return collateral, Cowen and Company may be exposed to the risk of selling the securities at prevailing market prices. Cowen and Company controls this risk by requiring credit approvals for counterparties, by monitoring the collateral values on a daily basis, and by depositing additional collateral with counterparties or receiving cash when deemed necessary.

Critical Accounting Policies and Estimates

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

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

Consolidation

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

The Company's consolidated financial statements reflect the assets, liabilities, revenues, expenses and cash flows of the Consolidated Funds on a gross basis. The management fees and incentive income earned by the Company from the Consolidated Funds were eliminated in consolidation; however, the Company's allocated share of net income from these investment funds was increased by the amount of this eliminated income. Hence, the consolidation of these investment funds had no net effect on the Company's net earnings. The Company consolidates all entities that it controls through a majority voting interest or otherwise, including those investment funds in which the Company either directly or indirectly has a controlling financial interest. In addition, the Company consolidates all variable interest entities for which it is the primary beneficiary.

The Company consolidates three investment funds for which it acts as the managing member/general partner and investment manager. At December 31, 2020, the Company consolidated the following investment funds: Ramius Enterprise LP (“Enterprise LP”), Cowen Private Investments LP ("Cowen Private"), and Cowen Sustainable Investments I LP ("CSI I LP"). These funds are referred to as each a "Consolidated Fund" and collectively the "Consolidated Funds".

During the second quarter of 2020, the Company deconsolidated Ramius Merger Fund LLC (the "Merger Fund") and UCITS Fund ("UCITS Fund") due to a partial redemption of the Company’s direct portfolio fund investment in Merger Fund and a partial termination of the notional value of UCITS Fund units referenced in a total return swap with a third party. The Company continues to hold a direct retained portfolio fund investment in the Merger Fund and continues to have economic exposure to the returns of UCITS Fund through a total return swap with a third party. Both Merger Fund and UCITS Fund continue to be related parties of the Company after deconsolidation. CSI I Golden Holdco LP ("Golden HoldCo") and CSI I Prodigy Holdco LP ("Prodigy HoldCo") were consolidated through November 2020 when the Company raised additional capital within the sustainable investing strategy that diluted the Company's direct and indirect ownership. As a result, the Company's direct and indirect ownership in Golden Holdco and Prodigy Holdco is no longer expected to be significant to either entity and the entities were deconsolidated.

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

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

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

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

The Company determines whether it is the primary beneficiary of a VIE upon its initial involvement with the VIE and reassesses whether it is the primary beneficiary on an ongoing basis as long as it has any continuing involvement with the VIE by performing a periodic qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, contractual agreements between the Company and the VIE, the economic interests that create or absorb variability, related party relationships and the design of the VIE.

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

The Company does not consolidate the Unconsolidated Master Fund or real estate funds that are VIEs due to the Company's conclusion that it is not the primary beneficiary of these funds in each instance. Investment fund investors are entitled to all of the economics of these VIEs with the exception of the management fee and incentive income, if any, earned by the Company. The Company has equity interests in the funds as both a general partner and a limited partner. In these instances the Company has concluded that the variable interests are not potentially significant to the VIE. Although the Company may advance amounts and pay certain expenses on behalf of the investment funds that it considers to be VIEs, it does not provide, nor is it required to provide, any type of substantive financial support to these entities outside of regular investment management services.

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

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

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

Retention of Specialized Accounting—The Consolidated Funds and certain other consolidated companies are investment companies and apply specialized industry accounting. The Company reports its investments on the consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected within net realized and unrealized gains (losses) on investments and other transactions. Accordingly, the accompanying consolidated financial statements reflect different accounting policies for investments depending on whether or not they are held through a consolidated investment company.

Certain portfolio fund investments qualify as equity method investments and are investment companies that apply specialized industry accounting. In applying equity method accounting guidance, the Company retains the specialized accounting of the investees and reports its investments on the consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected within net realized and unrealized gains (losses) on investments and other transactions.

In addition, the Company's broker-dealer subsidiaries apply the specialized industry accounting for brokers and dealers in securities, which the Company retains upon consolidation.

Valuation of investments and derivative contracts

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

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

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

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

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

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

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

The Company has the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company has elected the fair value option for certain of its investments held by its operating companies. This option has been elected because the Company believes that it is consistent with the manner in which the business is managed, as well as the way that financial instruments in other parts of the business are recorded.

Securities—Securities with values based on quoted market prices in active markets for identical assets are classified within level 1 of the fair value hierarchy. These securities primarily include active listed equities, certain U.S. government and sovereign obligations, Exchange Traded Funds ("ETFs"), mutual funds and certain money market securities.

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

Derivative contracts—Derivative contracts can be exchange-traded or privately negotiated over-the-counter ("OTC"). Exchange-traded derivatives, such as futures contracts and exchange-traded option contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded. OTC derivatives, such as generic forwards, swaps and options, are classified as level 2 when their inputs can be corroborated by market data. OTC derivatives, such as swaps and options, with significant inputs that cannot be corroborated by readily available or observable market data are classified as level 3.

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

i. **Portfolio funds—**Portfolio funds ("Portfolio Funds") include interests in private investment partnerships, foreign investment companies and other collective investment vehicles which may be managed by the Company or its affiliates. The Company applies the practical expedient provided by the US GAAP fair value measurements and disclosures guidance relating to investments in certain entities that calculate net asset value ("NAV") per share (or its equivalent). The practical expedient permits an entity holding investments in certain entities that either are investment companies or have attributes similar to an investment company, and calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. Investments which are valued using NAV per share as a practical expedient are not categorized within the fair value hierarchy.

ii. **Carried Interest—**For the private equity and debt fund products the Company offers, the Company is allocated incentive income by the investment funds based on the extent by which the investment funds performance exceeds predetermined thresholds. Carried interest allocations are generally structured from a legal standpoint as an allocation of capital in the Company's capital account. The Company accounts for carried interest allocations by applying an equity ownership model. Accordingly, the Company accrues performance allocations quarterly based on the fair value of the underlying investments assuming hypothetical liquidation at book value.

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

Goodwill and Intangible Assets

Goodwill

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

In accordance with US GAAP requirements for testing for impairment of goodwill, the Company tests goodwill for impairment on an annual basis or at an interim period if events or changed circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. In testing for goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances led to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company concludes that fair value exceeds its carrying amount, then performing a quantitative impairment test is not necessary. If the Company concludes otherwise, the Company is required to perform a quantitative impairment test that requires a comparison of the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the related goodwill is not considered impaired and no further analysis is required. If the carrying value of the reporting unit exceeds its fair value, then the Company recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

Intangible assets

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

Legal Reserves

The Company estimates potential losses that may arise out of legal and regulatory proceedings and records a reserve and takes a charge to income when losses with respect to such matters are deemed probable and can be reasonably estimated, in accordance with US GAAP. These amounts are reported in other expenses, net of recoveries, in the consolidated statements of operations. See Note 22 in our accompanying consolidated financial statements for the quarter ended December 31, 2020 for further discussion.

Recently adopted and future adoption of accounting pronouncements

For a detailed discussion, see Note 2aa "Recent pronouncements" in our accompanying consolidated financial statements for the year ended December 31, 2020.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

The market value of the assets and liabilities in our investment funds and managed accounts, as well as the Company's own securities, may fluctuate in response to changes in equity prices, interest rates, credit spreads, currency exchange rates, commodity prices, implied volatility, dividends, prepayments, recovery rates and the passage of time. The net effect of market value changes caused by fluctuations in these risk factors will result in gains (losses) for our investment funds and managed accounts which will impact our management fees and incentive income and for the Company's securities which will impact the value of our own invested capital as well as the capital utilized in facilitating customer trades. Some of the Company's investments are in private companies and other investments are in securities that are subject, from time to time, to contractual lock-up agreements or other resale restrictions. The private investments we have made generally have no established trading market or are generally subject to restrictions on resale. Our inability to liquidate these securities when it may be otherwise advantageous for us to do so could lead to volatility in the market value ascribed to these investments and securities which could adversely affect our investment income.

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

Impact on Management Fees

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

Impact on Incentive Income

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

Custody and prime brokerage risks

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

Market risk

Market risk represents the risk of loss that may result from the change in value of a financial instrument due to fluctuations in its market price. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Our exposure to market risk is primarily related to the fluctuation in the fair values of securities owned and sold, but not yet purchased in the Company's investment funds and our role as a financial intermediary in customer trading and to our market making and investment activities. Market risk is inherent in financial instruments and risks arise in options, warrants and derivative contracts from changes in the fair values of their underlying financial instruments. Securities sold, but not yet purchased, represent obligations of the Company's investment funds to deliver specified securities at contracted prices and thereby create a liability to repurchase the securities at prevailing future market prices. We trade in equity securities as an active participant in both listed and over-the-counter markets. We typically maintain securities in inventory to facilitate our market making activities and customer order flow. We may use a variety of risk management techniques and hedging strategies in the ordinary course of our trading business to manage our exposures. In connection with our trading business, management also reviews reports appropriate to the risk profile of specific trading activities. Typically, market conditions are evaluated and transaction details and securities positions are reviewed. These activities are intended to ensure that our trading strategies are conducted within acceptable risk tolerance parameters, particularly when we commit our own capital to facilitate client trading. Activities include price verification procedures, position reconciliations and reviews of transaction booking. We believe these procedures, which stress timely communications between traders, trading management and senior management, are important elements of the risk management process.

A 10% change in the fair value of the investments held by the Company's investment funds as of December 31, 2020 would result in a change of approximately $1.1 billion in our assets under management and would impact management fees by approximately $4.4 million on an annual basis. This number is an estimate. The amount would be dependent on the fee structure of the particular investment fund or funds that experienced such a change.

Currency risk

The Company is also exposed to foreign currency fluctuations. Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of such financial instruments, including direct or indirect investments in securities of non-U.S. companies. A 10% weakening or strengthening of the U.S. dollar against all or any combination of currencies to which the Company's investments or the Company's investment funds have exposure to exchange rates would not have a material effect on the Company's revenues, net loss or Economic Income.

Inflation risk

Because our assets are, to a large extent, liquid in nature, they are not significantly affected by inflation. However, the rate of inflation affects such expenses as employee compensation and communications charges, which may not be readily recoverable in the prices of services we offer. To the extent inflation results in rising interest rates and has other adverse effects on the securities markets, it may adversely affect our financial condition and results of operations in certain businesses.

Leverage and interest rate risk

There is no guarantee that the Company's borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Company. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Company. In addition, a decline in market value of the Company's assets may have particular adverse consequences in instances where we have borrowed money based on the market value of those assets. A decrease in market value of those assets may result in the lender (including derivative counterparties) requiring the Company to post additional collateral or otherwise sell assets at a time when it may not be in the Company's best interest to do so.

Credit risk

The Company clears all of its securities transactions through clearing brokers on a fully disclosed basis. Pursuant to the terms of the agreements between the Company and the clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, we believe there is no maximum amount assignable to this right. Accordingly, at December 31, 2020, the Company had recorded no liability.

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

In the normal course of business, our activities may include trade execution for our clients as well as agreements to borrow or lend securities. These activities may expose us to risk arising from price volatility which can reduce clients' ability to meet their obligations. To the extent investors are unable to meet their commitments to us, we may be required to purchase or sell financial instruments at prevailing market prices to fulfill clients' obligations.

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

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

Operational risk

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

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

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

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

Legal risk

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

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

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information in the definitive proxy statement for our 2021 annual meeting of stockholders under the captions "Executive Officers," "Board of Directors," "Information Regarding the Board of Directors and Corporate Governance—Committees of the Board—Audit Committee," "Information Regarding the Board of Directors and Corporate Governance—Director Nomination Process," "Information Regarding the Board of Directors and Corporate Governance—Procedures for Nominating Director Candidates," "Information Regarding the Board of Directors and Corporate Governance—Code of Business Conduct and Ethics" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

Item 11. Executive Compensation

The information in the definitive proxy statement for our 2021 annual meeting of stockholders under the captions "Executive Compensation—Compensation and Benefits Committee Report," "Certain Relationships and Related Transactions—Compensation and Benefits Committee Interlocks and Insider Participation" and "Information Regarding the Board of Directors and Corporate Governance—Compensation Program for Non-Employee Directors" is incorporated herein by reference.

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

The information in the definitive proxy statement for our 2021 annual meeting of stockholders under the captions "Security Ownership—Beneficial Ownership of Directors, Nominees and Executive Officers," "Security Ownership—Beneficial Owners of More than Five Percent of our Common Stock" and "Securities Authorized for Issuance Under Equity Compensation Plans" are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information in the definitive proxy statement for our 2021 annual meeting of stockholders under the captions "Information Regarding the Board of Directors and Corporate Governance—Director Independence," "Certain Relationships and Related Transactions—Transactions with Related Persons," and "Certain Relationships and Related Transactions—Review and Approval of Transactions with Related Persons" is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information in the definitive proxy statement for our 2021 annual meeting of stockholders under the captions "Audit Committee Report and Payment of Fees to Our Independent Auditor—Auditor Fees" and "Audit Committee Report and Payment of Fees to Our Independent Auditor—Auditor Services Pre-Approval Policy" is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Consolidated Financial Statements

   The consolidated financial statements required to be filed in the Annual Report on Form 10-K are listed on page F-1 hereof. The required financial statements appear on pages F-1 through F-76 hereof.

2. Financial Statement Schedules

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

3. Exhibits

Exhibit No.	Description
2.1	Securities Purchase Agreement, dated as of April 2, 2017, by and among Convergex Holdings LLC, Convergex Group, LLC, GTCR Convergex Holdings LLC, Cowen CV Acquisition LLC and Cowen Inc. (previously filed as Exhibit 2.1 to the Form 8-K filed on April 6, 2017)

Exhibit No.	Description
2.2	Purchase Agreement, dated as of November 20, 2018, by and among Cowen Inc., Cowen International Limited, Cowen QN Acquisition LLC, the Sellers signatory thereto, the Beneficial Owners signatory thereto and the Seller Representatives signatory thereto (previously filed as Exhibit 2.1 to the Form 8-K filed on November 21, 2018).
3.1	Amended and Restated Certificate of Incorporation of Cowen Inc. (previously filed as Exhibit 3.1 to the Form 10-Q filed November 25, 2009).
3.2	Second Amended and Restated By-Laws of Cowen Inc. (previously filed as Exhibit 3.1 to the Form 8-K filed on February 18, 2020).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Cowen Inc. (previously filed as Exhibit 3.3 to the Form 10-Q filed November 25, 2009).
3.4	Certificate of Designations of the Company for its Series A Cumulative Perpetual Preferred Stock (previously filed as Exhibit 3.1 to Form 8-K filed May 20, 2015).
3.5	Amendment to the Amended and Restated Certificate of Incorporation of Cowen Inc. (previously filed as Exhibit 3.1 to the Form 8-K filed December 5, 2016).
3.6	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Cowen Inc. (previously filed as Exhibit 3.1 to the Form 8-K filed on May 16, 2017)
4.1	Form of Class A Common Stock Certificate (previously filed as Exhibit 4.1 to Amendment No. 2 to Form S-1 filed on December 14, 2009).
4.2	Indenture, dated March 10, 2014 by and between Cowen Inc., as Issuer and The Bank of New York Mellon, as Trustee (previously filed as Exhibit 4.1 to Form 8-K filed on March 11, 2014).
4.3	First Supplemental Indenture by and between Cowen Inc., as Issuer and The Bank of New York Mellon, as Trustee (previously filed as Exhibit 4.1 to the Form 10-Q filed May 8, 2014).
4.4	Senior Notes Indenture dated October 10, 2014, by and between Cowen Inc. and The Bank of New York Mellon (previously filed as Exhibit 4.1 to Form 8-K filed on October 10, 2014).
4.5	First Supplemental Indenture dated October 10, 2014, by and between Cowen Inc. and The Bank of New York Mellon (previously filed as Exhibit 4.2 to Form 8-K filed on October 10, 2014).
4.6	Indenture, dated as of December 14, 2017 between Cowen Inc. and The Bank of New York Mellon (previously filed as Exhibit 4.1 to Form 8-K filed on December 14, 2017).
4.7	Second Supplemental Indenture, dated as of December 8, 2017, by and between Cowen Inc. and The Bank of New York Mellon, as Trustee. (previously filed as Exhibit 4.2 to Form 8-K filed on December 8, 2017).
4.8	Third Supplemental Indenture, dated June 11, 2018, by and between Cowen Inc. and The Bank of New York Mellon (previously filed as Exhibit 4.2 to the Form 8-K filed June 11, 2018).
4.9	Form of Note Purchase Agreement including Form of Note attached thereto (previously filed as Exhibit 4.1 to the Form 8-K filed April 29, 2019).
4.10	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed herewith).
10.1	Lease, dated as of June 22, 2007 by and between 599 Lexington Avenue LLC and Cowen Investment Management LLC (as successor in interest to RCG Holdings LLC (f/k/a Ramius Capital Group, LLC)), as amended by the First Amendment to Lease, dated as of June 9, 2008, by and between BP 599 Lexington Avenue LLC and Cowen Investment Management LLC (as successor in interest to RCG Holdings LLC (f/k/a Ramius LLC)) (previously filed as Exhibit 10.14 to Amendment No. 2 to Form S-1 filed on December 14, 2009).
10.2	Cowen Inc. 2006 Equity and Incentive Plan (previously filed as Exhibit 10.20 to Amendment No. 2 to Form S-1 filed on December 14, 2009).*
10.3	Cowen Inc. 2007 Equity and Incentive plan (previously filed as Exhibit 10.21 to Amendment No. 2 to Form S-1 filed on December 14, 2009).*
10.4	Cowen Inc. 2010 Equity and Incentive Plan (incorporated by reference to Appendix A to the Definitive Proxy Statement of Cowen Inc., on Schedule 14A for the year ended December 31, 2009, as filed on April 30, 2010).*
10.5	Second Amendment to Lease dated August 20, 2010 between BP 599 Lexington Avenue and the Company, amending that certain Lease dated as of June 22, 2007 by and between 599 Lexington Avenue LLC and Cowen Investment Management LLC (as successor in interest to RCG Holdings LLC (f/k/a Ramius Capital Group, LLC)), as amended by the First Amendment to Lease, dated as of June 9, 2008, by and between BP 599 Lexington Avenue LLC and Ramius LLC (previously filed as Exhibit 10.2 to Form 8-K filed August 24, 2010).

Exhibit No.	Description
10.6	Initial capped call confirmation, dated as of May 13, 2015, by and between Nomura Global Financial Products Inc. and the Company (previously filed as Exhibit 10.1 to Form 8-K filed May 20, 2015).
10.7	Additional capped call confirmation, dated as of May 19, 2015, by and between Nomura Global Financial Products Inc. and the Company (previously filed as Exhibit 10.2 to Form 8-K filed May 20, 2015).
10.8	Form of Performance Shares Award Agreement (previously filed as Exhibit 10.1 to the Form 10-Q filed May 2, 2016).*
10.9	Underwriting Agreement, dated as of December 5, 2017, by and between Cowen Inc. and with Morgan Stanley & Co. LLC and UBS Securities LLC, as representatives of the several Underwriters named therein. (previously filed as Exhibit 1.1 to the Form 8-K filed December 8, 2017).
10.10	Letter Amendment between the Company and Mr. Solomon dated November 30, 2017 (previously filed as Exhibit 10.1 to the Form 8-K filed December 1, 2017).*
10.11	Underwriting Agreement, dated as of June 6, 2018, by and between Cowen Inc. and with Morgan Stanley & Co. LLC and UBS Securities LLC, as representatives of the several Underwriters named therein (previously filed as Exhibit 1.1 to the Form 8-K filed June 11, 2018).
10.12	Form of Performance Shares Award Agreement (previously filed as Exhibit 10.1 to the Form 10-Q filed August 1, 2019).*
10.13	Credit Agreement dated December 2, 2019 (previously filed as Exhibit 10.1 to the Form 8-K filed December 4. 2019).
10.14	Form of Restricted Stock Unit and Deferred Cash Award (previously filed as Exhibit 10.22 to the Form 10-K filed March 4, 2020).*
10.15	Amended and Restated Employment Agreement between the Company and Jeffrey Solomon dated January 31, 2020 (previously filed as Exhibit 10.1 to Form 8-K filed February 3, 2020). *
10.16	Amended and Restated Employment Agreement between the Company and John Holmes dated January 31, 2020 (previously filed as Exhibit 10.2 to Form 8-K filed February 3, 2020). *
10.17	Amended and Restated Employment Agreement between the Company and Stephen Lasota dated January 31, 2020 (previously filed as Exhibit 10.3 to Form 8-K filed February 3, 2020).*
10.18	Amended and Restated Employment Agreement between the Company and Owen Littman dated January 31, 2020 (previously filed as Exhibit 10.4 to Form 8-K filed February 3, 2020).*
10.19	2020 Equity Incentive Plan (previously filed as Appendix A to the Definitive Proxy Statement of Cowen Inc. on Schedule 14A for the year ended December 31, 2019, as filed on May 22, 2020).*
10.20	Form of Performance Share Award Agreement (filed herewith). *
10.21	Form of Restricted Stock Unit and Deferred Cash Award Agreement (filed herewith). *
21.1	Subsidiaries of Cowen Inc. (filed herewith).
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of CEO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of CFO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certification of CEO and CFO Pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT
104	Cover Page Interactive Data File - (formatted as inline XBRL and contained in Exhibit 101)

* Signifies management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

Not Applicable.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control over Financial Reporting

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

As of the end of the Company's 2020 fiscal year, management conducted an assessment of the Company's internal control over financial reporting based on the framework established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2020 was effective.

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

The Company's internal control over financial reporting as of December 31, 2020 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2020.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Cowen Inc.:

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

We have audited the accompanying consolidated statements of financial condition of Cowen Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of fair value of certain level 3 financial assets

As discussed in Notes 2f and 7 to the consolidated financial statements, the Company has recorded financial assets classified as level 3 in the fair value hierarchy of $127.5 million. Certain of these financial assets are valued based on their proportional rights of the underlying portfolio company, which is complex and involves estimation of the future performance of the entity. The fair value of these financial assets is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset. The determination of fair value for these level 3 financial assets involves use of discounted cash flows, which incorporate unobservable inputs and therefore requires significant management judgment or estimation.

We identified the assessment of the fair value measurement of certain financial assets classified as level 3 in the fair value hierarchy as a critical audit matter. There is a high degree of auditor judgment involved in evaluating certain inputs used in these fair value measurements, such as projected future cash flows and the discount rate. In addition, the evaluation of the fair value measurement required the involvement of individuals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control related to the review of significant unobservable inputs, such as projected future cash flows and the discount rate, used by the Company in its fair value measurements, including the monitoring of changes to these inputs.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the fair value measurement for a selection of level 3 financial assets through developing an independent estimate of the fair value of the financial asset and comparing the results of our estimate of fair value to the Company's fair value measurement. As part of this independent estimate, the valuation professionals developed independent pricing inputs, such as the discount rate. We also evaluated the projected future cash flows by comparing historical projections to corresponding actual performance, evaluating the appropriateness of the projected growth rates relative to historical growth, and confirming the projections with the portfolio company.

/s/ KPMG LLP

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

New York, New York
March 3, 2021

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

Assets	**As of December 31, 2020**	**As of December 31, 2019**
Cash and cash equivalents	$ 645,169	$ 301,123
Cash collateral pledged	110,743	6,563
Segregated cash	185,141	107,328
Securities owned, at fair value ($1,218,947 and $941,595 were pledged to various parties)	2,001,602	1,633,552
Securities purchased under agreements to resell	191	—
Receivable on derivative contracts, at fair value	51,482	62,977
Securities borrowed	1,908,187	754,441
Other investments ($133,454 and $114,504 at fair value, respectively)	255,027	185,722
Deposits with clearing organizations, brokers and banks	104,952	91,755
Receivable from brokers, dealers and clearing organizations, net of allowance of $885 and $721, respectively	1,729,744	681,695
Receivable from customers, net of allowance of $530 and $650, respectively	103,963	105,647
Fees receivable, net of allowance of $3,348 and $2,620, respectively	160,349	126,358
Due from related parties	21,068	26,749
Fixed assets, net of accumulated depreciation and amortization of $40,670 and $32,846, respectively	33,023	33,661
Operating lease right-of-use assets	78,241	92,852
Goodwill	147,084	137,728
Intangible assets, net of accumulated amortization of $37,884 and $26,395, respectively	24,403	35,200
Deferred tax asset, net	9,030	79,166
Other assets	54,884	84,158
Consolidated Funds		
Cash and cash equivalents	417	30,874
Securities owned, at fair value	10,622	375,278
Receivable on derivative contracts, at fair value	—	5,833
Other investments	192,670	175,769
Receivable from brokers	—	25,964
Other assets	207	1,632
Total Assets	**$ 7,828,199**	**$ 5,162,025**
Liabilities, Temporary Equity and Permanent Equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 728,115	$ 451,836
Securities sold under agreements to repurchase	5,036	23,244
Payable for derivative contracts, at fair value	76,160	60,761
Securities loaned	2,476,414	1,601,866
Payable to brokers, dealers and clearing organizations	415,143	271,018
Payable to customers	1,680,326	430,224
Commission management payable	116,987	71,620
Compensation payable	373,339	223,139
Operating lease liabilities	82,735	97,581
Notes payable and other debt	383,067	345,451
Convertible debt	80,808	118,688
Fees payable	43,833	21,540
Due to related parties	51	1
Accounts payable, accrued expenses and other liabilities	196,479	141,556

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

	As of December 31, 2020	As of December 31, 2019
(continued)		
Consolidated Funds		
Due to related parties	7	581
Payable for derivative contracts, at fair value	—	4,769
Payable to brokers	—	864
Capital withdrawals payable	—	1,276
Accounts payable, accrued expenses and other liabilities	578	560
Total Liabilities	**$ 6,659,078**	**$ 3,866,575**
Commitments and Contingencies (Note 22)		
Temporary Equity		
Redeemable non-controlling interests	**$ —**	**$ 391,275**
Permanent Equity		
Cowen Inc. stockholders' equity		
Preferred stock, par value $0.01 per share: 10,000,000 shares authorized, 120,750 shares issued and outstanding as of December 31, 2020 (aggregate liquidation preference of $120,750) and 10,000,000 shares authorized, 120,750 shares issued and outstanding as of December 31, 2019 (aggregate liquidation preference of $120,750), respectively	$ 1	$ 1
Class A common stock, par value $0.01 per share: 62,500,000 shares authorized, 49,465,491 shares issued and 26,845,628 outstanding as of December 31, 2020 and 62,500,000 shares authorized, 47,215,938 shares issued and 28,610,357 outstanding as of December 31, 2019, respectively (including 334,230 and 216,912 restricted shares, respectively)	334	334
Class B common stock, par value $0.01 per share: 62,500,000 authorized, no shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	—
Additional paid-in capital	1,130,138	1,110,635
(Accumulated deficit) retained earnings	185,901	(16,809)
Accumulated other comprehensive income (loss)	(7)	(5)
Less: Class A common stock held in treasury, at cost, 22,619,863 and 18,605,581 shares as of December 31, 2020 and 2019, respectively	(346,870)	(284,301)
Total Cowen Inc. Stockholders' Equity	**969,497**	**809,855**
Nonredeemable non-controlling interests	199,624	94,320
Total Permanent Equity	**$ 1,169,121**	**$ 904,175**
Total Liabilities, Temporary Equity and Permanent Equity	**$ 7,828,199**	**$ 5,162,025**

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

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Revenues			
Investment banking	$ 769,486	$ 375,025	$ 357,222
Brokerage	572,548	402,747	413,582
Management fees	47,515	32,608	29,658
Incentive income	592	1,547	3,117
Interest and dividends	187,459	174,913	108,009
Reimbursement from affiliates	1,048	1,026	1,038
Aircraft lease revenue	—	—	1,852
Reinsurance premiums	30,147	46,335	38,096
Other revenues	8,621	5,433	4,504
Consolidated Funds			
Interest and dividends	5,218	9,772	9,816
Other revenues	670	37	22
Total revenues	**1,623,304**	**1,049,443**	**966,916**
Interest and dividends expense	187,725	168,628	104,116
Total net revenues	**1,435,579**	**880,815**	**862,800**
Expenses			
Employee compensation and benefits	860,531	535,772	512,627
Brokerage and trade execution costs	139,034	103,235	109,399
Underwriting expenses	22,565	15,067	15,282
Professional, advisory and other fees	59,990	48,385	40,957
Service fees	25,378	23,707	20,198
Communications	32,593	31,894	30,801
Occupancy and equipment	36,559	39,726	41,602
Depreciation and amortization	22,677	20,460	12,436
Client services and business development	20,526	50,371	35,927
Goodwill impairment	—	4,100	—
Reinsurance claims, commissions and amortization of deferred acquisition costs	33,905	44,070	41,086
Other expenses	33,195	23,114	22,014
Consolidated Funds			
Interest and dividends	2,064	4,602	6,534
Professional, advisory and other fees	2,087	2,426	938
Brokerage and trade execution costs	37	122	256
Other expenses	1,221	1,813	887
Total expenses	**1,292,362**	**948,864**	**890,944**
Other income (loss)			
Net gains (losses) on securities, derivatives and other investments	175,877	80,409	68,043
Gain/(loss) on debt extinguishment	2,719	—	(556)
Consolidated Funds			
Net realized and unrealized gains (losses) on investments and other transactions	(26,188)	59,384	46,656
Net realized and unrealized gains (losses) on derivatives	1,850	(1,003)	9,408
Net gains (losses) on foreign currency transactions	(38)	(18)	191
Total other income (loss)	**154,220**	**138,772**	**123,742**
Income (loss) before income taxes	**297,437**	**70,723**	**95,598**
Income tax expense (benefit)	90,373	14,853	15,719
Net income (loss)	**207,064**	**55,870**	**79,879**

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

	Year Ended December 31,		
	2020	**2019**	**2018**
(continued)			
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	(9,299)	31,239	37,060
Net income (loss) attributable to Cowen Inc.	**216,363**	**24,631**	**42,819**
Preferred stock dividends	6,792	6,792	6,792
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 209,571**	**$ 17,839**	**$ 36,027**
Weighted average common shares outstanding:			
Basic	27,790	29,525	29,545
Diluted	29,519	31,286	30,735
Earnings (loss) per share:			
Basic	$ 7.54	$ 0.60	$ 1.22
Diluted	$ 7.10	$ 0.57	$ 1.17

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

Cowen Inc.
Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands)

	Year Ended December 31,		
	2020	**2019**	**2018**
Net income (loss)	$ 207,064	$ 55,870	$ 79,879
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(2)	—	3
Total other comprehensive income (loss), net of tax	(2)	—	3
Comprehensive income (loss)	**$ 207,062**	**$ 55,870**	**$ 79,882**
Less: Comprehensive income attributable to non-controlling interests	(9,299)	31,239	37,060
Comprehensive income (loss) attributable to Cowen Inc.	**$ 216,361**	**$ 24,631**	**$ 42,822**

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

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

	Common Shares Outstanding	Common Stock	Preferred Shares Outstanding	Preferred Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ (Accumulated deficit)	Total Cowen Inc. Stockholders' Equity	Nonredeemable Non-controlling Interests	Total Permanent Equity	Redeemable Non-controlling Interest
Balance, December 31, 2017	**29,632,020**	**$ 324**	**120,750**	**$ 1**	**$ (186,846)**	**$ 1,004,664**	**$ (8)**	**$ (70,116)**	**$ 748,019**	**$ 105,587**	**$ 853,606**	**$ 335,017**
Cumulative effect of the adoption of the new revenue recognition standard (See Note 2e)	—	—	—	—	—	—	—	(559)	(559)	—	(559)	—
Net income (loss) attributable to Cowen Inc.	—	—	—	—	—	—	—	42,819	42,819	—	42,819	—
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	—	—	—	—	—	—	—	—	—	12,308	12,308	24,752
Foreign currency translation	—	—	—	—	—	—	3	—	3	—	3	—
Capital contributions	—	—	—	—	—	—	—	—	—	7,888	7,888	107,117
Capital withdrawals	—	—	—	—	—	—	—	—	—	(28,344)	(28,344)	(249,963)
Deconsolidation of entity	—	—	—	—	—	—	—	—	—	(32,559)	(32,559)	—
Restricted stock awards issued	2,009,435	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(3,203,595)	—	—	—	(47,296)	—	—	—	(47,296)	—	(47,296)	—
Preferred stock dividends (See Note 24)	—	—	—	—	—	—	—	(6,792)	(6,792)	—	(6,792)	—
Embedded cash conversion option, net of tax (See Note 24)	—	—	—	—	—	21,195	—	—	21,195	—	21,195	—
Amortization of share based awards	—	—	—	—	—	37,018	—	—	37,018	—	37,018	—
Balance, December 31, 2018	**28,437,860**	**$ 324**	**120,750**	**$ 1**	**$ (234,142)**	**$ 1,062,877**	**$ (5)**	**$ (34,648)**	**$ 794,407**	**$ 64,880**	**$ 859,287**	**$ 216,923**
Net income (loss) attributable to Cowen Inc.	—	—	—	—	—	—	—	24,631	24,631	—	24,631	—
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	—	—	—	—	—	—	—	—	—	22,797	22,797	8,442
Capital contributions	—	—	—	—	—	—	—	—	—	11,655	11,655	266,504
Capital withdrawals	—	—	—	—	—	—	—	—	—	(5,012)	(5,012)	(100,594)
Restricted stock awards issued	2,407,857	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(3,268,710)	—	—	—	(50,159)	—	—	—	(50,159)	—	(50,159)	—
Common stock issuance upon acquisition (See Note 3)	1,033,350	10	—	—	—	14,436	—	—	14,446	—	14,446	—
Preferred stock dividends (See Note 24)	—	—	—	—	—	—	—	(6,792)	(6,792)	—	(6,792)	—
Embedded cash conversion option, net of tax (See Note 24)	—	—	—	—	—	(596)	—	—	(596)	—	(596)	—
Amortization of share based awards	—	—	—	—	—	33,918	—	—	33,918	—	33,918	—
Balance, December 31, 2019	**28,610,357**	**$ 334**	**120,750**	**$ 1**	**$ (284,301)**	**$ 1,110,635**	**$ (5)**	**$ (16,809)**	**$ 809,855**	**$ 94,320**	**$ 904,175**	**$ 391,275**
Cumulative effect of the adoption of the new current expected credit loss standard (See Note 2e)	—	—	—	—	—	—	—	(10)	(10)	—	(10)	—
Net income (loss) attributable to Cowen Inc.	—	—	—	—	—	—	—	216,363	216,363	—	216,363	—
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and funds	—	—	—	—	—	—	—	—	—	23,625	23,625	(32,924)
Foreign currency translation	—	—	—	—	—	—	(2)	—	(2)	—	(2)	—
Capital contributions	—	—	—	—	—	—	—	—	—	201,223	201,223	184,223

	Common Shares Outstanding	Common Stock	Preferred Shares Outstanding	Preferred Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ (Accumulated deficit)	Total Cowen Inc. Stockholders' Equity	Nonredeemable Non-controlling Interests	Total Permanent Equity	Redeemable Non-controlling Interest
Capital withdrawals	—	—	—	—	—	—	—	—	—	(78,251)	(78,251)	(181,863)
Consolidation of entity	—	—	—	—	—	—	—	—	—	48,596	48,596	—
Deconsolidation of entities	—	—	—	—	—	—	—	—	—	(89,889)	(89,889)	(360,711)
Common stock issuance related to acquisition (See Note 3)	74,694	—	—	—	—	926	—	—	926	—	926	—
Equity portion of convertible note extinguishment (See Note 24)	—	—	—	—	—	(29,645)	—	—	(29,645)	—	(29,645)	—
Restricted stock awards issued	2,174,859	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock, at cost	(4,014,282)	—	—	—	(62,569)	—	—	—	(62,569)	—	(62,569)	—
Preferred stock dividends (See Note 24)	—	—	—	—	—	—	—	(6,792)	(6,792)	—	(6,792)	—
Cash dividends to common stockholders (See Note 24)	—	—	—	—	—	—	—	(6,851)	(6,851)	—	(6,851)	—
Amortization of share-based awards	—	—	—	—	—	48,222	—	—	48,222	—	48,222	—
Balance, December 31, 2020	**26,845,628**	**$ 334**	**120,750**	**$ 1**	**$ (346,870)**	**$ 1,130,138**	**$ (7)**	**$ 185,901**	**$ 969,497**	**$ 199,624**	**$ 1,169,121**	**$ —**

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

Cowen Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income (loss)	$ 207,064	$ 55,870	$ 79,879
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:			
Depreciation and amortization	22,677	20,460	12,436
Goodwill impairment	—	4,100	—
Amortization of debt issuance costs	1,512	1,129	1,153
Amortization of debt discount (premium)	4,490	4,598	5,473
Noncash lease expense	(561)	(2,148)	—
Asset impairment	2,425	—	—
(Gain) / loss on extinguishment of debt	(2,719)	—	652
Share-based compensation	48,222	33,918	37,018
Change in deferred taxes	70,136	13,295	15,486
Deferred rent obligations	—	—	(3,036)
Net loss (gain) on disposal of fixed assets	—	233	15,343
Purchases of securities owned, at fair value	(1,682,598)	(2,107,956)	(3,830,757)
Proceeds from sales of securities owned, at fair value	1,793,934	2,042,946	4,032,937
Proceeds from sales of securities sold, not yet purchased, at fair value	821,829	1,360,075	2,794,434
Payments to cover securities sold, not yet purchased, at fair value	(850,608)	(1,408,043)	(2,927,916)
Proceeds from other investments	22,453	23,886	10,157
Net (gains) losses on securities, derivatives and other investments	(161,699)	(74,284)	(54,032)
Consolidated Funds			
Purchases of securities owned, at fair value	(1,912,137)	(2,725,439)	(887,728)
Proceeds from sales of securities owned, at fair value	1,793,528	2,618,200	835,002
Purchases of other investments	(2,090)	(3,408)	(2,835)
Proceeds from other investments	6,734	23,954	231,559
Net realized and unrealized (gains) losses on investments and other transactions	21,597	(90,900)	(52,807)
(Increase) decrease in operating assets:			
Securities owned, at fair value, held at broker-dealer	(335,510)	(990,356)	(57,732)
Receivable on derivative contracts, at fair value	11,394	(37,522)	44,053
Securities borrowed	(1,153,746)	(346,646)	35,353
Deposits with clearing organizations, brokers and banks	(13,197)	(2,332)	4,573
Receivable from brokers, dealers and clearing organizations	(1,048,049)	104,418	(277,935)
Receivable from customers, net of allowance	1,684	(67,789)	12,033
Fees receivable, net of allowance	(33,991)	(7,143)	(6,401)
Due from related parties	5,498	7,120	1,405
Other assets	63,626	(6,501)	6,017
Consolidated Funds			
Cash and cash equivalents	8,075	7,299	(19,501)
Receivable on derivative contracts, at fair value	(19,710)	(1,417)	(1,896)
Receivable from brokers	(961)	(17,636)	(2,684)
Other assets	564	(159)	(538)
Increase (decrease) in operating liabilities:			
Securities sold, not yet purchased, at fair value, held at broker-dealer	286,105	277,119	26,232
Securities sold under agreement to repurchase	(18,208)	23,244	—
Payable for derivative contracts, at fair value	15,399	44,679	2,305
Securities loaned	874,548	1,187,014	(41,979)
Payable to brokers, dealers and clearing organizations	144,125	42,287	(23,422)
Payable to customers	1,250,102	(94,929)	172,686
Commission management payable	45,367	(23,650)	24,819
Compensation payable	134,522	(38,954)	64,456
Fees payable	22,293	(1,025)	14,518
Due to related parties	254	(5,320)	1
Accounts payable, accrued expenses and other liabilities	55,879	(3,148)	17,723
Consolidated Funds			
Contributions received in advance	450	50	—

Cowen Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,		
	2020	**2019**	**2018**
(continued)			
Payable to brokers	8,560	(22,657)	22,770
Payable for derivative contracts, at fair value	11,967	3,106	(5,467)
Due to related parties	(386)	581	—
Accounts payable, accrued expenses and other liabilities	436	(129)	369
Net cash provided by / (used in) operating activities	**521,279**	**(179,910)**	**324,176**
Cash flows from investing activities:			
Securities purchased under agreement to resell	(191)	—	—
Purchases of other investments	(48,634)	(19,812)	(28,092)
Purchase of business (See Note 3)	(5,647)	(48,581)	—
Proceeds from sales of other investments	44,371	35,648	18,782
Proceeds from loans held for investment	—	—	14
Purchase of fixed assets and intangibles	(10,721)	(14,882)	(8,586)
Net cash provided by / (used in) investing activities	**(20,822)**	**(47,627)**	**(17,882)**
Cash flows from financing activities:			
Repayments on convertible debt	(69,841)	(14,068)	(6,708)
Deferred debt issuance cost	(1,700)	(2,077)	(3,985)
Borrowings on notes and other debt	159,821	87,365	102,382
Repayments on notes and other debt	(121,472)	(10,263)	(16,601)
Purchase of treasury stock	(47,314)	(15,217)	(31,762)
Cash dividends paid	(5,710)	—	—
Preferred dividends paid	(6,792)	(6,792)	(6,792)
Contingent liability payment	(5,653)	(1,234)	(797)
Capital contributions by non-controlling interests in operating entities	9,730	11,110	941
Capital withdrawals to non-controlling interests in operating entities	(5,605)	(3,785)	(2,774)
Consolidated Funds			
Capital contributions by non-controlling interests in Consolidated Funds	375,715	267,049	114,064
Capital withdrawals to non-controlling interests in Consolidated Funds	(255,597)	(111,650)	(276,357)
Net cash provided by / (used in) financing activities	**25,582**	**200,438**	**(128,389)**
Change in cash and cash equivalents	526,039	(27,099)	177,905
Cash and cash equivalents, including cash collateral pledged and segregated cash, beginning of period	415,014	442,113	264,208
Cash and equivalents at end of period:			
Cash and cash equivalents	645,169	301,123	259,148
Cash collateral pledged	110,743	6,563	6,318
Segregated cash	185,141	107,328	176,647
Cash and cash equivalents, including cash collateral pledged and segregated cash, end of period	**$ 941,053**	**$ 415,014**	**$ 442,113**
Supplemental information			
Cash paid during the year for interest	$ 153,653	$ 145,877	$ 90,843
Cash paid during the year for taxes	$ 4,783	$ 4,310	$ 3,881
Supplemental non-cash information			
Purchase of treasury stock, at cost, through net settlement (See Note 24)	$ 15,147	$ 15,217	$ 12,310
Preferred stock dividends declared (See Note 19)	6,792	6,792	6,792
Net assets (liabilities) acquired upon acquisition (net of cash)	9,865	90,727	—
Transfer of investment from consolidated funds, securities owned, fair value to securities owned, fair value	—	—	8,820
Initial recognition of operating lease right-of-use assets	—	103,694	—
Initial recognition of operating lease liabilities	—	110,505	—
Noncash transfer of net assets from Unconsolidated Master Fund to Consolidated Fund	—	97,655	—
Net decrease in non-controlling interests in Consolidated Funds due to deconsolidation of Consolidated Funds (See Note 2)	450,600	—	32,559
Net increase in non-controlling interests due to consolidation of operating entity	48,596	—	—
Separately recognized conversion option reclassification from a derivative liability to equity (See Note 24)	—	—	28,974
Common stock issuance in relation to acquisition (See Note 3)	926	14,446	—

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

1. Organization and Business

Cowen Inc., a Delaware corporation formed in 2009, is a diversified financial services firm that, together with its consolidated subsidiaries (collectively, "Cowen" or the "Company"), provides investment banking, research, sales and trading, prime brokerage, global clearing, securities financing, commission management services and investment management through its two business segments: the Operating Company ("Op Co") and the Asset Company ("Asset Co").

The Op Co segment consists of four divisions: the Investment Banking division, the Markets division, the Research division and the Cowen Investment Management ("CIM") division. The Company refers to the Investment Banking division, the Markets division and the Research division combined as its investment banking businesses. Op Co's investment banking businesses offer advisory and global capital markets origination, domain knowledge-driven research, sales and trading platforms for institutional investors, global clearing, commission management services and also a comprehensive suite of prime brokerage service. Sectors covered by Op Co's investment banking business include healthcare, technology, media and telecommunications, consumer, industrials, information and technology services, and energy. Op Co’s CIM division includes advisers to investment funds (including private equity structures and privately placed hedge funds) and registered funds.

The Asset Co segment consists of certain of the Company's private investments, private real estate investments and other legacy investment strategies. The focus of Asset Co is to drive future monetization of the invested capital of the segment.

2. Significant Accounting Policies

a. Basis of presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") as promulgated by the Financial Accounting Standards Board ("FASB") through Accounting Standards Codification (the "Accounting Standards") as the source of authoritative accounting principles in the preparation of financial statements, and include the accounts of the Company, its operating and other subsidiaries, and entities in which the Company has a controlling financial interest or a general partner interest. All material intercompany transactions and balances have been eliminated on consolidation. Certain investment funds that are consolidated in these accompanying consolidated financial statements, as further discussed below, are not subject to the consolidation provisions with respect to their own controlled investments pursuant to specialized industry accounting.

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

During 2019, the Company carried out an analysis to evaluate instances where non-controlling interest parties have the unilateral right to redeem their ownership interest for cash, which resulted in a change to the presentation of certain nonredeemable non-controlling interests into permanent equity. Accordingly, prior period amounts have been recast to be presented separately from redeemable non-controlling interests within the permanent equity section of the accompanying consolidated statements of changes in equity. The change to the presentation of nonredeemable non-controlling interests has no impact on net income (loss) attributable to Cowen Inc. common stockholders, total assets or total liabilities.

With respect to the Company's private equity investment management strategies, a portion of the Company's carried interest is granted to employees through profit-sharing awards designed to more closely align compensation with the overall realized performance of the Company. These arrangements enable certain employees to earn compensation based on performance revenue earned by the Company and are recorded within compensation payable in the accompanying consolidated statements of financial condition and employee compensation and benefits expense in the accompanying consolidated statements of operation based on the probable and estimable payments under the terms of the awards. Prior period amounts have been recast to reflect this accounting treatment.

b. Principles of consolidation

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

The Company consolidates three investment funds for which it acts as the managing member/general partner and investment manager. At December 31, 2020, the Company consolidated the following investment funds: Ramius Enterprise LP (“Enterprise LP”), Cowen Private Investments LP ("Cowen Private"), and Cowen Sustainable Investments I LP ("CSI I LP"). These funds are referred to as each a "Consolidated Fund" and collectively the "Consolidated Funds".

During the second quarter of 2020, the Company deconsolidated Ramius Merger Fund LLC (the "Merger Fund") and UCITS Fund ("UCITS Fund") due to a partial redemption of the Company’s direct portfolio fund investment in Merger Fund and a partial termination of the notional value of UCITS Fund units referenced in a total return swap with a third party. The Company continues to hold a direct retained portfolio fund investment in the Merger Fund and continues to have economic exposure to the returns of UCITS Fund through a total return swap with a third party. Both Merger Fund and UCITS Fund continue to be related parties of the Company after deconsolidation. CSI I Golden Holdco LP ("Golden HoldCo") and CSI I Prodigy Holdco LP ("Prodigy HoldCo") were consolidated through November 2020 when the Company raised additional capital within the sustainable investing strategy that diluted the Company's direct and indirect ownership. As a result, the Company's direct and indirect ownership in Golden Holdco and Prodigy Holdco is no longer expected to be significant to either entity and the entities were deconsolidated.

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

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

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

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

The Company determines whether it is the primary beneficiary of a VIE upon its initial involvement with the VIE and reassesses whether it is the primary beneficiary on an ongoing basis as long as it has any continuing involvement with the VIE by performing a periodic qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, contractual agreements between the Company and the VIE, the economic interests that create or absorb variability, related party relationships and the design of the VIE. As of December 31, 2020, the total assets and total liabilities of the consolidated VIEs were $325.5 million and $10.1 million, respectively. As of December 31, 2019, the total assets and total liabilities of the consolidated VIEs were $685.4 million and $24.9 million, respectively. The deconsolidation of two Consolidated Funds decreased the overall VIEs net assets. The VIEs act as investment managers and/or investment companies that may be managed by the Company or the Company may have equity interest in those investment companies. The VIEs are financed through their operations and/or loan agreements with the Company.

At December 31, 2019, the Company held a variable interest in Ramius Merger Master Fund Ltd ("Merger Master" or the "Unconsolidated Master Fund") through the consolidated the Merger Fund. Investment companies, which account for their investments under the specialized industry accounting guidance for investment companies prescribed under US GAAP, are not subject to the consolidation provisions for their investments. Therefore, the Company had not consolidated the Unconsolidated Master Fund.

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

The Company does not consolidate the Unconsolidated Master Fund or real estate funds that are VIEs due to the Company's conclusion that it is not the primary beneficiary of these funds in each instance. Investment fund investors are entitled to all of the economics of these VIEs with the exception of the management fee and incentive income, if any, earned by the Company. The Company has equity interests in the funds as both a general partner and a limited partner. In these instances the Company has concluded that the variable interests are not potentially significant to the VIE. Although the Company may advance amounts and pay certain expenses on behalf of the investment funds that it considers to be VIEs, it does not provide, nor is it required to provide, any type of substantive financial support to these entities outside of regular investment management services. (see Note 6 for additional disclosures on VIEs).

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

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

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

Retention of Specialized Accounting— The Consolidated Funds and certain other consolidated companies are investment companies and apply specialized industry accounting. The Company reports its investments on the consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected within net realized and unrealized gains (losses) on investments and other transactions. Accordingly, the accompanying consolidated financial statements reflect different accounting policies for investments depending on whether or not they are held through a consolidated investment company.

Certain portfolio fund investments qualify as equity method investments and are investment companies that apply specialized industry accounting. In applying equity method accounting guidance, the Company retains the specialized accounting of the investees and reports its investments on the consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected within net realized and unrealized gains (losses) on investments and other transactions.

In addition, the Company's broker-dealer subsidiaries, Cowen and Company, LLC ("Cowen and Company"), Westminster Research Associates LLC ("Westminster"), Cowen Execution Services Limited ("Cowen Execution Ltd"), ATM Execution LLC ("ATM Execution"), Cowen International Limited ("Cowen International Ltd"), and Cowen Prime Services LLC ("Cowen Prime") apply the specialized industry accounting for brokers and dealers in securities, which the Company retains upon consolidation.

c. Use of estimates

The preparation of the accompanying consolidated financial statements in conformity with US GAAP requires the management of the Company to make estimates and assumptions that affect the fair value of securities and other investments, the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements, as well as the accounting for goodwill and identifiable intangible assets and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

d. Cash and cash equivalents

The Company considers investments in money market funds and other highly liquid investments with original maturities of three months or less which are deposited with a bank or prime broker to be cash equivalents. Cash and cash equivalents held at Consolidated Funds, although not legally restricted, are not available to fund the general liquidity needs of the Company. The Company may also be exposed to credit risk as a result of cash being held at several banks.

e. Allowance for credit losses

Effective January 1, 2020, the Company adopted ASC Topic 326, Financial Instruments – Credit Losses (“ASC 326”). ASC 326 impacts the impairment model for certain financial assets measured at amortized cost by requiring a current expected credit loss ("CECL") methodology to estimate expected credit losses over the entire life of the financial asset, recorded at inception or purchase. Under the accounting update, the Company has the ability to determine there are no expected credit losses in certain circumstances (e.g., based on collateral arrangements or based on the credit quality of the borrower or issuer).

The Company identified securities borrowed and fees and other receivables carried at amortized cost (including, but not limited to, receivables related to securities transactions, corporate finance and syndicate receivables, management fees and incentive fees receivable) as impacted by the new guidance. ASC 326 specifies that the Company adopt the new guidance prospectively by means of a cumulative-effect adjustment to the opening retained earnings as of the beginning of the first reporting period effective. Accordingly, the Company recognized a cumulative effective adjustment of $0.01 million upon adoption.

The allowance for credit losses is based on the Company's expectation of the collectability of financial instruments carried at amortized cost, including securities borrowed and fees and other receivables utilizing the CECL framework. The Company considers factors such as historical experience, credit quality, age of balances and current and future economic conditions that may affect the Company's expectation of the collectability in determining the allowance for credit losses. The Company's expectation is that the credit risk associated with fees and other receivables is not significant until they are 90 days past due based on the contractual arrangement and expectation of collection in accordance with industry standards.

For securities borrowed, the Company applies a practical expedient to measure the allowance for credit losses based on the fair value of the collateral. If the fair value of the collateral held exceeds the amortized cost and the borrower is expected to continue to replenish the collateral as needed, the Company will not recognize an allowance. If the fair value of collateral is less than amortized cost and the borrower is expected to continue to replenish the collateral as needed, the Company applies the CECL model, utilizing a probability and loss given default methodology, only to the extent of the shortfall between the fair value of the collateral and amortized cost.

The credit loss expense related to the allowance for credit losses as well as any recoveries of amounts previously charged is reflected in other expenses in the accompanying consolidated statements of operations.

f. Valuation of investments and derivative contracts

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

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

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

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

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

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

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

The Company has the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company has elected the fair value option for certain of its investments held by its operating companies. This option has been elected because the Company believes that it is consistent with the manner in which the business is managed, as well as the way that financial instruments in other parts of the business are recorded.

Securities—Securities with values based on quoted market prices in active markets for identical assets are classified within level 1 of the fair value hierarchy. These securities primarily include active listed equities, certain U.S. government and sovereign obligations, Exchange Traded Funds ("ETFs"), mutual funds and certain money market securities.

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

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

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

i. **Portfolio funds—**Portfolio funds (“Portfolio Funds”) include interests in private investment partnerships, foreign investment companies and other collective investment vehicles which may be managed by the Company or its affiliates. The Company applies the practical expedient provided by the US GAAP fair value measurements and disclosures guidance relating to investments in certain entities that calculate net asset value (“NAV”) per share (or its equivalent). The practical expedient permits an entity holding investments in certain entities that either are investment companies or have attributes similar to an investment company, and calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. Investments which are valued using NAV per share as a practical expedient are not categorized within the fair value hierarchy.

ii. **Carried Interest—**For the private equity and debt fund products the Company offers, the Company is allocated incentive income by the investment funds based on the extent by which the investment funds performance exceeds predetermined thresholds. Carried interest allocations are generally structured from a legal standpoint as an allocation of capital in the Company’s capital account. The Company accounts for carried interest allocations by applying an equity ownership model. Accordingly, the Company accrues performance allocations quarterly based on the fair value of the underlying investments assuming hypothetical liquidation at book value.

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

See Notes 6 and 7 for further information regarding the Company's investments, including equity method investments and fair value measurements.

g. Offsetting of derivative contracts

To reduce credit exposures on derivatives, the Company may enter into master netting agreements with counterparties that permit the Company the right, in the event of a default by a counterparty, to offset the counterparty's rights and obligations under the agreement and to liquidate and offset any collateral against any net amount owed by the counterparty. Derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) in the consolidated statements of financial condition when a legal right of offset exists under an enforceable netting agreement. Additionally, derivatives are reported net of cash collateral received and posted under enforceable credit support agreements in the consolidated statements of financial position, provided a legal right of offset exists. See Notes 6 for further information about offsetting of derivative financial instruments.

h. Due from/due to related parties

The Company may advance amounts and pay certain expenses on behalf of employees of the Company or other affiliates of the Company. These amounts settle in the ordinary course of business. Such amounts are included in due from and due to related parties, respectively, on the accompanying consolidated statements of financial condition.

i. Receivable from and payable to brokers

Receivable from brokers, dealers, and clearing organizations includes amounts receivable for securities failed to deliver by the Company to a purchaser by the settlement date, amounts receivable from broker-dealers and clearing organizations, commissions receivable from broker-dealers, and interest receivable from securities financing arrangements and are reported net of an allowance for credit losses.

Payable to brokers, dealers and clearing organizations includes amounts payable for securities failed to receive by the Company from a seller by the settlement date, amounts payable to broker-dealers and clearing organizations for unsettled trades, interest payable for securities financing arrangements, and payables of deposits held in proprietary account of brokers and dealers.

Pursuant to the master netting agreements the Company has entered into with its brokers, dealers and clearing organizations, receivables and payables arising from unsettled trade are presented net (assets less liabilities) across balances with the same counterparty. The Company's receivable from and payable to brokers, dealers and clearing organizations balances are held at multiple financial institutions.

j. Receivable from and payable to customers

Receivable from customers includes amounts owed by customers on cash and margin transactions, recorded on a settlement-date basis and prepaid research, net of allowance for credit losses. For prepaid research, a prepaid research asset is established for research and related services disbursed in advance of anticipated client commission volumes.

Payable to customers primarily consists of amounts owed to customers relating to securities transactions not completed on settlement date, recorded on a settlement-date basis on the statement of financial condition, and other miscellaneous customer payables.

Securities owned by customers, including those that collateralize margin, are not reflected as assets of the Company on the statement of financial condition. The Company holds these securities with the intention of settlement against customer orders and are held as collateral for customer receivables.

k. Fees receivable

Fees related to security transactions are reported net of an allowance for credit losses.

Management and incentive fees are earned as the managing member, general partner and/or investment manager to the Company's investment funds and are recognized in accordance with appropriate revenue recognition guidance (see Note 2w).

l. Securities financing arrangements

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced or received on a gross basis. The related rebates are recorded in the accompanying consolidated statements of operations as interest and dividends income and interest and dividends expense. Securities borrowed transactions require the Company to deposit cash collateral with the lender.

With respect to securities loaned, the Company receives cash or securities as collateral from the borrower. When the Company receives securities as collateral, and has concluded it (i) is the transferor and (ii) can pledge the securities to third parties, the Company recognizes the securities received as collateral at fair value in Securities owned, at fair value with the corresponding obligation to return the securities received as collateral at fair value in Securities sold, not yet purchased, at fair value. Securities received as collateral are not recognized when the Company either (i) is not the transferor or (ii) cannot pledge the securities to third parties. The initial collateral advanced or received approximates or is greater than the market value of securities borrowed or loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or returned, as necessary. Securities borrowed and loaned may also result in credit exposures for the Company in an event that the counterparties are unable to fulfill their contractual obligations. See Note 2d for further information.

Fees and interest received or paid are recorded in interest and dividends income and interest and dividends expense, respectively, on an accrual basis in the accompanying consolidated statements of operations. In cases where the fair value basis of accounting is elected, any resulting change in fair value would be reported in net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations. Accrued interest income and expense are recorded in receivable from brokers, dealers and clearing organizations and payable to brokers, dealers and clearing organizations, respectively, on an accrual basis in the accompanying consolidated statements of financial condition. At December 31, 2020 and 2019, the Company did not have any securities lending transactions for which fair value basis of accounting was elected.

m. Securities purchase under agreement to resell and securities sold under agreements to repurchase

Securities purchased under agreement to resell and securities sold under agreements to repurchase ("repurchase agreements") are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amount plus accrued interest. A repo is a transaction in which a firm buys or sells financial instruments from/to a counterparty, typically in exchange for cash, and simultaneously enters into an agreement to resell or repurchase the same or substantially the same financial instruments to/from such counterparty at a stated price plus accrued interest at a future date. When the Company receives securities as collateral, and has concluded it (i) is the transferor and (ii) can pledge the securities to third parties, the Company recognizes the securities received as collateral at fair value in Securities owned, at fair value with the corresponding obligation to return the securities received as collateral at fair value in Securities sold, not yet purchased, at fair value. Securities received as collateral are not recognized when the Company either (i) is not the transferor or (ii) cannot pledge the securities to third parties. The initial collateral advanced approximates or is greater than the market value of securities purchased or sold in the transaction. The Company typically enters into repurchase transactions with counterparties that prefer repurchase transactions to securities borrowed and securities loaned transactions. The Company has executed master repurchase agreements with such counterparties and utilizes such counterparties to finance its own positions, or replace a securities lending transaction with a repurchase for matched book purposes. The Company monitors the market value of repurchases on a daily basis, with additional collateral obtained or returned, as necessary. Repurchases may also result in credit exposures for the Company in an event that the counterparties are unable to fulfill their contractual obligations. The Company mitigates its credit risk by continuously monitoring its credit exposure and collateral values by demanding additional collateral or returning excess collateral in accordance with the netting provisions available in the master repurchase contracts in place with the counterparties.

Interest paid is recorded in interest and dividends expense in accordance with US GAAP and market convention for the imputation of interest on repurchase agreement transactions on an accrual basis in the accompanying consolidated statements of operations. In cases where the fair value basis of accounting is elected, any resulting change in fair value would be reported in net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations. At December 31, 2020 and 2019, the Company did not have any repurchase agreements for which fair value basis of accounting was elected.

n. Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful life or lease term. When the Company commits to a plan to abandon fixed assets or leasehold improvements before the end of its original useful life, the estimated depreciation or amortization period is revised to reflect the shortened useful life of the asset. Other fixed assets are depreciated on a straight-line basis over their estimated useful lives.

Asset	Depreciable Lives	Depreciation and/or Amortization Method
Telecommunication and computer equipment	3 - 5 years	Straight-line
Computer software	3 - 4 years	Straight-line
Furniture and fixtures	5 years	Straight-line
Leasehold improvements	Term of Lease	Straight-line
Finance lease right-of-use asset	Term of Lease	Straight-line

o. Goodwill and intangible assets

Goodwill

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

In January 2017, the FASB issued guidance that simplifies the subsequent measurement of goodwill. The guidance eliminated Step 2 from the goodwill impairment test, which required entities to calculate the implied fair value of goodwill and compare that amount to its carrying amount. Instead, under the amendments, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company early adopted these amendments during the second quarter of 2019 in conjunction with a quantitative goodwill test performed due to the Company's change in operating segments and restructuring of reporting units. See Note 12 for the impact of the goodwill impairment test.

In accordance with US GAAP requirements for testing for impairment of goodwill, the Company tests goodwill for impairment on an annual basis or at an interim period if events or changed circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. In testing for goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances led to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company concludes that fair value exceeds its carrying amount, then performing a quantitative impairment test is not necessary. If the Company concludes otherwise, the Company is required to perform a quantitative impairment test that requires a comparison of the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the related goodwill is not considered impaired and no further analysis is required. If the carrying value of the reporting unit exceeds its fair value, then the Company recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value.

Intangible assets

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

p. Debt

Long-term debt is carried at the principal amount borrowed net of any unamortized discount/premium. The discount or premium is accreted to interest expense using the effective interest method over the remaining life of the underlying debt obligations. Accrued but unpaid coupon interest is included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated statements of financial condition.

q. Legal reserves

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

r. Capital withdrawals payable

Capital withdrawals from the Consolidated Funds are recognized as liabilities, net of any incentive income, when the amount requested in the withdrawal notice represents an unconditional obligation at a specified or determined date (or dates) or upon an event certain to occur. This generally may occur either at the time of the receipt of the notice, or on the last day of a reporting period, depending on the nature of the request. As a result, withdrawals paid after the end of the year, but based upon year-end capital balances are reflected as liabilities at the balance sheet date.

s. Non-controlling interests in consolidated subsidiaries

Non-controlling interests represent the pro rata share of the income or loss of the non-wholly owned consolidated entities attributable to the other owners of such entities. When non-controlling interest holders have redemption features that can be exercised at the option of the holder currently or contingent upon the occurrence of future events, their ownership has been classified as temporary equity. Ownership which has been classified in permanent equity are non-controlling interests which are either not redeemable at the option of the holder or the holder does not have the unilateral right to redeem its ownership interests.

t. Treasury stock

In accordance with US GAAP relating to repurchases of an entity's own outstanding common stock, the Company records the purchases of stock held in treasury at cost and reports them separately as a deduction from total stockholders' equity on the accompanying consolidated statements of financial condition and changes in equity.

u. Comprehensive income (loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). The Company's other comprehensive income (loss) is comprised of foreign currency cumulative translation adjustments.

v. Right-of-use assets and lease liabilities

Effective January 1, 2019, the Company adopted ASC Topic 842, Leases ("ASC 842"). The new guidance increases transparency and comparability by requiring the recognition of right-of-use assets and lease liabilities on the consolidated statements of financial condition. The recognition of these lease assets and lease liabilities represents a change from previous US GAAP requirements, which did not require lease assets and lease liabilities to be recognized for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee, have not significantly changed from previous US GAAP requirements.

Under the effective date transition method selected by the Company, leases existing at, or entered into after January 1, 2019 were required to be recognized and measured. Prior reported financial statements, including footnotes, have not been recast to the reflect the impact of ASC 842 to all comparative periods presented. In applying ASC 842, the Company made an accounting policy election not to recognize the right-of-use assets and lease liabilities relating to short-term leases. Implementation of ASC 842 included an analysis of contracts, including real estate leases and service contracts to identify embedded leases, to determine the initial recognition of right-of-use assets and lease liabilities, which required subjective assessment over the determination of the associated discount rates. ASC 842 also provided various practical expedients which were assessed to determine the ultimate impact of ASC 842 upon adoption. The standard includes a package of three practical expedients which permit the Company to not reassess (1) whether any expired or existing contracts are or contain a lease, (2) the lease classification for any expired or existing leases and (3) any initial direct costs for any existing leases as of the effective date. The Company has elected to apply the package of practical expedients, as well as the hindsight practical expedient, and land easement practical expedient.

The adoption of ASC 842 resulted in the recording of operating lease right-of-use assets of $103.7 million and operating lease liabilities of $110.5 million at January 1, 2019.

The Company determines if an arrangement is or contains a lease at inception. The Company's operating lease arrangements are primarily for real estate and facility leases as well as office equipment. The Company has applied an accounting policy election to combine its lease and non-lease components for its real estate and facility leases. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company's variable lease payments consist of non-lease services related to the lease. Variable lease payments are excluded from the right-of-use asset and lease liabilities to the extent they are not based on a consumer priced index or a market index and are recognized in the period in which the obligation for those payments is incurred. As most of the Company's leases do not provide an implicit rate and the implicit rate is not readily determinable, the

Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Right-of-use assets also include any lease payments made and exclude lease incentives. Many of the Company's operating lease agreements include options to extend the lease, which the Company does not include in the determination of the minimum lease term unless the options are reasonably certain to be exercised. Expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

The Company reconciles the operating lease expense with operating lease payments by presenting the amortization of the operating Right-of-use asset and change in the operating lease liability in a single line item within the adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities in the accompanying Consolidated Statements of Cash Flows.

Please refer to Note 23 for information on the Company's finance leases (formerly capital leases).

w. Revenue recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"), which requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company follows a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, the Company includes variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. Significant judgments are required in the application of the five-step model including; when determining whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

The Company's principal sources of revenue are generated within two segments: Op Co and Asset Co as more fully described below. Revenue from contracts with customers includes management fees, incentive income, investment banking revenue and brokerage services revenue excluding principal transactions. ASC Topic 606 does not apply to revenue associated with financial instruments, interest income and expense, leasing and insurance contracts. The following is a description of principal activities, separated by business segments, from which the Company generates its revenue. For more detailed information about reportable segments, see Note 27.

Operating Company

The Op Co segment generates revenue through five principal sources: investment banking revenue, brokerage revenue, management fees, incentive income and investment income from the Company's own capital. Investment income is excluded from ASC Topic 606.

Asset Company

The Asset Co segment generates revenue through management fees, incentive income and investment income from the Company’s own capital. Investment income is excluded from ASC Topic 606.

Investment banking

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

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

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

Underwriting fees are recognized gross of transaction-related expenses, and such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically within 90 days following the closing of the transaction.

- **Strategic/financial advisory fees.** The Company's strategic advisory revenue includes success fees earned in connection with advising companies, principally in mergers, acquisitions and restructuring transactions. The Company also earns fees for related advisory work such as providing fairness opinions. A significant portion of the Company's advisory revenue (i.e., success-related advisory fees) is considered variable consideration and recognized when it is probable that the variable consideration will not be reversed in a future period. The variable consideration is constrained until satisfaction of the performance obligation. The Company records strategic advisory revenues at the point in time, gross of related expenses, when the services for the transactions are completed or the contract is canceled under the terms of each assignment or engagement.
- **Placement and sales agent fees.** The Company earns placement agency fees and sales agent commissions in non-underwritten transactions, such as private placements of loans and debt and equity securities, including private investment in public equity transactions ("PIPEs"), and as sales agent in at-the-market offerings of equity securities. The Company records placement revenues (which may be in cash and/or securities) at the point in time when the services for the transactions are completed under the terms of each assignment or engagement. The Company records sales agent commissions on a trade-date basis.
- **Expense reimbursements from clients.** Investment banking revenue includes expense reimbursements for transaction-related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction. Expense reimbursements associated with investment banking engagements are recognized in revenue at the point in time when the Company is contractually entitled to reimbursement. The related expenses are presented gross within their respective expense category in the accompanying consolidated statements of operations.

Brokerage

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

- **Commissions.** Commission revenue includes fees from executing and clearing client transactions and commission sharing arrangements. Trade execution and clearing services, when provided together, represent a single performance obligation as the services are not separately identifiable in the context of the contract. Commission revenues associated with combined trade execution and clearing services on a standalone basis, are recognized at a point in time on trade-date. Commission revenues are generally paid on settlement date and the Company records a receivable between trade-date and payment on settlement date. The Company permits institutional customers to allocate a portion of their commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as "soft dollar arrangements". The Company also offers institutional clients the ability to allocate a portion of their gross commissions incurred on trades executed with various brokers to pay for research products and other services provided by third parties by entering into commission sharing arrangements. The Company acts as an agent in the soft dollar and commission sharing arrangements as the customer controls the use of the soft dollars and directs payments to third-party service providers on its behalf. Accordingly, amounts allocated to soft dollar arrangements are netted against commission revenues and recorded on trade date. Commissions on soft dollar brokerage are recorded net of the related expenditures. The costs of commission sharing arrangements are recorded for each eligible trade and shown net of commission revenue.
- **Principal transactions.** Principal transactions revenue includes net trading gains and losses from the Company's market-making activities in over-the-counter equity and fixed income securities, trading of convertible securities, and trading gains and losses on inventory and other Company positions, which include securities previously received as part of investment banking transactions. In certain cases, the Company provides liquidity to clients by buying or selling blocks of shares of listed stocks without previously identifying the other side of the trade at execution, which subjects the Company to market risk. These positions are typically held for a short duration.
- **Equity research fees.** Equity research fees are paid to the Company for providing access to equity research. In the US, revenue is recognized once an arrangement exists, access to research has been provided and the customer has benefited from the research. As part of MiFID II, the international customers of the Company's broker-dealers have executed equity research contracts with its clients. The contracts either contain a fixed price for providing access to research or a

price at the discretion of the customer with a contract minimum. Fixed equity research fees are recognized over the contract period as the customer is benefiting from the research throughout the contract term. When the equity research fees are based on the customer's discretion with a contract minimum, the Company recognizes the contract minimum over the life of the contract as the customer benefits from the research provided and adjusts the revenue when the Company can estimate the amount of equity research fees over the contract minimum. Additionally, the Company earns variable consideration for attending client conferences and events. Revenue is recognized when the Company attends a client conference or event.

- **Trade conversion revenue.** Trade conversion revenue includes fees earned from converting foreign securities into an American Depository Receipt ("ADR") and fees earned from converting an ADR into foreign securities on behalf of customers, and margins earned from facilitating customer foreign exchange transactions. Trade conversion revenue is recognized on a trade-date basis.

Management fees

The Company earns management fees from investment funds and certain managed accounts for which it serves as the investment manager; such fees earned are typically based on committed and invested capital. The Company has determined that the primary drivers of management fees are committed and invested capital relating to private equity funds. The management fees are earned as the investment management services are provided and are not subject to reversals. The performance obligation related to the transfer of these services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Company.

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

Management fees are generally paid on a quarterly basis and are prorated for capital inflows (or commitments) and redemptions (or distributions) and are recognized as revenue at that time as they relate specifically to the services provided in that period, which are distinct from the services provided in other periods. While some investors may have separately negotiated fees, in general the management fees are as follows:

- **Private equity funds.** Management fees for the Company's private equity or debt funds are generally charged at an annual rate of 1% to 2% of committed capital during the investment period (as defined in the relevant partnership agreement). After the investment period, management fees for these private equity funds are generally charged at an annual rate of 1% to 2% of the net asset value or the aggregate cost basis of the unrealized investments held by the private equity funds. For certain other private equity funds (and managed accounts), the management fees range from 0.2% to 1% and there is no adjustment based on the investment period. Management fees for the Company's private equity funds are generally paid on a quarterly basis.
- **Hedge funds.** Management fees for the Company's hedge funds are generally charged at an annual rate of up to 2% of utilized invested capital, committed capital or notional trading level. Management fees are generally calculated monthly at the end of each month.
- **Cowen trading strategies.** Advisory fees for the Company's collateral management advisory business are typically paid quarterly based on utilized invested capital or committed capital, generally subject to a minimum fee.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management or partnership agreement) related to certain of the Company's investment funds and managed accounts. The incentive income is either allocated to the Company or is charged to the investment funds in accordance with their corresponding investment management or partnership agreement. For the hedge funds the Company offers, incentive income earned is typically up to 20% (in certain cases on performance in excess of a benchmark) of the net profits earned for the full year that are attributable to each fee-paying investor. For the private equity and debt fund products the Company offers, the carried interest earned is typically up to 30% of the distributions made to investors after return of their contributed capital and generally a preferred return.

In relation to ASC Topic 606, the Company applies an accounting policy election to recognize incentive income allocated to the Company under an equity ownership model as net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations. The Company previously recognized these amounts as incentive income.

Under the equity method of accounting the Company recognizes its allocations of incentive income or carried interest within net gains (losses) along with the allocations proportionate to the Company's ownership interests in the investment funds.

The Company recognizes incentive income charged to the Company's hedge funds based on the net profits of the hedge funds. The Company recognizes such incentive income when the fees are no longer subject to reversal or are crystallized. For certain hedge funds, the incentive fee crystallizes annually when the high-water mark for such hedge funds is reset, which delays recognition of the incentive fee until year end. In periods following a period of a net loss attributable to an investor, the Company generally does not earn incentive income on any future profits attributable to such investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a "high-water mark."

Generally, incentive income or carried interest is earned after the investor has received a full return of its invested capital, plus a preferred return. However, for certain private equity structures, the Company is entitled to receive incentive fees earlier, provided that the investors have received their preferred return on a current basis or on an investor by investor basis. These private equity structures are generally subject to a potential clawback of these incentive fees upon the liquidation of the private equity structure if the investor has not received a full return of its invested capital plus the preferred return thereon.

Several investment managers and/or general partners of the Company's investment funds are jointly owned by the Company and third parties. Accordingly, the incentive fees generated by these investment funds are split between the Company and these third parties. Pursuant to US GAAP, incentive income received by the general partners that are accounted for under the equity method of accounting are reflected under net gains (losses) on securities, derivatives and other investments in the accompanying consolidated statements of operations.

Investment income

Investment income earned by the Company is generated from investing the Company's capital in various strategies.

Investments transactions and related income/expenses

Purchases and sales of securities, net of commissions, derivative contracts, and the related revenues and expenses are recorded on a trade-date basis with net trading gains and losses included as a component of net gains (losses) on securities, derivatives and other investments, and with respect to the Consolidated Funds and other real estate entities as a component of net realized and unrealized gains (losses) on investments and other transactions and net realized and unrealized gains (losses) on derivatives, respectively, in the accompanying consolidated statements of operations.

Interest and dividends

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

Reimbursement from affiliates

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

Reinsurance-related contracts

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

The liabilities for losses and loss adjustment expenses are recorded at the estimated ultimate payment amounts, including reported losses. Estimated ultimate payment amounts are based upon (1) reports of losses from policyholders, (2) individual case estimates and (3) estimates of incurred but unreported losses.

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

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

Interest and dividends expense

Interest and dividends expense relates primarily to securities finance activities, trading activity with respect to the Company's investments and interest expense on debt.

x. Share-based compensation

The Company accounts for its share-based awards granted to individuals as payment for employee services and values such awards based on grant date fair value. Unearned compensation associated with share-based awards is amortized over the vesting period of the option or award. The Company estimates forfeiture for equity-based awards that are not expected to vest. See Note 19 for further information regarding the Company's share-based compensation plans.

y. Income taxes

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

US GAAP clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, requiring the Company to determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company recognizes accrued interest and penalties related to its uncertain tax positions as a component of income tax expense.

In accordance with federal and state tax laws, the Company and its subsidiaries file consolidated federal, state, and local income tax returns as well as stand-alone state and local tax returns. The Company also has subsidiaries that are residents in foreign countries where tax filings have to be submitted on a stand-alone or combined basis. These subsidiaries are subject to taxes in their respective countries and the Company is responsible for and therefore reports all taxes incurred by these subsidiaries in the condensed consolidated statements of operations. The foreign jurisdictions where the Company owns subsidiaries and has tax filing obligations are the United Kingdom, Luxembourg, Gibraltar, Germany, Switzerland, South Africa, Canada and Hong Kong.

z. Foreign currency transactions

The Company consolidates certain foreign subsidiaries that have designated a foreign currency as their functional currency. For entities that have designated a foreign currency as their functional currency, assets and liabilities are translated into U.S. dollars based on current rates, which are the spot rates prevailing at the end of each statement of financial condition date, and revenues and expenses are translated at historical rates, which are the average rates for the relevant periods. The resulting translation gains and losses, and the tax effects of such gains and losses, are recorded in accumulated other comprehensive income (loss), a separate component of stockholders' equity.

For subsidiaries that have designated the U.S. Dollar as their functional currency, securities and other assets and liabilities denominated in foreign currencies are translated into U.S. Dollar amounts at the date of valuation. Purchases and sales of securities and other assets and liabilities and the related income and expenses denominated in foreign currencies are translated into U.S. Dollar amounts on the respective dates of the transactions. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on these balances from fluctuations arising from changes in market prices of securities and other assets/liabilities held or sold. Such fluctuations are included in the accompanying consolidated statements of operations as a component of net gains (losses) on securities, derivatives and other investments. Gains and losses primarily relating to foreign currency broker balances are included in other income (loss) in the accompanying consolidated statements of operations.

aa. Recent pronouncements

Recently adopted

In October 2018, the FASB issued guidance that made targeted changes to the related party consolidation guidance. The accounting standard update aligns the evaluation of whether a decision maker's fee is a variable interest with the guidance in the primary beneficiary test by requiring the decision maker to consider an indirect interest in a VIE held by a related party under common control on a proportionate basis. The standard became effective for the Company in the first quarter of 2020 and was adopted retrospectively with no impact to current and previous consolidation conclusions.

In August 2018, the FASB issued guidance for accounting for upfront costs and fees paid by a customer in a cloud computing arrangement. The accounting standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software. The standard became effective for the Company in the first quarter of 2020 and was adopted prospectively.

In June 2016, the FASB issued guidance that impacts the impairment model for certain financial assets measured at amortized cost by requiring CECL methodology to estimate expected credit losses over the entire life of the financial asset, recorded at inception or purchase. The guidance became effective for the Company in the first quarter of 2020. Please refer to Note 2e.

In December 2019, the FASB issued guidance simplifying the accounting for income taxes. The guidance simplifies the accounting for income taxes by removing the following exceptions (i) the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income), (ii) the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, (iii) the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary and (iv) general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. Additionally the guidance requires that an entity (a) recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, (b) evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction and (c) reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date as well as specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements. However, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority. The guidance also makes minor codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. For public business entities, the guidance is effective for reporting periods beginning after December 15, 2020 and interim periods within those fiscal years with early adoption permitted. The Company early adopted the guidance effective in the first quarter of 2020 and has determined no material impact from the adoption of this guidance on the Company's consolidated financial statements.

In May 2020, the Securities and Exchange Commission (the "SEC") adopted amendments to the financial disclosure requirements in *Regulation S-X* for acquisitions and dispositions of businesses and in conjunction with these changes, the SEC also revised the significance tests registrants use to determine the required disclosures for acquisitions and disposals of businesses as well as required disclosures for significant subsidiaries pursuant to *Regulation S-X 3-09, 4-08(g) and 10-01(b)-1*. The new investment test considers the registrant's market capitalization, and the new income test adds consideration of the revenue of the registrant and the acquired business. The SEC also increased the significance threshold to report business disposals to 20% from 10%. In addition to the changes to the significance tests, the SEC (i) formalized existing practice by allowing registrants to provide abbreviated financial statements of acquired businesses that meet certain criteria, (ii) revised rules that require registrants to present a maximum of two years of audited financial statements of an acquired business rather than three years, and they allow registration statements to exclude pre-acquisition financial statements of acquired businesses in certain cases, and (iii) simplified pro forma financial reporting by redefining pro forma adjustments as those necessary to reflect the accounting for the transaction. But registrants can elect to disclose forward-looking adjustments that meet certain criteria. The amendments are effective January 1, 2021. The Company early adopted these rules in the fourth quarter of 2020 and has determined that the material impact of the adoption relates to the Company's application of the significant subsidiary tests when determining significant subsidiaries in relation to *Regulation S-X Rule 3-09 and 4-08(g) and 10-01(b)-1,* specifically applying the amended significance tests to all financial statement periods presented and determining that separate audited financial statements and related disclosures of Starboard Value A LP are no longer required pursuant to Regulation S-X Rule 3-09. The Company additionally determined based on application of the amended significance tests to all financial statement periods presented that disclosure of summarized financial information related to the Company's equity method investments individually and in the aggregate is not required pursuant to Regulation S-X Rule 4-08(g).

Recently issued

In August 2020, the FASB issued guidance simplifying an issuer's accounting for convertible instruments by eliminating two of the three models in *ASC 470-20* that require separate accounting for embedded conversion features; separate accounting is still required in certain cases. The guidance also simplifies the settlement assessment that entities are required to perform to determine whether a contract qualifies for equity classification. The guidance requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of potential share settlement (if the effect is more dilutive) for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. The guidance requires new disclosures about events that occur during the reporting period and cause conversion contingencies to be met and about the fair value of a public business entity's convertible debt at the instrument level. For public business entities, the guidance is effective for reporting periods beginning after December 15, 2021 and interim periods within those fiscal years with early adoption permitted. The Company is currently evaluating the impact of the new guidance.

3. Acquisition

MHT

On October 1, 2020 (the "MHT Acquisition Date"), the Company, through its indirect wholly owned subsidiary, Cowen and Company, completed its previously announced acquisition (the "MHT Acquisition") of certain assets and liabilities of MHT Partners, LP ("MHT Partners"). MHT Partners was an investment bank, based primarily in Dallas and San Francisco, focused on representing innovative companies in growing markets. The Acquisition was completed for a combination of cash and contingent consideration. In the aggregate, the purchase price, specified assets acquired and liabilities assumed were not significant and near-term impact to the Company and its consolidated results of operations and cash flows is not expected to be significant.

The MHT Acquisition was accounted for under the acquisition method of accounting in accordance with US GAAP. As such, results of operations for the MHT Acquisition are included in the accompanying consolidated statements of operations since the Acquisition Date, and the assets acquired and liabilities assumed were recorded at their fair value as of the Acquisition Date. Subsequent to the Acquisition, the operations of the MHT Acquisition were integrated within the Company's existing businesses. Additionally, following the acquisition, the business acquired from MHT Partners is included in the Investment Bank reporting unit within the Operating Company segment.

The aggregate estimated purchase price of the MHT Acquisition was $9.9 million. On the acquisition date, the Company paid an upfront consideration of $5.7 million, with additional contingent consideration to be paid after December 2023 valued based on a multiple of three-year average annual revenues of the acquired business less certain expenses. The Company estimated the fair value of the contingent consideration at $4.2 million using a combination of Monte Carlo and Discounted Cash Flow methods which require the Company to make estimates and assumptions regarding the future cash flows and profits. The contingent consideration liability is included within accounts payable, accrued expenses and other liabilities on the consolidated statements of financial condition. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. In addition, the Company has established deferred compensation for specified previous MHT Partners employees which will be settled in cash over a three-year period.

The table below summarizes the purchase price allocation of net tangible and intangible assets acquired and liabilities assumed as of October 1, 2020:

	(dollars in thousands)
Fixed assets	$ 101
Operating lease right-of-use assets	1,120
Intangible assets	1,224
Other assets	43
Compensation payable	(533)
Operating lease liabilities	(1,446)
Total net identifiable assets acquired and liabilities assumed	**509**
Goodwill	9,356
Total estimated purchase price	**$ 9,865**

As of the MHT Acquisition Date, the estimated fair value of the Company's intangible assets, as acquired through the MHT Acquisition, was $1.2 million and had a weighted average useful life of 4.17 years. The allocation of the intangible assets is shown within the following table:

	Estimated intangible assets acquired	Estimated average remaining useful lives
	(dollars in thousands)	(in years)
Intangible asset class		
Trade name	$ 131	3
Customer relationships	749	4
Non-compete agreements	344	5
Total intangible assets	**$ 1,224**	

Amortization expense for the year ended December 31, 2020 was $0.1 million, and is included in depreciation and amortization in the accompanying consolidated statements of operations. The estimated amortization expense related to these intangible assets in future periods is as follows:

	(dollars in thousands)
2021	$ 300
2022	300
2023	289
2024	209
2025	52
Thereafter	—
	$ 1,150

In addition to the purchase price consideration, for the year ended December 31, 2020, the Company had incurred acquisition-related expenses of $0.8 million, including financial advisory, legal and valuation services, which are included in professional, advisory and other fees in the accompanying consolidated statements of operations.

Quarton

On January 2, 2019 (the "Quarton Acquisition Date"), the Company, together with its indirect wholly owned subsidiaries, Cowen International Ltd and Cowen QN Acquisition LLC, completed its previously announced acquisition (the "Quarton Acquisition") of Quarton International AG through the acquisition of all of the outstanding equity interest of Quarton International AG's affiliated combining companies, Quarton Management AG, Quarton International Europe AG, Quarton Partners, LLC and Quarton Securities GP, LLC (which owns a formerly U.S. Securities Exchange Commission ("SEC") registered broker-dealer that was subsequently renamed to Cowen Securities L.P. ("Cowen Securities") (see Note 28), comprising the U.S. and European operations of the acquired combining companies (collectively "Quarton"). Quarton was a group of leading global financial advisory companies serving the middle market. Quarton's operations were primarily conducted through eight entities based in the United States, Switzerland, and Germany.

The Quarton Acquisition was accounted for under the acquisition method of accounting in accordance with US GAAP. As such, results of operations for Quarton are included in the accompanying consolidated statements of operations since the Quarton Acquisition Date, and the assets acquired and liabilities assumed were recorded at their fair value as of the Quarton Acquisition

Date. Subsequent to the Quarton Acquisition, the operations of Quarton were integrated within the Company's existing businesses.

The aggregate estimated purchase price of the Quarton Acquisition was $103.0 million. On the Quarton Acquisition Date the Company paid upfront consideration of $75.3 million subject to certain net working capital and other customary adjustments, with additional maximum contingent consideration of $40.0 million that will become payable dependent on the achievement of certain milestones by Quarton in each of the first four years (five years if certain conditions are met) following the Quarton Acquisition Date subject to a $10 million maximum in each year and a $40.0 million cumulative maximum. The Company estimated the contingent consideration at $27.7 million using a combination of Monte Carlo and Discounted Cash Flow methods which require the Company to make estimates and assumptions regarding the future cash flows and profits. The contingent consideration liability is included within accounts payable, accrued expenses and other liabilities on the consolidated statements of financial condition. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. A portion of the preliminary purchase price was deposited into escrow, in the amount of $0.6 million, as a reserve for any future claims against the sellers of Quarton. All consideration, including the upfront consideration and contingent consideration, consists of a combination of 80% cash and 20% shares of the Company's Class A common stock. Shares issued on the Quarton Acquisition Date of 1,033,350 were valued based on the 30-trading day volume-weighted average price per share of $14.52 as of December 31, 2018. The fair value of the shares of Class A common stock issued was determined on the basis of the closing market price of the Company's shares on the Quarton Acquisition Date. Any shares of Class A common stock issued in connection with any such contingent payments will be valued based on the 30-trading day volume-weighted average price per share as of the day immediately prior to the date on which such shares are to be issued. In addition, Quarton and the Company have established a retention bonus pool, for Quarton employees that remain employed at the end of each year there is a contingent payment which will be settled in a combination of 80% cash and 20% shares of the Company's Class A common stock based on Quarton meeting certain economic performance hurdles. The bonus pool has an aggregate maximum of $10.0 million over a five-year period with $2.5 million maximum in each year. The Company is recognizing the retention bonus over each contingent payment period based upon the Company's revenue projections for Quarton. Goodwill, the excess of the purchase price over the fair value of net assets, primarily relates to expected synergies from combining operations and has been assigned to the Op Co segment of the Company. Tax deductible goodwill will differ from goodwill recognized by the Company in an amount equal to the difference between actual contingent consideration and estimated contingent consideration.

The table below summarizes the purchase price allocation of net tangible and intangible assets acquired and liabilities assumed as of January 2, 2019:

		(dollars in thousands)
Cash and cash equivalents	$	12,236
Fees receivable		7,269
Fixed assets		1,085
Operating lease right-of-use assets		3,200
Intangible assets		22,200
Other assets		667
Compensation payable		(637)
Operating lease liabilities		(3,200)
Due to related parties		(4,750)
Accounts payable, accrued expenses and other liabilities		(16,257)
Total identifiable net assets acquired and liabilities assumed		**21,813**
Goodwill		81,150
Total estimated purchase price	**$**	**102,963**

As of the Quarton Acquisition Date, the estimated fair value of the Company's intangible assets, as acquired through the Quarton Acquisition, was $22.2 million and had a weighted average useful life of 2.8 years. The allocation of the intangible assets is shown within the following table:

	Estimated intangible assets acquired		Estimated average remaining useful lives
	(dollars in thousands)		(in years)
Intangible asset class			
Trade name	$	900	3
Customer relationships		7,100	4
Backlog		12,600	2
Proprietary software		1,600	3
Total intangible assets	**$**	**22,200**	

Amortization expense for the years ended December 31, 2020 and 2019 was $8.9 million, respectively, and is included in depreciation and amortization in the accompanying consolidated statements of operations. The estimated amortization expense related to these intangible assets in future periods is as follows:

	(dollars in thousands)	
2021	$	2,608
2022		1,775
2023		—
2024		—
2025		—
Thereafter		—
	$	**4,383**

In addition to the purchase price consideration, for the year ended December 31, 2019, the Company had incurred acquisition-related expenses of $1.2 million, including financial advisory, legal and valuation services, which are included in professional, advisory and other fees in the accompanying consolidated statements of operations.

4. Cash Collateral Pledged

As of December 31, 2020 and 2019, the Company pledged cash collateral in the amount of $4.0 million and $4.6 million respectively, which relates to letters of credit issued to the landlords of the Company's premises in New York City, Boston and San Francisco. The Company also has pledged cash collateral for reinsurance agreements which amounted to $106.8 million, as of December 31, 2020, and $2.0 million, as of December 31, 2019, which are expected to be released periodically as per the terms of the reinsurance policy between June 30, 2021 and March 31, 2024 (see Notes 18 and 23).

As of December 31, 2020, the Company has the following irrevocable letters of credit, related to leased office space, for which there is cash collateral pledged, which the Company pays a fee on the stated amount of the letter of credit.

Location	Amount		Maturity
	(dollars in thousands)		
New York	$	208	April 2021
New York	$	1,424	October 2022
New York	$	1,252	November 2021
Boston	$	386	March 2021
San Francisco	$	712	October 2025
	$	**3,982**	

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of December 31, 2020 and 2019 there were no amounts due related to these letters of credit.

5. Segregated Cash

As of December 31, 2020 and 2019, cash segregated in compliance with federal regulations and other restricted deposits of $185.1 million and $107.3 million, respectively, consisted of cash deposited in Special Reserve Bank Accounts for the exclusive benefit of customers under SEC Rule 15c3-3 and cash deposited in Special Reserve Bank Accounts for the exclusive benefit of Proprietary Accounts of Broker-Dealers ("PAB") under SEC Rule 15c3-3.

6. Investments of Operating Entities and Consolidated Funds

a. Operating entities

Securities owned, at fair value

Securities owned, at fair value are held by the Company and are considered held for trading. Substantially all equity securities, which are not part of the Company's self-clearing securities finance activities, are pledged to external clearing brokers under terms which permit the external clearing broker to sell or re-pledge the securities to others subject to certain limitations.

As of December 31, 2020 and 2019, securities owned, at fair value consisted of the following:

	As of December 31, 2020	As of December 31, 2019
	(dollars in thousands)	
Common stock	$ 1,770,451	$ 1,546,484
Preferred stock	69,358	12,656
Warrants and rights	27,701	22,109
Government bonds	19,721	15,916
Corporate bonds	86,503	25,500
Convertible bonds	6,040	2,500
Term loan (*)	12,623	1,067
Trade claims (*)	9,205	7,320
	$ 2,001,602	**$ 1,633,552**

(*) The Company has elected the fair value option for securities owned, at fair value with a fair value of $8.8 million and $8.4 million, respectively, at December 31, 2020 and 2019.

Receivable on and Payable for derivative contracts, at fair value

The Company's direct involvement with derivative financial instruments includes futures, currency forwards, equity swaps, credit default swaps and options. The Company's derivatives trading activities expose the Company to certain risks, such as price and interest rate fluctuations, volatility risk, credit risk, counterparty risk, foreign currency movements and changes in the liquidity of markets.

The Company's long and short exposure to derivatives is as follows:

Receivable on derivative contracts	As of December 31, 2020		2019	
	Number of contracts / Notional Value	Fair value	Number of contracts / Notional Value	Fair value
	(dollars in thousands)			
Currency forwards	$ 4,902	$ 15	$ —	$ —
Swaps	$ 944,544	64,634	$ 383,752	6,151
Options other (a)	371,188	49,102	550,188	60,066
Netting - swaps (b)		(62,269)		(3,240)
		$ 51,482		**$ 62,977**

Payable for derivative contracts	As of December 31,			
	2020		2019	
	Number of contracts / Notional Value	Fair value	Number of contracts / Notional Value	Fair value
	(dollars in thousands)			
Futures	$ —	$ —	$ 10,224	$ 217
Currency forwards	$ 123,346	3,067	$ 77,790	851
Swaps	$ 896,863	43,560	$ 607,717	26,409
Options other (a)	198,320	66,566	306,306	36,524
Netting - swap (b)		(37,033)		(3,240)
		$ 76,160		$ 60,761

(a) Includes the volume of contracts for index, equity, commodity future and cash conversion options.

b) Derivatives are reported on a net basis, by counterparty, when a legal right of offset exists under an enforceable netting agreement as well as net of cash collateral received or posted under enforceable credit support agreements. See Note 2g for further information on offsetting of derivative financial instruments.

The following tables present the gross and net derivative positions and the related offsetting amount, as of December 31, 2020 and 2019. This table does not include the impact of over-collateralization.

	Gross amounts recognized	Gross amounts offset on the Consolidated Statements of Financial Condition (a)	Net amounts included on the Consolidated Statements of Financial Condition	Gross amounts not offset in the Consolidated Statements of Financial Condition		Net amounts
				Financial instruments (a)	Cash Collateral pledged (a)	
			(dollars in thousands)			
As of December 31, 2020						
Receivable on derivative contracts, at fair value	$ 113,751	$ 62,269	$ 51,482	$ 691	$ 169	$ 50,622
Payable for derivative contracts, at fair value	113,193	37,033	76,160	691	3,174	72,295
As of December 31, 2019						
Receivable on derivative contracts, at fair value	$ 66,217	$ 3,240	$ 62,977	$ —	$ 2,911	$ 60,066
Payable for derivative contracts, at fair value	64,001	3,240	60,761	—	24,020	36,741

(a) Includes financial instruments subject to enforceable master netting provisions that are permitted to be offset to the extent an event of default has occurred.

The realized and unrealized gains/(losses) related to derivatives trading activities were $(146.9) million, $(13.0) million and $14.3 million for the years ended December 31, 2020, 2019, and 2018, respectively, and are included in other income in the accompanying consolidated statements of operations. The net gains (losses) on derivative contracts in the table above are one of a number of activities comprising the Company's business activities and are before consideration of economic hedging transactions, which generally offset the net gains (losses) included above.

Pursuant to the various derivatives transactions discussed above, except for exchange traded derivatives and certain options, the Company is required to post/receive collateral. These amounts are recognized in receivable from brokers, dealers and clearing organizations and payable to brokers, dealers and clearing organizations respectively. As of December 31, 2020 and 2019, all derivative contracts were with major financial institutions.

Other investments

As of December 31, 2020 and 2019, other investments included the following:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Portfolio funds, at fair value (1)	$ 133,454	$ 114,504
Carried interest (2)	82,892	30,360
Equity method investments (3)	38,681	40,858
	$ 255,027	**$ 185,722**

(1) Portfolio Funds, at fair value

The Portfolio Funds, at fair value as of December 31, 2020 and 2019, included the following:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Starboard Value and Opportunity Fund LP (c)(*)	$ 42,519	$ 37,895
Formation8 Partners Fund I, L.P. (f)	31,894	33,613
Cowen Healthcare Investments II LP (i) (*)	26,186	14,652
Lagunita Biosciences, LLC (d)	3,850	4,802
Eclipse Ventures Fund I, L.P. (b)	4,457	3,960
HealthCare Royalty Partners II LP (a)(*)	1,588	1,781
RCG Longview Debt Fund V, L.P. (g)(*)	—	1,732
HealthCare Royalty Partners LP (a)(*)	1,072	1,326
Starboard Leaders Fund LP (e)(*)	2,020	1,560
Eclipse SPV I, LP (j)(*)	1,708	1,447
Ramius Merger Fund LLC (m)(*)	2,197	—
TriArtisan ES Partners LLC (k)(*)	1,657	1,082
Cowen Healthcare Investments III LP (i)(*)	5,714	1,398
TriArtisan PFC Partners LLC (l)(*)	691	909
Starboard Value and Opportunity Fund Ltd (c) (*)	2,364	—
Eclipse Ventures Fund II, L.P. (b)	1,733	1,330
Eclipse Continuity Fund I, L.P. (b)	1,101	823
Difesa Partners, LP (h) (*)	848	508
BDC Fund I Coinvest 1, L.P. (n) (*)	1,250	—
Other private investment (o)(*)	326	4,448
Other affiliated funds (p)(*)	279	1,238
	$ 133,454	**$ 114,504**

* These Portfolio Funds are affiliates of the Company.

The Company has no unfunded commitments regarding the Portfolio Funds held by the Company except as noted in Note 22.

(a) HealthCare Royalty Partners, L.P. and HealthCare Royalty Partners II, L.P. are private equity funds and therefore distributions will be made when cash flows are received from the underlying investments, typically on a quarterly basis.

(b) Each of Eclipse Ventures Fund I, L.P., Eclipse Ventures Fund II, L.P. and Eclipse Continuity Fund I, L.P. are venture capital funds which invests in early stage and growth stage hardware companies. Distributions will be made when the underlying investments are liquidated.

(c) Starboard Value and Opportunity Fund LP and Starboard Value and Opportunity Fund Ltd permits quarterly withdrawals upon 90 days' notice.

(d) Lagunita Biosciences, LLC, is a healthcare investment company that creates and grows early stage companies to commercialize impactful translational science that addresses significant clinical needs, is a private equity structure and therefore distributions will be made when the underlying investments are liquidated.

(e) Starboard Leaders Fund LP does not permit withdrawals, but instead allows terminations with respect to capital commitments upon 30 days' prior written notice at any time following the first anniversary of an investor's initial capital contribution.

(f) Formation8 Partners Fund I, L.P. is a private equity fund which invests in early stage and growth transformational information and energy technology companies. Distributions will be made when the underlying investments are liquidated.

(g) RCG Longview Debt Fund V, L.P. is a real estate private equity structures. The timing of distributions depends on the nature of the underlying investments and therefore will be made either quarterly or when the underlying investments are liquidated.

(h) Difesa Partners, LP permits semi-annual withdrawals occurring on or after the anniversary of initial contribution upon 90 days written notice.

(i) Cowen Healthcare Investments II LP and Cowen Healthcare Investments III LP are private equity funds. Distributions are made from the fund when cash flows or securities are received from the underlying investments. Investors do not have redemption rights.

(j) Eclipse SPV I, L.P. is a co-investment vehicle organized to invest in a private company focused on software-driven automation projects. Distributions will be made when the underlying investments are liquidated.

(k) TriArtisan ES Partners LLC is a co-investment vehicle organized to invest in a privately held nuclear services company. Distributions will be made when the underlying investment is liquidated.

(l) TriArtisan PFC Partners LLC is a co-investment vehicle organized to invest in a privately held casual dining restaurant chain. Distributions will be made when the underlying investment in liquidated.

(m) Ramius Merger Fund LLC permits monthly withdrawals on 45 days prior notice.

(n) BDC Fund I Coinvest 1, L.P. is a private equity fund focused on investing in growth companies in industries disrupted by digitization. Distributions will be made when the underlying investments are liquidated.

(o) Other private investment represents the Company's closed end investment in a Portfolio Fund that invests in a wireless broadband communication provider in Italy.

(p) The majority of these investment funds are affiliates of the Company or are managed by the Company and the investors can redeem from these funds as investments are liquidated.

(2) Carried interest

The Company applies an accounting policy election to recognize incentive income allocated to the Company under an equity ownership model in other investments in the accompanying consolidated statements of financial condition (see Note 2w). Carried interest allocated to the Company from certain Portfolio Funds represents Cowen's general partner capital accounts from those funds. These balances are subject to change upon cash distributions, additional allocations or reallocations back to limited partners within the respective funds. All carried interest balances are earned from affiliates of the Company.

A portion of the Company's carried interest is granted to employees through profit sharing awards designed to more closely align compensation with the overall realized performance of the Company. These arrangements enable certain employees to earn compensation based on performance revenue earned by the Company and are recorded within compensation payable in the accompanying consolidated statements of financial condition and employee compensation and benefits expense in the accompanying consolidated statements of operation based on the probable and estimable payments under the terms of the awards.

The carried interest as of December 31, 2020 and 2019, included the following:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Cowen Healthcare Investments II LP	$ 62,112	$ 23,759
Cowen Healthcare Investments III LP	11,520	—
TriArtisan TGIF Partners LLC	3,361	—
TriArtisan ES Partners LLC	3,152	—
TriArtisan PFC Partners LLC	1,455	—
Ramius Multi-Strategy Fund LP	734	—
Ramius Merger Fund LLC	368	—
Other private investment (a)	—	4,737
RCG IO Renergys Sarl	190	1,251
Ramius Multi-Strategy Fund LP	—	613
	$ 82,892	**$ 30,360**

(a) Other private investment represents the Company's closed end investment in a Portfolio Fund that invests in a wireless broadband communication provider in Italy.

(3) Equity method investments

Equity method investments include investments held by the Company in several operating companies whose operations primarily include the day-to-day management of a number of real estate funds, including the portfolio management and administrative services related to the acquisition, disposition, and active monitoring of the real estate funds' underlying debt and equity investments. The Company's ownership interests in these equity method investments range from 15% to 55%. The Company holds a majority of the outstanding ownership interest (i.e., more than 50%) in RCG Longview Partners II, LLC and 40% in Surf House Ocean Views Holdings, LLC (which is a joint venture in a real estate development project). The operating agreement that governs the management of day-to-day operations and affairs of these entities stipulates that certain decisions require support and approval from other members in addition to the support and approval of the Company. As a result, all operating decisions made in these entities requires the support of both the Company and an affirmative vote of a majority of the other managing members who are not affiliates of the Company. As the Company does not possess control over any of these entities, the presumption of consolidation has been overcome pursuant to current Accounting Standards and the Company accounts for these investments under the equity method of accounting. Also included in equity method investments are the investments in (a) HealthCare Royalty Partners General Partners and (b) Starboard Value (and certain related parties) which serves as an operating company whose operations primarily include the day-to-day management (including portfolio management) of several activist investment funds and related managed accounts.

The Company completed assessments of the recoverability of the Company's equity method investments and determined that the carrying value of the investment in Surf House Ocean View Holdings, LLC exceeded the estimated fair value of the Company's interest, which was other than temporary. Accordingly, an other than temporary impairment charge of $11.3 million, $2.6 million, and $7.1 million, for the years ended December 31, 2020, 2019 and 2018, respectively, was recognized to reduce the carrying value of the investment to fair value. Impairment charges are included in net gains (losses) on securities, derivatives and other investments on the accompanying consolidated statements of operations.

The Company elected to use the cumulative earnings approach for the distributions it receives from its equity method investments. Under the cumulative earnings approach, any distributions received up to the amount of cumulative earnings are treated as return on investment and classified in operating activities within the cash flows. Any excess distributions would be considered as return of investments and classified in investing activities.

The following table summarizes equity method investments held by the Company:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Starboard Value LP	$ 31,528	$ 24,292
Surf House Ocean Views Holdings, LLC	—	7,804
HealthCare Royalty GP III, LLC	2,213	2,230
RCG Longview Debt Fund V Partners, LLC	—	2,889
RCG Longview Management, LLC	268	583
HealthCare Royalty GP, LLC	920	108
HealthCare Royalty GP II, LLC	269	302
RCG Longview Debt Fund IV Management, LLC	331	331
RCG Longview Equity Management, LLC	105	105
HCR Stafford Fund GP, LLC	1,025	880
Liberty Harbor North	222	292
Other	1,800	1,042
	$ 38,681	**$ 40,858**

The Company's income (loss) from equity method investments was income of $18.9 million, $24.6 million and $6.4 million for the years ended December 31, 2020, 2019, and 2018, respectively, and is included in net gains (losses) on securities, derivatives and other investments on the accompanying consolidated statements of operations.

Securities sold, not yet purchased, at fair value

Securities sold, not yet purchased, at fair value represent obligations of the Company to deliver a specified security at a contracted price and, thereby, create a liability to purchase that security at prevailing prices. The Company's liability for securities to be delivered is measured at their fair value as of the date of the consolidated financial statements. However, these transactions result in off-balance sheet risk, as the Company's ultimate cost to satisfy the delivery of securities sold, not yet purchased, at fair value may exceed the amount reflected in the accompanying consolidated statements of financial condition. As of December 31, 2020 and 2019, securities sold, not yet purchased, at fair value consisted of the following:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Common stock	$ 699,894	$ 425,448
Corporate bonds	11,358	5,933
Government bonds	1,500	1,950
Preferred stock	6,589	3,686
Warrants and rights	8,774	14,819
	$ 728,115	**$ 451,836**

Securities purchased under agreements to resell/securities sold under agreements to repurchase and securities lending and borrowing transactions

The following tables present the contractual gross and net securities borrowing and lending agreements and securities sold under agreements to repurchase and the related offsetting amount as of December 31, 2020 and 2019.

	Gross amounts recognized, net of allowance	Gross amounts offset on the Consolidated Statements of Financial Condition (a)	Net amounts included on the Consolidated Statements of Financial Condition	Gross amounts not offset on the Consolidated Statements of Financial Condition: Additional Amounts Available	Financial instruments	Cash Collateral pledged (b)	Net amounts
	(dollars in thousands)						
As of December 31, 2020							
Securities borrowed	$1,908,187	$ —	$ 1,908,187	$ —	$ 1,809,399	$ —	$ 98,788
Securities loaned	2,476,414	—	2,476,414	—	2,383,342	—	93,072
Securities purchased under agreements to resell	191	—	191	—	204	—	(13)
Securities sold under agreements to repurchase	5,036	—	5,036	—	5,544	—	(508)
As of December 31, 2019							
Securities borrowed	$ 754,441	$ —	$ 754,441	$ —	$ 751,913	$ —	$ 2,528
Securities loaned	1,601,866	—	1,601,866	—	1,585,036	—	16,830
Securities sold under agreements to repurchase	23,244	—	23,244	—	27,384	—	(4,140)

(a) Includes financial instruments subject to enforceable master netting provisions that are permitted to be offset to the extent an event of default has occurred.

(b) Includes the amount of cash collateral held/posted.

The following tables present gross obligations for securities loaned and securities sold under agreements to repurchase by remaining contractual maturity and class of collateral pledged as of December 31, 2020 and 2019:

	Open and Overnight	Up to 30 days	31 - 90 days	Greater than 90 days	Total
	(dollars in thousands)				
As of December 31, 2020					
Securities loaned					
Common stock	$ 2,232,687	$ —	$ —	$ —	$ 2,232,687
Corporate bonds	243,726	—	—	—	243,726
Securities sold under agreements to repurchase					
Corporate bonds	—	—	5,036	—	5,036
As of December 31, 2019					
Securities loaned					
Common stock	1,343,478	—	—	—	1,343,478
Corporate bonds	258,388	—	—	—	258,388
Securities sold under agreements to repurchase					
Common stock	$ —	$ —	$ 23,244	$ —	$ 23,244

Variable Interest Entities

The total assets and liabilities of the variable interest entities for which the Company has concluded that it holds a variable interest, but for which it is not the primary beneficiary, are $8.0 billion and $1.3 billion as of December 31, 2020 and $6.1 billion and $617.5 million as of December 31, 2019, respectively. The carrying value of the Company's exposure to loss for these variable interest entities as of December 31, 2020 was $210.7 million, and as of December 31, 2019 was $241.2 million, all of which is included in other investments, at fair value in the accompanying consolidated statements of financial condition. Additionally, the Company's maximum exposure to loss for the variable interest entities noted above as of December 31, 2020 and 2019, was $326.0 million and $261.7 million, respectively. The maximum exposure to loss often differs from the carrying value of exposure to loss of the variable interests. The maximum exposure to loss is dependent on the nature of the variable interests in the VIEs and is limited to the notional amounts of certain commitments and guarantees.

b. Consolidated Funds

Securities owned, at fair value

As of December 31, 2020 and 2019, securities owned, at fair value, held by the Consolidated Funds consisted of the following:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Preferred stock	$ —	$ 4,393
Common stock	4,816	200,306
Government bonds	—	161,607
Corporate bonds	—	3,405
Warrants and rights	5,806	5,567
	$ 10,622	**$ 375,278**

Receivable on derivative contracts

As of December 31, 2020 and 2019, receivable on derivative contracts, at fair value, held by the Consolidated Funds are comprised of:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Currency forwards	$ —	$ 3,302
Equity swaps	—	927
Options	—	1,604
	$ —	**$ 5,833**

Payable for derivative contracts

As of December 31, 2020 and 2019, payable for derivative contracts, at fair value, held by the Consolidated Funds are comprised of:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Currency forwards	$ —	$ 88
Equity swaps	—	3,931
Options	—	750
	$ —	**$ 4,769**

Other investments, at fair value

Investments in Portfolio Funds, at fair value

As of December 31, 2020 and 2019, investments in Portfolio Funds, at fair value, included the following:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Investments of Enterprise LP	$ 104,475	$ 99,153
Investments of Merger Fund	—	76,616
Investments of Cowen Sustainable Investments I LP	88,195	—
	$ 192,670	**$ 175,769**

Consolidated portfolio fund investments of Enterprise LP

On May 12, 2010, the Company announced its intention to close Enterprise Master. Enterprise LP operated under a "master-feeder" structure up until January 1, 2019, when Enterprise Master distributed its capital to each feeder and was liquidated. As of December 31, 2020 and 2019, the consolidated investments in Portfolio Funds include Enterprise LP's investment in RCG Special Opportunities Fund, Ltd which is a portfolio fund that invests in a limited number of private equity investments directly as well as through affiliated portfolio funds.

Consolidated portfolio fund investments of Merger Fund

The Merger Fund, which was deconsolidated during the second quarter of 2020 (See Note 2b), operates under a "master-feeder" structure, whereby Merger Master shareholders are Merger Fund and Ramius Merger Fund Ltd. The consolidated investments in Portfolio Funds include Merger Fund's investment of $76.6 million in Merger Master as of December 31, 2019. The Merger Master's investment objective is to achieve consistent absolute returns while emphasizing the preservation of investor capital. The Merger Master seeks to achieve these objectives by taking a fundamental, research-driven approach to investing, primarily in the securities of issuers engaged in, or subject to, announced (or unannounced but otherwise anticipated) extraordinary corporate transactions, which may include, but are not limited to, mergers, acquisitions, leveraged buyouts, tender offers, hostile takeover bids, sale processes, exchange offers, and recapitalizations. Merger Master invests in the securities of one or more issuers engaged in or subject to such extraordinary corporate transactions. Merger Master typically seeks to derive a profit by realizing the price differential, or "spread," between the market price of securities purchased or sold short and the market price or value of securities realized in connection with the completion or termination of the extraordinary corporate transaction, or in connection with the adjustment of market prices in anticipation thereof, while seeking to minimize the market risk associated with the aforementioned investment activities. Merger Master will, depending on market conditions, generally focus the majority of its investment program on announced transactions. If the investment manager of Merger Master considers it necessary, it may either alone or as part of a group, also initiate shareholder actions seeking to maximize value. Such shareholder actions may include, but are not limited to, re-orienting management's focus or initiating the sale of the company (or one or more of its divisions) to a third party.

Consolidated portfolio fund investments of Cowen Sustainable Investments I LP

Cowen Sustainable Investments I LP ("CSI I LP") is a private investment fund making debt and equity investments in companies and real assets that are accelerating the global transition to a sustainable economy. The fund primarily focuses its investments around four themes: (i) renewable energy and battery storage; (ii) clean transportation; (iii) sustainable agriculture and food production; and (iv) resource and industrial efficiency. CSI I LP has made investments in ecoATM, LLC, a manufacturer and owner of automated kiosks that allow consumers to sell back unwanted smart phones, and Proterra, Inc, a designer and manufacturer of zero-emission electric transit vehicles and electric vehicle technology solutions for commercial applications. CSI I LP is a private equity-style vehicle that does not permit redemptions; proceeds realized from the fund’s investments are expected to be distributed after the end of the fund’s investment period.

Indirect Concentration of the Underlying Investments Held by Consolidated Funds

From time to time, either directly held by the Company, indirectly through the Company's consolidated entities or indirectly through its investments in the Consolidated Funds, the Company may maintain exposure to a particular issue or issuer (both long and/or short) which may account for 5% or more of the Company's equity. Based on information that is available to the Company as of December 31, 2020 and 2019, the Company assessed whether or not its interests in an issuer for which the Company's pro-rata share exceeds 5% of the Company's equity. There was one indirect concentration that exceeded 5% of the Company's equity as of December 31, 2020 and 2019, respectively.

Through its investments in a Consolidated Fund and combined with direct Company investments, the Company maintained exposure to a particular investment which accounted for 5% or more of the Company's equity.

	Investment's percentage of the Company's stockholders' equity					
	Issuer	**Security Type**	**Country**	**Industry**	**Percentage of Stockholders' Equity**	**Market Value**
						(dollars in thousands)
As of December 31, 2020	Linkem S.p.A.	Equity, loans and warrants	Italy	Wireless Broadband	9.07 %	$ 87,944
As of December 31, 2019	Linkem S.p.A.	Equity, loans and warrants	Italy	Wireless Broadband	9.53 %	$ 77,142

Underlying Investments of Unconsolidated Funds Held by Consolidated Funds

During the second quarter of 2020, the Company deconsolidated the Merger Fund due to a partial redemption of the Company's direct portfolio fund investment in Merger Fund. The Company continues to hold a direct retained portfolio fund investment in the Merger Fund.

Merger Master

As of December 31, 2019, Merger Fund's investment in Merger Master represented Merger Fund's proportionate share of Merger Master's net assets; as a result, the investment balances of Merger Master reflected below may exceed the net investment which Merger Fund has recorded. The following tables present summarized investment information for the underlying investments and derivatives held by Merger Master as of December 31, 2019:

Merger Master

	As of December 31, 2019	
Securities owned by Merger Master, at fair value	(dollars in thousands)	
Common stock	$	76,531
Warrants and rights		748
Corporate bonds		2,074
	$	**79,353**
Securities sold, not yet purchased, by Merger Master, at fair value		
Common stock	$	29,623
Exchange traded funds		38,527
	$	**68,150**

Receivable on derivative contracts, at fair value, owned by Merger Master

	As of December 31, 2019	
Description	(dollars in thousands)	
Options	$	2,047
Equity swaps		406
	$	**2,453**

Payable for derivative contracts, at fair value, owned by Merger Master

	As of December 31, 2019	
Description	(dollars in thousands)	
Options	$	1,158
Equity swaps		268
	$	**1,426**

7. Fair Value Measurements for Operating Entities and Consolidated Funds

The following table presents the assets and liabilities that are measured at fair value on a recurring basis on the accompanying consolidated statements of financial condition by caption and by level within the valuation hierarchy as of December 31, 2020 and 2019:

	Assets at Fair Value as of December 31, 2020				
	Level 1	Level 2	Level 3	Netting (c)	Total
	(dollars in thousands)				
Operating Entities					
Securities owned, at fair value					
Government bonds	$ 19,721	$ —	$ —	$ —	$ 19,721
Preferred stock	9,391	—	59,967	—	69,358
Common stock	1,746,407	108	23,936	—	1,770,451
Convertible bonds	—	—	6,040	—	6,040
Corporate bonds	—	86,368	135	—	86,503
Trade claims	—	—	9,205	—	9,205
Term loan	—	—	12,623	—	12,623
Warrants and rights	21,154	—	6,547	—	27,701
Receivable on derivative contracts, at fair value					
Currency forwards	—	15	—	—	15
Swaps	—	64,634	—	(62,269)	2,365
Options	48,851	—	251	—	49,102
Consolidated Funds					
Securities owned, at fair value					
Common stock	1,865	—	2,951	—	4,816
Warrants and rights	—	—	5,806	—	5,806
	$ 1,847,389	**$ 151,125**	**$ 127,461**	**$ (62,269)**	**$ 2,063,706**
Portfolio Funds measured at net asset value (a)					133,454
Consolidated Funds' Portfolio Funds measured at net asset value (a)					192,670
Carried interest (a)					82,892
Equity method investments (a)					38,681
Total investments					**$ 2,511,403**

	Liabilities at Fair Value as of December 31, 2020				
	Level 1	Level 2	Level 3	Netting (c)	Total
	(dollars in thousands)				
Operating Entities					
Securities sold, not yet purchased, at fair value					
Government bonds	$ —	$ —	$ 1,500	$ —	$ 1,500
Common stock	699,894	—	—	—	699,894
Corporate bonds	—	10,654	704	—	11,358
Preferred stock	6,589	—	—	—	6,589
Warrants and rights	8,774	—	—	—	8,774
Payable for derivative contracts, at fair value					
Currency forwards	—	3,067	—	—	3,067
Swaps	—	43,560	—	(37,033)	6,527
Options	62,651	—	3,915	—	66,566
Accounts payable, accrued expenses and other liabilities					
Contingent consideration liability (b)	—	—	36,718	—	36,718
	$ 777,908	**$ 57,281**	**$ 42,837**	**$ (37,033)**	**$ 840,993**

(a) In accordance with US GAAP, portfolio funds are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Carried interest and equity method investments presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial condition.

(b) In accordance with the terms of the purchase agreements for acquisitions that closed during the first quarter of 2019 and the fourth quarter of 2020, the Company is required to pay to the sellers a portion of future net income and/or revenues of the acquired businesses, if certain targets are achieved through the periods ended December 31, 2020 and December 31, 2023. For both the Quarton Acquisition and the MHT Acquisition, the Company estimated the contingent consideration liabilities using a combination of Monte Carlo and Discounted Cash Flow methods which require the Company to make estimates and assumptions regarding the future cash flows and profits. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. The undiscounted amounts for the Quarton Acquisition can range from $10.1 million to $35.1 million. The undiscounted amounts for the MHT Acquisition have no minimum or maximum as it is calculated based on revenue.

(c) Derivatives are reported on a net basis, by counterparty, when a legal right of offset exists under an enforceable netting agreement as well as net of cash collateral received or posted under enforceable credit support agreements. See Note 2g for further information on offsetting of derivative financial instruments.

	Assets at Fair Value as of December 31, 2019				
	Level 1	**Level 2**	**Level 3**	**Netting (c)**	**Total**
	(dollars in thousands)				
Operating Entities					
Securities owned, at fair value					
Government bonds	$ 15,916	$ —	$ —	$ —	$ 15,916
Preferred stock	4,821	—	7,835	—	12,656
Common stock	1,527,769	1,249	17,466	—	1,546,484
Convertible bonds	—	—	2,500	—	2,500
Corporate bonds	—	23,079	2,421	—	25,500
Trade claims	—	—	7,320	—	7,320
Term loan	—	1,067	—	—	1,067
Warrants and rights	21,515	—	594	—	22,109
Receivable on derivative contracts, at fair value					
Swaps	—	6,151	—	(3,240)	2,911
Options	59,730	—	336	—	60,066
Consolidated Funds					
Securities owned, at fair value					
Government bonds	161,607	—	—	—	161,607
Preferred stock	—	—	4,393	—	4,393
Common stock	200,306	—	—	—	200,306
Corporate bonds	—	3,405	—	—	3,405
Warrants and rights	—	—	5,567	—	5,567
Receivable on derivative contracts, at fair value					
Currency forwards	—	3,302	—	—	3,302
Equity swaps	—	927	—	—	927
Options	1,604	—	—	—	1,604
	$ 1,993,268	**$ 39,180**	**$ 48,432**	**$ (3,240)**	**$ 2,077,640**
Portfolio Funds measured at net asset value (a)					114,504
Consolidated Funds' Portfolio Funds measured at net asset value (a)					175,769
Carried interest (a)					30,360
Equity method investments (a)					40,858
Total investments					**$ 2,439,131**

	Liabilities at Fair Value as of December 31, 2019				
	Level 1	Level 2	Level 3	Netting (c)	Total
	(dollars in thousands)				
Operating Entities					
Securities sold, not yet purchased, at fair value					
US Government securities	$ —	$ —	$ 1,950	$ —	$ 1,950
Common stock	425,448	—	—	—	425,448
Corporate bonds	—	4,933	1,000	—	5,933
Preferred stock	3,686	—	—	—	3,686
Warrants and rights	14,819	—	—	—	14,819
Payable for derivative contracts, at fair value					
Futures	217	—	—	—	217
Currency forwards	—	851	—	—	851
Swaps	—	26,409	—	(3,240)	23,169
Options	33,604	—	2,920	—	36,524
Accounts payable, accrued expenses and other liabilities					
Contingent consideration liability (b)	—	—	30,896	—	30,896
Consolidated Funds					
Payable for derivative contracts, at fair value					
Currency forwards	—	88	—	—	88
Options	750	—	—	—	750
Equity swaps	—	3,931	—	—	3,931
	$ 478,524	**$ 36,212**	**$ 36,766**	**$ (3,240)**	**$ 548,262**

(a) In accordance with US GAAP, portfolio funds are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Carried interest and equity method investments presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial condition.

(b) In accordance with the terms of the purchase agreements for acquisitions that closed during the second quarter of 2016 and the first quarter of 2019, the Company is required to pay to the sellers a portion of future net income and/or revenues of the acquired businesses, if certain targets are achieved through the periods ended December 31, 2019 and December 31, 2023, respectively. For the acquisition that closed during 2016, the Company estimated the contingent consideration liability using the income approach (discounted cash flow method) which requires the Company to make estimates and assumptions regarding the future cash flows and profits. For the acquisition that closed during 2019, the Company estimated the contingent consideration liability using the present value of the Monte Carlo simulated revenue. Changes in these estimates and assumptions could have a significant impact on the amounts recognized. The undiscounted amounts as of December 31, 2019 can range from $1.3 million to $40.0 million.

(c) Derivatives are reported on a net basis, by counterparty, when a legal right of offset exists under an enforceable netting agreement as well as net of cash collateral received or posted under enforceable credit support agreements. See Note 2g for further information on offsetting of derivative financial instruments.

The following table includes a roll forward of the amounts for the years ended December 31, 2020 and 2019 for financial instruments classified within level 3. The classification of a financial instrument within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

	Year Ended December 31, 2020							
	Balance at December 31, 2019	Transfers in	Transfers out	Purchases/ (covers)	(Sales)/ shorts	Realized and Unrealized gains/losses	Balance at December 31, 2020	Change in unrealized gains/ losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 7,835	$ 45,530 (c)	$ (1,653) (b)	$ 5,891	$ (4,993)	$ 7,357	$ 59,967	$ 10,846
Common stock	17,466	102 (l)	(29) (a)(e)	7,288	(3,818)	2,927	23,936	1,990
Convertible bonds	2,500	—	—	3,787	(1,050)	803	6,040	803
Corporate bond	2,421	—	(312) (b)	666	(2,432)	(208)	135	(180)
Options, asset	336	—	(102) (l)	—	—	17	251	(1)
Options, liability	2,920	—	—	—	—	995	3,915	995
Term loan	—	11,149 (c)	—	245	—	1,229	12,623	1,229
Warrants and rights	594	4,528 (a)(c)	—	—	—	1,425	6,547	1,425
Trade claims	7,320	1,044 (a)(e)	—	4,774	(2,944)	(989)	9,205	(1,013)
Corporate bond, liability	1,000	—	—	—	—	(296)	704	(248)
Government bonds, liability	1,950	—	—	—	—	(450)	1,500	(450)
Contingent consideration liability	30,896	—	(1,235) (k)	4,218 (m)	(5,653)	8,492	36,718	8,492
Consolidated Funds								
Preferred stock	4,393	—	(4,000) (d)	—	—	(393)	—	—
Common stock	—	4,000 (d)	(100,000) (j)	100,000	—	(1,049)	2,951	(1,049)
Warrants and rights	5,567	—	—	—	—	239	5,806	239
Convertible bonds	$ —	$ —	$ (76,114) (j)	$ 75,000	$ —	$ 1,114	$ —	$ —

	Year Ended December 31, 2019							
	Balance at December 31, 2018	Transfers in	Transfers out	Purchases/ (covers)	(Sales)/ shorts	Realized and Unrealized gains/losses	Balance at December 31, 2019	Change in unrealized gains /losses relating to instruments still held (1)
	(dollars in thousands)							
Operating Entities								
Preferred stock	$ 5,168	$ —	$ (1,000) (f)	$ 3,513	$ (1,270)	$ 1,424	$ 7,835	$ 2,285
Common stock	9,850	10,242 (g)(h)	(3) (i)	11,477	(11,002)	(3,098)	17,466	(3,098)
Convertible bonds	3,000	—	(4,826) (b)(f)	11,354	(7,072)	44	2,500	(25)
Corporate bond	—	4 (g)	—	2,811	(533)	139	2,421	140
Options, asset	—	330 (h)	—	—	—	6	336	6
Options, liability	2,096	—	—	—	(4)	828	2,920	828
Warrants and rights	1,666	—	—	—	(189)	(883)	594	31
Trade claim	5,543	—	—	7,205	(5,506)	78	7,320	76
Corporate bond, liability	—	2,525 (g)	—	—	—	(1,525)	1,000	(1,525)
Government bonds, liability	—	4,681 (g)	—	—	—	(2,731)	1,950	(2,731)
Contingent consideration liability	3,070	—	—	27,700	(1,234)	1,360	30,896	1,360
Consolidated Funds								
Preferred stock	24,314	—	(19,929) (f)	—	—	8	4,393	—
Common stock	94	—	(94) (f)	407	(958)	551	—	—
Warrants and rights	$ 5,279	$ —	$ —	$ —	$ (1,758)	$ 2,046	$ 5,567	$ 289

(1) Unrealized gains/losses are reported in other income (loss) in the accompanying consolidated statements of operations.

(a) The security stopped trading on an open market.

(b) The investments were converted to common stock.

(c) The Company consolidated an operating entity which holds preferred stock, loans and warrants.

(d) The investment was involved in a reverse merger and preferred stock was converted to common shares.

(e) The transfers between level 1 and level 3 are due to the change in the availability of observable inputs.

(f) The entity in which the Company is invested completed an initial public offering.

(g) The investments had a change of valuation methodology due to increased activity in foreign market.

(h) The holding Company which held common stock and options was liquidated.

(i) Shares of common stock were exchanged for liquid warrants and rights of an acquired company.

(j) The Company deconsolidated an investment fund.

(k) The contingent liability reached the end of its earnout period and is now valued based on actual cash payout.

(l) The options expired and converted into common stock.

(m) See Note 3 (MHT Acquisition) for contingent consideration recorded.

All realized and unrealized gains (losses) in the table above are reflected in other income (loss) in the accompanying consolidated statements of operations.

Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above.

The Company recognizes all transfers and the related unrealized gain (loss) at the beginning of the reporting period.

Transfers between level 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurements or due to change in liquidity restrictions for the investments.

The following table includes quantitative information as of December 31, 2020 and 2019 for financial instruments classified within level 3. The table below quantifies information about the significant unobservable inputs used in the fair value measurement of the Company's level 3 financial instruments.

	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value December 31, 2020	**Valuation Techniques**	**Unobservable Inputs**	**Range**	**Weighted Average**
Level 3 Assets	**(dollars in thousands)**				
Common and preferred stocks	$ 65,735	Discounted cash flows Guideline companies	Discount rate EBITDA Market Multiples	10% - 12% 6.25x - 6.75x	11% 6.5x
Options	251	Discounted cash flows Guideline companies	Discount rate EBITDA Market Multiples	10% - 12% 6.25x - 6.75x	11% 6.5x
Trade claims	3,500	Discounted cash flows	Discount rate	15%	15%
Warrants and rights	11,217	Discounted cash flows Guideline companies	Discount rate EBITDA Market Multiples	4% - 11% 6.25x - 6.75x	7.0% 6.5x
Corporate, convertible bonds and term loan	12,623	Discounted cash flows Guideline companies	Discount rate EBITDA Market Multiples	10% - 12% 6.25x - 6.75x	11% 6.5x
Other level 3 assets (a)	34,135				
Total level 3 assets	**$ 127,461**				
Level 3 Liabilities					
Options	3,915	Option pricing models	Volatility	35%	35%
Contingent consideration liability	36,718	Discounted cash flows Monte Carlo simulation	Discount rate Volatility	9% - 16% 22% - 24%	15% 22%
Other level 3 liabilities (a)	2,204				
Total level 3 liabilities	**$ 42,837**				

	Quantitative Information about Level 3 Fair Value Measurements					
	Fair Value at December 31, 2019		**Valuation Techniques**	**Unobservable Inputs**	**Range**	**Weighted Average**
Level 3 Assets	**(dollars in thousands)**					
			Discounted cash flows	Discount rate	8% - 11.25%	10.4%
Common and preferred stocks	$	10,876	Guideline companies	EBITDA Market Multiples	6.5x - 7x	6.75x
Trade claims		24	Discounted cash flows	Discount rate	20%	20%
			Model based	Volatility	30%	—%
Warrants and rights		6,162	Discounted cash flows	Discount rate	6% - 7%	6.1%
				Discount rate	9.75% - 11.25%	10.5%
Options		336	Option pricing models	EBITDA Market Multiples	6.5x - 7x	6.75x
			Discounted cash flows	Discount rate	20%	20%
Corporate and convertible bonds		311	Recovery	Probability of recovery	1% - 3%	2.3%
Other level 3 assets (a)		30,723				
Total level 3 assets	**$**	**48,432**				
Level 3 Liabilities						
Options		2,920	Option pricing models	Volatility	35% to 40%	35%
			Discounted cash flows	Discount rate	15% - 22%	15%
Contingent consideration liability		30,896	Monte Carlo simulation	Volatility	17%	17%
Other level 3 liabilities (a)		2,950				
Total level 3 liabilities	**$**	**36,766**				

(a) The quantitative disclosures exclude financial instruments for which the determination of fair value is based on prices from recent transactions.

The Company has established valuation policies, procedures and internal control infrastructure over the fair value measurement of financial instruments. In the event that observable inputs are not available, the control processes are designed to ensure that the valuation approach utilized is applicable, reasonable and consistently applied. Where a pricing model is used to determine fair value, these control processes include reviews of the methodology and inputs for both reasonableness and applicability. Consistent with best practices, recently executed comparable transactions and other observable market data are used for the purposes of validating both the model and the assumptions used to calculate fair value. Independent of trading and valuation functions, the Company’s Valuation Committee in conjunction with its Price Verification team, plays an important role in determining that financial instruments are appropriately valued and that fair value measurements are both reasonable and reliable. This is particularly important where prices or valuations that require inputs are less observable. The Valuation Committee is comprised of senior management, including non-investment professionals, who are responsible for overseeing and monitoring the pricing of the Company's investments.

The US GAAP fair value leveling hierarchy is designated and monitored on an ongoing basis. In determining the designation, the Company takes into consideration a number of factors including the observability of inputs, liquidity of the investment and the significance of a particular input to the fair value measurement. Designations, models, pricing vendors, third party valuation providers and inputs used to derive fair market value are subject to review by the valuation committee and the internal audit group. The Company reviews its valuation policy guidelines on an ongoing basis and may adjust them in light of improved valuation metrics and models, the availability of reliable inputs and information, and prevailing market conditions. The Company regularly reviews a profit and loss report, as well as other periodic reports, and analyzes material changes from period to period in the valuation of its investments as part of its control procedures. The Company also performs back testing on a regular basis by comparing prices observed in executed transactions to previous valuations.

The fair market value for level 3 securities may be highly sensitive to the use of industry-standard models, unobservable inputs and subjective assumptions. The degree of fair market value sensitivity is also contingent upon the subjective weight given to specific inputs and valuation metrics. The Company holds various equity and debt instruments where different weight may be applied to industry-standard models representing standard valuation metrics such as: discounted cash flows, market multiples, comparative transactions, capital rates, recovery rates and timing, and bid levels. Generally, changes in the weights ascribed to the various valuation metrics and the significant unobservable inputs in isolation may result in significantly lower or higher fair value measurements. Volatility levels for warrants and options are not readily observable and subject to interpretation. Changes in capital rates, discount rates and replacement costs could significantly increase or decrease the valuation of the real estate investments. The interrelationship between unobservable inputs may vary significantly amongst level 3 securities as they are generally highly idiosyncratic. Significant increases (decreases) in any of those inputs in isolation can result in a significantly lower (higher) fair value measurement.

Other financial assets and liabilities

The following table presents the carrying values and fair values, at December 31, 2020 and 2019, of financial assets and liabilities and information on their classification within the fair value hierarchy which are not measured at fair value on a recurring basis. For additional information regarding the financial instruments within the scope of this disclosure, and the methods and significant assumptions used to estimate their fair value (see Note 2g).

	December 31, 2020				December 31, 2019				
	Carrying Amount		Fair Value		Carrying Amount		Fair Value		Fair Value Hierarchy
	(dollars in thousands)								
Financial Assets									
Operating companies									
Cash and cash equivalents	$ 645,169		$ 645,169		$ 301,123		$ 301,123		Level 1
Cash collateral pledged	110,743		110,743		6,563		6,563		Level 2
Segregated cash	185,141		185,141		107,328		107,328		Level 1
Securities purchased under agreements to resell	191		204		—		—		Level 2
Securities borrowed	1,908,187		1,908,187		754,441		754,441		Level 2
Loans receivable	7,682		7,682	(d)	42,830		42,830	(d)	Level 3
Consolidated Funds									
Cash and cash equivalents	417		417		30,874		30,874		Level 1
Financial Liabilities									
Securities sold under agreements to repurchase	5,036		5,544		23,244		27,384		Level 2
Securities loaned	2,476,414		2,476,414		1,601,866		1,601,866		Level 2
Convertible debt	80,808	(a)	135,444	(b)	118,688	(a)	148,786	(b)	Level 2
Notes payable and other debt	383,067	(e)	405,840	(c)	345,451	(e)	372,591	(c)	Level 2

(a) The carrying amount of the convertible debt includes an unamortized discount of $6.7 million and $14.9 million as of December 31, 2020 and 2019, respectively.

(b) The convertible debt includes the conversion option and is based on the last broker quote available.

(c) Notes payable and other debt are based on the last broker quote available.

(d) The fair market value of level 3 loans is calculated using discounted cash flows where applicable.

(e) The carrying amount of the notes payable and other debt includes an unamortized premium of $0.4 million and $0.5 million as of December 31, 2020 and 2019, respectively.

8. Deposits with Clearing Organizations, Brokers and Banks

Under the terms of agreements between the Company and some of its clearing organizations, brokers and banks, balances owed are collateralized by certain of the Company's cash and securities balances. As of December 31, 2020 and 2019, the Company had a total of $105.0 million and $91.8 million, respectively, in deposit accounts with clearing organizations, brokers and banks that could be used as collateral to offset losses incurred by the clearing organizations, brokers and banks, on behalf of the Company's activities, if such losses were to occur.

9. Receivable From and Payable To Brokers, Dealers and Clearing Organizations

Receivable from and payable to brokers, dealers and clearing organizations includes cash held at the clearing brokers, amounts receivable or payable for unsettled transactions, monies borrowed and proceeds from short sales equal to the fair value of securities sold, not yet purchased, at fair value, which are restricted until the Company purchases the securities sold short. Pursuant to the master netting agreements the Company entered into with its brokers, dealers and clearing organizations, these balances are presented net (assets less liabilities) across balances with the same counterparty. The Company's receivable from and payable to brokers, dealers and clearing organizations balances are held at multiple financial institutions.

As of December 31, 2020 and 2019, amounts receivable from brokers, dealers and clearing organizations include:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Broker-dealers	$ 1,608,273	$ 623,523
Securities failed to deliver	55,655	45,673
Clearing organizations	41,795	3,180
Securities borrowed/loaned interest receivable	24,021	9,319
	$ 1,729,744	**$ 681,695**

As of December 31, 2020 and 2019, amounts payable to brokers, dealers and clearing organizations include:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Broker-dealers	$ 286,011	$ 185,838
Securities failed to receive	68,036	57,580
Clearing organizations	33,732	18,063
Securities borrowed/loaned interest payable	27,364	9,537
	$ 415,143	**$ 271,018**

10. Receivable From and Payable To Customers

As of December 31, 2020 and 2019, receivable from customers of $104.0 million and $105.6 million, respectively, consist of amounts owed by customers relating to securities transactions not completed on settlement date and receivables arising from prepaid research.

As of December 31, 2020 and 2019, payable to customers of $1.7 billion and $430.2 million, respectively, include amounts due on cash and margin transactions to the Company's clients, some of which have their assets held by a Company omnibus account, which are included within receivables from brokers, dealers and clearing organizations in the accompanying consolidated statements of financial condition. In the omnibus structure, positions that are owned by Cowen International Ltd are fully cross collateralized by client funds, meaning that the Company, for all intents and purposes, has no market risk. Additionally, Cowen International Ltd has no obligation to settle any trade that it deems inappropriate from a risk perspective, adding an important market and counterparty risk mitigating factor.

11. Fixed Assets

As of December 31, 2020 and 2019, fixed assets consisted of the following:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Telecommunication and computer equipment	$ 7,921	$ 7,556
Computer software	11,813	8,952
Furniture and fixtures	3,387	3,526
Leasehold improvements	40,468	40,301
Finance lease right-of-use asset (See Note 22)	6,172	6,172
Airplane and related equipment	3,932	—
	73,693	66,507
Less: Accumulated depreciation and amortization	(40,670)	(32,846)
	$ 33,023	**$ 33,661**

Depreciation and amortization expense related to fixed assets was $9.6 million, $7.3 million and $7.4 million for the years ended December 31, 2020, 2019, and 2018, respectively, and are included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Assets acquired under finance leases were $6.2 million as of December 31, 2020 and 2019, respectively. If the assets acquired under finance leases transfer title at the end of the lease term or contain a bargain purchase option, the assets are amortized over their estimated useful lives; otherwise, the assets are amortized over the respective lease term. The depreciation of assets capitalized under finance leases is included in depreciation and amortization expenses and was $1.2 million, $1.3 million, and $1.6 million for the years ended December 31, 2020, 2019, and 2018, respectively. As of December 31, 2020 and 2019, accumulated depreciation related to assets acquired under finance leases was $3.4 million and $2.2 million, respectively.

12. Goodwill and Intangible Assets

Goodwill

In accordance with US GAAP, the Company tests goodwill for impairment on an annual basis or at an interim period if events or changed circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Under US GAAP, the Company first assesses the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amounts as a basis for determining if it is necessary to perform a quantitative impairment test. Periodically estimating the fair value of a reporting unit requires significant judgment and often involves the use of significant estimates and assumptions. These estimates and assumptions could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge.

Change in segments

During the second quarter of 2019, the Company realigned its business segments to Op Co and Asset Co (See Note 1). Prior to the reorganization, the Investment Management segment was also a reporting unit for purposes of measuring and reporting goodwill. The goodwill that was previously attributable to the Investment Management reporting unit was reallocated to the CIM reporting unit within the Op Co segment and the Asset Co reporting unit based on the relative fair value of the respective portions that became attributable to those reporting units. The Asset Co segment is also a reporting unit for purposes of measuring and reporting goodwill.

Based on the change in segments and restructuring of reporting units, the Company determined that it was necessary to perform a quantitative impairment test which involved estimates of future cash flows, discount rates, economic forecast and other assumptions which are then used in the market approach (earnings and / or transactions multiples) and / or income approach (discounted cash flow method).

Based on the results of the impairment analysis, the Company recognized a goodwill impairment, during the second quarter of 2019, in the amount of $4.1 million within the Asset Co reporting unit.

Annual impairment test

The Company performed its annual impairment test at December 31, 2020 through a quantitative impairment test which involved estimates of future cash flows, discount rates, economic forecast and other assumptions which are then used in the market approach (earnings and / or transactions multiples) and / or income approach (discounted cash flow method).

Based on the results of the annual impairment analysis at December 31, 2020, the Company did not recognize a goodwill impairment relating to any of the Company's reporting units. Additionally, no impairment charge for goodwill was recognized during the year ended December 31, 2018.

The following table presents the changes in the Company's goodwill balance, by reporting unit for the periods ended December 31, 2020 and 2019:

	Investment Management	Investment Bank	Cowen Investment Management	Asset Co	Total
	(dollars in thousands)				
Beginning balance - December 31, 2018					
Goodwill	$ 29,026	$ 51,337	$ —	$ —	80,363
Accumulated impairment charges	(10,200)	(9,485)	—	—	(19,685)
Net	**18,826**	**41,852**	**—**	**—**	**60,678**
Activity: 2019					
Recognized goodwill (See note 3)	—	81,150	—	—	81,150
Realignment of segment goodwill:					
Goodwill	(29,026)	—	22,705	6,321	—
Accumulated impairment charges	10,200	—	(7,979)	(2,221)	—
Goodwill impairment charges	—	—	—	(4,100)	(4,100)
Beginning balance: December 31, 2019					
Goodwill	—	132,487	22,705	6,321	161,513
Accumulated impairment charges	—	(9,485)	(7,979)	(6,321)	(23,785)
Net	**—**	**123,002**	**14,726**	**—**	**137,728**
Activity: 2020					
Recognized goodwill (See note 3)	—	9,356	—	—	9,356
Goodwill impairment charges	—	—	—	—	—
Ending balance: December 31, 2020					
Goodwill	—	141,843	22,705	6,321	170,869
Accumulated impairment charges	—	(9,485)	(7,979)	(6,321)	(23,785)
Net	**$ —**	**$ 132,358**	**$ 14,726**	**$ —**	**$ 147,084**

In connection with the MHT transaction (see Note 3), in October 2020, the Company recognized goodwill of $9.4 million and intangible assets (including customer relationships, trade name, and non compete) with an estimated fair value of $1.2 million which are included within intangible assets, net in the consolidated statements of financial condition with the expected useful lives ranging from 3 to 5 years with a weighted average useful life of 4.17. Amortization expense related to intangibles from the MHT acquisition for the year ended December 31, 2020 totaled $0.1 million. Goodwill primarily relates to expected synergies from combining the acquired operations with our operations and has been assigned to the Op Co segment of the Company. Tax deductible goodwill will differ from goodwill recognized by the Company in an amount equal to the difference between actual contingent consideration and estimated contingent consideration (see Note 3).

In connection with the Quarton transaction (see Note 3), in January 2019, the Company recognized goodwill of $81.2 million and intangible assets (including customer relationships, trade name, backlog and proprietary software) with an estimated fair value of $22.2 million which are included within intangible assets in the consolidated statements of financial condition with the expected useful lives ranging from 2 to 4 years with a weighted average useful life of 2.8 years. Amortization expense related to intangibles from the Quarton acquisition for the years ended December 31, 2020 and 2019 is $8.9 million, respectively. Goodwill, the excess of the purchase price over the fair value of net assets, primarily relates to expected synergies from combining operations and has been assigned to the Op Co segment of the Company. Tax deductible goodwill will differ from goodwill recognized by the Company in an amount equal to the difference between actual contingent consideration and estimated contingent consideration (see Note 3).

Intangible assets

Information for the Company's intangible assets that are subject to amortization is presented below as of December 31, 2020 and 2019.

		December 31, 2020			December 31, 2019		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in years)		(in thousands)			(in thousands)	
Trade names	3	$ 1,031	$ (611)	$ 420	$ 960	$ (360)	$ 600
Customer relationships	2 - 14	52,040	(32,154)	19,886	51,724	(21,065)	30,659
Non-compete agreements and covenants with limiting conditions acquired	5	344	(17)	327	400	(347)	53
Intellectual property	8	2,972	(328)	2,644	1,188	(119)	1,069
Acquired software	3 - 10	5,900	(4,774)	1,126	7,323	(4,504)	2,819
		$ 62,287	**$ (37,884)**	**$ 24,403**	**$ 61,595**	**$ (26,395)**	**$ 35,200**

The Company tests intangible assets for impairment if events or circumstances suggest that the asset groups carrying value may not be fully recoverable. The Company recognized impairment charges of $2.4 million during the year ended December 31, 2020. The impairment charges primarily related the Company’s decision to limit the activities of its clearing business, resulting in a $1.9 million impairment of a) intangible assets relating to customer lists and b) capitalized internally developed software costs. The remaining impairment charges related to the impairment of intangible assets related to legacy capitalized software from the 2017 Convergex acquisition. These impairment charges are recorded in Other Expenses in the accompanying consolidated statements of operations. For the year ended December 31, 2019, no impairment charge for intangible assets was recognized.

Amortization expense related to intangible assets was $13.0 million, $13.1 million, and $5.0 million for the years ended December 31, 2020, 2019, and 2018, respectively, which is included in depreciation and amortization expense in the accompanying consolidated statements of operations. All of the Company's intangible assets have finite lives.

The estimated future amortization expense for the Company's intangible assets placed in service as of December 31, 2020 is as follows:

	(dollars in thousands)
2021	$ 6,828
2022	5,439
2023	3,432
2024	3,172
2025	2,148
Thereafter	3,384
	$ 24,403

13. Other Assets

Other assets in Operating Entities are as follows:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Prepaid expenses	$ 14,468	$ 9,957
Reinsurance business receivables (b)	15,387	14,688
Tax receivables	2,280	8,464
Interest and dividends receivable	1,688	1,944
Deferred acquisition costs (b)	5,221	4,808
The Military Mutual loan (a)	—	27,459
Other (c)	15,840	16,838
	$ 54,884	**$ 84,158**

(a) In September 2020, the loan, related to the Company's' commercial reinsurance activities, was sold. As of December 31, 2019, the maturity date was December 2029 and interest rate of 3%.

(b) Balances relate to the Company's reinsurance business (See Note 18).

(c) As of December 31, 2020 and 2019, the balance includes prepaid expenses, receivables and other assets used for reinsurance activities of $7.2 million and $7.5 million, respectively.

14. Commission Management Payable

The Company receives a gross commission from various brokers, which is then used to fund commission sharing and recapture arrangements, less the portion retained as income to the Company. Accrued commission sharing and commission recapture payable of $117.0 million and $71.6 million, as of December 31, 2020 and 2019, respectively, are classified as commission management payable in the accompanying consolidated statements of financial condition.

15. Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities in Operating Entities are as follows:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Contingent consideration payable (see Note 3)	37,953	30,896
Interest and dividends payable	17,031	5,828
Loss reserves and claims incurred but not reported (a)	37,036	30,282
Professional fees payable	9,495	4,789
Unearned premiums (a)	14,732	16,092
Fees payable	4,459	4,628
Accrued tax liabilities	17,204	2,778
SEC fees payable	9,987	3,957
Software contracts payable	1,852	2,884
Performance fees payable	4,427	3,708
Accrued expenses and accounts payable (b)	42,303	35,714
	$ 196,479	**$ 141,556**

(a) Balances relate to the Company's reinsurance business (See Note 18).

(b) As of December 31, 2020 and 2019, the balance includes reinsurance premiums payable of $15.5 million and $13.2 million, respectively.

16. Non-Controlling Interests in Consolidated Subsidiaries and Investment Funds

Redeemable and nonredeemable non-controlling interests in consolidated subsidiaries and investment funds and the related net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds are comprised as follows:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Redeemable non-controlling interests in consolidated subsidiaries and investment funds		
Consolidated Funds	$ —	$ 391,275
Nonredeemable non-controlling interests in consolidated subsidiaries and investment funds		
Operating companies	83,818	11,513
Consolidated Funds	115,806	82,807
	$ 199,624	**$ 485,595**

	Year Ended December 31, 2020	2019	2018
	(dollars in thousands)		
Income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds			
Operating companies	$ 19,584	$ (3,264)	$ 3,177
Consolidated Funds	(28,883)	34,503	33,883
	$ (9,299)	**$ 31,239**	**$ 37,060**

17. Revenue from Contracts with Customers

For the years ended December 31, 2020, 2019 and 2018, the following tables presents revenues from contracts with customers disaggregated by fee type and segment.

	Year Ended December 31, 2020	2019	2018
	(dollars in thousands)		
Revenue from contracts with customers	**Operating Company**		
Investment banking			
Underwriting fees	$ 427,670	$ 211,666	$ 215,723
Strategic/financial advisory fees	190,958	79,208	81,733
Placement and sales agent fees	133,171	69,070	46,888
Expense reimbursements from clients	17,687	15,081	12,878
Total investment banking revenue	769,486	375,025	357,222
Brokerage			
Commissions	485,398	356,668	366,090
Trade conversion revenue	15,753	12,531	17,061
Equity research fees	19,757	19,006	20,184
Total brokerage revenue from customers	520,908	388,205	403,335
Management fees	46,556	31,361	26,080
Incentive income	592	1,532	3,117
Total revenue from contracts with customers - Op Co	**$ 1,337,542**	**$ 796,123**	**$ 789,754**
	Asset Company		
Management fees	959	1,248	3,578
Incentive income	—	15	—
Total revenue from contracts with customers - Asset Co	**959**	**1,263**	**3,578**
Total revenue from contracts with customers	**$ 1,338,501**	**$ 797,386**	**$ 793,332**

18. Reinsurance

The Company's wholly owned Luxembourg subsidiary, Hollenfels Re SA ("Hollenfels") provides reinsurance to third party insurance and reinsurance companies. Hollenfels' share of claims incurred and paid during the periods below, as well as the change in claims outstanding and claims incurred but not reported ("IBNR") during these periods, net of reinsurance, were as follows:

	Year Ended December 31, 2020	2019	2018
	(dollars in thousands)		
Incurred and paid claims	$ 15,004	$ 24,380	$ 14,800
Change in claims outstanding and claims IBNR	$ 34,173	$ 5,647	$ 11,800

Hollenfels utilizes several methods to determine its claims IBNR. It generally employs an estimation methodology whereby historical average claims ratios over a period of up to 10 years are utilized, based on availability of data. In cases where current claims development contradicts historical results, Hollenfels employs a method to average claims ratios derived through different actuarial calculation methods. Also, if an event occurs that may give rise to significant future claims in excess of the amount calculated using the above-mentioned methodologies, the impact of such an event is calculated using existing claims data and actuarial estimation methods to adjust Hollenfels' claims IBNR. During the years ended December 31, 2020, Hollenfels calculated its claim liability or claim adjustment expenses using the above-mentioned methods consistent with prior years.

While Hollenfels typically settles its premiums and claim payments on a quarterly basis, the frequency of claims in the underlying policies is impractical for Hollenfels to obtain. Certain contracts Hollenfels has written are on a quota-share basis while the rest of the policies provide aggregate loss protection, rendering the collection of information for all underlying contracts impracticable. Hollenfels did not discount any of its reserves and did not cede any portion of its exposures during the years ended December 31, 2020, 2019, and 2018.

From time to time, Hollenfels may enter into reinsurance agreements that require it to post collateral of cash or U.S. government bonds to cover certain exposures as defined in the respective reinsurance agreements. As of December 31, 2020, Hollenfels pledged $120.5 million of collateral towards such reinsurance obligations, of which $106.8 million was cash and $13.7 million was U.S. government bonds. As of December 31, 2019, total collateral pledged was $15.0 million, of which $2.0 million was cash and $13.0 million was U.S. government bonds. Hollenfels expects $101.2 million and none of the cash collateral pledged as of December 31, 2020 and December 31, 2019, respectively, to be released on September 30, 2023. The remaining cash collateral of $5.5 million and all of the U.S. government bonds pledged as of December 31, 2020 as well as all cash and U.S. government bonds pledged as of December 31, 2019 are expected to be released periodically between June 30, 2021 and March 31, 2024 in accordance with the terms of the underlying reinsurance agreements.

19. Share-Based Payments, Deferred Compensation and Employee Ownership Plans

The Company has issued share-based compensation under the 2010 and 2020 Equity and Incentive Plan (the "Equity Plans"). The Equity Plans permit the grant of options, restricted shares, restricted stock units, and other equity-based awards to the Company's employees and directors. Stock options granted generally vest over two to five-year periods and expire seven years from the date of grant. Restricted shares and restricted share units issued, both of which are eligible to accrue dividend equivalents, may be immediately vested or may generally vest over a two-to five-year period. Awards are subject to the risk of forfeiture. As of December 31, 2020, there were 2.4 million shares available for future issuance under the Equity Plans.

Under the Equity Plans, the Company awarded $50.3 million of deferred cash awards to its employees during the year ended December 31, 2020. These awards vest over a four-year period and accrue interest at 0.70% per year. As of December 31, 2020, the Company had unrecognized compensation expense related to the Equity Plans' deferred cash awards of $69.8 million.

The Company measures compensation cost for share-based awards according to the equity method. In accordance with the expense recognition provisions of those standards, the Company amortizes unearned compensation associated with share-based awards on a straight-line basis over the vesting period of the option or award, net of estimated forfeitures. In relation to awards under the Equity Plan, the Company recognized compensation expense of $48.1 million, $34.0 million, and $37.0 million for the years ended December 31, 2020, 2019, and 2018, respectively. The income tax effect recognized for the Equity Plans was a benefit of $13.8 million, $8.8 million, and $9.7 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Restricted Stock Units Granted to Employees

Restricted shares and restricted stock units are referred to collectively as restricted stock. The following table summarizes the Company's restricted share and restricted stock unit activity for the years ended December 31, 2020 and 2019:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Nonvested Restricted Class A Common Shares and Class A Common Restricted Stock Units	Weighted-Average Grant Date Fair Value	Nonvested Restricted Class A Common Shares and Class A Common Restricted Stock Units	Weighted-Average Grant Date Fair Value
Beginning balance outstanding	5,364,486	$ 16.67	5,962,295	$ 15.73
Granted	2,709,979	17.40	2,435,058	16.58
Vested	(2,419,818)	15.59	(2,291,032)	15.63
Canceled	(87,348)	14.80	(584,333)	11.49
Forfeited	(117,108)	15.62	(157,502)	13.98
Ending balance outstanding	**5,450,191**	**$ 17.56**	**5,364,486**	**$ 16.67**

Included in the restricted share and restricted stock unit activity are performance-linked restricted stock units of 1,366,666 which were awarded in March 2016, April 2019 and July 2020. Of the awards granted, 379,319 have vested and 320,681 have been canceled, as they did not meet the performance criteria, through December 31, 2020. Included in vested shares are 233,333 shares that had an attainable value of 420,000, due to reaching certain performance goals, and are to be delivered in March 2021. The remaining awards, included in the outstanding balance as of December 31, 2020, vest between December 2021 and December 2022 and will be earned only to the extent that the Company attains specified market conditions relating to its volume-weighted average share price and total shareholder return in relation to certain benchmark indices and performance goals relating to aggregate net income and average return on shareholder equity. The actual number of RSUs ultimately earned could vary from zero, if performance goals are not met, to as much as 200% of the targeted award. Each RSU is equal to the one share of the Company's Class A common stock. Compensation expense is recognized to the extent that it is probable that the Company will attain the performance goals.

The fair value of restricted stock (excluding certain performance-linked units which are valued using the Monte Carlo valuation model) is determined based on the number of shares granted and the quoted price of the Company's common stock on the date of grant.

As of December 31, 2020, there was $70.8 million of unrecognized compensation expense related to the Company's grant of nonvested restricted shares and restricted stock units to employees. Unrecognized compensation expense related to nonvested restricted shares and restricted stock units granted to employees is expected to be recognized over a weighted-average period of 2.05 years.

Restricted Shares and Restricted Stock Units Granted to Non-Employee Board Members

There were 90,645 restricted stock units awarded and 48,021 delivered to non-employee board members during the year ended December 31, 2020. As of December 31, 2020, there were 259,536 restricted stock units outstanding for non-employee board members. There were no restricted stock units awarded to non-employee board members during the year ended December 31, 2019, and 120,430 were delivered. As of December 31, 2019, there were 216,912 restricted stock units outstanding.

Share Based Payments

In certain circumstances, the Company grants carried interest in consolidated managing member/general partner subsidiaries to third parties through the grant of equity awards in exchange for professional, advisory and other services. The equity awards are recorded within additional paid in capital in the accompanying consolidated statements of financial condition and professional, advisory and other fees expense in the accompanying consolidated statements of operations based on the fair value of the award granted and expensed over the terms of the award. In addition, the equity awards provide the third parties profit points aligned to the allocated carried interest distributions. Upon vesting of the awards, the third parties' allocation of carried interest is determined by applying an equity ownership model. Accordingly, the Company accrues carried interest allocations based on the fair value of the underlying investments assuming hypothetical liquidation at book value upon vesting as nonredeemable non-controlling interest.

20. Defined Contribution Plans

The Company sponsors a Retirement and Savings Plan which is a defined contribution plan pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plans"). All full-time employees of the Company can contribute on a tax deferred basis and an after-tax basis to the 401(k) Plans up to federal contribution limits or up to 100% of their annual compensation, subject to certain limitations. The Company provides matching and profit sharing contributions to employees that are equal to a specified percentage of the eligible participant's contribution as defined by the 401(k) Plans. For the years ended December 31, 2020, 2019, and 2018, the Company's contributions to the 401(k) Plans were $2.9 million, $1.0 million, and $1.0 million, respectively.

21. Income Taxes

The taxable results of the Company’s U.S. operations are included in the consolidated income tax returns of Cowen Inc. as well as stand-alone state and local tax returns. The Company has subsidiaries that are resident in foreign countries where tax filings have to be submitted on a stand-alone or combined basis. These subsidiaries are subject to tax in their respective countries and the Company is responsible for and, thus, reports all taxes incurred by these subsidiaries. The countries where the Company owns subsidiaries with tax filing obligations are the United Kingdom, Luxembourg, Germany, Switzerland, South Africa, Canada and Hong Kong.

The Company is subject to the Global Intangible Low Taxed Income ("GILTI") tax in the U.S. The Company elected to account for taxes on GILTI inclusions in U.S. taxable income as incurred on the current year basis and not included in deferred taxes.

The components of the Company's income tax expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	Year ended December 31,		
	2020	2019	2018
		(dollars in thousands)	
Current tax expense/(benefit)			
Federal	$ 13,840	$ (731)	$ (1,883)
State and local	5,060	457	(2,148)
Foreign	1,355	1,831	785
Total	$ 20,255	$ 1,557	$ (3,246)
Deferred tax expense/(benefit)			
Federal	$ 53,231	$ 10,242	$ 12,018
State and local	17,337	3,598	6,956
Foreign	(450)	(544)	(9)
Total	70,118	13,296	18,965
Total tax expense/(benefit)	**$ 90,373**	**$ 14,853**	**$ 15,719**

Consolidated U.S. income/(loss) before income taxes was $289.6 million in 2020, $68.9 million in 2019, and $93.0 million in 2018. The corresponding amounts for non-U.S.-based income/(loss) were $7.9 million in 2020, $2.2 million in 2019, and $6.0 million in 2018.

The reconciliations of the Company's federal statutory rate to the effective income tax rate for the years ended December 31, 2020, 2019, and 2018 are as follows:

	Year ended December 31,		
	2020	2019	2018
Pre-tax loss at U.S. statutory rate	21.0 %	21.0 %	21.0 %
Basis adjustment on investments	—	—	3.5
Nondeductible expenses	1.5	4.1	1.2
Goodwill impairment	—	1.2	—
Change in valuation allowance	—	(4.0)	7.1
State and foreign tax	7.3	8.0	(10.0)
Reversal of income attributable to non-controlling interests	0.7	(9.2)	(8.6)
Other, net	(0.1)	(0.1)	1.7
Total	**30.4 %**	**21.0 %**	**15.9 %**

As of December 31, 2020, the Company has net income taxes receivable of approximately $1.2 million representing state and foreign tax overpayments, which is included in other assets on the accompanying consolidated statements of financial condition. The Company also has income taxes payable of approximately $14.1 million representing federal and foreign payables, which is included in other liabilities on the accompany consolidated statements of financial condition.

The components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Deferred tax assets, net of valuation allowance		
Net operating loss	$ 18,039	$ 60,160
Deferred compensation	24,068	46,545
Intangible assets	4,513	2,969
Tax credits	6,230	6,716
Lease liability	20,401	24,623
Other	2,858	3,043
Total deferred tax assets	76,109	144,056
Valuation allowance	(5,194)	(5,234)
Deferred tax assets, net of valuation allowance	70,915	138,822
Deferred tax liabilities		
Right-of-use assets	(19,443)	(23,028)
Unrealized gains on investments	(33,439)	(26,545)
Amortization of bond discount	(1,686)	(3,980)
Other	(7,317)	(6,103)
Total deferred tax liabilities	(61,885)	(59,656)
Deferred tax assets/(liabilities), net	**$ 9,030**	**$ 79,166**

Deferred tax assets, net of valuation allowance, are reported in the accompanying consolidated statements of financial condition. In addition to the deferred tax balances in the table above, the Company records balances related to its operating losses in Luxembourg, which are discussed below.

The Company records deferred tax assets and liabilities for the future tax benefit or expense that will result from differences between the carrying value of its assets for income tax purposes and for financial reporting purposes, as well as for operating or capital loss and tax credit carryovers. A valuation allowance is recorded to bring the net deferred tax assets to a level that, in management's view, is more likely than not to be realized in the foreseeable future. This level will be estimated based on a number of factors, especially the amount of net deferred tax assets of the Company that are actually expected to be realized, for tax purposes, in the foreseeable future. The Company recorded approximately $5.2 million valuation allowance against its deferred tax assets of $76.1 million as of December 31, 2020 and recorded approximately $5.2 million valuation allowance against its deferred tax assets of $144.1 million as of December 31, 2019. Separately, the Company has deferred tax liabilities of $61.9 million as of December 31, 2020 and $59.7 million as of December 31, 2019.

For tax year 2020, the Company's total deferred tax expense of $70.1 million was derived by utilization of net operating losses and the reversal of timing differences in the normal course of business. The deferred tax expense of $13.3 million in 2019 was derived by the reversal of timing differences in the normal course of business. The deferred tax expense of $19.0 million in 2018 was derived by the basis difference from the disposal of assets and the reversal of timing differences in the normal course of business.

As of December 31, 2020, the Company has foreign tax credit carryforwards of $6.2 million which expire between 2021 and 2030. Valuation allowance of $4.2 million was established against foreign tax credit carryforward as the Company determined that it is not more likely than not that the credits will be utilized.

The Company has the following net operating loss carryforwards at December 31, 2020:

Jurisdiction:	Federal	New York State	New York City	Hong Kong
Net operating loss (in millions)	$26.0	$33.6	$60.5	$12.4
Year of expiration	2038	2037	2037	Indefinite

In addition to the net operating loss carryforwards in the table above, the Company also has net operating loss carryforwards in Luxembourg. These loss carryforwards are only accessible to the extent of taxable income generated by the Luxembourg reinsurance companies, including any deferred income that will be generated in the future. Consequently, the Company recorded a deferred tax asset of $214.1 million, net of deferred tax liabilities of $110.3 million in connection with future taxable income, and an offsetting valuation allowance of $214.1 million against its Luxembourg net operating loss carryforwards that are in excess of such taxable income.

In June 2011, the Company underwent a change of control under Section 382 of the Internal Revenue Code by the acquisition of a subsidiary with net operating loss carryovers. According, a portion of the Company's deferred tax assets, are subject to an annual limitation under Section 382. The deduction limitation is approximately $6.7 million annually and applies to approximately $23.6 million of net operating losses. The Company is not expected to lose any deferred tax assets as a result of these limitations.

As a result of the enactment of Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed on March 27, 2020, and the enactment of Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("CRRSAA") signed on December 27, 2020, the Company is required to assess the tax impact of the CARES Act and CRRSAA in the quarter each such law was enacted. Based on the management analysis, there was no material impact on the Company's financial statements as of December 31, 2020.

The components of unrecognized tax benefits are as follows:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Beginning balance at January 1	$ 299	$ 299
Increases/(Decreases) due to current year positions	—	—
Ending balance at December 31	**$ 299**	**$ 299**

No unrecognized tax benefit was recognized in the consolidated statement of operations for the year ended December 31, 2020. No income tax-related interest and penalties are recognized in the consolidated statement of financial condition at December 31, 2020.

The following are the major tax jurisdictions in which the Company has significant business operations and the earliest tax year subject to examination:

Jurisdiction:	Federal	New York State	New York City	United Kingdom	Luxembourg	Germany	Switzerland
Tax Year	2017	2013	2017	2016	2015	2016	2015

Currently, the Company is under audit by New York State for the 2013 to 2017 tax years. Management is not expecting a material tax liability from these audits. In December, the Company concluded the State of Massachusetts audit with no financial statement impact.

The Company continues to permanently reinvest the capital and accumulated earnings of its subsidiaries in the United Kingdom, Germany, Switzerland, Canada, South Africa and Hong Kong.

22. Commitments and Contingencies

Operating Lease Obligations

The Company has entered into leases for real estate and other facilities. These leases contain rent escalation clauses and options to extend the lease term. The Company does not include renewal options in the lease term for calculating the Company's lease liability as the renewal options allow the Company operational flexibility and the Company is not reasonably certain to exercise these renewal options at this time. The Company records the expenses related to occupancy and equipment on a straight-line basis over the lease term and these expenses are included in occupancy and equipment expense and client services and business development expense in the accompanying consolidated statements of operations.

For the years ended December 31, 2020 and 2019, quantitative information regarding the Company's operating lease obligations reflected in the accompanying consolidated statements of operations were as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(dollars in thousands)	
Lease cost		
Operating lease cost	$ 22,759	$ 23,540
Short-term lease cost	207	253
Variable lease cost	3,550	3,580
Sublease income	(781)	(953)
Total lease costs	**$ 25,735**	**$ 26,420**

The following table summarizes the supplemental cash flow information and certain other information related to operating leases for the years ended December 31, 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(dollars in thousands)	
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 25,012	$ 24,743
Weighted average remaining lease term - operating leases (in years)	4.58	5.34
Weighted average discount rate - operating leases	3.66 %	4.13 %

As of December 31, 2020, maturities of the outstanding operating lease liabilities for the Company were as follows:

	Equipment Leases (operating)	Real Estate and Other Facility Rental (a) (b)
	(dollars in thousands)	
2021	$ 283	$ 24,520
2022	150	21,805
2023	11	18,287
2024	—	15,017
2025	—	4,553
Thereafter	—	5,963
Total operating leases	444	90,145
Less discount	29	7,781
Less short-term leases	—	44
Total lease liability	**$ 415**	**$ 82,320**

(a) The Company has entered into various agreements to sublease certain of its premises.

(b) During the year ended December 31, 2020, the Company recognized an increase of $1.6 million of operating right-of-use assets and leases liabilities related to for facility leases.

See Note 23 for further information on the finance lease minimum payments.

Other Commitments

As of December 31, 2020, future minimum annual service payments for the Company were as follows:

	Service Payments (dollars in thousands)
2021	$ 24,610
2022	15,224
2023	7,943
2024	5,190
2025	3,366
Thereafter	10,594
Total service payment commitments	**$ 66,927**

Unfunded Commitments

The following table summarizes unfunded commitments as of December 31, 2020:

Entity	Unfunded Commitments (dollars in thousands)	Commitment Term
HealthCare Royalty Partners funds (a)	$ 7,571	4 years
Eclipse Ventures Fund I, L.P.	$ 59	4 years
Eclipse Fund II, L.P.	$ 100	5 years
Eclipse Continuity Fund I, L.P.	$ 58	6 years
Cowen Healthcare Investments II LP	$ 1,202	1 year
Cowen Healthcare Investments III LP	$ 5,094	6 years
Cowen Sustainable Investments I LP	$ 10,639	9 years

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

Litigation

In the ordinary course of business, the Company and its affiliates, subsidiaries and current and former officers, directors and employees (the "Company and Related Parties") are named as defendants in, or as parties to, various legal actions and proceedings. Certain of these actions and proceedings assert claims or seek relief in connection with alleged violations of securities, banking, anti-fraud, anti-money laundering, employment and other statutory and common laws. Certain of these actual or threatened legal actions and proceedings include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief.

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

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

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

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

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

23. Convertible Debt and Notes Payable

As of December 31, 2020 and 2019, the Company's outstanding debt was as follows:

	As of December 31,	
	2020	2019
	(dollars in thousands)	
Convertible debt	$ 80,808	$ 118,688
Notes payable	307,653	306,818
Term loans	—	32,180
Other notes payable	72,505	2,516
Finance lease obligations	2,909	3,937
	$ 463,875	**$ 464,139**

Convertible Debt

December 2022 Convertible Notes

The Company, on December 14, 2017, issued $135.0 million aggregate principal amount of 3.00% convertible senior notes due December 2022 (the "December 2022 Convertible Notes"). The December 2022 Convertible Notes are due on December 15, 2022 unless earlier repurchased by the Company or converted by the holder in accordance with their terms prior to such date. The interest on the December 2022 Convertible Notes is payable semi-annually on December 15 and June 15 of each year. The December 2022 Convertible Notes are senior unsecured obligations of Cowen. The December 2022 Convertible Notes may be converted into cash or shares of Class A common stock at the Company's election based on the current conversion price (which at December 31, 2020 was 58.198). The December 2022 Convertible Notes were issued with an initial conversion price of $17.375 per share of Cowen's Class A common stock.

On June 26, 2018, the Company received shareholder approval for the Company to settle the December 2022 Convertible Notes entirely in Class A common stock. Upon receiving shareholder approval, the Company reclassified the separately recognized conversion option from a derivative liability to equity. Pursuant to the indenture governing the December 2022 Convertible Notes, conversions of the December 2022 Convertible Notes will be settled by the delivery and/or payment, as the case may be, of Cowen's Class A Common Stock, cash, or a combination thereof, at the Company's election. The Company has the intent and ability to settle the convertible notes in cash and, as a result, the convertible notes do not have an impact on the Company's diluted earnings per share calculation (See Note 26).

The Company recognized the embedded cash conversion option at issuance date fair value, which also represents the initial unamortized discount on the December 2022 Convertible Notes of $23.4 million and is shown net in convertible debt in the accompanying consolidated statements of financial condition. Amortization on the discount, included within interest and dividends expense in the accompanying consolidated statements of operations is $4.6 million, $4.3 million and $4.0 million for the years ended December 31, 2020, 2019, and 2018, respectively, based on an effective interest rate of 7.13%. The Company capitalized the debt issuance costs in the amount of $2.2 million, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the December 2022 Convertible Notes in interest and dividends expense in the accompanying consolidated statements of operations. The Company recorded interest expense of $4.0 million, $4.1 million and $4.1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

During December 2020, the Company repurchased and extinguished $46.9 million of the outstanding principal amount of the December 2022 Convertible Notes for cash consideration of $70.5 million. In conjunction with the partial extinguishment of the December 2022 Convertible Notes, the Company accelerated the pro rata unamortized discount of $3.6 million and capitalized debt issuance costs of $0.4 million. The Company allocated $29.6 million of the cash consideration paid to the extinguishment of the equity component of the December 2022 Convertible Notes. The Company recognized $2.7 million of gain on debt extinguishment. As of December 31, 2020, the outstanding principal amount of the December 2022 Convertible Notes was $88.1 million.

Notes Payable

May 2024 Notes

On May 7, 2019, the Company completed its private placement of $53.0 million aggregate principal amount of 7.25% senior notes due May 2024 (the "May 2024 Notes") with certain institutional investors. On September 30, 2019, the Company issued an additional $25.0 million of the same series of notes. The additional May 2024 Notes were purchased at a premium of $0.5 million, which is shown net in notes payable in the accompanying consolidated statement of financial condition. To date the May 2024 Notes have maintained their initial private rating, and the interest rate has remained unchanged. Interest on the May 2024 Notes is payable semi-annually in arrears on May 6 and November 6. The Company recorded interest expense of $5.7 million and $2.9 million for the years ended December 31, 2020 and 2019, respectively. The Company capitalized debt issuance costs of approximately $1.5 million in May 2019 and $0.6 million in December 2019, which is a direct deduction from the carrying value of the debt and will be amortized over the life of the May 2024 Notes in interest and dividends expense in the accompanying consolidated statements of operations.

June 2033 Notes

On June 11, 2018, the Company completed its public offering of $90.0 million of 7.75% senior notes due June 2033 (the "June 2033 Notes") and subsequently the underwriters exercised in full their option to purchase an additional $10.0 million principal amount of the June 2033 Notes. Interest on the June 2033 Notes is payable quarterly in arrears on March 15, June 15, September 15 and December 15. The Company recorded interest expense of $7.7 million, $7.7 million and $4.3 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Company capitalized debt issuance costs of approximately $3.6 million which is a direct deduction from the carrying value of the debt and will be amortized over the life of the June 2033 Notes in interest and dividends expense in the accompanying consolidated statements of operations.

December 2027 Notes

On December 8, 2017, the Company completed its public offering of $120.0 million of 7.35% senior notes due December 2027 (the "December 2027 Notes") and subsequently the underwriters exercised in full their option to purchase an additional $18.0 million principal amount of the December 2027 Notes. Interest on the December 2027 Notes is payable quarterly in arrears on March 15, June 15, September 15 and December 15. The Company recorded interest expense of $10.1 million, $10.1 million and $10.1 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Company capitalized debt issuance costs of approximately $5.0 million which is a direct deduction from the carrying value of the debt and will be amortized over the life of the December 2027 Notes in interest and dividends expense in the accompanying consolidated statements of operations. The net proceeds of the offering, after deducting the underwriting discount and estimated offering expenses payable by the Company were used to redeem all of its 8.25% senior notes due October 2021 and for general corporate purposes.

Term Loans

On June 30, 2017, a subsidiary of the Company borrowed $28.2 million to fund general corporate purposes. In July 2019, the subsidiary of the Company borrowed separately, from the same lender, $4.0 million to fund general corporate purposes. Each loan was secured by the value of the Company's limited partnership interests in two affiliated investment funds. The Company had provided a guarantee for these loans. Both loans had an effective interest rate of London Inter-bank Offered Rate ("LIBOR") plus 3.75% with a lump sum payment of the entire combined principal amount due (as amended) on June 26, 2020 when they were both fully repaid. The Company recorded interest expense of $0.8 million, $1.8 million and $1.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Other Notes Payable

During January 2020, the Company borrowed $2.9 million to fund insurance premium payments. This note had an effective interest rate of 2.01% and was due in December 2020, with monthly payment requirements of $0.3 million. As of December 31, 2020, the note was fully repaid. Interest expense for the year ended December 31, 2020 was insignificant.

During November 2019, the Company borrowed $2.6 million to fund general corporate capital expenditures. This note had an effective interest rate of 6% and is due in November 2024, with monthly payment requirements of $0.1 million. As of

December 31, 2020, the outstanding balance on this note was $2.1 million. Interest expense for the years ended December 31, 2020 was $0.1 million and for year ended December 31, 2019 was insignificant.

On September 30, 2020, the Company borrowed $72.0 million from Purple Protected Asset S-91 ("PPA S-91"), a Luxembourg entity unrelated to Cowen. The loan is payable on September 30, 2023, had an initial interest rate of 1.4 times the Secured Overnight Financing Rate ("SOFR") plus 6.07% until December 31, 2020 and 1.4 times the SOFR plus 5.8% thereafter with quarterly interest payments. The loan obligation, as well as a loan issued by The Military Mutual Ltd (a United Kingdom company unrelated to Cowen) with principal of $28.4 million that was sold by Hollenfels to PPA S-91 at fair value for no gain or loss on September 30, 2020, are fully cash collateralized through a reinsurance policy provided by Hollenfels which is reflected in cash collateral pledged in the consolidated statements of financial condition as of December 31, 2020 (see Notes 4 and 18). The Company capitalized debt issuance costs of approximately $1.7 million which is a direct deduction from the carrying value of the loan and will be amortized over the life of the loan in interest and dividends expense shown in the accompanying consolidated statements of operations. The Company recorded interest expense of $1.2 million for the year ended December 31, 2020 related to its loan payable to PPA S-91.

Spike Line

Pursuant to an amendment in May 2020, Cowen and Company replaced Cowen Execution as the borrower and accepted, reaffirmed and assumed all of Cowen Execution's rights, duties, obligations and liabilities under the spike line facility and the related loan documents. In August 2020, Cowen and Company renewed a one-year committed spike line facility to cover short term increases in National Securities Clearing Corporation margin deposit requirements. The spike line facility has a capacity of $70 million. This facility has (i) an effective interest rate equal to the Federal Funds rate plus 2.50% on any money drawn from the liquidity facility and (ii) a commitment or unused line fee that is 50 basis points on the undrawn amount. All amounts outstanding under this facility were fully repaid during the second quarter of 2020. Interest expense for the year ended December 31, 2020 was $0.4 million.

Revolving Credit Facility

In December 2019, the Company entered into a two-year committed corporate credit facility with a capacity of $25.0 million. This credit facility has (i) an effective interest rate equal to LIBOR plus 3.25% on any money drawn from the credit facility and (ii) a commitment or unused line fee that is 50 basis points on the undrawn amount. All amounts outstanding under this credit facility were fully repaid during the second quarter of 2020. Interest expense for the year ended December 31, 2020 was $0.3 million.

Finance Lease Obligations

The Company has entered into various finance leases for computer equipment. These finance lease obligations are included in notes payable and other debt in the accompanying consolidated statements of financial condition.

For the years ended December 31, 2020 and 2019, quantitative information regarding the Company's finance lease obligations reflected in the accompanying consolidated statements of operations, the supplemental cash flow information and certain other information related to finance leases were as follows:

	Year Ended December 31,	
	2020	2019
	(dollars in thousands)	
Lease cost		
Finance lease cost:		
Amortization of finance lease right-of-use assets	$ 1,232	$ 1,266
Interest on lease liabilities	$ 171	$ 227
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 171	$ 227
Financing cash flows from finance leases	$ 1,033	$ 1,266
Weighted average remaining lease term - operating leases (in years)	2.24	3.21
Weighted average discount rate - operating leases	4.89 %	4.88 %

Annual scheduled maturities of debt and minimum payments (of principal and interest) for all debt outstanding as of December 31, 2020, are as follows:

	Convertible Debt	Notes Payable	Other Notes Payable	Finance Lease Obligation
	(dollars in thousands)			
2021	$ 2,644	$ 23,548	$ 4,858	$ 1,483
2022	90,763	23,548	593	1,167
2023	—	23,548	72,593	411
2024	—	98,721	543	11
2025	—	17,893	—	—
Thereafter	—	316,411	—	—
Subtotal	93,407	503,669	78,587	3,072
Less (a)	(12,599)	(196,016)	(6,082)	(163)
Total	**$ 80,808**	**$ 307,653**	**$ 72,505**	**$ 2,909**

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

Letters of Credit

As of December 31, 2020, the Company has six irrevocable letters of credit, related to leased office space, for which there is cash collateral pledged, which the Company pays a fee on the stated amount of the letter of credit. The Company also has pledged cash collateral for reinsurance agreements (See Note 4).

To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of December 31, 2020 and 2019, there were no amounts due related to these letters of credit.

24. Stockholder's Equity

The Company is authorized to issue 125,000,000 shares of common stock, which shall consist of 62,500,000 shares of Class A common stock, par value $0.01 per share, and 62,500,000 shares of Class B common stock, par value $0.01 per share. The Company is also authorized to issue 10,000,000 shares of preferred stock, par value $0.01 per share. Subject to the rights of holders of any outstanding preferred stock, the number of authorized shares of common stock or preferred stock may be increased or decreased by the affirmative vote of the holders of a majority of the shares entitled to vote on such matters, but in no instance can the number of authorized shares be reduced below the number of shares then outstanding.

Common stock

The certificate of incorporation of the Company provides for two classes of common stock, and for the conversion of each class into the other, to provide a mechanism by which holders of Class A common stock of the Company who may be limited in the amount of voting common stock of the Company they can hold pursuant to federal, state or foreign bank laws, to convert their shares into non-voting Class B common stock to prevent being in violation of such laws. Each holder of Class A common stock is entitled to one vote per share in connection with the election of directors and on all other matters submitted to a stockholder vote, provided, however, that, except as otherwise required by law, holders of Class A common stock are not entitled to vote on any amendment to the Company's amended and restated certificate of incorporation that relates solely to the terms of one or more outstanding series of the Company's preferred stock, if holders of the preferred stock series are entitled to vote on the amendment under the Company's certificate of incorporation or Delaware law. No holder of Class A common stock may accumulate votes in voting for directors of the Company.

Each holder of Class B common stock is not entitled to vote except as otherwise provided by law, provided however that the Company must obtain the consent of a majority of the holders of Class B common stock to effect any amendment, alteration or repeal of any provision of the Company's amended and restated certificate of incorporation or amended and restated by-laws that would adversely affect the voting powers, preferences or rights of holders of Class B common stock. Except as otherwise provided by law, Class B common stock shares will not be counted as shares held by stockholders for purposes of determining whether a vote or consent has been approved or given by the requisite percentage of shares.

Each share of Class A common stock is convertible at the option of the holder and at no cost into one share of Class B common stock, and each share of Class B common stock is convertible at the option of the holder and at no cost into one share of

Class A common stock. The conversion ratios will be adjusted proportionally to reflect any stock split, stock dividend, merger, reorganization, recapitalization or other change in the Class A common stock and Class B common stock. Upon conversion, converted shares resume the status of authorized and unissued shares.

Subject to the preferences of the holders of any of the Company's preferred stock that may be outstanding from time to time, each share of Class A common stock and Class B common stock will have an equal and ratable right to receive dividends and other distributions in cash, property or shares of stock as may be declared by the Company's board of directors out of assets or funds legally available for the payment of dividends and other distributions.

In the event of the liquidation, dissolution or winding up of the Company, subject to the preferences of the holders of any preferred stock of the Company that may be outstanding from time to time, holders of Class A common stock and Class B common stock will be entitled to share equally and ratably in the assets available for distribution to the Company's stockholders. There are no redemption or sinking fund provisions applicable to the Class A or the Class B common stock.

Preferred Stock

The Company's amended and restated certificate of incorporation permits the Company to issue up to 10,000,000 shares of preferred stock in one or more series with such designations, titles, voting powers, preferences and rights and such qualifications, limitations and restrictions as may be fixed by the board of directors of the Company without any further action by the Company's stockholders. The Company's board of directors may increase or decrease the number of shares of any series of preferred stock following the issuance of that series of preferred stock, but in no instance can the number of shares of a series of preferred stock be reduced below the number of shares of the series then outstanding.

Preferred Stock and Purchase of Capped Call Option

On May 19, 2015, the Company completed its offering of 120,750 shares of the Company's 5.625% Series A cumulative perpetual convertible preferred stock ("Series A Convertible Preferred Stock") that provided $117.2 million of proceeds, net of underwriting fees and issuance costs of $3.6 million. Each share of the Series A Convertible Preferred Stock is entitled to dividends at a rate of 5.625% per annum, which will be payable, when and if declared by the board of directors of the Company, quarterly, in arrears, on February 15, May 15, August 15 and November 15 of each year. The Company may, at its option, pay dividends in cash, common stock or a combination thereof. The Company declared and accrued a cash dividend in respect of the Series A Convertible Preferred Stock of $6.8 million, for the years ended December 31, 2020, 2019, and 2018, respectively.

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

Each share of Series A Convertible Preferred Stock is convertible, at the option of the holder, into a number of shares of the Company's Class A common stock equal to the liquidation preference of $1,000 divided by the conversion rate. The initial conversion rate (subsequent to the December 5, 2016 reverse stock split) is 38.0619 shares (which equates to $26.27 per share) of the Company's Class A common stock for each share of the Series A Convertible Preferred Stock. At any time on or after May 20, 2020, when the Company's capped call option expired, the Company may elect to convert all outstanding shares of the Series A Convertible Preferred Stock into shares of the Company's Class A common stock, cash or a combination thereof, at the Company's election, in each case, based on the then-applicable conversion rate (which at December 31, 2020 was 38.488), if the last reported sale price of the Company's Class A common stock equals or exceeds 150% of the then-current conversion price on at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days (including on the last trading day of such period) immediately prior to such election. At the time of conversion, the conversion rate may be adjusted based on certain events, including but not limited to the issuance of cash dividends or Class A common stock as dividends to the Company's Class A common shareholders or a share split or combination. The Company has the intent and ability to settle the preferred shares in cash and, as a result, the preferred shares do not have an impact on the Company's diluted earnings per share calculation (See Note 26).

Embedded Cash Conversion Option on the December 2022 Convertible Notes

Upon issuance of the December 2022 Convertible Notes (see Note 23), the Company recognized the embedded cash conversion option at fair value of $23.4 million which was valued as of June 26, 2018 at $29.0 million. On June 26, 2018, the Company received shareholder approval for the Company to settle the December 2022 Convertible Notes entirely in Class A common stock. Upon receiving shareholder approval, the Company reclassified the separately recognized conversion option from a derivative liability to equity. The Company allocated $29.6 million of the cash consideration paid on the December 2020 partial extinguishment of the Convertible Notes (see Note 23) to this equity component.

Cash Dividends to Common Stockholders

During the first quarter of 2020, the Company began the declaration of a quarterly cash dividend payable on its common stock. During March, June and July 2020, the Company's Board of Directors declared a cash dividend of $0.04 per share of Class A common stock. Dividends are payable on all outstanding shares of Class A common stock and on granted but unvested shares of Class A common stock under the Equity Plans on the date of record (See Note 19). During the year ended December 31, 2020, the Company paid $5.7 million of cash dividends to its holders of Class A common stock.

Treasury Stock

Treasury stock of $346.9 million as of December 31, 2020, compared to $284.3 million as of December 31, 2019, resulted from $15.1 million acquired through repurchases of shares to cover employee minimum tax withholding obligations related to stock compensation vesting events under the Equity Plans or other similar transactions, $0.11 million received from an escrow account established to satisfy the Company's indemnification claims arising under the terms of the purchase agreement entered into in connection with the Company's acquisition of Convergex Group, LLC and $47.3 million purchased in connection with a share repurchase program.

The following represents the activity relating to the treasury stock held by the Company during the year ended December 31, 2020:

	Treasury Stock Shares		Cost (dollars in thousands)		Average Cost per Share
Balance outstanding at December 31, 2019	18,605,581	$	284,301	$	15.28
Shares purchased for minimum tax withholding under the 2010 Equity Plan or other similar transactions	866,784		15,147		17.48
Shares of stock received in respect of indemnification claims	7,747		108		13.96
Purchase of treasury stock	3,139,751		47,314		15.07
Balance outstanding at December 31, 2020	**22,619,863**	**$**	**346,870**	**$**	**15.33**

25. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income includes the after tax change in unrealized gains and losses on foreign currency translation adjustments. During the periods presented, the Company did not have material reclassifications out of other comprehensive income.

	Year Ended December 31,					
		2020		2019		2018
	(dollars in thousands)					
Beginning balance	$	(5)	$	(5)	$	(8)
Foreign currency translation		(2)		—		3
Ending balance	**$**	**(7)**	**$**	**(5)**	**$**	**(5)**

26. Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to the Company's common stockholders by the weighted average number of shares of Class A common stock outstanding for the period. As of December 31, 2020, there were 26,845,628 shares of Class A common stock outstanding. As of December 31, 2020, the Company has included 334,230 fully vested, unissued restricted stock units and restricted shares in its calculation of basic earnings per share. As of December 31, 2019, there were 28,610,357 shares of Class A common stock outstanding. As of December 31, 2019, the Company has included 216,912 fully vested, unissued restricted stock units in its calculation of basic earnings per share.

Diluted earnings per common share are calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive items. The Company uses the treasury stock method to reflect the potential dilutive effect of the unvested restricted shares, and restricted stock units. In calculating the number of dilutive shares outstanding, the shares of common stock underlying unvested restricted shares and restricted stock units are assumed to have been delivered, and options and warrants are assumed to have been exercised, for the entire period being presented. The number of performance-linked unvested restricted stock units that are included in the calculation are at the amount that could be earned using current payout rates. The assumed proceeds from the assumed vesting, delivery and exercising were calculated as the amount of compensation cost attributed to future services and not yet recognized.

The Company can elect to settle the Series A Convertible Preferred Stock and the December 2022 Convertible Notes in shares, cash, or a combination of both. The Company's intent is to settle in cash and, based on current and projected liquidity needs, the Company has the ability to do so.

The computation of earnings per share is as follows:

	Year Ended December 31,		
	2020	2019	2018
	(dollars and share data in thousands, except per share data)		
Net income (loss)	$ 207,064	55,870	$ 79,879
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	(9,299)	31,239	37,060
Net income (loss) attributable to Cowen Inc.	216,363	24,631	42,819
Preferred stock dividends	6,792	6,792	6,792
Net income (loss) attributable to Cowen Inc. common stockholders	**$ 209,571**	**$ 17,839**	**$ 36,027**
Shares for basic and diluted calculations:			
Weighted average shares used in basic computation	27,790	29,525	29,545
Contingently issuable common stock in connection with an acquisition (see Note 3)	85	26	—
Restricted stock	1,644	1,735	1,190
Weighted average shares used in diluted computation	**29,519**	**31,286**	**30,735**
Earnings (loss) per share:			
Basic	$ 7.54	$ 0.60	$ 1.22
Diluted	$ 7.10	$ 0.57	$ 1.17

27. Segment Reporting

The Company has two reportable business segments: Op Co and Asset Co. The Op Co segment consists of Cowen Investment Management ("CIM"), Investment Banking, Markets and Research. The Asset Co segment consists of the Company's private investments, private real estate investments and other legacy investment strategies.

Segment Measures

The measure of profit or loss for these segments is Economic Income (Loss), which management uses to evaluate the financial performance of and make operating decisions for the segments including determining appropriate compensation levels. Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount, square footage and other factors.

In general, Economic Income (Loss) is a pre-tax measure that (i) includes management reclassifications which the Company believes provides additional insight into the performance of the Company's core businesses and divisions (ii) eliminates the impact of consolidation for Consolidated Funds and (iii) excludes (1) goodwill and certain other impairments (2) certain other transaction-related adjustments and/or reorganization expenses and (3) certain costs associated with debt.

The Company does not disclose total asset information for its business segments as the information is not reviewed by the Chief Operating Decision Maker ("CODM"). The Op Co and Asset Co segments do not conduct inter-segment transactions.

The following table sets forth operating results for the Company's consolidated US GAAP net income (loss) and related reclassifications and adjustments necessary to reconcile to the Company's Economic Income (Loss) measure which represents the Company's Op Co and Asset Co segments' results:

	Year Ended December 31,		
	2020	2019	2018
	(dollars in thousands)		
Economic Income			
Op Co	329,381	53,257	77,935
Asset Co	(16,136)	(9,560)	(9,034)
Adjustments made to arrive at Income (loss) before income taxes			
Noncontrolling Interest	(9,299)	31,239	37,060
Preferred stock dividends	6,792	6,792	6,792
Amortization of (discount)/premium on convertible debt	(4,499)	(4,297)	(4,010)
Transaction-related and other costs	(9,098)	(2,608)	(2,778)
Goodwill and other impairment	(2,423)	(4,100)	—
Unrealized gain (loss) on conversion option (a)	—	—	(7,416)
Debt extinguishment gain / loss	2,719	—	(556)
Exited business cost	—	—	(2,395)
Income (loss) before income taxes	297,437	70,723	95,598

(a) Prior to the Company's June 26, 2018 stockholder meeting, the embedded conversion option feature associated with its December 2022 Convertible Notes was recognized at fair value in accordance with US GAAP as a derivative liability. The profit and loss movement related to that liability was associated with the movement of the per share price of the Company's Class A common stock. Subsequent to receiving stockholder approval for share settlement the embedded conversion option was reclassified to equity and will no longer result in profit and loss movements.

Economic Income (Loss) information provided and reviewed by the CODM includes (i) non-interest revenue, (ii) interest revenue, (iii) interest expense and (iv) depreciation and amortization expense presented on an Economic Income (Loss) basis by Segment. The following table sets forth the included segment information on a US GAAP basis with reconciliations to consolidated amounts.

	Year Ended December 31,		
	2020	2019	2018
	(dollars in thousands)		
OpCo			
Non-Interest Revenue	1,447,595	874,506	856,285
Interest Revenue	169,358	165,443	96,535
Interest Revenue, Consolidated funds	2,683	6,746	4,413
Total Revenues	1,619,636	1,046,695	957,233
Interest Expense	173,537	155,974	94,555
Interest Expense, Consolidated funds	1,376	3,553	4,606
Depreciation and Amortization	22,655	20,424	11,402
Asset Co			
Non-Interest Revenue	2,889	2,455	8,447
Interest Revenue	770	284	1,224
Interest Revenue, Consolidated funds	9	9	12
Total Revenues	3,668	2,748	9,683
Interest Expense	6,120	3,835	2,920
Interest Expense, Consolidated funds	—	—	—
Depreciation and Amortization	22	36	1,034
Total Segment			
Non-Interest Revenue *	1,450,484	876,961	864,732
Interest Revenue	170,128	165,727	97,759
Interest Revenue, Consolidated funds	2,692	6,755	4,425
Total Revenues	1,623,304	1,049,443	966,916
Interest and Dividend Expense (includes dividend expense of $8.1 million, $8.8 million and $6.6 million for the years ended December 31, 2020, 2019, and 2018, respectively)	187,725	168,628	104,116
Interest and Dividend Expense, Consolidated funds (includes dividend expense of $0.7 million, $1.0 million and $1.9 million for the years ended December 31, 2020, 2019, and 2018, respectively)	2,064	4,602	6,534
Depreciation and Amortization	22,677	20,460	12,436

* Includes dividend revenue of $17.3 million, $9.2 million and $10.2 million for the years ended December 31, 2020, 2019, and 2018, respectively. In addition, includes dividend revenue, consolidated funds, of $2.5 million, $3.0 million and $5.4 million for the years ended December 31, 2020, 2019, and 2018, respectively.

28. Regulatory Requirements

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

On May 1, 2020, Cowen and Company completed its merger with Cowen Execution. Cowen and Company is the surviving entity. The merger had no impact to the Company’s financial results. On July 3rd, 2020, Cowen Execution’s registration was formally terminated with FINRA.

Cowen Prime is also subject to Commodity Futures Trading Commission ("CFTC") Regulation 1.17 ("Regulation 1.17"). Regulation 1.17 requires net capital equal to or in excess of $45,000 or the amount of net capital required by SEC Rule 15c3-1, whichever is greater. Cowen and Company is also subject to Options Clearing Corporation ("OCC") Rule 302. OCC Rule 302 requires maintenance of net capital equal to the greater of $2.0 million or 2% of aggregate debit items. At December 31, 2020, Cowen and Company had $288.2 million of net capital in excess of this minimum requirement.

Cowen International Ltd and Cowen Execution Ltd are subject to the capital requirements of the U.K. Financial Conduct Authority ("FCA"), as defined, and must exceed the minimum capital requirement set forth by the FCA.

Cowen Asia, a previously established entity, was re-registered with regulatory approval on May 17, 2019. Cowen Asia is subject to the financial resources requirements of the Securities and Futures Commission ("SFC") of Hong Kong. Financial Resources must exceed the Total Financial Resources requirement of the SFC.

As of December 31, 2020, these regulated broker-dealers had regulatory net capital or financial resources, regulatory net capital requirements or minimum FCA or SFC requirement and excess as follows:

Subsidiary	Net Capital		Minimum Net Capital Requirement		Excess Net Capital	
			(dollars in thousands)			
Cowen and Company	$	291,803	$	3,594	$	288,209
ATM Execution	$	3,857	$	250	$	3,607
Cowen Prime	$	18,553	$	250	$	18,303
Westminster	$	29,330	$	250	$	29,080
Cowen International Ltd	$	29,511	$	22,699	$	6,812
Cowen Execution Ltd	$	12,188	$	3,331	$	8,857
Cowen Asia	$	2,030	$	387	$	1,643

The Company's U.S. broker-dealers must also comply with SEC Rule 15c3-3 or claim an exemption pursuant to subparagraphs (k)(2)(i) or (k)(2)(ii) of that rule. Firms can rely on more than one exemption. Cowen Prime and ATM Execution claim the (k)(2)(ii) exemption with regard to all of their customer accounts and transactions that are introduced on a fully-disclosed basis to their clearing agents for clearing, settlement and custody. Cowen Prime and Westminster claim the (k)(2)(i) exemption with regards to customer transactions and balances that are cleared, settled and custodied in bank accounts designated as Special Accounts for the Exclusive Benefit of Customers ("Special Bank Accounts"). Westminster also claims exemption for other business activities that are not covered under (k)(2)(i) contemplated by Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 for receiving transaction-based compensation in return for providing commission management services.

In accordance with the requirements of SEC Rule 15c3-3, Cowen and Company may be required to deposit in a Special Reserve Account cash or acceptable qualified securities for the exclusive benefit of customers. As of December 31, 2020, Cowen and Company had segregated approximately $49.2 million of cash, while its required deposit was $31.3 million.

As a clearing broker-dealer, Cowen and Company is required to compute a reserve requirement for proprietary accounts of broker-dealers ("PAB"), as defined in SEC Rule 15c3-3. Cowen and Company conducts PAB reserve computations in order to determine the amount it is required to deposit in its PAB Reserve Bank Accounts pursuant to SEC Rule 15c3-3. This allows each correspondent firm that uses Cowen and Company as its clearing broker-dealer to classify its PAB account assets held at Cowen and Company as allowable assets in the correspondent's net capital calculation. At December 31, 2020, Cowen and Company had $28.8 million of cash on deposit in PAB Reserve Bank Accounts, which was more than its required deposit of $19.2 million. Cowen and Company, ATM Execution, and Cowen Prime also maintain certain assets in PAB accounts held at their respective clearing brokers. Each treats its assets held in those PAB accounts at the respective clearing brokers as allowable assets for net capital purposes.

Cowen's Luxembourg reinsurance companies, Vianden RCG Re SCA and Hollenfels, individually and their Luxembourg parent holding company, Ramius Enterprise Luxembourg Holdco S.à r.l., on a combined basis with the reinsurance companies, are required to maintain a solvency capital ratio as calculated by relevant European Commission directives and local regulatory rules in Luxembourg. Each reinsurance company's individual solvency capital ratio as well as the combined solvency capital ratio of the holding and reinsurance companies calculated as of December 31 of each year must exceed a minimum requirement. As of, December 31, 2019, all of these entities were in excess of this minimum requirement. Hollenfels and Vianden RCG Re SCA were tested at December 31, 2020 and were again in excess of the minimum requirement. The remaining company is expected to be also in compliance at its next testing date of December 31, 2020.

Based on minimum capital and surplus requirements pursuant to the laws of the state of New York that apply to captive insurance companies, RCG Insurance Company, Cowen's captive insurance company incorporated and licensed in the state of New York, was required to maintain capital and surplus of approximately $0.3 million as of December 31, 2020. RCG Insurance Company’s capital and surplus as of December 31, 2020 totaled approximately $6.4 million.

29. Related Party Transactions

The Company and its affiliated entities are the managing member, general partner and/or investment manager to the Company's investment funds and certain managed accounts. Management fees and incentive income are primarily earned from affiliated entities. As of December 31, 2020 and 2019, $28.4 million and $20.5 million, respectively, included in fees receivable, are earned from related parties. The Company may, at its discretion, reimburse certain fees charged to the investment funds that it manages to avoid duplication of fees when such funds have an underlying investment in another affiliated investment fund. For the years ended December 31, 2020, 2019 and 2018, the amounts which the Company reimbursed the investment funds it manages were immaterial. Fees receivable and fees payable are recorded at carrying value, which approximates fair value.

The Company may also make loans to employees or other affiliates, excluding executive officers of the Company. These loans are interest bearing and settle pursuant to the agreed-upon terms with such employees or affiliates, and are included in due from related parties in the accompanying consolidated statements of financial condition. As of December 31, 2020 and 2019, loans to employees of $9.5 million and $14.9 million, respectively, were included in due from related parties on the accompanying consolidated statements of financial condition. Of these amounts $4.6 million and $7.1 million, respectively, are related to forgivable loans. These forgivable loans provide for a cash payment up-front to employees, with the amount due back to the Company forgiven over a vesting period. An employee that voluntarily ceases employment, or is terminated with cause, is generally required to pay back to the Company any unvested forgivable loans granted to them. The forgivable loans are recorded as an asset to the Company on the date of grant and payment, and then amortized to compensation expense on a straight-line basis over the vesting period. The vesting period on forgivable loans is generally one to three years. The Company recorded compensation expense of $3.7 million and $3.8 million, and $3.1 million for the years ended December 31, 2020, 2019, and 2018, respectively. This expense is included in employee compensation and benefits in the accompanying consolidated statements of operations. For the year ended December 31, 2020, the interest income was $0.1 million for these related party loans and advances, and are included in interest and dividends in the accompanying consolidated statements of operations. For the year ended December 31, 2019, the interest income was $0.1 million for these related party loans and advances, and for the year ended December 31, 2018, the interest income was immaterial. This income is included in interest and dividends in the accompanying consolidated statements of operations.

As of December 31, 2020 and 2019, included in due from related parties is $3.6 million and $6.5 million, respectively, related to the sales of portions of the Company's ownership interest in the activist business of Starboard Value to the Starboard principals. It is being financed through the profits of the relevant Starboard entities over a five-year period and earns interest at 5.0% per annum. The interest income for the years ended December 31, 2020, 2019, and 2018 was $0.2 million, $0.3 million, and $0.4 million, respectively.

The remaining balance included in due from related parties of $7.9 million and $5.3 million as of December 31, 2020 and 2019, respectively, relates to amounts due to the Company from affiliated investment funds and real estate entities due to expenses paid on their behalf. Included in due to related parties is approximately $0.2 million and $0.3 million as of December 31, 2020 and 2019, respectively, related to a subordination agreement with an investor in certain real estate funds. This total is based on a hypothetical liquidation of the real estate funds as of the balance sheet date.

Employees and certain other related parties invest on a discretionary basis within consolidated entities. These investments generally are subject to preferential management fee and performance fee arrangements. As of December 31, 2020 and 2019, such investments aggregated $84.3 million and $36.0 million, respectively, were included in non-controlling interests on the accompanying consolidated statements of financial condition. Their share of the net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds aggregated $21.2 million, $7.9 million, and $7.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The Company may, at times, have unfunded commitment amounts pertaining to related parties. See Note 22 for amounts committed as of December 31, 2020.

30. Guarantees and Off-Balance Sheet Arrangements

Guarantees

US GAAP requires the Company to disclose information about its obligations under certain guarantee arrangements. Those standards define guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying security (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. Those standards also define guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of loss to be remote.

The Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make significant payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

The Company also provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the accompanying consolidated financial statements for these indemnifications.

The Company may maintain cash and cash equivalents at financial institutions in excess of federally insured limits. The Company has not experienced any material losses in such accounts and does not believe it is exposed to significant credit risks in relation to such accounts.

Off-Balance Sheet Arrangements

The Company has no material off-balance sheet arrangements, which have not been disclosed, as of December 31, 2020 and 2019. Through indemnification provisions in clearing agreements with clients, customer activities may expose the Company to off-balance-sheet credit risk. Pursuant to the clearing agreement, the Company is required to reimburse the Company's clearing broker, without limit, for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. However, these transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date.

The Company's customer securities activities are transacted on a delivery versus payment, cash or margin basis. In delivery versus payment transactions, the Company is exposed to risk of loss in the event of the customers' or brokers' inability to meet the terms of their contracts.

In margin transactions, the Company extends credit to clients collateralized by cash and securities in their account. In the event the customers or brokers fail to satisfy their obligations, the Company may be required to purchase or sell securities at prevailing market prices in order to fulfill the obligations.

The Company's exposure to credit risk can be directly impacted by volatile securities markets, which may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the customers' financial condition and credit ratings. The Company seeks to control the risk associated with its customer margin transactions by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company also monitors required margin levels daily and, pursuant to its guidelines, requires customers to deposit additional collateral, or reduce positions, when necessary.

In addition, during the normal course of business, the Company has exposure to a number of risks including market risk, currency risk, credit risk, operational risk, liquidity risk and legal risk. As part of the Company's risk management process, these risks are monitored on a regular basis throughout the course of the year.

The Company enters into secured and unsecured borrowing agreements to obtain funding necessary to cover daily securities settlements with clearing corporations. At times, funding is required for unsettled customer delivery versus payment and riskless principal transactions, as well as to meet deposit requirements with clearing organizations. Secured arrangements are collateralized by the securities. The Company maintains uncommitted financing arrangements with large financial institutions, the details of which are summarized below as of December 31, 2020.

Lender	Contractual Amount	Available Amount	Maturity Date	Description
Pledge Lines	**(dollars in thousands)**			
BMO Harris Bank	$ 75,000	$ 75,000	None	Secured Tri-Party Pledge Facility
BMO Harris Bank	150,000	150,000	None	Secured Depository Trust Company Pledge Line
Total	**225,000**	**225,000**		
Spike Line				
BMO Harris Bank Canadian Imperial Bank of Commerce Texas Capital Bank	**70,000**	**70,000**	August 20, 2021	Unsecured committed spike line facility to cover short term increases in National Securities Clearing Corporation margin deposit requirements
Revolving Credit Facility				
BMO Harris Bank	**25,000**	**25,000**	December 2, 2021	Unsecured Corporate Revolver
Total Credit Lines	**$ 320,000**	**$ 320,000**		

31. Subsequent Events

On February 26, 2021, the Company, through its indirect wholly owned subsidiary, Cowen Malta Holdings Ltd., completed the acquisition of all of the outstanding equity interest of Axeria Insurance Limited (the "Malta Acquisition"), an insurance company organized under the laws of Malta whose principal business activity is to provide insurance coverage to third parties which was renamed Cowen Insurance Company Ltd. upon acquisition.

Due to the limited time since the date of the Malta Acquisition, it is impractical for the Company to make certain business combination disclosures as of the date of this filing as the Company is still finalizing the analysis of the information necessary to provide these disclosures. However, the Malta Acquisition is not expected to have a material impact on the Company's operations and results. As a result, the Company is unable to present the allocation of the preliminary purchase price to the fair value of assets acquired and liabilities assumed. The Malta Acquisition will be accounted for under the acquisition method in accordance with US GAAP. When practicable, the Company will provide all required disclosures in subsequent filings. Subsequent to the Malta Acquisition, the operations of Cowen Insurance Company Ltd. will be reported as part of the Company's CIM reporting unit within the Op Co segment.

On February 10, 2021 Board of Directors declared a quarterly cash dividend payable on its common stock of $0.08 per common share, payable on March 15, 2021, to stockholders of record on March 1, 2021.

The Company has evaluated events that have occurred after the balance sheet date but before the financial statements are issued and has determined that there were no other subsequent events requiring adjustment or disclosure in the consolidated financial statements.

Supplemental Financial Information -

The following table presents unaudited quarterly results of operations for 2020 and 2019. These quarterly results reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results. Revenues and net income (loss) can vary significantly from quarter to quarter due to the nature of the Company's business activities.

Cowen Inc.
Quarterly Financial Information (Unaudited)

	Quarter Ended			
	March 31, 2020	**June 30, 2020**	**September 30, 2020**	**December 31, 2020**
	(dollars in thousands, except per share data)			
Total revenues	$ 313,809	$ 418,840	$ 387,735	$ 502,920
Income (loss) before income taxes	(73,284)	191,880	38,346	140,495
Income tax expense (benefit)	(1,173)	44,932	8,830	37,784
Net income (loss)	(72,111)	146,948	29,516	102,711
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	(62,188)	33,113	9,232	10,544
Net income (loss) attributable to Cowen Inc.	(9,923)	113,835	20,284	92,167
Preferred stock dividends	1,698	1,698	1,698	1,698
Net income (loss) attributable to Cowen Inc. common stockholders	$ (11,621)	$ 112,137	$ 18,586	$ 90,469
Earnings (loss) per share:				
Basic	$ (0.41)	$ 4.01	$ 0.67	$ 3.36
Diluted	$ (0.41)	$ 3.83	$ 0.62	$ 2.98
Weighted average number of common shares:				
Basic	28,598	27,983	27,663	26,934
Diluted	28,598	29,316	29,970	30,316

	Quarter Ended			
	March 31, 2019	**June 30, 2019**	**September 30, 2019**	**December 31, 2019**
	(dollars in thousands, except per share data)			
Total revenues	$ 224,097	$ 292,164	$ 252,047	$ 281,135
Income (loss) before income taxes	13,472	14,792	7,948	34,511
Income tax expense (benefit)	3,177	5,073	1,365	5,238
Net income (loss)	10,295	9,719	6,583	29,273
Net income (loss) attributable to non-controlling interests in consolidated subsidiaries and investment funds	512	3,907	2,770	24,050
Net income (loss) attributable to Cowen Inc.	9,783	5,812	3,813	5,223
Preferred stock dividends	1,698	1,698	1,698	1,698
Net income (loss) attributable to Cowen Inc. common stockholders	$ 8,085	$ 4,114	$ 2,115	$ 3,525
Earnings (loss) per share:				
Basic	$ 0.27	$ 0.14	$ 0.07	$ 0.12
Diluted	$ 0.26	$ 0.13	$ 0.07	$ 0.11
Weighted average number of common shares:				
Basic	29,750	29,769	29,529	29,046
Diluted	31,625	31,522	31,264	30,722

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COWEN INC.

By: /s/ JEFFREY M. SOLOMON

Name: Jeffrey M. Solomon

Date: March 3, 2021

Title: *Chairman of the Board and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY M. SOLOMON Jeffrey M. Solomon	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 3, 2021
/s/ STEPHEN A. LASOTA Stephen A. Lasota	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 3, 2021
/s/ BRETT H. BARTH Brett H. Barth	Director	March 3, 2021
/s/ KATHERINE E. DIETZE Katherine E. Dietze	Director	March 3, 2021
/s/ GREGG A. GONSALVES Gregg A. Gonsalves	Director	March 3, 2021
/s/ STEVEN KOTLER Steven Kotler	Director	March 3, 2021
/s/ LAWRENCE E. LEIBOWITZ Lawrence E. Leibowitz	Director	March 3, 2021
/s/ MARGARET L. POSTER Margaret L. Poster	Director	March 3, 2021
/s/ DOUGLAS A. REDIKER Douglas A. Rediker	Director	March 3, 2021

Exhibit 31.1

Certification

I, Jeffrey M. Solomon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cowen Inc:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2021

/s/ JEFFREY M. SOLOMON

Name: Jeffrey M. Solomon
Title: *Chief Executive Officer*
(principal executive officer)

Exhibit 31.2

Certification

I, Stephen A. Lasota, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cowen Inc:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2021

/s/ STEPHEN A. LASOTA

Name: Stephen A. Lasota
Title: *Chief Financial Officer (principal financial officer and principal accounting officer)*

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cowen Inc. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 3, 2021

/s/ JEFFREY M. SOLOMON

Name: Jeffrey M. Solomon
Title: Chief Executive Officer
(principal executive officer)

/s/ STEPHEN A. LASOTA

Name: Stephen A. Lasota
Title: Chief Financial Officer (principal financial officer and principal accounting officer)

* The foregoing certification is being furnished solely pursuant to 18 U.S.C Section 1350 and is not being filed as part of the Report or as a separate disclosure document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended: December 31, 2020

or

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

For the transition period from to

Commission file number: 001-34516

Cowen Inc.

(Exact name of registrant as specified in its charter)

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

599 Lexington Avenue
New York, New York 10022
(212) 845-7900
(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	COWN	The Nasdaq Global Market
7.75% Senior Notes due 2033	COWNL	The Nasdaq Global Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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). 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.

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

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

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

The aggregate market value of Class A common stock held by non-affiliates of the registrant on June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the Class A common stock on the NASDAQ Global Market on that date was $429,938,446.

As of April 29, 2021 there were 26,866,951 shares of the registrant's Class A common stock outstanding.

Explanatory Note

Cowen Inc. (the "Company") is filing this Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "Form 10-K") to provide additional information required by Part III, because the definitive proxy statement for our 2021 Annual Meeting of Stockholders will not be filed within 120 days after the end of our 2020 fiscal year. This Amendment No. 1 on Form 10-K/A does not change the previously reported financial statements or any of the other disclosure contained in Part I or Part II. Part IV is being amended solely to add new certifications in accordance with Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Because no financial statements have been included in this Amendment No. 1 on Form 10-K/A and this Amendment No. 1 on Form 10-K/A does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the certifications have been omitted. We are not including the certifications under Section 906 of the Sarbanes-Oxley Act of 2002 as no financial statements are being filed with this Form 10-K/A.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

DIRECTORS OF THE COMPANY

The number of directors currently serving on our Board of Directors is eight. The members of our Board of Directors are elected to serve a one-year term.

Set forth below is biographical information for each of the members of our Board of Directors. All ages are as of April 29, 2021.

Jeffrey M. Solomon. Age 55. Mr. Solomon is Chair and Chief Executive Officer of the Company and Chief Executive Officer of Cowen and Company, LLC, or Cowen and Company, and was appointed a director of the Company in December 2011. Previously, Mr. Solomon served as President of the Company, after serving in the roles of Chief Operating Officer and Head of Investment Banking. Mr. Solomon serves as a member of the Management Committee of Cowen. Mr. Solomon joined Cowen Investment Management (formerly Ramius) when it was founded in 1994 and was the co-portfolio manager responsible for the development, management and oversight of the multi-strategy investment portfolio. Currently, Mr. Solomon is Vice Chair and an inaugural member of the Securities and Exchange Commission's Small Business Capital Formation Advisory Committee which provides advice and recommendations on the Securities and Exchange Commission's rules, regulations and policy matters related to small businesses, including smaller public companies. Mr. Solomon serves on the Board of Directors of the American Securities Association and serves on the Executive Committee of the Partnership for NYC. Mr. Solomon is on the Board of Directors of the UJA-Federation of New York and is the Co-Chair of the King David Society. Mr. Solomon is also on the Board of Directors of the Foundation for Jewish Camp. Previously, Mr. Solomon was a member of the Committee on Capital Markets Regulation, an independent and nonpartisan 501(c)(3) research organization dedicated to improving the regulation of U.S. capital markets. Mr. Solomon graduated from the University of Pennsylvania in 1988 with a B.A. in Economics. Mr. Solomon provides the board with institutional knowledge of all aspects of the Company's businesses and, as Chief Executive Officer, he is able to provide in-depth knowledge of the Company's business and affairs, management's perspective on those matters and an avenue of communication between the Board and senior management.

Brett H. Barth. Age 49. Mr. Barth was elected to our Board on June 26, 2018. Mr. Barth co-founded BBR Partners in 2000 and is a Managing Partner, co-managing the firm and overseeing BBR's investment approach and implementation. He has extensive experience vetting investment opportunities across the asset class spectrum and through a range of market environments, working with both traditional and alternative investment managers. Mr. Barth is also a member of BBR's Executive Committee and Investment Committee. Prior to founding BBR, Mr. Barth was in the Equities Division of Goldman Sachs. Previously, he served in Goldman's Equity Capital Markets groups in New York and Hong Kong. He began his career in Goldman Sachs' Corporate Finance Department. Mr. Barth is a trustee of the University of Pennsylvania as well as a member of the Board of Overseers of the Graduate School of Education. He previously served as both the Chair of the Penn Fund, the University of Pennsylvania's undergraduate annual giving program, and as the Inaugural Chair of the Undergraduate Financial Aid Leadership Council. Mr. Barth is a member of the board and executive committee of the UJA-Federation of New York, he co-chairs the Annual Campaign and he serves on the endowment's Investment Committee. Mr. Barth was awarded the Alan C. Greenberg Young Leadership Award by UJA-Federation of New York, Wall Street & Financial Services Division. Mr. Barth graduated summa cum laude with concentrations in Finance and Accounting from the Wharton School of the University of Pennsylvania. Mr. Barth provides the Board with extensive investment and wealth management expertise.

Katherine E. Dietze. Age 63. Ms. Dietze was appointed to our Board in June 2011 upon the completion of Cowen's acquisition of LaBranche & Co., Inc., or LaBranche. Ms. Dietze was a member of LaBranche's board of directors since January 2007. Ms. Dietze served as the Audit Committee Chair at LaBranche. Ms. Dietze spent over 20 years in the financial services industry prior to her retirement in 2005. From 2003 to 2005, Ms. Dietze was Global Chief Operating Officer for the Investment Banking Division of Credit Suisse First Boston. From 1996 to 2003, she was a Managing Director in Credit Suisse First Boston's Telecommunications Group. Prior to that, Ms. Dietze was a Managing Director and Co-Head of the Telecommunications Group in Salomon Brothers Inc's Investment Banking Division. Ms. Dietze began her career at Merrill Lynch Money Markets after which she moved to Salomon Brothers Inc. to work on money market products and later became a member of the Investment Banking Division. Ms. Dietze is a director, a member of the Governance Committee and Chair of the Finance Committee of Matthews International Corporation (MATW), a designer, manufacturer and marketer of memorialization products and brand solutions. Ms. Dietze was a member of the Board of Trustees for Liberty Property Trust, which was purchased by Prologis. Ms. Dietze holds a B.A. from Brown University and an M.B.A. from Columbia Graduate School of Business. Ms. Dietze provides the Board with extensive experience in Investment Banking management and corporate governance expertise as a public company director.

Gregg A. Gonsalves. Age 53. Mr. Gonsalves was appointed to our Board in April 2020. Mr. Gonsalves has been an advisory partner with Integrated Capital LLC, a leading, hotel-focused, private real estate advisory and investment firm since 2013. Prior to joining Integrated Capital, Mr. Gonsalves was a managing director at Goldman Sachs and was the partner responsible for the Real Estate Mergers & Acquisition business. In his 20-year career at Goldman Sachs, Mr. Gonsalves completed over 50 M&A transactions worth approximately $100 billion in deal value, working with a variety of companies in a wide range of industries. Mr. Gonsalves serves as Chairman of the Board of Directors of Cedar Realty Trust, a publicly-traded retail REIT, and is on the Board of RREEF America REIT II, a private, open-end core real estate fund, and on the Board of POP Tracker LLC, a private company focused on providing proof of performance to the out-of-home advertising industry. He began his career as a sales engineer at Mobil Oil Corporation from 1989 to 1991. Mr. Gonsalves received a B.S. from Columbia University and received an M.B.A. from Harvard Business School. Mr. Gonsalves is presently Chairman of the Board of Directors of the Jackie Robinson Foundation, where he has served as a Board member for approximately the past ten years. Mr. Gonsalves provides the Board with extensive investment banking and real estate investment experience.

Steven Kotler. Age 74. Mr. Kotler was elected to our Board on June 7, 2010. Mr. Kotler currently serves as Vice Chairman of the private equity firm Gilbert Global Equity Partners, which he joined in 2000. Prior to joining Gilbert Global, Mr. Kotler, for 25 years, was with the investment banking firm of Schroder & Co. and its predecessor firm, Wertheim & Co., where he served in various executive capacities including President & Chief Executive Officer, and Group Managing Director and Global Head of Investment and Merchant Banking. Mr. Kotler is a director of CPM Holdings, an international agricultural process equipment company; and Co-Chairman of Birch Grove Capital, an asset management firm. Mr. Kotler is a member of the Council on Foreign Relations; and, from 1999 to 2002, was Council President of The Woodrow Wilson International Center for Scholars. Mr. Kotler has previously served as a Governor of the American Stock Exchange, The New York City Partnership and Chamber of Commerce's Infrastructure and Housing Task Force, The Board of Trustees of Columbia Preparatory School; and, the Board of Overseers of the California Institute of the Arts. Mr. Kotler also previously served as a director of Cowen Holdings from September 2006 until June 2007. Mr. Kotler provides the Board with extensive experience in leading an international financial institution and expertise in private equity.

Lawrence E. Leibowitz. Age 61. Mr. Leibowitz was elected to our Board on June 26, 2018. Mr. Leibowitz is a finance and technology entrepreneur who specializes in business transformation and capital markets. Mr. Leibowitz serves as Vice Chairman of XCHG Xpansiv, an intelligent commodities exchange focusing on renewable energy products. Mr. Leibowitz serves on the Board of NYDIG Trust and NYDIG Execution Services, a custodian and broker for digital currencies that is regulated by the NY Department of Finance. Mr. Leibowitz also serves on the board of various other private companies in the data management and digital law businesses. Most recently, Mr. Leibowitz served as Chief Operating Officer, Head of Global Equities Markets and as a Member of the board of directors of NYSE Euronext, holding such positions from 2007 to 2013. Prior to that, Mr. Leibowitz served as Chief Operating Officer of Americas Equities at UBS, Co-head of Schwab Soundview Capital Markets, and CEO of Redibook. Mr. Leibowitz was formerly a founding partner at Bunker Capital, and Managing Director and Head of Quantitative Trading and Equities technology at CS First Boston. Mr. Leibowitz provides the Board with extensive capital markets knowledge, including trading microstructure, regulation, asset management and quantitative methods.

Margaret L. Poster. Age 69. Ms. Poster was appointed to our Board in April 2019. Ms. Poster served as Chief Operating Officer and Managing Director of Willkie Farr & Gallagher LLP from 1991 through 2018. Ms. Poster is an Executive Managing Director at Cushman & Wakefield, serving in an advisory capacity in the legal sector. Ms. Poster formerly served as President of Workbench, Inc., Chief Financial Officer of Barnes & Noble Bookstores Inc. and Chief Financial Officer of the Jewelry & Sporting Good Division at W.R. Grace & Co. Ms. Poster began her career as an auditor at PricewaterhouseCoopers LLP. Ms. Poster was a Director of Generation Citizen, where she was the Chair of the Finance Committee and Audit Committee, and was a trustee of Blythedale Children's Hospital from 1992 until 2011. Ms. Poster is a certified public accountant and received a Masters of Business Administration from Harvard Business School. Ms. Poster provides the Board with comprehensive operating and public accounting experience.

Douglas A. Rediker. Age 61. Mr. Rediker was appointed to our Board in April 2015. Mr. Rediker is the Executive Chairman of International Capital Strategies, LLC, a policy and markets advisory boutique based in Washington, D.C. Until 2012, he was a member of the Executive Board of the International Monetary Fund representing the United States. He has held senior and visiting fellowships at Brookings, the Peterson Institute for International Economics and at the New America Foundation. He has written extensively and testified before Congress on the subject of state capitalism, global finance, Sovereign Wealth Funds and other issues surrounding the relationship between international economic policy, financial markets, global capital flows and foreign policy. Mr. Rediker previously served as a senior investment banker and private equity investor for a number of investment banks, including Salomon Brothers, Merrill Lynch and Lehman Brothers. Mr. Rediker began his career as an attorney with Skadden Arps in New York and Washington, D.C. Mr. Rediker's experience on global macro issues provides the Board with expertise relating to capital markets, the economy and global governance.

EXECUTIVE OFFICERS OF THE COMPANY

Biographies of the current executive officers of the Company are set forth below, excluding Mr. Solomon's biography, which is included under "Directors of the Company" above. Each executive officer serves at the discretion of the Board.

John Holmes. Age 57. Mr. Holmes serves as Chief Operating Officer and serves as a member of the Management Committee of Cowen. Mr. Holmes previously served as the Company's Chief Administrative Officer and was appointed an executive officer in May 2013. Mr. Holmes was the Head of Technology and Operations at Cowen following the merger between Cowen and Company and Cowen Investment Management (formerly Ramius). Mr. Holmes joined Cowen Investment Management in June 2006 as Global Head of Operations. Prior to joining Cowen Investment Management, Mr. Holmes was Global Head of the Equity Product Team at Bank of America Securities. Mr. Holmes has also held senior operations management positions at Deutsche Bank, Credit Lyonnais and Kidder Peabody. His experience includes treasury, foreign exchange, equity, fixed income & derivative operations. Mr. Holmes is NASD licensed as a General Securities Representative, General Securities Principal and a Financial & Operations Principal.

Stephen A. Lasota. Age 58. Mr. Lasota serves as Chief Financial Officer of Cowen and serves as a member of the Management Committee of Cowen. Mr. Lasota was appointed Chief Financial Officer in November 2009. Prior to the consummation of the business combination of Cowen Holdings and Cowen Investment Management (formerly Ramius) in November 2009, Mr. Lasota was the Chief Financial Officer of Cowen Investment Management and a Managing Director of the company. Mr. Lasota began working at Cowen Investment Management in November 2004 as the Director of Tax and was appointed Chief Financial Officer in May 2007. Prior to joining Cowen Investment Management, Mr. Lasota was a Senior Manager at PricewaterhouseCoopers LLP.

Owen S. Littman. Age 48. Mr. Littman serves as General Counsel and Secretary of Cowen and serves as a member of the Management Committee of Cowen. Mr. Littman was appointed General Counsel and Secretary in July 2010. Following the consummation of the business combination of Cowen Holdings and Cowen Investment Management (formerly Ramius) in November 2009, Mr. Littman was appointed Deputy General Counsel, Assistant Secretary and Managing Director of Cowen and General Counsel and Secretary of Cowen Investment Management. Mr. Littman began working at Cowen Investment Management in October 2005 as its senior transactional attorney and was appointed General Counsel in February 2009. Prior to joining Cowen Investment Management, Mr. Littman was an associate in the Business and Finance Department of Morgan, Lewis & Bockius LLP.

CODE OF BUSINESS CONDUCT AND ETHICS

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a current copy of the code on our website, www.cowen.com. In addition, we intend to post on our website all disclosures that are required by law or NASDAQ Stock Market listing standards concerning any amendments to, or waivers from, any provision of the code. You may also request a copy of the code by writing to Cowen Inc., Attn: Secretary, 599 Lexington Avenue, New York, NY 10022.

AUDIT COMMITTEE

Our Board has established a separately-designated standing Audit Committee which operates under a charter that has been approved by our Board.

Our Board has determined that all of the members of the Audit Committee are independent as defined under the rules of the Nasdaq Stock Market, and the independence requirements contemplated by Rule 10A-3 under the Exchange Act.

The current members of our Audit Committee are Ms. Dietze (Chairperson), Mr. Gonsalves, Mr. Kotler and Ms. Poster. The Board has determined that Ms. Poster is an "audit committee financial expert" as defined by applicable SEC rules.

Item 11: Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

In addition to performing the roles and responsibilities described under “Committees of the Board — Compensation Committee” above, our Compensation Committee, which is composed entirely of independent directors, determined the 2020 compensation of our named executive officers:

- Jeffrey M. Solomon, Chief Executive Officer;
- Stephen A. Lasota, Chief Financial Officer;
- John Holmes, Chief Operating Officer; and
- Owen S. Littman, General Counsel and Secretary.

Advisory Vote on Executive Compensation and Stockholder Engagement

2020 Stockholder Outreach

While the Company received stockholder approval for both the Advisory Say on Pay vote and the 2020 Equity Plan vote in 2020, in both cases the vote resulted in a narrow majority (55.7% and 51.2%, respectively). In light of these results, we undertook a robust outreach campaign to solicit stockholder feedback on our compensation policies and our equity plans in the fall of 2020. We contacted our top 30 stockholders, who hold an estimated 75% of our outstanding Class A common stock, which represents in excess of 85% of our outside stockholder base.

We received requests for engagement from 7 of the 30 stockholders, representing approximately 45% of our outside stockholder base.

Our outreach team, comprised of our Chief Financial Officer, our General Counsel, and our Head of Investor Relations, held virtual meetings with all of the stockholders who requested engagement.

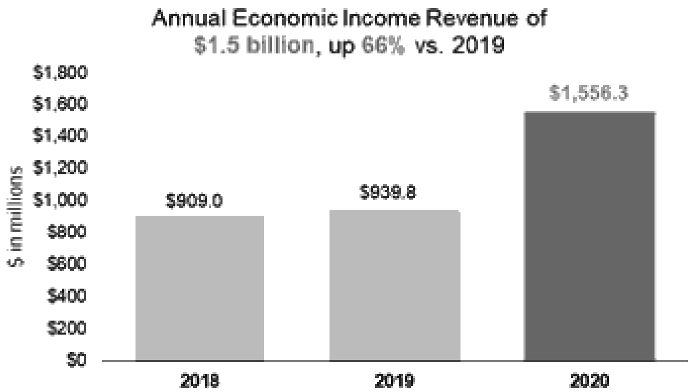
Compensation Practice Changes in Response to Stockholder Feedback

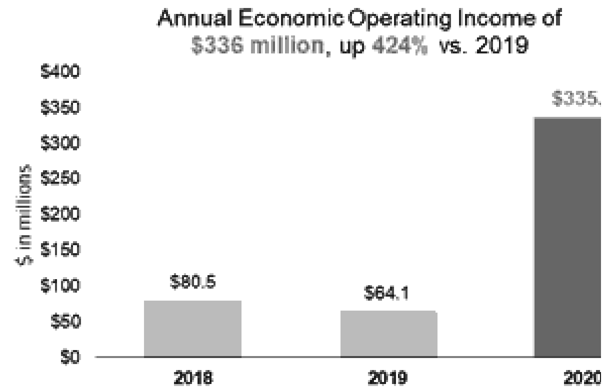
Following our stockholder outreach initiative, the outreach team discussed the feedback received from our stockholders with the Compensation Committee. Additionally, the Compensation Committee obtained feedback, advice and recommendations on improvements to our compensation program from its independent compensation consultant, Pay Governance LLC. The Compensation Committee also reviewed the Company's performance, the compensation practices of its peers and other materials regarding executive compensation. The Compensation Committee has introduced the following changes to our executive compensation program, partly in response to feedback received from our stockholders:

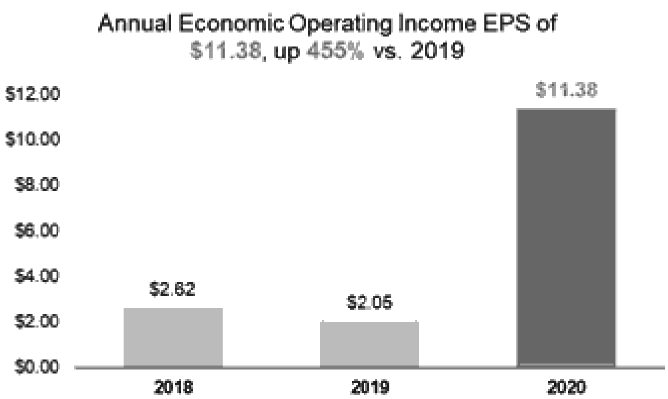
What We Heard from Stockholders	**Action Taken by Company Management and the Compensation Committee**
• While stockholders did not express any specific concerns with the levels of compensation paid to our named executive officers, stockholders noted that more details on Cowen's compensation process and how the pool of compensation for management is determined would be helpful in demonstrating to stockholders that the compensation process is tied to performance and not entirely discretionary.	• We have enhanced the description in the "Compensation and Philosophy and Objectives" section below to provide a more robust and detailed discussion related to the Compensation Committee's determinations related to firmwide compensation as well as the compensation of our named executive officers.
• Stockholders agree that Return on Common Equity, or ROCE, is an appropriate criterion for performance-based compensation but some stockholders indicated that they would like to see some form of total shareholder return, or TSR, as an additional measure used in the determination of performance-based compensation.	• The Company added a TSR modifier as a component of Performance Shares awarded in 2020.
• Stockholders also expressed a preference for our named executive officers to receive a greater amount of their compensation in the form of performance-based awards.	• As part of 2020 compensation, we increased substantially the dollar value of Performance Shares issued to our Chief Executive Officer relative to 2019 award values. In addition, we increased the grant date value of Performance Share awards issued to each of our named executive officers relative to 2019 award values.
• Stockholders were supportive of the removal of the evergreen provision from the 2010 Equity and Incentive Plan in the 2020 Equity Incentive Plan approved at the 2020 Annual Meeting of Stockholders.	• The Company plans to present a new (or amended and restated) equity and incentive plan for stockholder approval at its 2021 Annual Meeting of Stockholders. The new equity and incentive plan will not include an evergreen provision.

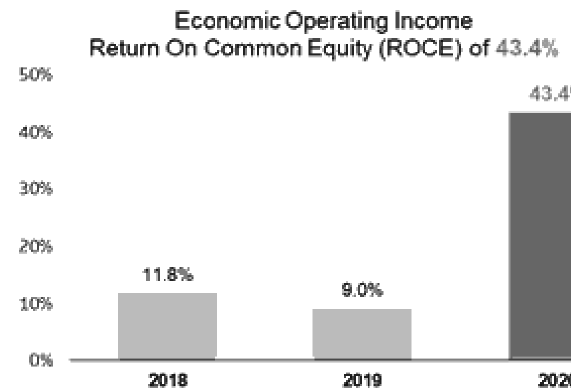
2020 Performance Overview

The following 2020 financial performance highlights were considered by our Compensation Committee when determining named executive officer compensation for 2020:









- Record 2020 investment banking Economic Proceeds of $729.2 million were up 108% due to higher underwriting and strategic advisory activity.

- 2020 brokerage revenues increased 42%, due to an increase in Institutional Brokerage, primarily Special Situation and electronic trading commission revenue and an increase in Institutional Services, primarily Prime Brokerage.

- 2020 management fees of $58.2 million increased 44%, primarily due to the healthcare royalty business and our healthcare investment business.

- Incentive income rose 87% to $83.4 million in 2020. This increase was primarily related to an increase in performance fees from our healthcare investments business and our activist strategy.

- 2020 compensation and benefits costs were $860.8 million compared to $532.4 million in 2019. The increase was due to higher 2020 revenues offset only partially by a lower economic compensation-to-proceeds ratio. The economic compensation-to-proceeds ratio was 55.6%, a decrease from 57% in the prior year period.

- As of December 31, 2020, the Company had assets under management of $12.5 billion, an increase of $1.1 billion from December 31, 2019.

- As of December 31, 2020, the Company had book value of $30.34 per common share, up from book value of $24.77 per common share at December 31, 2019.

- During 2020, the Company repurchased 3,139,751 shares for $47.3 million, or an average price of $15.07 per share under the Company's existing share repurchase program. In addition, the Company acquired approximately $15.1 million of shares as a result of net share settlements relating to the vesting of equity awards or 866,784 shares at an average price of $17.48 per share.

- The Company established a quarterly dividend payment on its Class A common stock in February of 2020 with a dividend payment of $0.04 per share. The Company increased the quarterly dividend payment to $0.08 per share in October 2020.

Please refer to the Company's Segment Reporting Note in its financial statements included on pages F-70 to F-71 of its Form 10-K for the year ended December 31, 2020, as filed with the SEC, for reconciliations of the non-GAAP financial measures above to their most directly comparable GAAP measures.

Key Features of Our Executive Compensation Program

What We Do

- We pay for performance through a careful quarterly and year-end review of the Company's financial results, stockholder return and individual performance.
- We consider peer groups in establishing compensation.
- The Compensation Committee considers firm-wide initiatives related to the Company's culture, including those related to diversity and inclusion, in its compensation determinations.
- We granted performance share awards, or PSAs, to named executive officers in February 2021. The PSAs are earned based on forward-looking performance metrics that consider long-term performance from 2021 through 2023. We introduced a TSR modifier to the PSAs awarded in February 2021 in response to the stockholder feedback received in 2020.
- We have implemented stock ownership guidelines for our directors and executive officers.
- We have double-trigger equity vesting in the event of a change in control.
- We require our named executive officers to comply with reasonable restrictive covenants.
- We subject our deferred bonus awards to named executive officers to a clawback policy.
- We seek to maintain a conservative compensation risk profile.
- The Compensation Committee retains an independent compensation consultant.
- We have an anti-hedging policy, and, during 2020, all executive officers were in compliance with this policy.

What We Don't Do

- We do not pay dividend equivalents on unvested RSUs or PSAs.
- We do not pay tax gross-ups on our limited perquisites.
- We do not provide "single-trigger" equity vesting in the event of a change in control.
- We do not provide golden parachute excise tax gross-ups.
- We do not provide minimum guaranteed bonuses to our named executive officers.

Compensation Philosophy and Objectives

We are focused on building long-term value for the Company. Our named executive officers, who collectively own approximately 3.86% of our outstanding shares, are financially, strategically and philosophically aligned with our stockholders. Our intention is to base the compensation of our named executive officers on the performance of the Company, with total compensation of our named executive officers increasing or decreasing along with the performance of the Company.

To this end, when Mr. Solomon became our Chief Executive Officer at the beginning of 2018, he emphasized the objective of the Company generating a mid-teens pre-tax Return on Common Equity, or ROCE, by the end of 2020. The Company not only achieved, but far exceeded this goal for the year ended December 31, 2020. Our plan is to compensate our named executive officers in a manner that will incent them to meet or exceed pre-tax ROCE in the mid-teens on a consistent basis, which we believe will create long-term value for our stockholders.

Accordingly, as we think about compensation for our named executive officers, our approach aims to treat our named executive officers fairly when taking into account the Company's performance while also ensuring their retention given other opportunities that might be available to them.

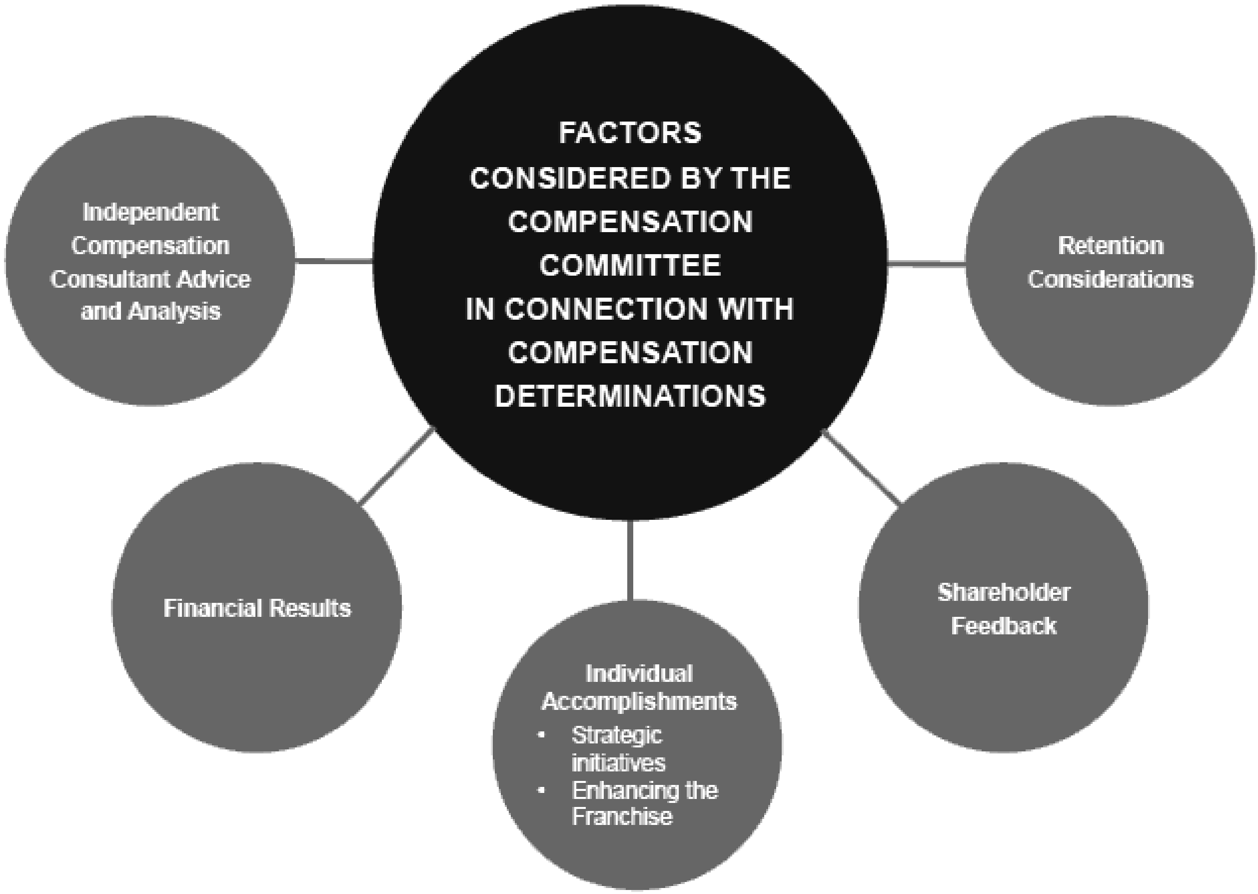
Specifically, our compensation programs, including compensation of our named executive officers, are designed to achieve the following objectives:

- *Pay for Performance.* A significant portion of the total compensation paid to each named executive officer is variable and is directly tied to the Company's Economic Operating Income. The amount of compensation available to be paid to our named executive officers is determined based on: (i) determination of the management committee compensation pool based on the Company's performance as described in more detail below; (ii) the performance of the Company on an absolute basis and through a comparison of our results to competitor firms; (iii) an evaluation of each named executive officer's contribution to the Company, including contributions related to the revenue and profitability of the Company as well as teamwork and leadership; and (iv) specific performance against individual qualitative goals.

- *Align Named Executive Officers' Interests with Stockholders' Interests.* Our Compensation Committee reviews each named executive officer's performance as well as the Company's financial results in the context of the market environment when determining year-end, performance-related compensation allotted from the management committee compensation pool. In addition, our Compensation Committee evaluated the Company's performance compared to the performance of its peers and also considered an analysis of competitive compensation levels of named executive officers at the Company's peer firms that was conducted by Pay Governance LLC, the independent compensation consultant to the Compensation Committee. Our Compensation Committee believes year-end, performance-related compensation should be delivered in a combination of short-term and long-term instruments. We believe that deferred cash, equity and equity-related instruments align the interests of our named executive officers with those of our stockholders, help retain key talent, and ensure that our named executive officers are focused on the long-term performance of the Company. In connection with fiscal 2020 bonus payments, Messrs. Lasota, Holmes and Littman received a portion of their bonus in cash and a portion in PSAs. Mr. Solomon received a portion of his bonus in cash, RSUs, PSAs and deferred cash. The Compensation Committee believes that the payment of a significant portion of an employee's compensation in the form of performance-based awards properly aligns the employee's interests with those of the Company's stockholders and effectively mitigates any risks associated with the Company's compensation practices.

- *Recruiting and Retention.* We operate in an intensely competitive industry, and we believe that our success is closely related to our recruiting and retention of highly talented employees and a strong management team. We try to keep our compensation program generally competitive with industry practices so that we can continue to recruit and retain talented executive officers and employees.

2020 Compensation Determinations



As noted above, compensation for our named executive officers is made from our management committee compensation pool. The following is a summary of the process for determining the 2020 management committee compensation pool:

Actions Taken at the Beginning of 2020:

- In consultation with the Compensation Committee, at the beginning of 2020, the Company established a targeted Economic Income compensation-to-revenue ratio for the year of between 56% and 57%.

- The Company has set a goal of achieving mid-teens pre-tax ROCE on a consistent basis and this objective was reviewed with the Compensation Committee at the beginning of 2020. ROCE is calculated by taking the sum of the Company's Adjusted Economic Operating Income divided by the average Common Equity of the Company during the fiscal year (with the average Common Equity for the fiscal year calculated by adding the Common Equity at the beginning of the fiscal year and the Common Equity at the end of the fiscal year and dividing by two).

- Also at the beginning of the year, we established compensation guidelines for revenues generated by each of the Company's businesses. With respect to areas of the firm that do not generate revenue, such as research and business operations, the Company set a targeted budget for compensation in these areas based on expected revenues for the year.

Actions Taken During the Course of 2020:

- During the year, the Compensation Committee met on a quarterly basis to review, among other things, the Company's performance relative to the targeted Economic Income compensation-to-revenue ratio for the year.

- Quarterly meetings with the Compensation Committee also provided an opportunity to discuss any changing dynamics in the markets that may affect positively or negatively the Company's expected revenues and related compensation accruals.

Actions Taken at the End of 2020 to Determine Compensation:

- At the end of 2020, compensation pools for investment banking, markets and investment management were finalized based on the revenue guidelines established at the beginning of the year, with some modifications made based on the Company's overall strong performance for the year in each of these areas. The compensation pool for research was finalized by making adjustments to the budget established at the beginning of the year to account for higher revenues than were expected at the beginning of the year. The compensation pool for business operations was also increased from its budgeted amount to account for the Company's overall strong performance.

- Once the compensation pools were finalized, the Compensation Committee considered the amount of compensation to be included in the pool for the members of the Company's management committee, which includes the Company's named executive officers. This pool was determined with reference to (i) the Economic Income compensation-to-revenue ratio and (ii) the overall Economic Operating Income to Stockholders.

    - The Compensation Committee approved an Economic Income compensation-to-revenue ratio for 2020 of 55.6%, which was **below** the range established by the Compensation Committee at the beginning of 2020.

    - Management and the Compensation Committee believe that the compensation pool for members of the Company's management committee, which includes the Company's named executive officers, should be directly tied to the Company's operating performance. Accordingly, the Compensation Committee has determined guidelines that the management committee's participation in the Company's Economic Operating Income should be a percentage of the total amount of Economic Operating Income, with the management committee's incremental participation decreasing as Economic Operating Income increases.

- The Company's ROCE for the 2020 fiscal year was approximately 42.6%, well in excess of the mid-teens ROCE that the Company targeted at the beginning of the year.

- As discussed further below, final compensation decisions for the Company's named executive officers are made at the discretion of the Compensation Committee out of the available management committee compensation pool. We believe this discretionary approach to compensation is consistent with common market practice in the financial services sector, but as noted above, the pool from which discretionary compensation is determined is tied directly to the Company's operating performance for the year. Further, although the size of incentive compensation awards is based on current fiscal year results, a portion of it is delivered in the form of equity awards that vest over time to encourage retention and further link executive pay with longer-term stock performance. In addition, a portion of incentive compensation is also delivered in the form of performance based awards whose future value is uncertain, ultimately depending on the performance of the Company over the relevant measurement period.

The Compensation Committee considered the following collective and individual factors in the determinations made for each named executive officer in 2020:

- *Benefits of the Long-term Partnership Among the Named Executive Officers*. One of the key factors to the Company's resilience during difficult times and the positioning of the Company for success over the long term has been the partnership among the Company's named executive officers. Messrs. Solomon, Holmes, Lasota and Littman have worked together as a team for almost 15 years. During that time, they have faced significant challenges together such as the financial crisis of 2008. They helped navigate Cowen Investment Management (formerly Ramius LLC) through the financial crisis which then led to the negotiation and execution of the business combination with the Company in 2009.

  Messrs. Solomon, Holmes, Lasota and Littman have been instrumental in the transformation of the Company's business. They have worked collaboratively on the recruitment and retention of key employees and managers across the platform and oversaw the acquisition and integration of 13 businesses. These efforts helped position the Company for its strong performance in 2020 and the expectation of achieving long-term value for its stockholders in the future.

The Covid-19 pandemic presented significant challenges in 2020 with extreme market volatility in March 2020 and the need to move quickly to a fully remote working environment. Messrs. Solomon, Holmes, Lasota and Littman's collective efforts and leadership contributed significantly to the Company's ability to manage the difficulties presented by the pandemic and achieve strong operating performance in 2020.

The Compensation Committee recognizes the importance of having and retaining an experienced management team like the one the Company has and, in 2020, this took on even more significance with the Covid-19 pandemic.

- *Revenue Generation and Drivers of Profitability*. As noted below, each of our named executive officers plays an important role in revenue generation and driving profitability While this may not always be the case with a company's named executive officers, it is the case with ours. Our named executive officers are not compensated directly based on the revenue they generate or, with respect to Messrs. Holmes, Lasota and Littman, the profitability directly attributable to their teams in business operations, but the Compensation Committee does take this into account when determining compensation for the named executive officers.

- *Jeffrey Solomon*. Mr. Solomon's compensation reflected his significant contributions regarding the Company's record revenue and profitability. Mr. Solomon's compensation also reflected the enhancements to the Company's culture and diversity and inclusion initiatives, even in a year impacted by the Covid-19 pandemic. The Committee recognized Mr. Solomon's leadership in the Company's successful navigation through the market volatility in early 2020 and throughout the balance of 2020 where the Company's businesses performed well with virtually all employees working remotely as a result of the Covid-19 pandemic. Mr. Solomon helped to bring numerous clients into the Company by providing investment banking advice. Mr. Solomon also worked closely with clients in the Company's markets division, research division and investment management division. Mr. Solomon also played a key role in capitalizing on the Company's long-term strategy to scale businesses that will drive margin and greater operating consistency.

- *John Holmes*. Mr. Holmes's compensation reflected significant contributions related to the fast and effective operational response as the Covid-19 pandemic unfolded and his efforts throughout the year to ensure that employees were able to work productively while working remotely. During the periods of high market volatility in early 2020, Mr. Holmes played a leading role in managing the Company's prime broker relationships which allowed the Company to mitigate potential losses. In addition, Mr. Holmes oversaw the introduction of multiple new revenue-generating products across the Company, established new custodial relationships and leveraged and expanded clearing and settlement capabilities to enhance product offerings. Mr. Holmes also oversaw implementation of the Company's strategy to transition its correspondent clearing business off of the Company's platform.

- *Stephen Lasota*. Mr. Lasota's compensation reflected significant contributions related to the continued enhancement of the Company's financial reporting, despite the challenges of employees working remotely as a result of the Covid-19 pandemic. Mr. Lasota played a leading role in managing the Company's financing sources during the periods of high market volatility in early 2020, which allowed the Company to mitigate potential losses. Mr. Lasota also plays a significant role in the Company's revenue-generating captive reinsurance business. Mr. Lasota oversaw the completion of the merger of the Company's two largest broker-dealers, substantially increasing net capital.

- *Owen Littman*. Mr. Littman's compensation reflected significant contributions related his efforts to ensure that the Company was complying with its legal, regulatory and corporate governance obligations as the Covid-19 pandemic unfolded. Mr. Littman's contributions also reflected the continued enhancement of the Company's compliance structure, including technology used to increase efficiency, and management of the Company's outstanding litigation and regulatory matters. Mr. Littman has played and continues to play a critical role in assessing the areas where the Company can legally work with clients in the cannabis sector and those efforts have led to significant revenue-opportunities for the Company. Mr. Littman also plays a significant role in the Company's revenue generating captive reinsurance business. Mr. Littman played a leading role in the Company's acquisition of the investment banking business of MHT Partners. Mr. Littman also oversaw the Legal and Compliance strategic hiring process to support the Company's growing business lines in the international markets.

At meetings held on December 17, 2020, January 7, 2021 and February 4, 2021 and numerous executive sessions following these meetings, the Compensation Committee considered and discussed management's compensation recommendations for our named executive officers other than the Chief Executive Officer. After the Compensation Committee determined the management compensation pool for 2020 as described above, the Compensation Committee then considered the named executive officers' collective and individual contributions to the Company's strategic initiatives and leadership in 2020; historical compensation information for each named executive officer; the Company's desire to retain and incentivize its named executive officers; the recommendations of Mr. Solomon, our Chief Executive Officer, regarding total compensation of our named executive officers (other than himself); the financial performance of the Company during 2020 compared to comparable public companies and other companies in the securities industry; a review of public filings and other market data regarding total compensation paid by certain peer investment banks and asset management companies; and base salary, cash bonus, equity awards and all other compensation paid by the compensation peer group. Upon consideration of these factors the Compensation Committee approved the Chief Executive Officer's recommendations for the named executive officers and determined the total pay for our Chief Executive Officer, Mr. Solomon.

Compensation Program and Payments

Base Salary

The purpose of base salary is to provide a set amount of cash compensation for each named executive officer that is not variable in nature and is generally competitive with market practices. We seek to limit the base salaries of our named executive officers such that a significant amount of their total compensation is contingent upon the performance of the Company and the named executive officer during the fiscal year. This was consistent with standard practice within the securities and asset management industries and we believe this allowed us to reward performance.

In 2020 Mr. Solomon received a base salary of $1,000,000 and each of Messrs. Lasota, Holmes and Littman received a base salary of $700,000.

Annual Cash Bonus

The Compensation Committee approved annual cash bonus amounts for each of our named executive officers after review and consideration of the above factors and within the scope and confines of the established management committee compensation pool.

Annual cash bonuses are determined based on an informed judgment with final amounts determined at the discretion of the Committee within the confines of the established management committee compensation pool. This is consistent with our view that a significant portion of compensation paid is to be based on the performance of the Company and of each named executive officer.

In 2020, Mr. Solomon received a cash bonus of $13,000,000, Mr. Lasota received a cash bonus of $4,847,295, Mr. Holmes received a cash bonus of $5,347,295 and Mr. Littman received a cash bonus of $4,847,295.

Deferred Compensation

The annual bonus is typically paid partially in cash, partially in deferred cash and partially in equity. The deferred cash and equity components of the annual bonus are paid in lieu of, not in addition to, a cash payment and are subject to service-based vesting conditions. The Compensation Committee believes that the practice of paying a portion of each named executive officer's annual bonus in the form of deferred cash and equity awards is consistent with compensation practices at our peer companies and is a useful tool to continue aligning the long-term interests of our named executive officers with the interests of our stockholders.

After determining the aggregate cash values of annual bonuses payable to each of our named executive officers in respect of fiscal 2020, the Compensation Committee considered the percentage of the annual bonus compensation that each of our named executive officers would receive in the form of deferred awards. Jeffrey Solomon, our Chief Executive Officer, developed a proposal for the allocation of annual bonus compensation among the cash and PSAs awarded to Messrs. Holmes, Lasota and Littman. The Compensation Committee discussed and ultimately approved the proposal and established an allocation of deferred cash, PSA and RSU awards for Mr. Solomon. The Compensation Committee awarded Mr. Solomon RSUs and deferred cash in addition to the PSAs awarded to the other named executive officers because (i) his compensation was significantly higher than that of the other named executive officers and (ii) in general, the Company deferred less in 2020 as a result of the Company's strong performance.

Deferred Cash Awards

Deferred cash awards relating to fiscal 2020 annual bonuses were awarded to our named executive officers in February 2021. Only Mr. Solomon received a deferred cash award in the amount of $ 4,624,860. Mr. Solomon's deferred cash award will vest with respect to 25% on November 15, 2021, 25% on November 15, 2022, 25% on November 15, 2023 and 25% on November 15, 2024.

Restricted Stock Units ("RSUs")

RSUs relating to fiscal 2020 annual bonuses were awarded to our named executive officers in February 2021. RSUs will vest with respect to 25% on December 1, 2021, 25% on December 1, 2022, 25% on December 1, 2023 and 25% on December 1, 2024. To eliminate the impact that a short-term significant price change in the market value of our Class A common stock may have on the number of RSUs that are intended to be delivered to an employee, the Compensation Committee approved valuing the RSU grants using the volume-weighted average price for the 30 trading days ended January 13, 2021, which was the day prior to the date that compensation was first communicated to the Company's employees. The grant date value of the RSUs equaled $26.32 per share. In 2020, Mr. Solomon received an award of 175,717 RSUs. Messrs. Holmes, Lasota and Littman received 100% of their deferred compensation in the form of PSAs.

Performance Share Awards ("PSAs")

In 2020, the Compensation Committee determined that the relative mix of performance share awards, or PSAs, to other compensation granted to the named executive officers should be higher than in 2019, and each named executive officer should receive a higher dollar amount of PSAs compared to what they received in 2019. In February 2021, the Company entered into a performance shares award agreement, or PSA Agreement, with each of our named executive officers. Under the terms of the PSA Agreement, each named executive officer was awarded PSAs, based on the attainment of certain performance metrics. Mr. Solomon received 66,500 PSAs, and each of Messrs. Lasota, Holmes and Littman received 17,200 PSAs. The grant date value of the PSA awards represents 175% of Mr. Solomon's base salary and approximately 65% of each of Messrs. Lasota, Holmes and Littman's base salary. The Compensation Committee approved valuing the PSA grants using the same grant date value as the RSUs, or $26.32 per share. The PSAs awarded are subject to a three-year performance period and are scheduled to vest on December 31, 2023. At the end of the performance period, the PSAs will be multiplied by an applicable percentage (set forth below) based on the Company's AROCE. If the Company's performance is below the specified threshold, no shares will be delivered to the named executive officers. The resulting number of attained RSUs will then be subject to a multiplier based on the Company's total shareholder return, or TSR, relative to other companies in the S&P SmallCap 600 Financial Sector Index, or the Index.

AROCE will be calculated by (i) taking the sum of the Company's Adjusted Economic Operating Income during each of the fiscal years during the Performance Period divided by the average Common Equity of the Company during each such fiscal year (with the average Common Equity for each fiscal year calculated by adding the Common Equity at the beginning of such fiscal year and the Common Equity at the end of such fiscal year and dividing by two) and (ii) dividing such sum by three.

At the end of the performance period, the PSAs will be multiplied by the percentages set forth below based on the Company's AROCE with respect to such performance period:

AROCE Performance Scale

Performance Level*	3-Year AROCE**	Payout Rate***
Below Threshold	Below 8%	0% Payout
Threshold	8%	50% Payout
Target	10%	100% Payout
Above Target	12%	150% Payout
Maximum (capped)	Greater than 15%	200% Payout

* Payout for performance between the Threshold and the Maximum will be interpolated.

** While the Company's ROCE in 2020 was substantially above the Target rate, the Compensation Committee sets the AROCE Performance Scale based on the objective of achieving consistent pre-tax mid-teen ROCE returns over the three year performance period covered by the PSAs. Accordingly, there may be outliers in performance, both positive and negative, during the three year performance period, but the PSAs are structured to reward the Company's executive officers for meeting the pre-tax mid-teen ROCE return over the long-term, which we believe leads to long-term shareholder value creation.

*** Payout in excess of 120% for the 2020 PSAs will be settled in cash.

The number of PSAs that become vested and settled at the end of the performance period will equal the product of the preliminary PSAs and the applicable total shareholder return (TSR) modifier, as set forth below, determined based on the Company's TSR during the performance period versus the TSR of the companies comprising the Index (adjusted as set forth in the award agreement), as of the first day of each performance period for the same period.

3-Year TSR Modifier

Relative TSR Position	Modifier*
25th percentile and below	0.9
50th percentile	1.0
75th percentile and above	1.1

* The relative TSR and resulting modifier will be interpolated between the 25th percentile and below and the 75th percentile. The relative TSR position will be calculated using the following formula where N is the total number of companies in the Index including the Company and R is the Company's ranking compared to the Index: N-R/N-1.

Frequency of Say-on-Pay Vote

Consistent with the preference expressed by our stockholders at our 2017 Annual Meeting of Stockholders, the Board decided that the Company will include an advisory vote to approve the compensation of our named executive officers in our proxy materials every year until the next required advisory vote to approve the frequency of an advisory vote on executive compensation, which will occur no later than our 2023 annual meeting.

Setting Compensation

The Compensation Committee is responsible for approving the compensation paid to our named executive officers as well as certain other highly compensated employees. In making compensation determinations, the Compensation Committee reviews information presented to them by the Company's management, compensation peer group information and the recommendations of an independent compensation consultant engaged by the Compensation Committee. The Compensation Committee also reviews our compensation-to-revenue ratio on a quarterly basis and may adjust the targeted compensation-to-revenue ratio in order to maintain the Company's compensation philosophy of aligning the interests of our named executive officers and our stockholders.

Involvement of Executive Officers

Mr. Solomon, our Chief Executive Officer, in consultation with our Chief Financial Officer, our General Counsel, our Chief Operating Officer and employees in our Human Resources department, assists the Compensation Committee in making compensation determinations. These individuals prepare information that is provided to, and reviewed by, the Compensation Committee and the Chief Executive Officer makes recommendations to the Compensation Committee for their consideration. Such information and recommendations include, among other things, recommendations for the percentage of the Company's Economic Operating Income that should be allocated to the management committee compensation pool, the compensation that should be received by the named executive officers (other than himself) and certain other highly compensated employees; financial information regarding the Company that should be reviewed in connection with compensation decisions; the firms to be included in a compensation peer group; and the evaluation and compensation process to be followed by the Compensation Committee. Our Chief Executive Officer is often invited to participate in Compensation Committee meetings; however, he recuses himself from all discussions regarding his own compensation.

Compensation Consultant

The Compensation Committee exercised its sole authority pursuant to its charter to directly engage Pay Governance LLC. Pay Governance LLC was retained by the Compensation Committee to provide advice, analysis, and assessment of alternatives related to the amount and form of executive compensation. Pay Governance LLC prepared certain Compensation Committee presentation materials (including the peer group data described below) during November and December 2020 and early 2021 at the request of the Compensation Committee. The Compensation Committee meets with Pay Governance LLC from time to time without management present.

The Compensation Committee has assessed the independence of Pay Governance LLC pursuant to SEC and NASDAQ rules and concluded that no conflict of interest exists that would prevent Pay Governance LLC from independently representing the Compensation Committee. The Compensation Committee reviewed and was satisfied with Pay Governance LLC's policies and procedures to prevent or mitigate conflicts of interest and that there were no business or personal relationships between members of the Compensation Committee and the individuals at Pay Governance LLC supporting the Compensation Committee.

Compensation Peer Group

The Compensation Committee, with the assistance of its independent compensation consultant, annually identifies a compensation peer group of firms with which we compete for executive talent. Our peer group includes investment banks with revenues and market capitalizations similar to ours as well as companies with significant asset management operations. In making compensation decisions for 2020, our Compensation Committee reviewed compensation information for similarly titled individuals at comparable companies gathered from public filings made in 2020 related to 2019 annual compensation and from subscriptions for other market data. At the request of the Compensation Committee, Pay Governance LLC provides the Compensation Committee with compensation data from other firms of similar size. For 2020, Pay Governance provided the Compensation Committee with peer group compensation data of B. Riley Financial, Evercore Partners Inc., Greenhill & Co., Inc., Houlihan Lokey, Inc., Jefferies Group, JMP Group, Lazard Ltd., Moelis & Company, Oppenheimer & Co. Inc., Piper Sandler Companies, PJT Partners, Raymond James Financial, and Stifel Financial Corp. The Compensation Committee believes that information regarding pay practices at comparable companies is useful in two respects. First, as discussed above, we recognize that our pay practices must be competitive in our marketplace. By understanding the compensation practices and levels of the Company's peer group, we enhance our ability to attract and retain highly skilled and motivated executives, which is fundamental to the Company's success. Second, this data is one of the many factors the Compensation Committee considers in assessing the reasonableness of compensation. Accordingly, the Compensation Committee reviewed trends among these peer firms and considered this data when determining our named executive officers' 2020 annual bonuses and other compensation, but did not utilize the peer firm compensation as a sole benchmark for determining executive compensation.

Relationship of Compensation Policies and Practices to Risk Management

The Board has discussed whether our compensation policies are reasonably likely to have a material adverse effect on our results. The Board noted that, consistent with our performance-based model, many of our employees receive a significant portion of their compensation through discretionary compensation tied to their individual or business unit performance, or a combination thereof. The Board noted that a lower portion of the Company's revenues are derived from proprietary trading businesses and that a significant portion of many employees' compensation is provided in the form of deferred compensation that vests over time, which has the effect of tying the individual employee's long-term financial interest to the firm's overall success. The Board believes that this helps mitigate the risks inherent in our business.

The Board noted that our risk management team continuously monitors our various business groups, the level of risk they are taking and the efficacy of potential risk mitigation strategies. Senior management also monitors risk and the Board is provided with data relating to risk at each of its regularly scheduled meetings. The Chief Risk Officer meets regularly with the Board to present his views and to respond to questions. For these reasons, the Board believes that our overall compensation policies and practices are not likely to have a material adverse effect on us.

Clawback Policy

In March 2015, the Company adopted a clawback policy that allows the Company to recover incentive compensation from any executive officer if that executive officer engages in intentional misconduct that caused or contributed to a restatement of the Company's financial results. In the event of a restatement, a committee consisting of the non-management members of the Board (the "Independent Director Committee") will review the performance-based compensation and annual bonus compensation paid in the form of both cash and equity under the Company's equity and incentive plans to any such executive (the "Awarded Compensation"). If the Independent Director Committee determines, in good faith, that the amount of such performance-based compensation or annual bonus actually paid or awarded to any such executive officer would have been a lower amount had it been calculated based on such restated financial statements (the "Actual Compensation") then the Independent Director Committee shall, subject to certain exceptions, seek to recover for the benefit of the Company the after-tax portion of the difference between the Awarded Compensation and the Actual Compensation.

Executive Officer Stock Ownership Guidelines

The Company adopted stock ownership guidelines on March 18, 2015 that require the Company's executive officers to hold Company stock or RSUs within the later of the adoption of the policy or five years of being designated as an executive officer. All named executive officers are in compliance with the stock ownership guidelines, which are set forth below.

Chief Executive Officer	8× Base Salary	$	8,000,000
Other Executive Officers	3× Base Salary	$	2,100,000

Anti-Hedging Policy

In order to support alignment between the interests of stockholders and employees, the Company maintains an anti-hedging policy that prohibits the "short sale" of Company securities. The policy prohibits employees from trading in options, warrants, puts and calls or similar instruments on Company securities. We allow directors and executive officers to hold up to 50% of their Company stock in a margin account. During 2020, all named executive officers were in compliance with this policy.

Perquisites

The Company provides certain perquisites, including reimbursement of group term life and long-term disability insurance and tax and financial planning expenses to certain members of senior management, including Messrs. Solomon, Lasota and Holmes.

Employment Agreements

Each of our named executive officers is party to an employment agreement with the Company. The Compensation Committee views the employment agreements as an important tool in achieving our compensation objective of recruiting and retaining talented employees and a strong management team. The severance and change-in-control arrangements provided by the employment agreements are intended to retain our named executive officers and to provide consideration for certain restrictive covenants that apply following a termination of employment. None of our named executive officers have minimum guaranteed bonuses in their employment agreements.

Tax and Accounting Impact and Policy

The financial and income tax consequences to the Company of individual executive compensation elements are important considerations for the Compensation Committee when analyzing the overall design and mix of compensation. The Compensation Committee seeks to balance an effective compensation package for our named executive officers with an appropriate impact on reported earnings and other financial measures.

In designing our compensation and benefit programs, we review and consider the accounting implications of our decisions, including the accounting treatment of amounts awarded or paid to our executives.

In general, Section 162(m) of the Code generally denies a publicly held corporation a deduction for federal income purposes for compensation in excess of $1 million per year paid to certain "covered employees." As in prior years, the Compensation Committee will continue to take into account the tax and accounting implications (including with respect to the expected lack of deductibility under the revised Section 162(m)) when making compensation decisions, but reserves its right to make compensation decisions based on other factors as well if the Compensation Committee determines it is in its best interests to do so. The Compensation Committee may, from time to time, design programs that are intended to further our success, including by enabling us to continue to attract, retain, reward and motivate highly-qualified executives that may not be deductible as a result of the limitations on deductibility under Section 162(m).

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and has recommended to the Board the inclusion of the Compensation Discussion and Analysis in the Form 10-K and in the definitive proxy statement for our 2021 Annual Meeting of Stockholders.

Compensation Committee of the Board of Directors of Cowen Inc.
Brett H. Barth, *Chair*
Lawrence E. Leibowitz
Margaret L. Poster
Douglas A. Rediker

Summary Compensation Table

The following table sets forth compensation information for our named executive officers in 2020.

Name & Principal Position	Year	Salary ($)	Bonus ($)[(1)]	Stock Awards ($)[(2)]	All Other Compensation ($)	Total ($)
Jeffrey M. Solomon	2020	1,000,000	13,000,000	3,157,115	1,833,388[(3)]	18,990,503
Chief Executive Officer	2019	950,000	1,300,000	3,588,250	1,640,563	7,478,814
	2018	950,000	1,875,000	1,053,481	1,210,376	5,088,857
Stephen A. Lasota	2020	700,000	4,847,295	899,110	373,870[(3)]	6,820,275
Chief Financial Officer	2019	700,000	1,212,500	854,236	353,358	3,120,094
	2018	500,000	1,625,000	396,485	311,652	2,833,137
John Holmes	2020	700,000	5,347,295	927,220	386,842[(3)]	7,361,357
Chief Operating Officer	2019	700,000	927,220	926,630	361,137	3,235,267
	2018	500,000	1,675,000	515,193	311,652	3,001,845
Owen S. Littman	2020	700,000	4,847,295	899,110	366,686[(3)]	6,818,910
General Counsel and Secretary	2019	700,000	1,212,500	890,424	351,955	3,154,879
	2018	500,000	1,650,000	396,485	311,652	2,858,137

(1) The amounts in this column reflect cash bonuses paid to the named executive officers in 2021 from the bonus pool established in respect of performance during the 2020 year.

(2) The entries in the stock awards column reflect the aggregate grant date value of the RSU and PSA awards granted in 2020 in connection with 2019 performance in accordance with FASB ASC 718, disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions. The value of the PSA awards reflects the grant date value of the awards based on the target level of performance, which is less than the maximum possible value. The grant date value of the PSA awards assuming that the highest level of the applicable performance conditions will be achieved is $1,774,440 for Mr. Solomon and $1,117,240 for Messrs. Lasota, Holmes and Littman, respectively. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for the year ended December 31, 2020, as filed with the SEC.

(3) Other compensation includes:

Other Compensation ($)	Jeffrey M. Solomon	Stephen A. Lasota	John Holmes	Owen S. Littman
Vested Deferred Cash Awards	1,773,575	363,983	380,698	369,802
Dividend Equivalents	10,572	2,692	2,753	2,703
Tax and Financial Planning	49,241	7,195	3,391	—

Grants of Plan-Based Awards

The following table provides information regarding grants of compensation-related, plan-based awards made to the named executive officers during fiscal year 2020. These awards are also included in the Summary Compensation Table above.

			Estimated Future Payouts Under Equity Incentive Plan Awards(1)				
	Grant Date	Corporate Action Date	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	Grant Date Fair Value of Stock Awards ($)(3)
Jeffrey M. Solomon	2/19/2020	1/16/2020	—	—	—	129,931	2,269,895
	7/1/2020	2/10/2020	27,000	54,000	108,000	—	887,220
Stephen A. Lasota	2/19/2020	1/16/2020	—	—	—	19,490	340,490
	7/1/2020	2/10/2020	17,000	34,000	68,000	—	558,620
John Holmes	2/19/2020	1/16/2020	—	—	—	21,099	368,600
	7/1/2020	2/10/2020	17,000	34,000	68,000	—	558,620
Owen S. Littman	2/19/2020	1/16/2020	—	—	—	19,490	340,490
	7/1/2020	2/10/2020	17,000	34,000	68,000	—	558,620

(1) The amounts reported in these columns represent Performance RSUs that are scheduled to vest on December 31, 2022 based on the attainment of AROE targets, subject to the named executive officer's continued employment through the applicable vesting date. These columns represent the number of Performance RSUs that vest at threshold achievement, target achievement and maximum achievement of the performance metrics applicable to such awards. At or below the threshold performance level, no shares will be paid out. At the maximum performance level, payout in excess of 120% will be settled in cash.

(2) RSUs will vest with respect to 12.5% on December 1, 2020, 12.5% on September 1, 2021, 25% on September 1, 2022, 25% on September 1, 2023 and 25% on September 1, 2024.

(3) The entries in the "Grant Date Fair Value of Stock Awards" column reflect the aggregate grant date fair value of the awards granted in 2020 computed in accordance with FASB ASC 718, disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions. The value of the PSA awards reflects the grant date value of the awards based on the target level of performance, which is less than the maximum possible value. The grant date value of the PSA awards assuming that the highest level of the applicable performance conditions will be achieved is $1,774,440 for Mr. Solomon and $1,117,240 for Messrs. Lasota, Holmes and Littman, respectively. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for the year ended December 31, 2020, as filed with the SEC.

Narrative Disclosure Relating to Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Agreements

In January 2020, the Company entered into amended and restated employment agreements with Messrs. Solomon, Holmes, Lasota and Littman (the "Employment Agreements"). The Employment Agreements provide for the following material terms:

- An initial term that expired December 31, 2020. Following the expiration of the initial term, the terms of the agreements automatically extend for successive one-year terms, unless either party elects not to extend the term.

- A minimum annual base salary of $1,000,000 for Mr. Solomon and $700,000 for Messrs. Holmes, Lasota, and Littman. Each named executive officer is also eligible to receive an annual performance-based bonus as determined by the Compensation Committee. The Employment Agreements provide that the Company may pay all or a portion of any annual bonus in the form of restricted securities, other stock or security-based awards, deferred cash, or other deferred compensation. The Employment Agreements do not provide for a minimum annual bonus.

- Pursuant to Mr. Solomon's Employment Agreement, if Mr. Solomon's employment is terminated by the Company without Cause or Mr. Solomon resigns for Good Reason (as such terms are defined in the Solomon Agreement) prior to, in connection with or following a Change in Control (as described in the Solomon Agreement), then subject to Mr. Solomon executing and not revoking a release of claims, he will be entitled to a lump sum severance payment equal to two and one-half times the sum of (x) Mr. Solomon's base salary on the date of termination plus (y) the average of the highest annual bonuses paid to Mr. Solomon in two of the three calendar years preceding his date of termination, except that the foregoing severance amount will not be less than $3,250,000 or greater than $5,000,000 if Mr. Solomon's termination occurs prior to a Change in Control (such payments will continue to be subject to the existing Internal Revenue Code Section 280G "modified cutback" provisions).

- If Mr. Solomon elects to transition to Senior Advisor status upon reaching age 55, the terms of Mr. Solomon's service as a Senior Advisor will be governed by the Senior Advisor Agreement. In particular, Mr. Solomon's service as a Senior Advisor will continue until the earliest of (i) 15 days following Mr. Solomon's written notice that he is terminating as a Senior Advisor, (ii) the second anniversary of the date he commences Senior Advisor status, (iii) the date of Mr. Solomon's death or disability and (iv) the date Mr. Solomon is terminated by the Company for Cause. In consideration for providing Senior Advisor services, Mr. Solomon will receive a base salary at an annualized rate of $150,000 and will be entitled to secretarial and administrative support. Mr. Solomon will also be entitled to receive certain additional benefits while a Senior Advisor, including office space (or, at the Company's election, payment of up to $60,000 per year for office space), financial planning services at the Company's expense and continued payment by the Company of life insurance premiums.

- Pursuant to the Executive Agreements with Messrs. Holmes, Lasota and Littman (collectively, the "Executive Agreements"), if the executive's employment is terminated by the Company without Cause or the executive resigns for Good Reason (each as described in the Executive Agreements) prior to a Change in Control (as described in the Executive Agreements), the executive will receive a lump sum cash payment equal to one and one-half times the sum of (x) the executive's base salary in effect at the end of the calendar year immediately preceding termination plus (y) the average of the highest annual bonuses paid to the executive in two of the three calendar years preceding his date of termination (such sum, the "Severance Amount"), except that the foregoing severance amount will not be greater than $1,500,000. Pursuant to the Executive Agreements, if the executive's employment is terminated by the Company without Cause or the executive resigns for Good Reason in connection with or following a Change in Control, the executive will receive a lump sum cash payment equal to two and one-half times the Severance Amount, which lump sum will not be subject to a cap. The Executive Agreements require the executives to execute and not revoke a release of claims as a condition to receiving severance payments (such payments will continue to be subject to the existing Internal Revenue Code Section 280G "modified cutback" provisions).

- In the event that the executive retires after attaining age 57.5 (or age 55, in the case of Mr. Solomon) and provides the Company with at least 90 days' advance notice, all outstanding equity awards and unvested deferred compensation then held by the executive will continue to vest in accordance with their terms as if the executive had continued to be an active employee of the Company, provided he does not engage in competitive activity at any time prior to the applicable vesting date and refrains from interfering with the Company's employees and customers for 12 months following his retirement.

- Customary confidentiality and invention assignment covenants, as well as an indefinite mutual non-disparagement covenant. In addition, these executives have agreed not to compete with, or solicit customers or employees of, the Company during the term of the employment agreement and for a period of 180 days for Mr. Solomon and 120 days for Messrs. Holmes, Lasota and Littman.

2020 Equity Incentive Plan

Effective as of June 22, 2020, the Company adopted the 2020 Equity Incentive Plan (the "2020 Plan").

The 2020 Plan reserved 3,000,000 shares of Class A common stock for delivery to participants and their beneficiaries under the 2020 Plan, subject to adjustment in the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off, or other similar change in capitalization or event. Shares delivered under the 2020 Plan may be either treasury shares or newly issued shares. For purposes of determining the remaining ordinary shares available for grant under the 2020 Plan, if any shares subject to an award are forfeited, cancelled, exchanged, or surrendered, or if an award terminates or expires without a distribution of shares, those shares will again be available for issuance under the 2020 Plan. However, shares of stock that are exchanged by a grantee or withheld by us as full or partial payment in connection with any award under the 2020 Plan, as well as any shares of stock exchanged by a grantee or withheld by us to satisfy the tax withholding obligations related to any award under the 2020 Plan, will not be available for subsequent awards under the 2020 Plan.

The 2020 Plan provides that generally, unless otherwise determined by the Compensation Committee or as set forth in an award or employment agreement, in the event of a change in control (as defined in the 2020 Plan), all outstanding awards shall become fully vested and exercisable and all restrictions, forfeiture conditions or deferral periods on any outstanding awards shall immediately lapse, and payment under any awards shall become due. The Compensation Committee has determined that all awards to our named executive officers under the 2020 Plan will vest on a double-trigger basis in the event of a change in control.

Outstanding Equity Awards at 2020 Fiscal Year End

The following table contains certain information regarding equity awards held by the named executive officers as of December 31, 2020.

	Stock Awards			
	Number of Shares that Have Not Vested (#)	**Market Value of Shares that Have Not Vested ($)(1)**	**Equity Incentive Plan Awards: Number of Unearned Units That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested ($)(1)**
Jeffrey M. Solomon				
2016 PSA Award(2)	—	—	29,166	758,024
2017 RSU Award(3)	22,083	573,937	—	—
2017 Incentive Award(4)	8,953	232,688	—	—
2018 RSU Award(5)	18,419	478,710	—	—
2019 RSU Award(6)	120,651	3,135,719	—	—
2019 PSA Award(7)	—	—	28,000	727,720
2020 RSU Award(8)	113,690	2,954,803		
2020 PSA Award(9)	—	—	27,000	701,730
Stephen A. Lasota				
2016 PSA Award(2)	—	—	25,000	649,750
2017 RSU Award(3)	3,825	99,412	—	—
2017 Incentive Award(4)	13,100	340,469	—	—
2018 RSU Award(5)	4,857	126,233	—	—
2018 Incentive Award(10)	8,993	233,728	—	—
2019 RSU Award(6)	14,118	366,927		
2019 PSA Award(7)	—	—	17,500	454,825
2020 RSU Award(8)	17,054	443,233		
2020 PSA Award(9)	—	—	17,000	441,830
John Holmes				
2016 PSA Award(2)		—	25,000	649,750
2017 RSU Award(3)	3,825	99,412		
2017 Incentive Award(4)	13,100	340,469	—	—
2018 RSU Award(5)	4,857	126,233	—	—
2018 Incentive Award(10)	17,986	467,456	—	—
2019 RSU Award(6)	17,313	449,965		
2019 PSA Award(7)	—		17,500	454,825
2020 RSU Award(8)	18,462	479,827		
2020 PSA Award(9)	—	—	17,000	441,830
Owen S. Littman				
2016 PSA Award(2)	—	—	25,000	649,750
2017 RSU Award(3)	3,825	99,412	—	—
2017 Incentive Award(4)	13,100	340,469	—	—
2018 RSU Award(5)	4,857	126,233	—	—
2018 Incentive Award(10)	8,993	233,728	—	—
2019 RSU Award(6)	15,714	408,407		
2019 PSA Award(7)	—	—	17,500	454,825
2020 RSU Award(8)	17,054	443,233		
2020 PSA Award(9)		—	17,000	441,830

(1) The values in the column are based on the $25.99 closing price of our Class A common stock on the NASDAQ Global Select Market on December 31, 2020.

(2) PSAs awarded on March 15, 2016 will, to the extent earned, vest with respect to 33⅓% on March 8, 2019, 33⅓% on March 10, 2020 and 33⅓% on December 31, 2020. These PSAs are scheduled to vest in three tranches based on the attainment of AROE and relative TSR targets for the applicable performance period, subject to the named executive officer's continued employment through the applicable vesting date. In accordance with SEC rules, the number of unearned PSAs is reported in the "Equity Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested" column based on achieving threshold performance goals (*i.e*., 40% of target).

(3) RSUs awarded on February 27, 2017 vest with respect to 15% on June 1, 2017, 10% on June 1, 2018, 25% on June 1, 2019, 25% on June 1, 2020 and 25% on June 1, 2021.

(4) RSUs awarded on February 27, 2017 will vest on March 10, 2021.

(5) RSUs awarded on February 21, 2018 will vest with respect to 25% on December 1, 2018, 25% on December 1, 2019, 25% on December 1, 2020 and 25% on December 1, 2021.

(6) RSUs awarded on February 20, 2019 will vest with respect to 12.5% on September 1, 2019, 12.5% on May 15, 2020, 25% in May 15, 2021, 25% on May 15, 2022 and 25% on May 15, 2023.

(7) PSAs awarded on April 1, 2019 will, to the extent earned, vest on December 31, 2021. These PSAs are scheduled to vest based on the attainment of AROCE target for the applicable performance period, subject to the named executive officer's continued employment through the applicable vesting date. In accordance with SEC rules, the number of unearned PSAs is reported in the "Equity Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested" column based on achieving threshold performance goals (*i.e*., 50% of target).

(8) RSUs awarded on February 19, 2020 vest with respect to RSUs will vest with respect to 12.5% on December 1, 2020, 12.5% on September 1, 2021, 25% on September 1, 2022, 25% on September 1, 2023 and 25% on September 1, 2024.

(9) PSAs awarded on July 1, 2020 will, to the extent earned, vest on December 31, 2022. These PSAs are scheduled to vest based on the attainment of AROCE target for the applicable performance period, subject to the named executive officer's continued employment through the applicable vesting date. In accordance with SEC rules, the number of unearned PSAs is reported in the "Equity Incentive Plan Awards: Market Value of Unearned Units That Have Not Vested" column based on achieving threshold performance goals (*i.e*., 50% of target).

(10) RSUs awarded on March 29, 2018 will vest on March 10, 2022.

Option Exercises and Stock Vested

The following table sets forth certain information concerning stock vested during the year ended December 31, 2020. No stock options were exercised by any of the named executive officers in 2020.

Name	Number of Shares Acquired on Vesting	Value Realized on Vesting ($)(1)
Jeffrey M. Solomon	116,712	1,850,854
Stephen A. Lasota	34,305	510,619
John Holmes	35,039	521,833
Owen S. Littman	34,572	513,762

(1) The value realized upon vesting of the stock awards is based on the $12.18 closing sale price of our Class A common stock on March 10, 2020, the $11.77 closing sale price of our Class A common stock on May 15, 2020, the $13.05 closing sale price of our Class A common stock on June 1, 2020 and the $24.58 closing sale price of our Class A common stock on December 1, 2020, the applicable vesting dates of the awards.

Potential Payments Upon Termination or Change in Control

Pursuant to the employment agreements with our named executive officers, upon certain terminations of employment or a change in control of the Company, our named executive officers are entitled to certain payments of compensation and benefits as described above under "Narrative Disclosure Relating to Summary Compensation Table and Grants of Plan-Based Awards Table — Employment Agreements." The table below reflects the amount of compensation and benefits that would have been payable to each named executive officer in the event that the named executive officer had experienced the following events as of December 31, 2020: (i) a termination for cause or resignation, or voluntary termination, (ii) involuntary termination, (iii) an involuntary termination that occurs in connection with a change in control, (iv) termination by reason of an executive's death, or (v) termination by reason of an executive's disability.

		Triggering Events				
Name	**Type of Payment**	**Voluntary Termination ($)**	**Involuntary Termination ($)**	**Involuntary Termination in Connection with a Change in Control(4)(5) ($)**	**Death ($)**	**Disability ($)**
Jeffrey M. Solomon	*Cash Severance(1)*	—	18,285,858	18,285,858	9,755,659	9,755,659
	Equity Acceleration(2)	—	9,563,332	9,563,332	9,563,332	9,563,332
	Total	**—**	**27,849,190**	**27,849,190**	**19,318,991**	**19,318,991**
Stephen A. Lasota	*Cash Severance(3)*	—	4,696,473	5,696,473	3,196,473	3,196,473
	Equity Acceleration(2)	—	3,156,407	3,156,407	3,156,407	3,156,407
	Total	**—**	**7,852,880**	**8,852,880**	**6,352,880**	**6,352,880**
John Holmes	*Cash Severance(3)*	—	4,964,042	5,964,042	3,464,042	3,464,042
	Equity Acceleration(2)	—	3,509,768	3,509,768	3,509,768	3,509,768
	Total	**—**	**8,473,810**	**9,473,810**	**6,973,810**	**6,973,810**
Owen S. Littman	*Cash Severance(3)*	—	4,798,773	5,798,773	3,298,773	3,298,773
	Equity Acceleration(2)	—	3,197,888	3,197,888	3,197,888	3,197,888
	Total	**—**	**7,996,661**	**8,996,661**	**6,496,661**	**6,496,661**

(1) Includes the value of a cash payment equal to the sum of (i) the average of Mr. Solomon's 2018 and 2019 annual bonuses (the highest annual bonuses paid to Mr. Solomon in two of the three calendar years), comprised of cash bonus, deferred cash and deferred equity ($7,175,000), (ii) two and one-half times the sum of Mr. Solomon's 2018 base salary ($950,000) and the average of Mr. Solomon's 2018 and 2019 annual bonuses (subject to a $3.25 million minimum and a $5 million limit), (iii) a cash payment equal to 24 months of COBRA premiums, and (iv) the value of acceleration of unvested deferred cash compensation ($2,496,926, including interest accrued through December 31, 2020), which is payable to Mr. Solomon pursuant to the terms of his employment agreement. Mr. Solomon is not entitled to enhanced cash severance payments if his employment is involuntarily terminated in connection with or following a change in control. Had Mr. Solomon experienced a termination by reason of death or disability, he would have been entitled to a cash payment equal to the sum of the amounts described under clauses (i), (iii), and (iv) above.

(2) Includes the value of acceleration of all unvested shares of restricted stock and all performance share and PSA awards, based on a price of $25.99 per share, which was the closing price of our Class A common stock on the NASDAQ Global Select Market on December 31, 2020. Pursuant to their employment agreements and the applicable award agreements, the executives are entitled to immediate vesting of outstanding equity awards upon an involuntary termination or a termination by reason of death or disability, except for the PSAs granted in April 2019 and June 2020, which will, upon an involuntary termination, remain outstanding until the completion of the applicable performance period without regard to the continued service requirement and will vest based on the actual level of the attainment of the applicable performance goals. For reporting purposes, target level performance was assumed. In addition, pursuant to the terms of the applicable award agreements, unvested equity awards will vest in the event that a change in control occurs and, following such change in control, the executive's compensation or job responsibilities are reduced materially or the equity securities of the Company cease to trade on a national securities exchange, except for the PSAs granted in April 2019 and June 2020, which will vest based on the target level of the applicable performance goals, subject to the named executive officer's continued employment through the applicable vesting date.

(3) Includes the value of a cash payment equal to the sum of (i) the average of the 2018 and 2019 annual bonus comprised of cash bonus, deferred cash and deferred equity ($2,200,000, $2,350,000 and $2,250,000) for Messrs. Lasota, Holmes and Littman, respectively, (ii) one and one-half times the average of 2018 and 2019 compensation for each of Mr. Lasota, Mr. Holmes and Mr. Littman as reported on Form W-2 (subject to a $1.5 million limit), (iii) a cash payment equal to 24 months of COBRA premiums ($38,660 for Mr. Lasota, $54,604 for Mr. Holmes and $51,210 for Mr. Littman), and (iv) the value of acceleration of unvested deferred cash compensation ($957,813, $1,059,438 and $991,563) for each of Mr. Lasota, Mr. Holmes and Mr. Littman, respectively, including interest accrued through December 31, 2020), which is payable to Messrs. Lasota, Holmes and Littman pursuant to the terms of their employment agreements. Had Mr. Lasota, Mr. Holmes or Mr. Littman experienced a termination by reason of death or disability, each executive would have been entitled to a cash payment equal to the sum of the amounts described under clauses (i), (iii), and (iv) above.

(4) Includes the value of the same cash severance payments that would have been payable to Messrs. Lasota, Holmes and Littman in connection with an involuntary termination of employment (as described above), except that the applicable multiplier for average W-2 compensation will be two and one-half times instead of one and one-half times, and the applicable limit will be $2.5 million instead of $1.5 million. Pursuant to their employment agreements, Messrs. Lasota, Holmes and Littman will be entitled to receive this enhanced cash severance payment in the event of an involuntary termination of employment in connection with or following a change in control. In addition, pursuant to the terms of the applicable award agreements, each executive's unvested deferred cash compensation will vest in the event that a change in control occurs and, following such change in control, the executive's compensation or job responsibilities are reduced materially or the equity securities of the Company cease to trade on a national securities exchange.

(5) Under the employment agreements with Messrs. Solomon, Lasota, Holmes and Littman, severance payable following a change in control would have been subject to a so-called "modified golden parachute cutback" provision pursuant to which "excess parachute payments" would be reduced to the extent such reduction would result in greater after-tax benefits. The amounts disclosed above represent the full amounts payable, without application of any cutback.

PAY RATIO

Pursuant to Item 402(u) of Regulation S-K, presented below is the ratio of annual total compensation of Mr. Solomon, our Chief Executive Officer as of December 31, 2020, to the median annual total compensation of all our employees (excluding our Chief Executive Officer).

To determine the median annual total compensation of all our employees (excluding our Chief Executive Officer), a median employee was identified from the population of our 1,374 employees as of December 31, 2020. We did not include independent contractors in our determination.

In order to identify our median employee, we ranked each of our employees (other than our Chief Executive Officer) based on 2020 awarded compensation. For this purpose, 2020 awarded compensation was composed of each employee's (i) salary earned during 2020, (ii) annual cash bonus paid in respect of 2020 performance, (iii) deferred cash awards granted in respect of 2020 performance and (iv) and RSUs granted in respect of 2020 performance. In determining 2020 awarded compensation, we did not apply any cost-of-living adjustments or annualize any partial-year compensation.

Once we identified the median employee, we determined that individual's annual total compensation in accordance with the requirements for determining total compensation in the Summary Compensation Table.

The 2020 annual total compensation for Mr. Solomon, our Chief Executive Officer, as reported in the Summary Compensation Table in this proxy statement, was $18,990,503. The 2020 annual total compensation for our median employee, determined in accordance with the requirements for determining total compensation in the Summary Compensation Table, was $205,000. The ratio of our Chief Executive Officer's annual total compensation to the annual total compensation of our median employee for 2020 is 93 to 1. We believe that this ratio represents a reasonable estimate calculated in a manner consistent with Item 402(u).

The information disclosed in this section was developed and is provided solely to comply with specific, new legal requirements. We do not use this information in managing our Company. We do not believe this information provides stockholders with a useful mechanism for evaluating our management's effectiveness, operating results, or business prospects, nor for comparing our company with any other company in any meaningful respect.

COMPENSATION PROGRAM FOR NON-EMPLOYEE DIRECTORS FOR 2020

Director Compensation Table

The following table sets forth compensation information for our non-employee directors for the year ended December 31, 2020.

Director	Fees Earned Paid in Cash ($)	Stock Awards ($)(1)	All Other Compensation ($)(2)	Total
Brett H. Barth(3)	—	270,000	1,098	271,098
Katherine E. Dietze	115,000	115,000	—	230,000
Gregg A. Gonsalves(4)	133,334	100,000	—	233,334
Steven Kotler	105,000	105,000	—	210,000
Lawrence E. Leibowitz	50,000	150,000	—	200,000
Margaret L. Poster	100,000	100,000	499	200,499
Douglas A. Rediker(3)	—	200,000	—	200,000

(1) Represents the aggregate grant date fair value calculated in accordance with generally accepted accounting principles, disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 3, 2021. As of December 31, 2021, all outstanding stock awards held by our directors are fully vested.

(2) Represents dividend equivalents paid on delivered RSUs.

(3) In 2020, Messrs. Barth and Rediker elected to receive 100% of their director compensation in RSUs. Please see "Narrative Disclosure Relating to Director Compensation Table" below for additional information regarding non-employee director compensation in 2020.

(3) Mr. Gonsalves received $33,334 for his Board service from April 2020 through June 2020.

Narrative Disclosure Relating to Director Compensation Table

In 2020, each of our non-employee directors received annual compensation of $200,000. Mr. Barth, the Company's Lead Director, received additional compensation of $50,000. Ms. Dietze, the Chair of the Audit Committee received additional compensation of $30,000 per annum. Mr. Barth, the Chair of the Compensation Committee, received additional compensation of $20,000 per annum, and Mr. Kotler, the Chair of the Nominating and Corporate Governance Committee received additional compensation of $10,000 per annum. For 2020, a minimum of 50% of a director's compensation was paid in the form of RSUs. In addition, each director was entitled to elect to receive any amount in excess of 50% of 2020 compensation in the form of RSUs. The RSUs were valued using the volume-weighted average price for the 30-day period prior to our 2020 annual meeting of stockholders. RSUs are vested and not subject to forfeiture; however, except in the event of death, the underlying shares of Class A common stock will not be delivered to the holder for at least one year from the date of grant. Dividend equivalent cash payments are made to our Directors upon the delivery of the underlying shares of Class A common stock. These equity awards are intended to further align the interests of our directors with those of our stockholders. Directors who also are employed as executive officers of the Company receive no additional compensation for their service as a director.

In 2021, each of our independent directors will receive annual compensation of $250,000. The compensation increase reflects the more active role the Board continues to take in Company affairs coupled with the added complexity of the Company's business and is an effective recruiting tool for new directors. The Lead Director will continue to receive additional compensation of $50,000. The Chair of the Audit Committee will receive additional compensation of $35,000 per annum. The Chair of the Compensation Committee will receive additional compensation of $25,000 per annum and the Chair of the Nominating and Corporate Governance Committee will receive additional compensation of $20,000 per annum. A minimum of 50% of each director's compensation will continue to be paid in the form of RSUs. In addition, each director will be entitled to elect to receive any amount in excess of 50% of 2021 compensation in the form of RSUs.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of non-employee directors, none of whom has ever been an officer or employee of the Company and none of whom had any related person transaction involving the Company. None of our executive officers (1) served as a member of the board of directors or compensation committee of any other entity that had one or more of its executive officers serving as a member of our Compensation Committee or (2) served as a member of the compensation committee of any other entity that had one or more of its executive officers serving as a member of our Board during 2019.

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

Beneficial Ownership of Directors, Nominees and Executive Officers

The following table shows how many shares of our Class A common stock were beneficially owned as of April 29, 2021, by each of our directors and named executive officers and by all of our directors and named executive officers as a group. Unless otherwise noted, the stockholders listed in the table have sole voting and investment power with respect to the shares owned by them.

Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Brett H. Barth	66,052(1)	*
Katherine E. Dietze	12,007(2)	*
Gregg A. Gonsalves	—(3)	*
Steven Kotler	2,500(4)	*
Lawrence E. Leibowitz	8,000(5)	*
Margaret L. Poster	—(6)	*
Douglas A. Rediker	—(7)	*
Jeffrey M. Solomon	526,750	2.0%
John Holmes	157,387	*
Stephen A. Lasota	201,083	*
Owen S. Littman	152,124(8)	*
All directors and executive officers as a group (11 persons)	1,125,903	4.2%

* corresponds to less than 1% of Cowen Inc. Class A common stock,

(1) The amount presented does not include 19,737 fully-vested RSUs that will be delivered to Mr. Barth upon the one-year anniversary of the grant date.

(2) The amount presented does not include 63,989 fully-vested RSUs that will be delivered to Ms. Dietze upon her retirement from the Board.

(3) The amount presented does not include 7,310 fully-vested RSUs that will be delivered to Mr. Gonsalves upon the three-year anniversary of the grant date.

(4) The amount presented does not include 61,326 fully-vested RSUs that will be delivered to Mr. Kotler upon his retirement from the Board.

(5) The amount presented does not include the 29,569 fully-vested RSUs that will be delivered to Mr. Leibowitz upon his retirement from the Board.

(6) The amount presented does not include 13,547 fully-vested RSUs that will be delivered to Ms. Poster upon the one-year anniversary of the grant date.

(7) The amount presented does not include 55,667 fully-vested RSUs that will be delivered to Mr. Rediker upon his retirement from the Board.

(8) Includes 275 shares held in custodial accounts on behalf of Mr. Littman's children.

Beneficial Owners of More than Five Percent of Our Class A Common Stock

Based on filings made under Section 13(d) and Section 13(g) of the Securities Exchange Act of 1934, as of April 29, 2021, the persons known by us to be beneficial owners of more than 5% of our Class A common stock were as follows:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
FMR LLC(1) 245 Summer Street Boston, MA 02210	2,994,518	11.15%
BlackRock, Inc.(2) 55 East 52nd Street New York, NY 10055	2,680,545	9.98%
The Vanguard Group(3) 100 Vanguard Boulevard Malvern, PA 19355	1,671,090	6.22%
Arbiter Partners Capital Management LLC(4) 530 Fifth Avenue, 20th Floor New York, NY 10036	1,456,873	5.43%
Dimension Fund Advisors LP (5) 6300 Bee Cave Road, Building One Austin, TX 78746	1,364,007	5.08%

(1) This information is based on a Schedule 13G filed with the SEC on February 8, 2021 by FMR LLC. FMR reported that it has sole voting power as to 1,218,214 shares and sole dispositive power as to 2,994,518 shares.

(2) This information is based on a Schedule 13G filed with SEC on April 12, 2021 by BlackRock, Inc. Blackrock reported that it has sole voting power as to 2,520,113 and sole dispositive power as to 2,680,545 shares. The beneficial ownership indicated above represents the aggregate beneficial ownership of BlackRock, Inc., and its subsidiaries, BlackRock Life Limited, BlackRock (Netherlands) B.V., BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management Schweiz AG, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Fund Managers Ltd., BlackRock Institutional Trust Company, N.A., BlackRock Investment Management, LLC and BlackRock Investment Management (UK) Limited.

(3) This information is based on a Schedule 13G filed with the SEC on February 10, 2021 by The Vanguard Group. Vanguard reported that it has shared voting power as to 39,973 shares, sole dispositive power as to 1,605,510 shares and shares dispositive power of 65,580 shares.

(4) This information is based on a Schedule 13G filed with the SEC on February 16, 2021 by Arbiter Partners Capital Management LLC and Paul J. Isaac (“Arbiter”). Arbiter reported that it has shared voting and dispositive power as to 1,456,873 shares.

(5) This information is based on a Schedule 13G filed with the SEC on February 12, 2021 by Dimensional Fund Advisors LP. Dimension reported that it has sole voting power as to 1,264,209 shares and sole dispositive power as to 1,346,007 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors to file initial reports of ownership of our securities and reports of changes in ownership of our securities with the Securities and Exchange Commission.

Based on a review of copies of such reports and on written representations from our executive officers and directors, we believe that all Section 16(a) filing and disclosure requirements applicable to our executive officers and directors for 2020 have been satisfied except for late reports by Messrs. Lasota, Littman and Solomon related to a net share settlement of 1,152, 1,283 and 9,847 shares, respectively, on May 15, 2020 which were reported on June 2, 2020 due to a clerical error.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes, as of December 31, 2020, the number of shares of our common stock to be issued upon exercise of outstanding options granted under our 2020 Equity and Incentive Plan, the weighted-average exercise price of such options, and the number of shares remaining available for future issuance under the plans for all awards as of December 31, 2020.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under the Equity Compensation Plan (Excluding Shares in First Column)
Equity compensation plans approved by security holders	---	----	2,403,073
Equity compensation plans not approved by security holders	None	N/A	None

(1) This number is based on the 26,207,533 shares authorized for issuance under the Company's Equity and Incentive Plans as of December 31, 2020. As of March 31, 2021, we had 802,173 shares remaining under the equity plans, which exclude shares reserved for issuance based on certain performance criteria in existing agreements.

Item 13. Certain Relationships and Related Transactions and Director Independence

Director Independence

Under applicable Nasdaq Stock Market Rules, a director will only qualify as an "independent director" if, in the opinion of our Board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our Corporate Governance Guidelines require that a majority of the Board be composed of directors who meet the independence criteria establish by NASDAQ Stock Market, Inc. Marketplace Rules. Under applicable NASDAQ Stock Market rules, a director will only qualify as an "independent director" if, in the opinion of our Board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making its determination, the Board considers all relevant facts and circumstances, both with respect to the director and with respect to any persons or organizations with which the director has an affiliation, including immediate family members.

Our Board has determined that none of Mses. Dietze or Poster nor Messrs. Barth, Gonsalves, Kotler, Leibowitz or Rediker currently has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an "independent director" as defined under Rule 4200(a)(15) of the NASDAQ Stock Market, Inc. Marketplace Rules.

Mr. Solomon cannot be considered an independent director under NASDAQ Stock Market rules because Mr. Solomon currently serves as our Chief Executive Officer. Therefore, the Board has determined that seven of our eight directors are independent.

Related Transactions Involving Our Executive Officers

Side-by-Side Investments

To the extent permissible by applicable law, our executive officers, directors and certain eligible employees, as well as such individuals' immediate family members and other investors they refer to us, have historically been permitted to invest their own capital either directly in, or in side-by-side investments or managed accounts with, our alternative investment management funds and certain proprietary investment vehicles established by our broker-dealer segment. Side-by-side investments are investments in assets substantially similar to the investments of the applicable fund and the managed accounts are accounts that invest in the asset classes covered by our alternative investment business. Direct investment in managed accounts or side-by-side investments with, our funds by such individuals are generally made on the same terms and conditions as the investments made by other third party investors in the funds, except that such investments are subject to discounted management and performance fees.

Employment Arrangements

Kyle Solomon, the brother of Jeffrey M. Solomon, is a Managing Director of Cowen and Company and earned approximately $2,161,210 in 2020, which amount includes Kyle Solomon's base salary, cash bonus paid in 2020 relating to 2019 and 2020 performance and approximately $202,689 of deferred cash awards and RSUs granted in prior years that vested during 2020.

Review and Approval of Transactions with Related Persons

To minimize actual and perceived conflicts of interests, the Board has adopted a written policy governing transactions in which the Company is a participant, the aggregate amount involved is reasonably expected to exceed $120,000, and any of the following persons has or may have a direct or indirect material interest in the transaction: (a) our executive officers, directors (including nominees) and certain other highly compensated employees, (b) stockholders who own more than 5% of our Class A common stock, and (c) any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law or person (other than a tenant or employee) sharing the same household of any person described in (a) or (b) above. These transactions will be considered "related person transactions."

Unless exempted from such policy as described below, the policy requires that related person transactions must be reported to our General Counsel or Chief Compliance Officer who will then submit the related person transaction for review by our Audit Committee. The Audit Committee will review all relevant information available to it and will approve or ratify only those related person transactions that it determines are not inconsistent with the best interests of the Company. If our General Counsel or Chief Compliance Officer determines that advance approval of a related person transaction is not practicable under the circumstances, the Audit Committee will review, and, in its discretion, may ratify the related person transaction at its next meeting, or at the next meeting following the date that the related person transaction comes to the attention of our General Counsel or Chief Compliance Officer. However, the General Counsel or Chief Compliance Officer may present a related person transaction that arises between Audit Committee meetings to the Chair of the Audit Committee, who will review and may approve the related person transaction, subject to the Audit Committee's ratification at its next meeting.

It is anticipated that any related person transaction previously approved by the Audit Committee or otherwise already existing that is ongoing will be reviewed annually by the Audit Committee to ensure that such transaction has been conducted in accordance with the previous approval granted by the Audit Committee, if any, and that all required disclosures regarding the related person transaction are made.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, the board anticipates it will determine that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of the policy:

- interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, (c) the amount involved in the transaction equals less than the greater of $200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction;

- a transaction with a significant stockholder, or such stockholder's immediate family members, who has a current Schedule 13G filed with the SEC with respect to such stockholder's ownership of our securities; and

- a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

Item 14. Principal Accounting Fees and Services

Independent Registered Public Accounting Firm Fees and Other Matters

The following table presents the aggregate fees billed for services rendered by KPMG LLP, our independent registered public accounting firm for the fiscal years ended December 31, 2020 and December 31, 2019.

	2020	2019
Audit Fees(1)	$ 5,653,283	$ 5,222,917
Audit-Related Fees(2)	47,274	44,038
Tax Fees(3)	1,143,687	1,270,915
All Other Fees(4)	86,100	-
Total	6,930,345	$ 6,537,870

(1) Audit fees reflect audit fees incurred for the Cowen Inc. integrated audit and quarterly reviews as well as the financial statement audits of its consolidated subsidiaries.

(2) Audit-Related Fees reflect fees for attestation procedures required by local regulations for consolidated subsidiaries.

(3) Tax fees reflect tax compliance and tax advisory services.

(4) All Other Fees relate to non-tax advisory and consulting services.

KPMG LLP also provided services to entities affiliated with Cowen Inc. that were billed directly to those entities and, accordingly, were not included in the amounts disclosed above. These amounts included $1,317,500 and $975,213 for the audits of private equity funds, hedge funds and other fund structures within the Cowen Investment Management business for the years ended December 31, 2020 and December 31, 2019, respectively.

Auditor Services Pre-Approval Policy

The Audit Committee has adopted an Audit Committee Policy Regarding Outside Auditor Services which includes a pre-approval policy that applies to services performed for the Company by our independent registered public accounting firm. In accordance with this policy, we may not engage our independent registered public accounting firm to render any audit or non-audit service unless the service was approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval policies and procedures described below.

The pre-approval policy delegates to the Chair of the Audit Committee the authority to pre-approve any audit or non-audit services, provided that any approval by the Chair is reported to the Audit Committee at the Audit Committee's next regularly scheduled meeting. The Audit Committee may also pre-approve services that are expected to be provided to the Company by the independent registered public accounting firm during the next 12 months and at each regularly scheduled meeting of the Audit Committee, management or the independent registered public accounting firm must report to the Audit Committee each service actually provided to the Company pursuant to the pre-approval.

Our Audit Committee has determined that the provision of the non-audit services described in the table above was compatible with maintaining the independence of our independent registered public accounting firm. The Audit Committee reviews each non-audit service to be provided and assesses the impact of the service on the registered public accounting firm's independence.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

3. Exhibits

Exhibits are incorporated herein by reference or are filed with this report as indicated below:

Exhibit No.	Description
31.3	Certification of CEO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.4	Certification of CFO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COWEN INC.

By: /s/ Jeffrey M. Solomon
Name: Jeffrey M. Solomon
Title: Chief Executive Officer

Dated: April 30, 2021

Exhibit 31.3

Certification

I, Jeffrey M. Solomon, certify that:

1. I have reviewed this Amendment No.1 on Form 10-K/A of Cowen Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: April 30, 2021

/s/ Jeffrey M. Solomon

Name: Jeffrey M. Solomon
Title: *Chief Executive Officer*
(principal executive officer)

Exhibit 31.4

Certification

I, Stephen A. Lasota, certify that:

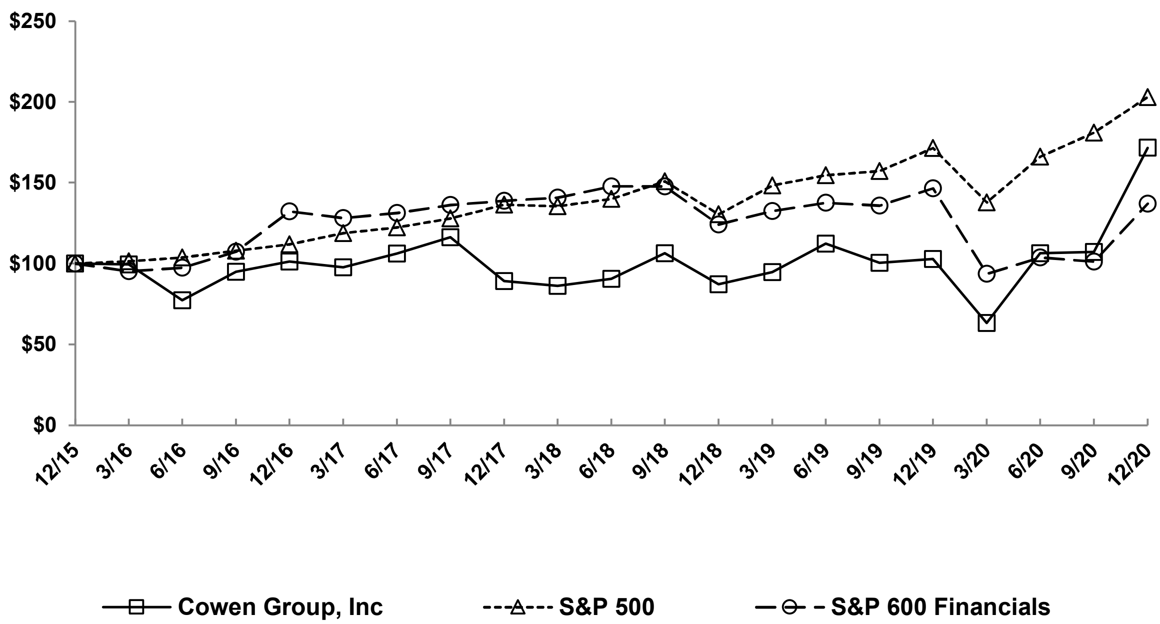
1. I have reviewed this Amendment No.1 on Form 10-K/A of Cowen Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: April 30, 2021	/s/ Stephen A. Lasota
	Name: Stephen A. Lasota
	Title: *Chief Financial Officer (principal financial officer and principal accounting officer)*

Stock Performance

The following graph and table compare the performance of an investment in our common stock with investments in the S&P 500 Index and the S&P 600 Financials Index over the period of December 31, 2015 through December 31, 2020, the last day of trading in fiscal 2020. Both the graph and the table assume that $100 was invested on December 30, 2015 and the dividends, if any, were reinvested on the date of payment. The performance shown in the graph represents past performance and should not be considered indicative of future performance.



	12/31/15	12/31/20
Cowen Inc.	$100.00	$171.57
S&P 500	100.00	203.04
S&P 600 Financials	100.00	136.94

CAPABILITIES

INVESTMENT BANKING
MARKETS
RESEARCH
INVESTMENT MANAGEMENT

LOCATIONS

U.S.

ATLANTA
BOSTON
CHICAGO
CLEVELAND
DALLAS
DETROIT
HOUSTON
INDIANAPOLIS
LOS ANGELES
MINNEAPOLIS
NEW YORK
ORLANDO
SAN FRANCISCO
STAMFORD
WASHINGTON, DC

INTERNATIONAL

BELFAST
BERLIN
FRANKFURT
GRAZ
HONG KONG
LEIPZIG
LONDON
LUXEMBOURG
MALTA
MUNICH
ZURICH


COWEN
ANNUAL REPORT 2020